

**BOARD MEMORANDUM**

**TO:** Board of Regents, State of Iowa  
**FROM:** Joan Racki  
**DATE:** April 20, 2005 *ASN*  
**SUBJ:** Resolutions for the Sale and Award of \$10,960,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005

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**Recommended Action:**

Adopt the following resolutions, subject to receipt of acceptable bids:

1. A Resolution providing for the sale and award of \$10,960,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005, and approving and authorizing the agreement of such sale and award.
2. A Resolution authorizing and providing for the issuance and securing the payment of \$10,960,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005, to defray costs of constructing additions and remodeling and improving the Iowa Memorial Union, funding a reserve fund, and paying the costs of issuance.

**(ROLL CALL VOTE)**

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**Executive Summary:**

The Board is asked to adopt two resolutions related to the sale, award and issuance of \$10,960,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005.

At its March 2005 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds which would finance Phase 1 of the Memorial Union renovation project; this phase would construct a three-story addition at the east terrace entrance area, renovate existing book store space below the terrace, construct a river terrace area immediately west of the Union, and address deferred maintenance deficiencies.

The University is requesting Board approval at this meeting of the schematic design, and project description and budget (\$9,900,000) for Phase I as part of the University's Capital Register (see Agenda Item 20a).

The calendar year 2005 bond issuance schedule approved by the Board in August 2004 includes a bond sale for improvements to the Iowa Memorial Union in May 2005.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$838,000 annually to be paid from the net rents, profits, and income, including student fees, derived from the Iowa Memorial Union System.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

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**Background:**

Statutory Provisions

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.

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Iowa Memorial Union

The Iowa Memorial Union was constructed in 1925; additions to and renovations of the facility were completed in 1927, 1955, 1965, and 1988.

The Union houses several food outlets; the Campus Information Center; the Offices of Student Life, Student Government, and other student organizations; and the student book store. The Union also contains more than 25 meeting rooms, three large ballrooms, and the Iowa House Hotel.

Master Plan for Student Services

In September 2004, the Board received the University's report on the Master Plan for Student Services which outlined the University's plan for improved student service facilities. One of the components of the Plan is the renovation of the Iowa Memorial Union.

According to the information provided at that time, the total estimated cost of Phases 1 and 2 of the Iowa Memorial Union renovation project is \$30 million to be funded by the sale of revenue bonds with debt service payments from current and future mandatory student building fees and other revenues of the Memorial Union System.

- In November 2002, the Board approved a new \$29 mandatory building fee per student per academic year (beginning with the 2003-2004 academic year) to support debt service payments for the Phase 1 renovation.
  - The Master Plan for Student Services noted that an additional student building fee of approximately \$66 per student per academic year would be needed to support debt service payments for the Phase 2 renovation.
  - The University plans to begin implementing one-half of this additional mandatory student fee in academic year 2006-2007 (the equivalent of a 27.7% increase in the current building fee of \$119 or a 4.6% increase in total mandatory fees of \$722) and the remainder of the fee in academic year 2007-2008, subject to Board approval.
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Union Master Plan In November 2004, the Board received the Master Plan report for the renovation of the Iowa Memorial Union and approved the program statement for Phase 1 of the project.

The Master Plan included a comprehensive space program which identifies space needs, and goals and objectives for the entire facility, and outlines priorities for improvements.

The comprehensive space program for the facility is summarized in the University of Iowa Capital Register (Agenda Item 20a), which also includes the Phase 1 program and a listing of possible improvements to be evaluated for the Phase 2 project.

Schematic Design / Project Budget The schematic design for the Phase 1 improvements to the Union will be presented to the Board at its May meeting.

The schematic design booklet, provided with the Board's agenda materials, includes the proposed interior and exterior design and site improvements; these are described on pages 13 to 20 of Agenda Item 20a.

As part of Agenda Item 20a, the Board is also being asked to approve a budget of \$9,900,000 for the Phase 1 project.

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**Analysis:**

Issue Size Components of the \$10,960,000 bond sale are estimated to include:

- project costs (estimated at \$9,900,000);
- debt service reserve (estimated at \$838,400);
- bond discount (estimated at \$164,400); and
- issuance costs (estimated at \$57,200).

Outstanding Bonds The outstanding principal of the Iowa Memorial Union Revenue Refunding Bonds, (1986 Iowa Memorial Union Revenue Bonds refunded in 2002) as of June 30, 2004, is \$3,175,000; the last maturity is 2009.

Debt Service Payments Annual debt service payments on the 2005 bonds would be approximately \$838,000; there would be 20 principal payments.

Sources of Repayment The new bonds would be issued on a parity with the outstanding bonds, with the source of repayment continuing to be the net rents, profits and income derived from the Iowa Memorial Union System which includes student fees.

A mandatory student fee of \$89 for the 2004-2005 academic year supports the operations of the Iowa Memorial Union. In December 2004, the Board approved an increase in the fee to \$92 for the 2005-2006 academic year.

In May 2004, the Board allocated the sum of \$55.40 per academic year and \$13.85 per summer session of the total mandatory student building fee (\$119 per academic year and \$29.75 per summer session) for debt service and projects for the Iowa Memorial Union; this amount includes the \$29 mandatory building fee approved in November 2002 for the Phase 1 Renovation, as well as the fee used for debt service payments on the outstanding bonds.

In December 2004, the Board approved a building fee of \$119 for the 2005-2006 academic year and \$29.75 for the summer session; the proposed allocation of this fee among facilities (including \$55.40 per academic year and \$13.85 for the summer session for the Memorial Union) is included as part of this month's Agenda Item 8 (Allocation of Fees).

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, May 5, 2005 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.

Copies of the resolutions, which were prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. are available from the Board Office.

Bond Specifics

Average Maturity:	12.05 Years
Bonds Dated:	May 1, 2005
Interest Due:	January 1, 2006, and 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, 2006 – 2025
Optional Call:	Bonds maturing on or after July 1, 2016 are callable commencing July 1, 2015 and any date thereafter at par
Denomination:	\$5,000 and integral multiples thereof

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