

Contact: Joan Racki

UNIVERSITY OF IOWA UPDATE OF FLOOD RECOVERY STATUS

Action Requested: Receive the report from the University of Iowa.

Executive Summary: The University has provided the following report:

Attached are three documents: the first is the most recent report of flood recovery expenses and funding received (through September 30, 2011), and the second is the most current "Major Flood Recovery Project Timetable" document – dated October 1, 2011. The timetable document reflects the University's best estimate of the dates on which the listed key events will occur. The third item includes the recent report provided to the Legislative Services Agency on University flood recovery.

The University will provide an oral report updating the Board on any other significant flood recovery activities.

**UNIVERSITY OF IOWA FLOOD RECOVERY
EXPENSE AND FUNDING**
As of September 30, 2011

FLOOD EXPENSE:

| Actuals | Encumbrances | TOTAL |
|---------------|--------------|---------------|
| \$178,153,030 | \$20,867,739 | \$199,020,769 |

FLOOD FUNDING:

| Redirected Academic Bldg Rev. Bond SF376 | Athletic, IMU, Utility & Dormitory Improvement Funds | General Education Funds | Insurance | FEMA | Gifts | Flood Notes | TOTAL |
|---|--|-------------------------------|---------------------|--------------|-------------|----------------|---------------|
| \$7,734,822 | \$830,315 | \$8,499,591 | \$54,002,523 | \$55,458,462 | \$1,000,000 | \$ 40,000,000 | \$172,919,594 |
| | | | 5,393,881 | | | | |
| | | | <u>\$59,396,404</u> | | | | |

FM Global
Federal Flood
Building/Content/Extra Exp

| FM Global Business Interruption | Other Insurance | Gifts Flood Relief | TOTAL |
|---------------------------------------|--------------------|-----------------------|-------------|
| \$6,074,294 | \$839,377 | \$1,277,829 | \$8,191,500 |

Other

5-Oct-11

MAJOR FLOOD RECOVERY PROJECT TIMETABLE

| | Regional FEMA Site and Replacement Authority Approval | Completion of State/Regional Review of Recovery and Mitigation Plans (PW complete) | Completion of National FEMA Review/Funding Obligation (1) | Submission of Schematic Design and Budget to Board Office for Regents Action | Award of Construction Contract | Substantial Completion |
|--|---|--|---|--|---|---|
| Art Building West | | | Complete (March 2011) | Complete (March 2010) | Complete (September 2010) | October 2011 |
| Art Building (Replacement) | Complete (October 2010) | Complete (June 2011) | December 2011 (2) | January 2012 | May 2013 | April 2016 |
| Art Building (Demolition) | | Complete (June 2011) | April 2012 | May 2012 | September 2012 | August 2013 |
| Hancher Performing Arts (Replacement) | Complete (October 2010) | Complete (June 2011) | December 2011 (2) | January 2012 | July 2013 (5) | December 2015 |
| School of Music Voxman/Clapp (Replacement) | Complete (October 2010) | Complete (June 2011) | December 2011 (2) | January 2012 | September 2013 | August 2016 |
| Hancher/Voxman/Clapp (Demolition) | | Complete (June 2011) | April 2012 | May 2012 | September 2012 | August 2013 |
| Iowa Advanced Technology Labs | | Complete (June 2011) | October 2011 | February 2012 | December 2012 | February 2014 |
| Iowa Memorial Union | | Complete (July 2011) | December 2011 | Original – Oct 2010 Revised - Feb 2012 | March 2013 | August 2014 |
| Mayflower Residence Hall | | Complete (June 2011) | December 2011 | February 2012 | November 2012 | March 2014 |
| Theatre Building | | Complete (June 2011) | October 2011 | December 2011 | August 2012 | August 2013 |
| Utility System (3) | | Uncertain (pending FEMA response to UI proposed plan) | Uncertain (pending FEMA response to UI proposed plan) | Uncertain (pending FEMA response to UI proposed plan) | Uncertain (pending FEMA response to UI proposed plan) | Uncertain (pending FEMA response to UI proposed plan) |

