

Contact: Brad Berg

**SALE AND AWARD OF \$16,555,000 (ESTIMATED) DORMITORY 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 \$16,555,000 (estimated) Dormitory Revenue Refunding Bonds, Series I.S.U. 2016, for the purpose of currently refunding the \$16,785,000 Dormitory Revenue Refunding Bonds, Series I.S.U. 2006, and the \$9,200,000 Dormitory Revenue Refunding Bonds, Series I.S.U. 2006A, and paying the costs of issuance.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of a resolution providing for the sale, award, authorization and issuance of Dormitory 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 municipal advisor, has determined that interest rate savings could occur by refunding the 2017 – 2027 maturities of the \$16,785,000 Dormitory Revenue Refunding Bonds, Series I.S.U. 2006, and of the \$9,200,000 Dormitory Revenue Refunding Bonds, Series I.S.U. 2006A. These bonds were issued to refinance the 1999B and 2000A bond issues, which financed the construction of Phase 2 of Hawthorn Court, now known as Frederiksen Court. The University's residence system is a self-supporting operation and receives no state appropriations.

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 refunding of the Dormitory Revenue bonds would be a current refunding as the refunding would occur after the call date of July 1, 2016. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2006 and 2006A 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 range from 4.00% in 2017 to 4.375% in 2027 for the 2006 Series and from 4.25% in 2017 to 4.375% in 2027 for the 2006A Series.) Springsted Inc. has projected that the refunding would result in a present value savings of approximately \$2,098,000. Annual cash flow savings are estimated at approximately \$267,000.

The refunding issuance amount is estimated at \$16,555,000. Depending upon on the bid received, this amount will be adjusted up or down. This flexibility will provide sufficient funds to fund the escrow account and to pay the costs of issuance which are estimated at \$95,000.

**Additional Information:** Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, October 20, 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 Financial 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: 5.8 Years
- Bonds Dated: November 1, 2016
- Interest Due: July 1, 2017 and each January 1 and July 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2017 – 2027
- 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