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**UNIVERSITY OF IOWA CAMPUS RECREATION AND WELLNESS CENTER –
FINANCING PLAN, SCHEMATIC DESIGN, AND PROJECT BUDGET**

Actions Requested: Consider recommending to the Board approval of the following for the **Campus Recreation and Wellness Center**, a major capital project as defined by Board policy:

1. The University's recommended financing plan which includes graduated annual debt service.
2. The schematic design and project description and budget (\$69,125,000), subject to approval of the financing plan, with the understanding that this approval will constitute final Board approval and authorization to proceed with construction.
 - a. Acknowledge receipt of the University's final submission of information to address the Board's capital project evaluation criteria (see Attachment A); and
 - b. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration.

Executive Summary: The University requests approval of the financing plan, schematic design, and project description and budget (\$69,125,000) for the **Campus Recreation and Wellness Center** project which would construct an indoor recreation facility at the southwest corner of Burlington and Madison Streets (directly south of the Library) to improve the University's recreational offerings for students, faculty and staff. The project would support three primary University programs: Student Fitness and Recreation, Aquatics, and Wellness; the primary function of the facility would be to provide "drop-in" individual fitness activities in these three areas. The facility would be staffed and managed by the Department of Recreational Services. The schematic design booklet is included with the Board's materials.

In addition to adding new space to the system, Recreational Services plans to implement a single point of control in all recreational buildings, including the Field House. This control will restrict building access to enrolled students and those individuals who have paid the access fee. After the control system is in place, Recreational Services will only assess fees for sports/activity lessons and similar special programs or services (e.g.: locker rental, towel rental). The access control feature will also improve personal security throughout the University's Recreation System.

Financing Plan

The University requested, at the August 2006 Board meeting, that Board action on the agenda item be deferred while it re-examined the proposed financing plan for the facility. The University has proposed a revised financing plan which increases the amount to be contributed by the Athletic Department and reduces the amount of debt and operating expenses which would be supported by student fees. (A University prepared comparison of the August and September financial plans is available from the Board Office.)

The project would be funded by proceeds from the sale of 25 year revenue bonds, with funding for annual debt service payments to come from Athletic Department gifts and earnings, contributions from the University for Wellness space, Recreational Services system gifts and earnings, and implementation of a new building fee charged to students.

Student Fee Support	\$ 59,375,000	(general recreation & aquatics space)
Athletic Department	9,000,000	(intercollegiate swimming/diving)*
University Contribution	<u>750,000</u>	(dedicated wellness program space)*
TOTAL	\$ 69,125,000	

*Contributions for Athletics and the University (faculty/staff Wellness program) are based upon the square footage dedicated to these functions and estimated time of usage.

The University recommends issuing debt with the following key provisions:

1. Issue 25 year bonds netting project proceeds of \$69.125 million, plus amounts required to fund fully a debt service reserve and all other issuance costs.
2. The University proposes to capitalize a minimal amount of interest expense on the bonds during the project construction period.
3. Athletics and the University (for Wellness) will contribute 100% of their funding commitments beginning in FY 2008 (during the construction phase) and ending in FY 2014. This approach significantly reduces capitalized interest expense during the construction period and allows for acceleration of principal payments during the early, low interest cost years.

Based upon schedules prepared by the Board's financial advisor, Springsted, Inc., total annual debt service payments would range from a low of \$4.3 million in FY 2010 to a high of \$6.4 million in 2014. For the remaining bond term, the annual debt service payment would range from approximately \$4.6 million to \$5.3 million. The University reports that Springsted's projections are based upon double tax-exempt bond sales with a true interest cost averaging 4.8%.

The interest rate projection for the initial bond sale (planned in 2007) is 15 to 20 basis points higher than current rates. The rate for bond sales planned in 2008 and 2009 is higher than the current rate by approximately 60 to 70 basis points.

The University would pledge student fees and gross revenues of the Recreational Services system to meet the debt service payments on the bonds. In the first full year of operation (FY 2011), the new student building fee to be utilized for debt service payments would be ~\$131; estimated increases in the building fee would be as outlined on Table 2 (page 8).

