

Contact: Joan Racki

UNI MCLEOD CENTER

Actions Requested: Consider recommending the following to the Board for the **McLeod Center** project:

1. Approval of the revised budget in the amount of \$26,033,199, and
2. Acquisition of scoreboards and a video display system from Daktronics Sports Marketing of Brookings, South Dakota, at a cost not to exceed \$950,000, and authorization for the Executive Director to approve and execute the loan agreement and such other documents as may be necessary for the acquisition, as approved by bond counsel.

Executive Summary: The **McLeod Center** project will provide a 6,100 seat multipurpose arena, immediately to the south of the UNI-Dome, to host athletic events, including men's and women's basketball games, volleyball matches, and wrestling meets, and other special events. The facility is currently under construction with an anticipated completion date of late fall 2006. The current project budget of \$24,208,199 (approved in September 2005) includes funding from: 1) the UNI Foundation with agreements guaranteeing payment of its commitment to the project (\$20,825,000); 2) proceeds from the 1990 sale of the University golf course (\$1,200,000); 3) a City of Cedar Falls loan (\$500,000); and 4) additional borrowing (\$1,683,199).

The September 2005 budget was an increase of \$1,365,000 from the November 2004 approved budget and was to provide the additional funding for construction of the Hall of Fame, including the costs of construction, design, inspection and administration, and associated art work. This increase was funded by the UNI Foundation (an additional commitment of \$1,165,000) and golf course sale proceeds (an additional \$200,000 from earnings on the quasi-endowment).

The University requests, at the March 2006 meeting, approval of a revised budget for the project in the amount of \$26,033,199; the increase of \$1,825,000 (above the September 2005 approved budget) would finance the finishing of construction areas and other construction changes, and provide scoreboards and a video display system for the facility. Fund sources include an increased commitment of \$500,000 from the UNI Foundation, additional funding of \$375,000 from the 1990 sale of the University golf course, and a taxable loan in the amount of \$950,000 for the scoreboards and video display system. The UNI Foundation would execute an amendment to its existing agreement with the Board to guarantee payment with its general credit for its portion of the budget increase.

Subject to Board approval of the revised budget, the Executive Director plans to sign change order #13 to the construction contract for the project in the amount of \$1,517,669. This change order includes the sums of \$1,365,735 for the Hall of Fame and \$151,934 for concession stand counters and grilles. The University indicated that the concession stand items were inadvertently deleted during the value engineering phase of the project.

The Foundation continues to solicit funds for the general project budget as well as funds for an alumni suite, commissary/kitchen, media room, and Hall of Fame finishes. The University reports that approval of additional budget revisions and construction change orders will be requested of the Board/Board Office as funds become available.

Scoreboards and Video Display System

Consistent with the Board's procurement policies, a request for proposals (RFP) was issued by the University's Purchasing Department for the scoreboards and video display system. Bids were received from Daktronics Sports Marketing of Brookings, South Dakota and ADSystems of Ft. Myers, Florida. The evaluation committee determined that the bid from ADSystems was not compliant with specifications contained in the RFP. Daktronics Sports Marketing has been selected for award pending Board approval. The bid amount of \$875,849 included scoreboards and their installation, a video display system and its installation, and a performance bond. Subsequent to the receipt of bids, Daktronics suggested size modifications for the scoreboards on the north end of the McLeod Center; these modifications have increased the price by \$53,929 to a current cost of \$929,778.

The University proposes to finance the cost of the scoreboard and video display system over five years, which is less than the estimated useful life of ten years for these items, utilizing a taxable (non tax-exempt) loan from Wells Fargo in an amount not to exceed \$950,000. (The difference between this amount and the current cost of \$929,778 would allow for some minor additional expenditures.) The University anticipates using taxable financing since the display of advertising would be considered to be a "private business use." According to federal requirements, no more than 10% of the proceeds of a tax-exempt financing can be used for private activity purposes.

This loan would be subordinate to the outstanding bond indentures for the Field House Enterprise (of which the McLeod Center is a component) and would not be collateralized by the pledging of any assets. The proposed borrowing rate currently is estimated to be approximately 6.36%. The University would make ten semiannual payments of approximately \$112,394. The University is currently in the process of working out the final arrangements with Wells Fargo and Ahlers and Cooney, P.C., the Board's bond counsel.

