

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Governance Report on University Residence Systems
Date: March 6, 2000

Recommended Actions:

1. Receive a summary report on university residence systems.
2. Refer to the individual university docket in docket items 13a through 13c:
 - a. Residence system FY 1999 annual reports;
 - b. Ten-year residence system plans for FY 2001-2010;
 - c. Proposed residence rate increases for academic year 2000-2001; and
 - d. Preliminary residence system budgets for FY 2001.

Executive Summary:

Residence systems, which include dining services, are operated by each of the Regent universities as part of their educational responsibilities. The residence systems improve the quality of students' university experiences through broad-based programs focused on educational, social, cultural, and recreational interests. The residence systems are self-supporting operations and do not receive state-appropriated funds for operations or capital improvements.

The Board's strategic plan, Key Result Area 4 on accountability, provides that the Board exercise effective stewardship of institutional resources including facilities, in order to maintain the confidence and support of the public in the utilization of existing financial resources. Additionally, the covenants for bonds issued for new construction and renovations of 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.

The residence systems reports are closely interrelated. Both the annual report and the ten-year plan provide necessary background to evaluate the rate proposals for the coming year. The preliminary budgets are based upon the proposed rates.

In order to increase room and board charges, the Board of Regents is required by Iowa Code §262.9.18 to take action no sooner than 30 days after notification of the proposed increase to presiding officers of each student government organization at each affected institution. The Board gives preliminary consideration to the residence system rates in March with final approval in April.

In accordance with the Board's budgeting process, the Board considers preliminary budgets more than once. The residence system budgets are given preliminary consideration in March, before final approval in July.

FY 1999 ANNUAL REPORTS

The university residence systems are in sound financial condition with adequate annual net revenues to maintain current facilities totaling over 6.4 million gross square feet.

During FY 1999, the residence systems housed 19,659 students, which represents 28.8% of total Regent student enrollment of 68,189. This compares to 18,940 students in residence systems during FY 1998, which represented 28.1% of total Regent student enrollment of 67,418.

Gross revenues for FY 1999 was \$83.9 million and total operating expenditures were \$63.3 million. This compares to gross revenues for FY 1998 of \$80.2 million and total operating expenditures of \$63.4 million. As of June 30, 1999, the outstanding principal of university dormitory bonds was: \$20.7 million for SUI, \$56.5 million for ISU, and \$19.0 million for UNI.

TEN-YEAR PLANS FY 2001 - FY 2010

Ten-year enrollment and occupancy projections indicate a steady demand for Regent residence system housing, which forms the basis of residence system financial forecasts.

PROPOSED RATES 2000-2001

The universities propose rate increases for 2000-2001 for a double occupancy room with 20 meals per week of 5.0% to \$4,398 for SUI, 6.3% to \$4,432 for ISU, and 6.0% to \$4,149 for UNI.

- These increases compare to average increases over the last ten years (ending Fall 1999) of 5.0% for SUI, 4.9% for ISU, and 5.8% for UNI.
- Current room and board rates compared to peer institutions are the lowest at SUI and ISU and third lowest at UNI.

FY 2000 BUDGET AND PRELIMINARY FY 2001 BUDGET

The revised estimates for FY 2000 show gross revenues of \$87.7 million, expenditures of \$65.6 million, and net revenues after debt service and mandatory transfers of \$10.8 million.

Preliminary budgets for FY 2001 show gross revenues of \$93.7 million, expenditures for operations of \$70.9 million, and net revenues after debt service and mandatory transfers of \$8.2 million. Revised FY 2000 budgets show gross revenues of

\$87.7 million, expenditures for operations of \$65.6 million, and net revenues after debt service and mandatory transfer of \$10.8 million.

Increases in the cost of operations in the proposed budgets for FY 2001 over the actual FY 1999 expenditures include: SUI at 3.1%, ISU at 16.2%, and UNI at 15.3%.

- Iowa State University will have an increase in debt service for Hawthorn Court phase I and phase II.
- The University of Northern Iowa will have increased debt service for the Redeker dining facility renovation.

In FY 2001, voluntary reserves, which can be used for operations and maintenance as well as repairs, renovations, and capital improvements, are estimated to be \$14.4 million at SUI, \$5.7 million at ISU, and \$3.6 million at UNI. Since depreciation allowance is not recognized on residence system building and equipment, it is important to maintain appropriate voluntary reserve levels to apply toward the costs of renovation and replacement.

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 Departments of Residence at the three Regent universities collectively maintain and operate a total of 6.4 million square feet of facilities. The replacement value of these facilities total \$1.01 billion.

Residence System Data

	Gross Square Feet	Facility Replacement Value	FY 1999 Gross Revenues	Outstanding Bonds (FY 1999)	Residence Hall Students (FY 1999)	Apartment Units (FY 1999)
SUI	2.2 million	\$370.9 million	\$26.9 million	\$22.3 million	5,546	748
ISU	2.7 million	409.5 million	37.8 million	57.6 million	7,532	935
UNI	1.5 million	230.8 million	19.2 million	19.8 million	4,457	362
Total	6.4 million	\$1,011.0 million	\$83.9 million	\$99.7 million	19,534	4,044

The majority of residence facilities on the Regent university campuses are more than 30 years old. In the 1960's, numerous bonds were sold for residence system construction.

In 1998, the Board requested that the universities place greater emphasis on long-term planning for significant renovations and capital replacement of the aging residence system facilities. The universities have completed more comprehensive ten-year plans and, as a result, require more bond financing to renovate or replace the aging facilities.

In the past two years, bonding activity for residence hall facilities has increased significantly. In 1998, ISU sold residence system bonds of \$14.0 million. In 1999, SUI sold residence system bonds of \$10.0 million, ISU sold \$16.9 million, and UNI sold \$7.0 million. More activity for residence system renovation is planned in 2000 and 2001.

The bond covenants for the residence systems require audit reports, which are annually provided to the Board.

Analysis:

FY 1999 ANNUAL REPORTS

The annual reports provide detailed information on various aspects of the residence systems for FY 1999 and include the most current residence system information for fall 1999 (FY 2000).

A. Enrollment

Total enrollment at the universities increased from Fall 1998 to Fall 1999 as did the number of lower division students (freshmen and sophomores).

Residence system usage is primarily a function of lower division undergraduate enrollment since a smaller percentage of upper class students choose to live in the residence systems.

Current enrollment data for the Regent universities are summarized below. Additional enrollment information is provided in the institutional reports.

FALL 1998 AND FALL 1999 ENROLLMENT

	Fall 1998		Fall 1999		Change in Enrollment 1997-98
	Enrollment	% of Total University	Enrollment	% of Total University	
<i>University of Iowa</i>					
Lower Division*	9,359	32.6%	9,502	33.3%	1.5 %
Total Undergraduate	19,241	68.3%	19,407	68.0%	(0.3)%
Total Enrollment	28,153		28,526		1.3 %
<i>Iowa State University</i>					
Lower Division*	10,076	39.4%	10,324	39.5%	2.5 %
Total Undergraduate	21,427	83.7%	21,901	83.9%	0.2 %
Total Enrollment	25,585		26,110		2.1 %
<i>University of Northern Iowa</i>					
Lower Division*	4,836	36.3%	5,036	37.2%	4.1 %
Total Undergraduate	11,764	88.3%	12,014	88.6%	0.3%
Total Enrollment	13,329		13,553		1.7%

*Includes freshmen and sophomores.

B. Occupancy

Current occupancy data is summarized in the following table.

	Residence Halls				Apartments				% of Enrollment Occupying University Housing	
	<u>Fall 1998</u>		<u>Fall 1999</u>		<u>Fall 1998</u>		<u>Fall 1999</u>		<i>Fall 1998</i>	<i>Fall 1999</i>
	Occupants	% of Design Capacity	Occupants	% of Design Capacity	# of Units Occupied	% of Design Capacity	# of Units Occupied	% of Design Capacity		
SUI	5,546 ¹	95.0%	5,585 ¹	95.7%	748	99.9%	744	99.5%	22.4%	22.2%
ISU	7,532	90.6%	7,751	94.4%	935	98.0%	724	95.3%	33.1%	32.5%
UNI	4,457	90.5%	4,492	91.2%	362	99.2%	363	100.0%	36.2%	35.8%

¹ Includes Writer's Workshop occupants.

Occupancy in residence halls and apartments, as a percentage of total enrollment, decreased slightly at all three institutions in Fall 1999, compared to Fall 1998. Residence hall occupancy for Fall 1999 increased 39 students at SUI (0.7%), 219 students at ISU (2.9%), and 35 students at UNI (0.8%), compared to fall 1998. Apartment occupancy decreased at SUI and ISU, and increased slightly at UNI in Fall 1999. Fall 1999 residence hall occupancy as a percentage of design capacity increased 0.7% at SUI, 3.8% at ISU, and 0.7% at UNI from Fall 1998.

