

MEMORANDUM

To Banking Committee

From: Board Office

Subject: Preliminary Resolution for the Sale of up to \$22,000,000 Dormitory Revenue Bonds, Series I.S.U. 2003

Date: January 6, 2003

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 15) authorizing the Executive Director to fix the date or dates for the sale of up to \$22,000,000 Dormitory Revenue Bonds, Series I.S.U. 2003.

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 \$22,000,000 Dormitory Revenue Bonds, Series I.S.U. 2003.

The calendar year 2003 bond issuance schedule, approved by the Board in November 2002, included a bond sale in March 2003 to finance construction of Union Drive, Suite Building 2.

- The not to exceed amount in the preliminary resolution (\$22.0 million) is higher than the amount included in the bond issuance schedule (\$17.9 million). It was indicated in the schedule that the amount might increase if a revised budget for the project was approved at the November 2002 meeting; the revised budget was approved.

The project, which will construct a second, four-story, suite-style residential facility, is the first component of the Residence System, Phase II Plan.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately \$1,525,000 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 purchase the bonds.

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

Background:

Statutory Provisions	<p>Under the provisions of <u>Iowa Code</u> §§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.</p> <p>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.</p>
Project	<p>At its November 2002 meeting, the Board approved the schematic design and revised project budget (\$19,992,000, an increase of \$3,688,000) for the Union Drive Suite Building 2 project.</p> <p>The project would construct an 88,777 gross square foot facility to house 331 students in suite-style rooms.</p>
Electronic Bids	<p>The Board, at its November 2001 meeting, adopted a resolution approving electronic bidding procedures.</p>

Analysis:

Issue Size	<p>The size of the bond issue, which would not exceed \$22,000,000, is estimated to total \$21,600,000 including:</p> <ul style="list-style-type: none">• project costs (estimated at \$19,992,000);• debt service reserve (estimated at \$1,526,500); and• issuance costs (estimated at \$81,500). <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>
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 to 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 March 2003 Board meeting.</p>