

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report of the Banking Committee  
**Date:** March 31, 2003

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**Recommended Actions:**

SUI Bond Sale      1. Adopt the following resolutions subject to receipt of acceptable bids:

A Resolution providing for the sale and award of \$10,530,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2003, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$10,530,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2003, for the purpose of refunding the 2004 through 2012 maturities of the \$16,900,000 Academic Building Revenue Bonds, Series S.U.I. 1993, dated November 1, 1993, presently outstanding and heretofore issued by the Board to refund bonds issued to defray costs of building construction projects on the campus of The State University of Iowa.

**(ROLL CALL VOTE)**

UNI Bond Sale      2. Adopt the following resolutions subject to receipt of acceptable bids:

A Resolution providing for the sale and award of \$8,465,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$8,465,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003, for the purpose of refunding the 2005 through 2015 maturities of the \$3,900,000 Academic Building Revenue Bonds, Series U.N.I. 1992, dated June 1, 1992, and the 2005 through 2015 maturities of the \$7,440,000 Academic Building Revenue Bonds, Series U.N.I. 1993, dated July 1, 1993, presently outstanding and heretofore issued by the Board to defray costs of building construction projects on the campus of the University of Northern Iowa.

**(ROLL CALL VOTE)**

- ISU Bond Sale            Adopt the following:
- A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$9,600,000 Dormitory Revenue Bonds, Series I.S.U. 2003A.
- (ROLL CALL VOTE)**
- Westgate  
Residence Hall  
(ISU)                      3. Adopt the following:
- A Resolution directing the abandonment of Westgate and Storms Dormitories at Iowa State University of Science and Technology.
- (ROLL CALL VOTE)**
- Master Lease  
Financing (ISU)            4. Approve \$325,000 in master lease financing for Iowa State University to replace twelve sets of stairs that connect the lower level concourse areas to the upper level seating of Jack Trice Stadium.
5. Accept the remainder of the report of the Banking Committee.
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**Executive Summary:**

- Approvals                The Banking Committee materials, which include a memorandum covering each item in detail, have been furnished to all Board members. During its meeting on April 10, 2003, the Banking Committee is scheduled to consider approval of:
- The minutes from the March 2003 Banking Committee meeting
  - Three Resolutions for Bond Sales
  - Demolition of Westgate Hall (ISU)
  - Use of Master Lease Financing – ISU Jack Trice Stadium
- Reports                    The Banking Committee is scheduled to receive reports on:
- Revenue Bond Fund Audits
  - Internal Audits
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**Background and Analysis:**

Minutes                      The minutes of the March 2003 Banking Committee meeting will be sent under separate cover.

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SUI Bond Sale                The Board is requested to adopt two resolutions related to the sale, award and issuance of \$10,530,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2003.

At its March 2003 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to refund outstanding maturities of the S.U.I. Academic Building Revenue Bonds, Series 1993.

The proposed refunding would be a current refunding, as the call date for the outstanding bonds is July 1, 2003.

All outstanding bonds of the Academic Building Revenue Refunding Bonds, Series S.U.I. 1993 (originally issued in the amount of \$16,900,000) would be called and principal payments made on July 1, 2003.

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

The estimated net future value and net present value savings from the refunding in future tuition replacement appropriations between 2004 and 2012 total more than \$600,000 and \$500,000, respectively.

The maturity schedules for the bonds would not change with the refunding.

Interest on the refunding bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are residents of Iowa and purchase the bonds. Interest on the bonds to be refunded has also been double tax-exempt.

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UNI Bond Sale                The Board is requested to adopt two resolutions related to the sale, award and issuance of \$8,465,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003.

At its March 2003 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to refund outstanding maturities of the U.N.I. Academic Building Revenue Bonds, Series 1992 and Series 1993.

The proposed refunding would be a current refunding, as the call date for the outstanding bonds is July 1, 2003.

Pursuant to §229 of House File 2627 of the 2002 General Assembly, the refunding needs to be done in coordination with the Tobacco Settlement Authority. Correspondence was sent to the Tobacco Settlement Authority requesting necessary approvals; authorization to proceed with the refunding was received.

However, Treasurer Fitzgerald, as Chair of the Tobacco Settlement Authority, expressed concerns about the timing of the refunding and FY 2004 appropriations; therefore, the 2004 maturities are excluded from the refunding.

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

The estimated net future value and net present value savings from the refunding in future tuition replacement appropriations between 2005 and 2015 total approximately \$900,000 and \$700,000, respectively.

The maturity schedules for the bonds would not change with the refunding. Interest on the refunding bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds. Interest on the bonds to be refunded has also been double tax-exempt

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ISU Bond Sale

The Board is requested to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$9,600,000 Dormitory Revenue Bonds, Series I.S.U. 2003A.

The revised calendar year 2003 bond issuance schedule, approved by the Board in March 2003, included a bond sale in May 2003 to partially finance the Buchanan Hall Renovation project.

The Board approved at its March 2003 meeting, a revised budget (\$12,150,000) for the project, which will extensively renovate the facility and construct additions at the north and south entrances.

Of the revised project budget of \$12,150,000, approximately \$8,610,000 would be financed by the bond sale, with Residence System Funds being the other source of funding.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$700,000 annually to be paid from the net rents, profits and income of the Residence System.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

The University's Residence System is a self-supporting operation and receives no state appropriations.

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Westgate  
Residence Hall  
(ISU)

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.

Iowa State University's Residence System Five-Year Plan presented to the Board in March 2003, noted that Westgate Hall, an 83-bed suite facility, was scheduled for demolition during the summer of 2003, to be replaced with parking.

In its capital register this month (see G.D. 15b), the University has included a project description and budget (\$195,200) for the demolition of the facility.

The Residence System Five-Year Plan also included the closing of Storms Hall beginning with the 2003-2004 academic year (FY 2004).

The resolution determines that the age and physical condition of the existing beds are such that their economical operation as a component of the Residence System is not possible, and that the net rents, profits and income of the Residence System, without the income from the beds to be abandoned, are sufficient to meet the specific financial requirements of the bond covenants.

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Master Lease  
Financing (ISU)

Iowa State University requests approval to utilize \$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.

The University proposes to finance the project over a five-year period, with the final interest rate set per the master lease agreement at the time the borrowing commitment is executed.

The estimated interest rate is approximately 3.38 percent, which would result in semi-annual payments of approximately \$35,600.

Funding for the semi-annual payments would come from a portion of the \$15 stadium facilities fee which will be incorporated into football season ticket prices beginning with the 2003 season.

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Revenue Bond  
Fund Audit  
Reports (UNI)

Revenue Bond Fund audit reports are presented to the Banking Committee as required by Board policy. Four reports from the University of Northern Iowa were presented this month.

- Academic Building
- Field House
- Residence System (Dormitory)
- Student Union

The four identified revenue bond fund audit reports of the University of Northern Iowa for the year ended June 30, 2002, indicate that the financial statements of each of the revenue bond funds were presented fairly in all material respects.

No findings were reported regarding financial or compliance issues.

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Internal Audit  
Reports

Completed institutional internal audit reports are presented to the Banking Committee, as required by Board policy. The Board Office monitors the progress of the institutions' follow-up on these reports. When corrective action has been satisfactorily completed, the audits are closed.

One new University of Northern Iowa audit and one follow-up report from the Iowa State University are presented this month. The follow up report is closed. The Status of Internal Audit identifies 10 internal audit reports, 9 of which require follow-up.

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Pamela M. Elliott

Approved:   
Gregory S. Nichols