The Banking Committee of the Board of Regents met on Thursday, April 10, 2003, at the University of Northern Iowa, Cedar Falls, Iowa.

Those present were:

Banking Committee members: Regents David Fisher (chair), Amir Arbisser, Mary Ellen Becker, David Neil and Owen Newlin.

Others in attendance were:

Board of Regents member Sue Nieland;

Newly-appointed Board of Regents members Robert Downer and John Forsyth;

Institutional representatives: David Skorton, Douglas True, Gregory Geoffroy, Tom Hill, Warren Madden, Mark Chidister, Joan Thompson, Robert Koob, Tom Schellhardt, Gary Shontz, Tim McKenna, Carla Kelly, Jim Heuer, and Luann Woodward;

Barry Fick, Springsted, Inc.;

Ed Bittle, Ahlers law firm;

Board Office: Greg Nichols, Pamela Elliott, Joan Racki (excused at 9:50 a.m.), Deb Hendrickson, Andrea Anania, Jean Friedrich, and Barb Briggle.

Regent Fisher called the meeting to order at 9:31 a.m. He stated that this was the last meeting of the Banking Committee that he would chair. His term as a member of the Board of Regents expires at the end of the month. He said it had been a great experience working with representatives of the institutions and the Board Office. Regent Arbisser, who was nominated to serve as the new chairman of the Banking Committee, would provide good leadership of the resources for which the Board of Regents is responsible. He then welcomed newly-appointed Regents Bob Downer and John Forsyth.

APPROVE MINUTES OF THE MARCH 2003 BANKING COMMITTEE MEETING.

MOTION: Regent Becker moved to approve the minutes of the March 11, 2003, Banking Committee meeting, as written. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.
RESOLUTIONS FOR THE SALE AND AWARD OF $10,530,000 ACADEMIC BUILDING REVENUE REFUNDING BONDS, SERIES SUI 2003.

Vice President True stated that the bond refunding was not a “new money” issue.

Regent Fisher asked if the savings that would result from the bond refunding would be to the University’s general fund. Vice President True responded that the savings which would result from this bond refunding would be a direct savings to the state of Iowa.

Mr. Fick said bids would be accepted that morning for $10,530,000 Academic Building Revenue Refunding Bonds for the University of Iowa to refinance an outstanding bond issue. He expected that interest rates would be substantially lower than the original rates on the bonds. Market rates have not changed much from last month and have remained very low. He said two bidders had signed up for the sale.

Regent Fisher pointed out, for the new members of the Board of Regents, that the refunding of bonds does not change the term of the payout.

Mr. Fick said the purpose of refunding bonds was to replace high interest rate bonds with lower interest rate bonds. The other terms of the bonds remain the same.

Mr. Bittle stated that the savings from refunding these Academic Building Revenue Bonds would go back to the state. For bonds sold for self-liquidating facilities, the interest savings would go back to the University.

MOTION: Regent Neil moved to recommend that the Board adopt the following resolutions, subject to receipt of acceptable bids: (1) A Resolution providing for the sale and award of $10,530,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2003, and approving and authorizing the agreement of such sale and award. (2) A Resolution authorizing and providing for the issuance and securing the payment of $10,530,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2003, for the purpose of refunding the 2004 through 2012 maturities of the $16,900,000 Academic Building Revenue Bonds, Series S.U.I. 1993, dated November 1, 1993, presently outstanding and heretofore issued by the Board to refund bonds.
issued to defray costs of building construction projects on the campus of The State University of Iowa. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

RESOLUTIONS FOR THE SALE AND AWARD OF $8,465,000 ACADEMIC BUILDING REVENUE REFUNDING BONDS, SERIES UNI 2003.

Vice President Schellhardt stated that the University of Northern Iowa has a similar opportunity as the University of Iowa to refund Academic Building Revenue Bonds. The bonds were originally sold in 1992 and 1993.

Mr. Fick stated that the refunding, which would combine two prior issues into one, would be done for interest rate savings. The terms of the bonds would remain the same. He pointed out that he had forgotten to mention that Moody’s and Standard & Poor’s had confirmed and affirmed the existing ratings for both the University of Iowa and the University of Northern Iowa.

Mr. Bittle stated that authorization from the Tobacco Settlement Authority for the bond refunding had been received. However, State Treasurer Fitzgerald, as Chair of the Tobacco Settlement Authority, expressed concerns about the timing of the refunding and FY 2004 appropriations. Therefore, the 2004 maturities were excluded from the refunding.