Footnotes:

- (1) All dates subject to meeting all FEMA historic and environmental preservation rules on building and demolition projects per section 106 of the National Historic Preservation Act.
- (2) This project has received partial FEMA funding obligation – the date noted indicates the anticipated obligation for all remaining FEMA funding for the project.
- (3) On August 12, 2010, the University submitted a comprehensive report, including a benefit-cost analysis, to FEMA outlining needed repairs and improvements to the utility system (power plant, tunnels, and distribution system). The University received a much altered response from FEMA in June 2011 and that response is now under review.
- (4) This project will be delivered in four bid packages. The date indicated represents the anticipated award of construction contract for the final of the four bid packages.

**UNIVERSITY OF IOWA
Flood Recovery
October 2011 Report
(Report to Legislative Services Agency)**

BACKGROUND

In June 2008, the University of Iowa was deluged by flood waters from the Iowa River, which bisects the campus. Twenty major buildings were damaged, including the power plant, nine classroom buildings, a major research facility, and three other buildings central to students' interaction and education. While 20% of the campus was directly inundated by flood waters, the entire campus was impacted due to damage to the utility infrastructure.

Three years later, the University continues to recover, making due with temporary classrooms, research space, performance and practice spaces for art departments, offices and other temporary accommodations.

RECOVERY COST ESTIMATE AND FUNDING (Attachment A)

Costs to fully recover the campus as well as costs for prospective flood mitigation and temporary facilities for displaced faculty, staff and students has been estimated at \$953 million. This estimate includes the replacement of Hancher, School of Music, Art Building east and Museum of Art (currently on appeal with FEMA headquarters) as calculated by the University and its architectural consultants. Total project costs will not be known until each project's scope of work has been approved by FEMA and construction is authorized and underway.

After considering commercial and federal flood insurance and projected FEMA contributions (\$742 million), the University's overall financial exposure is approximately \$211 million. The 2009 General Assembly authorized the Board of Regents to issue Academic Building Revenue Bonds (ABRB) to cover \$100 million in project costs toward the repair, restoration, replacement, and mitigation of flood damaged buildings and facilities. The University was also approved to expand the description of two previous bond authorizations to include flood recovery and mitigation as allowable expense.

In December 2009, the Board of Regents, on behalf of the University, issued an Academic Building Revenue Flood Anticipation Project Note for \$27.025 million.

The University expects the Board of Regents to refinance the Note as a longer term bond and to issue other authorized flood recovery bonds as authorized by the Act. Issuance of Academic Building Revenue Bonds is expected to begin in FY2013.

RECOVERY TIMETABLE

Substantial completion of all flood recovery and mitigation projects is anticipated to occur between November 2011 and August 2016, beginning with the Art West Building. The schedule of several projects is highly dependent upon continued progress and approval by FEMA and approval by the Board of Regents.

ACTUAL COSTS AND FUNDING TO DATE

The University of Iowa reports monthly to the Board of Regents on flood recovery expenses incurred to date along with funding it has received.

As of September 30, 2011, the University of Iowa had incurred approximately \$178 million of costs for campus flood recovery. Funding through September 2011 included the Revenue Anticipation Note mentioned above as well as a \$15 million loan with Wells Fargo Bank.

Assignment of specific project costs to funding sources is highly dependent upon FEMA's funding and its complex determinations of eligible and ineligible costs, the apportionment of commercial insurance recoveries and the identification of expenditures that qualify for use of Academic Building Revenue Bond financing.

