

**MEMORANDUM**

**To** Banking Committee

**From:** Board Office

**Subject:** Preliminary Resolution for the Sale of up to \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003

**Date:** July 7, 2003

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**Recommended Action:**

Recommend that the Board adopt A Resolution (see G.D. 6) authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003.

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**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 \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003.

The bonds would be sold to finance a number of projects in the University's Residence System including the Burge Residence Hall Remodel Food Service Area project, fire protection upgrades for Rienow, Quadrangle and Parklawn Residence Halls, and improvements to Mayflower Residence Hall.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,845,000 annually to be paid from the net rents, profits and income of the Residence System.

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

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**Background:**

Statutory Provisions Under the provisions of Iowa Code §§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.

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.

Projects The University has indicated that all or a portion of the following projects, which have received Board approvals as outlined in Appendix A, would be financed by the proposed, upcoming bond issue:

| <u>Project</u>   | <u>Board<br/>Approved<br/>Project Budget</u> |
|--|--|
| Burge Residence Hall – Remodel Food Service Area                   | \$14,400,000                                 |
| Parklawn Residence Hall - Upgrade Fire Protection                  | 536,000                                      |
| Rienow and Quadrangle Residence Halls -<br>Upgrade Fire Protection | 3,858,000                                    |
| Mayflower Residence Hall – Replace Windows                         | 1,996,000                                    |
| Mayflower Residence Hall – Replace Piping                          | 15,000,000                                   |

U.S. Department of Treasury Regulations United States Department of Treasury Regulation 1.150-2 provides the rules for the reimbursement from future bond proceeds of expenditures originally paid from sources other than bond proceeds. When the bonds are sold, a portion of the bond issue (reimbursement bond) is allocated to reimburse the original expenditure that was paid before the bond issue date.

Treasury regulations require that project costs must be reimbursed from the bond proceeds not later than the later of 18 months after the capital expenditures are paid or 18 months after the property is placed in service.

Reimbursement Resolution At its May 2001 meeting, the Board adopted a resolution declaring an official intent under the above-referenced Treasury Regulation to issue debt to reimburse the University of Iowa Residence System for expenditures to be paid for specified projects.

- The Burge Residence Hall - Remodel Food Service Area project was one of the specified projects; this project is currently under construction.

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

**Analysis:**

|                   |  |
|-------------------|--|
| Issue Size        | Components of a \$25,000,000 bond issue are estimated to include: <ul style="list-style-type: none"><li>• project costs (estimated at \$23,075,000);</li><li>• debt service reserve (estimated at \$1,845,000); and</li><li>• issuance costs (estimated at \$80,000).</li></ul>  |
| Outstanding Bonds | The outstanding principal amount for University of Iowa Dormitory Bonds is \$40,980,000.   |
| 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 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> <p>The resolution also includes language which will permit the University to be reimbursed from the bond proceeds for project expenditures made prior to the delivery date of the bonds.</p> |
| Sale Date         | The bond sale and award would be scheduled for the September 2003 Board meeting.   |

**Appendix A  
Project Summaries**

**Burge Residence Hall—Remodel Food Service Area**

| <u>Project Summary</u>  |               |             |                     |
|---|---------------|-------------|---------------------|
|   | <u>Amount</u> | <u>Date</u> | <u>Board Action</u> |
| Permission to Proceed   |               | Dec. 2000   | Approved            |
| Architectural Selection<br>(Rohrbach Carlson, Iowa City)  |               | Feb. 2001   | Approved            |
| Architectural Agreement<br>(Rohrbach Carlson, Iowa City)  | \$ 1,192,000  | April 2001  | Approved            |
| Program Statement   |               | July 2001   | Approved            |
| Schematic Design  |               | April 2002  | Approved            |
| Project Description and Total Budget  | 14,400,000    | April 2002  | Approved            |
| Construction Contracts -<br>Asbestos Abatement<br>(Wellington Environmental<br>Consulting and Construction) | 145,588       | Sept. 2002  | Ratified            |
| General Construction<br>(McComas-Lacina Construction)   | 10,822,863    | Oct. 2002   | Ratified            |

