

Contact: Brad Berg

**UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS
(MUSEUM OF ART), SERIES 2019**

Action Requested: Consider adopting a Resolution authorizing and approving the issuance of University of Iowa Facilities Corporation (Museum of Art Project) \$30,150,000 Revenue Bonds, Series 2019, for the purpose of financing a portion of constructing and equipping the Museum of Art 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 University of Iowa Facilities Corporation Revenue Bonds. The bonds will partially finance the costs of constructing and equipping the University of Iowa's Museum of Art – Construct New Facility project.

In June 2017, the Board approved the project description and budget to construct a new 45,000 square foot facility to consolidate and display the University's art collection. Staff offices, conference rooms, visual arts classrooms, and parking under the facility are also part of the project. The amount financed by the Facilities Corporation is approximately \$30 million of the total \$50 million project budget with gift revenue providing the remainder. In addition to project proceeds, the amount of the bond issue also includes issuance costs.

Principal payments on the bonds would be made on June 1, 2021 – 2050, with the first interest payment being June 1, 2020. Annual principal and interest payments for the bonds are estimated at approximately \$1.54 million. Bonds maturing on or after June 1, 2029, are callable commencing June 1, 2028 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 Facilities Corporation under the terms of the lease.

Facilities Corporation: The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the 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 taxes).

The bond structure for the University of Iowa Facilities Corporation bond issues differs from the structure used for Board of Regents bonds. In the case of the Museum of Art project, the Board will lease to the Corporation an undivided interest in the land upon which the Facility will be located; this undivided interest will be equal to the percentage of the total costs of building and equipping the facility that are to be paid for with the bonds. After the facility is 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 Corporation's interest

in the facility will be leased to the Board on behalf of the University of Iowa during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the Board of Regents for the benefit of the University.

Additional Information: The building lease obligation between the Board (on behalf of the University), as lessee, and the Facilities Corporation, as lessor, will be an absolute and unconditional obligation of the University of Iowa. 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 \$30,150,000 and an anticipated reoffering premium are expected to include:

- Project costs (estimated at \$30,000,000);
- Issuance costs (estimated at \$158,000); and
- Underwriter's discount (estimated at \$392,000).

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, September 18, 2019. The Executive Committee of the Board of Directors of the 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 Baker Tilly, LLC.

The official statement for the bond sale may be found on the website of Baker Tilly at <https://go.bakertilly.com/bond-sales-calendar>.

Specifics of the bonds are:

- Average Maturity: 18.4 Years
- Bonds Dated: October 1, 2019
- Interest Due: June 1, 2020 and each December 1 and June 1 to maturity
- Interest Exemption: Exempt from federal taxes for individual purchasers
- Principal Due: June 1, 2021 – 2050
- Optional Call: Bonds maturing on or after June 1, 2029 are callable commencing June 1, 2028 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof