

FINANCING OF FLOOD RECOVERY

Action Requested: Consider adoption of a Resolution authorizing the Executive Director and the Board President to fix the terms and the date or dates(s) for the issuance of up to \$30,000,000 Flood Recovery and Mitigation Bond and Revenue Anticipation Project Notes and declaring an official intent under Treasury Regulation 1.150-2 to issue debt to fund incurred or anticipated flood-related expenditures.

(ROLL CALL VOTE)

Executive Summary: At its September 2008 meeting, the Board approved the Board Office and staff of the University of Iowa pursuing a number of items to assist the University in its efforts to pay expenses incurred in connection with flood-related damage, provided that no such action was to jeopardize, impede or supplant insurance proceeds or other state, federal, or grant receipts.

One of the items explored, with the assistance of Springsted, the Board financial advisor, and Ahlers & Cooney, P.C., the Board's bond counsel, was the feasibility of issuing bond and revenue anticipation notes under the provisions of Chapter 76 of the Iowa Code. The notes would be used to provide the necessary cash flow for expenses related to the flood recovery in anticipation of receipt of certain funds as provided in section 76.13 of the Iowa Code. That section provides, in part, authorization to issue notes in anticipation of proceeds to be received from authorized bonds or from any state or federal agency. The notes may be taxable or may be exempt from federal income taxation.

The resolution which the Board is asked to adopt would provide the Executive Director and the Board President with discretion to set the date or dates of issuance, whether notes should be issued in a single issue or in several series or as a revolving fund, and whether the notes should be sold on a negotiated basis at a private sale or on a competitive basis at a public sale. It is understood that the dollar amount in the action requested above may be refined once a flood recovery capital plan is finalized.

Payment of principal and interest on the notes would be secured by proceeds from the notes; insurance; state and federal reimbursements for expenditures related to flood recovery and mitigation; other University funding sources including revenue on a subordinated basis to outstanding bond payment obligations from University self-liquidating enterprises such as the Utility System, Dormitory System, Memorial Union, Athletics, Parking, Auditorium, UIHC, or student fees and institutional income; and the proceeds of bonds to be issued in the future for self-liquidating enterprises, UIHC, the Dormitory System, or Academic Building Revenue Bonds which might be authorized in the future by the General Assembly.

The resolution includes a provision which would permit the University to be reimbursed from the proceeds of tax exempt notes or bonds for costs incurred for flood recovery and mitigation. The University reasonably expects, based on preliminary cost estimates, that it will experience capital project cash flow deficits during flood recovery and mitigation construction and acquisition. Pending reimbursement from State or Federal agencies, proceeds of Bond and Revenue Anticipation Project Notes may be needed to make timely payments to contractors.

University officials and representatives from Springsted and Ahlers will be prepared to discuss the proposed resolution with the Board.

(see attached Financing of Flood Recovery)

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	<u>Actuals</u>	<u>Encumbrances</u>	<u>TOTAL</u>		
<u>Flood Expenses</u> (as of 12-31-08)	\$89,594,782	\$22,777,026	\$112,371,808		
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<u>Flood Funding</u> (as of 12-31-08)					
	<u>FM Global</u>	<u>Federal Flood</u>	<u>FEMA</u>	<u>Gifts</u>	<u>TOTAL</u>
Building/Content/Extra Expense	\$45,946,212	\$4,428,181	\$17,522,226	\$1,000,000	\$68,896,619
	<u>FM Global Business Interruption</u>			<u>Gifts-Flood Relief</u>	<u>TOTAL</u>
Other	\$4,053,788			\$1,138,722	\$5,192,510
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