

Contact: Brad Berg

**SALE AND AWARD OF \$15,985,000 (ESTIMATED) ACADEMIC BUILDING
REVENUE REFUNDING BONDS, SERIES U.N.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 \$15,985,000 (estimated) Academic Building Revenue Refunding Bonds, Series U.N.I. 2016, for the purpose of currently refunding the \$12,800,000 Academic Building Revenue Bonds, Series U.N.I. 2005, the \$5,110,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2005, and the \$8,000,000 Academic Building Revenue Bonds, Series U.N.I. 2007, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution related to the sale, award, and issuance of Academic Building Revenue Refunding Bonds for the University of Northern 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 2017 – 2027 maturities of the \$12,800,000 Academic Building Revenue Bonds, Series U.N.I. 2005 and of the \$8,000,000 Academic Building Revenue Bonds, Series U.N.I. 2007 issues, and the 2017-2020 maturities of the \$5,110,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2005 issue. These bonds were sold to finance, in part, renovations to the Science Building and to Russell Hall at the University of Northern Iowa.

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 Academic Building Revenue Bonds would be a current refunding as the refunding would occur less than 90 days prior to the call date of July 1, 2016. The outstanding maturities of the bonds would be called and principal payments made on the call date. (The July 1, 2016 debt service payment will be made as scheduled.) The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the bonds to be refunded.

Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. The current rates for the bonds to be refunded are provided below. Springsted, Inc., the Board's municipal advisor, has projected that the refunding would result in a present value savings of approximately \$1.7 million. Annual cash flow savings are estimated at approximately \$185,000 through 2020 and then \$163,000 through 2027.

<u>Issue to be Refunded</u>	<u>Maturities</u>	<u>Current Interest Rates</u>
2005	2017-2027	3.75% - 4.25%
2005 Ref	2017-2020	4.25%
2007	2017-2027	4.00% - 4.25%

The refunding issuance amount is estimated at \$15,985,000. Depending upon 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 \$92,000.

Debt service payments on Academic Building Revenue Bonds are paid with gross student fees and charges, including tuition. The General Assembly and the Governor have a historic record of supporting the Board's request for tuition replacement appropriations to reimburse the institutions for the funds pledged for debt service payments.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, April 21, 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 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: 6.1 Years
- Bonds Dated: May 1, 2016
- Interest Due: January 1, 2017 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, 2017 – 2027
- Optional Call: The bonds are not callable
- Denomination: \$5,000 and integral multiples thereof