

Contact: Brad Berg

**SALE AND AWARD OF \$23,460,000 (ESTIMATED) ACADEMIC BUILDING  
REVENUE REFUNDING BONDS, SERIES I.S.U. 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 \$23,460,000 (estimated) Academic Building Revenue Refunding Bonds, Series I.S.U. 2016, for the purpose of advance refunding the \$25,000,000 Academic Building Revenue Bonds, Series I.S.U. 2008, 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 Iowa State University. 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 – 2035 maturities of the \$25,000,000 Academic Building Revenue Bonds, Series I.S.U. 2008. These bonds were sold to finance, in part, the Veterinary Teaching Hospital and Diagnostic Lab project and the Coover Hall Addition and Renovation, Phase 1 project at Iowa State University.

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 an advance refunding as the refunding would occur prior to the initial call date of July 1, 2018. It is intended that 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 – 2035 maturities. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2008 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 2008 Series range from 4.00% in 2017 to 4.375% in 2035.) Springsted, Inc., the Board's municipal advisor, has projected that the refunding would result in a present value savings of approximately \$1.73 million. Annual cash flow savings are estimated at approximately \$115,000.

The refunding issuance amount is estimated at \$23,460,000. This amount will be adjusted up or down, depending upon the bid received. This flexibility will provide sufficient funds to fund the escrow account and to pay the costs of issuance, which are estimated at \$105,000.

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 Monday, July 18, 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: 10.96 Years
- Bonds Dated: August 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 – 2035
- Optional Call: Bonds maturing on or after July 1, 2027 are callable commencing July 1, 2026 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof