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**IOWA STATE UNIVERSITY – EAST CAMPUS DINING IMPROVEMENTS**

**Actions Requested:** Consider:

1. Approval of the following for the **East Campus Dining Improvements** project, a major capital project as defined by Board policy:
  - a. Acknowledge receipt of the University's final submission of information to address the Board's capital project evaluation criteria (see Attachment A);
  - b. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration; and
  - c. Approve the financial plan, project description and budget (\$15 million) and the schematic design, with the understanding that this approval will constitute final Board approval and authorization to proceed with construction.
2. Subject to approval of the financial plan, adoption of A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$13,750,000 Dormitory Revenue Bonds, Series I.S.U. 2007.

**(ROLL CALL VOTE)**

**Executive Summary:** The **East Campus Dining Improvements** project would renovate the two dining centers that serve the Maple Willow Larch, and Oak Elm residence halls. The ISU Dining proposal to continue to provide campus dining services (submitted in December 2005 and awarded in February 2006) included conversion of the Maple Willow Larch Commons dining facilities to a marketplace dining center (similar to the Union Drive Community Center), which has proven popular with students and important in student recruitment and retention. The ISU Dining proposal also included modest improvements to the Oak Elm dining center.

The project budget of \$15 million for both projects would be funded by Dormitory Revenue Bonds (\$12 million) and Dormitory System Improvement Funds (\$3 million).

When the Board granted permission to proceed with planning for the project in June 2006, the University indicated that the financial plan for the project would be presented for Board approval with the schematic design and project budget. Further evaluation regarding any additional debt (the outstanding principal amount of the ISU Dormitory System is \$124.5 million) was to be completed as part of the financial planning.

The University has submitted a financial plan proforma for the **East Campus Dining Improvements** project, which is included as Attachment B. The proforma was created using the 10 year enrollment projections which were submitted in early 2007. Revenue projections have been built using building by building occupancy information and historical meal plan capture rates.

The financial plan expenses have been projected to include the additional costs associated with the minimum wage increase, the recent higher costs for utilities and the professional & scientific pay increase plans that were implemented early in 2007.

The University reports that the Residence System has taken a conservative approach to both its estimates for revenues and expenses, and is still able to obtain strong coverage ratios ranging from 1.58 (FY 2009) to 1.84 (FY 2016). The bond covenants require a minimum coverage ratio of 1.35.

Subject to approval of the financial plan, the Board is asked to consider adoption of a resolution authorizing the Executive Director to fix the date(s) for the sale of up to \$13,750,000 Dormitory Revenue Bonds, Series I.S.U. 2007. The proposed sale, which was included on the calendar year 2007 bond issuance schedule approved by the Board in November 2006, would be scheduled for the October 2007 Board meeting.

Proceeds from the sale of the bonds would be used to partially fund the **East Campus Dining Improvements** project, as outlined above. The University's Residence System is a self-supporting operation and receives no state appropriations. Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1.05 million annually to be paid from the net rents, profits and income of the Residence System. Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds.

**Additional Information:** Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness.

The size of the bond issue is estimated to total \$13,400,000 including:

- project costs (estimated at \$12,000,000);
- debt service reserve (estimated at \$1,124,300);
- underwriters discount (estimated at \$201,000) and
- issuance costs (estimated at \$74,700).

A copy of the resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney, P.C. 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 the electronic bidding procedures.

**Details of Project:**

**East Campus Dining Improvements**

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		June 2006	Approved
Initial Review and Consideration of Capital Capital Project Evaluation Criteria		June 2006	Received Report
Planning Study (Rohrbach Associates, Iowa City, IA)	\$ 160,000	Oct. 2006	Not Required
Design Agreement – Maple Willow Larch (Rohrbach Associates, Iowa City, IA)	960,500	June 2007	Not Required
Program Statement		Sept. 2007	Not Required
Final Review and Consideration of Capital Capital Project Evaluation Criteria		Sept. 2007	Requested
Schematic Design		Sept. 2007	Requested
Project Description and Total Budget	15,000,000	Sept. 2007	Requested

The schematic design booklet is included with the Board's meeting materials.

Maple Willow Larch Dining Center

This project would construct a one-story addition of approximately 5,000 gross square feet at the first level to expand the dining room space to the north. With this addition and renovation of the existing dining area, the majority of the space would consist of the marketplace dining center, which would feature multiple food stations with different offerings, and seating areas for approximately 660 individuals interspersed throughout the space. The kitchen functions would remain in the southern portion of the space and a private dining room would be located at the northwest corner. The main exterior entrance would be developed at the northwest corner, and the interior entrance to the dining area would be located along the west wall. On the second level, the Convenience Store (C-Store) would be relocated for greater visibility and improved traffic flow to the new dining area below.

The addition would be constructed of brown brick, metal panels, concrete, and glass, consistent with the existing building materials and the adjacent residence hall towers. The project would also develop courtyard seating and landscaping north of the addition to create a more usable and interactive outdoor space.

