

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Reimbursement Resolution, Power Plant - Boiler #10 Repairs (SUI)
Date: October 8, 2001

Recommended Action:

Recommend that the Board adopt A Resolution (see G.D. 3) declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa Utility 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 a future Utility System Revenue Bond issue for major repair work to Boiler #10 in the main campus power plant.

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. A construction contract has been awarded for work on Boiler #10; by the terms of the contract this work is to be completed by November 16, 2001.

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 a project description and budget totaling \$4,950,000 for the project.

Until the bonds are issued, financing for the project will be provided by the Utility System Improvement and Extension Fund. The FY 2002 budget for the System, as provided to the Board Office, includes \$4,646,000 for improvements and replacements.

No bond issues for the University of Iowa Utility System are scheduled for the remainder of calendar year 2001. The University anticipates the sale of Utility System Revenue Bonds in calendar year 2002 from which funds would be reimbursed for the Boiler #10 project.

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 Regent Exhibit Book.

**Attachment A
Project Summary**

Power Plant - Boiler #10 Repairs

	<u>Amount</u>	<u>Date</u>	<u>Exec. Dir Action</u>	<u>Board Action</u>
Permission to Proceed Engineering Agreement (Stanley Consultants, Muscatine, IA)	\$ 165,000	April 2001		Approved
Project Description and Total Budget Engineering Amendment #1 (Stanley Consultants)	3,710,000	June 2001		Approved
	117,000	June 2001		Approved
Revised Project Budget	4,950,000	Sept. 2001	Approved	Ratified ¹ (Sept. 2001)
Construction Contract Award (Foster Wheeler Energy Services, San Diego, CA)	3,400,000	Sept. 2001	Awarded	Ratified (Sept. 2001)

¹Approved by Executive Director in accordance with Board procedures