

Contact: Joan Racki

**PRELIMINARY RESOLUTION FOR THE SALE OF HOSPITAL REVENUE BONDS,
SERIES S.U.I. 2008**

Action Requested: Consider adopting A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$33,850,000 Hospital Revenue Bonds, Series S.U.I. 2008.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing the Executive Director to fix the date or dates for the sale of Hospital Revenue Bonds, Series 2008. The bond issuance schedule for calendar year 2008, approved by the Board in October 2007, included the sale of Hospital Revenue Bonds in September 2008. However, due to unfavorable market conditions, the bonds were not sold at the September 2008 Board meeting. It is therefore necessary for the Board to adopt a new preliminary resolution with the sale of the bonds scheduled for the December 2008 meeting.

The General Assembly passed and the Governor approved legislation in 2002 authorizing the Board to issue Hospital Revenue Bonds with \$100 million in project proceeds over a period of years. In November 2002, the Board sold bonds to finance a portion of the cost of the Center for Excellence in Image-Guided Radiation Therapy and the three stories of shell space above the Center and other improvements. Additional bond issues were sold in June and September 2007.

The proceeds available for projects from the three series of bonds previously sold total \$69.1 million, leaving a remainder of \$30.9 million from the legislatively authorized amount to be issued. The proposed bond issue would be the final sale of bonds authorized in 2002.

At its August 2004 meeting, the Board adopted a resolution which declared an official intent under Treasury Regulation 1.150-2 for the University of Iowa Hospitals and Clinics to be reimbursed from future Hospital Revenue Bond issues for expenditures for certain capital improvement projects.

Capital projects for which reimbursement was identified in 2004 and for which a portion of the Series 2008 bond proceeds would be used for repayment of the Hospital Building Usage Funds initially used for construction are:

<u>Project</u>	<u>Board Approved Project Budget</u>
Emergency Trauma Center Renovation and Expansion	\$30,000,000
Ambulatory Surgery Center and Procedure Suite Development	39,600,000

The bond proceeds will also finance the on-going construction of the Emergency Trauma Center; and projects that will expand and augment inpatient nursing/ambulatory clinic, and other patient care units and support services/functions.

Principal on the 2008 bonds would be repaid over a period of 20 years, with debt service of approximately \$2.8 million annually to be paid from Hospital Income derived from the operation of the Hospital System. Hospital Income includes the gross income and funds received by the Hospital System, including the proceeds of rates, fees, charges, and payments for health care

provider activities for patient care services after deduction of Current Expenses. Hospital Income does not include state appropriations to the University or IowaCare appropriations to the Hospital System.

Additional Information: Iowa Code Chapter 263A authorizes the Board of Regents to borrow money and to issue and sell revenue bonds to pay all or any part of the cost for projects at the University of Iowa Hospitals and Clinics upon approval of the General Assembly and Governor.

The size of the 2008 bond issue is estimated to total \$33,850,000 including, based upon current interest rates:

- project costs (estimated at \$30,910,300);
- debt service reserve (estimated at \$2,805,000);
- issuance costs (estimated at \$134,700).

The outstanding principal amount of Hospital Revenue Bonds is \$70,550,000.

A copy of the resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

The resolution includes a provision permitting the Board to receive bids by means of both sealed and electronic communication; the receipt by electronic communication is consistent with the resolution adopted by the Board in November 2001 approving the electronic bidding procedures.