

**MEMORANDUM**

**To:** Banking Committee

**From:** Board Office

**Subject:** Bond Issuance Costs - Calendar Years 1999 and 2000

**Date:** February 12, 2001

**Recommended Action:**

Receive the report on issuance costs for bonds sold in calendar years 1999 and 2000.

**Executive Summary:**

At its December 2000 meeting, the Banking Committee requested that it be provided with the costs of issuance of bonds sold in calendar year 1999 in addition to the costs of issuance for bonds sold in calendar year 2000, which had been provided at that meeting.

The costs of issuance for the two calendar years are displayed on Table 1 (1999) and Table 2 (2000). The following table provides a summary of the costs:

	Calendar Year <u>1999</u>	Calendar Year <u>2000</u>
Total \$ Bonds Sold	\$122,495,000	\$93,440,000
Total Estimated Issuance Costs	595,233	389,200
Total Actual Issuance Costs	425,409	368,888
Issuance Costs as % of Bonds Sold (Weighted Mean)	.35%	.39%

**Background and Analysis:**

Issuance costs include the fees paid to the Board's bond counsel (Ahlers), Board's financial advisor (Springsted), rating agencies, accountants and trustees (if used), as well as reimbursable expenses, such as the printing of the offering statements.

There were nine bond sales totaling \$122.5 million in calendar year 1999 and six sales in calendar year 2000 totaling \$93.4 million. Issuance costs totaled \$425,409 in calendar year 1999 and \$368,888 in calendar year 2000.

The following table provides a summary of key statistics related to the sales:

	Calendar Year <u>1999</u>	Calendar Year <u>2000</u>
Range of Issuance Costs as % of Bonds Sold	.25% - .42%	.34% - .54%
Median Cost as % of Bonds Sold	.35%	.41%
Unweighted Mean Cost as % of Bonds Sold	.35%	.42%
Weighted Mean Cost as % of Bonds Sold	.35%	.39%

While the above summary looks at the bond sales in the aggregate by calendar year, the costs for each sale vary. Eight of the fifteen sales in the two calendar years had costs of issuance between .34% and .40% of the dollar amount of the bonds. Factors which can influence the costs include:

- Availability of a recent template to prepare needed information for the offering statement and bond resolutions;
- Fees charged by the rating agencies, which are not directly tied to the amount of bonds sold;
- Use of bond trustees as required for some bond issues;
- Use of escrow agents for refunding bonds; and
- Reimbursable expenses, such as the printing costs for the offering statements, which are not directly related to the size of the bond issue.

**TABLE 1**  
**BOND ISSUANCE COSTS - CALENDAR YEAR 1999**

<u>Month of Sale</u>		<u>Bond Issue</u>	<u>Estimated Costs</u>	<u>Actual Costs</u>	<u>Actual Costs as % of Bond Issue \$</u>
Jan-99	\$	3,560,000 Parking Revenue Bonds, Series S.U.I. 1999A and 10,930,000 Parking Revenue Refunding Bonds, S.U.I. 1999B	\$ 107,659.00	\$ 45,588.42	0.31%
Feb-99		12,845,000 Utility Revenue Refunding Bonds, Series S.U.I. 1999A	50,000.00	52,005.81	0.40%
Mar-99		13,460,000 Utility Revenue Refunding Bonds, Series I.S.U. 1999A	53,000.00	45,426.78	0.34%
Apr-99		7,000,000 Dormitory Revenue Bonds, Series U.N.I. 1999	65,325.00	25,521.90	0.36%
Apr-99		10,000,000 Dormitory Revenue Bonds, Series S.U.I. 1999	69,415.00	32,009.75	0.32%
May-99		16,900,000 Dormitory Revenue Bonds, Series I.S.U. 1999A	75,047.00	42,264.99	0.25%
Jul-99		13,220,000 Utility System Revenue Refunding Bonds, Series I.S.U. 1999B	49,787.00	55,969.66	0.42%
Sep-99		17,180,000 Utility System Revenue Refunding Bonds, Series S.U.I. 1999B	50,000.00	65,400.49	0.38%
Nov-99		17,400,000 Dormitory Revenue Bonds, Series I.S.U. 1999B	75,000.00	61,221.52	0.35%
<b>Totals</b>	<b>\$</b>	<b>122,495,000</b>	<b>\$ 595,233.00</b>	<b>\$ 425,409.32</b>	<b>0.35%</b>

**TABLE 2**  
**BOND ISSUANCE COSTS - CALENDAR YEAR 2000**

<u>Month of Sale</u>		<u>Bond Issue</u>	<u>Estimated Costs</u>	<u>Actual Costs</u>	<u>Actual Costs as % of Bond Issue \$</u>
Jan 00	\$	9,525,000 Dormitory Revenue Bonds, Series I.S.U. 2000A	\$ 51,000.00	\$ 41,926.67	0.44%
Feb 00		15,875,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2000	81,000.00	58,512.12	0.37%
Apr 00		16,000,000 Dormitory Revenue Bonds, Series S.U.I. 2000	65,000.00	60,657.36	0.38%
May 00		14,040,000 Dormitory Revenue Bonds, Series U.N.I. 2000	63,000.00	59,784.52	0.43%
Sept 00		10,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2000	50,000.00	53,515.08	0.54%
Sept 00		28,000,000 Series 2000 and Series 2000A University of Iowa Facilities Corporation Revenue Bonds (Medical Education & Biomedical Research Facility)	79,200.00	94,492.20	0.34%
<b>Totals</b>	<b>\$</b>	<b>93,440,000</b>	<b>\$ 389,200.00</b>	<b>\$ 368,887.95</b>	<b>0.39%</b>