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**IOWA STATE UNIVERSITY RECREATION FACILITIES EXPANSION
AND RENOVATION PROJECT**

Actions Requested: Consider the following approvals for the **Recreation Facilities Expansion and Renovation** project at Iowa State University, as outlined in this memorandum:

1. Project program statement.
2. Financing plan for the project, with an anticipated project budget of \$52,800,000, and adoption of a Resolution authorizing the Executive Director to fix the date(s) for the sale of up to \$54,000,000 Recreation Facilities Revenue Bonds, Series I.S.U.

(ROLL CALL VOTE)

Executive Summary: At its May 1, 2008 meeting, the Board granted the University permission to proceed with project planning for the **Recreation Facilities Expansion and Renovation** project. The project would upgrade the University's recreation facilities to expand student recreation offerings in response to student demand. At that meeting the Board asked the University to provide progress reports relative to student participation in the project. The steps the University has taken to encourage student involvement in the project are outlined in Attachment A.

The goals of the **Recreation Facilities Expansion and Renovation** project are to:

- Engage students and meet their recreational needs;
- Help students create lifelong habits that promote wellness;
- Bring recreational facilities into alignment with peer institutions;
- Address deferred maintenance and accessibility of existing recreational facilities; and
- Offer facilities and program that attract students to Iowa State University.

Program Statement: Although Board policy (9.06A) permits program statements to be approved by the Board Office, the University has requested that Board action be taken on the program summary (statement) for the **Recreation Facilities Expansion and Renovation** project. The project involves construction of an addition and major renovations to State Gym, targeted remodeling in Beyer Hall, and air conditioning improvements at the Lied Recreation Athletic Facility.

The project includes 166,495 gross square feet (GSF), including 91,800 GSF of new building space – the addition to State Gym. The renovation of State Gym will create dramatically improved recreation space. Beyer Hall will receive minor renovations to 7,500 net assignable square feet; the project will incorporate an elevated connection, seen as important to students, between State Gym and Beyer Hall.

The project also provides new air / space conditioning at the Lied Recreation Athletic Facility, including air conditioning of approximately 52,900 net assignable feet of space, including the

weight / fitness area, upper level jogging track, handball / racquetball courts, wrestling room and locker rooms. The massive volumes of space in the main gymnasium and lobby will not be air conditioned at this time; rather they will be partially tempered and conditioned to dramatically improve space temperatures and temperature ranges, while avoiding very high long-term operational expense.

The new and renovated spaces outlined in the building program (see page 4) are designed to serve the student population for open recreation, leisure, wellness, intramural, fitness, outdoor recreation, and club sport activities. Other members of the campus community may also use the facilities.

Financing Plan: The University transitioned the Department of Recreation Services to an auxiliary enterprise on July 1, 2008. The Department is responsible for recreation operations, facilities, deferred maintenance, and planned and preventive maintenance associated with Beyer Hall, State Gym, the Lied Recreation Athletic Facility, all outdoor recreation field areas, and any new facilities that may be constructed in the future for student recreation. It is envisioned that the Recreation Services system will operate on a combination of revenue streams including student fees, general university support and generated revenue.

The **Recreation Facilities Expansion and Renovation** project would be funded by proceeds from the sale of two series of 25 year maturity revenue bonds, with funding for annual debt service to come from revenues of the Recreation Services Enterprise. (The anticipated total bond issuance is \$52.8 million.) The first series of bonds for the project is expected to be issued in the spring of 2009. (See Agenda Item 16 for the proposed bond issuance schedule for calendar year 2009.)

Based upon schedules prepared by the Board's financial advisor, Springsted, Inc., total annual debt service payments would range from a low of \$1.5 million in FY 2010 to a high of \$4.1 million in FY 2014 and subsequent years. Springsted's projections are based upon double tax-exempt bond sales with a true interest cost averaging 5.7%.

The University's student fee proposal for the 2009-2010 year is to increase recreation-related fees by an inflationary amount (\$2.40, 4.0%) and add a \$40 academic year fee (\$20 for the summer session) for architectural, design, and construction start-up costs of the project. Preliminary consideration of tuition and related fees for the next academic year is included in Agenda Item 8.

