

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Master Lease Refinancing – University Services Building
Equipment and Furnishings (SUI)

Date: July 6, 2001

Recommended Action:

Recommend that the Board authorize the University of Iowa to refinance the master lease agreement for University Services Building equipment and furnishings. (See G.D. 11.)

Executive Summary:

In October 1999, the Board authorized the University of Iowa to utilize master lease financing in the amount of \$1.8 million for equipment and furnishings for the University Services Building. The project was financed, under the current master lease agreement with Norwest Investment Services (now known as Wells Fargo Brokerage Services, LLC.), over a five-year period. The interest rate of 5.63% was set at the time the borrowing commitment was executed; semi-annual payments are \$208,105.44.

As interest rates have declined, the University has explored with Wells Fargo the possibility of refinancing the outstanding principal, \$1,305,644. The University believes that this is an opportune time to refinance, resulting in present value savings.

The University proposes to refinance the master lease for the University Services Building for the seven remaining payments. Based upon current projected interest rates, the refinancing would save more than \$21,650 (present value savings of more than \$20,000) over the remainder of the financing period.

Background and Analysis:

The current master lease agreement with Wells Fargo became effective on December 1, 1996. The aggregate amount for all leased real and personal property financed under the agreement is limited to \$15 million, although it is subject to modification at the discretion of the Board. As reported to the Banking Committee in April 2001, leases issued and authorized under the current master lease agreement totaled \$12.4 million as of March 31, 2001. Refinancings of property, originally leased under this lease agreement, are not counted against the \$15 million total. The University Services Buildings equipment and furnishings were originally leased under the current agreement in 1999.

The following table details the present value analysis, as prepared by Springsted, Inc., the Board's financial advisor, for the proposed refinancing.

<u>Payment Date</u>	<u>Current Payment</u> *	<u>Projected Payment</u> **	<u>Difference</u>	<u>Present Value of Difference</u>
11/1/2001	\$208,105.44	\$205,012.45	\$3,092.99	\$3,058.56
5/1/2002	\$208,105.44	\$205,012.45	\$3,092.99	2,990.83
11/1/2002	\$208,105.44	\$205,012.45	\$3,092.99	2,924.61
5/1/2003	\$208,105.44	\$205,012.45	\$3,092.99	2,859.85
11/1/2003	\$208,105.44	\$205,012.45	\$3,092.99	2,796.53
5/1/2004	\$208,105.44	\$205,012.45	\$3,092.99	2,734.61
11/1/2004	<u>\$208,105.44</u>	<u>\$205,012.45</u>	<u>\$3,092.99</u>	<u>2,674.06</u>
	<u>\$1,456,738.08</u>	<u>\$1,435,087.15</u>	<u>\$21,650.93</u>	<u>\$20,039.05</u>

* Current interest rate of 5.63%

** Projected by Wells Fargo at 4.58%; includes capitalized pre-payment fee of \$6,528.

Present value savings estimates:

As percentage of refunded principal:	1.53%
As percentage of refunded debt service:	1.38%