

Contact: Joan Racki/Brad Berg

### **FINANCING OF FLOOD RELIEF**

**Action Requested:** Consider approval for the Board Office and staff of the University of Iowa to pursue the following to assist the University in efforts to pay certain costs and expenses incurred in connection with flood related damage; provided that no such action shall jeopardize, impede or supplant insurance proceeds or other state, federal, or grant receipts:

1. Pursue statutory amendments to the 2004 Academic Building Revenue Bond authorization;
2. Pursue statutory amendments to the 2007 Academic Building Revenue Bond authorization; and
3. Explore the possibility and feasibility of issuing revenue anticipation notes under Chapter 76 of the Iowa Code, anticipating receipt of insurance proceeds, or other state, federal or grant moneys, with the understanding that no Notes would be sold until the issuance is approved by the Board.

**Executive Summary:** The University of Iowa (SUI) is considering available options to pay for flood-related costs.

The 2004 General Assembly authorized the Board of Regents to issue \$120.0 million in academic building revenue bonds for specified capital projects. The legislation designated \$50 million of the total bond authorization to SUI "for the chemistry building renovation, phase II of the art building renovation, and for fire safety costs".

At the request of the University, the Executive Director suspended the construction contract for the Art Building Phase II renovations as result of the substantial flood damage to the Building. The damage to the Art Building was considerably more extensive than originally thought and it became no longer feasible to proceed with the project as originally designed. The University is requesting the Board consider seeking approval of a legislative proposal to expand the use of the bond proceeds designated for this project.

The 2007 General Assembly authorized the Board of Regents to issue \$131.4 million in academic building revenue bonds for specified capital projects. The legislation allocated \$13 million of the total bond authorization to SUI for the renewal and HVAC modernization of the Pentacrest at the University of Iowa.

As a result of the flood and its financial impacts, the University is requesting the Board consider seeking approval of a legislative proposal that would expand the Pentacrest authorization to also include flood recovery and mitigation.

Chapter 76.13 of the Iowa Code provides, in part, authorization to issue notes in anticipation of proceeds to be received "pursuant to law or agreement from any state or federal agency". The University desires to pursue the possibility of issuing revenue anticipation notes in accordance with Chapter 76 to provide the necessary cash flow for expenses related to the flood recovery. The notes would be paid from proceeds expected from insurance and/or other state and federal grant entities. Revenue anticipation notes would not be issued until approval of a proposed sale is received from the Board.