

The State Board of Regents met electronically on Wednesday, May 11. The following were in attendance:

Members of State Board of Regents

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

Office of the State Board of Regents

Executive Secretary Richey
Director True
Minutes Secretary Briggle

State University of Iowa

Vice President Phillips
Assistant to Vice President Davis
Business Manager Finnegan

Iowa State University

Ms. Judy Hankins

University of Northern Iowa

Director Chilcott

Iowa School for the Deaf

Superintendent Johnson
Administrative Services Assistant Morford

Iowa Braille and Sight Saving School

Ms. Sherryl Craddock

STATE UNIVERSITY OF IOWA

The State Board of Regents held an electronic Board meeting on Wednesday, May 11, 1988, commencing at 10:10 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, 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 the State University of Iowa was transacted.

CONVERSION OF \$15 MILLION UNIVERSITY OF IOWA UTILITY SYSTEM REVENUE BONDS SERIES SUI - 1985. The Board Office recommended the Board (1) receive a report on bids received for \$15 million in variable rate utility system revenue bonds, series SUI-1985, to be converted to a fixed rate on June 1, 1988, and (2) subject to a satisfactory bid being received, adopt a resolution authorizing proceeding with the conversion of the interest rate on \$15 million of the State Board of Regents \$35.7 million Utility System Revenue bonds (State University of Iowa) Series SUI-1985 from a variable rate to a fixed rate and with the remarketing of \$15 million of said bonds.

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.

It was proposed that the first conversion involve \$15 million in variable rate bonds issued on behalf of the University of Iowa. The interest rate on the bonds is now adjusted each week. With the conversion, \$15 million in variable rate bonds would be selected and sold in the "Iowa market" as fixed rate bonds with maturities ranging from two years to 25 years.

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The conversion must occur on the first day of the month and, subject to Board approval, is scheduled for June 1, 1988. For the Board to convert the bonds on June 1 requires action establishing the fixed interest rates approximately twenty days prior to the date of conversion. Therefore, the opening of bids for the converted bonds occurred at 9:00 a.m. on May 11 with this electronic meeting of the Board following to approve the conversion and the rate of interest on the bonds.

The conversion is not a reissuance of bonds. As a result the university will be allowed to continue to earn arbitrage on its mandatory reserve. Arbitrage earnings are prohibited under the new federal tax laws. However, these bonds were originally issued prior to the enactment of the new tax laws and are exempt from the arbitrage restrictions. If the Board were to refund the variable rate boiler bonds through a new issue, arbitrage earnings on reserve funds would no longer be permitted.

The Board Office and the university will work with the Board's bond advisors and the remarketing agent to complete the \$15 million conversion on June 1, 1988.

President Pomerantz recognized Director True.

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

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

Merrill Lynch Capital Markets bid an interest cost of \$19,393,658.54 and a net effective rate of 7.3011 percent.

Dain Bosworth, Inc., bid an interest cost of \$18,538,009.36 and a net effective rate of 6.97901 percent.

John Nuveen & Co., Inc., bid an interest cost of \$19,604,876.04 and a net effective rate of 7.3806 percent.

Mr. Anderson stated the Dain Bosworth bid was a very aggressive bid. He recommended the Board accept that bid. As a way of comparison he said that yesterday the Florida State Board of Education issued general obligation bonds in roughly the same maturity terms, with a net interest cost on those of 7.832 percent.

MOTION:

Regent Harris moved to accept the best bid and to adopt a resolution authorizing proceeding with the conversion of the interest rate on \$15 million of the State Board of Regents \$35.7 million Utility System Revenue Bonds (State University of

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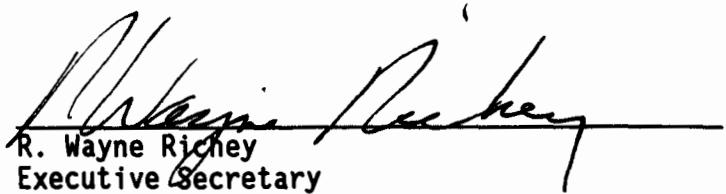
Iowa) Series SUI-1985 from a variable rate to a fixed rate and with the remarketing of \$15 million of said bonds. Regent Williams seconded the motion, and upon the roll being called, the following voted:

AYE: Duchen, Fitzgibbon, Harris, Pomerantz, Tyler, VanEkeren, VanGilst, Williams.

NAY: None.

ABSENT: Greig.

ADJOURNMENT. The electronic meeting of the State Board of Regents adjourned at 10:20 a.m. on Wednesday, May 11, 1988.



R. Wayne Richey
Executive Secretary