

Contact: Brad Berg

UNIVERSITY OF IOWA REIMBURSEMENT RESOLUTION - MOTOR VEHICLES

Action Requested: Consider 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.

(ROLL CALL VOTE)

Executive Summary: 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 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 attractive, the University 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 past years.

The University plans to finance the purchase of new vehicles totaling \$3.4 million during calendar year 2019. 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 3.00% - 3.25% per year, the actual rate will be set upon completion of the master lease supplemental agreement for this purchase.

The reimbursement resolution for the following master lease financing is 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.

Additional Information: 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.