

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report of the Banking Committee
Date: April 12, 2004

Recommended Actions:

SUI Academic
 Building Revenue
 Refunding Bonds

1. Adopt the following resolutions, subject to receipt of acceptable bids:

A Resolution providing for the sale and award of \$6,695,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2004, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$6,695,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2004, for the purpose of refunding the 2006 through 2015 maturities of the \$8,935,000 Academic Building Revenue Bonds, Series S.U.I. 1993, dated September 1, 1993; and for the purpose of refunding the 2006 through 2015 maturities of the \$1,345,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 1994, dated July 1, 1994.

(ROLL CALL VOTE)

ISU Academic
 Building Revenue
 Refunding Bonds

2. Adopt the following resolutions, subject to receipt of acceptable bids:

A Resolution providing for the sale and award of \$5,430,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004A and \$3,135,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004B, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$5,430,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004A, for the purpose of refunding the 2006 through 2020 maturities of the \$6,545,000 Academic Building Revenue Bonds Series I.S.U. 1994, dated October 1, 1994; and \$3,135,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004B, for the purpose of refunding the 2005 through 2012 maturities of the \$5,315,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 1994, dated January 1, 1994.

(ROLL CALL VOTE)

ISU Recreational
Facility Revenue
Refunding Bonds

3. Adopt the following resolutions, subject to receipt of acceptable bids:

A Resolution providing for the sale and award of \$6,210,000 Recreational Facility Revenue Refunding Bonds, Series I.S.U. 2004, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$6,210,000 Recreational Facility Revenue Refunding Bonds, Series I.S.U. 2004, to pay the costs of refunding the 2005 through 2010 maturities of the Recreational Facility Revenue Refunding Bonds, Series I.S.U. 1994, dated March 1, 1994, including the debt service reserve fund, and paying costs of issuance.

(ROLL CALL VOTE)

SUI Parking System
Revenue Bonds

4. Adopt the following resolution:

Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$19,000,000 Parking System Revenue Bonds, Series S.U.I. 2004.

(ROLL CALL VOTE)

SUI Facilities
Corporation Bonds

5. Adopt the following resolution:

Adopt A Resolution authorizing and providing for the reissuance of \$1,870,000 University of Iowa Facilities Corporation qualified 501(c)(3) bonds, Series 2004, for the purpose of constructing and equipping the Roy J. and Lucille A. Carver Biomedical Research Building.

(ROLL CALL VOTE)

ISU Abandonment
of Knapp Dormitory

6. Adopt the following resolution:

A Resolution directing the abandonment of Knapp Dormitory at Iowa State University of Science and Technology.

(ROLL CALL VOTE)

Master Lease
Proceeds

7. Approve the reallocation of proceeds of the master lease financing for the exterior stair replacement at Jack Trice Stadium at ISU.

Executive Summary:

- Approvals The Banking Committee materials have been furnished to all Board members. During its meeting on April 21, 2004, the Banking Committee is scheduled to consider approval of:
- The minutes from the March 2004 Banking Committee meeting
 - Resolutions for:
 - Bond sales
 - Change of Use for Carver Biomedical Research Building (SUI)
 - Abandonment of Knapp Dormitory (ISU)
 - Reallocation of Master Lease Proceeds (ISU)

Background and Analysis:

Minutes The minutes of the March 2004 Banking Committee meeting are included with the Banking Committee materials.

Academic Building Revenue Bonds The sale, award, and issuance of Academic Building Revenue Refunding Bonds for the University of Iowa (one series) and Iowa State University (two series) are detailed below.

Tuition and fee revenues are used for debt service payments on Academic Building Revenue Bonds; a tuition replacement appropriation replaces that university revenue.

Pursuant to §229 of House File 2627 of the 2002 General Assembly, the sale of the SUI refunding bonds and the sale of one series of ISU refunding bonds need to be done in coordination with the Tobacco Settlement Authority since the principal payments and a portion of the interest payments of the bonds to be refunded are being paid with tobacco bond proceeds.

Correspondence was sent to the Tobacco Settlement Authority and authorization to proceed with the refunding was received. Consistent with the request of the Tobacco Settlement Authority, the July 1, 2005, maturities of the outstanding bonds will not be refunded.

Interest on all the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds. The interest on the bonds to be refunded is also double tax-exempt.

SUI

The Board is requested to adopt two resolutions related to the sale, award and issuance of \$6,695,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2004.

At its March 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to refund the 2006 – 2015 maturities of the Board's Academic Building Revenue Bonds, Series S.U.I. 1993 and Series S.U.I. 1994.

The proposed refunding would be a current refunding. The call date for the Series 1993 bonds was July 1, 2003, and the call date for the Series 1994 bonds is July 1, 2004.

It is anticipated that the refunding will result in net future and net present value savings in future tuition replacement appropriations between 2006 and 2015 of approximately \$410,000 and \$340,000, respectively. The last maturity for the refunding bonds will be 2015, consistent with the last maturity of the bonds to be refunded.

ISU

The Board is requested to adopt two resolutions related to the sale, award and issuance of \$5,430,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004A and \$3,135,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004B.

At its March 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds. The Series I.S.U. 2004A bonds would refund the 2006 - 2020 maturities of the Academic Building Revenue Bonds, Series I.S.U. 1994. The Series I.S.U. 2004B bonds would refund the 2005 - 2012 maturities of the Academic Building Revenue Refunding Bonds, Series I.S.U. 1994.

Both series of 1994 bonds have a call date of July 1, 2004.

Since different fund sources are currently being used to replace the university revenue, two separate series of I.S.U. refunding bonds will be issued.

