

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Sale and Award of \$25,000,000 Academic Building Revenue Bonds, Series S.U.I. 2004
Date: September 1, 2004

Recommended Action:

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

1. A Resolution providing for the sale and award of \$25,000,000 Academic Building Revenue Bonds, Series S.U.I. 2004, 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 \$25,000,000 Academic Building Revenue Bonds, Series S.U.I. 2004, to defray costs of building construction and improvement projects on the campus of The State University of Iowa.

(ROLL CALL VOTE)

Executive Summary:

The Board is asked to adopt two resolutions related to the sale, award and issuance of \$25,000,000 Academic Building Revenue Bonds, Series S.U.I. 2004.

At its August 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to partially fund the Chemistry Building Renovation project and Phase II of the Art Building project, and to correct fire and environmental safety deficiencies at the University of Iowa.

These bonds would be the first series of Academic Building Revenue Bonds authorized by 2004 legislation.

Proceeds from the sale of the bonds would be used to partially fund the Chemistry Renovation project (schematic design and project description and total budget of \$35.2 million previously approved by the Board), Phase II of the Art project, and to correct fire and environmental safety deficiencies at the University of Iowa.

In June 2004, the Board adopted a reimbursement resolution declaring its intent under Treasury regulations to issue debt to reimburse the University of Iowa for expenditures paid in connection with Chemistry Building Renovation project.

Tuition and fee revenues are used for debt service payments on Academic Building Revenue Bonds; a tuition replacement appropriation replaces that university revenue.

With the exception of Academic Building Revenue Bonds sold to replace project notes issued when Rebuild Iowa Infrastructure Funds were transferred to the General Fund by the 2002 General Assembly, this sale will be the first series of new Academic Building Revenue Bonds issued since 1995.

The principal payments and associated interest payments on these bonds and other bonds authorized by the 2004 legislation will be structured so that the tuition replacement appropriation needed in any fiscal year does not exceed \$24.3 million, which was the FY 2004 appropriation prior to the 2.5% across-the-board appropriation reduction.

It is anticipated that debt service payments on the Series S.U.I. 2004 bonds will range from approximately \$980,000 in FY 2005 to \$2.4 million in FY 2024.

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.

Background:

Statutory Provisions	Chapter 262A of <u>Iowa Code</u> permits the sale of Academic Building Revenue Bonds upon authorization of the General Assembly and approval by the Governor.
Board Action	In December 2003, the Board endorsed a multi-year bonding proposal for academic buildings at the Regent universities.
2004 Legislation	The 2004 General Assembly authorized and the Governor approved the sale of Academic Building Revenue Bonds for up to \$120 million in project costs for specific, high priority facility needs to support instruction and research at the Regent universities, including the Chemistry Building Renovation project, Art Building, Phase II project, and fire safety improvements at the University of Iowa.
Chemistry Renovation	<p>A large portion of the Chemistry Building was constructed in the 1920s; much of the building, including the instructional laboratories, is functionally obsolete and the plumbing; electrical; and heating, ventilating and air conditioning systems are in need of replacement.</p> <p>The Board approved, at its May 2004 meeting, the schematic design and budget (\$35,200,000) for the Chemistry Building Renovation project, which would provide a modern, code-compliant instructional and research facility for the Department of Chemistry, and general university classroom space, through the demolition and renovation of existing space, construction of new space, and upgrade of building systems.</p>

Phase 1a (relocation of Chemical Stores, demolition of the rooftop greenhouse and construction of the electrical substation) began during the summer of 2004. Phase 1b is anticipated to begin in the spring of 2005 and Phase 2 is projected to commence in the fall of 2006.

Art, Phase II The Art Building, Phase II project (estimated total project cost of \$11 million) includes approximately \$3 million for furnishings and site development for the new Art Facility, currently under construction and scheduled to be completed in July 2005. The remainder of the Phase II project includes the renovation of the existing Art Building.

Fire and Environmental Safety As noted in its FY 2005 capital plan presented to the Board in June 2004, the University envisions undertaking \$1.5 million in individual fire and environmental safety projects in FY 2005 of which \$1 million would be financed by Academic Building Revenue Bond proceeds.

Tuition Replacement Appropriations Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue Bonds. Tuition and fee revenues are pledged for debt service payments for the bonds and the tuition replacement appropriation replaces that university revenue.

Tuition replacement needs for each university are comprised of debt service payments (principal and interest), less the net interest earned on the construction, sinking and reserve funds.

Analysis:

Issue Size Components of the \$25,000,000 bond sale are estimated to include:

- project costs (estimated at \$22,535,000);
- debt service reserve (estimated at \$2,378,000); and
- issuance costs (estimated at \$87,000).

This bond issue will finance portions of the cost of the Chemistry Renovation project; Art Phase II project; and fire and environmental safety individual projects.

An additional bond issue, tentatively scheduled for calendar year 2007, will finance additional costs of these projects.

Tuition Replacement Requirements Debt service payments for this bond issue and other bond issues for the 2004 legislatively authorized projects will be structured so that the debt service payments will not exceed the FY 2004 initial tuition replacement appropriation (prior to 2.5% reduction) of \$24.3 million.

It is estimated that annual debt service payments on the Series S.U.I. 2004 bonds will range from approximately \$980,000 in FY 2005 to \$2.4 million in FY 2024.

Outstanding Bonds The outstanding principal amount of University of Iowa Academic Building Revenue Bonds is \$53.8 million.

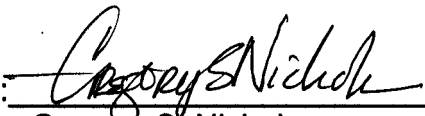
Receipt of Bids The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, September 15, 2004 and the award is scheduled for later that day.

 A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

Resolutions 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: 15.59 Years
 Bonds Dated: October 1, 2004
 Interest Due: January 1, 2005, 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, 2005 – 2024
 Optional Call: Bonds maturing on or after July 1, 2015 are callable commencing July 1, 2014 and any date thereafter at par
 Denomination: \$5,000 and integral multiples thereof


Joan Racki

Approved: 
Gregory S. Nichols

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