The University also proposes reallocating three existing building fees for the project. Once the bonds on the existing Recreation Center are retired in 2008, the Building Fee for the project (~\$5) would be reallocated to cover the anticipated cost of the Campus Recreation and Wellness Center with the opening of the building in FY 2010. Beginning in FY 2010, a portion of the Iowa Memorial Union fee (~\$26) will no longer be needed as the bonds issued for a 1980s renovation of the Union will have been retired. Beginning in FY 2013, the University proposes to reallocate the West Campus Recreation Facilities Fee (~\$28) from a loan used to finance a number of west campus recreation facilities to the Center.

The projected cost of operations and maintenance (O&M) for the facility for the first full year of operation (FY 2011) is \$2.1 million. O&M costs would be prorated among the principal users of the facility – Recreational Services (a student O&M fee of ~\$56 would be assessed in FY 2011 to cover the expected proportional cost), Athletics and University wellness programs.

Recreational Services would discontinue charging students for use of the fitness and work-out facilities on campus. Currently, direct billing to students who buy individual fitness memberships or recreation passes totals approximately \$800,000 per year. A \$32 per year mandatory student fee, beginning in 2010, is required to offset this lost income. Faculty, staff and the public would be assessed differentially for use of the facility, either on an annual fee basis or “walk-in” fee basis.

The annual operating margin for Recreation System operations will be minimal under the University’s proposed plan (totaling approximately \$500,000 over the first ten years). Margins are usually used to protect the System from annual earnings fluctuations and to develop an annual capital renewal fund. With the nominal operating margin in the University’s proposed financial model, the University will be seeking gifts to the Recreation System (including in-kind contributions) and partnerships with private and University constituencies (e.g. UI Health Care) to establish a small operating reserve and source of capital renewal. The University believes that these sources of revenue will be sufficient to keep the facility in good operating condition throughout the facility’s initial 20 years of operation. In addition to these sources, the University also reports that major capital renewal could occur through additional future bond sales backed by student fees.

University recreational facilities have historically been made available to members of the general public. The University intends to continue this tradition. However, it is the University’s intent to charge access fees to the public that are in line with like facilities in the community. Special fee arrangements may be developed for high school or college age students not attending the University of Iowa. These concepts will be refined over the next year, but it is expected that any adjustments would have a relatively small impact on the overall financial assessment of the project.

The University is estimating that revenue generated from new non-student participants will total approximately \$658,000 in FY 2011. To achieve the non-student revenue target, the University plans to hire the marketing and pricing consultant previously used for the Kinnick Stadium renovation project to review previous analyses and perform new assessments on the number of new non-student participants who would “join” at various price points. “Fee for service” revenues (including locker rentals, camps, aerobic classes, personal fitness trainers and other similar services where there is a defined out of pocket cost) are estimated to total approximately \$1.3 million.

In summary, under the revenue proforma developed by the University (see Table 1, pages 6 & 7), the following are the estimated new fees which would be in effect for FY 2011, the first full year of operation:

<u>New Fees</u>	<u>Approximate Amount per Academic Year</u>
New Building Fee	\$131
New Operation & Maintenance Fee	56
Student Fee to Offset Elimination of Student Charges	<u>32</u>
TOTAL – New Fees	\$219

Projected student fee amounts for debt service, O&M costs and to displace existing charges through FY 2033 are shown in Table 2 (page 8).

The following table summarizes the existing building fees which would be reallocated to the project and the year in which they would become available:

<u>Reallocated Building Fees</u>	<u>Amount per Academic Year</u>
Recreation Building (in 2008)	\$ 5
Iowa Memorial Union Building Fee (in 2009)	26
West Campus Building Fee (in 2013)	<u>28</u>
TOTAL – Reallocated Fees	\$59

The current UI Student Government, as well as recent student administrations, is in full agreement with the approach of matching the new student fees with the opening of the new building. The result of these choices is to charge students only when the facility is available for use.

Details of Project:

Campus Recreation and Wellness Center (formerly East Campus Recreation Center/Field House Renovation)

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
<u>East Campus Recreation Center/Field House Renovation</u>			
Initial Review and Consideration of Capital Project Evaluation Criteria		Sept. 2004	Received Report
Permission to Proceed		Sept. 2004	Approved
Architectural Selection (RDG, Inc., Des Moines, IA)		Dec. 2004	Approved
Architectural Agreement – Programming and Schematic Design Services (RDG, Inc., Des Moines, IA)	\$..811,200	Dec. 2005	Not Required
<u>Campus Recreation and Wellness Center</u>			
Program Statement		May 2006	Approved
Financing Plan		Aug. 2006	Univ. Deferral
Schematic Design		Aug. 2006	Univ. Deferral
Project Description and Total Budget	69,125,000	Aug. 2006	Univ. Deferral
Final Review and Consideration of Capital Project Evaluation Criteria		Aug. 2006	Univ. Deferral
Financing Plan		Sept. 2006	Requested
Schematic Design		Sept. 2006	Requested
Project Description and Total Budget	69,125,000	Sept. 2006	Requested
Final Review and Consideration of Capital Project Evaluation Criteria		Sept. 2006	Requested

The main entrance to the facility would be located near the northeast corner of the first level. A café, climbing tower, and strength training room would be located in the northern portion of this level. The swimming and diving pools would be located near the west wall, with locker rooms

adjacent to the east and west, and a leisure pool immediately to the east. The wellness suite would be located near the east wall.

The second level would house cardiovascular/fitness activity space along the north wall, with multi-activity space in the central portion of this level. The Department of Recreational Services administrative offices would be located along the east wall, and the western portion of this level would provide spectator seating to the pool areas below.

The third level would provide cardiovascular/fitness activity space along the north wall. Two group exercise rooms, and a walking/jogging track open to the second level multi-activity space below, would be centrally located. The space to the west would be open to the pool areas below with a large skylight above, and a roof terrace would be located along the east wall.

The building exterior would be constructed primarily of red brick, limestone, and transparent and translucent glass. The transparent glass feature along the north side of the building would face Burlington Street and the Main Library to the north.

The building would provide a total of 216,270 gross square feet and 147,445 net square feet, for a net-to-gross ratio of 68 percent. The schematic design square footages are generally consistent with the building program approved by the Board in May 2006.

The University anticipates receiving bids and beginning construction in the fall of 2007, with completion anticipated in September 2009.

The following provides details of the project budget:

Design, Inspection, and Administration	
Consultants	\$ 3,480,000
Design & Construction Services	3,975,000
Construction Campus Recreation & Wellness Center	48,650,000
Renovation Field House	1,050,000
Site Development/Landscaping	500,000
Utility Extensions	750,000
Relocation Cost – Site Acquisition	4,000,000
Occupancy	1,750,000
Contingency	<u>4,970,000</u>
Total	\$69,125,000

**Table 1
Campus Recreation & Wellness Center
Revenue Model**

Estimated Revenue and Expense by Fiscal Year														
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Student Fees:	\$ 180.00	\$ 180.00	\$ 180.00	\$ 180.00	\$ 180.00	\$ 180.00	\$ 180.00	\$ 185.00	\$ 185.00	\$ 190.00	\$ 192.00	\$ 196.00	\$ 200.00	
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.78%	0.00%	2.70%	1.05%	2.08%	2.04%	
a) New Student Fees:														
Debt Service	4,590,000	4,590,000	4,590,000	4,590,000	4,590,000	4,590,000	4,590,000	4,718,000	4,718,000	4,845,000	4,896,000	4,998,000	5,100,000	103,713,000
O&M	2,542,442	2,694,989	2,856,688	3,028,089	3,209,774	3,402,360	3,606,502	3,822,892	4,052,266	4,295,402	4,553,126	4,826,314	5,115,893	67,547,747
Offset for reduction in current student charges	816,000	816,000	816,000	816,000	816,000	816,000	816,000	816,000	816,000	816,000	816,000	816,000	816,000	19,584,000
	7,948,442	8,100,989	8,262,688	8,434,089	8,615,774	8,808,360	9,012,502	9,356,892	9,586,266	9,956,402	10,265,126	10,640,314	11,031,893	190,844,747
b) Reallocate Existing Student Building Charges:														
Rec Building Student Fee (in 2008)	127,500	127,500	127,500	127,500	127,500	127,500	127,500	127,500	127,500	127,500	127,500	127,500	127,500	3,060,000
IMU Student Fee (in 2009)	663,000	663,000	663,000	663,000	663,000	663,000	663,000	663,000	663,000	663,000	663,000	663,000	663,000	15,912,000
West Campus Fee (in 2013)	714,000	714,000	714,000	714,000	714,000	714,000	714,000	714,000	714,000	714,000	714,000	714,000	714,000	14,994,000
	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	1,504,500	38,966,000
Additional Contributions Toward Debt Service and O&M:														
Athletics/Wellness Debt Service Contribution														7,175,000
Athletics/Fringe Pool O&M Contribution	1,150,793	1,219,841	1,293,031	1,370,613	1,452,850	1,540,021	1,632,422	1,730,367	1,834,189	1,944,240	2,060,894	2,184,548	2,315,621	30,667,983
Construction Fund Earnings														864,912
	1,150,793	1,219,841	1,293,031	1,370,613	1,452,850	1,540,021	1,632,422	1,730,367	1,834,189	1,944,240	2,060,894	2,184,548	2,315,621	38,707,895
	802,624	818,676	835,050	851,751	868,786	886,162	903,885	921,963	940,402	959,210	978,394	997,962	1,017,921	19,422,766
Estimated Fee for Service Revenues	1,616,385	1,648,713	1,681,687	1,715,321	1,749,627	1,784,620	1,820,312	1,856,718	1,893,852	1,931,729	1,970,364	2,009,771	2,049,966	39,548,386
Total Estimated Revenues	13,022,744	13,292,719	13,576,956	13,876,274	14,191,537	14,523,663	14,873,621	15,370,440	15,759,209	16,296,081	16,779,278	17,337,095	17,919,901	322,489,794
Estimated Annual Debt Service	5,132,965	5,045,815	4,979,765	4,909,028	4,858,528	4,727,115	4,668,160	4,677,480	4,601,398	4,643,598	4,648,073	4,666,648	4,647,135	121,185,662
Net Revenues after Debt Service	7,889,779	8,246,904	8,597,191	8,967,246	9,333,009	9,796,548	10,205,461	10,692,960	11,157,811	11,652,483	12,131,205	12,670,447	13,272,766	201,304,132
Less Estimated Expense:														
Operating Expenses	4,080,721	4,203,143	4,329,237	4,459,114	4,592,887	4,730,674	4,872,594	5,018,772	5,169,335	5,324,415	5,484,147	5,648,671	5,818,131	101,489,221
O&M Expense	3,693,235	3,914,830	4,149,719	4,398,702	4,662,624	4,942,381	5,238,924	5,553,259	5,886,455	6,239,642	6,614,020	7,010,862	7,431,514	98,215,730
	7,773,956	8,117,973	8,478,956	8,857,816	9,255,511	9,673,055	10,111,518	10,572,031	11,055,790	11,564,057	12,098,167	12,659,533	13,249,645	199,704,951
Net Operating Margin	115,823	128,931	118,235	109,430	77,498	123,493	93,943	120,929	102,021	88,426	33,038	10,914	23,121	1,599,181
Debt Service Coverage Ratio (must be > 1.25)	2.54	2.63	2.73	2.83	2.92	3.07	3.19	3.29	3.42	3.51	3.61	3.72	3.86	2.66

** Conservative Factor is 80%/year. In 2010, the budgeted revenue amount reflects revenues for 8 months since the building opens November 1, 2009.