As shown below, the percentage of lower division students living in residence halls in Fall 1999 as compared to Fall 1998 increased at all three Regent universities.

PERCENTAGE OF STUDENTS LIVING IN RESIDENCE HALLS

	SUI		ISU		UNI	
	<u>Fall 1998</u>	<u>Fall 1999</u>	<u>Fall 1998</u>	<u>Fall 1999</u>	<u>Fall 1998</u>	<u>Fall 1999</u>
Lower Division	52.8%	53.2%	58.1%	59.3%	67.0%	67.1%
Total Undergraduate	28.5%	28.5%	34.2%	34.6%	37.3%	36.9%
Total Students	19.7%	19.6%	29.4%	29.8%	33.4%	33.1%

C. Basic Room and Board Rates

Residence hall basic room and board rates at each Regent university are shown below for double occupancy and 20 meals per week.

				Proposed 2000-01		
	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Rate</u>
University of Iowa	\$3,825	\$3,988	\$4,188	\$210	5.0%	\$4,398
Iowa State University	\$3,647	\$3,922	\$4,171	\$261	6.3%	\$4,432
University of Northern Iowa	\$3,444	\$3,624	\$3,914	\$235	6.0%	\$4,149

The increases in basic room and board rates for Fall 1999 detailed above compare with average increases for the ten-year period ending Fall 1999 of 5.0% per year at SUI, 4.9% at ISU, and 5.8% at UNI.

Current room and board rates at the Regent universities remain among the lowest compared to selected peer institutions. SUI and ISU are the lowest and UNI is third lowest.

D. Financial Data

Residence system gross revenue decreased from the prior fiscal year at SUI due to a reduction in other income and increased over the prior fiscal year at ISU and UNI. Net revenue as a percentage of gross revenue in FY 1999 increased at SUI, ISU, and UNI compared to FY 1998. FY 1999 expenditures for operations compared to the previous fiscal year decreased at SUI and increased for ISU and UNI.

RESIDENCE SYSTEMS FY 1999 FINANCIAL DATA SUMMARY				
	(1) Actual FY 1998	(2) Actual FY 1999	(4) \$ Change (2) - (1)	(5) % Change (4) / (1)
University of Iowa				
Gross Revenue	\$27,009,348	\$26,900,700	\$(108,648)	(0.4)%
Expenditures for Operations	19,762,141	19,109,558	(652,583)	(3.3)%
Debt Service & Mand. Transfers	2,585,562	2,594,613	9,051	0.4%
Net Revenue*	\$4,661,645	\$ 5,196,529	\$534,884	11.5%
Net Revenue as % of Gross Rev.	17.3%	19.3%		
Iowa State University				
Gross Revenue	\$34,943,829	\$37,798,703	\$2,854,874	8.2%
Expenditures for Operations	28,818,607	28,914,527	95,920	0.3%
Debt Service & Mand. Transfers	2,087,855	3,273,000	1,185,145	56.8%
Net Revenue*	\$4,037,367	\$5,611,176	\$1,573,809	39.0%
Net Revenue as % of Gross Rev.	11.6%	14.8%		
University of Northern Iowa				
Gross Revenue	\$18,323,105	\$19,161,600	\$838,495	4.6%
Expenditures for Operations	14,820,178	15,289,700	469,522	3.2%
Debt Service & Mand. Transfers	1,806,175	1,792,548	(13,627)	(0.8)%
Net Revenue*	\$ 1,696,752	\$ 2,079,352	\$382,600	22.5%
Net Revenue as % of Gross Rev.	9.3%	10.9%		

* After expenditures for operations, debt service, and mandatory transfers.

E. Reserves

Voluntary reserves for the residence systems include the balances of the Revenue Fund, Operation and Maintenance Fund, Improvement Fund, and Surplus Fund but do not include Mandatory Reserve Funds. Mandatory Reserves for the residence systems include the balances of the Sinking Funds, Bond Reserve Funds, and Construction Funds, which are maintained as a condition of bonding. Since depreciation allowance is not recognized on the residence system buildings and equipment, appropriate voluntary reserve levels are maintained to cover the costs of renovation and replacement.

Voluntary reserve balances are shown below for each of the Regent universities:

	AT CLOSE OF FISCAL YEAR			
	FY 1998		FY 1999	
	Reserve Balance	Percent of Gross Revenues	Reserve Balance	Percent of Gross Revenues
University of Iowa	\$11,027,145	40.8%	\$13,099,137	48.7%
Iowa State University	\$5,227,267	15.0%	\$10,458,265	27.7%
University of Northern Iowa	\$3,750,323	20.5%	\$4,276,641	22.3%

Transfers from the Surplus Fund to the Improvement Fund are permissible under the bond covenants of the dormitory revenue bonds and are frequently made to fund renovation and capital improvements to the residence systems.

