PRELIMINARY RESOLUTION FOR THE SALE OF UP TO $25,000,000 UTILITY SYSTEM REVENUE BONDS, SERIES S.U.I. 2006

Action Requested: Subject to adoption of a bond issuance schedule for calendar year 2006, consider adopting a Resolution authorizing the Acting Executive Director to fix the date or dates for the sale of up to $25,000,000 Utility System Revenue Bonds (The State University of Iowa), Series S.U.I. 2006, and declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa for certain original expenditures paid in connection with the Project.

(ROLL CALL VOTE)

Executive Summary: Subject to adoption of a bond issuance schedule for calendar year 2006, the Board is asked to consider adoption of a resolution authorizing the Acting Executive Director to fix the date or dates for the sale of up to $25,000,000 Utility System Revenue Bonds, Series S.U.I. 2006. The bond sale would be scheduled for the February 2006 Board meeting.

Proceeds from the sale of the bonds would be used to partially fund a number of utility projects, for which the Board has previously taken action, including the West Campus Chilled Water Plant Renovation and Expansion, Pump House Renovation, East Campus Chilled Water Plant, and Chilled Water Lines: Melrose Extension projects. The University’s utility system is a self-supporting operation.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately $1,900,000 annually to be paid from utility system charges and the proceeds of any utility system student fees which the Board may establish in the future. Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds.

The reimbursement provisions included in the resolution will ensure maximum reimbursement capability under regulations of the federal Internal Revenue Code. Pursuant to these regulations, project payments made not more than 60 days prior to adoption of the resolution are eligible for reimbursement from future bond issues.

Additional Information: Under the provision of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities.

The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.
The following summarizes the status of the projects, including Board action, for which the proceeds from the bond sale are planned to be used:

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
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<tbody>
<tr>
<td>West Campus Chilled Water Plant Renovation</td>
<td>Project budget of $15.7 million approved – Dec. 2004; construction contract awarded – June 2005</td>
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<tr>
<td>West Campus Chilled Water Plant Expansion</td>
<td>Schematic design and project budget ($24.15 million) approved – June 2005</td>
</tr>
<tr>
<td>Pump House Renovation</td>
<td>Permission to proceed, engineering agreement approved – Nov. 2004; approval of project budget ($5.0 million) requested in Nov. 2005</td>
</tr>
<tr>
<td>East Campus Chilled Water Plant</td>
<td>Permission to proceed, engineering agreement approved – Dec. 2004</td>
</tr>
<tr>
<td>Chilled Water Lines: Melrose Extension</td>
<td>Permission to proceed approved – Sept. 2005</td>
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</tbody>
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The size of the bond issue is estimated to total $25,000,000 including:

- project costs (estimated at $22,665,000);
- debt service reserve (estimated at $1,910,800);
- underwriters discount (estimated at $350,000) and
- issuance costs (estimated at $74,200).

The outstanding principal amount of University of Iowa Utility System Revenue Bonds is $77.2 million.

The new bonds would be issued on a parity with the outstanding bonds, with the source of repayment continuing to be utility system charges. As a credit enhancement, the bond covenants for the existing bonds include a provision for the Board to charge a Utility Student Fee to remedy any deficiencies in the net income of the enterprise. Since the new bonds are being issued on a parity with the existing bonds, the provision for a “backup student fee” would also apply to the new bonds.

Since Utility System bonds were first issued in 1985, there has not been a need to charge the student fee. There is no indication that the fee would need to be charged to support the debt service on the bonds to be issued since it is anticipated that utility system charges should be more than sufficient to meet the financial requirements of the utility enterprise.

A copy of the resolution authorizing the Acting Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers Law Firm 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.