

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Renewal of Bond Associated Contracts
Date: July 8, 2002

Recommended Action:

Recommend that the Board approve the annual renewal of the contracts with:

- Ahlers Law Firm as bond counsel to the Board of Regents;
 - Springsted, Inc. as financial advisor to the Board of Regents; and
 - Berens-Tate Consulting Group for arbitrage rebate services.
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Executive Summary:

Contracts Statutory provisions and Board policy require competitive for selection of professionals assisting with the Board's issuing of bonds and notes. In 2001, Requests for Proposals (RFP) were issued to solicit bond counsel, financial advisor, and arbitrage rebate services. In past years, the arbitrage rebate services had been included in services provided by the bond counsel or financial advisor.

The current contracts with the Board's bond counsel, financial advisor, and arbitrage services provider commenced on September 1, 2001, for a one-year initial period, with provision for annual renewal thereafter through August 31, 2006, subject to mutual consent of the parties.

Annual Renewals The Board Office recommends that all terms of the contracts be extended through the annual renewal period ending August 31, 2003.

The FY 2002 year-to-date costs of Ahlers Law Firm and Springsted, Inc. are listed on Attachment A. There have been no billings related to the Berens-Tate arbitrage rebate services during FY 2002.

Background and Analysis:

Requirements Iowa Code §262.9 (17) requires a competitive process for selecting professionals to assist with the Board's issuing of bonds and notes. Iowa Administrative Rules 681 – 8.8 (1)e and Regent Policy Manual §7.31 require agreements with firms selected as bond counsel, financial advisor, or other functions necessary for the issuance of bonds or notes provide for annual renewals during a period not to exceed five years.

Previous Board Action

- In December 2000, the Board authorized the issuance of Requests for Proposals for the Board's bond counsel, financial advisor, and arbitrage rebate services.
- In April 2001, based on recommendations of a selection committee, the Board approved the continuation of Ahlers as the Board's bond counsel.
- In July 2001, based on the recommendations of a selection committee, the Board approved the continuation of Springsted as the Board's financial advisor, and approved Berens-Tate Consulting Group as the Board's arbitrage services provider.
- The Board also authorized the Executive Director to enter into a one-year contract with each that began on September 1, 2001, with provisions for annual renewals through August 31, 2006.

Both Ahlers Law Firm and Springsted have provided professional services to the Board of Regents since 1986. Berens-Tate has provided services since 2001.

Ahlers

The 2001 contract with the Ahlers Law Firm as bond counsel to the Board provides that Ahlers will:

- Assist the Board in authoritatively evaluating legal aspects of proposed financing;
- Advise the Board on the impact of pending state and federal legislation and draft related legislation as requested;
- Place any currently proposed financing into historical perspective so that an offering does not jeopardize the Board's overall debt financing program; and
- Ensure continuity in the Board's financing, including suggesting improvements were necessary or desirable.

Springsted

The 2001 contract with Springsted as financial advisor to the Board of Regents provides that Springsted will:

- Assist the Board in assessing the merits of various financing alternatives;
- Advise the Board on structure, timing, and size of possible financings;
- Take a long-range view and place any currently proposed financing into historical perspective so that any offering does not jeopardize the Board's overall debt financing program;
- Advise the Board in a manner which will provide continuity in the Board's financing but also shall suggest improvements where necessary or desirable; and
- Furnish notification of compliance with the continuing disclosure requirements required by the Securities and Exchange Commission.

Berens-Tate

The 2001 contract with Berens-Tate as arbitrage rebate services provider to the Board of Regents provides that Berens-Tate will:

- Review the cash flow and investment information for an issue of bonds, notes or other debt instruments;
- Determine excess earnings on investments during each bond year and determine the Board's net rebate liability;
- Inform the Board or Trustee of the obligation to deposit in a rebate fund any excess earnings based on the calculations performed and prepare a rebate report for the Board setting forth computations, assumptions and instructions for filing; and
- Provide the Regent institutions with authoritative calculations and certifications required to meet arbitrage rebate requirements of federal tax laws and regulations and complete and provide for filing with the Internal Revenue Service a Form 8038-T for each issue for which there are excess earnings.

Attachment A

**Board of Regents, State of Iowa
FY 2002 Contract Costs
Year-to-Date**

Sale Date	Bond Issuance Costs, excluding reimbursables	Contract Payments to Ahlers Law Firm	Contract Payments to Springsted
Oct. 2001	Dormitory Revenue Bonds, Series S.U.I. 2001	\$21,835	\$16,735
Nov. 2001	Iowa Memorial Union Revenue Ref. Bonds S.U.I. 2001	12,075	7,760
Nov. 2001	Field House Revenue Bonds, Series U.N.I. 2001	7,550	8,625
Jan. 2002	Dormitory Revenue Bonds, Series I.S.U. 2002	21,840	17,980
Feb. 2002	Utility System Revenue Bonds, Series S.U.I. 2002	19,710	13,000
Mar. 2002	Student Union Revenue Bonds, Series U.N.I. 2002	<u>16,290</u>	<u>15,755</u>
	Total Year-to-Date Costs	\$99,300	\$79,855