Transfers of \$2.8 million at SUI and \$1.9 million at UNI from the dormitory surplus funds to the improvement funds are being presented for Board approval at this month's Board meeting (institutional docket — SUI B-6 & UNI B-2).

F. Improvement and Repair Expenditures

FY 1999 plant improvement and repair expenditures excluding equipment replacement are summarized below:

RESIDENCE SYSTEMS PLANT IMPROVEMENT, REPAIR, AND MAINTENANCE EXPENDITURES* (Excludes Equipment Replacement) FY 1999					
	Gross Square Footage (GSF)	Building Replacement Value	FY 1999 Expenditures	Expenditures Per GSF	Expenditures as Percent of Replacement Value
SUI	2,238,830	\$370,938,000	\$6,344,173	\$2.83	1.7%
ISU	2,712,908	\$409,496,000	\$13,458,000 **	\$4.96	3.3%
UNI	1,484,751	\$230,883,000	\$2,966,337	\$2.00	1.3%
	6,436,489	\$1,011,317,000	\$22,768,510	\$3.53	2.3%

* Includes upgrades of existing facilities, not construction of new facilities.

** Includes \$10.2 million in renovations of Maple Hall

For FY 1999, plant improvement, repair, and maintenance expenditures totaled \$10.7 million, representing 1.1% of the total building replacement value of \$1.01 billion. To avoid deferred maintenance, the universities are continuing to upgrade and maintain the residence systems facilities by expending resources for plant improvement, repairs, and maintenance.

TEN-YEAR PLANS FY 2001 - FY 2010

Ten-year plans prepared by the universities include enrollment and occupancy projections, discussion of significant policy considerations, capital renewal plans, and financial forecasts for the next decade. The universities indicate that the single most important factor in the development of the ten-year plan is the projection of enrollment since estimates of housing demand, housing occupancies, needed capital improvements, operating revenues and expenses, and reserve balances are dependent upon the enrollment projections.

The following information presents a summary of projected trends in total enrollment, housing design capacity, housing occupancy, and occupancy ratios for the ten-year period.

TEN YEAR PROJECTED ENROLLMENT, HOUSING CAPACITY, AND OCCUPANCY									
	<i>University of Iowa</i>			<i>Iowa State University</i>			<i>University of Northern Iowa</i>		
	1999-00	2004-05	2009-10	1999-00	2004-05	2009-10	1999-00	2004-05	2009-10
Enrollment (Headcount)	28,846	29,320	29,122	26,110	27,233	26,675	13,553	13,938	13,764
Current Design Capacity*	6,277	6,209	6,209	8,889	10,881	10,881	5,290	5,288	5,288
Total Occupancy*	6,329	6,205	6,205	8,475	10,266	10,266	4,855	4,893	4,844
Occupancy Ratio	100.8%	99.9%	99.9%	95.3%	94.3%	94.3%	91.8%	92.5%	91.6%

* Includes residence halls and apartments.

The University of Iowa's ten-year plan includes \$32.0 million in capital projects to be financed from new revenue bond financing. Projects include system-wide fire safety/detection upgrades, food service remodeling in Burge, and Currier and Quad dining space renovations.

Iowa State University's ten-year plan includes \$38.7 million in capital projects to be financed from new revenue bond financing. Iowa State University completed a comprehensive master plan for the residence system, including halls, apartments and dining facilities, that was approved by the Board of Regents in July 1998. The master plan provides direction for future capital projects for several years and will help focus annual capital expenditures more effectively.

The University of Northern Iowa's ten-year plan includes \$20.8 million in capital projects to be financed from new revenue bond financing. The University proposes to address deferred maintenance and fire safety projects and make substantial facility improvements in residential and dining facilities over the next five years.

Enrollment projections for the three Regent universities are presented in greater detail in the ten-year plan summaries for the individual institutions (Attachment 1 in docket memos G.D. 13a (SUI), G.D. 13b (ISU), and G.D. 13c (UNI)). Ten-year estimates are stated in 1999-2000 dollars. No attempt has been made to estimate the effects of inflation.

