

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Reimbursement Resolution – Residence System Projects (SUI)
Date: May 7, 2001

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 10) declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa Residence System 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 from future Dormitory (Residence) System Revenue Bond issues for four residence system projects:

Currier Residence Hall - Dining Area Renovation
Currier and Stanley Residence Halls – Upgrade Fire Protection
Burge and Daum Residence Halls – Upgrade Fire Protection
Burge Residence Hall – Remodel Food Service Area

The University has previously presented each of these projects to the Board and the Board has approved a number of capital improvement procedural steps for each project. Attachment A to this memorandum includes a summary, to date, for each project.

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. Construction contracts have been awarded for three of the four projects identified above. (No contracts have been awarded for the Burge Hall Remodel Food Service Area project.)

Background and Analysis:

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.

The Board has approved project descriptions and budgets (totaling approximately \$14 million) for the following three projects for which bond proceeds will reimburse the original expenditures.

Currier Residence Hall Dining Area Renovation
Currier and Stanley Residence Halls – Upgrade Fire Protection
Burge and Daum Residence Halls – Upgrade Fire Protection

It is estimated that the Burge Hall Remodel Food Service Area project, for which the Board has authorized permission to proceed, will cost approximately \$12 million.

Until the bonds are issued, financing for the projects will be provided by Residence System improvement and surplus funds, and approximately \$1.5 million available from the Dormitory Revenue Bonds, Series SUI 2000. As reported in the March 2001 Residence System report and the FY 2000 audit of the University's Residence System presented to the Banking Committee last month, the System's combined improvement and surplus funds totaled \$14.1 million as of June 30, 2000. The University has estimated that the combined funds will total \$13.4 million as of June 30, 2001.

No bond issues for the University of Iowa Residence System are scheduled for the remainder of calendar year 2001. The University anticipates the following schedule of bond issues from which funds would be reimbursed for the above-referenced projects:

<u>Calendar</u> <u>Year</u>	<u>Estimated</u> <u>Amount of Sale</u>	<u>Projects</u>
2002	\$13.5 million	Currier Dining Area Renovation Currier, Stanley – Upgrade Fire Protection Burge, Daum – Upgrade Fire Protection
2004	\$16.0 million	Burge – Remodel Food Service Area, future projects

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, the Board's bond counsel, and reviewed by Springsted, Inc., the Board's financial advisor, is available in the Board Office.

**Attachment A
Project Summaries**

Currier Residence Hall Dining Area Renovation

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir Action</u>	<u>Board Action</u>
Permission to Proceed		Oct. 1999		Approved
Architectural Selection (Rohrbach Carlson)		April 2000		Approved
Architectural Agreement (Rohrbach Carlson)	\$ 407,500	June 2000		Approved
Program Statement		Dec. 2000		Approved
Project Description and Total Budget	4,998,000	Dec. 2000		Approved
<u>Construction Contract Awards</u>				
Asbestos Abatement (Active Thermal Concepts)	38,385	Jan. 2001	Approved	Ratification (Feb. 2001)
General Construction (McComas-Lacina Construction)	3,579,254	Mar. 2001	Approved	Ratification (May 2001)

Residence Halls and Family Housing—Upgrade Fire Protection

(Includes Currier and Stanley project and Burge and Daum project.)

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir Action</u>	<u>Board Action</u>
Permission to Proceed		July 1995		Approved
Agreement for Schematic Design and Cost Estimates (Alvine and Associates)	\$ 288,000	July 1997		Approved

Currier and Stanley Residence Halls - Upgrade Fire Protection

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir Action</u>	<u>Board Action</u>
Engineering Agreement (Alvine and Associates)	\$ 252,450	Jan. 2000		Approved
Project Description and Total Budget	3,609,000	June 2000		Approved
<u>Construction Contract Award</u>				
(First Commercial Construction Corp.)	2,721,000	Dec. 2000		Request Withdrawn
(Unzeitig Construction)	3,049,000	Dec. 2000		Approved

Burge and Daum Residence Halls - Upgrade Fire Protection

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir Action</u>	<u>Board Action</u>
Standard Design Services (Alvine and Associates)	307,100	Nov. 2000		Approved
Asbestos Abatement Design/Air Monitoring Serv. (Shive-Hattery)	123,786	Nov. 2000		Approved
Project Description and Total Budget	5,377,000	Jan. 2001		Approved
<u>Construction Contract Awards</u>				
Bid Package No. 1—Asbestos Abatement, Burge (Enviro Safe Air)	197,000	March 2001	Approved	Ratification (April 2001)
Bid Package No. 2—Asbestos Abatement, Burge (Iowa-Illinois Taylor Insulation)	170,358	April 2001	Approved	Ratification (April 2001)
Bid Package No. 3— Asbestos Abatement, Daum (Great Plains Asbestos Control)	209,119	April 2001	Approved	Ratification (April 2001)
Bid Package No. 4— Ceiling and Light Fixture Replacement, Burge & Daum (Merit Electric)	155,500	April 2001	Approved	Ratification (April 2001)

Future Actions:

Additional Construction Contract
Awards (approximately 7)

Burge Residence Hall - Remodel Food Service Area

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir Action</u>	<u>Board Action</u>
Permission to Proceed		Dec. 2000		Approved
Architectural Selection (Rohrbach Carlson)		Feb. 2001		Approved
Negotiated Architectural Agreement (Rohrbach Carlson)	\$1,192,000	April 2001		Approved

