

Contact: Brad Berg

**SALE AND AWARD OF \$112,295,000 (ESTIMATED) HOSPITAL REVENUE AND  
REFUNDING BONDS, SERIES S.U.I. 2021A AND \$147,775,000 (ESTIMATED) HOSPITAL  
REVENUE REFUNDING BOND ANTICIPATION NOTE, SERIES 2021B**

**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 \$112,295,000 (estimated) Hospital Revenue and Refunding Bonds, Series S.U.I. 2021A and \$147,775,000 (estimated) Hospital Revenue Refunding Bond Anticipation Note, Series S.U.I. 2021B (taxable) for the purpose of (i) defeasing and current refunding the Hospital Revenue Bonds, Series S.U.I. 2011, (ii) defeasing and current refunding the Hospital Revenue Bonds, Series S.U.I. 2011A, (iii) defeasing and advance refunding the Hospital Revenue Bonds, Series S.U.I. 2012, (iv) paying a portion of the costs of constructing, equipping, installing and extended certain Hospital and Clinic facilities related to the Hospital System of the State University of Iowa, and (v) 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 and Refunding Bonds Series 2021A (the "Series 2021A Bonds") and the Hospital Revenue Refunding Bond Anticipation Note, Series S.U.I. 2021B (taxable) (the Series 2021B Note) for the University of Iowa Hospitals & Clinics.

A review of the refundings has determined that interest rate savings could occur by refunding the 2021 – 2032 maturities of the \$26,800,000 Hospital Revenue Bonds, Series S.U.I. 2011 (the "Series 2011 Bonds") and the 2021-2028 maturities of the Hospital Revenue Refunding Bonds, Series SUI 2011A (the "Series 2011A Bonds"). The Series 2011 bonds were sold to finance, in part, a portion of the cost of the Iowa River Landing Ambulatory Care Clinic Facility Development (Medical Office Building) project. The Series 2011A bonds were sold to refund the outstanding maturities of the \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2002 (which financed a portion of the Center for Excellence in Image-Guided Radiation Therapy).

Interest on the Series 2021A Bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds. Interest on the Series 2011 and 2011A Bonds has also been double tax-exempt.

The proposed refunding of the Series 2011 and 2011A Bonds would be a current refunding as the settlement date is within 90 days of the September 1, 2021 call date. (Hospital Revenue Bonds have a principal maturity date of September 1<sup>st</sup>.) The refunding would not extend the maturity of the Series 2021A Bonds beyond the last scheduled maturity of the Series 2011 and 2011A Bonds.

Interest rates on the Series 2021A Bonds are anticipated to be lower than the interest rates on the Series 2011 and 2011A Bonds for the same years. (Rates range from 3.0% in 2021 to 4.0% in 2032 for the Series 2011 Bonds and 4.75% in 2021 to 5.0% in 2028 for the Series 2011A Bonds.) It is projected that these refundings would result in a present value savings of approximately \$3.0 million.

The Series 2021A bonds also include new project proceeds of approximately \$90 million to finance a series of Hospital improvement projects including but not limited to the UIHC Pomerantz Pavillion-Expand Heart and Vascular Cath Labs project, Renovate Mezzanine Level for Simulation Wet Lab project, UIHC Center for Disabilities and Development – Expand Level 3 Cytogenetics Lab project, UIHC Pomerantz Family Pavilion Expand Level 4 Breast Health Center project, and the UIHC John Colloton Pavilion – Expand Observation Unit project. The last maturity of the new project proceeds portion of the Series 2021A bonds is 2051 (30 years).

The issuance amount of the Series 2021A Bonds is estimated at \$112,295,000. Depending on the winning bid received, this amount may be adjusted up or down. This flexibility will provide sufficient funds for the escrow account and pay costs of issuance estimated at \$402,000.

Specifics of the Series 2021A bonds are:

- Average Maturity: 14.8 Years
- Bonds Dated: August 1, 2021
- Interest Due: March 1, 2022 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, 2021 – 2051
- Optional Call: Bonds maturing on or after September 1, 2029 are callable commencing September 1, 2028 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof

The Series 2021B Note (taxable) is being issued to advance refund and defease the outstanding maturities (2021-2038) of the \$190,000,000 Hospital Revenue Bonds, Series 2012 (the “Series 2012 Bonds”). The proposed refunding of the Series 2012 Bonds will be an advance refunding as the refunding would occur prior to the initial call date of the Series 2012 Bonds of 9/1/2022. The Series 2012 Bonds were issued to finance a portion of the Stead Family Children’s Hospital.

Iowa Code §76.13 permits a public body which is authorized to issue bonds to issue project notes in anticipation of the receipt of proceeds from the issuance of previously authorized bonds. The Hospital will present to the Board in 2022, prior to the maturity of the Series 2021B Note, a proposal to currently refund and redeem the Series 2021B Note.

While the Series 2021B Note is expected to generate small interest rate savings over the next year, significant savings are projected when the refunding bonds are issued in the summer of 2022 to refinance the Series 2021B Note. In addition to interest rate savings, issuance of the Series 2021B Note in conjunction with the Series 2021A Bonds will allow implementation of a new bond indenture that is less restrictive in terms of financial covenants for the Hospital going forward.

The maturity date for the Series 2021B Note would be October 1, 2022. The \$147,775,000 note issue, net premium, and the available debt service reserve fund is anticipated to include:

- escrow deposit (estimated at 160,837,000)
- capitalized interest (estimated at 1,842,000)
- cost of issuance (estimated at 333,000)

**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 for the Series 2021A Bonds is scheduled for 9:30 a.m. on Wednesday, July 28, 2021 and the bid opening for the Series 2021B Note is scheduled for 10:00 a.m. that same day. Results of the bid opening and a recommendation to the Board for award is scheduled for later that day.

The official statement for the Series 2021A Bonds and Series 2021B Note is available from the Board Office.

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