

Contact: Joan Racki

**SALE AND AWARD OF \$20,945,000 (ESTIMATED) HOSPITAL
REVENUE REFUNDING BONDS, SERIES S.U.I. 2011A**

Action Requested: Consider adopting the following resolution, subject to receipt of acceptable bids:

A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of \$20,945,000 (estimated) Hospital Revenue Refunding Bonds, Series S.U.I. 2011A, for the purpose of advance refunding the Hospital Revenue Bonds, Series S.U.I. 2002, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award, authorization and issuance of Hospital Revenue Refunding Bonds for the University of Iowa. When the calendar year 2011 bond issuance schedule was approved by the Board in October 2010, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's Financial Advisor, has determined that interest rate savings could occur by refunding the 2012 – 2028 maturities of the \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2002. These bonds were sold to finance, in part, 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.

Interest on the refunding bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds. Interest on the bonds to be refunded has also been double tax-exempt.

The proposed refunding of the Hospital Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of September 1, 2012. (Hospital Revenue Bonds have a principal maturity date of September 1st.) The proceeds from the sale of the refunding bonds, net of issuance expenses, would be invested in U.S. Treasury Obligations or other permitted investments to fund an escrow account which would be used to redeem the 2012 – 2028 maturities on the call date. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2002 Series bonds.

Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. (Rates on the 2002 Series bonds range from 4.125% in 2012 to 5.0% in 2028.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$1.6 million. Annual cash flow savings are estimated at approximately \$125,000.

The refunding issuance amount is estimated at \$20,945,000. This amount will be adjusted up or down, depending upon the bid received, but will not exceed \$21,750,000. This flexibility will provide sufficient funds to fund the escrow account and to pay the costs of issuance, which are estimated at \$120,000.

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. The Board is further authorized to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:00 a.m. on October 27, 2011, and the award is scheduled for later that day. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

The official statement for the bond sale may be found on the website of Springsted, Inc., the Board's Financial Advisor, at <http://www.springsted.com/>.

A copy of the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

Specifics of the bonds are:

- Average Maturity: 9.4 Years
- Bonds Dated: November 1, 2011
- Interest Due: September 1, 2012 and each March 1 and September 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: November 1, 2012 – 2028
- Optional Call: Bonds maturing on or after September 1, 2022 are callable commencing September 1, 2021 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof