

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report of the Banking Committee  
**Date:** October 7, 2002

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**Recommended Actions:**

1. Adopt the following resolutions:
  - a. A Resolution providing for the sale and award of \$9,535,000 Dormitory Revenue Refunding Bonds, Series U.N.I. 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 \$9,535,000 Dormitory Revenue Refunding Bonds, Series U.N.I. 2002, for the purpose of refunding the Dormitory Revenue Bonds, Series U.N.I. 1964 dated May 1, 1964; the Dormitory Revenue Bonds, Series U.N.I. 1967-C, dated January 1, 1967; and the Dormitory Revenue Bonds, Series U.N.I. 1992, dated January 1, 1992.

**(ROLL CALL VOTE)**

- b. Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Hospital Revenue Bonds (The State University of Iowa), Series 2002.

**(ROLL CALL VOTE)**

2. Accept the remainder of the report of the Banking Committee.
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**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 October 17, 2002, the Banking Committee is scheduled to consider approval of:

- The minutes from the September 2002 Banking Committee meeting;
- Resolutions for the Sale and Award of up to \$9,535,000 Dormitory Revenue Refunding Bonds, Series UNI 2002; and
- Preliminary Resolution for the Sale of up to \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2002.

Reports                      The Banking Committee is scheduled to receive reports on:

- Semi-Annual Master Lease and
- Internal Audits

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**Background and Analysis:**

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

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UNI Dormitory  
Revenue Refunding  
Bonds                      The Banking Committee is requested to recommend that the Board adopt two resolutions related to the sale, award and issuance of \$9,535,000 Dormitory Revenue Refunding Bonds, Series U.N.I. 2002.

At its September 2002 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to refund outstanding maturities of the 1964, 1967-C and 1992 Series of U.N.I. Dormitory Revenue Bonds.

The 1992 Dormitory bonds, with an outstanding principal of \$7,560,000, became callable on July 1, 2002, and can be called on any interest payment date after that time. The next interest payment date is January 1, 2003. The outstanding maturities of the bonds would be called and principal payments made on that date.

The refunding of 1992 bonds makes possible the refunding of the outstanding Series 1964 and Series 1967-C Dormitory Revenue Bonds, which are outstanding in the total amount of \$1,850,000. (A refunding of only these two series would not be cost effective.)

The restrictive provisions of the 1960's bond covenants will expire with the refunding of the 1964 and 1967-C issues.

The net and present value savings from the refunding are estimated to total more than \$1.0 million and \$.8 million, respectively. The maturity schedules for the bonds would not change with the refunding.

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Hospital Revenue  
Bonds                      The revised calendar year 2002 bond issuance schedule, approved by the Board in September 2002, included the sale of Hospital Revenue Bonds in November 2002.

The sale of bonds for the University of Iowa Hospitals and Clinics was authorized by the 2002 General Assembly and approved by the Governor.

The bonds would be sold to finance a portion of the Center for Excellence in Image-Guided Radiation Therapy and the three-stories of shell space above the Center; the Board approved the schematic design and project

description and budget (\$39,644,000) for the project at its September 2002 meeting.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately \$1,716,500 annually to be paid from Hospital Income derived from the operation of the Hospital System.

Semi-Annual  
Master Lease  
Report

The Board has established a master lease agreement to provide short-term financing (3 to 10 years) for real and personal property.

The Regent Policy Manual §7.32 requires that a semi-annual report on outstanding activity under the master lease agreement be submitted to the Banking Committee.

The master lease program has operated through Wells Fargo (previously known as Norwest Investment Services) as a result of Request for Proposal processes held in 1991, 1996, and 2001.

The Board approves each financing utilizing the master lease agreement and Wells Fargo must agree to lease the property.

One lease in the amount of \$1 million for a scoreboard and video display system at Jack Trice Stadium at Iowa State University has been entered into under the current agreement (effective January 1, 2002).

Leases issued under the 1996 agreement totaled \$12.4 million.

The University of Northern Iowa reports that it anticipates the use of master lease or vendor (if less costly) financing for approximately \$150,000 to pay for equipment from a grant, which requires that the equipment be financed through a lease purchase. None of the other institutions report plans to use the master lease agreement during the next six months.

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 14 internal audit reports, 12 of which require follow-up. One new UNI audit and two follow-up reports from Iowa State University are presented this month; both follow-up reports are closed.

  
Pamela M. Elliott

Approved:   
Gregory S. Nichols