

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: ISU College of Design Computer Lease Program
Date: June 10, 2002

Recommended Action:

Approve a taxable loan of up to \$750,000 through US Bank for the purchase of up to 250 Dell and Apple laptop computers and program specific software, for the purpose of leasing computers to students.

Executive Summary:

Previous Board Action In July 2001, the Board authorized Iowa State University to enter into a financing agreement of up to \$900,000 for the University's purchase of approximately 250 laptop computers for leasing to students in the College of Design. The Banking Committee requested that the University provide an evaluation of the first year of the program prior to receiving authorization to continue financing the program.

In March 2002, the college reported that the program has been successful. The Board approved to continue the computer lease program for a second year, subject to submission of financing plans.

Request The University requests that the Board approve a loan of up to \$750,000 from US Bank for the purchase of up to 250 Dell and apple laptop computers and program specific software. The loan is at a taxable rate of 5.20% for a 3-year period. The University will pay back the loan with funds collected from the lease program.

Background/Analysis:

Necessity for Program ISU reports that the pedagogy of the College of Design is overwhelmingly studio-based. Programs like Architecture, Landscape Architecture, Graphic Design, Interior Design, Community and Regional Planning, and some of the Integrated Studio Arts programs use computers daily to perform tasks that were once mainly done by hand. The University believes that the computer (and associated software) is an indispensable tool for students and that a wireless laptop computer is the most compatible educational method for this College.

The College cannot afford to purchase a laptop computer for every student. The University has stated that if each student had a laptop computer with ready access to the necessary software, the College would be able to preserve the unique learning and teaching environment.

In addition to the computers, access to specific software is necessary for students in the College to complete assigned tasks. The software required for these students is often very expensive and changes rapidly with new technology. For instance, a graphic design student wanting to purchase the necessary software would be expected to pay an additional \$1,800 for seven software packages at educational rates. This amount would not necessarily have to be paid every year, but with the rapidly changing software development cycle, every two years would not be uncommon.

Beginning of Program	In July 2001, the Board authorized a computer lease program at Iowa State University, and the College of Design laptop lease program began in the Fall of 2001 with the purchase of 36 Macintosh machines and 51 Dell laptops.
Program Description	<p>The plan was for the University to lease the computers to students in the College of Design for a three-year period. The student's interest rate for the lease was set by the University at a rate high enough to establish a loan loss reserve fund. At the end of the lease, students are required to turn the computers in to the College so that any University software can be removed. Students are given the option to buy out the contract for \$1 at the end of the 3-year lease agreement.</p> <p>The University indicated that this is a voluntary program and reported that the computer lease costs are allowable for financial aid. As reported in July 2001, students who lease the laptops would continue to pay mandatory computer fees.</p>
Bids for Financing	<p>At the March 2002 meeting, the Banking Committee approved the College of Design's request to continue to offer a computer lease program to students in the College of Design.</p> <p>On May 13, 2002, bids were received from Wells Fargo, First National Bank, First American Bank, Bankers Trust, Apple Computer Inc., and US Bank for financing the laptop computers and program specific software. The lowest financing rate was submitted by US Bank. The University plans to borrow up to \$750,000.</p>
Cost to Student	The cost to the student for leasing the laptop and program specific software will be approximately \$700 a semester for 6 semesters.