

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Reimbursement Resolution, University of Iowa Hospitals and Clinics Projects  
**Date:** July 21, 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 Hospitals and Clinics for certain original expenditures paid in connection with the University of Iowa Hospitals and Clinics improvement projects.

**(ROLL CALL VOTE)**

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**Executive Summary:**

The University of Iowa requests adoption of a resolution which would permit the University of Iowa Hospitals and Clinics to be reimbursed from future Hospital Revenue Bond issues for expenditures associated with projects at the University of Iowa Hospitals and Clinics.

The General Assembly passed and the Governor approved legislation authorizing the Board to issue \$100 million in Hospital Revenue Bonds over a period of years.

In November 2002, the Board sold \$25 million in bonds to finance a portion of the cost of the Center for Excellence in Image-Guided Radiation Therapy and the three-stories of shell space above the Center and other improvements; the bond proceeds have or will soon be expended.

The bond issuance schedule for the remainder of calendar year 2004 and calendar year 2005 (see Agenda Item 21) includes the proposed sale of Hospital Revenue Bonds in calendar year 2005.

The University of Iowa Hospitals and Clinics have identified a number of projects to be financed from the remaining bond authorization of \$75 million as detailed in 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.

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**Background:**

Statutory Provisions	<u>Iowa Code</u> , Chapter 263A authorizes the Board of Regents to borrow money and to issue and sell revenue bonds to pay all or any part of the cost for projects at the University of Iowa Hospitals and Clinics upon approval of the General Assembly and Governor.
Legislative Action	<p>The General Assembly passed and the Governor approved legislation (SF 2168 – Chapter 1155 of the Acts of the 2002 General Assembly) authorizing the Board to issue \$100 million in Hospital Revenue Bonds over a period of years.</p> <p>The legislation provides that bond proceeds can be used to construct, improve, remodel, repair, furnish, and equip inpatient and outpatient facilities and patient care facilities, including facilities for image-guided radiation therapy services and mechanical and other supporting facilities.</p>
November 2002 Sale	The sum of \$25 million in Hospital Revenue Bonds was sold by the Board in November 2002. The proceeds from the sale have or will shortly be spent on the Center for Excellence in Image-Guided Radiation Therapy and the three-stories of shell space above the Center and other improvements.
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.

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**Analysis:**

Bond Issuance      The bond issuance schedule for the remainder of calendar year 2004 and calendar year 2005 includes the sale of up to \$75 million in Hospital Revenue bonds.

The University of Iowa Hospitals and Clinics have identified a number of projects for which a portion of the bond proceeds could be used. These projects and their current status are summarized below:

<u>Project</u>	<u>Status</u>
Center of Excellence in Image Guided Radiation Therapy and 3-Story Building Shell above the Center	Under Construction
Pediatric Unit Inpatient Renovation	Under Construction
Emergency Trauma Center Expansion and Renovation	Permission to Proceed Granted Selection of Architect and Engineer Approved
Ambulatory Surgery Center and Procedure Suite Development	Permission to Proceed Granted Selection of Architect Approved
Obstetrics-Gynecology Clinic	Permission to Proceed Granted Selection of Architect Approved

Financing until Bonds Issued      Until the bonds are issued, financing for the projects would be provided by revenues from Hospital Building Usage Funds.

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.

Project payments made not more than 60 days prior to adoption of the resolution are eligible for reimbursement from future bond issues.

Resolution      A copy of the reimbursement resolution prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

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Joan Racki

Approved:   
Gregory S. Nichols