

Contact: Joan Racki

UNIVERSITY TREASURERS TEMPORARY INVESTMENT INCOME

Action Requested: Receive the report.

Executive Summary: At the June 2010 Board meeting, the Regents requested an explanation of Treasurers Temporary Investment income, which was listed as an anticipated funding source for a number of capital projects included on the universities' FY 2011 capital plans.

Treasurers Temporary Investment (TTI) income is produced from interest earnings on non-general education fund / non-appropriated balances. (All interest earnings on general education fund balances are budgeted and expended within the general education fund and interest earnings within the bonded enterprises are used within each bonded enterprise.) Since interest rates and the applicable balances fluctuate, TTI income can also fluctuate significantly from year to year. The universities use TTI income for non-recurring needs, including capital projects and the purchase of property. (Iowa Code 262.10 prohibits the use of appropriated operating funds for the purchase of property.) Recent, available, average annual earnings are: SU1 - \$6 million; ISU – \$2.7 million; and UNI – \$456,000. Projected earnings for this fiscal year are anticipated to be significantly less due to lower interest rates and balances which have been reduced due to economic conditions. In general, income is earned before being committed due to the variability of the earnings.

Some recent capital projects at the University of Iowa which have been financed in whole or in part from TTI are: deferred maintenance and fire safety improvements of \$1 million to \$2 million per year, replacement of campus signs, facilities management shops moved to accommodate the new recreation center, federal grant match for new Campus buses, razing the former International Center at the site where the College of Public Health Academic Building is being constructed, and interior development of the Old Capitol Center to house various University functions, safety and capacity improvements for the Lindquist Building information technology space. Property acquisitions at the University are often made with TTI income; purchases occur sporadically as opportunities arise. The University reports that during the past three years, the average amount of TTI spent in support of property acquisitions was slightly less than \$1 million per year.

Iowa State University has historically used TTI for deferred maintenance, capital projects, matching or start-up funding for educational or research initiatives, remodeling and safety improvements, land acquisition or to initiate strategic initiatives. Some recent projects, which have received TTI funding over the past couple of years include: Sustainability Energy Conservation Loan Fund, Agriculture and Biosystems Building Planning, Horticulture Greenhouse Replacement, start-up funding for new faculty, and College of Design Addition matching funds.

The University of Northern Iowa has recently used its available TTI income to support the purchase of property contiguous to the University. In the past three years, the Board has approved the purchase with TTI income of two properties on Hudson Road, near the corner of Hudson and University Avenues.