

**MEMORANDUM**

**To:** Banking Committee

**From:** Board Office

**Subject:** Resolutions for the Sale and Award of \$3,875,000 Student Health System Revenue Bonds, Series U.N.I. 2004

**Date:** February 9, 2004

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**Recommended Action:**

Recommend that the Board adopt the following resolutions (see G.D. 11), subject to receipt of acceptable bids:

1. A Resolution providing for the sale and award of \$3,875,000 Student Health System Revenue Bonds, Series U.N.I. 2004, and approving and authorizing the agreement of such sale and award.
  2. A Resolution establishing a self-liquidating and revenue-producing facility to be known as the "Student Health System" and authorizing and providing for the issuance and securing the payment of \$3,875,000 Student Health System Revenue Bonds, Series U.N.I. 2004 to pay the costs of constructing, furnishing, and equipping an addition to the Student Health Center Building and improving, remodeling, and repairing the existing Student Health Center Building, including the debt service reserve fund, and paying costs of issuance.
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**Executive Summary:**

The Banking Committee is requested to recommend that the Board adopt two resolutions related to the sale and award and issuance of up to \$3,875,000 Student Health System Revenue Bonds, Series U.N.I. 2004.

At its January 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to construct a two-story addition to the Student Health Center; renovate the existing office and clinic space; and provide infrastructure, fire safety, accessibility and other code upgrades.

The Board approved the schematic design, and project description and total budget (\$3,500,000) for the project at its November 2003 meeting.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$290,000 annually to be paid from net rents, profits, and income received from the Student Health System, including the income derived from previously approved student fees.

- In November 2002, the Board approved a new \$26 per academic year per student Health Facility mandatory fee (effective with the 2003-2004 academic year) to provide funds for the debt service payments for expansion and renovation of the UNI Student Health Center.

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.

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**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 Background

The University's Health Services programs consist of the Health Clinic, currently located in the Student Health Center, and Counseling Center and Disability Services, currently located in the Student Services Center in Bartlett Hall.

The University reports that the facilities require improvements to respond to increased enrollment, stricter federal medical and accessibility requirements, new trends in health and wellness, and student demand for improved services.

In addition, the University wishes to consolidate the Health Services programs in the Student Health Center to obtain efficiencies among the programs.

The Student Health Center, which consists of 12,658 gross square feet, was built in 1961 to serve a student population approximately one-third of the current number of students on campus, and has received only minor updates since its construction.

**Student Fees** In November 2002, the Board approved a new \$26 per academic year per student Health Facility mandatory fee (effective with the 2003-2004 academic year) to provide funds for the debt service payments for expansion and renovation of the facility.

In November 2003, the Board approved an increase in the Health Facility Fee for the summer session from \$7.80 to \$9.75; the fee after the increase represents 75% of the semester amount. (The summer session at UNI is now three fourths of the length of the regular semester.)

**Project Scope** The project would construct a two-story addition of approximately 11,594 gross square feet to the Student Health Center, renovate the existing clinic space in the building, and convert office areas currently occupied by the Department of Continuing Education into additional clinic and support space.

The project would also update the existing facility with new infrastructure to meet current required building, accessibility, fire, mechanical, electrical, technological, and other regulatory codes with an emphasis on confidentiality, privacy and security.

The expanded and renovated facility would allow consolidation of the Student Health Center, Counseling Center, and Disability Services in one location to improve student services, and staff and financial efficiencies.

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**Analysis:**

**Self-Liquidating Facility** One of the bond resolutions contains a provision establishing a self-liquidating facility. The proposed bonds would be issued under provisions of Iowa Code Chapter 262 which authorizes the Board to borrow money to construct or improve self-liquidating facilities.

**Issue Size** Components of the \$3,875,000 bond issue are estimated to include:

- project costs (estimated at \$3,500,000);
- debt service reserve (estimated at \$292,900);
- bond discount (estimated at \$54,200); and
- issuance costs (estimated at \$27,900).

**Outstanding Bonds** There are no outstanding bonds for the Student Health System enterprise as this enterprise would be established with the bond sale.

**Sources of Repayment** Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$290,000 annually to be paid from net rents, profits, and income received from the Student Health System, including the income derived from previously approved student fees.

**Receipt of Bids** The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, February 19, 2004, and the award is scheduled for later that day.

Resolutions           Copies of the resolutions, which were prepared by Ahlers Law Firm and reviewed by Springsted, Inc., are available from the Board Office.

Bond Specifics       Average Maturity:     12.0 Years  
                          Bonds Dated:        March 1, 2004  
                          Interest Due:        January 1, 2005, and July 1 and January 1 to maturity  
                          Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa  
                          Principal Due:       July 1, 2005 – 2024  
                          Optional Call:       Bonds maturing on or after July 1, 2014 are callable on any date on or after July 1, 2013  
                          Denomination:       \$5,000 and integral multiples thereof

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