

Contact: Brad Berg

**SALE AND AWARD OF \$6,300,000 (ESTIMATED) ACADEMIC BUILDING
REVENUE REFUNDING BONDS, SERIES I.S.U 2013**

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 \$6,300,000 (estimated) Academic Building Revenue Refunding Bonds, Series I.S.U 2013, for the purpose of currently refunding the \$7,790,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2003 and the \$5,430,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004A, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution related to the sale, award, and issuance of Academic Building Revenue Refunding Bonds for Iowa State University. When the calendar year 2013 bond issuance schedule was approved by the Board in October 2012, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's Financial Advisor, has determined that interest rate savings could occur by refunding the 2014 – 2018 maturities of the \$7,790,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2003, and the 2014 – 2020 maturities of the \$5,430,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004A. The 2003 bonds were issued to redeem the July 2002 project notes which provided interim financing for the Engineering and Teaching Research, Phase II project. The 2004A bonds were issued to refund the 1994 bonds which financed the construction and remodeling of livestock research facilities and fire safety and deferred maintenance projects.

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 these Academic Building Revenue Refunding Bonds is a current refunding as both bond issues to be refunded became callable any date on or after July 1, 2013. The 2014 – 2018 maturities of the Series I.S.U 2003 issue and the 2014 – 2020 maturities of the Series 2004A issue would be called and principal payments made on the established February 1, 2014 call date. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the bonds to be refunded.

Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. (Rates on the 2003 Series range from 4.0% in 2014 to 4.45% in 2018. Rates on the 2004A Series range from 4.0% in 2014 to 4.6% in 2020.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$0.42 million. Annual cash flow savings are estimated at approximately \$70,000.

The refunding issuance amount is estimated at \$6,300,000. This amount will be adjusted up or down, depending upon the bid received, but will not exceed \$6,750,000, in order to provide sufficient funds to call and redeem the refunded bonds and to pay costs of issuance, which are estimated at \$66,000.

Debt service payments on Academic Building Revenue Bonds are paid with gross student fees and charges, including tuition. The General Assembly and the Governor have a historic record of supporting the Board's request for tuition replacement appropriations to reimburse the institutions for the funds pledged for debt service payments.

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, December 4, 2013, 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: 3.1 Years
- Bonds Dated: December 1, 2013
- Interest Due: July 1, 2014 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, 2014 – 2020
- Optional Call: The bonds are not callable
- Denomination: \$5,000 and integral multiples thereof