

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Savings from Bond Refundings
Date: December 4, 2003

Recommended Action:

Receive the report on the savings from the issuance of refunding bonds.

Executive Summary:

Present value savings (which are net of issuance costs) from refunding bonds total \$8.1 million for calendar years 2001 – 2003, of which \$5.7 million in savings were from Academic Building Revenue Bond Refundings.

The savings from Academic Building Revenue Bond Refundings directly reduce the tuition replacement appropriations needed from the state in future years, all other factors being equal.

The table on page 3 provides information on the dollar amount of the savings, by refunding bond issue.

The graphs on pages 4 - 6 detail refunding bond present value savings since 2001. Graphs 1 and 2 provide information on total savings for all refundings, with graphs 3 and 4 providing a subset of the information for Academic Building Revenue Bond Refundings, and graphs 5 and 6 providing the same information for other refunding issues:

- Graph 1 – All Bond Refundings - Dollar Savings per Issue
- Graph 2 – All Bond Refundings - Dollar Cumulative Savings
- Graph 3 – Academic Building Bond Refundings - Dollar Savings per Issue
- Graph 4 – Academic Building Bond Refundings - Dollar Cumulative Savings
- Graph 5 – Other Bond Refundings - Dollar Savings per Issue
- Graph 6 – Other Bond Refundings - Dollar Cumulative Savings

This report, which is an update of the report provided in September 2003, includes the present value savings from the sale of SUI telecommunications bonds in November 2003.

Background and Analysis:

Board Stewardship The Board of Regents Strategic Plan provides for effective stewardship of the institutions' state, federal and private resources.

Bond refundings help ensure this stewardship by minimizing the interest payments on outstanding debt.

The Board Office and the Board's financial advisor, Springsted, Inc. of St. Paul, MN, & Des Moines, IA, continuously review outstanding bond issues for refunding opportunities.

Savings since 2001 Since 2001, the Board has sold 11 refunding bond issues, resulting in present value savings of \$8.1 million. (Table 1, and graphs 1 and 2)

Academic Building Revenue Bonds Tuition and fee revenues are pledged for debt service payments on Academic Building Revenue Bonds; a tuition replacement appropriation replaces that university revenue.

The savings from Academic Building Revenue Bond refundings reduce the amount needed for the tuition replacement appropriation.

Since 2001, the Board has sold seven Academic Building refunding bond issues, resulting in present value savings of over \$5.7 million (graphs 3 and 4, page 5).

