

Contact: Joan Racki

**RESOLUTION FOR THE SALE AND ISSUANCE OF \$16,675,000 (ESTIMATED)**  
**DORMITORY REVENUE REFUNDING BONDS, SERIES I.S.U. 2013**

**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 \$16,675,000 (estimated) Dormitory Revenue Refunding Bonds, Series I.S.U. 2013, for the purpose of advance refunding the \$21,575,000 Dormitory Revenue Bonds, Series I.S.U. 2003, funding a reserve fund, paying costs of issuance, and approving a Refunding Trust Agreement.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of a resolution providing for the sale, award, authorization, and issuance of Dormitory Revenue Refunding Bonds for Iowa State University. When the calendar year 2012 bond issuance schedule was approved by the Board in October 2011, 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 2014 – 2029 maturities of the \$21,575,000 Dormitory Revenue Bonds, Series I.S.U. 2003. These bonds were sold to finance construction of a four-story suite-style residential facility (now known as Martin Hall). The University's residence system is a self-supporting operation and receives no state appropriations.

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 Dormitory Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of July 1, 2013. 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 2014 - 2029 maturities. The University will deposit into the escrow account the principal and interest due on July 1, 2013. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2003 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 2003 Series bonds range from 3.6% in 2014 to 4.625% in 2029.) Springsted, Inc. has projected that the refunding would result in a present value savings of approximately \$2.9 million. Annual cash flow savings are estimated at approximately \$215,000.

The refunding issuance amount is estimated at \$16,675,000. This amount will be adjusted up or down, depending upon the bid received, but not to exceed \$17,000,000. This flexibility will provide sufficient funds to fund the escrow account and to pay costs of issuance, which are estimated at \$98,300.

**Additional Information:** Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, December 5, 2012, 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. 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: 9.5 Years
- Bonds Dated: January 1, 2013
- Interest Due: January 1, 2014 and each July 1 and January 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2014 – 2029
- Optional Call: Bonds maturing on or after July 1, 2023 are callable commencing July 1, 2022 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof