

BOARD OF REGENTS
BANKING COMMITTEE

September 12, 2001

The Banking Committee of the Board of Regents met on Wednesday, September 12, 2001, at the University of Iowa, Iowa City, 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:

Institutional representatives: Mary Sue Coleman, Douglas True, Ann Madden Rice, Carol Senneff, Cynthia Bartels, Terry Johnson, Sara Jedlicka, Jeri Smith, Gregory Geoffroy, Warren Madden, Mark Chidister, Robert Koob, Eunice Dell, Gary Shontz, Jim Heuer, Luann Woodward;

Ken Haynie and Ed Bittle, Ahlers law firm;

Barry Fick, Springsted;

Board Office: Robert Barak, Pamela Elliott, Joan Racki, Deb Hendrickson and Barb Briggie.

Regent Fisher called the meeting to order at 11:30 a.m. He thanked everyone for making a special effort to attend the Banking Committee meeting.

APPROVE MINUTES OF THE JULY 2001 BANKING COMMITTEE MEETING.

MOTION: Regent Neil moved to approve the minutes of the July 18, 2001, Banking Committee meeting, as written. Regent Becker seconded the motion.
MOTION CARRIED UNANIMOUSLY.

PRELIMINARY RESOLUTION FOR THE SALE OF UP TO \$14,000,000 DORMITORY REVENUE BONDS, SERIES SUI 2001.

Vice President True stated that the bonds would be sold to support the University of Iowa's dormitory system including renovation of the former dining area in Currier Residence Hall into student life space and fire protection upgrades in Currier, Stanley, Burge and Daum residence halls. He noted that, upon the request of University officials and recommendation of the Board's bond counsel and financial advisor, this bond sale

was moved up to October (from 2002) and the utility system bond sale, originally scheduled for October, was delayed.

Mr. Haynie stated that the bond markets are shut down as a result of the national events that took place on September 11, 2001. He said there should be some stability in the markets when the sale takes place next month. This bond issue is directed at the Iowa bond market, which is a positive factor.

Regent Fisher asked for the status of the bond market prior to September 11.

Mr. Haynie responded that interest rates were at the lowest level for the year. Markets for long-term bonds had been firming up. He said the impact of the national disaster on the markets will have to be measured over time. There will be some turmoil in getting the markets operating again.

Mr. Fick stated that the tragedy of September 11 had a significant effect on the bond market. On the practical side, Moody's is located 1-1/2 blocks away from the World Trade Center; Standard and Poor's is about 4 blocks away. He noted that Moody's was evacuated after the second plane hit the second World Trade Center Tower; however, Moody's phone system is inoperable and its computer system cannot be accessed. He anticipated that the markets and rating agencies would be back up and running by early the following week. He had conversations with representatives of both rating agencies prior to September 11; therefore, both are aware of the upcoming sale. He did not anticipate a problem in obtaining a rating for the sale next month. Municipal bond rates have been improving in the last several months. Investors are moving out of equities and into U.S. treasuries. He said it will be a task for the markets to get up and running. He was confident that this would be a successful sale because of the marketability of the Regent bonds. He noted that, in addition to distributing hard copies of the official statement to the purchasers, an electronic copy will be available on Springsted's web site. Springsted has had a very good reception to the electronic version of the official statement from the underwriting community, which he hopes will result in even more competitive bids for Regent bonds.

Vice President Madden asked if Mr. Fick had any sense of when the markets may reopen. Mr. Fick said the bond market association suggested that the market would be opened later, at an indefinite time. He thought it would probably be some time the following week. He assumed that most of the offices have contingency plans to get up and operational.

MOTION:

Regent Newlin moved to recommend that the Board adopt A Preliminary Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$14,000,000 Dormitory Revenue

Bonds, Series S.U.I. 2001. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

COSTS OF BOND ISSUANCES.

Associate Director Racki reported on the costs (\$74,969.64) of the last Regent bond sale (April 2001 sale of Iowa State University \$23,155,000 Academic Building Revenue Refunding Bonds Series 2001A and Series 2001B, which refunded bonds sold in 1990 and 1991). She noted that additional information presented in this report compared the costs to those of previous bond issues.

Regent Fisher asked why the costs increased as a percentage last year. Associate Director Racki said she suspected one reason was that, in calendar year 2000, there were two smaller issues. There are a certain number of fixed costs with a given bond sale. Mr. Fick confirmed that the explanation was accurate.

ACTION: Regent Fisher stated the Banking Committee, by general consent, received the report on the issuance costs related to Academic Building Revenue Refunding Bonds, Series I.S.U. 2001A and Series I.S.U. 2001B.

ANNUAL INVESTMENT AND CASH MANAGEMENT REPORT.

Regent Fisher stated that the annual investment and cash management report was deferred until next month. The representative from Wilshire Associates, the Board's investment advisor, experienced transportation difficulties.

STATE AUDITOR REPORT – SYSTEM REVIEW OF THE ADMINISTRATIVE DATA PROCESSING CENTER'S GENERAL LEDGER SYSTEM (ISU).

Vice President Madden stated that Iowa State University officials were very pleased with the report. The State Auditor issued no findings.

Regent Fisher said the Banking Committee would like to receive more such audit reports.

ACTION: Regent Fisher stated the Banking Committee, by general consent, received the Notification of Review for the State Auditor's report of the Administrative Data Processing Center's general

ledger system at Iowa State University for the period of March 12, 2001 through April 20, 2001.

EXTERNAL AUDIT REPORT – TRI-STATE GRADUATE CENTER.

Director Elliott stated that the audit report on the Siouxland Interstate Metropolitan Planning Council (Simpco) for the fiscal year ended June 30, 2000, includes the Tri-State Graduate Center. She said it was a “clean” audit with no findings.

ACTION: Regent Fisher stated the Banking Committee, by general consent, received the Siouxland Interstate Metropolitan Planning Council (Simpco) audit report for the fiscal year ended June 30, 2000, which included the Tri-State Graduate Center.

INTERNAL AUDIT REPORTS – UNIVERSITY OF IOWA.

Director Elliott stated that, although the University of Iowa combined internal audit operations, the audit reports will continue to be segregated between University operations and Hospital operations.

Director Senneff said there was only one internal audit report remaining from last fiscal year. The auditors are well into the FY 2002 audit plan. This month, the Banking Committee was presented with seven original internal audit reports and one follow-up report.

Regent Fisher stated that there was a marked improvement in the internal audit reporting, for which he thanked Director Senneff.

President Newlin asked for elaboration on the outstanding audit reports. Director Senneff responded that the auditors were near completion on a couple of the internal audits; all were on schedule. There will be new audits of the University of Iowa Hospitals and Clinics business office in lieu of the follow-up of patient accounts audit. Both of those audits have begun and she hoped to be able to report on those in the next couple of months.

ACTION: Regent Fisher stated the Banking Committee, by general consent, (1) Received the following internal audit reports from the University of Iowa: UNIVERSITY OPERATIONS -- Human Resources Benefits Administration; Surplus Stores; University Box Office and HOSPITAL OPERATIONS -- Cash

REGENTS BANKING COMMITTEE
September 12, 2001

Counts; Complimentary Valet Parking – Cash Handling; Hospital Vending Revenue; PYXIS (Pharmacy Dispensing Machines); and (2) Received the report on the Status of Internal Audit Follow-up.

ADJOURNMENT.

The meeting of the Regents Banking Committee adjourned at 11:50 a.m. on September 12, 2001.

Pamela M. Elliott
Director, Business and Finance

Robert J. Barak
Interim Executive Director

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