

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Resolutions for the Sale and Award of \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003

Date: September 8, 2003

Recommended Action:

Recommend that the Board adopt the following resolutions (see G.D. 7), subject to receipt of acceptable bids:

1. A Resolution providing for the sale and award of \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003, and approving and authorizing the agreement of such sale and award.
 2. A Resolution authorizing and providing for the issuance and securing the payment of \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003, for the purpose of paying costs of repairing, remodeling, and constructing improvements to and equipping existing residence halls and related facilities located on the campus of The State University of Iowa, including funding the debt service reserve fund, and paying costs of issuing the Bonds.
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Executive Summary:

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 Dormitory Revenue Bonds, Series S.U.I. 2003.

At its July 2003 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 number of projects in the University's Residence System including the Burge Residence Hall Remodel Food Service Area project, fire protection upgrades for Rienow, Quadrangle and Parklawn Residence Halls, and improvements to Mayflower Residence Hall.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,960,000 annually to be paid from the net rents, profits and income of the Residence System.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

The University's Residence System is a self-supporting operation and receives no state appropriations.

Background:

Statutory Provisions Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate, and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities.

The Board is further authorized to borrow money to finance the construction or improvements. The sources of repayment are the net rents, profits, and income from the operation of residence halls, dormitories, dining, and incidental facilities.

Projects The University has indicated that all or a portion of the following projects, which have received Board approvals as outlined in Appendix A, would be financed by the bond issue:

<u>Project</u>	<u>Board Approved Project Budget</u>
Burge Residence Hall – Remodel Food Service Area	\$14,400,000
Parklawn Residence Hall - Upgrade Fire Protection	536,000
Rienow and Quadrangle Residence Halls - Upgrade Fire Protection	3,858,000
Mayflower Residence Hall – Replace Windows	1,996,000
Mayflower Residence Hall – Replace Piping	15,000,000

U.S. Department of Treasury Regulations United States Department of Treasury Regulation 1.150-2 provides the rules for the reimbursement from future bond proceeds of expenditures originally paid from sources other than bond proceeds. When the bonds are sold, a portion of the bond issue (reimbursement bond) is allocated to reimburse the original expenditure that was paid before the bond issue date.

Treasury regulations require that project costs must be reimbursed from the bond proceeds not later than the later of 18 months after the capital expenditures are paid or 18 months after the property is placed in service.

Reimbursement Resolution At its May 2001 meeting, the Board adopted a resolution declaring an official intent under the above-referenced Treasury Regulation to issue debt to reimburse the University of Iowa Residence System for expenditures to be paid for specified projects.

- The Burge Residence Hall - Remodel Food Service Area project was one of the specified projects; this project is currently under construction.

Analysis:

Issue Size Components of a \$25,000,000 bond issue are estimated to include:

- project costs (estimated at \$22,960,000);
- debt service reserve (estimated at \$1,960,300); and
- issuance costs (estimated at \$79,700).

Outstanding Bonds The outstanding principal amount for University of Iowa Dormitory Bonds is \$40,980,000.

Receipt of Bids The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, September 17, 2003, and the award is scheduled for 11:30 a.m. on the same date.

A representative of Springsted, Inc., will report on the bids received and make a recommendation to the Board for award of the bonds.

Resolutions Copies of the resolutions, which were prepared by Ahlers Law Firm and reviewed by Springsted, Inc., are available from the Board Office.

Bond Specifics Average Maturity: 12.7 Years
Bonds Dated: October 1, 2003
Interest Due: July 1, 2004 and January 1 and July 1 to maturity
Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
Principal Due: July 1, 2005 – 2024
Optional Call: Bonds maturing on or after July 1, 2014, are callable commencing July 1, 2013, and any date thereafter at par
Denomination: \$5,000 and integral multiples thereof

**Appendix A
Project Summaries**

Burge Residence Hall—Remodel Food Service Area

<u>Project Summary</u>			
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		Dec. 2000	Approved
Architectural Selection (Rohrbach Carlson, Iowa City)		Feb. 2001	Approved
Architectural Agreement (Rohrbach Carlson, Iowa City)	\$ 1,192,000	April 2001	Approved
Program Statement		July 2001	Approved
Schematic Design		April 2002	Approved
Project Description and Total Budget	14,400,000	April 2002	Approved
Construction Contracts - Asbestos Abatement (Wellington Environmental Consulting and Construction)	145,588	Sept. 2002	Ratified
General Construction (McComas-Lacina Construction)	10,822,863	Oct. 2002	Ratified

Parklawn Residence Hall—Upgrade Fire Protection

<u>Project Summary</u>			
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Engineering Agreement (Design Engineers, Cedar Rapids, IA)	\$ 40,500	Oct. 2002	Approved
Project Description and Total Budget	536,000	Nov. 2002	Approved
Construction Contract Award (H. Eugene Construction Company)	306,200	April 2003	Ratified

Rienow and Quadrangle Residence Halls—Upgrade Fire Protection

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
<u>Residence Halls and Family Housing— Upgrade Fire Protection</u>			
Permission to Proceed Agreement for Schematic Design and Cost Estimates (Alvine and Associates, Iowa City, IA)	\$ 288,000	July 1995 July 1997	Approved Approved
<u>Rienow and Quadrangle Residence Halls— Upgrade Fire Protection</u>			
Engineering Agreements			
General Construction Design Services (Alvine and Associates, Iowa City, IA)	362,000	Oct. 2001	Approved
Asbestos Abatement Design Services (Shive-Hattery, Iowa City, IA)	66,688	Oct. 2001	Approved
Project Description and Total Budget	3,858,000	Jan. 2002	Approved
Construction Contract Awards			
Bid Package 1 – Asbestos Abatement (EnviroBate Management Services)	156,162	May 2002	Ratified
Bid Package 2 – Asbestos Abatement (Great Plains Asbestos Control)	155,577	May 2002	Ratified
Bid Package 3 – Ceiling and Light Fixtures (Merit Electric)	126,870	May 2002	Ratified
Bid Package 4 – General Construction (Unzeitig Construction Company)	1,805,000	Jan. 2003	Ratified

Mayflower Residence Hall—Replace Windows

<u>Project Summary</u>			
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		Jan. 2002	Approved
Project Description and Total Budget	\$ 1,996,000	Jan. 2002	Approved
Construction Contract Awards			
Bid Pack. 1 – Asbestos Abatement	116,466	May 2002	Ratified
General Construction			
(Netom Enterprises)	1,112,000	Mar. 2003	Ratified
Bid Pack. 2 – Asbestos Abatement	71,652	Apr. 2003	Ratified

Mayflower Residence Hall—Replace Piping

<u>Project Summary</u>			
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
<u>Mayflower Residence Hall—Replace Domestic Water Piping</u>			
Permission to Proceed		Jan. 2002	Approved
Engineering Agreement—Full Design Services (Rohrbach Carlson, Iowa City, IA)	\$ 667,000	June 2002	Approved
<u>Mayflower Residence Hall—Replace Heating, Ventilating and Air Conditioning (HVAC) Piping System</u>			
Permission to Proceed		April 2002	Approved
<u>Mayflower Residence Hall—Replace Piping (combined projects)</u>			
Project Description and Total Budget	15,000,000	Nov. 2002	Approved
Engineering Selection			
(Rohrbach Carlson, Iowa City, IA)		Nov. 2002	Approved
Engineering Agreement – Full Design Services (Rohrbach Carlson, Iowa City, IA)	210,000	Mar. 2003	Approved
General Construction			
(McComas-Lacina Construction)	5,281,000	May 2003	Ratified