The University reports that if the Recreation Facilities Renovation and Expansion project were not to be approved by the Board, the proposed \$40 fee for the 2009-2010 academic year would still be needed to address the deferred maintenance needs of the enterprise. University data provided for the most recent Facilities Governance Report (February 2008) estimated the amount of deferred maintenance in State Gym, Beyer Hall and Lied Recreation Athletic Facility at approximately \$10.2 million.

The University has proposed transitioning from multiple fees related to recreation to one recreation fee which would include programming, operations and a facility component, as outlined below. Since this fee includes a variety of components, it will be listed separately on proposed fee schedules (See Agenda Item 8.) To illustrate the historical perspective, program and facility specific amounts are listed from FY 2009 through FY 2012 although the University proposes that the total system fee concept take effect in FY 2010. The percentage increase in the fee from

FY 2009 to FY 2010 would be 42.7%; the increase from FY 2009 to FY 2012 when the fee is fully implemented would be 214.8%.

Transitioning from Multiple Fees to One Enterprise Fee¹

Fiscal Year	Current Fee Program/Oper	Lied Rec. Debt Service ²	Ice Arena Debt Service ²	New Facility Fee	Total Recreation
2009	\$ 60.40	\$30.50	\$8.40		\$ 99.30
2010	93.30		8.40	\$ 40.00	141.70
2011	104.50			40.00	144.50
2012	107.63			214.00	312.63
2013 ³					331.28

¹ Fees are per academic year; summer session fees are one-half of the above amounts.

² Upon retirement of existing debt, fees will continue to support deferred maintenance, equipment replacement, and future facility improvements of the Recreational Enterprise.

³ The total fee is anticipated to increase at a rate of 2.5% to 3.0% beginning in FY 2013.

The University has developed a pro forma for the Department of Recreation Services showing both the proposed revenues and expenditures of the Department. The pro forma through FY 2020 is included as Attachment B; the out years of the pro forma are available from the Board Office. The pro forma includes an anticipated annual increase in the recreation fee ranging from 2.5% to 3% per year beginning in FY 2013. (Specific annual rate increases will be submitted for Board of Regents approval as part of the annual mandatory fee proposals.)

The University reports that the pro forma is conservative; no interest income from the bond proceeds is included, student FTEs are based on Fall 2007 projections which are lower than current projections, and work study support is generally higher than shown. The University support line item includes facilities, utilities and salaries. The facilities component is constant over time; annual utility and salary increases are projected at 10% and 3%, respectively.

After receipt of the financing plan, the Board is asked to consider adoption of a resolution authorizing the sale of one or more issues of Recreation Facilities Revenue Bonds to finance the project.

Details of Project:

Recreation Facilities Expansion and Renovation

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed with Project Planning		May 2008	Approved
Initial Review and Consideration of Capital Project Evaluation Criteria		May 2008	Received Report
Program Statement		Oct. 2008	Requested
Financing Plan		Oct. 2008	Requested

Detailed Building Program

State Gymnasium Addition

Gymnasia	20,300	
Fitness/Free Weights	15,500	
Aquatic Facilities/Recreational Pool	11,000	
Jogging/Walking Track	7,000	
Group Exercise/Multi-Purpose Activity Rooms	5,000	
Recreation Locker Rooms	4,520	
Main Lobby/Control Desk	1,700	
Climbing/Bouldering Wall	1,200	
Drinks/Snacks/Vending	<u>700</u>	
Total Net Assignable Space		67,420 nsf
Total Gross Square Feet		91,800 gsf
Anticipated Net-to-Gross Ratio = 73 percent		

State Gymnasium Renovation

Gymnasia	14,750	
Outdoor Recreation	9,570	
Club Sports/Multi-Purpose Activity Rooms	5,350	
Recreation Offices/Conference Room	3,520	
Fitness Assessment	2,450	
Equipment/Laundry	<u>3,757</u>	
Total Net Assignable Space		39,397 nsf
Total Gross Square Feet		66,595 gsf
Anticipated Net-to-Gross Ratio = 59 percent		

Beyer Hall Remodeling

Recreation Locker Rooms	3,600	
Multi-Purpose Activity Rooms	1,750	
Control Desk/Vending	900	
Support Areas	800	
Wet Training Room	<u>400</u>	
Total Net Assignable Space		7,450 nsf
Total Gross Square Feet		8,100 gsf
Anticipated Net-to-Gross Ratio = 92 percent		

Detailed Building Program (continued)

Lied Recreation Center – Air Conditioning Improvements

Fitness Areas/Free Weights	14,108	
Jogging/Walking Track	13,104	
Locker Rooms	11,994	
Handball/Racquetball Courts	7,200	
Wrestling Room	<u>6,528</u>	
Total Net Assignable Space	52,934	nsf
Total Gross Square Feet	53,500	gsf
Anticipated Net-to-Gross Ratio = 99 percent		

Additional Information: Under the provision 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.