Table 2
Campus Recreation & Wellness Center
Estimated Student Fee on Recommended Project

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=2+4+6	(9)
Fiscal Year	Projected Revenue from Debt Service Student Fee	Projected Debt Service Student Fee	Projected O&M Cost	Projected O&M Student Fee	Reduction in Student Charges	Fee to Displace Reduction in Charges	Total Debt Service, O&M, and Fee to Displace Reduction in Student	Total Student Fee
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	2,193,000	86.00	828,419	32.49	816,000	32.00	3,837,419	150.49
2011	3,341,000	131.02	1,419,686	55.67	816,000	32.00	5,576,686	218.69
2012	3,494,000	137.02	1,504,867	59.01	816,000	32.00	5,814,867	228.03
2013	3,647,000	143.02	1,595,159	62.56	816,000	32.00	6,058,159	237.57
2014	3,825,000	150.00	1,690,869	66.31	816,000	32.00	6,331,869	248.31
2015	3,953,000	155.02	1,792,321	70.29	816,000	32.00	6,561,321	257.31
2016	4,080,000	160.00	1,899,860	74.50	816,000	32.00	6,795,860	266.50
2017	4,259,000	167.02	2,013,852	78.97	816,000	32.00	7,088,852	277.99
2018	4,463,000	175.02	2,134,683	83.71	816,000	32.00	7,413,683	290.73
2019	4,463,000	175.02	2,262,764	88.74	816,000	32.00	7,541,764	295.76
2020	4,590,000	180.00	2,398,530	94.06	816,000	32.00	7,804,530	306.06
2021	4,590,000	180.00	2,542,442	99.70	816,000	32.00	7,948,442	311.70
2022	4,590,000	180.00	2,694,989	105.69	816,000	32.00	8,100,989	317.69
2023	4,590,000	180.00	2,856,688	112.03	816,000	32.00	8,262,688	324.03
2024	4,590,000	180.00	3,028,089	118.75	816,000	32.00	8,434,089	330.75
2025	4,590,000	180.00	3,209,774	125.87	816,000	32.00	8,615,774	337.87
2026	4,590,000	180.00	3,402,360	133.43	816,000	32.00	8,808,360	345.43
2027	4,590,000	180.00	3,606,502	141.43	816,000	32.00	9,012,502	353.43
2028	4,718,000	185.02	3,822,892	149.92	816,000	32.00	9,356,892	366.94
2029	4,718,000	185.02	4,052,266	158.91	816,000	32.00	9,586,266	375.93
2030	4,845,000	190.00	4,295,402	168.45	816,000	32.00	9,956,402	390.45
2031	4,896,000	192.00	4,553,126	178.55	816,000	32.00	10,265,126	402.55
2032	4,998,000	196.00	4,826,314	189.27	816,000	32.00	10,640,314	417.27
2033	5,100,000	200.00	5,115,893	200.62	816,000	32.00	11,031,893	432.62

Notes:

Student FTE Billed 25,500

University Campus Recreation and Wellness Center
Evaluation Criteria

Since the project meets the Board's definition of a major capital project, the University has provided the following information in response to the Board's evaluation criteria.

Institutional Mission/Strategic Plan: The new Campus Recreation and Wellness Center and improvements to the Field House will play an important role in the recruitment, retention and success of students. A study completed by the National Intramural Recreational Sport Association (NIRSA) found that intramural and recreational sport is one of the primary factors in a student's choice of a university. The NIRSA study also found that participation in recreational sports programs and activities is correlated with overall college satisfaction and success. Utilization of recreational facilities has repeatedly been found as one of the biggest factors in college persistence. Establishing membership and a sense of belonging in a community is a critical component of retention.

This project will permit the University to provide programs, services, and facilities that encourage personal development, community interaction, and educational experiences through enjoyable sport and recreational opportunities while serving a very diverse population. The NIRSA study also found that the national average for indoor recreation space is 11.8 feet per student, the regional average is somewhat greater at 18.4 square feet per student. The University of Iowa has 8.7 square feet per student. This project will bring the University of Iowa recreation facilities closer to the national and regional averages of peer institutions.

In addition to simply providing more square footage, the new facility and renovation of the Field House will improve the quality of recreational space available to students, faculty and staff. The vast majority of recreation space on the UI campus is located in the 74 year old Field House. Although the Field House was renovated in conjunction with the construction of Carver-Hawkeye Arena, significant changes to recreation and the ways students use recreation facilities have occurred over the past several decades. This project will provide recreational services that are appropriate, modern, and are demanded by today's students.

