

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Preliminary FY 2001 Operating Budget – Iowa Lakeside Laboratory
Date: June 5, 2000

Recommended Actions:

1. Consider the preliminary FY 2001 operating budget of \$433,554 for the Iowa Lakeside Laboratory as approved by the Lakeside Laboratory Coordinating Committee, including \$353,724 in general funds to be provided as follows:

	<u>Amount</u>
University of Iowa	\$174,879
Iowa State University	107,559
University of Northern Iowa	<u>71,286</u>
Total	\$353,724

2. Approve the purchase of three sections of a motel complex in Spencer, Iowa, and their relocation to the Laboratory to help improve housing, subject to approval of the financing by the Board (see G.D. 7).

Executive Summary:

Last month, the Lakeside Laboratory Director submitted and the Lakeside Laboratory Coordinating Committee approved a conceptual, status quo FY 2001 general fund operating budget plus funds for faculty salary increases. The Director has submitted and the Coordinating Committee has approved a detailed FY 2001 general fund operating budget totaling \$353,724 which is consistent with the conceptual budget previously approved.

The submitted total FY 2001 general fund budget is \$9,882 (+2.9%) higher than the approved FY 2000 general fund budget and is calculated based on a 4% average increase in the budgeted amount for faculty and staff salaries. The general fund budget for the Laboratory is provided by the universities; a recommended allocation is included above. Review and approval of the Laboratory's budget is consistent with the Board's Strategic Plan (Action Step 4.1.1.2) and provides effective stewardship of resources.

The Laboratory's general fund operating budget has increased at a lower rate than that of any other Regent institution during the last six years, and this has already forced Lakeside Laboratory to reduce expenditures to a minimum. Lakeside Laboratory does not receive any tuition revenues and consequently cannot offset cuts in its operational budget from tuition income.

In 1994, when the Board reorganized the administration and funding of Iowa Lakeside Laboratory, it established eight goals for the Laboratory; among these goals was improving the financial situation. Lakeside Laboratory's operational budget in FY 1995 was \$300,000. The FY 2000 operational budget is \$343,842, for a total increase of 14.6% over the last six years or 2.4% per year. For the first four of the last six fiscal years, Lakeside Laboratory's budget was inadequate to meet its fixed expenses (staff and faculty salaries, utilities, maintenance, etc.) and only in FY 1999 was Lakeside Laboratory, for the first time, able to balance its operating budget.

The Lakeside Laboratory Coordinating Committee requests that the Board approve the purchase and relocation to Iowa Lakeside Laboratory of three sections of a motel complex in Spencer, Iowa. The three sections, which total 14 rooms, would more than double Lakeside Laboratory's winterized housing. The estimated cost of purchasing the motel units, moving them to the Laboratory, constructing the foundations, demolishing the existing buildings and hooking up utilities is approximately \$147,000. Of this amount, \$20,000 would be provided by currently available housing revenues and the remaining funds would be borrowed through the Board's master lease agreement with Wells Fargo Brokerage Services, LLC (previously known as Norwest Investment Services). Board approval of the use of master lease financing is being sought this month (see G.D. 7).

Subject to approval of the purchase of the housing units, it is proposed that the room and board budget increase by 4%. FY 2001 room and board revenues would increase because new winterized housing units would replace existing unheated units. There would be a higher room and board rate for the winterized units to offset the higher utility costs associated with them.

Background:

In 1947, the Board of Regents was made responsible, under the terms of a trust, for the operation and management of Lakeside Laboratory, which has served as a biological field station since 1909. The Laboratory's campus is 140 acres of land located adjacent to Millers Bay and the west shore of West Okoboji Lake.

In the summer of 1993, the Board of Regents approved a three-year plan and a new organizational structure for the Lakeside Laboratory including a Lakeside Laboratory Coordinating Committee and a new directorship.