Oak Elm Dining Center

The project would renovate the existing lower level dining area to expand the dining room space and incorporate new, specialty serving areas and provide seating for approximately 400 individuals. The kitchen functions would remain in the eastern portion of the space and a private dining room would be located near the southwest corner. A fully-accessible interior entrance lobby and elevator, and dedicated stairway, would be located along the south wall for access to the dining center from the main building entrance located directly above the dining center at the first level.

The project would also develop a small exterior entrance addition to better define the south building entrance, and provide courtyard improvements. The addition has been designed to complement the existing building style and would be constructed of materials that match the brick and stone of the existing building.

The square footages in the schematic design are identical to the square footages in the approved building program.

Detailed Building Program

	<u>Program</u>		<u>Schematic</u>	
<u>Maple Willow Larch</u>				
Dining	9,590		9,590	
Food Service Support	3,450		3,450	
Building Support	3,150		3,150	
Marketplace Servery	2,560		2,560	
Convenience Store	1,470		1,470	
Total Net Assignable Space	20,220	nsf	20,220	nsf
Anticipated Gross Square Feet	24,922	gsf	24,922	gsf
Anticipated Net-to-Gross Ratio = 81 Percent				
<u>Oak Elm</u>				
Food Service Support	5,810		5,810	
Dining	5,025		5,025	
Building Support	2,220		2,220	
Marketplace Servery	2,117		2,117	
Total Net Assignable Space	15,172	nsf	15,172	nsf
Anticipated Gross Square Feet	16,336	gsf	16,336	gsf
Anticipated Net-to-Gross Ratio = 93 Percent				

Project Budget

Construction	\$ 12,095,800
Professional Fees	1,888,120
Movable Equipment	656,000
Relocation	60,000
Contingencies	<u>300,080</u>
<b>TOTAL</b>	<b><u>\$ 15,000,000</u></b>
Source of Funds:	
Dormitory Revenue Bonds	\$ 12,000,000
Dormitory System Improvement Funds	<u>3,000,000</u>
<b>TOTAL</b>	<b><u>\$ 15,000,000</u></b>

The University anticipates beginning construction on the Maple Willow Larch dining center in June of 2008 for completion in July 2009, and on the Oak Elm dining center in August 2009 for completion in July 2010.

East Campus Dining Improvements

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: ISU Dining has been awarded the contract to continue providing dining services to the campus community. Included in this proposal is the conversion of the residence hall dining facilities at Maple Willow Larch Commons to a marketplace dining center similar to those at the Union Drive Community Center. The marketplace concept has been very popular with the students and is an important priority for ISU Dining and the university. Improvement of the Oak Elm dining center is also a key element in the ISU Dining proposal. The recruitment and retention of students with learning centers and excellent facilities is an important item in the university's strategic plan. Dining facilities are an important key to recruitment and retention.

Other Alternatives Explored: A feasibility study and market surveys have shown the need for expanding the retail dining program and the improvement of the residential dining centers. The sophisticated market research has determined the customers' preference on dining options, dining schedule, and delivery preferences. The popularity of the Union Drive Community Center marketplace dining has exceeded the expectations and confirmed the need for a similar facility on the east side of campus.

The dining improvements are important in the Department of Residence and university long-range plan.

Impact on Other Facilities and Square Footage: This proposed project anticipates major renovation at Maple Willow Larch Commons and a somewhat more modest renovation at Oak Elm dining center.

Financial Resources for Construction Project: Dormitory Revenue Bonds and Dormitory System Improvement Funds.

Financial Resources for Operations and Maintenance: It is too early to predict actual operating expenses, but it is anticipated that the increased cost will be minimal. Proposed source of funds: ISU Dining and Department of Residence

External Forces: The recruitment and retention of students with learning centers and excellent facilities is an important item in the university's strategic plan. Dining facilities are an important key to recruitment and retention. The success of Residence halls and dining are inter-related.