**Parklawn Residence Hall—Upgrade Fire Protection**

| <u>Project Summary</u>  |               |             |                     |
|---|---------------|-------------|---------------------|
|   | <u>Amount</u> | <u>Date</u> | <u>Board Action</u> |
| Engineering Agreement<br>(Design Engineers, Cedar Rapids, IA)   | \$ 40,500     | Oct. 2002   | Approved            |
| Project Description and Total Budget                            | 536,000       | Nov. 2002   | Approved            |
| Construction Contract Award<br>(H. Eugene Construction Company) | 306,200       | April 2003  | Ratified            |

**Rienow and Quadrangle Residence Halls—Upgrade Fire Protection**

Project Summary

|   | <u>Amount</u> | <u>Date</u>            | <u>Board Action</u>  |
|---|---------------|------------------------|----------------------|
| <u>Residence Halls and Family Housing—<br/>Upgrade Fire Protection</u>  |               |                        |                      |
| Permission to Proceed<br>Agreement for Schematic Design and<br>Cost Estimates<br>(Alvine and Associates, Iowa City, IA) | \$ 288,000    | July 1995<br>July 1997 | Approved<br>Approved |
| <u>Rienow and Quadrangle Residence Halls—<br/>Upgrade Fire Protection</u>   |               |                        |                      |
| Engineering Agreements  |               |                        |                      |
| General Construction Design Services<br>(Alvine and Associates, Iowa City, IA)  | 362,000       | Oct. 2001              | Approved             |
| Asbestos Abatement Design Services<br>(Shive-Hattery, Iowa City, IA)  | 66,688        | Oct. 2001              | Approved             |
| Project Description and Total Budget  | 3,858,000     | Jan. 2002              | Approved             |
| Construction Contract Awards  |               |                        |                      |
| Bid Package 1 – Asbestos Abatement<br>(EnviroBate Management Services)  | 156,162       | May 2002               | Ratified             |
| Bid Package 2 – Asbestos Abatement<br>(Great Plains Asbestos Control)   | 155,577       | May 2002               | Ratified             |
| Bid Package 3 – Ceiling and Light Fixtures<br>(Merit Electric)  | 126,870       | May 2002               | Ratified             |
| Bid Package 4 – General Construction<br>(Unzeitig Construction Company)   | 1,805,000     | Jan. 2003              | Ratified             |

**Mayflower Residence Hall—Replace Windows**

| <u>Project Summary</u>               |               |             |                     |
|--------------------------------------|---------------|-------------|---------------------|
|                                      | <u>Amount</u> | <u>Date</u> | <u>Board Action</u> |
| Permission to Proceed                |               | Jan. 2002   | Approved            |
| Project Description and Total Budget | \$ 1,996,000  | Jan. 2002   | Approved            |
| Construction Contract Awards         |               |             |                     |
| Bid Pack. 1 – Asbestos Abatement     | 116,466       | May 2002    | Ratified            |
| General Construction                 |               |             |                     |
| (Netom Enterprises)                  | 1,112,000     | Mar. 2003   | Ratified            |
| Bid Pack. 2 – Asbestos Abatement     | 71,652        | Apr. 2003   | Ratified            |

**Mayflower Residence Hall—Replace Piping**

| <u>Project Summary</u>  |               |             |                     |
|---|---------------|-------------|---------------------|
|   | <u>Amount</u> | <u>Date</u> | <u>Board Action</u> |
| <b><u>Mayflower Residence Hall—Replace Domestic Water Piping</u></b>  |               |             |                     |
| Permission to Proceed   |               | Jan. 2002   | Approved            |
| Engineering Agreement—Full Design Services<br>(Rohrbach Carlson, Iowa City, IA)                               | \$ 667,000    | June 2002   | Approved            |
| <b><u>Mayflower Residence Hall—Replace Heating, Ventilating and Air Conditioning (HVAC) Piping System</u></b> |               |             |                     |
| Permission to Proceed   |               | April 2002  | Approved            |
| <b><u>Mayflower Residence Hall—Replace Piping (combined projects)</u></b>                                     |               |             |                     |
| Project Description and Total Budget  | 15,000,000    | Nov. 2002   | Approved            |
| Engineering Selection   |               |             |                     |
| (Rohrbach Carlson, Iowa City, IA)   |               | Nov. 2002   | Approved            |
| Engineering Agreement – Full Design Services<br>(Rohrbach Carlson, Iowa City, IA)                             | 210,000       | Mar. 2003   | Approved            |
| General Construction  |               |             |                     |
| (McComas-Lacina Construction)   | 5,281,000     | May 2003    | Ratified            |