

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Preliminary Resolution for the Sale of up to \$25,500,000 Memorial Union Revenue Bonds, Series I.S.U. 2004, and Approval of Memorial Union Parking Ramp Rates
Date: September 1, 2004

Recommended Actions:

1. Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,500,000 Memorial Union Revenue Bonds, Series I.S.U. 2004.
2. Approve an increase of \$.25 in the parking rate for the first hour for the Memorial Union parking ramp (from \$.75 per hour to \$1.00 per hour) and the other hourly rates (Attachment A).

(ROLL CALL VOTE)

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 \$25,500,000 Memorial Union Revenue Bonds, Series I.S.U. 2004.

The bond issue would finance the **Memorial Union Renovation - Phase 1** project, approved by the Board at its April 2004 meeting with a project budget of \$17,000,000, and the **Memorial Union Parking Facility - Structural Repairs** project for which the Board granted permission to proceed with project planning at its August 2004 meeting (estimated project cost of \$3,400,000).

As indicated in August 2004, when the financial plan for the renovation and parking ramp repairs was presented to the Board, the University wishes to combine the costs of the parking ramp repairs with the costs of the Memorial Union renovation into one bond issue.

The revised calendar year 2004 bond issuance schedule approved by the Board in August 2004 includes a bond sale for the projects in November 2004.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately \$1,675,000 annually to be paid from Memorial Union revenues, including revenues from the parking ramp; student fees; and rent from Memorial Union tenants.

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.

At its August meeting, the Board gave preliminary consideration to the proposed parking rate increase for the first hour in the Memorial Union ramp from \$.75 per hour to \$1.00 per hour, as well as the other hourly rates.

The Code of Iowa requires notification to students 30 days prior to action by the Board to increase tuition, charges and fees at the Regent universities.

Written notices of the proposed increase and a copy of the August 2004 agenda item were sent to the student government body representatives at Iowa State University on July 26, 2004.

Background:

Separate Non-Profit Corporation

The Iowa State Memorial Union, as a separate non-profit corporation, was established in 1922.

In 1925, under agreements originally approved by the Board of Education (predecessor to the Board of Regents), the Board allowed the Iowa State Memorial Union (corporation) to raise funds to construct a student union facility to serve the students of Iowa State University. This corporate structure was necessary in the beginning because the University, through the Board of Regents, lacked authority to borrow the money.

The intent of the original agreement was to transfer the Memorial Union to the University once the debts were paid off or at a time when the Board of Regents agreed to assume the remaining debt.

Transfer of Memorial Union to Iowa State University

In November 2002, the Board approved the transfer of the Memorial Union facility from the Memorial Union corporation to Iowa State University. The transfer was undertaken to improve the bonding capacity and fund raising capabilities of the Union to finance facility renovations and upgrades.

Board action in November 2002 also established a self-liquidating Memorial Union Facility; the Union is now being operated as a self-supporting entity, in accordance with Iowa Code Chapter 262, which authorizes the Board to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities, and borrow money to construct or improve the facilities.

With the transfer of the Union, the University assumed outstanding debt, the current principal totaling \$4.4 million, which represents previous financings for the construction of additions and renovations to the facility.

Student Building Fees

In November 2002, as part of the approval of tuition and mandatory fees, the Board approved a new mandatory building fee of \$30 per student per academic year, beginning with the 2003-2004 academic year, to fund improvements to the Union. This fee supplemented the existing Student Union building fees for future improvements and debt service.

The amounts of the building fees for the Memorial Union per academic year, per student have been as follows:

<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
\$7.80	\$11.06	\$18.32	\$18.32	\$49.10	\$49.10

Support for Operations of Union

Prior to FY 2004, a portion of designated tuition helped to support the operations of the Memorial Union.

The amounts per academic year, per student were as follows:

<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
\$46.68	\$47.60	\$50.00	\$54.00	\$00.00	\$00.00

With the Board's approval in November 2002 to allow Iowa State University to assume operational responsibility for the Memorial Union, the University absorbed the Memorial Union's operations and now provides direct general fund support to the facility.

