

MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Reimbursement Resolution, Medical Education Building – Renovate for Physical Therapy (SUI)

Date: March 4, 2002

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 13) declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the State University of Iowa for certain original expenditures paid in connection with specified projects.

Executive Summary:

The University of Iowa requests adoption of a resolution which will permit the University to be reimbursed for the renovation of the Medical Education Building for Physical Therapy project from a future bond issue of the University of Iowa Facilities Corporation or another financing.

The University has previously presented this project to the Board and the Board has approved a number of capital improvement procedural steps, as summarized in Attachment A to this memorandum.

The reimbursement resolution is being submitted at this time to ensure maximum reimbursement capability under regulations of the federal Internal Revenue Code. Pursuant to these regulations, project payments made not more than 60 days prior to adoption of the resolution are eligible for reimbursement from future bond issues.

The Medical Education Building – Renovate for Physical Therapy is under construction, and is scheduled to be completed in the fall of 2002.

Background:

Treasury
Regulations

United States Department of Treasury Regulation 1.150-2 provides the rules for the reimbursement from future bond proceeds of expenditures originally paid from sources other than bond proceeds. When the bonds are sold, a portion of the bond issue (reimbursement bond) is allocated to reimburse the original expenditure that was paid before the bond issue date.

Physical Therapy Project The Medical Education Building – Renovate for Physical Therapy project is reconfiguring a total of approximately 16,000 gross square feet on the ground and upper levels of the west wing of the Building to accommodate and consolidate the Physical Therapy program, which is currently located in Westlawn and the Steindler Building.

When the programs currently located in the Steindler Building are relocated, the remaining portion of this building will be demolished and will become a portion of the site of the Roy J. and Lucille A. Carver Biomedical Research Building (formerly known as MEBRF – Building B).

- This month's University of Iowa capital register (SUI B-1) includes a project description and budget (\$40,731,000) for this facility, for which the Board approved the schematic design in March 2001.

Facilities Corporation The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

Analysis:

Bond Issuance Schedule The calendar year 2002 bond issuance schedule approved by the Board in November 2001 includes the sale in September 2002 of approximately \$25.8 million by the University of Iowa Facilities Corporation for partial funding of Roy J. and Lucille A. Carver Biomedical Research Building. A portion of the cost of the Medical Education Building – Renovate for Physical Therapy project would be reimbursed from that issue and the balance may be reimbursed from additional financing.

Facilities Corporation Financing The bond structure for a University of Iowa Facilities Corporation bond issue differs from the structure used for Board of Regents bonds. The Corporation issues the debt and leases the facility to the Board for use by the University during the terms of the bonds. Upon retirement of the bonds, the facility is conveyed to the University.

Although the bonds would be issued by the Corporation, they are deemed by Internal Revenue Service revenue rulings to be issued "on behalf" of the Board of Regents and the State of Iowa, meeting the requirements for tax-exemption of interest for federal (but not state) income tax purposes.

The Board of Regents would therefore be required to approve the sale and terms of the bonds.

Financing until Bonds Issued Until the bonds are issued, financing for the Medical Education Building – Renovate for Physical Therapy project (\$2,595,000) will be provided by gifts and earnings of the College of Medicine.

Treasury
Regulations

Treasury regulations require that project costs must be reimbursed from the bond proceeds not later than the later of 18 months after the capital expenditures are paid or 18 months after the property is placed in service.

A copy of the reimbursement resolution prepared by the Ahlers law firm and reviewed by Springsted, Inc. is available from the Board Office.

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Medical Education Building - Renovate for Physical Therapy

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir. Action</u>	<u>Board Action</u>
Health Sciences Campus Plan				
Permission to Proceed		May 1996		Approved
Program Statement		March 2001		Approved
Architectural Agreement (Baldwin White Architects, Des Moines, IA)	\$ 234,000	March 2001		Approved
Schematic Design		June 2001		Approved
Project Description and Total Budget	2,595,000	June 2001		Approved
Construction Contract Award (Selzer Werderitsch Associates)	1,634,400	Nov. 2001	Awarded	Ratification (Jan. 2002)