

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Reimbursement Resolution, University of Iowa Chemistry Building Renovation Project  
**Date:** June 7, 2004

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**Recommended Action:**

Adopt A Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa for certain original expenditures paid in connection with the Chemistry Building Renovation project.

**(ROLL CALL VOTE)**

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**Executive Summary:**

The University of Iowa requests adoption of a resolution which would permit the University to be reimbursed from a future Academic Building Revenue Bond issue for expenditures associated with the Chemistry Building Renovation project (Project).

The Board approved the schematic design and project description and total budget (\$35,200,000) for the Project at its May 2004 meeting.

The University anticipates the initial issuance of revenue bonds for the Project later in calendar year 2005.

The universities and the Board Office are developing a bond issuance schedule to incorporate the sale of Academic Building Revenue Bonds as authorized by the 2004 General Assembly and approved by the Governor; it is anticipated that the schedule will be submitted for Board action at its August 2004 meeting.

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.

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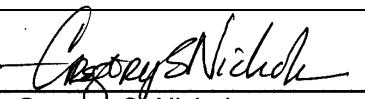
**Background:**

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.
Project Background	A large portion of the Chemistry Building was constructed in the 1920s; much of the building, including the instructional laboratories, is functionally obsolete and the plumbing; electrical; and heating, ventilating and air conditioning systems are in need of replacement.
Project Scope	The Project, as approved by the Board in May 2004, would provide a modern, code-compliant instructional and research facility for the Department of Chemistry, and general university classroom space, through the demolition and renovation of existing space, construction of new space, and upgrade of building systems.
Schedule	Phase 1a (relocation of Chemical Stores, demolition of the rooftop greenhouse, and possibly construction of the electrical substation) is scheduled to commence in the summer of 2004. Phase 1b is anticipated to begin in the spring of 2005 and Phase 2 is projected to commence in the fall of 2006.

**Analysis:**

Bond Issuance	The University anticipates the issuance of \$36 million in two series of bonds, resulting in approximately \$32.7 million for project costs after funds have been deposited into the reserve fund and issuance costs paid. The bonds would be issued on a parity with the outstanding Academic Building Revenue Bonds.
Financing until Bonds Issued	The University anticipates the initial issuance of revenue bonds in calendar year 2005 which is after the first phase construction is scheduled to begin. Until the bonds are issued, financing for the project would be provided by Income from Treasurer's Temporary Investments.
Treasury Regulations	Treasury regulations require that project costs must be reimbursed from the bond proceeds not later than 18 months after the capital expenditures are paid or 18 months after the property is placed in service, whichever is later.
Resolution	A copy of the reimbursement resolution prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

  
Joan Racki

Approved:   
Gregory S. Nichols