This project is also in keeping with the University's overall recreation plan. The new Campus Recreation and Wellness Center will emphasize "drop-in" fitness activities - aquatics and individual fitness/wellness programs. The Field House will continue to focus on court sports, team sports and intramural activities. The Hawkeye Tennis and Recreation Complex will focus upon "destination" activities such as soccer, rugby and tennis; activities which require a large expanse of land not available on the central campus.

Other Alternatives Explored: A study completed by Brailsford & Dunlavey in 2000 found that the University had a severe shortage of recreation space per student, particularly on the east side of campus. Prior to the conversion of a very limited amount of space in Halsey Hall (located directly east of the IMU), there was no generally accessible recreation space on the east campus. The University considered constructing a new recreation facility on the site of the city of Iowa City water plant (located directly north of the IMU) which was recently acquired by the University. It was concluded however that a facility at this location would bring too much traffic into an already overly congested area of campus. Further, this site was determined to be too small to accommodate future expansion. Several other sites were investigated with the assistance of Sasaki and Associates. The site selected for the new facility will better serve students living on both the east and west sides of campus and will accommodate future expansion. Construction of a comprehensive facility replacing all functions currently located in the Field House was considered. It was concluded that areas of the Field House could yet be effectively programmed and should remain in service. This project will renovate existing space in the Field House (the deteriorating pool area) to complement the activities

provided in the new facility. The Field House renovation will also provide improved security and access control (single point of entry).

Impact on Other Facilities and Square Footage: The Brailsford & Dunlavey study indicated that a single, new comprehensive recreation facility would require more than 300,000 gross square feet of space to address current student recreation needs. Based upon top priorities identified by UI students in surveys and through focus groups, it is the University's intent to construct a complementary recreation facility of approximately 216,000 gsf that will contain new aquatics and fitness components, a jogging track, multi-purpose rooms, and space for students to interact, while maintaining the primary components of the Field House except for aquatics. With the exception of the pool area, which will be decommissioned upon completion of the new facility, the Field House courts (basketball, racquet ball, badminton etc), activity and club rooms, and locker room areas will be maintained for their current functions. The pool area will be converted into more accessible fitness space. Existing space in the Field House assigned to academic functions will be maintained for those uses.

Financial Resources for Construction Project: The budget for the Campus Recreation and Wellness Center and the renovation of the Field House is \$69.125 million. Included in the project is an allowance for relocation costs of units on the selected site – University Public Safety offices (temporary trailers) and University shops. The project will be funded through revenue bonds supported by an increase in the current student building fee and user fees paid by non-students. Students have repeatedly provided a strong message to the University that they are willing to support an increase in student fees to secure modern recreation facilities that are in high demand. Most recently during project development, student representatives were adamant in their advocacy for expansion of certain recreation elements at the new facility that were not within the original scope of the project. The program presented to the Board at the May 2006 meeting represents the expressed needs of students for a new recreation facility.

Financial Resources for Operations and Maintenance: The operation of the new campus facility will be designed to be self-supporting through additional student services fees and user fees assessed to non-students, as well as support provided by Athletics and other central resources based upon utilization. With the construction of the new recreation center, the University will change fundamentally the way in which Recreational Services is funded. Currently, all users, including students, "pay for play." Under the proposed method, students would incur no additional charges to access most recreational programs and services by virtue of an off-setting mandatory student services fee. Discussions have been held with student leaders on this subject, and it is critical to the success of this project. It is also a method commonly used at other universities. A business/financial plan has been developed taking into consideration all sources of revenue anticipated and all expenses for the facility – operating, capital and programmatic. This plan specifies fees needed for student users as well as projections of utilization critical to financial and program assumptions.

External Forces: See response to question #1 above. In recent years peer institutions with which we compete for students have expended millions of dollars to improve campus recreation facilities. Both UNI and ISU have considerably newer and more expansive recreation space than exist on the UI campus. The Campus Recreation and Wellness Center will feature a new aquatics facility that will replace the deteriorating Field House pool. The Field House pool is 74 years old and is the only pool remaining on campus. Its continued maintenance has become extremely difficult. It is simply a matter of time before the filter system, pipes, and bulkhead fail and the pool has to be taken off line.