

Contact: Brad Berg

**REIMBURSEMENT RESOLUTION – UNIVERSITY OF NORTHERN IOWA UTILITY SYSTEM**

**Action Requested:** Consider Adoption of a Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Northern Iowa Utility System for certain original expenditures paid in connection with the Power Plant Cooling Tower Replacement and the Steam Distribution System Replacement Phase 2B – West Campus projects.

**(ROLL CALL VOTE)**

**Executive Summary:** The University of Northern Iowa (the University) requests adoption of a resolution that would permit the University to be reimbursed from future borrowing for costs incurred by the University for the Power Plant Cooling Tower Replacement and the Steam Distribution System Replacement Phase 2B – West Campus projects.

The September 2019 docket for the Property and Facilities Committee includes the proposed project descriptions and budgets for these utility system projects. The cooling tower was built in 1980 and an inspection confirmed it has outlived its useful life and is in need of replacement. The Steam Distribution System Replacement Phase 2B project would replace 3,800 feet of piping along the west side of campus and is also in need of replacement. (The budget for the first phase, Phase 2A, was approved by the Board in February 2019 and will finish this fall.) The proposed projects would be funded from Utility System bonds being planned for issuance in early 2020.

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 financings.

**Additional Information:** United States Department of Treasury Regulation 1.150-2 provides the rules for the reimbursement from future tax-exempt bond proceeds of expenditures originally paid from sources other than bond proceeds. When the bonds are sold, a portion of the proceeds 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.