

Contact: Brad Berg

**SALE AND AWARD OF \$19,140,000 (ESTIMATED) UTILITY SYSTEM REVENUE  
REFUNDING BONDS, SERIES S.U.I. 2016**

**Action Requested:** Consider adopting the following resolution, subject to receipt of acceptable bids:

A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of \$19,140,000 (estimated) Utility System Revenue Refunding Bonds, Series S.U.I. 2016, for the purpose of advance refunding the \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2007, and paying costs of issuance.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of a resolution providing for the sale, award, authorization and issuance of Utility System Revenue Refunding Bonds for the University of Iowa. When the calendar year 2016 bond issuance schedule was approved by the Board in October 2015, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's Financial Advisor, has determined that interest rate savings could occur by refunding the 2016 – 2028 maturities of the \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2007. These bonds were issued to fund several utility projects including the West Campus Chilled Water Plant Expansion, University Capitol Centre Utilities Connection, Oakdale Steam and Condensate Replacement - Phase II, and the Southeast Campus Utility Extension projects. The University's utility system is a self-supporting operation.

Interest on the refunding bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds. Interest on the bonds to be refunded has also been double tax-exempt.

The proposed refunding of the Utility System Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of November 1, 2017. The proceeds from the sale of the refunding bonds, net of issuance expenses, would be invested in U.S. Treasury Obligations or other permitted investments to fund an escrow account which would be used to redeem the 2016 - 2028 maturities. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2007 Series bonds.

Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. (Rates on the 2007 Series bonds range from 4.00% in 2016 to 4.35% in 2028.) Springsted, Inc., the Board's municipal advisor, has projected that the refunding would result in a present value savings of approximately \$1.25 million. Cash flow savings are estimated to average \$110,000 per year.

The refunding issuance amount is estimated at \$19,140,000. This amount will be adjusted up or down depending upon the successful bid received. This flexibility will provide sufficient funds to fund the escrow account and to pay costs of issuance which are estimated at \$80,000.

**Additional Information:** Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain self-liquidating and revenue producing facilities at the universities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, February 25, 2016, and the award is scheduled for later that day. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

The official statement for the bond sale may be found on the website of Springsted, Inc., the Board's Financial Advisor, at <http://www.springsted.com/>.

A copy of the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

Specifics of the bonds are:

- Average Maturity: 7.0 Years
- Bonds Dated: March 1, 2016
- Interest Due: November 1, 2016 and each May 1 and November 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: November 1, 2016 – 2028
- Optional Call: Bonds maturing on or after November 1, 2026 are callable commencing November 1, 2025 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof