

Contact: Joan Racki

**RESOLUTION FOR THE SALE AND AWARD OF NOT TO EXCEED \$8,750,000
TELECOMMUNICATIONS FACILITIES REVENUE REFUNDING BONDS, SERIES S.U.I. 2008**

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 \$8,245,000 (estimated) Telecommunications Facilities Revenue Refunding Bonds, Series S.U.I. 2008, funding the debt service reserve fund, and paying the costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award, authorization, and issuance of Telecommunications Facilities Revenue Refunding Bonds for the University of Iowa. When the calendar year 2008 bond issuance schedule was approved by the Board in October 2007, 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 significant interest rate savings could occur by refunding the 2009 – 2015 maturities of the \$15,875,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2000. These bonds were issued to finance continued installation of a University-wide communications system including a fiber optic network, telecommunications equipment, and cabling infrastructure within University buildings, as well as for telecommunications improvements at the Hospitals and Clinics. The University's telecommunications facilities system is a self-supporting operation.

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 refunding of the Telecommunications Facilities Revenue bonds would be a current refunding, as the refunding would occur less than 90 days prior to the anticipated redemption date. The July 1, 2008 principal payment will be made as scheduled; the 2009 – 2015 maturities of the bonds would be called and principal payments made on the redemption date of August 1, 2008. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2000 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 on the 2000 Series bonds range from 5.0% in 2009 to 5.4% in 2015.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$470,000. Annual cash flow savings are estimated at approximately \$90,000.

The refunding issuance amount is estimated at \$8,245,000. This amount will be adjusted up or down, depending upon the bid received, but not to exceed \$8,750,000, in order to provide sufficient funds to call and redeem the Series 2000 Refunded Bonds and to pay costs of issuance, which are estimated at \$73,000.

Additional Information: Under the provisions of Iowa Code Chapter 262, the Board is authorized to construct, furnish, maintain, operate, manage and control self-liquidating and revenue producing buildings and facilities. Communication utilities are specifically referenced in §262.44. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness. The sources of repayment for the borrowed funds are the income and revenues to be derived from the operation of the facility and any student fees or charges which may be imposed by the Board.

The bonds are payable from the net revenues of the Telecommunications System and the proceeds of any Telecommunications System Student Fees which the Board may impose. Since the Telecommunications Facilities Revenue Bonds were first issued in 1985, there has not been a need to charge the student fee to remedy any deficiencies in the net income of the enterprise.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, June 12, 2008, 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 Financial 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: 3.9 Years
- Bonds Dated: July 1, 2008
- Interest Due: January 1, 2009 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, 2009 – 2015
- Optional Call: The bonds will not be subject to redemption in advance of the stated maturity dates
- Denomination: \$5,000 and integral multiples thereof