MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Savings from Bond Refundings
Date: September 8, 2003

Recommended Action:

Receive the report, including graphs, on the savings from the issuance of refunding bonds.

Executive Summary:

Present value savings (which are net of issuance costs) from refunding bonds total $7.6 million for calendar years 2001 – 2003 (to date), of which $5.7 million in savings were from Academic Building Revenue Bond Refundings.

The savings from Academic Building Revenue Bond Refundings directly reduce the tuition replacement appropriations needed from the state in future years, all other factors being equal.

This memorandum includes a table and graphs to depict these savings.

The table on page 3 provides information on the dollar amount of the savings, by refunding bond issue.

The graphs on pages 4 - 6 detail refunding bond present value savings since 2001. Graphs 1 and 2 provide information on total savings for all refundings, with graphs 3 and 4 providing a subset of the information for Academic Building Revenue Bond Refundings, and graphs 5 and 6 providing the same information for other refunding issues:

- Graph 1 – All Bond Refundings - Dollar Savings per Issue
- Graph 2 – All Bond Refundings - Dollar Cumulative Savings
- Graph 3 – Academic Building Bond Refundings - Dollar Savings per Issue
- Graph 4 – Academic Building Bond Refundings - Dollar Cumulative Savings
- Graph 5 – Other Bond Refundings - Dollar Savings per Issue
- Graph 6 – Other Bond Refundings - Dollar Cumulative Savings

This report, which is an update of the report provided in July 2003, includes the present value savings from the sale of UNI refunding bonds sold in July 2003.
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 2001  Since 2001, the Board has sold ten refunding bond issues, resulting in present value savings of over $7.6 million.

This information is displayed on Table 1, page 3 and, graphs 1 and 2, page 4.

Academic Building Revenue Bonds  Tuition and fee revenues are pledged 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.

Since 2001, the Board has sold seven Academic Building refunding bond issues, resulting in present value savings of over $5.7 million (graphs 3 and 4, page 5).

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.

Since 2001, the sales of three refunding bond issues (graphs 4 and 5, page 6) have resulted in present value savings of approximately $1.9 million.
### Table 1

**Savings from Refunding Bonds Issued: Calendar Years 2001 – 2003**

<table>
<thead>
<tr>
<th>Refunding Bond</th>
<th>Issue Date</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$14,580,000</td>
<td>Apr-02</td>
<td>$1,500,022</td>
</tr>
<tr>
<td>$10,530,000</td>
<td>Apr-03</td>
<td>633,705</td>
</tr>
<tr>
<td><strong>Subtotal – Academic Building Revenue Bond Savings</strong></td>
<td></td>
<td>$2,133,727</td>
</tr>
<tr>
<td>4,835,000</td>
<td>Nov-01</td>
<td>436,743</td>
</tr>
<tr>
<td>6,080,000</td>
<td>Feb-03</td>
<td>487,374</td>
</tr>
<tr>
<td><strong>SUI - Total present value of interest savings:</strong></td>
<td></td>
<td>$3,057,844</td>
</tr>
<tr>
<td><strong>ISU</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$9,805,000</td>
<td>Apr-01</td>
<td>$917,782</td>
</tr>
<tr>
<td>13,350,000</td>
<td>Apr-01</td>
<td>1,044,900</td>
</tr>
<tr>
<td><strong>ISU - Total present value of interest savings:</strong></td>
<td></td>
<td>$1,962,682</td>
</tr>
<tr>
<td><strong>UNI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,890,000</td>
<td>Apr-02</td>
<td>$461,282</td>
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<tr>
<td>8,465,000</td>
<td>Apr-03</td>
<td>887,899</td>
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<tr>
<td>4,225,000</td>
<td>Jul-03</td>
<td>289,111</td>
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<tr>
<td><strong>Subtotal – Academic Building Revenue Bond Savings</strong></td>
<td></td>
<td>$1,638,292</td>
</tr>
<tr>
<td>9,535,000</td>
<td>Oct-02</td>
<td>952,826</td>
</tr>
<tr>
<td><strong>UNI - Total present value of interest savings:</strong></td>
<td></td>
<td>$2,591,118</td>
</tr>
<tr>
<td><strong>Grand Total - Present Value Savings from Refunding Bonds Issued since FY 2001:</strong></td>
<td></td>
<td><strong>$7,611,644</strong></td>
</tr>
</tbody>
</table>

**Present Value Savings by Type of Bond Issue**

- **Academic Building Revenue Refunding Bonds**: $5,734,701
- **Dormitory Revenue Refunding Bonds**: 952,826
- **Other Refunding Bonds**: 924,117

**Total**: $7,611,644
State Appropriations Savings

Graph 3
Board of Regents, State of Iowa
Academic Building Revenue Refunding Bonds
Present Value Bond Refunding Savings since 2001 -- Dollars per Issue

Graph 4
Board of Regents, State of Iowa
Academic Building Revenue Refunding Bonds
Present Value Bond Refunding Savings since 2001 -- Cumulative Dollars
Regent Enterprise Savings

**Graph 5**
Board of Regents, State of Iowa
Other Refunding Bond Issues
Present Value Bond Refunding Savings
since 2001 --
Dollars per Issue

![Chart showing present value bond refunding savings for different issues.]

**Graph 6**
Board of Regents, State of Iowa
Other Refunding Bonds
Present Value Bond Refunding Savings since 2001 --
Cumulative Dollars

![Chart showing cumulative present value bond refunding savings for different issues.]