

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report of the Banking Committee  
**Date:** July 7, 2003

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**Recommended Actions:**

## 1. Adopt the following:

A Resolution Authorizing and Approving the Execution and Delivery of the Ground Lease, the Lease, the Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate and the Continuing Disclosure Certificate, and Authorizing and Providing for the Issuance of University of Iowa Facilities Corporation (Pomerantz Center) \$11,325,000 Revenue Bonds, Series 2003 and Providing for the Payment Thereof.

**(ROLL CALL VOTE)**

## 2. Adopt the following:

A Resolution providing for the sale and award of \$4,225,000 Academic Building Revenue Refunding Bonds, Series. U.N.I. 2003A, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$4,225,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003A, for the purpose of refunding the 2004 through 2012 maturities of the \$6,520,000 Academic Building Revenue Refunding Bonds, Series U.N.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 University of Northern Iowa.

**(ROLL CALL VOTE)**

## 3. Adopt the following:

Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003.

**(ROLL CALL VOTE)**

## 4. Approve renewal of bond associated contracts.

## 5. Business and Financing Plans – UNI Event Complex

- a. Receive the report of the Banking Committee on its review of the University of Northern Iowa's proposed business and financing plans for the Event Complex, including the University's understanding that construction of the Arena would not begin until funding has been secured in the amount of \$19.5 million.
- b. Consider recommendations from the Banking Committee regarding the proposed financing plan.

## 6. Accept the remainder of the report of the Banking Committee.

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**Executive Summary:**

Approvals	<p>The Banking Committee materials, which include a memorandum covering each item in detail, have been furnished to all Board members. During its meeting on July 16, 2003, the Banking Committee is scheduled to consider approval of:</p> <ul style="list-style-type: none"><li>• The minutes from the June 2003 Banking Committee meeting</li><li>• Resolution for SUI Facilities Corporation Revenue Bonds</li><li>• Resolution for UNI Academic Building Revenue Refunding Bonds</li><li>• Resolution for SUI Dormitory Revenue Bonds</li><li>• Renewal of Bond Associated Contracts</li></ul>
Reports	<p>The Banking Committee is scheduled to receive reports on:</p> <ul style="list-style-type: none"><li>• Refunding Savings</li><li>• Cost of Bond Issuance</li><li>• FY 2004 Internal Audit Plans</li><li>• Internal Audits</li></ul>
Reports and Discussion	<p>The Banking Committee is scheduled to receive and discuss the Business and Financing Plans for the UNI Arena.</p>

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**Background and Analysis:**

Minutes	<p>The minutes of the June 2003 Banking Committee meeting will be sent at a later date.</p>
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SUI Facilities Corp Bonds	<p>The Board is requested to adopt a resolution approving various lease documents, indenture, a bond purchase agreement, and certificates related to the sale of University of Iowa Facilities Corporation Revenue Bonds for the Pomerantz Center.</p>
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At its May 2003 meeting, the Board adopted a resolution authorizing the Executive Director to take all action needed to effect the issuance of the bonds.

Purpose	<p>The bonds would be sold to provide a portion of the funds needed to construct the facility, which would permit expansion and improvement in the University's career counseling and placement services, provide new general assignment classrooms and an auditorium, and house the Academic Advising Center.</p>
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**Schedule**            The calendar year 2003 bond issuance schedule, approved by the Board in November 2002, included a sale by the University of Iowa Facilities Corporation in June 2003 to provide partial funding for the facility. Because the Board considered the future status of active capital projects in June, the bond sale was delayed until July. At that meeting, the Board acknowledged that the Pomerantz Center project had received final project approval for construction.

**Financing**        The financing would be issued as a bullet (single) maturity bond, with only net annual interest costs (annual interest payments less estimated annual debt service reserve fund earnings) of approximately \$385,000 being paid until the year of maturity (2010) when the principal would be repaid.

The Facilities Corporation would make the interest payments and principal payment from rent received from the University under the terms of the lease. Cash flow requirements would be provided from gifts to the University of Iowa Foundation and University of Iowa funds, with the University's interest earnings from investments as the primary source of funds for the annual interest only debt service payments.

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**UNI Bonds**        The Board is requested to adopt two resolutions related to the sale, award and issuance of \$4,225,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003A.

At its June 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 all outstanding maturities of the U.N.I. Academic Building Revenue Bonds, Series 1993 (originally issued in the amount of \$6,520,000).

As discussed previously with the Banking Committee, interest rates are historically low and the yield curve is very steep.

Under the provisions of the Bond Resolution adopted by the Board when the 1993 bonds were sold, the bonds may be called on any date or after July 1, 2003, at par plus accrued interest.

The 1993 bonds would be called on September 1, 2003, meeting the requirements for a current refunding since they would be called within 90 days of the issuance of the 2003 Refunding Bonds.

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

**Savings**            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 \$350,000 and \$300,000, respectively.

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Refunding Savings Present value savings (which are net of issuance costs) from refunding bonds total \$7.3 million for calendar years 2001 – 2003 (to date), of which \$5.4 million in savings were from Academic Building Revenue Bond Refundings, which are state appropriation savings.

