

THE UNIVERSITY OF KANSAS
Department of Student Housing
FY2011 Business Case for Increasing Student Housing Rates

I. PROPOSED RATES FOR FISCAL YEAR 2011

Since fiscal year 2005, room and meal plan rates have been proposed and reported separately. For ready reference, the combined room and meal plan rate for *typical residence hall occupancy* (traditional residence hall double room and the default meal plan) is proposed to increase from \$6,802 to \$6,982 or 2.65%.

A 2-year contract option was offered in FY'08, FY'09, and FY'10 but has not been continued in the FY'11 rate proposal for residence halls, scholarship halls, and the Jayhawker Towers. Intended to be a planning tool for students and their families, the 2-year contract was not meant to imply a cost savings. However, the majority of the students who selected the 2-year contract option did not remain in student housing for the second year, thus paying more than the basic cost for a one year contract. The decision to discontinue the 2-year contract option is in the students' best financial interest at this time.

Rates for facilities and meal plans proposed to be effective July 1, 2010 follow:

RESIDENCE HALLS

| | 2009-10 | 2010-11 | \$ Incr. | % Incr. |
|--|----------------|----------------|-----------------|----------------|
| Traditional Residence Halls | | | | |
| Double Room (<i>2 residents per room</i>) | \$3,554 | \$3,642 | \$88 | 2.5 |
| Single Room* | \$4,798 | \$4,916 | \$118 | 2.5 |
| Renovated Residence Halls | | | | |
| Double Room w/Sink (<i>Ellsworth & Hashinger</i>) | \$4,472 | \$4,610 | \$138 | 3.1 |
| Double Room w/Bath & 4-Person Suite (<i>All</i>) & Large 2-Person w/Sink (<i>Hashinger</i>) | \$4,740 | \$4,886 | \$146 | 3.1 |
| 2-Person Suite (<i>All</i>) & 2-Person Studio (<i>Ellsworth</i>) | \$5,098 | \$5,256 | \$158 | 3.1 |
| Double Room w/Sink as Single** (<i>Ellsworth & Hashinger</i>) & 1-Person Suite (<i>Templin</i>) | \$6,036 | \$6,224 | \$188 | 3.1 |

Contract rates listed in the chart above are for the 9-month academic year.

The above rates include utilities, basic cablevision, and local telephone service.

* 2-person room contracted by a single resident on a space-available basis

SUNFLOWER DUPLEX APARTMENTS

| | 2009-10 | 2010-11 | \$ Incr. | % Incr. |
|-----------------------|----------------|----------------|-----------------|----------------|
| Two Bedroom Apartment | \$630 | \$644 | \$14 | 2.2 |

This monthly contract rate includes water and sanitation. All other utilities, including telephone service, are paid by residents. Furnishings are not included.

Most Sunflower Duplex Apartments are short-term, transitional housing for newly hired faculty and staff relocating to Lawrence. These facilities have been upgraded to include central air conditioning and heating, renovated bath and kitchen areas, additional insulation, and energy-efficient windows.

STOUFFER PLACE STUDENT FAMILY APARTMENTS

| | 2009-10 | 2010-11 | \$ Incr. | % Incr. |
|-------------------------------------|----------------|----------------|-----------------|----------------|
| One Bedroom Apartment | \$314 | \$321 | \$7 | 2.2 |
| Two Bedroom Apartment | \$366 | \$374 | \$8 | 2.2 |
| Two Bedroom Apartment – Renovated | \$482 | \$500 | \$18 | 3.7 |
| Three Bedroom Apartment – Renovated | \$622 | \$645 | \$23 | 3.7 |

These monthly contract rates do not include utilities or telephone service. All utilities are paid directly by residents. Stouffer Place Apartments are unfurnished. Contracts are for a 12-month period.

