

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report of the Banking Committee  
**Date:** November 4, 2002

---

**Recommended Actions:**

1. Adopt the following resolutions:

A Resolution providing for the sale and award of \$25,000,000 Hospital Revenue Bonds, Series 2002, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2002, to pay the costs of constructing, improving, remodeling, repairing, furnishing, and equipping inpatient and outpatient facilities and patient care facilities, including facilities for image-guided radiation therapy services and mechanical and other supporting facilities at the University of Iowa Hospitals and Clinics on the campus of the State University of Iowa, funding a debt service reserve fund, and paying the costs of issuing said Bonds.

**(ROLL CALL VOTE)**

2. Approve the proposed Bond Issuance Schedule for Calendar Year 2003.
3. Subject to approval of the calendar year 2003 bond issuance schedule, adopt the following resolution:

A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$6,200,000 Indoor Multipurpose Use and Training Facility Revenue Bonds, Series I.S.U. 2003.

**(ROLL CALL VOTE)**

4. Subject to approval of the calendar year 2003 bond issuance schedule, adopt the following resolution:

A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$9,500,000 Dormitory Revenue Bonds, Series U.N.I. 2003.

**(ROLL CALL VOTE)**

5. Adopt the following resolution:

A Resolution establishing a self liquidating Memorial Union Facility, and approving a Memorandum of Agreement between and among the Iowa State Memorial Union Corporation, the Government of the Student Body at Iowa State University, and the Board of Regents, State of Iowa.

**(ROLL CALL VOTE)**

6. Approve the addition of Banc of America Securities LLC for general brokerage services to the Board's list of authorized brokerage firms.

7. 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 November 14, 2002, the Banking Committee is scheduled to consider approval of:

- The minutes from the October 2002 Banking Committee meeting;
- Resolution for Sale and Award of \$25,000,000 Hospital Revenue Bonds, Series SUI 2002;
- Proposed Bond Issuance Schedule for Calendar Year 2003;
- Preliminary Resolution for the Sale of up to \$6,200,000 Indoor Multipurpose Use and Training Facility Revenue Bonds, Series I.S.U. 2003
- Preliminary Resolution for the Sale of up to \$9,500,000 Dormitory Revenue Bonds, Series U.N.I. 2003;
- ISU Memorial Union Agreement; and
- Brokerage Firm.

**Reports**

The Banking Committee is scheduled to receive reports on:

- Costs of Bond Issuance; and
- Internal Audits.

---

**Background and Analysis:**

**Minutes**

The minutes of the October 2002 Banking Committee meeting will be sent under separate cover.

---

**SUI Hospital  
Revenue Bonds**

The Banking Committee is requested to recommend that the Board adopt two resolutions related to the sale and award and issuance of \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2002.

At its October 2002 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to finance, a portion of the cost of the Center for Excellence in Image-Guided Radiation Therapy and the three-stories of shell space above the Center.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately \$1,757,000 annually to be paid from Hospital Income derived from the operation of the Hospital System.

**Bond Issuance  
Schedule**

Annually, the Board establishes a bond issuance schedule for the following calendar year. The Board approved the calendar year 2002 schedule at its November 2001 meeting with revisions to the schedule approved in September 2002.

The proposed schedule for calendar year 2003 is only a planning guide. It does not include any bonds that would require legislative authorization nor does it specifically include refundings which may be possible should low interest rates continue. Approval of the schedule does not indicate that the Board Office has reviewed or recommended approval of all projects to be financed from the proposed sales or that the Board will approve the projects and the bond sale amounts. The proposed 2003 schedule is shown in the following table:

<u>Month</u>	<u>Institution/Type of Issue</u>	<u>Estimated Amount of Bond Issue</u>
Jan. 03	ISU Indoor Multipurpose Use and Training Facility	\$ 6,100,000
Jan. 03	UNI Residence System	9,500,000
Mar. 03	ISU Residence System	17,900,000 <sup>1</sup>
May 03	SUI Parking System	16,500,000
June 03	SUI Facilities Corporation (Pomerantz Center)	11,000,000
July 03	ISU Environmental, Health and Safety/Regulated Materials	8,000,000 <sup>2</sup>
Sept. 03	SUI Residence System	25,000,000 <sup>3</sup>
Oct. 03	ISU Conversion of Project Notes	8,000,000
Nov. 03	ISU Utility System	15,000,000 <sup>2</sup>
	<b>Total</b>	<b>\$117,000,000</b>

<sup>1</sup> Amount may change subject to approval of a revised budget in G.D. 4b.

<sup>2</sup> Estimated maximum amount.

<sup>3</sup> Possible sale in April if there are no refundings.

**ISU Indoor Multi-  
purpose Use and  
Training Facility  
Bonds**

Subject to approval of the calendar year 2003 bond issuance schedule, the Board is requested to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$6,200,000 Indoor Multipurpose Use and Training Facility Revenue Bonds, Series I.S.U. 2003.

The Board previously approved the schematic design and project description and budget (\$9,371,800) for the project, which will construct an indoor multipurpose use, training and practice facility for use by varsity football and other field - sports programs.

The University reports that of the \$9,371,800 approved budget, gift funds totaling \$3,867,000 are currently available. The ISU Foundation and the Athletic Department have pledged and other revenues to pay for the construction of the facility. However, the pledges are to be paid over a period of years.

Discussions among the University, the ISU Foundation, the Board Office, and the Board's bond counsel and financial advisor have occurred over the past few months regarding financing for the portion of the project cost for which gift funds are not currently available.

Based upon these discussions, it has been determined that a Board of Regents bond issue backed by an agreement with the ISU Foundation for gift revenues would be the preferred financing structure.

Principal on the bonds would be repaid over a period of 18 years, with debt service of approximately \$500,000 annually.

---

UNI Dormitory  
Revenue Bonds

Subject to approval of the calendar year 2003 bond issuance schedule, 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 \$9,500,000 Dormitory Revenue Bonds, Series U.N.I. 2003.

The bonds would be sold to finance dining upgrades, including development of a "market place" food service area, and mechanical, restroom, and accessibility improvements for the Towers Center, which is a major dining facility used by students residing in Bender, Dancer, and Campbell Residence Halls at the University of Northern Iowa.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$735,000 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.

---

ISU Memorial  
Union Agreement

The Banking Committee is requested to recommend that the Board adopt a resolution establishing a self liquidating Memorial Union Facility and approving a Memorandum of Agreement among the Iowa State Memorial Union Corporation, the Government of the Student Body at Iowa State University, and the Board of Regents, State of Iowa.

The Iowa State Memorial Union is a separate, non-profit corporation established in 1922. This structure is uncommon among university student union facilities today. The University of Iowa and University of Northern Iowa student unions are currently operated as self-liquidating enterprises within the respective university.

The Memorial Union Corporation constructed the original student union facility under agreements originally approved in 1925 by the Board of Education (predecessor to the Board of Regents).

The intent of this agreement was to transfer the Memorial Union to the University once the debts were paid off. Since the original facility was completed in 1928, the Corporation has borrowed funds to construct additions to the building and to make renovations, and the debt has never

been paid off in its entirety. The existing principal amount outstanding is approximately \$4.7 million.

It is estimated that modifications needed to bring the Union facility up to current standards may cost as much as \$30 million, a figure well beyond what the Union could itself raise through donations or borrowing.

The resolution by the Government of the Student Body ratifying the proposed agreement, noted that to serve the growing demand students have placed on the Memorial Union it has become necessary to seek alternate sources of management and funding.

Under the terms of the proposed agreement, the Board of Regents, State of Iowa, would take ownership of Memorial Union property and assume its outstanding debt of approximately \$4.7 million, which is currently being supported by existing fees.

---

Costs of Bond  
Issuance

The Banking Committee has requested reports identifying the costs associated with each bond issuance.

This month's report includes the issuance costs for the July 2002 sale of Iowa State University Academic Building Revenue Project Notes, Series I.S.U. 2002, which totaled \$33,079.72.

---

Approval of  
Brokerage Firm

The Board's investment policy requires that brokerage firms be approved by the Banking Committee and the Board before Regent institutions are permitted to use their services.

Once the Board approves a brokerage firm, it is approved for all Regent institutions. Board approval does not compel, but rather, permits an institution to do business with a brokerage firm.

Banc of America Securities LLC, has requested inclusion on the Board's approved list of securities brokers. Banc of America Securities LLC, a subsidiary of Bank of America Corporation, has had primary dealer status for nine years with assets of \$53.3 million and \$1.5 billion in net capital as of December 31, 2001. Banc of America Securities specializes in taxable securities, specifically government and agency debt.

---

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.

The Status of Internal Audit identifies 13 internal audit reports, 9 of which require follow-up. Two new ISU audits and three follow-up reports, two from the University of Iowa and one from Iowa State University, are presented this month; all three follow-up reports are closed.

---

  
Pamela M. Elliott

Approved:

  
Gregory S. Nichols

ISU Memorial Union Resolution

RESOLUTION establishing a self liquidating Memorial Union Facility and approving a Memorandum of Agreement between and among the Iowa State Memorial Union Corporation, the Government of the Student Body at Iowa State University, and The Board of Regents, State of Iowa

WHEREAS, under the provisions of Iowa Code Sections 262.44 through 262.53, inclusive, (hereinafter referred to as the "Act"), the Board of Regents, State of Iowa (the "Board"), is authorized to undertake and carry out projects as defined therein, at the various institutions of higher learning under its jurisdiction in order to provide necessary self-liquidating and revenue producing facilities which the Board deems necessary for the comfort, convenience and welfare of the students of any such institution and suitable for the purposes for which the institution was established; and

WHEREAS, the Board finds that the Iowa State Memorial Union is suitable for acquisition as a self liquidating and revenue producing facility which is necessary for the comfort, convenience and welfare of Students at Iowa State University of Science and Technology and is necessary for the students and for the purpose for which the University was established.

