Contact: Joan Racki

RESOLUTION FOR THE SALE AND ISSUANCE OF $13,900,000 (ESTIMATED) DORMITORY REVENUE BONDS, SERIES U.N.I. 2012

Action Requested: Consider adopting the following resolution, subject to receipt of acceptable bids:

> A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of $13,900,000 (estimated) Dormitory Revenue Bonds, Series U.N.I. 2012, for the purpose of paying a portion of the costs of constructing and equipping improvements to the Dormitory System, currently refunding the Dormitory Revenue Bonds, Series U.N.I. 2002 and Series 2003, funding a debt service reserve fund, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award, authorization, and issuance of Dormitory Revenue Bonds for the University of Northern Iowa. The bond issue would include new money bonds to finance Phase 2 of the Redeker Center Expansion ($4,350,000 project budget approved by the Board at its March 2012 meeting), and the current refunding of the series 2002 and series 2003 Dormitory Revenue Bonds. When the calendar year 2012 bond issuance schedule was approved by the Board in October 2011, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's Financial Advisor, has determined that interest rate savings could occur by refunding the 2013 – 2018 maturities of the $9,535,000 Dormitory Revenue Bonds, Series U.N.I. 2002 and the 2013 – 2023 maturities of the $9,205,000 Dormitory Revenue Bonds, Series U.N.I. 2003. (The 2012 maturities of these bond issues will be paid with available residence system funds.) The 2002 bonds refunded Dormitory Series U.N.I. 1964, 1967-C and 1992 bonds. The 2003 bonds were issued to finance improvements, including development of a "market place" food service area, in the Towers Center, a major campus dining facility. The University's residence system is a self-supporting operation and receives no state appropriations.

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

The refunding of the Series 2002 and 2003 Dormitory Revenue Bonds would be a current refunding as the refunding would occur less than 90 days prior to the anticipated call date of July 1, 2012. The outstanding maturities of the bonds would be called and principal payments made on the call date. The last maturity of the 2012 bonds would be July 1, 2023.

Interest rates on the 2012 bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. (Rates on the 2002 Series bonds range from 3.625% in 2013 to 4.25% in 2018; rates on the 2003 bonds range from 4.1% in 2013 to 4.75% in 2023.) Springsted, Inc., the Board's financial advisor, has projected that refunding these two series of bonds would result in a combined present value savings of approximately $900,000. Annual cash flow savings are estimated at approximately $210,000 for Series 2002 (through 2018) and $75,000 for Series 2003 (through 2023).

Total debt service for the 2012 bonds is estimated at $1.4 million in FY 2013, increasing to $1.5 million in FY 2014 through FY 2018, before declining to $1.1 million in FY 2020 through FY 2023. This reduction is the result of the Series 2002 Bonds being fully repaid earlier than the Series 2003 Bonds. Current debt service on the 2002 and 2003 bonds totals approximately $1.5 million from FY 2013 through FY 2018, and $720,000 from FY 2019 through FY 2023.

Additional Information: Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, April 26, 2012, and the award is scheduled for later that day. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

The official statement for the bond sale may be found on the website of Springsted, Inc., the Board's Financial Advisor, at http://www.springsted.com/.

A copy of the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

Specifics of the bonds are:

- Average Maturity: 6.0 Years
- Bonds Dated: May 1, 2012
- Interest Due: January 1, 2013 and each July 1 and January 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2013 – 2023
- Optional Call: The bonds will not be subject to redemption in advance of the stated maturity dates
- Denomination: $5,000 and integral multiples thereof