

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Resolution for the Sale and Award of \$15,000,000 Utility System Revenue Bonds, Series S.U.I. 2002
Date: February 11, 2002

Recommended Action:

Adopt the following resolution, subject to receipt of acceptable bids:

A Resolution providing for the sale, award, and issuance of \$15,000,000 Utility System Revenue Bonds (The State University of Iowa) Series S.U.I. 2002, approving and authorizing the agreement of such sale and award and authorizing and approving the execution and delivery of the Tax Exemption Certificate, Continuing Disclosure certificate, and other documents in connection therewith and related matters.

(ROLL CALL VOTE)

Executive Summary:

The Board is asked to adopt a resolution for the sale and award of \$15,000,000 Utility System Revenue Bonds for the University of Iowa.

At its January 2002 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds.

The bonds would be sold to finance, in part, Utility System projects including improvements to steam and electrical distribution systems, chilled water systems, storm sewers and utilities relocation.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,183,400 annually to be paid from Utility System charges and the proceeds of any Utility System Student Fees which the Board may establish in the future.

The possibility that student fees may be established in the future provides additional security for the bonds.

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

Background:

Use of Bond
Proceeds

Bond proceeds will finance:

- Major repair work to Boiler #10 in the Main Campus Power Plant.
 - In October 2001, the Board approved a reimbursement resolution permitting the University to be reimbursed from a future Utility System Revenue Bond issue for this project with an approved budget of \$4,950,000.
- Projects for which descriptions and budgets were approved at the January 2002 Board meeting:
 - Iowa Center for the Arts Campus – Central Chilled Water Distribution Piping (funding from Utility System Revenue Bonds - \$3.1 million);
 - Art Building – Phases 1 and 2 – Site Utilities (project budget - \$2.4 million with Utility System Revenue Bonds as a source of funds); and
 - Health Science Campus – Replace Steam and Condensate Piping (funding from Utility System Revenue Bonds - \$1.7 million).

Other projects which could be funded from the bond issue include:

- Utilities Relocation – Medical Education and Biomedical Research Facility – Building B (estimated cost – \$1.3 million);
- Site utilities for west campus development, including new residence hall and athletic learning center (estimated cost - \$1.2 million);
- North Riverside Drive steam system condensate return line (estimated cost - \$1 million); and
- Arts Campus Storm Sewer (estimated cost - \$1 million).

Statutory Provisions

Under the provisions of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities.

Analysis:

Size of Bond Issue The \$15,000,000 bond issue includes:

- Project costs (estimated at \$13,540,000);
- Debt service reserve (estimated at \$1,183,400);
- Bond discount (estimated at \$210,000); and
- Issuance costs (estimated at \$66,600)

Outstanding Bonds The outstanding principal of the Utility System existing bonds, as of February 1, 2002, is \$47.8 million.

Receipt of Bids The receipt and opening of bids is scheduled for 9:00 a.m. on Wednesday, February 20, 2002, and the award is scheduled for 10:00 a.m. on the same date.

 A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

 Copies of the resolution and the supplemental indenture, which were prepared by Ahlers law firm and reviewed by Springsted, Inc., are available at the Board Office.

Bond Specifics Average Maturity: 12.698 years
 Bonds Dated: March 1, 2002
 Interest Due: November 1, 2002 and each May 1 and
 November 1 to maturity
 Principal Due: November 1, 2003 – 2022
 Optional Call: Bonds maturing on or after November 1, 2013 are
 callable commencing November 1, 2012 and any
 date thereafter at par
 Denomination: \$5,000 and integral multiples thereof



Joan Racki

Approved: 

Gregory S. Nichols