

The State Board of Regents met electronically on Wednesday, May 10, 1989. The following were in attendance:

Members of the State Board of Regents

Mr. Pomerantz, President
Mr. Berenstein
Mr. Fitzgibbon
Ms. Furgerson
Mr. Greig (excused)
Ms. Hatch
Mr. Tyler
Ms. Westenfield
Mrs. Williams

Office of the State Board of Regents

Executive Secretary Richey
Director Eisenhauer
Associate Director Jensen
Minutes Secretary Briggie

State University of Iowa

Vice President Phillips

Iowa State University

Vice President Madden
Treasurer Thompson

University of Northern Iowa

Ms. Doris Miller

Iowa School for the Deaf

Superintendent Johnson

Iowa Braille and Sight Saving School

Director Hauser

Springsted, Inc.

Mr. Luther Anderson

Ahlers Law Firm

Mr. Ken Haynie

IOWA STATE UNIVERSITY

The State Board of Regents held an electronic Board meeting on Wednesday, May 10, 1989, commencing at 11:00 a.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, Sixth 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 Offices, Iowa Braille and Sight Saving School, Vinton

The following business pertaining to the Iowa State University was transacted.

CONVERSION OF \$16.5 MILLION IOWA STATE UNIVERSITY UTILITY SYSTEM REVENUE BONDS, SECOND SERIES I.S.U. 1985. The Board Office recommended the Board receive a report on bids received for \$16.5 million in variable rate Utility System Revenue Bonds, Second Series I.S.U. 1985, to be converted to a fixed rate on June 1, 1989, and subject to a satisfactory bid being received, adopt "A resolution authorizing proceeding with the conversion of the interest rate on \$16.5 million of the State Board of Regents \$32.5 million Utility System Revenue Bonds (Iowa State University) Second Series I.S.U. 1985 from a variable interest rate to a fixed rate with the remarketing of \$16.5 million of said Bonds."

In December 1985 the Board issued \$32.5 million in variable rate revenue bonds on behalf of Iowa State University in order to finance major power plant replacement activities. At the time the bonds were issued as variable rate, it was anticipated that they would be converted to a fixed rate after the project was completed. The project is completed and became operational this year.

The first conversion on behalf of Iowa State University involving \$16 million in variable rate bonds occurred August 1, 1988. Iowa State University has \$16.5 million in remaining variable rate Utility System Revenue bonds which are scheduled for conversion in May 1989 and will conclude utility bond conversions.

The projected rate for the converted bonds is 7.35 percent. This is 0.38 percent (38 basis points) higher than the December 1988 conversion of the second-half of the University of Iowa's boiler bonds, but virtually the same as Iowa State University's first conversion in July 1988. Further, a fixed

rate of 7.35 percent would be a full percent lower than the rate we have estimated fixed rate bonds would have carried if these bonds had originally been sold in fixed rate form in late 1985.

In December it was reported that the Board had saved approximately \$5,692,000 by issuing variable rather than fixed rate bonds for the utility system bonds for University of Iowa and Iowa State University. The estimated bond rate applicable to the time the bonds were sold in 1985 is 8.35 percent.

President Pomerantz recognized Luther Anderson.

Mr. Anderson said it was interesting to note that the first of the four fixed rate conversions of the utility revenue bonds was held one year ago today. One of the three bidders at that time clearly outbid the market by 30 basis points. He said the irony of that will become apparent as he reads the bids received that morning. Two bids were received and opened at 10:30 a.m. from Dain Bosworth and John Nuveen & Co., as follows:

Dain Bosworth bid an interest cost of \$19,398,789.50 and a net effective rate of 7.0573.

John Nuveen & Co. bid an interest cost of \$18,564,707.96 and a net effective rate of 6.7538.

Mr. Anderson stated that clearly the bid made by John Nuveen is an excellent one and he had absolutely no hesitation in recommending the Board accept it. He noted that one month ago he was estimating the bid would be about 7.3 percent. The market has improved since then and, therefore, he was most recently expecting the bid to be around 7.0 percent. Comparing that to variable rates one week ago that rate was 7.625 percent, and when the cost of credit and remarketing is added to that it brings the total to over 8 percent. Variable rates have been moving up for the last few months. He said the Board has realized a significant savings selling originally in the variable mode.

Regent Fitzgibbon asked what does it mean that the bonds are payable from utility revenue and student fees? Mr. Anderson said that was a result of the legislation that authorized self-liquidating revenue bonds. The ultimate security for the bonds has to be the willingness of the university to impose a direct student fee. In this case he fully expects it will be paid from revenue of the systems and only in the worst case would a fee be assessed to students.

MOTION:

Regent Fitzgibbon moved to accept the bid of John Nuveen & Co. and to adopt "A resolution authorizing proceeding with the conversion of the interest rate on \$16.5 million of the State Board of Regents \$32.5 million Utility System Revenue Bonds (Iowa State University)

Second Series I.S.U. 1985 from a variable interest rate to a fixed rate with the remarketing of \$16.5 million of said Bonds." Regent Williams seconded the motion.

Regent Berenstein asked for the Regents' bond capacity and where that will be after this conversion. Mr. Anderson responded that these bonds don't effect the level of bonding authority since this is a conversion of existing bonds.

Regent Berenstein stated that in reviewing the reoffering proposal he noticed it was not prepared by the Ahlers Law Firm. He questioned whether the offering statement and the prospectus will be prepared by them.

Mr. Anderson said the official statement is the final document. The resolution and the other documents would normally be prepared by Ahlers. Since this is a reoffering it goes back to when the bonds were originally issued in 1985. At that time the bond documents were prepared by Chapman and Cutler, the Board's bond counselors.

Mr. Haynie stated that the bond resolution was prepared by Chapman and Cutler at the time the bonds were originally issued and spelled out in great detail and complexity the process for conversion to a fixed rate. Therefore, the Board is locked into the 1984-85 bond resolution. The normal documentation which would follow the sale of a new series of bonds is not involved in this conversion.

Mr. Richey said he would locate previously-developed bonding capacity information and provide it to Regent Berenstein.

VOTE ON THE MOTION:

Upon the roll being called, the following voted:

AYE: Berenstein, Fitzgibbon, Furgerson, Hatch, Pomerantz, Tyler, Westenfield, Williams.

NAY: None.

ABSENT: Greig.

ADJOURNMENT. The electronic meeting of the State Board of Regents adjourned at 11:13 a.m. on Wednesday, May 10, 1989.


R. Wayne Richey
Executive Secretary