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**IOWA STATE UNIVERSITY ATHLETIC FACILITIES MASTER PLAN UPDATE -
JACK TRICE STADIUM SCHEMATIC DESIGN AND FINANCING**

Actions Requested: Consider recommending to the Board the following actions for the Iowa State University Athletic Facilities Master Plan and the **Jack Trice Stadium Improvements – 2006** (aka Jack Trice Stadium, Phase 1) project, a major capital project as defined by Board policy:

1. Receipt of a report updating the Iowa State University Athletic Facilities Master Plan;
2. Receipt of a preliminary report on the financing plan for the Jack Trice Stadium, Phase 1 project; and
3. Approval of the schematic design and project description and budget (\$19,500,000) for the Phase 1 project and authorization to continue with design development.
 - a. Acknowledge receipt of the University's final submission of information to address the Board's capital project evaluation criteria (see Attachment A).
 - b. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration.

Executive Summary: At the June 2006 Board meeting, Iowa State University Athletic Director Jamie Pollard presented a proposed Athletic Facilities Master Plan which encompassed a multi-year, multi-facility vision for updating and expanding University athletic facilities. The Property and Facilities Committee and Board granted permission to proceed with project planning and fund raising for the Phase 1 projects (**Jack Trice Stadium Improvements - 2006** and **Hilton Coliseum Renovation and Additions**), subject to collaboration between representatives of the University and Board Office staff for development of a submission of external validation of financial support to the Board comparable to those submitted by the University of Northern Iowa in the case of the McLeod Center and the University of Iowa in the case of Kinnick Stadium.

This agenda item includes an update of the University's Athletic Facilities Master Plan, receipt of the preliminary report on the financing plan for the Jack Trice project, and a request for approval of the schematic design and project description and budget (\$19,500,000) for the Jack Trice project. The project would construct 22 additional suites on the west side of the stadium; enlarge two existing suites; replace existing concession/toilet buildings on the west side; retrofit all existing suites with operable windows; renovate the existing Cyclone Club section; and raze the center concession/toilet building on the east concourse. The schematic design book for the project is included with the Board's materials.

The University will return to the Committee / Board this summer with the completed external validation and a request for approval of the financing plan for the project as outlined above. The request will include updated FY 2007 financial projections, if necessary, and appropriate pro forma revisions for years FY 2008 – FY 2018.

Athletic Facilities Master Plan Update: Since the presentation to the Board in June, financial and facility planning efforts have resulted in significant changes to the University's proposed Master Plan; the revisions and underlying rationale for the changes will be presented to the Property and Facilities Committee / Board by Athletic Director Jamie Pollard. Athletic Department financial projections will not currently support additional debt service obligations beyond those proposed for the Jack Trice improvements. Therefore, the Phase I project has been modified to include only the improvements at Jack Trice Stadium, as outlined above.

The practice facility component of the Hilton Coliseum project will not be revenue generating and therefore will be financed with a combination of gifts and athletic revenues. The University has indicated that the Hilton Coliseum Practice facility project will proceed only when sufficient gifts have been secured.

Jack Trice Project Financing Plan: The proposed financing plan includes both fund raising and bonding secured by revenues specific to the proposed project. The total project cost is expected to be \$19.5 million. Major gifts of \$3.5 million have been committed by donors and will be available to be applied to the project costs.

While the bonding will be secured by revenues specific to the project, the financial planning needs to encompass a detailed analysis of the overall Athletic Department budgetary outlook. The financial planning and the external validation of the financial planning assumptions were significantly complicated by the coaching changes that occurred at the University this past fall. Attachment B contains a 10 year pro forma of Athletic Department finances developed by the University. The pro forma also includes comparison data between the FY 2007 athletic budget and current FY 2007 projections, and the assumptions used in developing the financial plan.

The Athletic Department's 10-year financial projection includes revenue enhancements generated from the suites, club section, and the National Cyclone Club that provide the capacity to meet the debt service requirements for the bonds.

The proposed bond issue will also refinance outstanding debt for projects at the Stadium including the existing suites. Together with issuance and reserve requirements, the bond issue is expected to be approximately \$20 million. Much of the Jack Trice Stadium project involves private use as defined by the tax code. A significant portion of the bonds will be taxable and the financial plan has been developed using interest rates that are 1.25% above current tax-exempt rates. Annual debt service for the proposed bond issue has been estimated to be approximately \$1.5 million.

As requested by the Board at the June 2006 meeting, the University completed a competitive process to select an independent consultant to review the financial plan and provide independent verification of the reasonableness of the financial planning assumptions. The selected firm was Convention, Sports and Leisure International (CSL). CSL was selected because of its extensive experience in performing similar studies, its recent experience in Iowa (Kinnick Stadium financial feasibility study), and its extensive data base of relevant market and industry information.