JAYHAWKER TOWERS APARTMENTS

| | 2009-10 | 2010-11 | \$ Incr. | % Incr. |
|--|---------|---------|----------|---------|
| Two-Bedroom Apartments | | | | |
| 4 residents per apartment, <i>cost for each</i> | \$2,836 | \$2,910 | \$74 | 2.6 |
| 2 residents per small apartment, <i>cost for each*</i> | \$4,064 | \$4,186 | \$122 | 3.0 |
| 2 residents per apartment, <i>cost for each</i> | \$4,990 | \$5,140 | \$150 | 3.0 |
| Renovated Two-Bedroom Apartments | | | | |
| 4 residents per apartment, <i>cost for each</i> | \$3,630 | \$3,746 | \$116 | 3.2 |
| 2 residents per small apartment, <i>cost for each*</i> | \$5,202 | \$5,390 | \$188 | 3.6 |
| 2 residents per apartment, <i>cost for each</i> | \$6,388 | \$6,618 | \$230 | 3.6 |

Contract rates listed in the chart above are for the 9-month academic year and include utilities, basic cablevision, and local telephone service.

* Total of 6 of these small, non-standard size apartments in the Jayhawker Towers complex.

Jayhawker Towers residents may also arrange summer contracts (*for year-round occupancy*) if they have contracted for the following academic year. Apartments are partially furnished.

SCHOLARSHIP HALLS

| | 2009-10 | 2010-11 | \$ Incr. | % Incr. |
|---|---------|---------|----------|---------|
| Traditional Scholarship Halls (<i>Battenfeld, Douthart, Grace Pearson, Pearson, Sellards, Stephenson</i>) | \$3,100 | \$3,184 | \$84 | 2.7 |
| Suite-Style Scholarship Halls (<i>Dennis E. Rieger, K.K. Amini, Margaret Amini, Krehbiel</i>) | \$3,354 | \$3,452 | \$98 | 2.9 |
| Meal Charges for the 10 halls listed above | \$1,770 | \$1,822 | \$52 | 2.9 |
| Miller and Watkins Halls (<i>women in these halls purchase and prepare their own food</i>) | \$2,136 | \$2,190 | \$54 | 2.5 |

Contract rates are for the 9-month academic year and include utilities and local telephone service.

The newer suite-style halls offer amenities including private baths and more square footage per resident which result in higher operating costs. The Elizabeth Miller Watkins Trust provides a rate subsidy for Miller and Watkins residents and because Miller and Watkins residents cooperatively purchase and prepare their own food, there is no meal plan charge.

UTILITY SURCHARGE

If necessary, up to \$100 per semester will be assessed for residents of the residence and scholarship halls and tenants of Jayhawker Towers only.

In consideration of the volatile utility rates over recent years and the continued uncertainty of rates in the future, SHAB approved inclusion of the following statement in the "Student Housing Contract:"

"If the University determines that utility costs have exceeded budget estimates for such expenses, the University may charge each resident in the residence halls, scholarship halls, and Jayhawker Towers up to \$100 per semester for additional utility costs, with notice of such charge to be provided to students not later than August 1 if implemented prior to the beginning of the academic year and not later than December 1 if implemented for the spring semester. All other terms and conditions of the Student Housing Contract remain unchanged."

This provision is similar to the one included in the FY2002 and FY2006 business cases submitted to the Board of Regents. Fortunately, utility costs stabilized somewhat and sufficient adjustments were made so that implementation of the proposed utility surcharge was not required during FY2002. In FY2006, however, a one-time \$70.00 assessment was made in July. The University will consult with student representatives before implementing this charge.

CAMPUS DINING MEAL PLANS

| | 2009-10 | 2010-11 | \$ Incr. | % Incr. |
|--|---------|---------|----------|---------|
| 480/220 Meal Plan 480 meals per year plus \$220 cash-on-card and 10 guest passes | \$3,660 | \$3,762 | \$102 | 2.8 |
| 390/280 Meal Plan (<i>default plan</i>) 390 meals per year plus \$280 cash-on-card and 8 guest passes | \$3,248 | \$3,340 | \$92 | 2.8 |
| 320/320 Meal Plan 320 meals per year plus \$320 cash-on-card and 6 guest passes | \$2,860 | \$2,940 | \$80 | 2.8 |
| 220/420 Meal Plan 220 meals per year plus \$420 cash-on-card and 4 guest passes | \$2,248 | \$2,312 | \$64 | 2.8 |
| 100/500 Meal Plan 100 meals per year plus \$500 cash-on-card and 2 guest passes – not available to residence hall students | \$1,420 | \$1,420 | \$0 | 0.0 |