MOTION: Regent Arbisser moved to recommend that the Board adopt the following resolutions, subject to receipt of acceptable bids: (1) A Resolution providing for the sale and award of $8,465,000 Academic Building Revenue Refunding Bonds, Series. U.N.I. 2003, and approving and authorizing the agreement of such sale and award. (2) A Resolution authorizing and providing for the issuance and securing the payment of $8,465,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003, for the purpose of refunding the 2005 through 2015 maturities of the $3,900,000 Academic Building Revenue Bonds, Series U.N.I. 1992, dated June 1, 1992, and the 2005 through 2015 maturities of the $7,440,000 Academic Building Revenue Bonds, Series U.N.I. 1993, dated July 1, 1993, presently outstanding and heretofore issued by the Board to defray costs
of building construction projects on the campus of the University of Northern Iowa. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

PRELIMINARY RESOLUTION FOR THE SALE OF UP TO $9,600,000 DORMITORY REVENUE BONDS, SERIES ISU 2003A.

Vice President Madden stated that the bonds were scheduled to be sold the following month to partially finance renovation of Buchanan Hall. Residence system funds were the other source of funding. Based on current interest rate projections, he said the amount of the sale would be approximately $9.3 million.

Mr. Fick stated that the bonds would require debt service reserves of approximately $704,600. He said the bonds would be repaid over a 20-year period.

Mr. Bittle stated that the resolution to be adopted would authorize proceeding with the bond sale for a self-liquidating facility, secured by the net revenue of the dormitory system.

President Newlin asked about the graduate students who may not wish to live in Buchanan Hall. Vice President Madden responded that a majority of the graduate students who have moved into Hawthorn Court would be given an opportunity to move back in to Buchanan Hall. He said Buchanan Hall is on Lincoln Way immediately across from the Memorial Union and the Knoll. The residence hall has historically housed international and graduate students. It is a very popular location because of its proximity to campus.

Vice President Hill stated that University officials are working with the Graduate Student Senate to develop a program to market Buchanan Hall to graduate students.

MOTION:

Regent Neil moved to recommend that the Board adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to $9,600,000 Dormitory Revenue Bonds, Series I.S.U. 2003A. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

RESOLUTION FOR THE ABANDONMENT OF WESTGATE AND STORMS RESIDENCE HALLS.
Vice President Madden stated that the request to abandon Westgate and Storms Halls was part of Iowa State University’s residence system master plan. He said Westgate was built in 1955 and no longer meets the students’ needs. University officials evaluated alternatives for renovating the facility and determined that doing so was not economically feasible. The site will become a parking lot for residence hall students.

With regard to Storms Hall, Vice President Madden stated it was one of the high-rise towers, three blocks south of the core campus. The building was designed in the early-1960s and has the traditional double-loaded corridor and two-person rooms. The building is not air conditioned. He said University officials have considered alternatives and the economics do not support renovating the facility. The building will not be taken down right away, but it will be closed. He noted that the demand for housing at this location south of campus is continuing to decline. The immediate need is to take down Westgate, which University officials would like to do this summer.

President Geoffroy pointed out that Storms and Knapp Halls are the two residence halls where the façade is falling off the buildings. Therefore, there is a safety issue with the buildings, as well.

Regent Neil asked if removing Storms Hall from the residence system would reduce the availability of low-cost housing alternatives. Vice President Madden responded that, in the near term, Knapp Hall will continue to be used. University officials are proposing no rate increase for Knapp Hall for the upcoming academic year. He noted that the demand for housing in Knapp Hall is substantially below the number of rooms available. If Knapp Hall is taken out of the residence system, he said similar low-cost housing options would be provided elsewhere on campus.

Regent Neil asked if University officials plan to house students in Storms Hall next academic year. Vice President Madden responded that students will not be housed in Storms Hall.

Regent Neil asked if the reason for not taking down Storms Hall is cash flow. Vice President Madden responded that was the primary reason.

Regent Becker asked if Storms, Knapp, Wallace and Wilson Halls were built at the same time. Vice President Madden responded that those residence halls were built in the same period. Wallace and Wilson were built later than Storms and Knapp. He started that, in the early-1960s, there was a problem with the concrete that was being used in Iowa. Construction that was done in the early-1960s, including roads and buildings, is now being redone. He said his understanding was that “bad” sand and gravel were used extensively in Iowa during those years.
Regent Becker asked if it was assumed that, eventually, all four of those residence halls would have to come down because of the aggregate problem. President Geoffroy responded that different sand and gravel must have been used on the other residence halls because their façades are not coming off. Vice President Madden said there are no immediate plans to take down Wallace and Wilson Halls.

President Newlin asked about liability issues. Vice President Madden responded that the area around Westgate and Storms Halls was fenced off and, he believed, there was no immediate safety problem.

President Newlin asked for the pros and cons of taking Storms down now. Vice President Madden responded that doing so would be a budget challenge for the residence system within the current rate structure.

Regent Neil asked if the Towers were undesirable housing facilities when they were built, because of their distance from campus. Vice President Madden responded that, back in the 1960s, it was believed to be a good site.

Regent Fisher stated that the Regents toured one of the Towers residence halls several years ago and saw the problems with the façade. In touring the inside, they saw that the building was nothing like the ones that are now being built.

