

Contact: Brad Berg

ISU FACILITIES CORPORATION (BIOSCIENCES FACILITIES)
REVENUE BONDS SERIES 2017

Action Requested: Consider adopting A Resolution authorizing and approving the issuance of \$38,015,000 (estimated) ISU Facilities Corporation Revenue Bonds (Biosciences Building Projects) Series 2017, for the purpose of financing a portion of constructing, equipping and renovating the Bessey Hall Addition and the Advanced Teaching and Research Building, funding a debt service reserve fund, and paying for costs of Issuance, providing for the payment thereof, and directing the issuer to issue said bonds.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing and approving various lease documents, an indenture, a bond purchase agreement and other agreements and certificates related to the sale of ISU Facilities Corporation Revenue Bonds to partially finance the costs of constructing and equipping Iowa State University's Biosciences Facilities - Bessey Hall Addition and Advanced Teaching and Research Building projects. The Biosciences Facilities are currently under construction and address the programmatic space needs of the biosciences program.

The amount being financed by the Facilities Corporation is approximately \$35.7 million of a total project budget of \$88 million. (Other fund sources for the project are state appropriations and private gifts). In addition to project proceeds, the amount of the bond issue in the amount of \$38,015,000 (estimated) includes financing the reserve fund and issuance costs.

In October 2016, the Board directed the Iowa State University Facilities Corporation to adopt a reimbursement resolution that allows the University to be reimbursed from future ISU Facilities Corporation borrowing for costs incurred for the Biosciences Facilities projects.

Principal payments on the bonds would be made on July 1, 2018 – 2042, with the first interest payment being made January 1, 2018. Annual principal and interest payments for the bonds are estimated at approximately \$2.2 million. Bonds maturing on or after July 1, 2028, are callable commencing July 1, 2027 and any date thereafter at par. The debt service payments would be paid from lease rentals, which will be paid by the University to the ISU Facilities Corporation under the terms of the lease.

Facilities Corporation: The ISU Facilities Corporation was incorporated in 2015 as a not-for-profit supporting organization of the Iowa State University Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

Although the bonds would be issued by the ISU Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents, State of Iowa. The Board of Regents must, therefore, approve the sale and terms of the bonds. The bonds would be single tax-exempt (interest exempt from federal but not state of Iowa taxes).

The bond structure for the ISU Facilities Corporation bond issues differs from the structure used for Board of Regents bonds. In the case of the Biosciences Facilities projects, the Board will lease to the ISU Facilities Corporation an undivided interest in the land upon which the Facilities

will be located; this undivided interest will be equal to the percentage of the total costs of building and equipping the facilities that are to be paid for with the bonds. After the facilities are completed, the Corporation will own an undivided interest in the facility equal to the percentage of the total costs of building and equipping the facility that are paid for with the bonds. The ISU Facilities Corporation's interest in the facility will be leased to the Board on behalf of Iowa State University during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the ISU Facilities Corporation will be conveyed to the Board of Regents for the benefit of Iowa State University.

Additional Information: The building lease obligation between the Board (on behalf of the University), as lessee, and the ISU Facilities Corporation, as lessor, will be an absolute and unconditional obligation of Iowa State University. Lease payments are to be sufficient to pay the interest and principal on the bonds; supplemental rents are equal to administrative and trustee expenses.

The bond issue of \$38,015,000 and an anticipated reoffering premium are expected to include:

- Project costs (estimated at \$35,700,000);
- Debt service reserve (estimated at \$2,240,000)
- Issuance costs (estimated at \$179,000); and
- Bond discount (estimated at \$456,000).

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, September 6, 2017. The Board of Directors of the ISU Facilities Corporation is expected to approve the sale and terms of the bonds based on the best bid at a meeting scheduled for that date.

The Board of Regents, at its regularly scheduled meeting, will be asked to approve the previously referenced resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc..

The official statement for the bond sale may be found on the website of Springsted, Inc., at <http://www.springsted.com/>.

Specifics of the bonds are:

- Average Maturity: 14.1 Years
- Bonds Dated: October 1, 2017
- Interest Due: July 1, 2018 and each January 1 and July 1 to maturity
- Interest Exemption: Exempt from federal taxes for individual purchasers
- Principal Due: July 1, 2018 – 2042
- Optional Call: Bonds maturing on or after July 1, 2028 are callable commencing July 1, 2027 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof