

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Governance Report on University Residence Systems  
**Date:** March 12, 2001

**Recommended Actions:**

1. Receive a summary report on university residence systems.
2. Refer to the individual university docket in docket items 11a through 11c:
  - a. Residence system FY 2000 annual reports;
  - b. Ten-year residence system plans for FY 2002-2011;
  - c. Proposed residence rate increases for academic year 2001-2002; and
  - d. Preliminary residence system budgets for FY 2002.

**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 reports for each residence system 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.

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 scheduled for 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 2000 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 Fall 1999 (FY 2000), the residence systems housed 19,659 students, which represents 28.7% of total Regent student enrollment of 68,509. This compares to 19,580 students in residence systems during FY 1999, which represented 29.0% of total Regent student enrollment of 67,619.

Gross revenues for FY 2000 were \$90.9 million and total operating expenditures were \$65.8 million. These numbers compare to gross revenues for FY 1999 of \$83.9 million and total operating expenditures of \$63.3 million. As of June 30, 2000, the outstanding principal of university dormitory bonds was: \$35.2 million for SUI, \$81.8 million for ISU, and \$32.2 million for UNI.

### **TEN-YEAR PLANS FY 2002 - FY 2011**

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

### **PROPOSED RATES 2001-2002**

The universities proposed rate increases for 2001-2002 for a double occupancy room with full board are as follows:

	2000 - 2001	2001 - 2002	\$	%
	<u>Rate</u>	<u>Proposed Rate</u>	<u>Increase</u>	<u>Increase</u>
University of Iowa	\$4,398	\$4,671	\$273	6.2%
Iowa State University	\$4,432	\$4,666	\$234	5.3%
University of Northern Iowa	\$4,149	\$4,398	\$249	6.0%

These residence system increases compare to average increases over the last ten years (ending Fall 2000) of 4.4% for SUI, 5.1% for ISU, and 5.8% for UNI.

Current room and board rates compared to peer institutions are the lowest at SUI and the second lowest at ISU and UNI.

When combining the tuition and fee increases approved in Fall 2000 with the proposed residence system increases, the total incremental cost to an undergraduate student would be \$591 at SUI, \$544 at ISU, and \$559 at UNI.

ISU's increase in room rates is higher than what was presented to the Board in December as part of the Union Drive approval process.

## **FY 2001 AND PRELIMINARY FY 2002 BUDGET**

The revised estimates for FY 2001 show gross revenues of \$96.0 million, expenditures of \$71.2 million, and net revenues after debt service and mandatory transfers of \$14.6 million.

Preliminary budgets for FY 2002 show gross revenues of \$105.6 million, expenditures for operations of \$79.3 million, and net revenues after debt service and mandatory transfers of \$17.1 million.

Increases in operating expenditures in the proposed budgets for FY 2002 over the actual FY 2000 expenditures are: 23.6% at SUI, 17.8% at ISU, and 21.3% at UNI. Increases in debt service and mandatory transfers in the proposed budgets for FY 2002 over the actual FY 2000 debt service are: 60.9% at SUI, 61.3% at ISU, and 46.2% at UNI.

- The University of Iowa increase in debt service is due to fire safety/detection upgrades and the west campus food service consolidation at Hillcrest Residence Hall.
- Iowa State University increase in debt service can be attributed to recently constructed facilities (Hawthorn Court) and future planned projects (Union Drive Suite Building 1 and the Community Center.)
- The University of Northern Iowa increase in debt service is due to the Redeker Dining Center renovation.

In FY 2002, voluntary reserves, which are used for repairs and capital improvements, are estimated to be \$13.5 million at SUI, \$9.4 million at ISU, and \$5.2 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 \$1.04 billion.

**Residence System Data**

	<u>Gross Square Feet</u>	<u>Facility Replacement Value</u>	<u>FY 2000 Gross Revenues</u>	<u>Outstanding Bonds (FY 2000)*</u>	<u>Residence Hall Students (FY 2000)**</u>	<u>Apartment Units (FY 2000)**</u>
SUI	2.2 million	\$385.8 million	\$28.2 million	\$22.3 million	5,585	744
ISU	2.7 million	413.4 million	41.6 million	81.8 million	7,751	704
UNI	1.5 million	239.3 million	21.1 million	32.2 million	4,616	343
Total	6.4 million	\$1,038.5 million	\$90.9 million	\$136.3 million	17,952	1,791

\* As of June 30, 2000

\*\* Fall 1999

The majority of residence facilities on the Regent university campuses are more than 30 years old. In the 1960's, there were a number of bonds issued 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 three years, bonding activity for residence hall facilities has increased significantly as identified in the following table:

	<u>1998 (Millions)</u>	<u>1999 (Millions)</u>	<u>2000 (Millions)</u>
University of Iowa	---	\$10.0	\$16.0
Iowa State University	\$14.0	16.9	26.9
University of Northern Iowa	---	7.0	14.0

More activity for residence system renovation is expected for 2001. The bond covenants for the residence systems require audit reports, which are annually provided to the Board.

**Analysis:**

**FY 2000 ANNUAL REPORTS**

The annual reports provide detailed information on various aspects of the residence systems for FY 2000 and include the most current residence system information for Fall 2000 (FY 2001).

**A. Enrollment**

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

FALL 1999 AND FALL 2000 ENROLLMENT

	Fall 1999		Fall 2000		Change in Enrollment 1999-00
	Enrollment	% of Total University	Enrollment	% of Total University	
<i>University of Iowa</i>					
Lower Division*	9,502	32.9%	9,436	33.3%	(0.7)%
Total Undergraduate	19,537	67.7%	19,284	68.1%	(1.3)%
Total Enrollment	28,846		28,311		(1.9)%
<i>Iowa State University</i>					
Lower Division*	10,324	39.5%	10,489	39.1%	1.6%
Total Undergraduate	21,901	83.9%	22,087	82.3%	0.8%
Total Enrollment	26,110		26,845		2.8%
<i>University of Northern Iowa</i>					
Lower Division*	5,036	37.2%	5,217	37.9%	3.6%
Total Undergraduate	12,014	88.6%	12,255	89.0%	2.0%
Total Enrollment	13,553		13,774		1.6%

\*Includes freshmen and sophomores.

Total enrollment and the number of lower division students (freshmen and sophomores) decreased at the University of Iowa from Fall 1999 to Fall 2000 while the numbers increased for Iowa State University and the University of Northern Iowa during this period. 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.

## B. Occupancy

Current occupancy data is summarized in the following table.

	Residence Halls				Apartments				% of Enrollment Occupying University Housing	
	<i>Fall 1999</i>		<i>Fall 2000</i>		<i>Fall 1999</i>		<i>Fall 2000</i>		<i>Fall 1999</i>	<i>Fall 2000</i>
	Occupants	% of Design Capacity	Occupants	% of Design Capacity	# of Units Occupied	% of Design Capacity	# of Units Occupied	% of Design Capacity		
SUI	5,585	95.7%	5,494	94.4%	744	99.5%	746	99.9%	21.9%	22.0%
ISU*	7,751	94.4%	7,752	95.0%	724	95.3%	1,581	89.4% **	32.5%	34.8%
UNI	4,492	91.2%	4,616	93.8%	363	100.0%	343	94.5%	35.8%	36.0%

\* ISU has accounted for Hawthorn Court Apartments in various ways. For the purpose of this report, it is included in apartments.

\*\*Hawthorn Court apartments were not completely finished at the beginning of the semester, therefore, occupancy is lower than would be expected.

Occupancy in residence halls and apartments, as a percentage of total enrollment, increased slightly at all three institutions in Fall 2000, compared to Fall 1999. Residence hall occupancy for Fall 2000 decreased 91 students at SUI (-1.6%), and increased 1 student at ISU (0.0%) and 124 students at UNI (2.8%), compared to Fall 1999. Apartment occupancy increased at SUI and ISU, and decreased at UNI in Fall 2000. Fall 2000 residence hall occupancy as a percentage of design capacity decreased at SUI, and increased at ISU and UNI from Fall 1999.

