

The State Board of Regents met electronically on Monday, July 11, 1988. The following were in attendance:

Members of the State Board of Regents

Mr. Pomerantz, President  
Mr. Duchon (excused)  
Mr. Fitzgibbon  
Mr. Greig (excused)  
Dr. Harris  
Mr. Tyler  
Miss VanEkeren (excused)  
Mr. VanGilst  
Mrs. Williams

Office of the State Board of Regents

Director Barak  
Director Eisenhower  
Minutes Secretary Briggie

State University of Iowa

Vice President Phillips

Iowa State University

Assistant to Vice President Pickett

University of Northern Iowa

Ms. Miller

Iowa School for the Deaf

Mr. Balk

Iowa Braille and Sight Saving School

Mr. Hauser

## IOWA STATE UNIVERSITY

The State Board of Regents held an electronic Board meeting on Monday, July 11, 1988, commencing at 1:07 p.m., in accordance with Section 21.8 of the Code of Iowa. The meeting was not held in person because it was not possible to have the Regents assemble in one location for this brief meeting. Each Regent in attendance was at a separate remote location. Public access was provided at the following locations:

Regents Board Office, 6th Floor, Lucas State Office Building, Des Moines  
Old Public Library, Main Conference Room, University of Iowa, Iowa City  
Room 125, Beardshear Hall, Iowa State University, Ames  
Board Room, Gilchrist Hall, University of Northern Iowa, Cedar Falls  
Administrative Offices, Iowa School for the Deaf, Council Bluffs  
Administrative Office, Iowa Braille and Sight Saving School, Vinton

The following business pertaining to Iowa State University was transacted.

**CONVERSION OF \$16 MILLION IOWA STATE UNIVERSITY UTILITY SYSTEM REVENUE BONDS SERIES ISU - 1985.** The Board Office recommended the Board (1) receive a report on bids received for \$16 million in variable rate Utility System Revenue Bonds, Series ISU-1985, to be converted to a fixed rate on August 1, 1988, and (2) subject to a satisfactory bid being received, adopt "A resolution authorizing proceeding with the conversion of the interest rate on \$16 million of the State Board of Regents \$32.5 million Utility System Revenue Bonds (Iowa State University) Series ISU-1985 from a variable rate to a fixed rate and with the remarketing of \$16 million of said bonds; and authorizing the execution of a Second Supplemental Indenture."

In December 1985, the Board Office issued \$32.5 million in variable rate revenue bonds on behalf of Iowa State University and \$35.7 million in variable rate revenue bonds on behalf of the University of Iowa. These bonds were to finance major power plant replacement activities at the two universities. At the time the bonds were issued as variable rate, it was anticipated for the bonds to be converted to a fixed rate and sold within the "Iowa Market" at the time the projects were completed. The projects at both universities are now in the process of being completed and are expected to be in use by the end of the year.

The Board approved the first conversion of \$15 million in University of Iowa utility system revenue bonds at an electronic meeting held on May 11. Those bonds were converted from the variable to a fixed rate on June 1. The University of Iowa has an additional \$20,700,000 in variable rate utility system revenue bonds which are subject to conversion.

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Iowa State University has \$32.5 million in outstanding variable rate utility system revenue bonds. The Board at its May meeting authorized the first conversion on behalf of Iowa State University involving \$16 million in variable rate bonds. The interest rate on the bonds is now adjusted each week. With the conversion, \$16 million in variable rate bonds would be sold in the "Iowa Market" as fixed rate bonds with maturities ranging from two years to 25 years.

The conversion must occur on an interest payment date. The process is now underway to convert the first bonds on August 1, 1988, subject to favorable Board action. For the Board to convert the bonds on August 1 requires action establishing the fixed interest rates not later than twenty days prior to the date of conversion. Therefore, the Board was asked to conduct an electronic meeting on July 11 for the purposes of approving the conversion and the rate of interest on the bonds.

Consistent with the Board's June 1 conversion, the Board Office proposed to treat the conversion as a separate bond issuance in computing the fees for the Board's bond counsel and financial advisor. The tasks of preparing an official statement, obtaining a bond rating and preparing opinions as to the legality and tax exemption of the bonds are required just as in the case of a separate bond issue. Treating this as a separate bond issuance under the Board's contract with Springsted, Inc. and the Ahlers firm places a cap on total fees.

President Pomerantz recognized Director Eisenhauer.

Director Eisenhauer stated that Luther Anderson would present the proposals received and make a recommendation on those proposals.

Mr. Anderson presented the three proposals received, as follows:

Dain Bosworth, Inc., bid an interest cost of \$20,630,300.63 and a net effective rate of 7.330 percent.

John Nuveen & Co., Inc., bid an interest cost of \$20,769,293.75 and a net effective rate of 7.3793 percent.

Merrill Lynch Capital Markets bid an interest cost of \$20,764,812.25 and a net effective rate of 7.3777 percent.

Mr. Anderson stated the Dain Bosworth proposal was the lowest proposal. He noted there were only four percentage points between the highest and lowest proposals. He recalled that two months ago when the Board went through a similar process for conversion of \$15 million in University of Iowa bonds the lowest proposal was 6.97 percent and the other two bids were in the range of 7.30 - 7.35 percent. He said that given the fact that the market in general

hasn't changed much the bids were quite representative, and were considerably better than those being received by similar issuers.

Mr. Anderson recommended the Board accept the Dain Bosworth proposal.

Regent VanGilst asked why the interest rates were proposed to begin in 1990 instead of 1989.

Mr. Anderson responded that it goes back to the way the bonds were originally structured. The bonds are all term bonds in that they all mature in 2013. There is a provision for mandatory redemption that begins in 1990. Therefore, he said the fixed rates are established on that same schedule.

**MOTION:**

Regent Harris moved to (1) receive a report on bids received for \$16 million in variable rate Utility System Revenue Bonds, Series ISU-1985, to be converted to a fixed rate on August 1, 1988, and (2) subject to a satisfactory bid being received, adopt "A resolution authorizing proceeding with the conversion of the interest rate on \$16 million of the State Board of Regents \$32.5 million Utility System Revenue Bonds (Iowa State University) Series ISU-1985 from a variable rate to a fixed rate and with the remarketing of \$16 million of said bonds; and authorizing the execution of a Second Supplemental Indenture." Regent VanGilst seconded the motion, and upon the roll being called, the following voted:  
AYE: Fitzgibbon, Harris, Pomerantz, Tyler, VanGilst, Williams.  
NAY: None.  
ABSENT: Duchon, Greig, VanEkeren.

**ADJOURNMENT.** The electronic meeting of the State Board of Regents adjourned at 1:19 p.m. on Monday, July 11, 1988.

  
R. Wayne Rychey  
Executive Secretary