CSL has been contracted to provide independent review and validation of the following areas of the financial plan:

- Examine documents supporting fund raising commitments and potential major gifts.
- Examine market characteristics and trends.
- Conduct surveys to test demand for premium seating and potential annual giving levels to the National Cyclone Club.
- Conduct surveys of local/regional corporations regarding potential revenue from naming rights (e.g. gates, club sections, press tower, field).
- Review other operating revenues and expense projections for reasonableness and consistency with past performance (e.g. media rights, conference revenues, etc.).
- Consult with project architects to understand and incorporate relevant financial implications of the project design. Make recommendations as appropriate regarding revenue and expense implications of the project design.
- Compare operating revenue and expense assumptions to relevant benchmarking information from similar facilities at other institutions.
- Prepare a final report of conclusions regarding the financial feasibility of the Jack Trice Stadium Improvements (Phase 1) and the Hilton Coliseum Practice Facility.
- Present final report to University Leadership.

Market surveys were postponed because of the uncertainty surrounding the coaching changes. CSL has reviewed the planning assumptions and evaluated the assumptions based on benchmarking with other similar athletic programs and has submitted a preliminary report. Market surveys specific to ISU will be conducted later this spring and a final report will be available before the Regents are requested to authorize the bond issue. A CSL representative will be present at the Board meeting to answer questions.

Schematic Design, Project Description and Budget: The proposed **Jack Trice Stadium Improvements – 2006** project would begin the expansion of seating options and guest amenities at the Stadium consistent with the update to the Athletics Department Master Plan.

Jack Trice Stadium Improvements – 2006

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		June 2006	Approved
Initial Review and Consideration of Capital Capital Project Evaluation Criteria		June 2006	Received Report
Selection of Design Professional RDG, Planning & Design, Des Moines, IA)		Sept. 2006	Not Required
Authorization to Use a Construction Manager		Sept. 2006	Approved
Building Program		Dec. 2006	Not Required
Final Review and Consideration of Capital Capital Project Evaluation Criteria		Feb. 2007	Receive Report
Schematic Design		Feb. 2007	Requested
Project Description and Total Budget	\$19,500,000	Feb. 2007	Requested

On the west concourse, the existing row of suites would be expanded to the north and south with the construction of 22 new suites (11 each to the north and south); the new suite areas would

house restrooms and other support functions. In addition, two of the existing suites would be expanded for additional capacity. There would be 48 suites when the project is completed. The project would also construct restroom, concession, and retail areas along the outside wall of the west concourse, and install accessible seating platforms at the top outdoor seating level.

On the east concourse, the project would renovate and expand the club section, incorporating restroom and concession areas.

The University anticipates bidding the project in late summer / early fall 2007 with construction beginning after the fall 2007 football season, and completion by July 2008.

The schematic design square footages are identical to those in the approved building program, as follows:

Detailed Building Program

West Concourse Suites			
New Suites (22)	7,040		
Existing Suite Expansion (2)	400		
Restrooms	1,010		
Food Preparation	630		
Storage/Service	<u>985</u>	10,065	nsf
West Concourse Restrooms/Concessions			
Restrooms	10,260		
Concessions	4,420		
Storage/Service	1,650		
First Aid/Stadium Office	<u>530</u>	16,860	nsf
East Concourse Club Section			
Commons	4,550		
Restrooms	765		
Pantry/Storage/Service	<u>880</u>	6,195	nsf
Total Net Assignable Space		33,120	nsf
Anticipated Gross Square Feet		44,200	gsf
Anticipated Net-to-Gross Ratio = 75 percent			

Project Budget

Construction	\$ 15,272,500
Professional Fees	3,125,000
Movable Equipment	625,000
Relocation	4,500
Contingencies	<u>473,000</u>
TOTAL	<u>19,500,000</u>
Source of Funds:	
Athletic Facilities Enterprise Bonds	\$ 16,000,000
Private Giving	<u>3,500,000</u>
TOTAL	<u>\$ 19,500,000</u>

The evaluation criteria for the project are included as Attachment A to this Agenda Item.

Jack Trice Stadium Improvements – 2006
Evaluation Criteria

Since the project meets the Board's definition of a major capital project, the University has provided the following information in response to the Board's evaluation criteria.

Institutional Mission/Strategic Plan: Jack Trice Stadium plays an important role in the University's strategic plan to "Elevate the state's appeal as a place to live, learn, work and play" and to "Ensure that the university is a great place to learn and work". Jack Trice is a place of engagement for the university with thousands of students, families, visitors and alumni. They connect with all of the other programs of the university because of their associations with Iowa State University Football and their experiences at Jack Trice Stadium.

