

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Preliminary Resolution for the Sale of up to \$11,100,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005  
**Date:** March 2, 2005

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**Recommended Action:**

Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$11,100,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005.

**(ROLL CALL VOTE)**

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**Executive Summary:**

The Board is asked to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$11,100,000 Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005.

The calendar year 2005 bond issuance schedule approved by the Board in August 2004 includes a bond sale for improvements to the Iowa Memorial Union in May 2005.

Proceeds from the bond sale would finance Phase 1 of the Memorial Union renovation project; this phase would construct a three-story addition at the existing east terrace entrance area, renovate existing book store space below the east terrace to support the addition, construct a river terrace area immediately west of the Union, and address deferred maintenance deficiencies.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$800,000 annually to be paid from the net rents, profits, and income, including student fees, derived from the Iowa Memorial Union System.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

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**Background:**

Statutory  
Provisions

Under the provisions of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities.

The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

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Iowa Memorial Union

The Iowa Memorial Union was constructed in 1925; additions to and renovations of the facility were completed in 1927, 1955, 1965, and 1988.

The Union houses several food outlets; the Campus Information Center; the Offices of Student Life, Student Government, and other student organizations; and the student book store. The Union also contains more than 25 meeting rooms, three large ballrooms, and the Iowa House Hotel.

Master Plan for Student Services

In September 2004, the Board received the University's report on the Master Plan for Student Services which outlined the University's plan for improved student service facilities. One of the components of the Plan is the renovation of the Iowa Memorial Union.

According to the information provided in September 2004, the total estimated cost of Phases 1 and 2 of the Iowa Memorial Union renovation project is \$30 million to be funded by the sale of revenue bonds with debt service payments from current and future mandatory student building fees and other revenues of the Memorial Union System.

- In November 2002, the Board approved a new \$29 mandatory building fee per student per academic year to support debt service payments for the Phase 1 renovation.
  - The Master Plan for Student Services noted that an additional student building fee of approximately \$66 per student per academic year would be needed to support debt service payments for the Phase 2 renovation.
    - The University plans to begin implementing one-half of this additional mandatory student fee in academic year 2006-2007 and the remainder of the fee in academic year 2007-2008, subject to Board approval.
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Union Master Plan

In November 2004, the Board received the master plan report for the renovation of the Iowa Memorial Union and approved the program statement for Phase 1 of the project.

The Master Plan included a comprehensive space program which identifies space needs, and goals and objectives for the entire facility, and outlines priorities for improvements.

Phase 1

Phase 1 would construct a three-story infill of the east terrace area at the Madison Street entrance. This addition of approximately 13,400 gross square feet would house student lounge and study space on the first floor, consolidated student office areas on the second floor, and shell space on

the third floor. The shell space would provide swing space during the renovation project and future office space; the specific occupants have yet to be determined.

The proposed infill would require renovation, including the reconstruction of walls and floors, of approximately 9,100 square feet of the existing book store space on the ground floor to strengthen the footings and foundation to support the addition.

Phase 1 would also construct a river terrace immediately west of the Union to provide a stronger connection between the building and the Iowa River. This terrace area would provide a student gathering space and a venue for small concerts and plays.

The most critical deferred maintenance items including roof and fire alarm replacements, and plumbing, electrical and mechanical system upgrades, would also be addressed as part of the Phase 1 project.

## Phase 2

Possible improvements to be evaluated for the Phase 2 project include:

- On the ground floor, further renovation of the student book store, expansion of the food storage and preparation areas, creation of a new food court, improved dining seating and lounge space in the Wheelroom, relocation of the convenience store, and development of additional office space.
- On the first floor, circulation improvements consisting of the development of two corridors from the east terrace entrance area that would connect with the River Room and new outdoor river terrace to the west, and the East Lobby of the Main Lounge to the north. Additional work on the first floor would include development of a new food venue, and improvements to dining/lounge space, staff and student office areas, the Campus Information Center and theatre.
- On the second floor, the renovation of office space for the Union Human Resources office.

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## Schedule

The University anticipates that Phase 1 construction would commence in the fall of 2005 and would require approximately two years to complete.

The schedule for Phase 2 construction is contingent upon Board approval of the additional mandatory student building fee to support the Phase 2 project.

## Schematic Design/ Project Budget

The University plans to request approval of the schematic design and budget for the Phase 1 project at the Board's May 2005 meeting.

## Electronic Bids

The Board, at its November 2001 meeting, adopted a resolution approving electronic bidding procedures.

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**Analysis:**

Issue Size	<p>The size of the bond issue is estimated to total \$11,030,000 including:</p> <ul style="list-style-type: none"><li>• project costs (estimated at \$10,000,000);</li><li>• debt service reserve (estimated at \$802,800);</li><li>• bond discount (estimated at \$165,400); and</li><li>• issuance costs (estimated at \$61,800).</li></ul>
Outstanding Bonds	<p>The outstanding principal of the Iowa Memorial Union Revenue Refunding Bonds, (1986 Iowa Memorial Union Revenue Bonds refunded in 2002) as of June 30, 2004, is \$3,175,000; the last maturity is 2009.</p>
Debt Service Payments	<p>Annual debt service payments on the 2005 bonds would be approximately \$800,000; there would be 20 principal payments.</p>
Sources of Repayment	<p>The new bonds would be issued on a parity with the outstanding bonds, with the source of repayment continuing to be the net rents, profits and income derived from the Iowa Memorial Union System which includes student fees.</p> <p>A mandatory student fee of \$89 for the 2004-2005 academic year supports the operations of the Iowa Memorial Union. In December 2004, the Board approved an increase in the fee to \$92 for the 2005-2006 academic year.</p> <p>In May 2004, the Board allocated the sum of \$55.40 per academic year and \$13.85 per summer session of the total mandatory student building fee (\$119 per academic year and \$29.75 per summer session) for debt service and projects for the Iowa Memorial Union; this amount includes the \$29 mandatory building fee approved in November 2002 for the Phase 1 Renovation, as well as the fee used for debt service payments on the outstanding bonds.</p> <p>In December 2004, the Board approved a building fee of \$119 for the 2005-2006 academic year; this fee is scheduled to be allocated among facilities at the May 2005 Board meeting.</p>

Resolution

The resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney and reviewed by Springsted, Inc., is available from the Board Office.

The resolution includes a provision permitting the Board to receive bids by means of both sealed and electronic communication; the receipt by electronic communication is consistent with the resolution adopted by the Board in November 2001 approving electronic bidding procedures.

Sale Date

The bond sale and award would be scheduled for the May 2005 Board meeting.

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Joan Racki

Approved:   
Gregory S. Nichols

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