

Contact: Joan Racki

REIMBURSEMENT RESOLUTION – UNIVERSITY OF IOWA RESIDENCE SYSTEM

Action Requested: Consider adopting A Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse The State University of Iowa Residence System for certain original expenditures paid in connection with capital improvement projects.

(ROLL CALL VOTE)

Executive Summary: The University of Iowa requests adoption of a resolution which would permit the University's Residence System to be reimbursed from a future Dormitory bond issue for expenditures associated with the Burge Hall Addition project.

At its February 2007 meeting, the Board approved a project description and budget (\$9,000,000) for the Burge Hall – Construct Addition project. The project is constructing a five-level addition at the northwest corner of Burge Hall near the intersection of Davenport and North Clinton Streets. The addition will house a total of 104 student beds on four levels; the student rooms feature a non-traditional configuration, with double-occupancy rooms sharing one bathroom, in response to student demand. The additional beds would offset the loss of 92 student beds, which resulted from other recent residence hall improvement projects. The project is being funded by Dormitory Improvement Funds.

A construction contract was awarded to McComas-Lacina Construction L.C. for the project in October 2007. It is anticipated that the addition will be completed in time for the 2009 fall term.

As a result of the recent flood, the University is rethinking its need for additional residence hall space. This review may result in plans for construction of a new residence facility, which would be financed through the issuance of Dormitory Revenue Bonds, which could also be used to reimburse the University for a portion of the cost of the Burge Hall Addition.

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. The University estimates that \$5.7 million of the \$9.0 million project cost are eligible for reimbursement.

Additional Information: 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.

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.