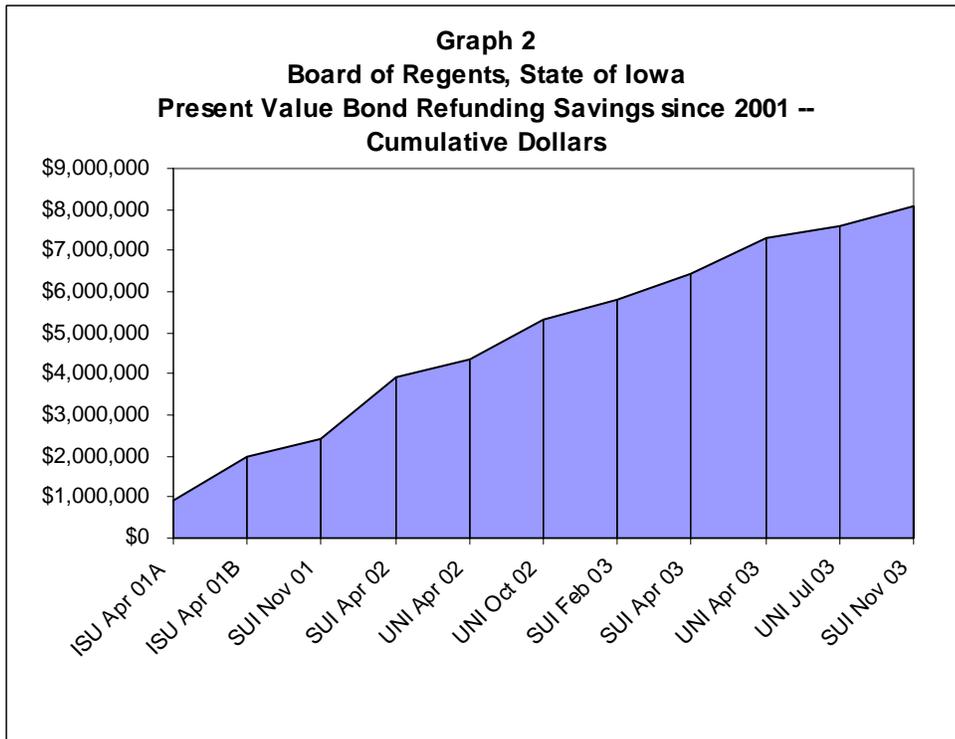
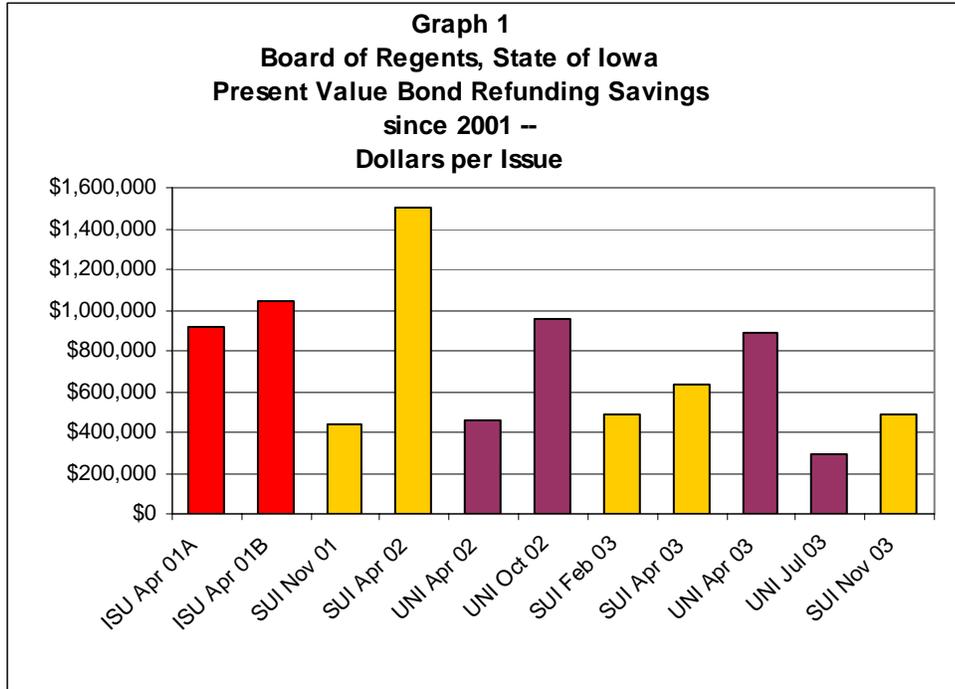
Other Bond Issues The refunding of revenue bonds for self-supporting enterprises, including the dormitory systems, results in annual, on-going savings to the respective enterprises.

Since 2001, the sales of four refunding bond issues (graphs 4 and 5, page 6) have resulted in present value savings of approximately \$2.4 million.

