

Contact: Brad Berg

**RESOLUTION FOR THE SALE AND AWARD OF
\$16,455,000 (ESTIMATED) UTILITY SYSTEM REVENUE BONDS, SERIES U.N.I. 2020**

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 \$16,455,000 (Estimated) Utility System Revenue Bonds, Series U.N.I. 2020, for the purpose of refunding that certain supplement to Master Lease No. 2014-2; paying a portion of the costs of constructing and equipping improvements to the Utility System, funding a debt service reserve fund, 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 and issuance of Utility System Revenue Bonds for the University of Northern Iowa.

Proceeds from the sale of the bonds would be used to fund improvements to the Utility System at the University and to refund the outstanding balance of master lease financing with Wells Fargo (approximately \$2.46 million). At its September 2019 meeting, the Board approved the project descriptions, budgets and financing plan for the Power Plant Cooling Tower Replacement and Steam Distribution System Replacement Phase 2B – West Campus projects. The projects will replace the existing cooling tower built in 1980 and 3,800 feet of direct buried steam and condensate piping.

In September 2019, the Board also approved a reimbursement resolution for the projects permitting the University's utility system to be reimbursed from the bond issue proceeds for expenditures associated with the projects. The University's utility system is a self-supporting operation.

Principal on the bonds would be repaid over a period of 20 years, with annual debt service of approximately \$1.24 million for FY 2021 and gradually declining to \$0.85 million FY 2040 to be paid from utility system charges and the proceeds of any utility system student fees which the Board may establish in the future. Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds.

Additional Information: Under the provisions of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities.

The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

The \$16,455,000 bond issue and an anticipated reoffering premium are expected to include:

- project costs (estimated at \$12,800,000);
- master lease refunding (estimated at \$2,460,000);
- debt service reserve (estimated at \$1,240,000);
- underwriters discount (estimated at \$214,000); and
- issuance costs (estimated at \$77,000).

This is the first bond issue for the Utility System which was established in 2017. As a credit enhancement, the bond covenants for the existing bonds include a provision for the Board to charge a Utility Student Fee to remedy any deficiencies in the net income of the enterprise. There is no indication that the fee would need to be charged to support the debt service on the bonds to be issued since it is anticipated that utility system charges should be sufficient to meet the financial requirements of the utility enterprise.

The receipt and opening of bids is scheduled for 10:30 a.m. on Wednesday, February 5, 2020, and the award is scheduled for later that day.

The official statement for the bond sale may be found on the website of Baker Tilly LLC, the Board's Municipal Advisor, at <https://www.bakertilly.com/>.

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

Specifics of the bonds are:

- Average Maturity: 10.6 Years
- Bonds Dated: March 1, 2020
- Interest Due: July 1, 2020 and each 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, 2020 – 2040
- Optional Call: Bonds maturing on or after July 1, 2029 are callable commencing July 1, 2028 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof