

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Preliminary Resolution for the Sale of up to \$15,000,000 Utility System Revenue Bonds, Series S.U.I. 2002

Date: January 7, 2002

Recommended Action: Recommend that the Board adopt A Resolution (see G.D. 16) authorizing the Executive Director to fix the date or dates for the sale of up to \$15,000,000 Utility System Revenue Bonds (The State University of Iowa), Series S.U.I. 2002.

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 \$15,000,000 Utility System Revenue Bonds, Series S.U.I. 2002.

The calendar year 2002 bond issuance schedule approved by the Board in November 2001 included this Utility System sale in February 2002.

The bonds would be sold to finance, in part, Utility System projects including improvements to steam and electrical distribution systems, chilled water systems, storm sewers and utilities relocation.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,183,400 annually to be paid from utility system charges and the proceeds of any utility system student fees which the Board may establish in the future. The University's Utility System is a self-supporting operation.

Background:

Use of Bond Proceeds

Bond proceeds will finance:

- Major repair work to Boiler #10 in the Main Campus Power Plant.
 - In October 2001, the Board approved a reimbursement resolution permitting the University to be reimbursed from a future Utility System Revenue Bond issue for this project with an approved budget of \$4,950,000.
- Projects for which approval of descriptions and budgets are included on the University's January Capital Register (SUI B-1):

- Iowa Center for the Arts Campus – Central Chilled Water Distribution Piping (funding from Utility System Revenue Bonds - \$3.1 million.);
- Art Building – Phases 1 and 2 – Site Utilities (Project budget - \$2.4 million with Utility System Revenue Bonds as a source of funds); and
- Health Science Campus – Replace Steam and Condensate Piping (funding from Utility System Revenue Bonds - \$1.7 million)
- Other projects which could be funded from the bond issue include:
 - Utilities Relocation – Medical Education and Biomedical Research Facility – Building B (estimated cost – \$1.3 million);
 - Site utilities for west campus development, including new residence hall and athletic learning center (estimated cost - \$1.2 million);
 - North Riverside Drive steam system condensate return line (estimated cost - \$1 million); and
 - Arts Campus Storm Sewer (estimated cost - \$1 million)

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.

Electronic Bids

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

A protocol for electronic bids has been developed by Springsted, Inc., and is included in the Regent Exhibit Book.

Analysis:

Size of Bond Issue	The size of the bond issue would not exceed \$15,000,000 including: <ul style="list-style-type: none">• project costs (estimated at \$13,540,000);• debt service reserve (estimated at \$1,183,400);• bond discount (estimated at \$210,000); and• issuance costs (estimated at \$66,600)
Outstanding Bonds	The outstanding principal of the Utility System existing bonds, as of December 1, 2001, is \$47.8 million.
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 included in the Regent Exhibit Book.
Sale Date	The bond sale award would be scheduled for a telephonic Board meeting in February.