

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: Resolutions for the Sale and Award of \$24,625,000 Memorial Union Revenue Bonds, Series I.S.U. 2004

Date: October 20, 2004

Recommended Action:

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

1. A Resolution providing for the sale and award of \$24,625,000 Memorial Union Revenue Bonds, Series I.S.U. 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 \$24,625,000 Memorial Union Revenue Bonds, Series I.S.U. 2004, funding the debt service reserve fund, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary:

The Board is asked to adopt two resolutions related to the sale, award and issuance of \$24,625,000 Memorial Union Revenue Bonds, Series I.S.U. 2004.

At its September 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to finance in part the **Memorial Union Renovation - Phase 1** project, approved by the Board at its April 2004 meeting with a project budget of \$17,000,000, and the **Memorial Union Parking Facility - Structural Repairs** project for which the Board granted permission to proceed with project planning at its August 2004 meeting (estimated project cost of \$3,400,000). Bond proceeds would also be used to refund the outstanding principal of the Memorial Union First Mortgage Notes.

As indicated in August 2004, when the financial plan for the renovation and parking ramp repairs was presented to the Board, the University wishes to combine the costs of the parking ramp repairs with the costs of the Memorial Union renovation into one bond issue.

The revised calendar year 2004 bond issuance schedule approved by the Board in August 2004 includes a bond sale for the projects in November 2004.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately \$1,679,200 annually to be paid from Memorial Union revenues, including revenues from the parking ramp; student fees; and rent from Memorial Union tenants.

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:

Separate Non-Profit Corporation

The Iowa State Memorial Union, as a separate non-profit corporation, was established in 1922.

In 1925, under agreements originally approved by the Board of Education (predecessor to the Board of Regents), the Board allowed the Iowa State Memorial Union (corporation) to raise funds to construct a student union facility to serve the students of Iowa State University. This corporate structure was necessary in the beginning because the University, through the Board of Regents, lacked authority to borrow the money.

The intent of the original agreement was to transfer the Memorial Union to the University once the debts were paid off or at a time when the Board of Regents agreed to assume the remaining debt.

Transfer of Memorial Union to Iowa State University

In November 2002, the Board approved the transfer of the Memorial Union facility from the Memorial Union corporation to Iowa State University. The transfer was undertaken to improve the bonding capacity and fund raising capabilities of the Union to finance facility renovations and upgrades.

Board action in November 2002 also established a self-liquidating Memorial Union Facility; the Union is now being operated as a self-supporting entity, in accordance with Iowa Code Chapter 262, which authorizes the Board to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities, and borrow money to construct or improve the facilities.

With the transfer of the Union, the University assumed outstanding debt, the current principal totaling \$4.4 million, which represents previous financings for the construction of additions and renovations to the facility.

Student Building Fees

In November 2002, as part of the approval of tuition and mandatory fees, the Board approved a new mandatory building fee of \$30 per student per academic year, beginning with the 2003-2004 academic year, to fund improvements to the Union. This fee supplemented the existing Student Union building fees for future improvements and debt service.

The amounts of the building fees for the Memorial Union per academic year, per student have been as follows:

<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
\$7.80	\$11.06	\$18.32	\$18.32	\$49.10	\$49.10

Support for
Operations of
Union

Prior to FY 2004, a portion of designated tuition helped to support the operations of the Memorial Union.

The amounts per academic year, per student were as follows:

<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
\$46.68	\$47.60	\$50.00	\$54.00	\$00.00	\$00.00

With the Board's approval in November 2002 to allow Iowa State University to assume operational responsibility for the Memorial Union, the University absorbed the Memorial Union's operations and now provides direct general fund support to the facility through payments for use of the Memorial Union facilities.

General fund payments for the use of the Union were \$1,544,822 in FY 2004; the financial proforma presented to the Board in August 2004 includes the budgeted amount of \$1,493,141 for FY 2005.

Scope of
Construction
Projects

The **Memorial Union Renovation—Phase 1** project (\$17,000,000) would provide circulation, accessibility and life safety improvements, upgrade meeting rooms and building systems, construct an addition and renovate existing space for the University Book Store, and provide roof repairs.

The **Memorial Union Parking Facility—Structural Repairs** project (estimated at \$3,400,000) would address the deterioration of the structure's post-tensioning system and concrete floor slab to extend the life of the parking ramp. The project would remove existing concrete, inspect and test all post-tensioning slab tendons, and replace damaged tendons and deteriorated concrete.

Analysis:

Memorial Union
Renovation Project
Budget

The approved budget for the Memorial Union renovation of \$17,000,000 includes Memorial Union Bond proceeds of \$14,600,000, accumulated Memorial Union student building fee revenue of \$1,400,000 and University Bookstore Improvement Funds of \$1,000,000

Parking Ramp
Repairs Budget

The estimated project budget for the repairs to the parking ramp is \$3,400,000, which would be paid from the bond proceeds.

Existing Memorial
Union Debt

With the transfer of the Union, the University assumed outstanding debt, currently totaling \$4,400,000, which represents previous financings for the construction of additions and renovations to the facility.

Issue Size Components of the \$24,625,000 bond sale are estimated to include:

- project costs including Memorial Union renovation, parking ramp structural repairs, payment of outstanding First Mortgage Notes (estimated at \$22,515,400);
- debt service reserve (estimated at \$1,679,200);
- bond discount (estimated at \$345,000); and
- issuance costs (estimated at \$85,400).

Sources of Repayment The bonds would be repaid from Memorial Union revenues including revenues from the parking ramp, student fees, and rent from Memorial Union tenants, including the University Book Store.

- The University Book Store will pay rental income to the Memorial Union equal to the debt service on the \$5,000,000 in bonds to be sold for the portion of the project that will provide additional space for the Book Store.
- New tenant spaces in the expansion part of the Union project are estimated to rent for \$20,000 per square foot in the initial year of occupancy.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, November 4, 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.

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:	15.69 Years
	Bonds Dated:	December 1, 2004
	Interest Due:	July 1, 2005, and 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, 2006 – 2030
	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