More than 300,000 people visit the university each year because of the football program and its athletes. The success of these visits is in part measured by the success of the football team, but just as important is the experience that each of the visitors has with the university community. The ease with which they may arrive at the site, visit with old friends, and of course enjoy a game is dependent on the facilities to support each element of their visit. Jack Trice is a good facility and this project is intended to make it a better facility to meet the needs of the university's guests.

The success of the football program has far reaching implications. It is one of the programs in the Athletic Department that supports not only itself but many other sports. To continue to support student athletes in all programs, football needs to continue to be a revenue generating enterprise. Improvements to Jack Trice Stadium will enhance revenue by making the experience better for visitors and income generating.

Other Alternatives Explored: Jack Trice Stadium is a good facility but there are areas that need improvement. There are no alternatives to these improvements because replacement of the stadium with a new facility is not needed to meet the needs of the university.

Impact on Other Facilities and Square Footage: This project will expand seating options and guest amenities at Jack Trice Stadium in accordance with the new Athletic Department Master Plan (Phase 1) initiative.

This project will construct twenty-two (22) new stadium suites and enlarge two (2) existing suites, replace the existing concession/toilet buildings with new facilities, and retrofit all existing stadium suites with operable window units on the west concourse.

In addition, the project will renovate the existing Cyclone Club section and raze the center concession/toilet building on the east concourse of Jack Trice Stadium.

Financial Resources for Construction Project: The university has established a project budget of \$19.5 Million (2007 dollars) dollars for the Phase 1 work. Funding will be provided from Athletic Facilities Enterprise Bonds and private gifts.

Financial Resources for Operations and Maintenance: Operating and Maintenance funding will be paid by the Athletic Department.

External Forces: Jack Trice Stadium improvements are needed to allow the university to be competitive in offering a good experience to visitors. As a revenue generating program, it is important to continue and be successful so that all student athletes may be offered an opportunity to a university education as a result of their participation in one the department's programs.

