

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Updated Bond Issuance Schedule for the Months of April and May 2003  
**Date:** March 3, 2003

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**Recommended Action:**

Recommend that the Board establish a revised schedule for the issuance of bonds for April and May 2003 as detailed in this memorandum.

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**Executive Summary:**

At its meeting in November 2002, the Board established a bond issuance schedule for calendar year 2003; the schedule did not include any refundings which might be possible due to low interest rates.

Springsted, the Board's financial advisor, Ahlers, the Board's bond counsel, and the Board Office have identified three possible Academic Building Revenue Bond refundings. Subject to approval of the revised bond issuance schedule, preliminary resolutions for the sales of the refunding bonds, which would occur at the April 2003 Board meeting, are included in B.C. 7 and B.C. 8.

The schedule approved in November 2002 included the sale of an estimated \$16.5 million in University of Iowa Parking System Revenue Bonds in May 2003. The University has advised the Board Office that it is not ready to proceed with the sale in May 2003.

Board Office discussions with the universities have raised the possibility of a Dormitory Revenue Bond issue for Iowa State University in May.

The existing and proposed schedule are summarized below:

| <u>Month</u> | <u>Schedule Approved Nov. 02</u>      |                                   | <u>Proposed Revised Schedule</u>      |                                   |
|--------------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
|              | <u>Institution/<br/>Type of Issue</u> | <u>Est. Amount<br/>Bond Issue</u> | <u>Institution/<br/>Type of Issue</u> | <u>Est. Amount<br/>Bond Issue</u> |
| April        | Left available for refundings         |                                   | SUI Acad. Bld.<br>UNI Acad. Bld.      | \$10.6 million<br>9.2 million     |
| May          | SUI Parking                           | <u>\$16.5 million</u>             | ISU Dormitory                         | <u>9.6 million</u>                |
| Totals       |                                       | \$16.5 million                    |                                       | \$29.4 million                    |

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**Strategic Plan:**

Development of a bond issuance schedule is consistent with Action Step 4.3.3.3 of the Board's Strategic Plan which provides for a review and recommended program for the use of self-liquidating revenue bonds to build enterprise facilities.

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**Background:**

Annually, the Board establishes a schedule for the issuance of bonds. The Board adopted the calendar year 2003 schedule in November 2002. It was noted at that time that approval of the schedule did not indicate that the Board Office had reviewed or recommended approval of all projects to be financed from the proposed sales or that the Board would approve the projects and the bond sale amounts.

When the schedule was adopted in November 2002, the docket memorandum indicated that the Board Office and institutions would continually review the schedule, which is determined in part by project schedules and opportunities for refundings, and make recommendations for changes, if warranted.

Current Schedule      The calendar year 2003 schedule did not include any sales for April 2003 in anticipation of possible refundings and included the following sale for the month of May 2003:

| <u>Month</u> | <u>Institution / Type of Issue</u> | <u>Estimated Amount of Bond Issue</u> |
|--------------|------------------------------------|---------------------------------------|
| May 03       | SUI Parking                        | \$16,500,000                          |
|              | <b>Total</b>                       | <b>\$16,500,000</b>                   |

Project Delays      The University of Iowa has informed the Board Office that, due to project delays, it would like to postpone the sale of the Parking System bonds.

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**Analysis:**

As noted above, the Board Office and institutions continually review the bond issuance schedule and make recommendations for changes, if warranted.

As discussed previously with the Banking Committee, interest rates are historically low, and the yield curve is very steep. This scenario is particularly advantageous for current refundings (occurring within 90 days of the call date) since no escrow needs to be established.

April Refundings A number of Academic Building Revenue Bond issues become callable on July 1, 2003.

Based upon an analysis of the potential savings, the Board's financial advisor and bond counsel, the Board Office and universities recommend the refunding of a total of three bond issues for the University of Iowa and University of Northern Iowa. Since two of the issues are for the University of Northern Iowa, these would be combined into one refunding issue. The refunding for the UNI bonds requires approval of the Tobacco Settlement Authority, as discussed in B.C. 8.

These bond sales would be scheduled for April, and the Banking Committee is asked to recommend approval of two preliminary resolutions this month, subject to approval of this revised bond issuance schedule. (See B.C. 7 and B.C. 8.)

May Sale – ISU Dormitory The revised schedule includes a proposed sale in May for ISU Dormitory Bonds for the renovation of Buchanan Hall.

The Iowa State University capital register this month (see G.D. 18b) includes a revised project budget (\$12,150,000, an increase of \$2,920,000) for the renovation of Buchanan Hall.

The University had originally anticipated paying for the renovation with available improvement funds from the Residence System.

However, the University has reassessed the immediate need for Suite Building 3 and is recommending that this project be deferred for two years and until there is an opportunity to assess future demand.

Therefore, the University would like to issue bonds for a portion of the cost of the Buchanan Renovation and indicates that with the issuance of bonds for this project, the debt for the Residence System would be approximately \$8.2 million below the level contemplated when the Master Plan was presented to the bond rating agencies.

Residence system improvement funds that are projected to be available if bonds are issued for the Buchanan Hall Renovation would be utilized to address repair and deferred maintenance projects, such as Friley Hall renovations. Financing a portion of the Buchanan renovations with bonds would also permit Residence System funds to be used to complete the demolition of Helser Hall and site cleanup.

Revised Schedule Under the proposal, the revised schedule for the months of April and May 2003 would be:

| <u>Month</u> | <u>Institution / Type of Issue</u>      | <u>Estimated Amount of Bond Issue</u> |
|--------------|---|---------------------------------------|
| April        | SUI Academic Building Revenue Refunding | \$10.6 million                        |
|              | UNI Academic Building Revenue Refunding | 9.2 million                           |
| May          | ISU Dormitory System                    | <u>9.6 million</u>                    |
|              | <b>Total</b>                            | \$29.4 million                        |