

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report of the Banking Committee
Date: June 10, 2002

Recommended Actions:

- SUI Facilities Corporation Bonds
1. Adopt the following resolution, subject to receipt of acceptable bids:
A Resolution Authorizing and Approving the Execution and Delivery of the Ground Lease and the Lease and 2002 Amendments thereto, the Indenture, the Second Supplemental Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate and the Continuing Disclosure Certificate, and Authorizing and Providing for the Issuance of University of Iowa Facilities Corporation (Medical Education and Biomedical Research Facility Project) \$7,810,000 Revenue Bonds, Series 2002, and Providing for the Payment Thereof.
(ROLL CALL VOTE)
- ISU Project Notes
2. Adopt the following resolution:
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.
(ROLL CALL VOTE)
- ISU Computer Lease Program
3. Approve a taxable loan of up to \$750,000 through US Bank for the purchase of up to 250 Dell and Apple laptop computers and program specific software, for the purpose of leasing computers to students in the College of Design at Iowa State University.
 4. Accept the remainder of the report of the Banking Committee.
-

Executive Summary:

- Approvals
- The Banking Committee materials, which include a memorandum covering each item in detail, have been furnished to all Board members. During its meeting on June 19, 2002, the Banking Committee is scheduled to consider approval of:
- The minutes from the May 2002 Banking Committee meeting;
 - Resolution for the Issuance of University of Iowa Facilities Corporation (Medical Education and Biomedical Research Facility Project) \$7,810,000 Revenue Bonds;
 - Preliminary 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; and
 - ISU College of Design Financing and Computer Lease Program.

- Reports The Banking Committee is scheduled to receive reports on:
- Costs of Bond Issuances;
 - Quarterly Investment and Cash Management; and
 - Internal Audits.

Background and Analysis:

Minutes The minutes of the April 2002 Banking Committee meeting are included with the Banking Committee materials.

SUI Facilities
Corporation Bonds

The Banking Committee is requested to recommend that the Board adopt a resolution authorizing and approving various lease documents, indentures, a bond purchase agreement and certificates related to the sale of \$7,810,000 University of Iowa Facilities Corporation Revenue Bonds for the University of Iowa College of Medicine Medical Education and Biomedical Research Facility (MEBRF) project.

At its May 2002 meeting, the Board adopted a resolution authorizing the Executive Director to take all action needed to effect the issuance of the bonds.

The bonds would be sold to provide funds to complete the cost of constructing, improving, expanding and equipping the facility.

The calendar year 2002 bond issuance schedule, approved by the Board in November 2001, included a sale by the University of Iowa Facilities Corporation in June 2002.

The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

The bond structure for the University of Iowa Facilities Corporation bond issue differs from the structure used for Board of Regents bonds.

- The Corporation will issue the debt and lease the facility to the Board for use by the University during the term of the bonds.
- Upon retirement of the bonds, the facility will be conveyed to the University.

The last maturity of the bonds to be issued will be June 1, 2023. Debt service of approximately \$621,600 annually will be paid from lease rentals, which will be paid by the University to the Facilities Corporation under the terms of the lease.

ISU Project Notes

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 in FY 2004, 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.

Costs of Bonds Issuance

The Banking Committee has requested reports identifying the costs actual costs be detailed by fees paid to Springsted and Ahlers, and other expenses. The report provided to the Banking Committee in May 2002 included issuance costs for the January 2002 sale of Iowa State University Dormitory Revenue Bonds and the February 2002 sale of University of Iowa Utility System Revenue Bonds.

This month's report includes the issuance costs of \$52,823.45 for the March 2002 sale of the University of Northern Iowa \$12,755,000 Student Union Revenue Bonds.

- The bonds were sold to finance, in part, the Maucker Union – Center for Multicultural Education Renovation / Expansion project.
-

Quarterly Investment and Cash Management Report

The Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment. Both portfolios include restricted and unrestricted funds. As of March 31, 2002, total Regent combined operating and endowment portfolios was almost \$1.2 billion.

The market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$875.9 million. The university operating portfolios performed in line with comparable industry standards.

Wilshire Associates, the Board's investment advisor, prepares the summary report on the endowment portfolio, which totaled \$324.0 million. The combined investment managers' returns for the University of Iowa (excluding the quasi-endowment) and Iowa State University endowment portfolios were 1.0% and 0.9%, respectively, for the quarter. The blended

asset allocation benchmark posted returns of 0.2% for the quarter.

Wilshire reported that the four endowment investment managers were close to their respective benchmarks.

The internal auditors verified that investment purchases and holdings during the quarter ended March 31, 2002, were in compliance with respective Board and institutional investment policies.

On May 9, 2002, Moody's rating agency downgraded the rating for WorldCom, one of the ten largest corporate bond issues. Both BlackRock and Invesco held these bonds in the Regent portfolios. Invesco sold the bonds, but BlackRock requested to hold the bonds.

ISU Computer
Lease Program

In July 2001, the Board authorized Iowa State University to enter into a financing agreement of up to \$900,000 for the University's purchase of approximately 250 laptop computers for leasing to students in the College of Design. The Banking Committee requested that the University provide an evaluation of the first year of the program prior to receiving authorization to continue financing the program.

In March 2002, the college reported that the program has been successful. The Board approved to continue the computer lease program for a second year, subject to submission of financing plans.

The University requests that the Board approve a loan of up to \$750,000 from US Bank for the purchase of up to 250 Dell and apple laptop computers and program specific software. The loan is at a taxable rate of 5.20% for a 3-year period. The University will pay back the loan with funds collected from the lease program.

Internal Audit
Reports

Completed institutional internal audit reports are presented to the Banking Committee, as required by Board policy. The Board Office monitors the progress of the institutions' follow-up on these reports. When corrective action has been satisfactorily completed, the audits are closed.

Five new ISU audits and three SUI follow-up audit reports are presented.

The Status of Internal Audit Follow-Up Table identifies 18 internal audit reports, 15 of which require follow-up. The three University of Iowa follow-up reports presented this month are closed.


Pamela M. Elliott

Approved: 
Gregory S. Nichols