

Contact: Joan Racki

**UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE REFUNDING BONDS
(ROY J. AND LUCILLE A. CARVER BIOMEDICAL RESEARCH BUILDING) SERIES 2012A**

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

A Resolution Authorizing and Approving the Execution and Delivery of the Fourth Amendment to Lease, the Fourth Supplemental Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate, and the Continuing Disclosure Certificate, Authorizing and Providing for the Issuance of University of Iowa Facilities Corporation (Roy J. and Lucille A. Carver Biomedical Research Building Project) \$23,315,000 (estimated) Revenue Refunding Bonds, Series 2012A, Providing for the Payment Thereof and Directing the Issuer to Accomplish Said Refunding.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing and approving various lease documents, a supplemental indenture, a bond purchase agreement and various certificates related to the issuance of University of Iowa Facilities Corporation Revenue Refunding Bonds for the Roy J. and Lucille A. Carver Biomedical Research Building (CBRB).

A review of possible refundings by Springsted, Inc., the Board's and Corporation's Financial Advisor, has determined that significant interest rate savings could occur by refunding the 2014 – 2030 maturities of the \$25,000,000 University of Iowa Facilities Corporation Revenue Bonds, Series 2004. These bonds were the final of three bond issues sold to finance a portion of the cost of the CBRB.

The 2004 bonds were issued as taxable bonds since private activity in the form of "sponsored research" was to be undertaken in the building which, at that time, was defined as private use by the United States Internal Revenue Service. The Service subsequently issued a new Revenue Procedure which would permit the refunding bonds to be issued as tax exempt bonds.

The proposed refunding of the bonds would be an advance refunding as the refunding would occur prior to the initial call date of June 1, 2014. 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 2014-2030 maturities and provide for the defeasance of the 2013 maturity. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2004 Series bonds. (The June 1, 2012 maturity will be paid from currently available funds.)

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 2004 Series bonds range from 4.90% in 2013 to 5.90% in 2030.) Springsted, Inc. has projected that the refunding would result in a present value savings of approximately \$2.3 million. Annual cash flow savings are estimated at approximately \$180,000.

The refunding issuance amount is estimated at \$23,315,000. This amount will be adjusted up or down, depending upon the bid received, but will not exceed \$24,000,000. This flexibility will

provide sufficient funds to call and redeem the Series 2004 Refunded Bonds and to pay costs of issuance, which are estimated at \$120,000.

Facilities Corporation: The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board of Regents must, therefore, approve the sale and terms of the bonds. The bonds would be single tax-exempt (exempt from federal, but not state taxes).

The bond structure for the University of Iowa Facilities Corporation bond issues differs from the structure used for Board of Regents bonds. The Corporation issues the debt and leases the facility to the Board for use by the University during the term of the bonds. Upon retirement of the bonds, the facility is conveyed to the University.

Additional Information: The receipt and opening of bids is scheduled for 10:30 a.m. on Thursday, April 26, 2012. The Executive Committee of the Board of Directors of the Facilities Corporation is expected to approve the sale and terms of the bonds based on the best bid at a meeting scheduled for that date. The Board of Regents, at its regularly scheduled meeting, will be asked to approve the previously referenced resolution, which was prepared by Ahlers & Cooney, P.C.

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

Specifics of the bonds are:

- Average Maturity: 10.4 Years
- Bonds Dated: May 1, 2012
- Interest Due: December 1, 2012 and each June 1 and December 1 to maturity
- Interest Exemption: Exempt from federal taxes for individual purchasers
- Principal Due: June 1, 2013 – 2030
- Optional Call: Bonds maturing on or after June 1, 2022 are callable commencing June 1, 2021 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof