

Task Force on Affordability  
A Final Report including Recommendations  
Housing and Dining Subcommittee

January, 2012

Task Force on Affordability

- Task force will consider any possible means by which housing and dining costs can be contained for students while offering quality accommodations and service.
- Special focus will be on long-term systemic issues that can have a positive impact on affordability for students.
- It is anticipated that some of the results of this work will become embedded in the Strategic Plan while additional aspects may require further study before potential implementation.

Housing and Dining Subcommittee:

- Appointed Members:
  - SGA: Morgan Barbour, Student
  - Faculty Senate: Joe Sanders, Professor
  - Staff Council: Marilyn Heaton
  - Chair: John Beacon
- At-large members appointed by the chair:
  - Nancy Rogers: Associate VP Public Service /Comm. Engagement
  - Rich Toomey: Assistant VP Enrollment Management
  - Greg Bierly: Professor and Director of Honors Program
  - Regina Atkins: Admissions Counselor
  - Kevin Smith: Applications Systems Manager, OIT
- Ad hoc members of the committee bring their experience and knowledge to the task and will provide committee members with both historic and current operational information about key areas:
  - Susan Sluyter: District Manager ISU Dining Services
  - Rex Kendall: Director Residential Life
  - Chip Rogers: Assistant. VP Business Affairs Director Budget and Payroll
  - Bryan Duncan: Director Construction/improvement facilities management

## Purpose:

**Housing and Dining** – This subcommittee was charged with critically examining the costs students incur when using the services of campus housing and dining. The objective was to determine whether the costs for these services could be made more affordable. In the course of the review, the subcommittee reviewed 10 years of data to observe how costs have changed over time and in relation to the consumer price index. The analysis included the examination of annual maintenance and operating costs, the debt service, reserve levels held in anticipation of unexpected expenses, the cost of current and projected utility expenses along with the practicality of using alternative natural heating resources, staffing levels for both support staff and professional salaries, and the feasibility and value of outsourcing existing services. Finally, the committee considered both proposed and approved scheduled building and renovation projects spanning the next decade and the impact these projects will have on current reserves along with the debt service ratio for bond issuance purposes.

## Challenges:

The University's ability to offer affordable and attractive campus housing alongside convenient and efficient dining units serving a variety of entrees is critical to our University's mission, the quality of the educational experience we offer, and our ability to compete effectively for enrollment with peer institutions. Over the past decade, modest changes have been made to campus housing and dining services in the form of renovations or new construction. The last totally new housing building project was begun nearly 40 years ago. Consequently, the University finds itself playing catch up with peer institutions who for at least the past decade have been modernizing existing units and adding new housing facilities to their campuses. These new facilities have been in response to their students' needs and changing lifestyles. Until recently, our campus has offered mostly traditional housing that has been the standard on most residential campuses for decades. In an effort to match what our competition is offering their students, plans are now underway and in various stages of planning and development for as many as five housing and dining construction/renovation projects on the ISU campus, all to be completed over the next 10 years, with total projected cost estimates to range between \$100 and \$113 million. These projects are expected to consume the majority of housing reserves that have been amassed over the past several years.

## Review of campus housing and dining operations:

- **History**
  - Over the past 10 years, the room and board rate has increased nearly 68 percent while the consumer price index has grown by approximately 26 percent
  - With only Burford (in 2005), Sandison (in 2009-10), and Pickerl Hall (in 2010) being renovated in the past seven years, a substantial reserve accumulated that initially was thought could be used to provide a housing cost containment resource.
- **Planning for new construction and renovation projects—next decade**
  - Erickson renovation (235 beds): Target opening Fall 2013
  - In-fill housing project south of Lincoln Quad (350 beds): Open Fall 2013
  - Downtown project (200 beds)—lease agreement/retail space on first floor, open as early as Fall 2013
  - Lincoln Quad renovation: A current study is underway to determine future plans
  - Sycamore Towers: Will likely be scheduled as a renovation project
  - While conversion of existing buildings and new construction proposals appear to add to the current bed count on campus, upgrades to existing facilities will see a reduction in the total current bed count resulting in approximately the same 3,600 beds that currently exist.
- **Financial**
  - Current housing and dining operating expenses approach \$28 million annually. At this time, there are unrestricted asset holdings in housing and dining approaching \$23 million, of which approximately \$3 million is held as an operating reserve in the event occupancy were to unexpectedly decline. When considering five renovation/construction projects with costs projected to exceed \$100 million over 10 years, with an increase in the annual debt service from \$1.9 million to nearly \$8 million by 2021, and with the need for a new million dollar electrical system in University Apartments as well as renovations to Sycamore dining areas and food preparation spaces, current reserves will likely be totally consumed over the next few years.
- **Utilities:**
  - Utilities consume a significant portion of current operating expenses. Prior to 2000-01, the University's general operating budget absorbed all campus utilities costs. After 2001, the University began to transfer the utility costs associated with campus housing to Residence Life. For the current fiscal year, utility costs transferred from Facilities to Residential Life amount to \$1.8 million, with a projected increase of \$800,000 for a total of \$2.6 million by the 2012-13 fiscal year. The electricity rate charged the University by public utilities for next year has been estimated to increase by as much as 16 percent; if accurate; utilities will likely continue to increase annually by a greater percent than has been the

trend in past years. There is some potential for energy savings through the use of alternative power sources such as solar power collection cells and wind turbines. Work is currently underway to test with these resources through a \$25,000 institutional grant. To date, the grant has proven inadequate to cover the purchase of all necessary equipment for a pilot project, which has resulted in the University submitting a new grant proposal that would double the funding of the original award. While alternative power sources are very likely to be used in the future, the transition over to more efficient heating and cooling systems will likely be slow and initially expensive, resulting in little if any immediate savings.

- **Salaries and staff:**

- Three years ago, Capstone, a consulting firm based in Birmingham, Alabama, was contracted by the University to review and make recommendations related to the operation of campus residence facilities and staffing. At the time of their final report, the quantity of full-time administrative staff compared favorably with national standards; however, our custodial and maintenance staff counts exceeded national standards. In 2009 when the University underwent a \$10 million budget reduction venture, some reduction in force occurred, primarily through retirements resulting in leaving these positions vacant, thus leaving the University in close alignment with national staffing levels for campuses of our ilk.

- **APA:**

- Beginning in Fall 2011 and in an effort to retain more students, the role of the Academic Program Assistants (APA) changed dramatically from that of mainly floor supervisors to peer advisors as they have now been trained to actively engage first-time new students living in campus housing across a broad spectrum of issues. These 35 APAs are mostly upper division students and are compensated in exchange for their work by being provided campus housing and dining. This compensation plan is a shift from being paid a minimum wage for their services in prior years. The full impact of their work and the results of their efforts won't be fully realized for at least another year. APAs displace 35 paying students at a cost of approximately \$280,000 annually.

- **Dining Services:**

- For many years, ISU has had a prosperous and collaborative partnership with SODEXO, our dining and catering food service provider. The University's partnership with SODEXO serves as a model for how outsourcing contractual service agreements can work effectively and provide both efficiency and cost savings. SODEXO's price increases for meal plans are negotiated annually with the University. The amount to which pricing has been agreed has been held to approximately 2 percent annually. Minimal increases in dining services have helped keep our room and board charges competitive. Increased enrollments

the past two years, have placed an added strain on providing efficient dining services in Sycamore Towers, particularly around peak dining periods. By monitoring traffic flow and considering menu choice alternatives, SODEXO is looking critically at current operations and exploring change to traffic flow in serving lines as well as seating arrangements in Sycamore Towers dining. Additionally, SODEXO and the University are facing the need to replace 30 year old kitchen equipment, an adjustment that will result in more efficient handling and washing of dishes and reduce both hot water and electricity costs to operate this equipment. All of these essential improvements will make further cost containment in the near future a challenge.

- Currently, departments using catering costs are charged only a portion of the actual costs of using these services. Possible modest savings to housing and dining charges could be realized by assigning departments a greater portion of catering costs.

### Summary Observations:

- Over the past decade, little renovation or new construction has occurred to campus residence halls leaving us with fewer appealing housing choices than the competition, particularly for many students who have grown up in homes with their own bedrooms and semi-private baths.
- The University now finds itself playing catch up with peer institutions in Indiana who for the past decade have been building and renovating their campus housing facilities in response to their students' needs and changing lifestyles.
- ISU building projects over the next decade could involve as many as six construction projects and cost in excess of \$100 million. These projects could easily consume nearly all of the reserves we have fortunately been able to amass over the last decade.
- While the housing debt service is currently a manageable at approximately \$2 million annually, it will likely increase significantly and could easily exceed \$8 million annually over the next decade as our campus housing facilities are renovated and new facilities are brought on line.
- Utility costs are predicted to increase by as much as 16% next year alone, resulting in little opportunity for conventional utility cost saving now or probably in the foreseeable future as costs are likely to continue to increase over time. Use of alternative resources

like wind turbines and solar power cells are being explored through a grant to the University, but savings won't likely be realized for years because of the costs associated with purchasing and installing needed equipment.

- Dining services will need to upgrade aging kitchen equipment, provide better air circulation in the kitchen for cooking staff, and remodel existing high traffic and high volume dining spaces resulting in little margin for cost containment. Departments could face paying a greater share of catering costs.
- The role of Academic Program Assistants (APA) has changed dramatically since last year, as this year APAs have been trained on MAP-Works to be more engaged in working individually with students to help improve first-year retention. Determining the future of the APA program (would impact 35 students who receive room and board in exchange for work) should be postponed for at least a year to measure their success in helping retain more first-year students who live in campus residence halls.
- Budget reductions have reduced maintenance staffs, leaving little room for further reductions without impacting core services to residence hall facilities.

## Recommendations

- Initiatives that have the potential to make housing more affordable:
  - Indirect savings from reserves:
    - Having reserves of approximately \$23 million from which the University plans to draw at least 20% of the total cost of housing construction projects, will mean the University will need to borrow less than they would without a reserve. Indirectly, students will benefit because these savings can be passed on to students in the form of modest annual room and board increases.
  - Co-op housing:
    - This pilot will be initiated with a mix of lower and upper division students living in the same residence hall
    - Two floors in Mills Hall could serve as a potential test site for this initiative

- By working a set number of hours each week, students would be provided housing and/or meal discounts, thus making housing more affordable.
- Work could involve helping to clean and maintain the portion of Mills Hall in which they live
- Cost adjustments to housing options:
  - This initiative would review the costs associated with the current living options: basic, enhanced, and premium
  - By adding amenities to the premium option and providing only the most basic essentials in the basic option, some savings could be realized for those who select the basic option, thus making housing for them more affordable.
  - Students living in basic housing could realize greater savings by working in dining services
- A donor naming gift to offset the construction of in-fill housing could result in building project savings.
- Modest savings could also be realized by charging departments a larger share of catering costs.
- Alternative resources like wind turbines and solar power have the potential to reduce utilities costs, but because of the initial investment in equipment, sustainable savings would probably not be realized immediately.
- The outsourcing of maintenance services in residence halls could provide some modest savings from not paying staff benefits (30% of wages). There are advantages and disadvantages to this option that would need to be explored further.

## Conclusion:

When we began our work, given the amount of unrestricted reserves that have been allowed to accumulate over the past several years, we were encouraged to think we could easily find ways to contain campus housing and dining costs by tapping into these reserves. Indeed, cost savings could be realized almost immediately by reducing our reserve holdings, were we not undertaking necessary but major construction and

renovation projects over the next decade. Realizing that the scope of building projects will quickly consume the majority of reserves, having a buildup in reserves should over time reduce the amount of money the University will need to borrow for construction, and thus indirectly, there can be cost containment for students through holding down future annual increases to room and board rates. In addition to using reserves to contain future housing increases, there remain a collective handful of ways to more immediately contain costs, the most encouraging of which are (1) to offer co-op housing and (2) provide a greater range of campus housing options with corresponding housing rates.

Beacon: 1/9/2012 (final)