As shown below, the percentage of lower division students living in residence halls in Fall 2000 as compared to Fall 1999 decreased at SUI and ISU and increased at UNI.

### PERCENTAGE OF STUDENTS LIVING IN RESIDENCE HALLS

	SUI		ISU		UNI	
	Fall 1999	Fall 2000	Fall 1999	Fall 2000	Fall 1999	Fall 2000
Lower Division	53.2%	52.3%	59.3%	58.4%	67.1%	67.6%
Total Undergraduate	28.3%	28.4%	34.6%	34.3%	36.9%	37.4%
Total Students	19.4%	19.4%	29.8%	28.9%	33.1%	33.5%

## C. Basic Room and Board Rates

Residence hall basic room and board rates at each Regent University are shown below for double occupancy and full board.

	1998-99	1999-00	2000-01	Proposed 2001-02		
				\$ Change	% Change	Rate
University of Iowa	\$3,988	\$4,188	\$4,398	\$273	6.2%	\$4,671
Iowa State University	\$3,958	\$4,171	\$4,432	\$234	5.3%	\$4,666
University of Northern Iowa	\$3,624	\$3,914	\$4,149	\$249	6.0%	\$4,398

The increases in basic room and board rates for FY 2001 detailed above compare with average increases for the ten-year period ending FY 2001 of 4.4% per year at SUI, 5.1% 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 is the lowest and ISU and UNI are second lowest.

## D. Financial Data

Residence system gross revenue increased over the prior fiscal year at all three universities. FY 2000 net revenue as a percentage of gross revenue increased at SUI, ISU, and decreased slightly at UNI compared to FY 1999. FY 2000 expenditures for operations increased from the previous fiscal year for all three universities.

RESIDENCE SYSTEMS FY 2000 FINANCIAL DATA SUMMARY				
	(1) Actual FY 1999	(2) Actual FY 2000	(3) \$ Change (2) - (1)	(4) % Change (3) / (1)
<b>University of Iowa</b>				
Gross Revenue	\$26,900,700	\$28,245,101	\$1,344,401	5.0%
Expenditures for Operations	19,109,558	19,325,806	216,248	1.1%
Debt Service & Mand. Transfers	2,594,613	3,129,602	534,989	20.6%
Net Revenue*	\$ 5,196,529	\$ 5,789,693	\$ 593,164	11.4%
Net Revenue as % of Gross Rev.	19.3%	20.5%		
<b>Iowa State University</b>				
Gross Revenue	\$37,798,703	\$41,596,554	\$3,797,851	10.0%
Expenditures for Operations	28,914,527	29,808,354	893,827	3.1%
Debt Service & Mand. Transfers	3,273,000	5,543,100	2,270,100	69.4%
Net Revenue*	\$5,611,176	\$6,245,100	\$ 633,924	11.3%
Net Revenue as % of Gross Rev.	14.8%	15.0%		
<b>University of Northern Iowa</b>				
Gross Revenue	\$19,161,600	\$21,060,673	\$1,899,073	9.9%
Expenditures for Operations	15,289,700	16,691,503	1,401,803	9.2%
Debt Service & Mand. Transfers	1,792,548	2,148,452	355,904	19.9%
Net Revenue*	\$ 2,079,352	\$ 2,220,718	\$ 141,366	6.8%
Net Revenue as % of Gross Rev.	10.9%	10.5%		

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

## E. Reserves

All of the reserve funds are set up by bond covenants. 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. Since depreciation allowance is currently 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:

	RESIDENCE SYSTEMS VOLUNTARY RESERVES AT CLOSE OF FISCAL YEAR			
	FY 1999		FY 2000	
	Reserve Balance	Percent of Gross Revenues	Reserve Balance	Percent of Gross Revenues
University of Iowa	\$13,099,137	48.7%	\$15,094,271	53.4%
Iowa State University	\$10,458,265	27.7%	\$10,650,623	25.6%
University of Northern Iowa	\$4,276,641	22.3%	\$4,768,727	22.6%

Funds must be transferred from the Surplus Fund to the Improvement fund before they can be expended for renovation and capital improvements to the residence systems.

Transfers of \$1.0 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 — UNI B-6).