A copy of the resolution authorizing the Executive Director to fix the 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.

**STUDENT PARTICIPATION IN PLANNING RECREATION FACILITIES EXPANSION
AND RENOVATION PROJECT**

To encourage student involvement in the **Recreation Facilities Expansion and Renovation** project the University took the following steps:

- Created a planning committee to make key decisions on the project and participate intensively with the architects and facility planning staff. The committee consists of seven staff and eight students. In addition to students representing key constituencies such as student government, the residence halls, and the Greek community, those opposed to the project were also invited to participate.
- Created an advisory committee to directly reach a broad constituency base and provide guidance and insight into key issues and assure the continual alignment of the project with its goals. This committee consists of 27 students plus one representative each from the Faculty Senate and the Professional & Scientific Council.
- Invited students to participate in focus group sessions on July 24, 2008. Attendees included student users of the recreation facilities, student government leaders, members of the project advisory committee, members of the Greek community, and off-campus students.
- Surveyed 22,907 students on July 30, 2008. Two thousand five hundred and four (2,504) students responded (a response rate of 10.9%). The student input affirmed key elements of the building program, including conditioned air at the Lied Recreation Athletic Center and an elevated connection between State Gym and Beyer Hall. The survey was also an opportunity to reach entering students, an audience which had not yet been queried. (This group is important, because during their tenure at the University, these students will pay the higher fee.)
- Held town hall meetings on July 30, 2008 and August 24, 2008.
- Created and maintain a project website at <http://saff.public.iastate.edu/recrenovations.php>. In addition to providing background information and regular updates, the website offers the opportunity to ask questions through a designated e-mail account, as well as the option to sign up for an email newsletter about the project.
- Invited participation from the *Iowa State Daily*, the student newspaper.
- Created a communications committee to facilitate the flow of information regarding the progress of the project to the campus community.