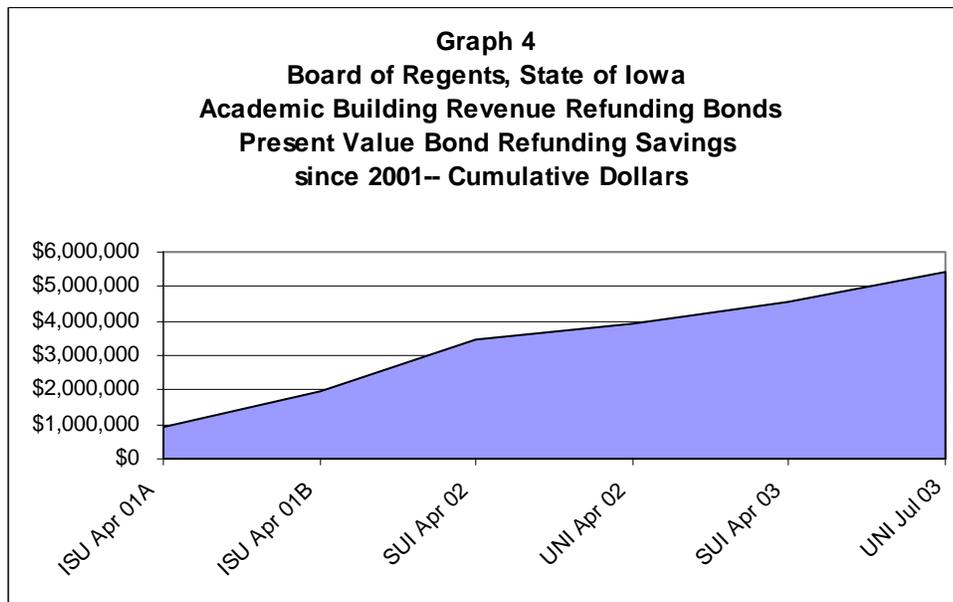
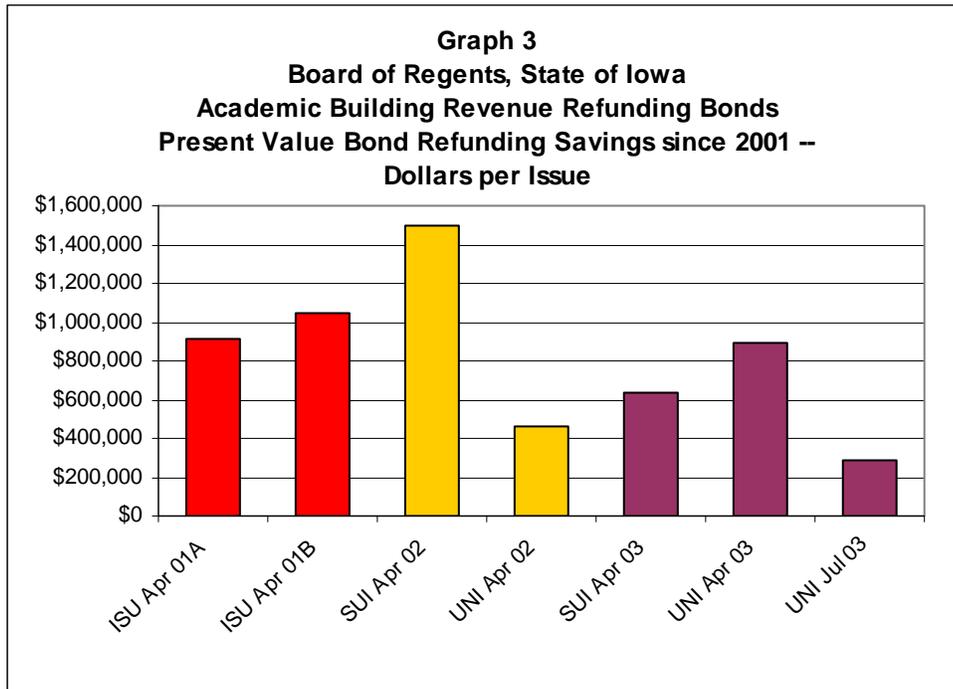
Table 1
Savings from Refunding Bonds Issued: Calendar Years 2001 – 2003

<u>Inst.</u>	<u>Refunding Bond Amount</u>	<u>Issue</u>	<u>Issue Date</u>	<u>Present Value Savings</u>
SUI	\$14,580,000	Academic Building Revenue Refunding Bonds, Series 2002	Apr-02	\$1,500,022
SUI	10,530,000	Academic Building Revenue Refunding Bonds, Series 2003	Apr-03	<u>633,705</u>
		Subtotal – Academic Building Revenue Bond Savings		\$2,133,727
SUI	4,835,000	Iowa Memorial Union Refunding Bonds, Series 2001	Nov-01	436,743
SUI	6,080,000	Utility Revenue Refunding Bonds, Series 2003	Feb-03	487,374
SUI	14,060,000 *	Telecommunications Facilities Revenue Refunding Bonds, Series 2003	Nov-03	<u>485,369</u>
		SUI - Total present value of interest savings:		<u>\$3,543,213</u>
ISU	\$ 9,805,000	Academic Building Revenue Refunding Bonds, Series 2001A	Apr-01	\$ 917,782
ISU	13,350,000	Academic Building Revenue Refunding Bonds, Series 2001B	Apr-01	<u>1,044,900</u>
		ISU - Total present value of interest savings:		\$1,962,682
UNI	\$ 4,890,000	Academic Building Revenue Refunding Bonds, Series 2002	Apr-02	\$ 461,282
UNI	8,465,000	Academic Building Revenue Refunding Bonds, Series 2003	Apr-03	887,899
UNI	4,225,000	Academic Building Revenue Refunding Bonds, Series 2003	Jul-03	<u>289,111</u>
		Subtotal – Academic Building Revenue Bond Savings		\$1,638,292
UNI	9,535,000	Dormitory Revenue Refunding Bonds, Series 2002	Oct-02	\$ 952,826
		UNI - Total present value of interest savings:		<u>\$2,591,118</u>
Grand Total - Present Value Savings from Refunding Bonds Issued since FY 2001:				<u>\$8,097,013</u>
Present Value Savings by Type of Bond Issue				
<i>Academic Building Revenue Refunding Bonds</i>				\$5,734,701
<i>Dormitory Revenue Refunding Bonds and Other Refunding Bonds</i>				<u>2,362,312</u>
				<u>\$8,097,013</u>

*Includes \$4,100,000 in new funds to purchase telecommunications switching equipment.



State Appropriations Savings



Regent Enterprise Savings