Rates for 2010-11 in this document are proposed following study and review by staff of the Department of Student Housing, KU Dining Services, and the Student Housing Advisory Board (SHAB) which consists of faculty, staff, and students, including representatives from the Stouffer Neighborhood Association (SNA); the Association of University Residence Halls (AURH); the Jayhawker Towers Tenants' Association (JTTA); the All Scholarship Hall Council (ASHC); and, the Student Senate University Affairs Committee. The various rate proposals were discussed by the SHAB membership at the September 11 and 25 meetings. In addition to SHAB meetings, Student Housing administrative staff met with student government leaders and student groups for further discussion and to answer questions. These rates have been reviewed and recommended by the Vice Provost for Student Success. SHAB's unanimous approval of these rates was confirmed at the October 2, 2009 meeting.

II. EXPENDITURE IMPACT OF PROPOSAL

Rates are established to cover the costs of maintenance, materials, food (where applicable), utilities (where applicable), salaries, and benefits to maintain a qualified staff and operate facilities. The proposed housing rates incorporate projected cost increases, the most significant of which include utilities, employee health insurance, and an increase in the university overhead assessment. Given the challenging economic times, this rate proposal is aimed at containing costs for students and their families. This containment means that some facilities projects and program enhancements will be postponed for later implementation. The proposed rates will allow for only a minimal degree of value-added facility improvements which will be focused on security enhancements, window replacements, and furniture upgrades.

Operational efforts in recent years have focused on increasing energy efficiency, enhanced security, and cost reduction. Energy efficient mechanical systems and windows have been installed in several buildings. Appliances and lighting are replaced with significantly more efficient equipment. Staffing structures have been altered to achieve maximum service within existing dollars, reducing the full-time staff by 19 positions over the past four years. Student security has been enhanced by the addition of card access security systems at all entrances to residential buildings, and security cameras are being pilot tested at the entrances to one facility for likely expansion to all facilities.

Likewise, numerous operating efficiencies have been employed within KU Dining Services, including the elimination of eleven full-time positions over the past two years. Tray-less dining has been implemented in all residential dining operations, reducing labor and water costs. Meal service hours and educational components have also been reduced in order to control expenses.

The proposed meal plan rates will allow KU Dining Services to continue to provide quality cuisine in a high service standard environment. As a result of the dining venues controlling expenses and implementing efficiencies over the past two years, a lower-than-inflation rate increase is being proposed. With continual tight controls on expenses, the proposed rate is expected to cover the projected increase in operating expenses only. For FY'11, KU Dining Services will be unable to implement additional services and/or improvements to the facilities. Given the need for renovating residential dining centers that have been in operation for 20+ years, meal plan rates and the configuration of plans will be reviewed in the coming year. Expenses related to renovations, including potential bond financing costs, along with expenses for additional services will have to be funded in the near future.

It is important that deferrals and service reductions be short-term, because student's expectations continue to rise with regard to their living accommodations and dining options. Service level must remain high, and upgrades and renovations of the traditional facilities must continue in future years to ensure that campus services remain competitive in a community environment which includes many options from which students may choose.

With the proposed increases for fiscal year 2011, KU housing and meal rates will remain below both Big 12 and national averages, reflecting good management practices and a commitment to being good stewards of the students' money. There are no peripheral obligations or other budget formulas affected by this rate proposal.

III. POTENTIAL REVENUE IMPACT OF PROPOSAL

All projected revenue is restricted use funds. Estimated revenue increases for each rate proposal are:

| | | | |
|---|-----------|---|----------|
| Residence Halls | \$411,258 | Sunflower Apartments | \$3,192 |
| Scholarship Halls | \$80,572 | Stouffer Place Apartments | \$29,976 |
| Jayhawker Towers | \$107,890 | | |
| Potential Housing Revenue Impact | \$632,888 | | |
| Potential Dining Revenue Impact | \$291,610 | <i>(a unit of Kansas Memorial Unions since FY'05)</i> | |

See attached supplemental financial information.

IV. EXPECTED BENEFITS FROM PROPOSAL

Approximately 5,100 students currently live in Student Housing facilities. The proposed increases will enable the housing and dining operations to continue providing exceptional on-campus living experiences, which remain a great value for the students' dollar.

V. ALTERNATIVES TO PROPOSAL

None identified. Only basic services are being provided and these charges are established to cover expenses associated with the cost recovery of basic services. There are no State-appropriated funds in this auxiliary operation; therefore, user fees must cover total costs.

VI. IMPACT OF NOT IMPLEMENTING PROPOSAL

The annual operating budget of the auxiliary housing operation is approximately \$21.5 million, with a physical plant insured replacement value of \$290 million. Failure to increase revenue commensurate with increased operating expenses would jeopardize the fiscal stability of the operation. These proposed rates were carefully evaluated prior to presentation to the Student Housing Advisory Board and senior staff in Student Success. Rental income is pledged as part of a long-range renovation program which will continue to be financed by bonds. Each project is evaluated carefully to ensure the building's income can support its operation and debt service. The current Jayhawker Towers bonds which we expect to sell in January are

no different. Inability to guarantee bond obligations would compromise the department's ability to finance future renovation projects.

Prepared: October 19, 2009
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Department of Student Housing

**The University of Kansas Department of Student Housing
Supplemental Financial Information
KBOR Rate Increase Request**

| | Projected FY 2011 | Estimated FY 2010 | Actual FY 2009 | Actual FY 2008 |
|---|------------------------------|------------------------------|---------------------------|---------------------------|
| Gross Operating Revenue | 22,724,000 | 21,903,500 | 21,267,021 | 19,799,537 |
| Gross Operating Expense | <u>(17,419,700)</u> | <u>(16,869,939)</u> | <u>(16,064,996)</u> | <u>(15,816,127)</u> |
| Gross Operating Revenue (Loss) | 5,304,300 | 5,033,561 | 5,202,025 | 3,983,410 |
| Capital Improvements Expense | (370,000) | 5,049,000 | (3,986,087) | (1,468,425) |
| Annual Debt Service | (2,016,474) | (2,019,302) | (2,000,146) | (1,998,490) |
| Other Capital Expenditures | -0- | -0- | -0- | -0- |
| Net Operating Revenue (Loss) | <u>2,917,826</u> | <u>(2,034,741)</u> | <u>(784,208)</u> | <u>516,495</u> |
| Ending Balance | 6,202,510 | 3,284,684 | 5,319,425 | 6,103,633 |
| Occupancy Rate | 96.0% | 92.4% | 98.4% | 88.3% |
| Long-Term Debt Outstanding (as of 6/30) Includes Lewis Hall (1998D), Ellsworth Hall (2002A-1), Hashinger Hall (2005E-2), & Templin Hall Refunding (2005E-1), Jayhawker Tower A and D renovations (2010X) | 36,980,000 | 37,805,000 | 28,600,000 | 29,370,000 |

Capital Improvements Planned

FY10 \$5.20m Jayhawker Tower D renovation
FY12 \$13.10m Gertrude Sellards Pearson Residence Hall renovation
FY13 \$11.75m McCollum Residence Hall – Phase I renovation

Capital Improvements Description

FY10 – renovate infrastructure and finishes in the 74-unit apartment building (Jayhawker Tower D)
FY12 – full renovation of this 428-bed, all-female facility to a 391-bed, coed facility with single and double occupancy rooms (Gertrude Sellards Pearson Residence Hall)
FY13 – phase one of a three-phase full renovation of this 920-bed, coed facility to a 776-bed coed facility with suite-style rooms (McCollum Residence Hall)