

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Preliminary Resolution for the Sale of up to \$9,600,000 Dormitory Revenue Bonds, Series I.S.U. 2003A

Date: March 31, 2003

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 8) 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.

Executive Summary:

The Banking Committee is requested 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.

The revised calendar year 2003 bond issuance schedule, approved by the Board in March 2003, included a bond sale in May 2003 to partially finance the Buchanan Hall Renovation project.

The Board approved at its March 2003 meeting, a revised budget (\$12,150,000) for the project, which will extensively renovate the facility and construct additions at the north and south entrances.

- Of the revised project budget of \$12,150,000, approximately \$8,610,000 would be financed by the bond sale, with Residence System Funds being the other source of funding.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$700,000 annually to be paid from the net rents, profits and income of the Residence System.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

The University's Residence System is a self-supporting operation and receives no state appropriations.

Background:

Statutory
Provisions

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. The sources of repayment are the net rents, profits, and income from the operation of residence halls, dormitories, dining, and incidental facilities.

Project

Buchanan Hall is a 93,739 square foot high-rise residential facility constructed in 1964 and located south of the main campus near Lincoln Way and Ash Avenue.

During fall 2001 (the building was closed during fall 2002), the residence hall housed 258 graduate students in suite-style rooms that share a common bathroom; the total design occupancy of the facility is 390 students.

- The University reports that the number of graduate students wishing to live in Buchanan Hall has been decreasing over the past several years.

The renovation would convert the residence hall for occupancy primarily by upper level undergraduate students in response to the need for additional alternative style, on-campus undergraduate housing. The facility would also remain available for occupancy by graduate students,

The project would also construct additions at the north and south entrances and remodel existing space to provide student interaction areas consistent with the University's mission to support undergraduate living learning environments in the residence halls.

Support areas would be relocated into the building core to increase the occupancy of the building by 23 beds.

At its March 2003 meeting, the Board approved a revised project budget of \$12,150,000 for the project, an increase of \$2,920,000 from the budget approved in June 2002.

The revised budget includes \$8,610,000 in proceeds from Dormitory Revenue Bonds and \$3,540,000 in Residence System Funds.

Electronic Bids

The Board, at its November 2001 meeting, adopted a resolution approving electronic bidding procedures.

Analysis:

Issue Size	<p>The size of the bond issue, which would not exceed \$9,600,000, is estimated to total \$9,360,000 including:</p> <ul style="list-style-type: none">• project costs (estimated at \$8,610,000);• debt service reserve (estimated at \$704,600); and• issuance costs (estimated at \$45,400). <p>The University's financial projections indicate that the residence system can make the debt service payments, while maintaining all requirements of the Dormitory Revenue Bond covenants.</p>
Outstanding Bonds	<p>As of June 30, 2002, the outstanding principal for the University's Dormitory Revenue Bonds is \$114.2 million.</p> <p>The March 2003 sale of bonds for Union Drive Suite Building 2 increased the outstanding principal by \$21,575,000.</p> <p>The sale of bonds for the Buchanan Hall Renovation less the July 1, 2003 principal payments would increase the outstanding principal for the University's Dormitory Revenue Bonds to approximately \$142 million.</p>
Resolution	<p>The resolution authorizing the 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.</p> <p>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 electronic bidding procedures.</p>
Sale Date	<p>The bond sale and award would be scheduled for the May 2003 Board meeting.</p>