**IOWA STATE UNIVERSITY  
Residence System Combined Proforma  
8/27/2007**

<b>Income:</b>	<b>Actual FY2006</b>	<b>Actual FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Contract Income	31,063,734	32,218,314	32,883,363	33,376,255	34,467,037	35,726,397	36,887,164	38,014,378	39,176,288	40,422,633	41,803,916
Interest	962,984	1,595,477	1,400,000	1,354,625	1,354,625	1,309,250	1,309,250	1,309,250	1,263,875	1,263,875	1,263,875
Other Income	2,344,198	2,938,031	2,176,131	2,195,586	2,224,191	2,249,038	2,274,050	2,299,148	2,324,384	2,350,140	2,377,039
<b>DoR Revenues</b>	<b>34,370,916</b>	<b>36,751,822</b>	<b>36,459,494</b>	<b>36,926,466</b>	<b>38,045,853</b>	<b>39,284,685</b>	<b>40,470,464</b>	<b>41,622,776</b>	<b>42,764,547</b>	<b>44,036,648</b>	<b>45,444,830</b>
Contract Income	15,040,235	15,838,386	15,363,937	16,213,527	17,151,091	18,152,590	19,141,606	20,170,150	21,248,991	22,435,411	23,707,816
Interest	-	-	-	-	-	-	-	-	-	-	-
Other Income	9,565,269	10,892,489	12,190,715	13,108,263	13,763,676	14,527,019	15,526,445	16,016,038	16,816,840	17,657,682	18,540,567
<b>ISU Dining Revenues</b>	<b>24,605,504</b>	<b>26,730,875</b>	<b>27,554,652</b>	<b>29,321,790</b>	<b>30,914,767</b>	<b>32,679,609</b>	<b>34,668,051</b>	<b>36,186,188</b>	<b>38,065,831</b>	<b>40,093,093</b>	<b>42,248,383</b>
<b>Combined Gross Income</b>	<b>58,976,420</b>	<b>63,482,697</b>	<b>64,014,146</b>	<b>66,248,256</b>	<b>68,960,620</b>	<b>71,964,294</b>	<b>75,138,515</b>	<b>77,808,964</b>	<b>80,830,378</b>	<b>84,129,741</b>	<b>87,693,212</b>
<b>Expenses:</b>											
Salaries	20,798,079	22,168,879	23,546,029	24,411,267	25,410,236	26,462,406	27,549,464	28,683,321	29,866,061	31,099,871	32,387,029
Maintenance & Repair	1,833,138	1,924,343	2,195,781	2,043,522	2,147,163	2,257,141	2,373,926	2,498,032	2,630,018	2,770,490	2,920,108
Utilities	4,836,644	5,250,148	6,716,817	7,069,530	7,444,756	7,844,235	8,269,862	8,723,700	9,207,996	9,725,199	10,277,978
Gross Food Cost	6,439,287	7,003,565	7,392,494	8,104,236	8,535,662	9,017,778	9,542,636	9,974,075	10,487,043	11,036,902	11,619,833
Other Operating Expenses	6,953,135	7,801,653	6,952,743	7,283,940	7,588,808	7,950,582	8,374,956	8,687,696	9,113,044	9,659,937	10,236,316
<b>Total Operating Expense</b>	<b>40,860,283</b>	<b>44,148,588</b>	<b>46,803,864</b>	<b>48,912,495</b>	<b>51,126,626</b>	<b>53,532,141</b>	<b>56,110,844</b>	<b>58,566,825</b>	<b>61,304,162</b>	<b>64,292,399</b>	<b>67,441,263</b>
<b>Subtotal Operating Net Income (Loss)</b>	<b>18,116,137</b>	<b>19,334,110</b>	<b>17,210,281</b>	<b>17,335,760</b>	<b>17,833,994</b>	<b>18,432,153</b>	<b>19,027,671</b>	<b>19,242,140</b>	<b>19,526,216</b>	<b>19,837,342</b>	<b>20,251,950</b>
Debt Service	9,979,163	9,997,894	10,328,886	10,942,527	10,969,957	10,995,614	11,014,969	11,016,596	11,014,814	11,012,079	11,017,019
University Admin Fee	690,162	1,264,020	1,669,861	1,787,818	1,825,870	1,923,499	2,041,876	2,102,032	2,186,045	2,276,436	2,374,227
Revenue Fund to Reserve Fund	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Revenue Fund to Improvement Fund	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Capital Improvements - Improvement Fund	1,542,905	1,990,140	9,908,689	4,302,003	6,677,978	4,793,190	4,486,455	3,447,910	4,576,278	3,900,583	3,037,036
Capital Improvements - Surplus Fund	1,229,506	417,666	-	-	-	-	-	-	-	-	-
Non Capital Expenditures - Surplus Fund	18,563	4,604	-	-	-	-	-	-	-	-	-
	13,960,298	14,174,324	22,407,436	17,532,348	19,973,805	18,212,303	18,043,300	17,066,538	18,277,137	17,689,098	16,928,282
<b>Net Contribution (loss) to Surplus</b>	<b>4,155,839</b>	<b>5,159,785</b>	<b>(5,197,154)</b>	<b>(196,588)</b>	<b>(2,139,810)</b>	<b>219,849</b>	<b>984,371</b>	<b>2,175,601</b>	<b>1,249,078</b>	<b>2,148,244</b>	<b>3,323,667</b>
<b>Combined Surplus Balance</b>	<b>12,237,790</b>	<b>17,397,575</b>	<b>12,200,421</b>	<b>12,003,833</b>	<b>9,864,023</b>	<b>10,083,872</b>	<b>11,068,243</b>	<b>13,243,844</b>	<b>14,492,923</b>	<b>16,641,167</b>	<b>19,964,834</b>
<b>Debt Ratio</b>		<b>1.93</b>	<b>1.67</b>	<b>1.58</b>	<b>1.63</b>	<b>1.68</b>	<b>1.73</b>	<b>1.75</b>	<b>1.77</b>	<b>1.80</b>	<b>1.84</b>