PROPOSED RATES 2000-2001

Each of the Regent universities has proposed rate increases for residence hall room and board, and student apartment rents, for the 2000-2001 academic year. The proposed increases in the basic room and board rates form the basis for rate increases in other housing and dining contract choices.

	1999 - 2000 <u>Rate</u>	2000 - 2001 <u>Proposed Rate</u>	\$ <u>Increase</u>	% <u>Increase</u>
University of Iowa	\$4,188	\$4,398	\$210	5.0%
Iowa State University	\$4,171	\$4,432	\$261	6.3%
University of Northern Iowa	\$3,914	\$4,149	\$235	6.0%

1999 - 2000 <u>PROPOSED APARTMENT RATES</u>	
	<u>Average Increase</u>
University of Iowa	3.4%
Iowa State University	5.0%
University of Northern Iowa	5.6%

The proposed rates for 2000-2001 for residence hall double occupancy rooms, with 20 meals per week board contracts, are \$4,398 (5.0%) for SUI, \$4,432 (6.3%) for ISU, and \$4,149 (6.0%) for UNI. The proposed average apartment rate increases for 2000-2001 academic year are 3.4% for SUI, 5.0% for ISU, and 5.6% for UNI.

Proposed rate increases for all residence hall, board options, and apartment units of the individual universities are provided as Attachment 2 of docket memos G.D. 13a (SUI), G.D. 13b (ISU), and G.D. 13c (UNI).

FY 2000 BUDGET AND PRELIMINARY FY 2001 BUDGET

The preliminary FY 2001 budget proposals, summarized below, contain current FY 2000 Board approved revenue and expenditure detail and revised estimates, and preliminary budgets for FY 2001. Gross revenues for FY 2001 are expected to increase at SUI, ISU, and UNI, while net revenues are expected to decrease at each institution. Debt service and mandatory transfers in each case are expected to increase due to the issuance of additional bonds. Detailed budgets for the individual universities are provided as Attachment 3 of the docket memos G.D. 13a (SUI), G.D. 13b (ISU), and G.D. 13c (UNI).

	(1)	(2)	(3)	(4)	(5)	(6)
	Prior Year Actual FY 1999	Current Year Approved FY 2000	Current Year Revised Estimates FY 2000	Next Year Preliminary FY 2001	\$ Change (4) - (3)	% Change (5) / (3)
<i>University of Iowa</i>						
Gross Revenue	\$26,900,700	\$27,643,438	\$27,774,242	\$28,858,892	\$1,084,650	3.9%
Expenditures for Operations	\$19,109,558	\$20,872,589	\$19,060,940	\$19,694,215	\$633,275	3.3%
Debt Service & Mand. Transfers	\$2,594,613	\$3,151,114	\$3,463,309	\$4,709,802	\$1,246,493	36.0%
Net Revenue*	\$5,196,529	\$3,619,735	\$5,249,993	\$4,454,875	(\$795,118)	(15.1)%
Net Revenue as % of Gross Rev.	19.3%	13.1%	18.9%	15.4%	(3.5)%	(12.2)%
<i>Iowa State University</i>						
Gross Revenue	\$37,798,703	\$38,922,477	\$39,805,758	\$43,128,966	\$3,323,208	8.3%
Expenditures for Operations	\$28,914,527	\$31,428,127	\$30,372,853	\$33,606,638	\$3,233,785	10.6%
Debt Service & Mand. Transfers	\$3,273,000	\$3,911,153	\$5,599,530	\$6,543,307	\$943,777	16.9%
Net Revenue*	\$5,611,176	\$3,583,197	\$3,833,375	\$2,979,021	(\$854,354)	(22.3)%
Net Revenue as % of Gross Rev.	14.8%	9.2%	9.6%	6.9%	(2.7)%	13.1%
<i>University of Northern Iowa</i>						
Gross Revenue	\$19,161,600	\$19,942,457	\$20,097,663	\$21,709,359	\$1,611,696	8.0%
Expenditures for Operations	\$15,289,700	\$16,953,961	\$16,183,790	\$17,628,684	\$1,444,894	8.9%
Debt Service & Mand. Transfers	\$1,792,548	\$2,119,175	\$2,148,452	\$3,273,005	\$1,124,553	52.3%
Net Revenue*	\$2,079,352	\$869,321	\$1,765,421	\$807,670	(\$957,751)	(54.3)%
Net Revenue as % of Gross Rev.	10.9%	4.4%	8.8%	3.7%	(3.2)%	(43.8)%

* After expenditures for operations, debt service, and mandatory transfers.

Deb A. Hendrickson

Approved: _____
Frank J. Stork