In June 1997, the Board received a comprehensive presentation on achievement of the eight goals established by the Board of Regents in 1994 for the Laboratory. These goals were:

1. Enhance the Instructional Program to include all of the environmental sciences and examine other programmatic possibilities consistent with the mission of the Laboratory.
2. Increase Enrollments with a goal of 80 students; course enrollments should meet the minimum criteria for a summer course offering at the universities.
3. Improve Financial Situation so that additional income is generated to put the financing of the Laboratory on a more stable basis; attention was to be given to the privatization of some functions.
4. Reexamine Curriculum to broaden the mission of the Laboratory to include all environmental sciences.
5. Improve Relations with the Lake Okoboji Community and incorporate this goal as a component of the year round program for the Laboratory.
6. Increase Scholarships from a variety of external sources.
7. Examine Distant Learning Potential to determine what courses could be brought to the area and to provide unique instruction to other areas.
8. Enhance Research Opportunities through the broadening of the scope of the instructional programs.

The Laboratory has achieved, and in some instances, exceeded, all goals except the one related to distance learning.

- The number of university courses increased from 9 to 10 to 16 to 18 per summer session with new courses in a variety of disciplines introduced. Enrollments increased significantly, exceeding the Regent goal of 80 students since the summer of 1995. New programs were initiated for residents and visitors to the Iowa Great Lakes community and for grade, middle and high school classes during the academic year.
- Substantial improvements have been made in working with the Okoboji community. Since 1996, the Friends of Iowa Lakeside Lab, Inc. have raised over \$900,000 to build and endow the new Waitt Water Quality Laboratory. The Friends are currently organizing an endowment campaign with a goal of \$1,000,000 to support environmental education and water quality research programs at the Laboratory.

In addition to the Waitt Water Quality Laboratory, other infrastructure improvements have been accomplished.

- In March 1995, the Board approved the acquisition, moving and setup of motel buildings from the Brooks Resort to provide improved housing for faculty and staff.
- The 1997 General Assembly appropriated \$140,000 for improvements at the Laboratory; these funds were used for improvements to the Mess Hall, including the addition of a west entry porch, insulation of the dining room, conversion of the east porch to a dining area, and the addition of heating, air conditioning and restrooms.
- In May 1999, the Board approved the donation of a house to the Laboratory by a local landowner; the house is used to provide needed housing.
- The sewer system has been repaired, new computers purchased and a new phone system installed.

Beginning with FY 1998, a budgeted account for the Laboratory was established at Iowa State University to improve the accounting of revenues and expenditures.

- This method differed from the previous method in which the universities were billed based upon Laboratory expenditures. For the period FY 1995 – FY 1997, Laboratory expenditures exceeded Board approved budgets by \$50,335.
- For FY 1999, the budget of the Lakeside Laboratory was increased to sustain the quality of the operations and educational programs and to ensure a balanced budget.
- The Board also requested that Iowa State University put into effect pre-audit controls beginning with FY 1999 to ensure that the expenditures of the program were within the Board approved budget.

Beginning with FY 2000, Iowa State University has funded a three-quarter time position to staff the Water Chemistry Lab, which is a central component of the Water Quality Lab facility.

At its February 2000 meeting, the Board approved changes in the structure of the Lakeside Laboratory Coordinating Committee. The provosts of each university are now the representatives of the universities on the Coordinating Committee and the specific duties of the Coordinating Committee have been detailed.

Analysis:

General Fund Operating Budget

The proposed general fund operating budget totals \$353,724. This amount is \$9,822 (+2.9%) higher than the approved FY 2000 general fund budget. The increase was calculated based on an average 4% increase in the faculty and staff salary lines.

The Director has proposed reallocating an additional \$5,000 from utilities to faculty salaries since many of the courses have been expanded from 3 to 4 weeks (credits). The increase in faculty teaching load has increased the overall summer faculty teaching budget. The utility savings result from a switch from propane to natural gas as the heating fuel.

Funding by the universities of the general fund portion of the budget is recommended as follows:

	<u>Amount</u>	<u>Percentage</u>
University of Iowa	\$174,879	49.4%
Iowa State University	107,559	30.4%
University of Northern Iowa	<u>71,286</u>	<u>20.2%</u>
Total	\$353,724	100.0%

Lakeside Laboratory does not receive tuition income. Tuition is retained by the Regent institution through which a student registers.

