Contact: Brad Berg

UNIVERSITY OF IOWA REIMBURSEMENT RESOLUTIONS - MOTOR VEHICLES AND STORAGE ANNEX SHELVING

Action Requested: Consider;

1) Adoption of a Resolution 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 the purchase of motor vehicles.
2) Adoption of a Resolution 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 the purchase of storage annex shelving.

(ROLL CALL VOTE)

Executive Summary: The reimbursement resolutions for the following master lease financings are being submitted at this time to ensure maximum reimbursement capability under regulations of the federal Internal Revenue Code. Pursuant to these regulations, payments made not more than 60 days prior to adoption of the resolution are eligible for reimbursement from future financings.

Motor Vehicle Fleet Services – University of Iowa

The University of Iowa requests adoption of a resolution which would permit the University to be reimbursed from future borrowing for costs incurred for the purchase of motor vehicles.

University Fleet Services is responsible for the purchase and maintenance of vehicles owned and operated by the University. Vehicles are generally owned for 5-7 years and then are sold at auction when the cost of ownership increases to the point where it is beneficial to buy new. Most vehicles are leased to University departments for departmental use, while the remaining vehicles in inventory are rented to faculty and staff travelling on University business. The lease and rental charges recover the costs of vehicle acquisition and maintenance, and the operating cost of Fleet Services.

Historically, the University has advanced funds to Fleet Services to replace a portion of its inventory each year. Since interest rates continue to be at historic lows, the University again believes that it makes financial sense to finance this vehicle inventory purchase with a loan through the Board's master lease program with Wells Fargo. Similar master lease financings for fleet vehicles have occurred in recent years.

The University plans to finance the purchase of new vehicles totaling $2.7 million during calendar year 2016. The loan will be repaid in accordance with terms of the master lease agreement over a 5 year period. While the interest rate is anticipated to be 2.00% - 2.25% per year, the actual rate will be set upon completion of the master lease supplemental agreement for this purchase.

<u>Storage Annex Shelving – University of Iowa</u>

The University of Iowa requests adoption of a resolution which would permit the University to be reimbursed from future borrowing for costs incurred for the purchase of Spacesaver Corporation Xtend High Bay shelving.

The shelving will be used to store long-term archived media in the new Independence Road Annex for which the Board approved a lease at its October 2015 meeting. (An approval request of an amended lease for additional space in this facility is provided in Item 6 of the Property and Facilities Committee agenda.) The Independence Road Annex has high ceilings and the XTend High Bay shelving provides the best option to maximize the space. The shelving is customizable to meet the library's forecasted 20 year archive requirements and is the shelving standard that many libraries have selected.

The University intends to finance this storage annex shelving purchase with a loan through the Board's master lease program with Wells Fargo.

The University plans to finance the purchase of the shelving totaling $3.0 million during calendar year 2016. The loan will be repaid in accordance with terms of the master lease agreement over a 5 year period. While the interest rate is anticipated to be 2.00% - 2.25% per year, the actual rate will be set upon completion of the master lease supplemental agreement for this purchase.

<u>**Additional Information:**</u> United States Department of Treasury Regulation 1.150-2 provides the rules for the reimbursement from the proceeds of future bonds, notes or other indebtedness (financing) of expenditures originally paid from sources other than the financing. When the financing is complete, a portion of it is allocated to reimburse the original expenditure that was paid before the date of the financing.

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