

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Proposed Two-Year Rate Plan for Residence System  
**Date:** July 7, 2003

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**Recommended Action:**

Approve the University of Northern Iowa's Two-Year Advantage pilot program for the residence system for a period not to exceed three years, with the understanding that the program will be evaluated by the University on an annual basis.

**Executive Summary:**

**New Proposal** The University of Northern Iowa proposes to offer a pilot program titled "Two-Year Advantage" to students who choose to live on campus in the residence halls and commit to a two-year contract.

This program would keep residence system housing and dining rates at the same level in the second year of a two year contract for students and families who choose this option. Other incentives are added to the plan, including an opportunity to move in early without additional expense to the students.

The initial pilot program would be administered over a three-year period beginning with the fall semester of 2003 and continuing through the 2005-06 academic year.

**Rationale** On campus occupancy in residence halls has declined for the past two years and is expected to decline even further for the 2003-04 academic year. In fall 2001, the residence system had 4,613 students living on campus. This number declined to 4,121 students in fall 2002, and the University is expecting 3,800 students in fall 2003. This represents a decline of 813 students (17.6%) over a two-year period.

With the decline from fall 2001 to fall 2002, the Department of Residence reduced expenses to adjust for the lower revenue. Since the projections for fall 2003 are even lower, the Department has explored various options to stop the decline and believes that the Two-Year Advantage program is the best alternative at this time.

If the program is not successful and occupancy continues to decline, the University will have to find other ways to further reduce expenses or increase occupancy.

**FY 2004 Budget Impact** This program will not affect the FY 2004 Department of Residence budget. Rates for FY 2004 were approved by the Board in April 2003. The final FY 2004 budget (G.D. 5c) is based upon single-year contracts, the first year of the two-year pilot program.

**Bond Covenant Requirements**

Because the UNI Residence System is a bonded enterprise, the Board Office consulted with Ahlers Law Firm, the Board's bond counsel, to determine whether such a program would be allowable per the bond covenants.

Section 5.06 of the Bond resolution requires that the UNI Residence System maintain certain financial conditions. While this section would allow the Two-Year Advantage pilot program, it also requires that rates be fixed annually to cover the cost of operations and maintenance and to provide 135% coverage of the principal, interest, and reserve fund.

Should Residence System revenues fall below this required amount, the Board would be required to raise rates. The increase in rates would impact those students not participating in the Two-Year Advantage program as well as new students in the Residence System.

**Strategic Plan:**

The Board's strategic plan, Key Result Area 4 on accountability, requires the Board to exercise effective stewardship of institutional resources including facilities to maintain the confidence and support of the public in the utilization of existing financial resources.

Additionally, the covenants for bonds issued for the residence systems require the Board and the institutions to keep the facilities in good repair, working order, and operating condition.

Each residence system is expected to operate its system on a revenue-producing basis, and use and apply its resources appropriately.

**Background:**

Each university's Department of Residence has many responsibilities, including managing residence hall and apartment utilization as well as summer conference housing; providing social, cultural, and educational programs such as learning communities and student councils; and providing dining services including catering, convenience stores, nutrition education, athletic department support, and child care support.

The residence systems are self-supporting operations and do not receive state-appropriated funds for operations or capital improvements.

Annually, the Board received a Governance Report on University Residence Systems that includes five-year plans, preliminary budgets, and proposed rate increases.

The following table shows UNI's Department of Residence rate increases for the past four years as well as the current rates for double occupancy residence hall rooms with full board contracts.

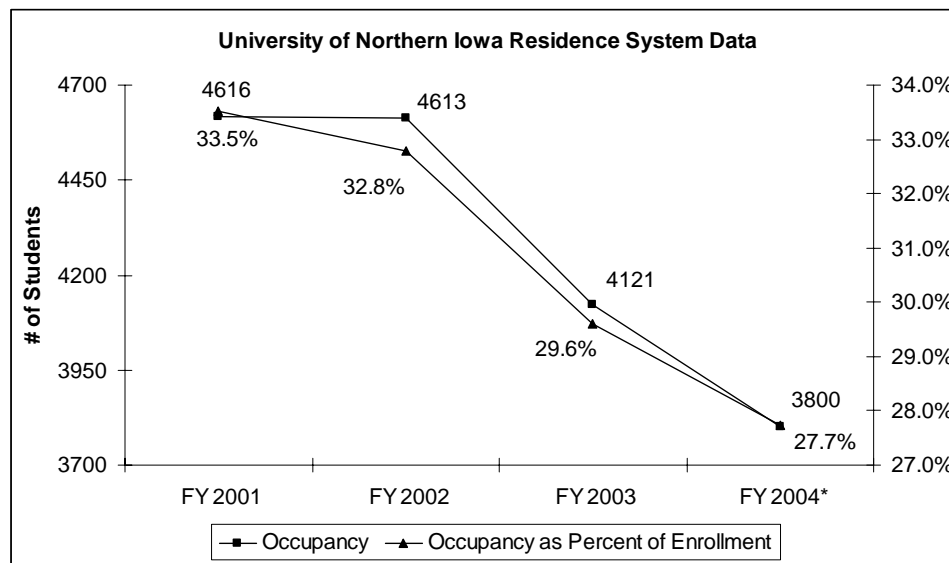
	<u>Double Occupancy Room and Full Board</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
FY 2000	\$3,914	\$290	8.0%
FY 2001	4,149	235	6.0%
FY 2002	4,398	249	6.0%
FY 2003	4,640	242	5.5%
FY 2004	4,918	278	6.0%

**Analysis:**

New Proposal	The UNI Department of Residence proposes to offer a two-year housing and dining contract to students who choose to live on campus in residence halls including ROTH, Residence on the Hill. For students and families who choose the two-year contract, their room and board rates would remain the same during the two-year period, with no increase.
Features	Features of the Two-Year Advantage program include: <ul style="list-style-type: none"><li>• Rates remain the same for students in year one and two of the contract;</li><li>• Students can move in early without a fee; and</li><li>• The \$200 prepayment associated with Residence System contract would be waived for the second year of the contract.</li><li>• Emphasis will be focused on new residents.</li></ul>
Benefits	The Two-Year Advantage program would provide the following benefits: <ul style="list-style-type: none"><li>• Encourages families and students to commit to living on campus beyond one year;</li><li>• Assists families to budget for higher education;</li><li>• Assists families to address the pressures students have to move off campus earlier;</li><li>• Helps build and maintain the university community;</li><li>• Reduces the need to require students to live on campus; and</li><li>• Helps protect the Department of Residence financially and programmatically.</li></ul>
Terms and Conditions	The terms and conditions are similar to existing policies. First Year <ul style="list-style-type: none"><li>• Maintains current annual contract schedule for refund and cancellation liability which includes:<ul style="list-style-type: none"><li>○ Thirty percent (30%) liability of the price of room / full meal plan that is in place at the time of cancellation if the student continues enrollment at UNI.</li><li>○ Committee to review exceptions to contract and liabilities, if requested.</li><li>○ Prorated room / meal charges to date of cancellation.</li></ul></li></ul> Second Year <ul style="list-style-type: none"><li>• Cancellation liability includes:<ul style="list-style-type: none"><li>○ Thirty percent (30%) liability of the price of room / full meal plan that is in place at the time of cancellation if the student continues enrollment at UNI.</li><li>○ Committee to review exceptions to contract and liabilities, if requested.</li><li>○ Prorated room / meal charges to date of cancellation.</li></ul></li></ul>

Rationale

On-campus occupancy in residence halls, as well as occupancy as a percent of enrollment, have declined for the past two years and are expected to be lower for the 2003-04 academic year as illustrated in the following graph.



While enrollment has decreased during this period by 0.5%, the decrease is significantly less than the decrease in occupancy of 17.8%.

The primary reasons for the reduced occupancy include:

- Reduced first year enrollment; and
- A larger number of students moving off campus after one year of on-campus residency.

The University believes that this pilot program would reverse that trend and increase the numbers of students choosing to live in the residence halls for another year.

Reversing this trend has significant financial importance to the system and the University, as well as benefits to students and their families.

- National and campus research shows that the more years students reside on campus, the more likely they are to persist towards graduation.
- Currently, UNI students in all classifications who live on campus have higher grade point averages.

Families and students will benefit from students living on campus longer, not less. At the same time, the Residence System will benefit financially by increasing the occupancy. The University believes that this program will increase occupancy and total revenues to the system more than revenue being lost due to second year students not being subject to the rate increases.

During five summer orientation sessions, families and students were introduced to this proposed offering. Parents expressed considerable interest. Over 50 contract changes have been requested for a Two-Year Advantage contract.

While the University believes the orientation sessions affirm its position that a Two-Year Advantage program will achieve its intended goals, it may be difficult to attain success during the first year due to the timing and limited promotion of the plan. The University is confident the plan will be successful over the three years of this pilot program.

If the program is not successful and occupancy continues to decline, the University will have to find other ways to further reduce expenses or increase enrollments.

The University has consulted with another institution facing similar challenges that implemented this type of program successfully.

Budget Impact

This program does not affect the FY 2004 Department of Residence budget; residence system rates are set and the revised budget is based upon single-year contracts.

The University used a model that indicates the Two-Year Advantage program will not create additional expense to students on a one-year contract because the occupancy growth will off-set the costs associated with maintaining the rates for those on a two-year contract. Without the Two-Year Advantage, the University believes it is likely that occupancy will decrease further.

Numerous other variables exist that will impact the department's budget in future years including enrollment, management of expenses, and growth of miscellaneous income and personnel. The Two-Year Advantage program should help to address occupancy, which is an important element to the development of the budget.

  
Deb A. Hendrickson

Approved:   
Gregory S. Nichols