

Contact: Brad Berg

**SALE AND AWARD OF \$18,425,000 (ESTIMATED) DORMITORY REVENUE  
REFUNDING BONDS, SERIES I.S.U. 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 \$18,425,000 (estimated) Dormitory Revenue Refunding Bonds, Series I.S.U. 2020, for the purpose of currently refunding the \$13,065,000 Dormitory Revenue Refunding Bonds, Series I.S.U. 2010; the \$17,295,000 Dormitory Revenue Refunding Bonds, Series ISU 2011; and the \$12,565,000 Dormitory Revenue Refunding Bonds, Series ISU 2011A; 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 Dormitory Revenue Refunding Bonds for Iowa State University. When the calendar year 2020 bond issuance schedule was approved by the Board in November 2019, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Baker Tilly Municipal Advisors LLC, the Board's municipal advisor, has determined that interest rate savings could occur by refunding the 2021 – 2026 maturities of the Series 2010 bonds, the 2021 – 2028 maturities of the Series 2011 bonds and Series 2011A bonds. (The July 1, 2020 debt service payment for all three series of bonds will be made as scheduled with University funds.) The Series 2010, 2011, and 2011A bonds refunded prior issues that funded construction of Frederiksen Court apartments, Eaton Hall, and a new community center for the Union Drive neighborhood. 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 income 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 bonds would be a current refunding as the settlement date is less than 90 days prior to the anticipated call date of July 1, 2020. The outstanding maturities of the bonds would be called and principal payments made on the call date. 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. (Rates on the 2010 Series range from 3.3% in 2020 to 3.8% in 2026. Rates on the 2011 Series range from 3.0% in 2020 to 4.125% in 2028. Rates on the 2011A Series range from 3.0% in 2020 to 4.0% in 2028.) Baker Tilly has projected that the refunding would result in a present value savings of approximately \$1.6 million.

The refunding issuance amount is estimated at \$18,425,000. 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 \$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, April 30, 2020, and the award is scheduled for later that day. A representative of Baker Tilly 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 Baker Tilly LLC, the Board's Municipal Advisor, at <https://go.bakertilly.com/bond-sales-calendar>.

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

Specifics of the bonds are:

- Average Maturity: 5.2 Years
- Bonds Dated: May 1, 2020
- Interest Due: January 1, 2021 and each July 1 and January 1 to maturity
- Interest Exemption: Exempt from federal and state income taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2022 – 2028
- Optional Call: The bonds are not callable
- Denomination: \$5,000 and integral multiples thereof