MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Report on Refunding Savings
Date: July 7, 2003

Recommended Action:

Receive the report, including graphs, on the savings from the issuance of refunding bonds.

Executive Summary:

Present value savings (which are net of issuance costs) from refunding bonds total $7.3 million for calendar years 2001 – 2003 (to date), of which $5.4 million in savings were from Academic Building Revenue Bond Refundings.

This memorandum includes a table and graphs to depict these savings.

The table on page 3 provides information on the dollar amount of the savings, by refunding bond issue.

The graphs on pages 4 - 6 detail refunding bond present value savings since 2001. Graphs 1 and 2 provide information on total savings for all refundings, with graphs 3 and 4 providing a subset of the information for Academic Building Revenue Bond Refundings, and graphs 5 and 6 providing the same information for other refunding issues:

- Graph 1 – All Refundings - Dollar Savings per Issue
- Graph 2 – All Refundings - Dollar Cumulative Savings
- Graph 3 – Academic Building Refundings - Dollar Savings per Issue
- Graph 4 – Academic Building Refunding - Dollar Cumulative Savings
- Graph 5 – Other Refundings - Dollar Savings per Issue
- Graph 6 – Other Bond Refundings - Dollar Cumulative Savings

An updated report in September 2003 will include the present value savings from the sale of UNI refunding bonds scheduled for sale in July 2003. (See B.C. 3.)
**Background and Analysis:**

**Board Stewardship**  
The Board of Regents Strategic Plan provides for effective stewardship of the institutions’ state, federal and private resources.

Bond refundings help ensure this stewardship by minimizing the interest payments on outstanding debt.

The Board Office and the Board’s financial advisor, Springsted, Inc. of St. Paul, MN & Des Moines, IA, continuously review outstanding bond issues for refunding opportunities.

**Savings since FY 2001**  
Since FY 2001, the Board has sold nine refunding bond issues, resulting in present value savings of over $7.3 million.

This information is displayed on Table 1, page 3 and, graphs 1 and 2, page 4.

**Academic Building Revenue Bonds**  
Tuition and fee revenues are used for debt service payments on Academic Building Revenue Bonds; a tuition replacement appropriation replaces that university revenue.

The savings from Academic Building Revenue Bond refundings reduce the amount needed for the tuition replacement appropriation.

Since FY 2001, the Board has sold six Academic Building refunding bond issues, resulting in present value savings of over $5.4 million (graphs 3 and 4, page 5).

**Other Bond Issues**  
The refunding of revenue bonds for self-supporting enterprises, including the dormitory systems, results in annual, on-going savings to the respective enterprise.

Since 2001, the sales of three refunding bond issues (graphs 4 and 5, page 6) have resulted in present value savings of over $1.9 million.
Table 1  
Savings from Refunding Bonds Issued: FY 2001 – FY 2003

<table>
<thead>
<tr>
<th>Inst.</th>
<th>Amount</th>
<th>Issue Date</th>
<th>Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$14,580,000 Academic Building Revenue Refunding Bonds, Series 2002</td>
<td>Apr-02</td>
<td>$1,500,022</td>
</tr>
<tr>
<td>SUI</td>
<td>10,530,000 Academic Building Revenue Refunding Bonds, Series 2003</td>
<td>Apr-03</td>
<td>$633,705</td>
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<tr>
<td></td>
<td>Subtotal – Academic Building Revenue Bond Savings</td>
<td></td>
<td>$2,133,727</td>
</tr>
<tr>
<td>SUI</td>
<td>4,835,000 Iowa Memorial Union Refunding Bonds, Series 2001</td>
<td>Nov-01</td>
<td>436,743</td>
</tr>
<tr>
<td>SUI</td>
<td>6,080,000 Utility Revenue Refunding Bonds, Series 2003</td>
<td>Feb-03</td>
<td>487,374</td>
</tr>
<tr>
<td></td>
<td>SUI - Total present value of interest savings:</td>
<td></td>
<td>$3,057,844</td>
</tr>
<tr>
<td>ISU</td>
<td>$9,805,000 Academic Building Revenue Refunding Bonds, Series 2001A</td>
<td>Apr-01</td>
<td>$917,782</td>
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<tr>
<td>ISU</td>
<td>13,350,000 Academic Building Revenue Refunding Bonds, Series 2001B</td>
<td>Apr-01</td>
<td>1,044,900</td>
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<tr>
<td></td>
<td>ISU - Total present value of interest savings:</td>
<td></td>
<td>$1,962,682</td>
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<tr>
<td>UNI</td>
<td>$4,890,000 Academic Building Revenue Refunding Bonds, Series 2002</td>
<td>Apr-02</td>
<td>$461,282</td>
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<td>UNI</td>
<td>8,465,000 Academic Building Revenue Refunding Bonds, Series 2003</td>
<td>Apr-03</td>
<td>887,899</td>
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<tr>
<td></td>
<td>Subtotal – Academic Building Revenue Bond Savings</td>
<td></td>
<td>$1,349,181</td>
</tr>
<tr>
<td>UNI</td>
<td>9,535,000 Dormitory Revenue Refunding Bonds, Series 2002</td>
<td>Oct-02</td>
<td>952,826</td>
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<tr>
<td></td>
<td>UNI - Total present value of interest savings:</td>
<td></td>
<td>$2,302,007</td>
</tr>
</tbody>
</table>

Grand Total - Present Value Savings from Refunding Bonds Issued since FY 2001: $7,322,533

Present Value Savings by Type of Bond Issue

- Academic Building Revenue Refunding Bonds: $5,445,590
- Dormitory Revenue Refunding Bonds: 952,826
- Other Refunding Bonds: 924,117

Total: $7,322,533
Graph 1
Board of Regents, State of Iowa
Present Value Refunding Savings since 2001 --
Dollars per Issue

Graph 2
Board of Regents, State of Iowa
Present Value Refunding Savings since 2001 --
Cumulative Dollars
State Appropriations Savings

Graph 3
Board of Regents, State of Iowa
Academic Building Revenue Refunding Bonds
Present Value Refunding Savings since 2001 --
Dollars per Issue

Graph 4
Board of Regents, State of Iowa
Academic Building Refunding Present Value Savings
since 2001-- Cumulative Dollars
Graph 5
Board of Regents, State of Iowa
Other Refunding Bond Issues
Present Value Refunding Savings since 2001 --
Dollars per Issue

Graph 6
Board of Regents, State of Iowa
Other Refunding Bond Present Value Savings since 2001 --
Cumulative Dollars