Principal payments and a portion of the interest payments through July 1, 2007 on the Academic Building Revenue Bonds, Series I.S.U. 1994, originally issued in the amount \$6,545,000, are being paid with tobacco bond proceeds.

- The estimated net future value and net present value savings from the refunding of the 2006 – 2020 maturities of these bonds in future tuition replacement appropriations between 2006 and 2020 are approximately \$675,000 and \$500,000.

Debt service payments on the Academic Building Revenue Refunding Bonds, Series I.S.U. 1994, originally issued in the amount of \$5,315,000, are being paid with general funds.

The estimated net future value and net present value savings from the refunding of the 2005 – 2012 maturities of these bonds in future tuition replacement appropriations between 2005 and 2012 are approximately \$182,000 and \$160,000.

ISU Recreational
Facility

The Board is requested to adopt two resolutions related to the sale and award and issuance of \$6,210,000 Recreational Facility Revenue Refunding Bonds, Series I.S.U. 2004.

At its March 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to refund the outstanding principal of the 1994 I.S.U. Recreational Facility Revenue Refunding Bonds.

The outstanding maturities (2005 – 2010) of the 1994 bonds, which total \$6,790,000, would be called and principal payments made on July 1, 2004, which is the call date for the 1994 bonds.

- The sale amount of refunding bonds is less than the outstanding principal of the bonds to be refunded since a portion of the prior issue debt service reserve fund can be used as a source of funds for the refunding.

Debt service payments on the 2004 bonds, which will mature on July 1, 2010, would continue to be paid from a portion of the University's mandatory building fee and funds from the Department of Intercollegiate Athletics.

SUI Parking
System

The Board is requested to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$19,000,000 Parking System Revenue Bonds, Series S.U.I. 2004.

Proceeds from the sale of the bonds would be used to finance construction of the Melrose Avenue Parking Facility Expansion project, which would construct a new parking ramp adjacent to the existing Melrose Avenue Parking Facility on the west campus.

The calendar year 2004 bond issuance schedule approved by the Board in November 2003 included a University of Iowa Parking System Revenue Bond sale for the project in May 2004.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,357,000 annually to be paid from the net income of the Parking System.

The University's Parking System is a self-supporting operation.

Change of Use for
Carver Biomedical
Research Building

The Board is requested to adopt a resolution related to the reissuance of bonds due to a change in use of the Roy J. and Lucille A. Carver Biomedical Research Building (CBRB), currently under construction at the University of Iowa.

In September 2002, the University of Iowa Facilities Corporation issued, on behalf of the Board of Regents, \$17,000,000 of tax exempt bonds to provide partial funding for construction of the facility.

Since the University wishes to change the use of portions of the CBRB to sponsored research activities (i.e., "private use") and not relocate the Carver College of Medicine's administrative offices (i.e., "governmental use") as approved by the Board in February 2004, it will be necessary to comply with the Internal Revenue Code's "Change in Use Rules" to maintain the tax exempt status of the \$17,000,000 of bonds previously issued for the CBRB.

A change in use to permit a portion of the facility to be used for a "qualified purpose" such as use by an entity organized under section 501(c)(3) of the Internal Revenue Code will preserve the tax exempt status of the bonds previously issued, provided certain conditions are satisfied, including public notice and a hearing.

The University plans to reallocate space to an entity (Howard Hughes Medical Institute), which is organized under 501(c)(3) of the Internal Revenue Code.

Public notice was given and a hearing held on March 15, 2004; there were no attendees.

The proposed resolution is necessary to approve the designation of the "qualified 501(c)(3) bonds." While the bonds will be reissued for tax purposes, no proceeds will result from this transaction.

Master Lease
Proceeds

The Board is requested to approve the reallocation of a portion of the proceeds from the master lease financing of the exterior stair replacement at Jack Trice Stadium to other projects at the Stadium.

At its April 2003 meeting, the Board approved Iowa State University's utilization of \$325,000 in master lease financing to replace twelve sets of stairs that connect the lower level concourse areas to the upper level seating of Jack Trice Stadium.

Since construction costs were significantly lower than had been estimated, approximately \$130,000 of the proceeds remain unspent.

The University proposes to use the remaining proceeds for additional projects at Jack Trice Stadium.

Ahlers & Cooney, the Board's bond counsel, has confirmed that the use of the proceeds for this purpose would be permitted under federal tax regulations and the financing documents, but has advised that Board approval should be first obtained.

Notice will be provided to Wells Fargo Brokerage Services, LLC, the Board's master lease provider, as recommended by bond counsel.

Abandonment of
Knapp Hall

The Board is requested to adopt A Resolution directing the abandonment of Knapp Dormitory at Iowa State University.

Bond resolutions for Iowa State University's Residence System require specific approval of the Board of Regents prior to the abandonment of any units in the system.

The update of the University's Residence System Master Plan included as part of the March 2004 Governance Report on University Residence Systems noted that Knapp Hall (Dormitory) was scheduled for demolition during the summer of 2005.

The facility was taken off-line during the winter of 2004 but will be used to house participants in a July 2004 conference.

The Board will find and determine, under the proposed resolution that the age and physical condition of the Dormitory is such that its economical operation as a component of the Residence System is not possible and that the expenditure of substantial capital funds for rehabilitation is precluded by the obsolescence of the facility.

The resolution also includes a determination that the net rents, profits and income of the Residence System, after the abandonment of the facility, are sufficient to meet the specific financial requirements of the bond covenants.


Jean A. Friedrich

Approved: 
Gregory S. Nichols