## F. Improvement and Repair Expenditures

FY 2000 plant improvement and repair expenditures, excluding equipment replacement, are summarized below:

	RESIDENCE SYSTEMS PLANT IMPROVEMENT, REPAIR, AND MAINTENANCE EXPENDITURES* (Excludes Equipment Replacement) FY 2000				
	Gross Square Footage (GSF)	Building Replacement Value	FY 2000 Expenditures	Expenditures Per GSF	Expenditures as Percent of Replacement Value
	SUI	2,238,830	\$385,776,000	\$14,273,017 **	\$6.38
ISU	2,706,908	413,420,000	4,624,118	\$1.71	1.1%
UNI	1,478,168	239,253,000	2,459,941	\$1.66	1.0%
	6,423,906	\$1,038,449,000	\$21,357,076	\$3.32	2.1%

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

\*\* Includes \$11.9 million in bond proceeds.

For FY 2000, plant improvement, repair, and maintenance expenditures totaled \$21.4 million, representing 2.1% of the total building replacement value of \$1.04 billion. To avoid deferred maintenance, the universities are continuing to upgrade and maintain residence system facilities by expending resources for plant improvement, repairs, and maintenance.



## TEN-YEAR PLANS FY 2002 - FY 2011

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>		
	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11
Enrollment (Headcount)	28,311	28,329	28,336	26,845	27,532	27,360	13,774	14,073	14,056
Current Operating Capacity*	6,566	6,557	6,557	9,926	8,922	9,458	5,284	5,284	5,284
Total Occupancy*	6,240	6,186	6,186	9,353	8,427	8,936	4,979	4,841	4,853
Occupancy Ratio**	95.0%	94.3%	94.3%	94.2%	94.5%	94.5%	94.2%	91.6%	91.8%

\* Includes residence halls and apartments.  
\*\* Percent of capacity

The University of Iowa's ten-year plan includes \$38.5 million in capital projects to be financed from new revenue bond financing. Projects include system wide fire safety/detection upgrades, a food service remodeling project in Burge, and renovation of the former food service in Currier and the renovation of Slater Hall.

Iowa State University's ten-year plan includes future new construction projects through FY 2006 with funding sources. However, it does not provide a systematic detailed plan with funding sources for the renovation of existing facilities. While there is a need for flexibility in developing a long-term plan, the Board Office believes that a more comprehensive plan is needed to prioritize renovation projects by year with estimated costs and sources of funding.

The University of Northern Iowa's ten-year plan includes \$42.0 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 six years.

Enrollment projections and financial information for the three Regent universities are presented in greater detail in the ten-year plan summaries for the individual institutions (Attachment A in docket memos G.D. 11a (SUI), G.D. 11b (ISU), and G.D. 11c (UNI)). Ten-year estimates are stated in 2000-2001 dollars. No attempt has been made to estimate the effects of inflation.

**PROPOSED RATES 2001-2002**

Each of the Regent universities has proposed rate increases for residence hall room and board, and student apartment rent, for the 2001-2002 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.

	2000 - 2001 Rate	2001 - 2002 <u>Proposed Rate</u>	\$ <u>Increase</u>	% <u>Increase</u>
University of Iowa	\$4,398	\$4,671	\$273	6.2%
Iowa State University	\$4,432	\$4,666	\$234	5.3%
University of Northern Iowa	\$4,149	\$4,398	\$249	6.0%

2000 - 2001 PROPOSED APARTMENT RATES	
	<u>Average Increase</u>
University of Iowa	4.8%
Iowa State University	5.2%
University of Northern Iowa	5.0%

The proposed rates for 2001-2002 for residence hall double occupancy rooms, with full board contracts, are \$4,671 (6.2%) for SUI, \$4,666 (5.3%) for ISU, and \$4,398 (6.0%) for UNI. Iowa State University's increases are higher than what the University presented to the Board as part of the Union Drive approval process in December 2000. Further detail can be found on page 8 of General Docket item 11b. The proposed average apartment rate increases for 2001-2002 academic year are 4.8% for SUI, 5.2% for ISU, and 5.0% for UNI.