The general fund support for the Union was \$1,544,821 in the revised FY 2004 budget; the financial proforma presented to the Board in August 2004 includes the amount of \$1,493,141 in FY 2005.

Scope of Projects

The **Memorial Union Renovation—Phase 1** project (\$17,000,000) would provide circulation, accessibility and life safety improvements, upgrade meeting rooms and building systems, construct an addition and renovate existing space for the University Book Store, and provide roof repairs.

The **Memorial Union Parking Facility—Structural Repairs** project (estimated at \$3,400,000) would address the deterioration of the structure's post-tensioning system and concrete floor slab to extend the life of the parking ramp. The project would remove existing concrete, inspect and test all post-tensioning slab tendons, and replace damaged tendons and deteriorated concrete.

Memorial Union Parking Ramp Rates

Iowa Code, Chapter 262, allows the Board to make rules regarding policing, control, and regulation of traffic and parking on the property of any institution under its control. The Code also requires notification to students 30 days prior to action by the Board to increase charges or fees at the Universities.

According to Iowa Administrative Code, the Board must approve any fees or charges for parking, monetary sanctions, or modifications to traffic and parking regulations.

In August 2004, the University requested an increase of \$.25 in the parking rate for the first hour for the Memorial Union parking ramp (from \$.75 per hour to \$1.00 per hour) and approval of the other hourly rates. There are no changes to the University's request since the August meeting.

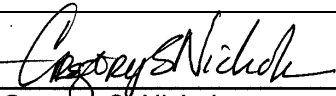
Electronic Bids

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

Analysis:

Memorial Union Renovation Project Budget	The approved budget for the Memorial Union renovation of \$17,000,000 includes Memorial Union Bond proceeds of \$14,600,000, accumulated Memorial Union student building fee revenue of \$1,400,000 and University Bookstore Improvement Funds of \$1,000,000
Parking Ramp Repairs Budget	The estimated project budget for the repairs to the parking ramp is \$3,400,000.
Existing Memorial Union Debt	With the transfer of the Union, the University assumed outstanding debt, currently totaling \$4,400,000, which represents previous financings for the construction of additions and renovations to the facility.
Issue Size	<p>The size of the bond issue, which would not exceed \$25,500,000, is estimated to total \$24,625,000 including:</p> <ul style="list-style-type: none">• project costs including Memorial Union renovation, parking ramp structural repairs, payment of outstanding debt (estimated at \$22,520,000);• debt service reserve (estimated at \$1,675,000);• bond discount (estimated at \$345,000); and• issuance costs (estimated at \$85,000).
Sources of Repayment	<p>The bonds would be repaid from Memorial Union revenues including revenues from the parking ramp, student fees, and rent from Memorial Union tenants.</p> <ul style="list-style-type: none">• The University Book Store will pay rental income to the Memorial Union equal to the debt service on the \$5,000,000 in bonds to be sold for the portion of the project that will provide additional space for the Book Store.• New tenant spaces in the expansion part of the Union project are estimated to rent for \$20,000 per square foot in the initial year of occupancy.
Resolution	<p>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.</p> <p>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.</p>
Sale Date	The bond sale and award would be scheduled for the November 2004 Board meeting.


Joan Racki

Approved: 
Gregory S. Nichols

ATTACHMENT A

FY 2005 Parking Rates
Memorial Union Ramp

Type	Term	Rate	
Daily / hourly	First ½ hour	0.50	
	1 st hour	1.00	*
	2 nd hour	0.75	
	3 rd hour	0.75	
	4 th hour	0.50	
	5 th hour	0.50	
	6 th hour – 16 th hour	0.25	
	Maximum daily rate	6.00	
* This is an increase of \$0.25 per hour above the FY 2004 rate.			

Note: All other rates to be used will conform to previously-approved parking rates.