

Contact: Brad Berg

IOWA STATE UNIVERSITY PARAMETERS RESOLUTIONS

Action Requested: Consider approval of:

1. A Resolution authorizing the issuance and establishing parameters for the sale and securing the payment of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2021, for the purpose of current refunding the \$25,845,000 Athletic Facilities Revenue Bonds, Series I.S.U. 2012, funding a reserve fund, and paying costs of issuance.
2. A Resolution authorizing the issuance and establishing parameters for the sale and securing the payment of not to exceed \$11,500,000 par Memorial Union Revenue Bonds, Series I.S.U. 2021, for the purpose of paying costs of improving, remodeling, repairing, and constructing additions to the Memorial Union Building and parking structure, funding a debt service reserve fund, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary:

1. The Board is asked to consider adoption of a parameters resolution providing for the sale and issuance of Athletic Facilities Revenue Refunding Bonds for Iowa State University. Proceeds from the sale of the bonds would be used to currently refund the outstanding maturities of the \$25,845,000 Athletic Facilities Revenue Bonds, Series I.S.U. 2012 (the "Series 2012 Bonds") to realize interest rate savings. The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, November 17, 2021. The resolution allows for the approval of the bond issue, provided the total net present value savings for the transaction exceeds 4.0% of the debt service for the Series 2012 Bonds.
2. The Board is also asked to consider adoption of a parameters resolution providing for the sale and issuance of Memorial Union Revenue Bonds for Iowa State University. Proceeds from the sale of the bonds would be used fund the Memorial Union – Floors 4-6 Renovation project. The receipt and opening of bids is scheduled for 10:30 a.m. on Wednesday, November 17, 2021. The resolution allows for the approval of the bond issue, provided the total principal amount of the issue does not exceed \$11,500,000 par and the true interest cost does not exceed 3.25%.

The determination of whether the parameters are satisfied and the execution of the bond purchase agreements will be made by the Executive Director and ISU's Senior Vice President for Operations and Finance, after consultation with Baker Tilly MA, the Board's Municipal Advisor.

Additional Information: The official statements for the bond sales will be made available on the website of Baker Tilly at <https://connect.bakertilly.com/bond-sales-calendar>. A copy of the resolutions, which were prepared by Ahlers & Cooney, P.C. and reviewed by Baker Tilly LLC, is available from the Board Office.

Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2021

A review of possible refundings by Baker Tilly Municipal Advisors LLC, the Board's Municipal Advisor, has determined that interest rate savings could occur by refunding the 2022 – 2037 maturities of the \$25,845,000 Athletic Facilities Revenue Bonds, Series I.S.U. 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds were sold to finance the Football Training Facility project.

The proposed refunding of the Athletic Facilities Revenue Bonds would be a current refunding as the Series 2012 bonds are callable on or after July 1, 2021. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the Series 2012 Bonds.

Interest rates on the Series 2021 Bonds are anticipated to be lower than the interest rates on the Series 2012 Bonds for the same years. (Rates on the 2012 Series range from 2.25% in 2022 to 3.625% in 2037.) Baker Tilly has projected that the refunding would result in a present value savings of approximately \$2.0 million (i.e. 9.7% of debt service).

The refunding issuance amount is estimated at \$18,765,000. Depending upon the bid received, this amount may 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 \$109,000.

Specifics of the bonds are:

- Average Maturity: 9.3 Years
- Bonds Dated: December 1, 2021
- Interest Due: July 1, 2022 and each January 1 and July 1 to maturity
- Interest Exemption: Exempt from federal and state income taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2023 – 2037
- Optional Call: Bonds maturing on or after July 1, 2032 are callable commencing July 1, 2031 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof

Memorial Union Revenue Bonds, Series I.S.U. 2021

In November 2019, the Board approved the project description and budget for ISU's Memorial Union – Floors 4-6 Renovation project. This project would be an interior renovation, converting 14,000 square feet of former hotel rooms on the fourth, fifth and sixth floors of the ISU Memorial Union into spaces that directly serve students.

Also in November 2019, the Board approved a reimbursement resolution for the project which permits the University to be reimbursed from the bond issue proceeds for expenditures associated with the project prior to the issuance of the bonds.

Principal on the bonds would be repaid over a period of 20 years with anticipated average annual debt service payments of approximately \$670,000. Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds.

The sources of repayment are the income and revenues to be derived from the operation or use of the Memorial Union facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

The bond issuance amount is estimated at \$10,915,000. Depending upon the bid received, this amount may be adjusted up or down. This flexibility will provide sufficient funds for the project construction fund, the debt service reserve fund and pay the costs of issuance, which are estimated at \$90,000.

Specifics of the bonds are:

- Average Maturity: 11.8 Years
- Bonds Dated: December 1, 2021
- Interest Due: July 1, 2022 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, 2023 – 2042
- Optional Call: Bonds maturing on or after July 1, 2032 are callable commencing July 1, 2031 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof