

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Preliminary Resolution for the Sale of \$7,000,000 Academic Building Revenue Project Notes, Series I.S.U. 2002

Date: June 10, 2002

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 13) authorizing the Executive Director to fix the date or dates for the sale of \$7,000,000 Academic Building Revenue Project Notes, Series I.S.U. 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 \$7,000,000 Academic Building Revenue Project Notes, Series I.S.U. 2002.

The Second Extraordinary Session of the 2002 General Assembly, which met in late May 2002, transferred \$7 million of the 1997 appropriation from the Rebuild Iowa Infrastructure Fund for the Engineering Teaching and Research, Phase II project at Iowa State University to the FY 2002 General Fund.

The legislation also authorizes the Board to issue Academic Building Revenue Bonds to complete the project and appropriates \$7 million from the Rebuild Iowa Infrastructure Fund for FY 2004 to repay the bonding.

Since an appropriation has been made to repay the principal amount of the bonds, it is recommended that the Board authorize the sale of Academic Building Revenue Project Notes to provide interim financing for the project, as permitted under Iowa Code, §76.13.

Background:

Project History

The 1997 General Assembly appropriated from the Rebuild Iowa Infrastructure Fund the sum of \$20.9 million over 4 years (FY 1998 – FY 2001) for the Engineering Teaching and Research, Phase II project at Iowa State University.

Hoover Hall, the last component of the Phase II project, is currently under construction and scheduled for completion in December 2003.

The facility, which is located east of Bissell Road and north of Black Engineering and Beyer Hall, includes spaces for the Department of Material Science and Engineering; Engineering Computer Support Services; Department of Mechanical Engineering; Department of Industrial Manufacturing Systems Engineering; and classrooms and an auditorium for the use of the entire University.

2002 General Assembly Action

The Second Extraordinary Session of the 2002 General Assembly transferred \$7 million of the unexpended funds to the State's general fund for FY 2002.

The legislation, which is attached as Appendix A to this memorandum, authorizes the Board to issue bonds to complete the project and appropriates \$7 million from the Rebuild Iowa Infrastructure Fund for FY 2004 to repay the bonding.

Iowa Code

Iowa Code §76.13 permits a public body which is authorized to issue bonds to issue project notes in anticipation of the receipt of any or a combination of the following:

- Proceeds from the issuance of previously authorized bonds;
- Proceeds to be received pursuant to law or agreement from any state or federal agency; and
- Income or revenues from sources to be received and expended for the project during the project construction or acquisition period.

Electronic Bids

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

Analysis:

Since the General Assembly has authorized the sale of Academic Building Revenue Bonds to complete the Engineering Teaching and Research, Phase II project and appropriated FY 2004 funds to repay the bonding, the Board's bond counsel and financial advisor recommend that Project Notes be issued to provide interim financing.

It is envisioned that the notes would be issued for an 18-month period, with a possible 12-month call provision. Notes are best marketed with payment on interest payment dates.

The notes would be dated August 1, 2002.

If Rebuild Iowa Infrastructure Funds should not be available by August 1, 2003, the additional six-month period would provide time to issue bonds to finance the note principal or for the state to provide the infrastructure funds.

No principal payments would be due during the time that the Project Notes are outstanding.

No specific appropriation has been made to fund the interest due on the Project Notes; funds may be available from tuition replacement appropriations.

Resolution

The resolution authorizing the Executive Director to fix the date or dates for the sale of the notes, which was prepared by Ahlers Law Firm and reviewed by Springsted, Inc., is available from the Board Office.

The resolution includes language which will permit the University to be reimbursed from the proceeds of the Project Notes for project expenditures made prior to the delivery of the notes.

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.

Sale Date

The note sale and award would be scheduled for the July Board meeting.

Applicable Sections
HF 2625
2002 General Assembly, Second Extraordinary Section

Sec. 5. REGENTS INFRASTRUCTURE. Of the moneys appropriated to the state board of regents in 1997 Iowa Acts, chapter 215, section 23, subsection 1, and allocated for phase II construction of the engineering teaching and research complex at Iowa state university of science and technology, there is transferred to the general fund of the state for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount:

..... \$ 7,000,000

Sec. 6. STATE BOARD OF REGENTS – ENGINEERING COMPLEX – BONDING.

There is appropriated from the rebuild Iowa infrastructure fund to the state board of regents for the fiscal year beginning July 1, 2003, and ending June 30, 2004, the following amount, or so much thereof as is necessary, to be used for the purpose designated:

For repayment of the bonding for the phase II construction of the engineering teaching and research complex at Iowa state university of science and technology, as authorized in this section:

..... \$ 7,000,000

Moneys appropriated in this section are not subject to transfer.

1. The state board of regents is authorized to issue bonds as provided in chapter 262A in an amount not exceeding \$7 million, except as provided in subsection 2, to undertake and carry out completion of the engineering teaching and research phase II construction at Iowa state university of science and technology and to finance the remaining cost of the project.

2. Notwithstanding the limitation established in subsection 1, the amount of bonds issued as authorized in subsection 1 may be exceeded by the amount the state board of regents determines to be necessary to capitalize interest, bond reserves, and issuance costs.