

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report of the Banking Committee
Date: May 12, 2003

Recommended Actions:

- ISU Bond Sale 1. Adopt the following resolutions subject to receipt of acceptable bids:
- A Resolution providing for the sale and award of \$9,360,000 Dormitory Revenue Bonds, Series I.S.U. 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 \$9,360,000 Dormitory Revenue Bonds, Series I.S.U. 2003A, for the purpose of constructing, remodeling, reconstructing, repairing, furnishing and equipping a residence hall and related facilities and making other necessary improvements to existing residence halls and related facilities, all located on the campus of the University, including funding the debt service reserve fund, and paying the costs of issuance of the Bonds.
- (ROLL CALL VOTE)**
- SUI Bond Sale 2. Adopt the following:
- A Resolution authorizing the Executive Director to take any and all action deemed necessary to effect the issuance of not to exceed \$11,325,000 University of Iowa Facilities Corporation Revenue Bonds (Pomerantz Center), Series 2003.
- (ROLL CALL VOTE)**
- SUI
Reimbursement
Resolution 3. Adopt the following:
- A Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the State University of Iowa Utility System for certain original expenditures paid in connection with specified projects.
- (ROLL CALL VOTE)**
4. 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 May 22, 2003, the Banking Committee is scheduled to consider approval of:
- The minutes from the April 2003 Banking Committee meeting
 - Two Resolutions for Bond Sales
 - Reimbursement Resolution
- Reports The Banking Committee is scheduled to receive reports on:
- Cost of Bond Issuance
 - Refunding Savings
 - Revenue Bond Fund Audits
 - UIHC Audit
 - Internal Audits

Background and Analysis:

Minutes The minutes of the April 2003 Banking Committee meeting are included with the Banking Committee materials.

ISU Bond Sale The Board is requested to adopt two resolutions related to the sale and award and issuance of \$9,360,000 Dormitory Revenue Bonds, Series I.S.U. 2003A.

At its April 2003 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be used to partially finance the Buchanan Hall Renovation project.

The Board approved at its March 2003 meeting, a revised budget 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 in project costs 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 Iowa residents who purchase the bonds.

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

SUI Bond Sale

The Board is requested to adopt a resolution authorizing the Executive Director to take action needed for the issuance of not more than \$11,325,000 University of Iowa Facilities Corporation Revenue Bonds for the Pomerantz Center.

The bonds would be sold to provide a portion of the funds needed to construct the facility.

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.

Although the bonds are being issued by the Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa, meeting the requirements for tax-exemption of interest for federal (but not state) income tax purposes. The Board of Regents must therefore approve the sale and terms of the bonds.

The Corporation will issue the debt and lease the facility to the Board for use by the University during the term of the bonds and upon retirement of the bonds, the facility will be conveyed to the University.

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.

SUI
Reimbursement
Resolution

The University of Iowa requests adoption of a resolution which will permit the University's Utility System to be reimbursed from a future Utility System Revenue Bond issue for costs associated with the Upgrade Purified Water Supply System project on the University's Health Sciences Campus.

The Board approved a project description and \$2,348,000 budget at its April 2003 meeting; funding was listed as a future sale of Utility System Revenue Bonds.

The reimbursement resolution is being submitted at this time to ensure maximum reimbursement capability under regulations of the federal Internal Revenue Code. Pursuant to these regulations, project payments made not more than 60 days prior to adoption of the resolution are eligible for reimbursement from future bond issues.

It is anticipated that the Upgrade Purified Water Supply System project will be bid later this calendar year.

Cost of Bond
Issuance

The Banking Committee has requested reports identifying the costs associated with each bond issuance. The report provided to the Banking Committee in March 2003 included issuance costs for the November 2002 sale of Hospital Revenue Bonds.

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

- January 2003 sale for Iowa State University of Indoor Multipurpose Use and Training Facility Revenue Bonds which were sold to finance construction of an indoor multipurpose use, training and practice facility for use by varsity football and other field-sports programs;
- January 2003 sale for the University of Northern Iowa of Dormitory Revenue Bonds which were sold to finance the renovation of the Towers Center; and
- February 2003 sale for the University of Iowa of Utility System Revenue Refunding Bonds which were sold to refund outstanding maturities of the 1993 Utility System bond issue.

<u>Bond Issue</u>	<u>Costs of Issuance</u>
\$6,200,000 Indoor Multipurpose Use and Training Facility Revenue Bonds, Series I.S.U. 2003	\$ 40,431.40
\$9,210,000 Dormitory Revenue Bonds, Series U.N.I. 2003	38,984.92
\$6,080,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2003	32,936.45

Future reports on issuance costs will be provided on a quarterly basis.

Refunding Savings The Banking Committee has requested reports identifying the savings from refunding outstanding bond maturities. Refunding savings will be reported in a memorandum in the month subsequent to a sale of refunding bonds.

This month's report includes the present value interest savings from the following sales of refunding bonds in April 2003:

<u>Inst.</u>	<u>Sale Amount</u>	<u>Issue</u>	<u>Present Value Savings</u>
SUI	\$10,530,000	Academic Building Revenue Refunding Bonds	\$ 633,705
UNI	<u>8,465,000</u>	Academic Building Revenue Refunding Bonds	<u>887,899</u>
	\$18,995,000	Total	\$1,521,604

Revenue Bond
Fund Audit
Reports (SUI)

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

- a. Academic Building
- b. Athletics Facilities
- c. Center for University Advancement
- d. Department of Residence Services
- e. Iowa Memorial Union
- f. Parking System
- g. Recreation Building
- h. Student Health Facility
- i. Telecommunications
- j. Utility System

The ten 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.

UIHC Audit

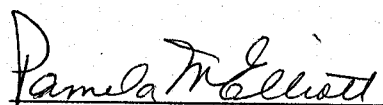
KPMG LLP conducted an independent audit on the UIHC accrual basis financial statements for the fiscal years ended June 30, 2002 and 2001. The annual audit is required by revenue bond resolutions and includes operations of the University Hospital, the Psychiatric Hospital, and the Center for Disabilities and Development.

No significant audit adjustments or findings were reported.

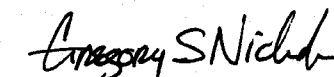
Internal Audit
Reports

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.

Eleven new University of Iowa audits and two follow-up reports – one from the University of Iowa and one from Iowa State University – are presented this month. Both follow up reports are closed. The Status of Internal Audit identifies 10 internal audit reports, 8 of which require follow-up.


Pamela M. Elliott

Approved:


Gregory S. Nichols