Iowa State University
Department of Recreation Services
Proforma

	FY 08 Actual	FY 09 Budgeted	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Departmental Revenue:													
University Support	538,140	1,419,692	1,477,908	1,540,784	1,608,749	1,682,278	1,761,890	1,848,154	1,941,697	2,043,207	2,153,437	2,273,218	2,403,461
Athletic Dept. Support		154,500	162,225	170,336	178,853	187,796	197,186	207,045	217,397	228,267	239,680	251,664	264,247
Student Fee Funding	1,379,644	1,479,347	3,291,377	3,567,753	7,896,757	8,148,733	8,304,137	8,489,822	8,659,559	8,872,171	9,119,334	9,347,317	9,581,000
Generated Revenue:													
Facility User Fee Total:	191,462	209,000	215,270	221,728	268,380	276,431	284,724	293,266	302,064	311,126	320,460	330,073	339,976
Facility Rental Total:	81,662	68,000	71,400	74,970	78,719	82,654	86,787	91,127	95,683	100,467	105,490	110,765	116,303
Misc. Program Revenue	123,577	139,850	141,249	142,661	144,088	145,528	146,984	148,454	149,938	151,438	152,952	154,481	156,026
Total Revenue:	2,314,485	3,470,389	5,359,429	5,718,232	10,175,546	10,523,422	10,781,707	11,077,868	11,366,338	11,706,675	12,091,353	12,467,519	12,861,013
Departmental Expenditures:													
Human Resource Services	933,738	1,026,758	1,067,828	1,110,541	1,274,963	1,325,962	1,379,000	1,434,160	1,491,526	1,551,187	1,613,235	1,677,764	1,744,875
Central Admin Service/Supply	73,136	70,364	72,475	74,649	78,889	81,256	83,693	86,204	88,790	91,454	94,198	97,024	99,934
IT Services/Communication	84,534	135,440	139,503	143,688	167,999	173,039	178,230	183,577	189,084	194,757	200,600	206,618	212,816
Recreational Programming	473,160	530,330	546,240	562,627	599,506	617,491	636,016	655,096	674,749	694,992	715,842	737,317	759,436
Facility Management/Operations													
Hourly Wage/Benefits	292,511	325,917	335,695	345,765	506,138	521,322	536,962	553,071	569,663	586,753	604,355	622,486	641,160
Offset for projected Work-Study savings		(53,000)	(53,530)	(54,065)	(54,606)	(55,152)	(55,704)	(56,261)	(56,823)	(57,391)	(57,965)	(58,545)	(59,130)
Equipment/Supplies	151,246	151,900	156,457	161,151	177,985	183,325	188,824	194,489	200,324	206,333	212,523	218,899	225,466
Maintenance/Repair	78,507	67,100	69,113	71,186	93,322	96,122	99,005	101,975	105,035	108,186	111,431	114,774	118,218
Facility and Flood Insurance	9,832	9,975	33,224	34,221	44,697	46,038	47,419	48,842	50,307	51,816	53,371	54,972	56,621
Facility Assessment Study	23,413												
Misc. Expenses	14,283	10,795	11,119	11,452	21,796	22,450	23,123	23,817	24,532	25,268	26,026	26,806	27,611
Administrative Service Fee	10,931												
Facility Service Charges		482,367	496,838	511,743	866,362	892,353	919,124	946,698	975,099	1,004,352	1,034,482	1,065,517	1,097,482
Utility Charges		566,094	622,703	684,974	1,013,355	1,114,691	1,226,160	1,348,776	1,483,653	1,632,019	1,795,220	1,974,742	2,172,217
Ice Arena Trust Fund/State Audit	2,198	3,000	3,000	23,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Expenditures:	2,147,489	3,327,040	3,500,665	3,680,933	4,810,407	5,038,895	5,281,853	5,540,444	5,815,939	6,109,724	6,423,317	6,758,373	7,116,705
Net Prior to Debt and Capital	\$ 166,996	\$ 143,349	\$ 1,858,764	\$ 2,037,298	\$ 5,365,139	\$ 5,484,526	\$ 5,499,854	\$ 5,537,423	\$ 5,550,400	\$ 5,596,951	\$ 5,668,036	\$ 5,709,146	\$ 5,744,308
System Debt Service			\$ 1,451,075	\$ 2,883,825	\$ 2,883,825	\$ 3,283,825	\$ 3,668,825	\$ 4,087,425	\$ 4,085,863	\$ 4,079,638	\$ 4,069,225	\$ 4,054,475	\$ 4,085,600
Capital Reinvestment					\$ 950,000	\$ 924,000	\$ 3,048,720	\$ 874,182	\$ 1,700,407	\$ 1,277,419	\$ 4,736,242	\$ 1,258,899	\$ 1,028,416
Net to Fund Balance	\$ 166,996	\$ 143,349	\$ 407,689	\$ (846,527)	\$ 1,531,314	\$ 1,276,701	\$(1,217,691)	\$ 575,816	\$(235,870)	\$ 239,894	\$(3,137,431)	\$ 395,772	\$ 630,292
Cash from Lied Reserves			356,139										
Cash from Ice Arena Reserves			103,742										
Ending Fund Balance:	\$ 1,137,392	\$ 1,280,741	\$ 2,148,311	\$ 1,301,784	\$ 2,833,098	\$ 4,109,800	\$ 2,892,108	\$ 3,467,925	\$ 3,232,055	\$ 3,471,949	\$ 334,518	\$ 730,289	\$ 1,360,581
Coverage Ratio			2.16	1.45	2.31	2.53	2.62	2.06	2.21	2.16	2.25	1.49	1.58
FTE's per year	48,767	48,985	49,383	49,381	49,104	49,195	48,673	48,312	48,076	48,055	48,189	48,189	48,189
Total Student Program Fee per FTE	27.96	30.20	66.65	72.25	160.82	165.64	170.61	175.73	180.12	184.63	189.24	193.97	198.82
Total Student Debt Fee per FTE	19.45	19.45	4.20										
Total Combined Student Fee per FTE	47.41	49.65	70.85	72.25	160.82	165.64	170.61	175.73	180.12	184.63	189.24	193.97	198.82