

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Preliminary Resolution for the Sale of up to \$19,000,000 Parking System Revenue Bonds, Series S.U.I. 2004

Date: April 12, 2004

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 3) authorizing the Executive Director to fix the date or dates for the sale of up to \$19,000,000 Parking System Revenue Bonds, Series S.U.I. 2004.

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 \$19,000,000 Parking System Revenue Bonds, Series S.U.I. 2004.

Proceeds from the sale of the bonds would be used to finance construction of the Melrose Avenue Parking Facility Expansion project, which would construct a new parking ramp adjacent to the existing Melrose Avenue Parking Facility on the west campus.

The calendar year 2004 bond issuance schedule approved by the Board in November 2003 included a University of Iowa Parking System Revenue Bond sale for the project in May 2004.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,357,000 annually to be paid from the net income of the Parking System.

The University's Parking System is a self-supporting operation.

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.

Background:

Statutory
Provisions

Under the provisions 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.

Project Approval In September 2003, the Board approved the schematic design and project description and budget (\$16,500,000) for the Melrose Avenue Parking Facility Expansion project which would construct a new parking ramp between the Field House and the UIHC Pomerantz Pavilion on the west campus to provide an additional 571 parking spaces.

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

Analysis:

Issue Size The size of the bond issue, which would not exceed \$19,000,000, is estimated to total \$18,200,000 including:

- project costs (estimated at \$16,500,000);
- debt service reserve (estimated at \$1,357,000);
- bond discount (estimated at \$264,000); and
- issuance costs (estimated at \$79,000).

Outstanding Bonds The outstanding principal of the Parking System existing bonds, as of April 1, 2004, is \$9,395,000; the last maturity is 2019.

Debt Service Payments Annual debt service payments on the new bonds would be approximately \$1,357,000; there would be 20 principal payments.

Sources of Repayment The new bonds would be issued on a parity with the outstanding bonds, with the source of repayment continuing to be parking system revenues, which include parking fees and fines.

Parking System Financials According to the information included in the docket memorandum on Approval of Parking Rates (see G.D. 6), net revenue from parking operations totaled \$4.0 million in FY 2003, and is estimated to total \$4.5 million in FY 2004 and \$5.2 million in FY 2005.

Resolution 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.

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.

Sale Date The bond sale and award would be scheduled for the May 2004 Board meeting.