Request to Purchase Portions of a Motel Complex

One of Iowa Lakeside Laboratory's highest priorities is the continued upgrading of housing. Since most of the housing revenue is generated during the summer, building new housing is prohibitively expensive. To date, replacing existing housing with buildings moved to the campus has proven to be the only cost-effective way to upgrade the housing. In the last five years, two motel units and one house have been moved to campus.

The owners of the Grand Hotel in Spencer, Iowa, have recently sold the property for development. The three wings (units) of the motel, which was constructed in the 1960s, contain 14 rooms (approximately 3,800 square feet). Ten of the 14 rooms were remodeled in the last two years. The motel units, which are designed for year-round use, were inspected by personnel from ISU Facilities Planning and Management in early May of 2000 and found to be in excellent condition. All furnishings would be included in the proposed \$55,000 sale price, which is significantly below the assessed value of the buildings. The price also includes getting the motel units ready for moving.

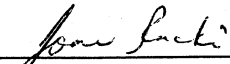
The total estimated cost of the project is \$147,000 or approximately \$40 / square foot and would include the purchase and move of the three units, construction of building foundations at the Laboratory, demolition of three existing housing units where the new units would be located, repair of the exteriors of the relocated units and hook-up of the units to utilities.

Subject to approval of the Board, \$127,000 of the total estimated cost of \$147,000 would be provided through the Board's master lease agreement. The amount is to be repaid over 10 years from housing revenues generated from the use of these units.

Room and Board Budget

Iowa Lakeside Laboratory also has a room and board budget with revenues generated from the room and board fees charged to students, researchers and visitors who live on campus. These revenues are used to cover the salaries of the business manager, the kitchen staff and cleaning staff, and all expenses associated with the running of the kitchen and housing facilities.

Subject to approval of the purchase and relocation of the housing units referenced above, the Laboratory seeks an increase of 4% in the room and board budget for FY 2001. A higher rate is currently charged for winterized housing units and the new housing units would replace three existing, unheated units, thereby generating increased revenues. These revenues would also help pay the semi-annual master lease payments for the funds borrowed to purchase and relocate the facilities.



Joan Racki

Approved: 

Frank J. Stork

IOWA LAKESIDE LABORATORY BUDGETS

	FY 2000 <u>Budget</u>	FY 2001 Proposed <u>Budget</u>
REVENUE		
University of Iowa	\$ 169,997	\$ 174,879
Iowa State University	104,555	107,559
University of Northern Iowa	<u>69,290</u>	<u>71,286</u>
Total General Fund	\$ 343,842	\$ 353,724
Room and Board Revenue*	\$ 76,760	\$ 79,830
TOTAL OPERATING REVENUE	\$ 420,602	\$ 433,554
EXPENDITURES		
99005 - Faculty Salaries	\$ 175,656	\$ 187,682
99010 - Prof/Scientific Salaries	48,220	50,148
99015 - General Services Salaries	19,224	19,993
99020 - Hourly Salaries	<u>3,952</u>	<u>4,110</u>
Subtotal	\$ 247,052	\$ 261,934
304 - Prof & Scien. Supplies	\$ 46,290	\$ 46,290
315 - Library Acquisitions	500	500
402 - Rentals	0	0
403 - Utilities	20,000	15,000
409 - Building Repairs	25,000	25,000
412- Aud. of State Reimbursement	0	0
501 - Equipment	5,000	5,000
803 - Student Aid	<u>0</u>	<u>0</u>
Subtotal	\$ 96,790	\$ 91,790
Total General Fund Expenditures	\$ 343,842	\$ 353,724
Room and Board Expenditures*	\$ 76,760	\$ 79,830
TOTAL OPERATING EXPENDITURES	\$ 420,602	\$ 433,554

* The salary of the business manager is paid out of room and board revenues.