Iowa State University Department of Athletics

10 Year Pro Forma

	FY07	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
	Budget	Projection	Forecast										
OPERATING REVENUE													
Ticket Sales	11,081,670	10,762,898	13,409,050	11,182,293	13,221,816	12,856,068	13,993,616	13,429,161	14,140,621	14,384,703	16,095,034	15,052,659	16,468,048
Conference & NCAA Revenue	7,547,650	7,437,650	7,731,608	8,670,564	8,879,674	9,094,394	9,314,890	9,541,345	9,773,934	10,012,844	10,258,269	10,510,411	10,769,473
Fundraising	5,015,600	5,600,000	5,077,000	7,160,549	7,096,720	7,198,041	7,345,997	7,564,435	7,722,832	8,353,069	8,525,980	8,670,588	8,853,342
Multi-Media Rights	2,630,000	2,653,998	2,630,000	2,681,600	2,832,600	3,133,232	3,085,252	3,134,897	3,287,957	3,336,595	3,490,716	3,538,326	3,693,531
Post Season	1,000,000	205,000	1,020,000	1,040,400	1,061,208	1,082,432	1,104,081	1,126,162	1,148,686	1,171,659	1,195,093	1,218,994	1,243,374
Investment Income	230,000	230,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Student Fees	1,068,750	1,078,355	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750
University Support	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067	2,974,067
Licensing	260,000	253,613	265,200	270,504	275,914	281,432	287,061	292,802	298,658	304,631	310,724	316,939	323,277
Game Guarantees	610,000	610,000	275,000	880,000	125,000	650,000	525,000	670,000	400,000	690,000	250,000	275,000	550,000
Auxiliary Revenue	601,000	558,937	612,516	623,306	634,312	645,538	656,989	668,669	680,582	692,734	705,129	717,771	730,667
Other Revenue	559,801	580,764	539,316	549,410	559,706	570,208	580,919	591,845	602,990	614,357	625,952	637,779	649,842
TOTAL OPERATING REVENUE	33,578,538	32,945,282	35,790,249	37,379,657	39,101,270	40,021,867	41,503,538	41,731,363	42,873,833	44,487,008	46,495,579	46,092,956	48,555,508
OPERATING EXPENSES													
Salaries	13,005,855	12,525,408	13,278,684	13,794,952	14,100,842	14,538,300	14,990,636	15,261,767	15,716,262	16,176,565	16,649,344	17,134,982	17,633,873
Scholarships	5,255,123	5,311,865	5,491,603	5,738,725	5,996,968	6,266,832	6,548,839	6,843,537	7,151,496	7,473,313	7,809,612	8,161,045	8,528,292
Sports Programs - Operations	4,705,662	5,785,190	5,591,853	5,467,988	5,884,886	5,941,844	6,089,051	6,161,700	6,389,995	6,604,146	7,014,371	7,045,897	7,188,960
Sports Programs - Post Season	1,280,000	485,000	1,305,600	1,331,712	1,358,346	1,385,513	1,413,223	1,441,488	1,470,318	1,499,724	1,529,718	1,560,313	1,591,519
Sports Program - Support Units	1,110,710	1,250,710	1,019,807	1,038,641	1,057,920	1,077,657	1,097,865	1,118,557	1,139,747	1,161,449	1,183,678	1,206,449	1,229,777
Internal Operations	1,611,223	1,851,223	1,659,183	1,713,184	1,769,221	1,827,374	1,887,728	1,950,368	2,015,385	2,082,873	2,152,929	2,225,655	2,301,156
External Operations	872,538	962,888	872,538	881,263	890,076	898,977	907,967	917,046	926,217	935,479	944,834	954,282	963,825
Facilities & Events	3,242,479	2,720,451	2,668,451	2,697,536	2,726,983	2,936,799	2,972,389	3,008,523	3,045,209	3,082,461	3,120,289	3,158,706	3,197,723
TOTAL OPERATING EXPENSES	31,083,589	30,892,735	31,887,720	32,664,002	33,785,242	34,873,296	35,907,698	36,702,985	37,854,629	39,016,010	40,404,776	41,447,329	42,635,124
NET OPERATING MARGIN	2,494,949	2,052,547	3,902,529	4,715,655	5,316,029	5,148,571	5,595,840	5,028,378	5,019,204	5,470,998	6,090,804	4,645,627	5,920,384
LESS: EXISTING DEBT SERVICE	(1,709,983)	(1,779,983)	(1,498,218)	(1,430,362)	(1,400,279)	(1,189,534)	(1,243,958)	(1,123,729)	(706,895)	(601,925)	(600,525)	(602,369)	(598,337)
LESS: CAPITAL EXPENDITURES	(410,000)	(615,000)	(500,000)	(500,000)	(525,000)	(551,250)	(578,813)	(607,753)	(638,141)	(670,048)	(703,550)	(636,585)	(616,117)
LESS: ADMINISTRATIVE FEE	(632,667)	(632,667)	(655,904)	(548,432)	(503,442)	(429,463)	(364,757)	(260,174)	(178,403)	(96,295)	(33,055)	(0)	(0)
LESS: STADIUM 2006 DEBT SERVICE	0	0	(1,069,525)	(1,469,525)	(1,473,525)	(1,476,213)	(1,477,588)	(1,477,650)	(1,476,400)	(1,473,838)	(1,469,963)	(1,464,775)	(1,458,275)
LESS: COACHING CHANGE	(750,000)	(2,616,745)	(502,173)	(283,500)	(283,500)	0							
NET CAPITAL ADJUSTMENTS	(3,502,650)	(5,644,395)	(4,313,562)	(4,410,032)	(4,457,250)	(4,014,165)	(4,132,030)	(4,038,537)	(3,674,595)	(3,625,704)	(3,702,959)	(3,715,401)	(3,803,866)
NET MARGIN	(1,007,701)	(3,591,848)	(411,033)	305,623	858,778	1,134,406	1,463,810	989,842	1,344,608	1,845,294	2,387,845	930,226	2,116,518
Cash Balance - July 1	3,399,462	3,399,462	705,605	714,894	1,208,089	2,066,867	3,201,273	4,665,083	5,654,924	6,999,533	8,844,827	11,232,672	12,162,898
Net Margin	(1,007,701)	(3,591,848)	(411,033)	305,623	858,778	1,134,406	1,463,810	989,842	1,344,608	1,845,294	2,387,845	930,226	2,116,518
Unrestricted Cash at ISU Foundation	1,928,888	897,991	420,322	187,572									
Cash Balance-June 30	4,260,777	705,605	714,894	1,208,089	2,066,867	3,201,273	4,665,083	5,654,924	6,999,533	8,844,827	11,232,672	12,162,898	14,279,415

Jack Trice Pro Forma Assumptions

- No increase in football season ticket sales other than the Iowa promotion or an additional home game.
- Premium football single game sales at less than actual of former year.
- 3% men's basketball ticket price increase every fifth year.
- Institutional support remains at the current level.
- No increase in athletic student activity fees.
- New Big 12 television contract increase of \$750,000 in FY 2009.
- Annual 2% increase in the Cyclone Club and re-indexing in FY 2009.
- Multi-year, contracted football suite and club section revenues increase 3.5% annually.
- Major gifts of \$3.5 million to reduce bond borrowing amount.
- Multi-Media/Marketing rights projected as currently contracted.
- Annual 2% increase in other operating revenue.
- Salary costs increase 3% annually.
- Operating expenses increase 4% annually.
- Scholarship costs increase 4.5% annually, includes non-resident awards.