

Contact: Brad Berg

**SALE AND AWARD OF \$8,985,000 (ESTIMATED) DORMITORY REVENUE
REFUNDING BONDS, SERIES I.S.U. 2017**

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 \$8,985,000 (estimated) Dormitory Revenue Refunding Bonds, Series I.S.U. 2017, for the purpose of advance refunding the \$13,400,000 Dormitory Revenue Bonds, Series I.S.U. 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 Dormitory Revenue Refunding Bonds for Iowa State University. When the calendar year 2017 bond issuance schedule was approved by the Board in October 2016, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's municipal advisor, has determined that interest rate savings could occur by refunding the 2018 – 2028 maturities of the \$13,400,000 Dormitory Revenue Bonds, Series I.S.U. 2007. (The 2017 maturity will be paid from available funds as scheduled.) These bonds were issued to partially fund the East Campus Dining Improvements project, which renovated the two dining centers that serve the Maple Willow Larch and Oak Elm residence halls. The University's residence system is a self-supporting operation and receives no state appropriations.

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 Dormitory Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of July 1, 2018. 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 2018 - 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 range from 4.00% in 2018 to 4.5% in 2028.) Springsted Inc. has projected that the refunding would result in a present value savings of approximately \$484,000. Annual cash flow savings are estimated at approximately \$66,000.

The refunding issuance amount is estimated at \$8,985,000. Depending upon on the bid received, this amount will be adjusted up or down. This flexibility will provide sufficient funds to fund the escrow account and to pay the costs of issuance which are estimated at \$107,000.

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 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 and to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:30 a.m. on Thursday, February 23, 2017, 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 Municipal 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: 6.9 Years
- Bonds Dated: March 1, 2017
- Interest Due: January 1, 2018 and each July 1 and January 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2018 – 2028
- Optional Call: Bonds maturing on or after July 1, 2027 are callable commencing July 1, 2026 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof