

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Report on Refunding Savings
Date: May 12, 2003

Recommended Action:

Receive the report on savings from the issuance of refunding bonds.

Executive Summary:

The Banking Committee has requested reports identifying the savings from refunding outstanding bond maturities. Refunding savings will be reported in a memorandum in the month subsequent to a sale of refunding bonds. Table 1 (page 2) details present value savings from the issuance of refunding bonds of over \$7.3 million since FY 2001.

This month's report includes the present value interest savings from the following sales of refunding bonds in April 2003:

<u>Inst.</u>	<u>Sale Amount</u>	<u>Issue</u>	<u>Present Value Savings</u>
SUI	\$10,530,000	Academic Building Revenue Refunding Bonds	\$ 633,705
UNI	<u>8,465,000</u>	Academic Building Revenue Refunding Bonds	<u>887,899</u>
	\$18,995,000	Total	\$1,521,604

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 9 refunding bond issues, resulting in present value interest savings of over \$7.3 million (Table 1, page 2).

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. The savings are factored into the tuition replacement estimates provided to the Department of Management and Legislative Fiscal Bureau each year.

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.

Table 1
Savings from Refunding Bonds Issued: FY 2001 – FY 2003

<u>Inst.</u>	<u>Amount</u>	<u>Issue</u>	<u>Issue Date</u>	<u>Present Value Savings</u>
SUI	\$14,580,000	Academic Building Revenue Refunding Bonds, Series 2002	Apr-02	\$1,500,022
SUI	10,530,000	Academic Building Revenue Refunding Bonds, Series 2003	Apr-03	<u>633,705</u>
		Subtotal – Academic Building Revenue Bond Savings		\$2,133,727
SUI	4,835,000	Iowa Memorial Union Refunding Bonds, Series 2001	Nov-01	436,743
SUI	6,080,000	Utility Revenue Refunding Bonds, Series 2003	Feb-03	<u>487,374</u>
		SUI - Total present value of interest savings:		\$3,057,844
ISU	\$9,805,000	Academic Building Revenue Refunding Bonds, Series 2001A	Apr-01	\$ 917,782
ISU	13,350,000	Academic Building Revenue Refunding Bonds, Series 2001B	Apr-01	<u>1,044,900</u>
		ISU - Total present value of interest savings:		\$1,962,682
UNI	\$4,890,000	Academic Building Revenue Refunding Bonds, Series 2002	Apr-02	\$ 461,282
UNI	8,465,000	Academic Building Revenue Refunding Bonds, Series 2003	Apr-03	<u>887,899</u>
		Subtotal – Academic Building Revenue Bond Savings		\$1,349,181
UNI	9,535,000	Dormitory Revenue Refunding Bonds, Series 2002	Oct-02	<u>952,826</u>
		UNI - Total present value of interest savings:		\$2,302,007
Grand Total - Present Value Savings from Refunding Bonds Issued since FY 2001:				<u>\$7,322,533</u>

Present Value Savings by Type of Bond Issue

<i>Academic Building Revenue Refunding Bonds</i>	\$5,445,590
<i>Dormitory Revenue Refunding Bonds</i>	952,826
<i>Other Refunding Bonds</i>	<u>924,117</u>
	<u>\$7,322,533</u>