**INCREMENTAL COSTS TO UNDERGRADUATE RESIDENT STUDENTS**

	<u>Tuition &amp; Fees</u> 2001-2002	<u>Proposed</u> <u>Residence</u> <u>System</u> 2001-02	<u>Total</u> <u>Incremental</u> <u>Costs</u>
University of Iowa	\$318	\$273	\$591
Iowa State University	310	234	544
University of Northern Iowa	310	249	559

The proposed residence system rate increases when combined with the tuition and fee increases approved in Fall 2000, result in total incremental increases to an undergraduate resident student for double occupancy and full board of \$591 at SUI, \$544 at ISU, and \$559 at UNI.

Proposed rate increases for all residence hall, board options, and apartment units of the individual universities are provided as Attachment B of docket memos G.D. 11a (SUI), G.D. 11b (ISU), and G.D. 11c (UNI).

**FY 2001 AND PRELIMINARY FY 2002 BUDGET**

The preliminary FY 2002 budget proposals, summarized below, contain current FY 2001 Board approved revenue and expenditure detail and revised estimates, and preliminary budgets for FY 2002. Gross revenues for FY 2002 are expected to increase at SUI, ISU, and UNI, while net revenues are expected to decrease at SUI and UNI and increase at ISU. Debt service and mandatory transfers in each case are expected to increase due to the issuance of new bonds and increased debt service payments for previously issued bonds. Detailed budgets for the individual universities are provided as Attachment C of the docket memos G.D. 11a (SUI), G.D. 11b (ISU), and G.D. 11c (UNI).

PRELIMINARY BUDGETS SUMMARY

	(1)	(2)	(3)	(4)	(5)	(6)
	Prior Year Actual FY 2000	Current Year Approved FY 2001	Current Year Revised Estimates FY 2001	Next Year Preliminary FY 2002	\$ Change (4) - (3)	% Change (5) / (3)
<i>University of Iowa</i>						
Gross Revenue	\$28,245,101	\$28,858,892	\$29,950,386	\$32,385,543	\$2,435,157	8.1%
Expenditures for Operations	\$19,325,806	\$20,132,566	\$21,510,314	\$23,896,210	\$2,385,896	11.1%
Debt Service & Mand. Transfers	\$3,129,602	\$4,340,776	\$4,340,776	\$5,035,745	\$694,969	16.0%
Net Revenue*	\$5,789,693	\$4,385,550	\$4,099,296	\$3,453,588	(\$645,708)	(15.8)%
Net Revenue as % of Gross Rev.	20.5%	15.2%	13.7%	10.7%	(3.0)%	
<i>Iowa State University</i>						
Gross Revenue	\$41,596,554	\$43,128,966	\$42,498,704	\$48,888,336	\$6,389,632	15.0%
Expenditures for Operations	\$29,808,354	\$33,606,638	\$31,693,080	\$35,120,730	\$3,427,650	10.8%
Debt Service & Mand. Transfers	\$5,543,100	\$6,543,307	\$7,104,570	\$8,941,950	\$1,837,380	25.9%
Net Revenue*	\$6,245,100	\$2,979,021	\$3,701,054	\$4,825,656	\$1,124,602	30.4%
Net Revenue as % of Gross Rev.	15.0%	6.9%	8.7%	9.9%	1.2%	
<i>University of Northern Iowa</i>						
Gross Revenue	\$21,060,673	\$21,709,359	\$23,515,975	\$24,360,695	\$844,720	3.6%
Expenditures for Operations	\$16,691,503	\$17,628,684	\$18,020,694	\$20,251,622	\$2,230,928	12.4%
Debt Service & Mand. Transfers	\$2,148,452	\$3,273,005	\$3,173,549	\$3,141,508	(\$32,041)	(1.0)%
Net Revenue*	\$2,220,718	\$807,670	\$2,321,732	\$967,565	(\$1,354,167)	(58.3)%
Net Revenue as % of Gross Rev.	10.5%	3.7%	9.9%	4.0%	(3.2)%	

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

  
Deb A. Hendrickson

Approved:   
Frank J. Stork