BOARD OF REGENTS
STATE OF IOWA

AGENDA ITEM 15
OCTOBER 28, 2010

Contact: Joan Racki

IOWA STATE UNIVERSITY FLOOD/STORM RECOVERY

Action Requested: Consider:

1. Receipt of an oral report on University flood recovery activities to date; and
2. Adoption of a Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to fund incurred or anticipated flood/storm related expenses.

(ROLL CALL VOTE)

Executive Summary: During the week of August 8, 2010, substantial rain fell in the Ames area. Beginning on the evening of August 10, 2010, and continuing into August 11, 2010, Squaw Creek, which travels through the campus, and the Skunk River to the east created significant flooding to a number of Iowa State University facilities. The floodwaters directly affected 17 structures/sites on the campus; an additional 42 structures received water damage from backed up storm sewers and high surface water flows on campus areas far removed from Squaw Creek.

Iowa State University Vice President for Business and Finance Warren Madden will provide at the October 2010 Board meeting an oral report on University flood activities to date.

During his presentation at the September 2010 Board meeting, Vice President Madden noted that at that time estimates for overall costs to recover from the flood were $40 million to $50 million.

Based upon these preliminary cost estimates, proceeds from the sale of bonds, notes or other indebtedness may be needed to make timely payments to contractors pending reimbursement from state or federal agencies, and to fund required matching shares for repairs, reconstruction, furnishing and equipping facilities damaged by the flood and storms.

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.

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.