UTILITIES

The University of Iowa provides energy and water utility services campus-wide, including the University of Iowa Hospitals and Clinics. Flooding of the main power plant and portions of the water plant, and flooding of the utility distribution tunnels near the river heightened awareness of the need for avoiding future disaster recovery costs by establishing more diversified sources of power and steam. This would be in addition to the direct recovery and protection of current utility assets. This plan to establish diversified sources of power and steam was done at the encouragement of the FEMA team in Iowa at that time and is included within this cost estimate of \$159 million. Current FEMA leadership in Iowa is interested in fixing the items damaged in 2008 and related flood mitigation but has not been supportive of longer term back-up systems should damage reoccur to central utilities located along the Iowa River. Therefore, direction and costs for the utility system permanent recovery are not yet final.

REPLACEMENT PROJECTS

In 2009 FEMA calculated under its "50% rule" that the University of Iowa would be eligible to replace Hancher, the School of Music and related recital halls, and Studio Art facilities located adjacent to the Iowa River. Twice in 2010 the Regional Administrator in FEMA Region VII approved in writing the University's decision to replace these facilities and approved the related benefit cost analyses and site selections. In June, 2011 FEMA, the University of Iowa and the state agreed to a specific scope of work and FEMA reimbursable cost for each of the three replacement projects. The University of Iowa continues to operate under these authorizations using Regents approved architectural and engineering teams to design the facilities.

FEMA REIMBURSEMENTS AND AUDIT

All FEMA reimbursements to the University of Iowa are paid through the State of Iowa following detailed examination by Iowa Homeland Security. The federal Office of Inspector General audits projects and awards made to the State throughout the development and construction process and beyond. This audit process covers the decision making processes of the State and FEMA and extends for up to three years following close out.

FEDERAL AND STATE ASSISTANCE

The University of Iowa continues to work closely with FEMA and Iowa Homeland Security (IHS) on plans for recovery, replacement and protection of the flood-impacted buildings. The processes are extremely complex and in some cases ambiguous, but the State as grantee does much to guide the process and achieve desirable outcomes.

The University houses a local IHS team that addresses routine procedural questions and weekly the University meets by phone with IHS staff from Des Moines. Working sessions with leadership from each group (FEMA, IHS, and the University) occur approximately every 60 days. These sessions address and resolve more complex issues.

As significant construction costs are approved and incurred over the next few years, the State's Academic Building Revenue Bonding authority and FEMA's obligations remain essential prerequisites to the University proceeding with recovery.

Attachment A

University of Iowa Flood Recovery

Preliminary Sources and Uses Statement ⁽¹⁾
October 2011
(\$ in 1,000's)

Sources

| | | |
|--|----|-----------------|
| FEMA Grants | \$ | 665,442.8 |
| Insurance | | 77,023.6 |
| Gifts | | 30,000.0 |
| University Enterprise Funds | | 22,102.0 |
| ABRB Authority Proceeds | | 119,000.0 |
| University GEF Building Repair/Equip and Other Capital | | <u>39,625.6</u> |

Total \$ 953,194.0

Uses

| | | |
|---|----|-----------------|
| Replacement Buildings ⁽²⁾ | \$ | 476,274.5 |
| Recovery and Mitigation - Other Buildings/Grounds | | 163,481.7 |
| Power Plant, Tunnels, Misc Utilities | | 158,942.5 |
| Debris Removal and Building Demolition | | 48,307.1 |
| Temporary Locations | | 49,719.5 |
| Other Flood Related Expense ⁽³⁾ | | 34,468.7 |
| Def Main Corrections within Flood Recovery | | <u>22,000.0</u> |

Total \$ 953,194.0

(1) This estimate will be amended and presented to the Board based upon approval by FEMA of a series of Project Worksheets defining all major recovery, mitigation and replacement projects. Amounts do not reflect supplemental program requests beyond FEMA eligibility - except deferred maintenance.

(2) Includes cost of Hancher, School of Music, Art Building, and Museum of Art replacements as calculated by UI and its architectural consultants.

(3) Examples - emergency protection, temporary heating/cooling, loan carrying costs, studies