Vice President Madden stated, for the benefit of the new members of the Board of Regents, that Iowa State University's residence system master plan goal is to convert approximate 8,000 traditional dormitory-style (two-person double-loaded corridors) units to one-third suites, one-third traditional dormitory beds, and one-third apartment units. He said the Hawthorn (Fredericksen) Court units provide the apartments. The first suite building, Eaton Hall, is completed. The Board has approved construction of the second suite building. Some existing residence halls are being renovated to provide the traditional rooms. He said freshmen and sophomores prefer to live in the traditional dormitory rooms, in which the University provides living-learning communities and supervision. As students mature, they migrate to the apartment-type living units.

Vice President Hill noted that the new residence facilities are over-subscribed. The first suite building has 178 beds; over 500 students applied for housing in the suite building as their first choice.

Vice President Madden stated that, when vacated, the operating cost of Storms Hall will be minimal. The cost of taking down Storms Hall is $700,000 to $1 million because there is asbestos in some of the pipes in the basement.
MOTION: Regent Becker moved to recommend that the Board adopt A Resolution directing the abandonment of Westgate and Storms Dormitories at Iowa State University of Science and Technology. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

APPROVAL OF MASTER LEASE FINANCING FOR JACK TRICE STADIUM – EXTERIOR STAIR REPLACEMENT.

Vice President Madden presented Iowa State University’s request for approval of master lease financing for renovations to Jack Trice Stadium. He said a portion of the proceeds from a surcharge on football tickets will fund the payments.

Regent Fisher stated, for the benefit of the new Regents, that the master lease is actually a line of credit with Wells Fargo Brokerage Services, LLC.

MOTION: Regent Neil moved to recommend that the Board authorize Iowa State University to utilize master lease financing in the amount of $325,000 to replace twelve sets of stairs in need of replacement at Jack Trice Stadium. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

EXTERNAL REVENUE BOND FUND AUDIT REPORTS.

Director Elliott stated that the Banking Committee was presented with audit reports of the University of Northern Iowa’s bonded facilities for the year ended June 30, 2002. She said no findings were reported.

Regent Fisher noted that the bond audits are conducted by independent auditors. He then asked if there was anything in the reports that the Banking Committee members, in their fiduciary responsibility, should know.

Director Elliott responded that the reports indicated all were “clean” audits.

ACTION: Regent Fisher stated the Banking Committee, by general consent, received the following University of Northern Iowa revenue bond fund audit reports for the fiscal year ended June 30, 2002:
INTERNAL AUDIT REPORTS.

Director Elliott explained the internal audit process for the Regent institutions, for the benefit of the new members of the Board of Regents. She stated that, this month, the Banking Committee was presented with one new internal audit from the University of Northern Iowa (Conference and Event Services), and a listing of 10 currently-outstanding internal audits. One follow-up audit for Iowa State University was closed.

Regent Fisher stated that the internal auditors have done an excellent job of closing the outstanding audits.

President Newlin asked about the deficit cash balance finding of the internal audit of University of Northern Iowa’s Conference and Event Services. Operations Auditor McKenna responded that Conference and Event Services works with University departments and programs and with off-campus groups to assist with planning and coordinating conferences, seminars and events at the University. One of the most important issues addressed in the audit report was the need for better and more detailed planning for the office’s ongoing activities. Jim Bodensteiner, Dean of the Division of Continuing Education which now oversees Conference and Event Services, will provide the office with a better understanding of what needs to be done on an ongoing basis. The deficit situation, in particular, is something Dean Bodensteiner plans to cover. He noted that Conference and Event Services recently merged with the Division of Continuing Education from the Public Relations office.

President Newlin asked if it was standard operating procedure to operate with a deficit. Operations Auditor McKenna responded that the office was not given a clear indication of how it should be operating. He said much of the deficit related to salaries for personnel.

Regent Fisher asked for the amount of the deficit. Internal Auditor Kelly responded that, at the end of October, the deficit was $187,000 which had accumulated over several years.

President Koob stated that one of the reasons oversight of Conference and Event Services was changed to the Division of Continuing Education was because it was felt that the office was not being responsibly managed. University officials do not believe it is an ongoing issue since the management has been changed.
Regent Fisher asked if the charge is to take care of the deficit. President Koob responded affirmatively.

Regent Fisher stated that it would be appropriate for University officials to keep the Banking Committee apprised of the progress in eliminating the deficit. President Newlin asked for a follow-up report next month.

Regent Fisher asked that a monthly report be provided to the Banking Committee until the deficit is erased.

**ACTION:**

Regent Fisher stated the Banking Committee, by general consent, (1) received the following internal audit report from the University of Northern Iowa: Conference and Event Services and (2) received the report on the Status of the Internal Audit Follow-up reports, including one follow-up report from Iowa State University for the Department of Electrical and Computer Engineering.

**ADJOURNMENT.**

The meeting of the Regents Banking Committee adjourned at 10:08 a.m. on April 10, 2003.