

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Residence System Fund Transfer
Date: May 12, 2003

Recommended Action:

Approve the transfer of \$1,099,400 from the Residence System (Dormitory) Surplus Fund to the Improvement Fund.

Executive Summary:

The bond resolution covenants of Iowa State University's 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 \$1,099,400 from the Surplus Fund to the Improvement Fund.

All revenues of the Residence System must be used to benefit the System.

Background and Analysis:

Dormitory Bond Issues In 1964, the Board of Regents authorized the sale of \$15.0 million of Residence System (Dormitory) Revenue Bonds for the purpose of acquiring, improving, and equipping student residence halls and dormitories on the campus of Iowa State University.

Since that time, the Board has authorized the sale of various issues of Residence System (Dormitory) 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, 2002, the outstanding principal on the ISU Dormitory Bonds was \$114.2 million.

The University's Residence System is a self-supporting operation and receives no state appropriations.

Bond Resolution Requirements 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 or additions to buildings for use as residence halls and dining facilities.

- The bond covenants require a minimum annual transfer of \$300,000 to the Improvement Fund from annual operating revenues.

Deposits into the Surplus Fund are to be used for: necessary operating expenses of the System, transfers to the sinking or reserve funds of the System (if needed), transfers to other funds of the System (including the Improvement Fund), overhead expenses attributable to the System or any lawful purpose connected with the System.

Balances As of June 30, 2002, the voluntary reserve balances, including the Improvement and Surplus Funds, had a combined cash balance of \$14.6 million.


Deb A. Hendrickson

Approved: 
Gregory S. Nichols