

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Residence System Fund Transfer
Date: April 9, 2001

Recommended Action:

Approve the transfer of \$1.8 million from the Residence System (Dormitory) Surplus Fund to the Improvement Fund.

Executive Summary:

The covenants of the Iowa State University Residence System (Dormitory) Revenue Bonds allow for the transfer of net revenues of the dormitory system from the Surplus Fund to the Improvement Fund upon approval of the Board of Regents. Monies must first be transferred to the Improvement Fund before they can be expended for improvements to residential and dining facilities. Iowa State University requests the transfer of \$1,791,400 from the Surplus Fund to the Improvement Fund.

Background:

In 1964, the Board authorized the sale of Residence System (Dormitory) Revenue Bonds for the purpose of paying the cost of constructing and equipping dormitories and related facilities and refunding outstanding revenue notes at Iowa State University.

Since that time, the Board has authorized the sale of various issues of Residence System (Dormitory) Revenue Bonds, which are parity bonds, subject to the conditions and restrictions as set forth in the original bond issuance of 1964.

As of June 30, 2000, the remaining principal outstanding on these bonds was \$81,820,000.

The bond resolution stipulates that revenues be set aside from the net rents, profits, and income derived from the facilities to the:

- Sinking Fund sufficient for the principal and interest payment that will become due and payable on and prior to the next succeeding July 1;
- Reserve Fund after making the required payments into the Sinking Fund;
- Improvement Fund after making the required payments into the Sinking Fund and Reserve Fund; and
- Surplus Fund for all remaining monies not accounted for in other funds.

The total amount of the Reserve Fund is not to exceed the maximum amount of principal and interest (debt service payment) due in any fiscal year, the excess may be transferred to the Improvement Fund or used to purchase or redeem bonds.

The Improvement Fund is used to pay extraordinary costs of maintaining facilities in an efficient operating condition and to pay the cost of purchasing or constructing buildings for use as residence halls and dining facilities.

Although the bond covenants require a minimum annual transfer of \$300,000 to the Improvement Fund from annual operating revenues, the Board of Regents may approve transfers to the Improvement Fund in excess of this amount.

Sums which are not required to be deposited into any of the other designated funds may, at the discretion of the Board, be used to pay any university overhead expenses attributable to the operation of the system, be transferred to any of the other special funds, or be used for any other lawful purpose connected with the system as the Board may direct.

The university requests approval to transfer \$1,791,400 million from the Surplus Fund to the Improvement Fund.

As of June 30, 2000, the Surplus and Improvement Funds had a combined cash balance of \$10.7 million.

Subject to approval of the university's request, the estimated balance of the Surplus Fund at June 30, 2001, would be \$8.7 million.


Deb A. Hendrickson

Approved: 
Frank J. Stork