

Contact: Brad Berg

ISU FACILITIES CORPORATION (SCHEMAN BUILDING)
REVENUE BONDS SERIES 2024 (TAXABLE)

Action Requested: Consider adopting a resolution authorizing and approving the issuance of \$12,280,000 (estimated) ISU Facilities Corporation Revenue Bonds (Scheman Building Project) Series 2024, for the purpose of financing a portion of renovating the Scheman Building and paying for costs of issuance, providing for the payment thereof, and directing the issuer to issue said bonds.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing and approving various lease documents, an indenture, a bond purchase agreement and other agreements and certificates related to the sale of ISU Facilities Corporation Revenue Bonds to finance the costs of renovating Iowa State University's Scheman Building.

In September 2023, the Board approved the project description and budget for the Scheman Building-Renovation project. The project includes the renovation of the east end of the Scheman Building's ground floor main entrances, entry lobbies and restrooms, and the first floor's event areas, circulation spaces and restrooms. The project would also upgrade existing mechanical and electrical systems.

Principal payments on the bonds would be made on July 1, 2025 – 2044, with the first interest payment being made January 1, 2025. Annual principal and interest payments for the bonds are estimated at approximately \$1.08 million. Bonds maturing on or after July 1, 2034, are callable commencing July 1, 2033 and any date thereafter at par. The debt service payments would be paid from lease rentals, which will be paid by the university to the ISU Facilities Corporation under the terms of the sublease.

Facilities Corporation: The ISU Facilities Corporation was incorporated in 2015 as a not-for-profit supporting organization of the Iowa State University Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the university.

Although the bonds would be issued by the ISU Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents. The Board of Regents must, therefore, approve the sale and terms of the bonds. The bonds are taxable and interest is not exempt from federal or state taxes.

The bond structure for the ISU Facilities Corporation bond issues differs from the structure used for Board of Regents bonds. In the case of the Scheman Building renovation, the Board will lease the facility to the ISU Facilities Corporation. The ISU Facilities Corporation has agreed to then sublease the facility back to the Board for rents that are sufficient to pay the principal and interest on the Series 2024 bonds.

Additional Information: The building sublease obligation between the Board (on behalf of the university) and the ISU Facilities Corporation will be an absolute and unconditional obligation of Iowa State University. Lease payments are to be sufficient to pay the interest and principal on the bonds; supplemental rents are equal to administrative and trustee expenses.

The bond issue is expected to include:

- Project costs (estimated at \$12,000,000);
- Issuance costs (estimated at \$116,000); and
- Bond underwriters discount (estimated at \$160,000).

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, February 28, 2024. A representative of Baker Tilly will report on the bids received and make a recommendation to the Board for award of the bonds. The Board of Directors of the ISU Facilities Corporation is expected to approve the sale and terms of the bonds based on the best bid at a meeting scheduled for that date.

The Board of Regents, at its regularly scheduled meeting, will be asked to approve the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Baker Tilly, LLC.

The official statement for the bond sale may be found on the website of Baker Tilly LLC, the Board's Municipal Advisor, at <https://connect.bakertilly.com/bond-sales-calendar>.

Specifics of the bonds are:

- Average Maturity: 12.9 Years
- Bonds Dated: March 1, 2024
- Interest Due: January 1, 2025 and each July 1 and January 1 to maturity
- Interest Exemption: These are taxable bonds and interest is not exempt from federal and state taxes
- Principal Due: July 1, 2025 – 2044
- Optional Call: Bonds maturing on or after July 1, 2034 are callable commencing July 1, 2033 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof