

Contact: Brad Berg

**SALE AND AWARD OF \$32,100,000 (ESTIMATED) HOSPITAL
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 \$32,100,000 (estimated) Hospital Revenue Refunding Bonds, Series S.U.I. 2016, for the purpose of advance refunding the \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2007, and the \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2007A, 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 Hospital 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 2017 – 2027 maturities of the \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2007 and of the \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2007A. These bonds were sold to finance, in part, a portion of the cost of the Emergency Trauma Center and Pediatrics Unit Inpatient renovations and the Ambulatory Surgery Center and Procedure Suite Development.

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 Hospital Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of September 1, 2017. (Hospital Revenue Bonds have a principal maturity date of September 1st.) 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 2017 – 2027 maturities on the call date. (The September 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 2007 and 2007A 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 5.25% in 2017 down to 4.75% in 2027 for the 2007 Series and from 5.5% in 2017 down to 4.5% in 2027 for the 2007A Series.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$3.26 million. Annual cash flow savings are estimated at approximately \$390,000.

The refunding issuance amount is estimated at \$32,100,000. 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 \$120,000.

Additional Information: Iowa Code Chapter 263A authorizes the Board of Regents to borrow money and to issue and sell revenue bonds to pay all or any part of the cost for projects at the University of Iowa Hospitals and Clinics. The Board is further authorized to refund such indebtedness.

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: 6.6 Years
- Bonds Dated: May 1, 2016
- Interest Due: March 1, 2017 and each September 1 and March 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: September 1, 2017 – 2027
- Optional Call: The bonds are not callable
- Denomination: \$5,000 and integral multiples thereof