

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report of the Banking Committee
Date: May 7, 2001

Recommended Actions:

1. Adopt A Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa Residence System for certain original expenditures paid in connection with specified projects.

(ROLL CALL VOTE)

2. Accept the Report of the Banking Committee.

Executive Summary:

The Banking Committee materials, which include a memorandum covering each item in detail, have been furnished to all Board members. During its meeting on May 16, 2001, the Banking Committee is scheduled to consider the approval of the minutes from the April 2001 Banking Committee and the approval of the Reimbursement Resolution – Residence System Projects (SUI).

The Banking Committee is also scheduled to discuss the need for an additional fixed income manager and to receive the internal audit reports.

Background:

Approve Minutes of the April 2001, Banking Committee Meeting

The minutes of the April meeting are included with the Banking Committee materials.

Reimbursement Resolution – Residence System Projects (SUI)

The University of Iowa requests adoption of a resolution which will permit the University to be reimbursed from future Dormitory (Residence) System Revenue Bond issues for four residence system projects:

- Currier Residence Hall - Dining Area Renovation
- Currier and Stanley Residence Halls – Upgrade Fire Protection
- Burge and Daum Residence Halls – Upgrade Fire Protection
- Burge Residence Hall – Remodel Food Service Area

The University has previously presented each of these projects to the Board and the Board has approved a number of capital improvement procedural steps for each project.

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. Construction contracts have been awarded for the Currier Residence Hall Dining Area Renovation project and the two projects to upgrade fire protection systems.

Fixed Income Manager

The Regent institutions maintain two investment portfolios – operating and endowment. As last reported at the March Banking Committee meeting, the total of the Regent endowment portfolios, including the quasi-endowments, of the December 31, 2000, was \$289.7 million. Of the endowment portfolios, which totaled \$188.5 million, \$54.0 million was invested in fixed income (bonds). Of the two SUI quasi-endowments, which totaled \$101.2 million, \$73.1 million was invested in fixed income. All fund managers were within their respective Regent target allocations.

The University of Iowa has requested that the Banking Committee authorize the addition of a second fixed income manager for the University to use for new deposits into its quasi-endowment portfolios. The University maintains two quasi-endowment portfolios: Quasi I - 50% fixed income and 50% equities, which totaled \$49.1 million and Quasi II - 100% fixed income, which totaled \$52.1 million.

After consultation with institutional officials, Wilshire Associates recommends that the Board of Regents consider hiring an additional fixed income manager to run a portion of the fixed income assets to reduce risk. Wilshire has also listed three fixed income management firms — BlackRock, Western Asset Management, and Reams Asset Management — to consider interviewing at its June meeting.

Internal Audit Reports

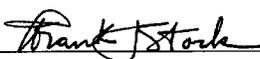
Completed institutional internal audit reports are presented to the Banking Committee as required by Board policy. The Board Office monitors the progress of the institutions' follow-up on these reports. When corrective action has been satisfactorily completed, the audits are closed.

This month's report includes internal audits from Iowa State University.

The status report reflects the most current status of the follow-up audits, which are now sorted by university. The University of Iowa internal auditors closed one follow-up audit for University Operations.

The Status of Internal Audit Follow-Up table identifies 15 internal audit reports that have previously been presented to the Banking Committee, of which 14 still require follow-up.


Pamela M. Elliott

Approved: 
Frank J. Stork