Since 2001, the sales of three refunding bond issues have resulted in present value savings of over \$1.9 million.

An updated report in September 2003 will include the present value savings from the sale of UNI refunding bonds scheduled for sale in July 2003.

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SUI Bonds The Board is requested to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Dormitory Revenue Bonds, Series S.U.I. 2003.

Purpose The bonds would be sold to finance a number of projects in the University's Residence System including the Burge Residence Hall Remodel Food Service Area project, fire protection upgrades for Rienow, Quadrangle and Parklawn Residence Halls, and improvements to Mayflower Residence Hall.

Financing Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,845,000 annually to be paid from the net rents, profits and income of the Residence System.

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

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Cost of Bond Issuance The Banking Committee has requested reports identifying the costs associated with each bond issuance.

This month's report includes the issuance costs for the following bond sales:

- March 2003 sale of Iowa State University Dormitory Revenue Bonds which were sold to finance construction of Union Drive Suite Building 2.
- April 2003 sale of University of Iowa Academic Building Revenue Refunding Bonds, which were sold to refund outstanding maturities of the 1993 Academic Building Revenue Bond issue.
- April 2003 sale of University of Northern Iowa Academic Building Revenue Refunding Bonds, which were sold to refund outstanding maturities of the 1992 and 1993 Academic Building Revenue Bond issues.
- May 2003 sale of Iowa State University Dormitory Revenue Bonds, which were sold to partially finance the renovation of Buchanan Hall.

The costs of issuance for the bond issues are summarized below:

<u>Bond Issue</u>	<u>Costs of Issuance</u>
Dormitory Revenue Bonds, Series ISU 2003	\$ 70,234.86
Academic Building Revenue Refunding Bonds, Series SUI 2003	46,600.60
Academic Building Revenue Refunding Bonds, Series UNI 2003	42,352.24
Dormitory Revenue Bonds, Series ISU 2003A	37,813.51

Future reports on issuance costs will be provided on a quarterly basis, with the next report scheduled for October 2003.

**Renewal of Bond Associated Contracts** Statutory provisions and Board policy require competition for selection of professionals assisting with the Board's issuance of bonds and notes. In 2001, Requests for Proposals (RFP) were issued to solicit bond counsel, financial advisor, and arbitrage rebate services.

The current contracts with the Board's bond counsel, financial advisor, and arbitrage rebate services provider commenced on September 1, 2001, for a one-year initial period, with provisions for annual renewal thereafter through August 31, 2006, subject to mutual consent of the parties.

Contract Costs	<u>Contract Year 2002</u>	<u>Contract Year 2003 (to-date)</u>
Ahlers Law Firm	\$176,330	\$174,831
Springsted, Inc.	135,179	155,168
Berens-Tate Consulting Group	69,720	10,000

**Annual Renewals** The Board is requested to approve that all terms of the contracts be extended through the annual renewal period ending August 31, 2004.

No changes in contract provisions are presented.

**Internal Audit Plans** On an annual basis, the Regent universities compile and submit audit plans to the Banking Committee. In accordance with Board policy, these plans review past accomplishments and identify the next fiscal year's internal audit focus.

All three universities have internal auditors. The University of Iowa provides audit coverage for the Iowa School for the Deaf and Iowa State University provides audit coverage for the Iowa Braille and Sight Saving School. Costs and hours related to coverage of the special schools are detailed in the plans.

**FY 2003 Plan Progress** The three internal audit staffs made progress towards completing the internal audit plans for FY 2003.

FY 2004 Plan      The FY 2004 internal audit plans are based on known circumstances and certain areas needing routine audit coverage. The plans also include non-audit activities such as leave and professional development. Portions of the audit plans are unscheduled to allow the internal auditors flexibility to respond to events that transpire throughout the year.

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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.

Seven new audit reports are presented this month: three from the University of Iowa – University Operations, two from the University of Iowa – Hospital Operations, and two from Iowa State University. All require follow-up reports. Two follow-up reports are presented this month: University of Iowa Cash Collection Activities, which is closed and University of Northern Iowa FY 2002 Cash on Hand, which remains open. The Status of Internal Audit identifies 18 internal audit reports, 17 of which require follow-up.

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UNI Arena Business and Financing Plans      The University of Northern Iowa has previously provided the Board with information and the schematic design for the proposed construction of an Arena to be located south of the UNI Dome. When the program statement for the project was presented to the Board in October 2002, the Board requested that business and financing plans be presented. Discussions since that time have refined potential plans.

The University has provided to the Board Office a business plan, including a proposed plan of finance, for the Event Complex, which would include the UNI-Dome and the new Arena. The Banking Committee is expected to discuss the elements of the plans at its meeting.

The Board is being asked to acknowledge receipt of the University's submission of information to address the Board's capital project evaluation criteria for the Arena as part of the University of Northern Iowa Capital Register (see G.D. 14c); the Board is not being asked to approve the schematic design for the project.

The University will, on a future capital register, seek permission to begin construction after the \$19.5 million project cost has been raised.

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Pamela M. Elliott

Approved:   
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Gregory S. Nichols