WHEREAS, the Act authorizes the Board to borrow money and mortgage real estate and improvements in order to secure necessary loans to pay all or any part of the cost of acquiring, constructing, improving and equipping self-liquidating and revenue producing buildings and facilities at any institution, with such loans to be made payable solely from the net rents, profits and income received by the system of which such buildings and facilities are a part and as otherwise provided for in the Act; and

WHEREAS, the Iowa State Memorial Union Corporation (the "Memorial Union") and the Government of the Student Body at Iowa State University have presented a Memorandum of Agreement which calls for the Board to assume the current outstanding debt of the Memorial Union, accept transfer of the property owned by the Memorial Union and delegate to Iowa State University the authority to manage the property as a resource of the University community at Iowa State University; and

WHEREAS, pursuant to the Memorandum of Agreement the Memorial Union agrees to dissolve the Iowa State Memorial Union Corporation and transfer all property, real and personal, that it owns to the Board on January 1, 2003, or as soon thereafter as the appropriate legal documents have been finalized; and

WHEREAS, pursuant to an Indenture Trust dated as of November 8, 2000 between the Iowa State Memorial Union Corporation, acting by and on behalf of the State of Iowa acting through the Board of Regents, State of Iowa and Bankers Trust Company, National Association, of Des Moines, Iowa, as Trustee, the Memorial Union has issued its first mortgage notes, Series 2000, in a principal amount of \$4,890,000 (the "2000 Notes") and to secure the 2000 Notes, has given a Real Estate Mortgage and Security Agreement and Fixture Financing Statement (the "Mortgage") and an assignment of revenues, rents and leases (the "Assignment"); and

WHEREAS, pursuant to Section 7.04 of the Indenture, at any time, the Board may assume the operations and all obligations of the Memorial Union, including the assumption of the obligations of the Memorial Union under the Indenture; and

WHEREAS, pursuant to Section 7.04 of the Indenture if the Board elects to assume such Indebtedness, the Board has given a covenant that it will continuously operate the facility on a self liquidating, revenue producing basis until the Notes have been defeased as provided in Article 12 of the Indenture and such assumption shall not relieve the Memorial Union of its obligations on their Notes and pursuant to the Indenture; and

WHEREAS, it is necessary and advisable that the Board assume the operations and all obligations of the Issuer;

NOW, THEREFORE, Be It Resolved by the Board of Regents, State of Iowa, as follows:

Section 1. That the Memorandum of Agreement between Iowa State Memorial Union Corporation and Government of the Student Body at Iowa State University and the Board on behalf of Iowa State University of Science and Technology be approved, and the President and Executive Director of the Board are authorized and directed to execute the agreement, and take all necessary action to assume the current outstanding debt of the Memorial Union, to accept transfer of the property owned by the Memorial Union and assume the operations of the Memorial Union as a self liquidating and revenue producing facility, and to carry out the purposes contemplated by this resolution.

Section 2. That the Iowa State Memorial Union shall be operated as a self liquidating and revenue producing facility as provided in Iowa Code Sections 262.44 through 262.53, inclusive.

Section 3. That all resolutions or parts of resolutions in conflict herewith be and the same are hereby repealed to the extent of such conflict.



Passed and approved \_\_\_\_\_, 2002.

\_\_\_\_\_  
President, Board of Regents, State of Iowa

Attest:

\_\_\_\_\_  
Executive Director, Board of Regents,  
State of Iowa

I, Gregory S. Nichols, being first duly sworn, do hereby certify that I am the duly appointed, qualified and acting Executive Director of the Board of Regents, State of Iowa, and as such officer have in my possession or have access to the complete corporate records of the Board of Regents, State of Iowa, and its officers; that I have carefully compared the transcript hereto attached with the aforesaid records; and that same constitutes a true, correct and complete copy of the official records of said Board in relation to the adoption of a resolution on \_\_\_\_\_, 2002, regarding establishing a self liquidating Memorial Union Facility, approving Memorandum of Agreement between Iowa State Memorial Union Corporation, the Government of the Student Body at Iowa State University, and The Board of Regents, State of Iowa of said Board.

IN WITNESS WHEREOF, I have hereunto affixed my official signature at Urbandale, Iowa, this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

\_\_\_\_\_  
Executive Director, Board of Regents,  
State of Iowa

STATE OF IOWA            )  
                                  ) SS  
COUNTY OF POLK        )

Subscribed and sworn to before me this day, the date last above written.

\_\_\_\_\_  
Notary Public