

Contact: Joan Racki

SALE AND AWARD OF \$26,800,000 HOSPITAL REVENUE BONDS, SERIES S.U.I. 2011

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 \$26,800,000 Hospital Revenue Bonds, Series S.U.I. 2011, for the purpose of constructing, improving, remodeling, repairing, furnishing, and equipping inpatient and outpatient care facilities, including construction of a new medical office building (the "Medical Office Building") and related space, including finish materials, fixtures, furnishings, equipment, and appliances (the "Related Expenditures," and together with the Medical Office Building, the "Project"), funding a debt service reserve fund, and paying the costs of issuing said Bonds.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award, authorization, and issuance of Hospital Revenue Bonds, Series S.U.I. 2011. The bond issuance schedule approved by the Board in October 2010 included the sale of Hospital Revenue Bonds for the Iowa River Landing Ambulatory Care Clinic Facility Development (Medical Office Building) project, which will provide space for the relocation of a number of outpatient clinics to the off-site ambulatory care facility, in September 2011. The project is currently under construction, with a scheduled completion date of October 2012.

At its August 2010 meeting, the Board adopted a resolution authorizing the Executive Director to fix the dates for the sale of up to \$60 million Hospital Revenue Bonds. In October 2010, the first series of bonds (\$30 million) was issued to finance the construction of the Medical Office Building. The September 2011 bond issue would be the second and final issuance of bonds for the project.

Principal on the 2011 bonds would be repaid over a period of 20 years, with debt service of approximately \$1.5 million in fiscal year 2013 and \$2.0 million in subsequent years to be paid from hospital income derived from the operation of the hospital system. Hospital income includes the gross income and funds received by the hospital system, including the proceeds of rates, fees, charges, and payments for health care provider activities for patient care services after deduction of current expenses. Hospital income does not include state appropriations to the University or IowaCare appropriations to the hospital system.

Additional Information: Iowa Code Chapter 263A authorizes the Board of Regents to borrow money and to issue and sell revenue bonds to pay all or any part of the cost for projects at the University of Iowa Hospitals and Clinics.

The bond issuance size of \$26,800,000 is anticipated to include:

- project costs (estimated at \$24,230,800);
- debt service reserve (estimated at \$2,049,200);
- underwriter's discount (estimated at \$402,000); and
- issuance costs (estimated at \$118,000).

As of September 6, 2011, the outstanding principal amount of Hospital Revenue Bonds is \$123,505,000.

The receipt and opening of bids is scheduled for 10:00 a.m. on Tuesday, September 20, 2011, 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: 12.7 Years
- Bonds Dated: October 1, 2011
- Interest Due: September 1, 2012, and each March 1 and September 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: September 1, 2013 – 2032
- Optional Call: Bonds maturing on or after September 1, 2022, are callable commencing September 1, 2021, and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof