Bond...

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If both the Bond and Interest and Bond Reserve funds are full, money continues on to the third highest priority level – the Repair and Replacement Fund. If approved by the NU Board of Regents, funds are labeled from here to repair, refinish and renovate campus buildings.

In September 1977, there was more than $400,000 in Repair and Replacement. After each audit, this fund must hold an amount equal to 2 percent of the total of the outstanding bond debt.

If the student fees and net revenue monies exceed the amount needed to meet the minimum bond requirements of the first three levels, they are dumped into the Surplus Fund.

Money from the Surplus Fund can make up for shortages in the other three. It is used to buy back bonds before they mature, equip buildings or buy land and build new structures.

Any use of the surplus funds must be approved by the regents.

The regents recently approved the use of Surplus Funds for construction of the Nebraska East Union. The student fees used to pay for bond indebtedness were increased for the fall semester 1977 from $14.50 to $18.

The $3.50 increase created a surplus which was used to finance construction of the East Union. The $3.8 million was taken from the Surplus Fund and an additional $500,000 was kicked in from a special union fund set up in 1974.

Some students have questioned the increase in student fees to pay for East Union. They argue the university often buys back bonds at a reduced rate and makes a lot of money off the interest First National Bank pays for UNL for its deposits.

They contend that profits from buying back bonds and interest from the Surplus Fund provide more than enough money to cover construction costs. They contend an increase in student fees is not necessary.

Bob Lovitt, assistant vice chancellor for business and records, explained that under the terms of the bond agreement any money taken from the Surplus Fund to construct a new building can be returned to the Surplus Fund in only one of two ways.

"The money has to be paid back by net revenues from residence halls, the health center or unions, or by student fees," Lovitt said.

Lovitt said the conditions for paying back money taken from the Surplus Fund are standard procedure in all bond agreements.

"Everything is set up for the protection of the bondholder," he said. "If this clause was not in the contract, we could replace the money taken from the Surplus Fund for the East Union in other ways.

"But, by law, we are required to use student fees or net revenues to replace it."

UNL has retired bonds at a reduced rate and is paid interest on the money deposited at First National Bank. But this money, Lovitt explained, goes through the exact same process as student fees and net revenues.

The money is dropped into the same funnel and passes through each of the four funds to meet each priority level, he said.

First National Bank can invest university deposits in treasury notes, bills and bonds," he said.

The university, he said, invests money from the Surplus Fund to buy back bonds before they mature, adding that any purchase is subject to regents' approval.

"If the regents approve and the rate is reasonable, we dip into the Surplus Fund and buy them back," he said. "In 1972-73, we bought back $2.1 million worth of bonds for $1.4 million."

The interest UNL gets on the money it deposits in the bank, Lovitt said, depends on "if it is long stuff or short stuff."

"We get seven and one-eighth percent on the deposits redeemable in two to three years (long stuff) and five to five and one-fourth percent on any deposits redeemable within 90 days (short stuff)."

Is the whole concept of redeemable deposits, interest rates, short and long stuff, bond indebtedness, debt service and capital construction costs all that complicated?

"You bet it's complicated," said Jim Knisely, UNL comptroller. "The university has to consult with investment bankers and consult on the terms and conditions on what type of bond is best for the market at any given time.

"You have to know how much money is available at the time and what the interest rate is. You have to specify construction costs and call in architects.

"Then the bonds are thrown up for the banks to bid on. All contracts are ultimately subject to approval by the NU Board of Regents."

How does he see the future of UNL's current program of bond indebtedness versus recommendations made by the Task Force fees report?

"Well, one possible scenario would call for a student referendum to be held and the results considered before the debt service was increased any further by student fees," Knisely said.

"An example would be any future union expansion. Say our report shows students would need to be taxed $2. A referendum would be put to the students and the results would provide student input.

"A reaction would occur if students said 'no,' and the regents went ahead and expanded the union anyway."