The loan would be repaid from corporate sponsorship dollars and dollars received from Intercollegiate Athletics marketing rights contracts. Subject to approvals from the Property and Facilities Committee and Board, the University will enter into a marketing contract with Daktronics Sports Marketing (DAK); the firm will assist Intercollegiate Athletics marketing staff in executing a strategy to sell \$600,000 to \$800,000 of corporate sponsorships and signage per year.

The University reports that UNI Sports Marketing and DAK are currently discussing the types of inventory available to be sold in the McLeod Center. With strategic pricing and new initiatives for lessee advertising and sponsorship, the University believes that the revenue estimates are realistic and would provide sufficient funds to amortize the loan, pay DAK for their marketing assistance, and provide at least \$218,000 of net sponsorship and advertising income per year to the Field House Enterprise, as required by the McLeod Center Business Plan. (The Plan includes projections of operating revenues and expenses, Foundation pledge revenues and debt service payments.)

The University noted in responding to a Board Office inquiry, that the proposal from Daktronics indicated that the sum of \$600,000 to \$800,000 in sponsorship and signage revenue is strongly probable based on the company's review of signage and sponsorship opportunities in the McLeod Center and the success it has had working with other universities on marketing.

Details of Project: McLeod Center

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		Nov. 2001	Approved
Architectural Agreement (Herbert Lewis Kruse Blunck, Des Moines, IA)	\$ 1,487,300 ¹	May 2002	Approved
Program Statement		Oct. 2002	Approved
Schematic Design		April 2003	Report Received
Initial Review, Capital Project Evaluation Criteria		July 2003	Report Received
Final Review, Capital Project Evaluation Criteria		Nov. 2003	Report Received
Revised Schematic Design – Option C		Nov. 2003	Approved
Project Description and Total Budget – Option C	20,183,199	Nov. 2003	Approved
Architectural Amendments (Herbert Lewis Kruse Blunck, Des Moines, IA)			
Architectural Amendment #1	106,445	Nov. 2003	Approved
Architectural Amendment #2	200,000 (est.)	Nov. 2003	Approved
Architectural Amendment #3	48,314	Nov. 2003	Not Required ²
Architectural Amendment #4	45,232	Nov. 2003	Not Required ²
Architectural Amendment #5	47,775	Nov. 2003	Not Required ²
Architectural Amendment #6	47,866	Nov. 2003	Not Required ²
Architectural Amendment #7	35,035	Nov. 2003	Not Required ²
Architectural Amendment #8	45,045	Nov. 2003	Not Required ²
Architectural Amendment #11 ¹	6,941	June 2005	Not Required ²
Construction Contract Awards (All Awards to Cardinal Construction, Waterloo, IA)			
North UNI-Dome Improvements—Phase 1	276,820	Aug. 2004	Ratified
UNI-Dome Utility Relocation	Reject Bids	Aug. 2004	Ratified
General Construction	19,452,000	Nov. 2004	Approved
Revised Project Budget	22,843,199	Nov. 2004	Approved
Construction Change Orders (Cardinal Construction)			
Change Order #1	- 388,505	Feb. 2005	Not Required ²
Change Order #2	- 46,676	Feb. 2005	Not Required ²
Change Order #3	43,587	Mar. 2005	Not Required ²
Change Order #4	41,269	Apr. 2005	Not Required ²
Change Order #5	43,347	May 2005	Not Required ²
Change Order #6	28,653	June 2005	Not Required ²
Change Order #7	28,753	July 2005	Not Required ²
Change Order #8	49,054	Aug. 2005	Not Required ²
Change Order #9	33,147	Sept. 2005	Not Required ²
Change Order #10	19,822	Nov. 2005	Not Required ²
Change Order #11	46,245	Nov. 2005	Not Required ²
Change Order #12	36,231	Dec. 2005	Not Required ²
Revised Project Budget	24,208,199	Sept. 2005	Approved
Revised Project Budget	26,033,199	March 2006	Requested
Construction Change Order #13 (Cardinal Construction Company)	1,517,669	March 2006	Pending Ex. Dir. Action
Scoreboard	950,000	March 2006	Requested

¹ The original approved fee of \$1,903,200 also included funds for design of the Human Performance Center; the fees are now being tracked separately; amendments #9 and #10 are for the Human Performance Center.

² Approved by University in accordance with Board procedures.

UNI MCLEOD CENTER BUDGET HISTORY

	Initial Budget <u>Nov-03</u>	Revised Budget <u>Nov-04</u>	Revised Budget <u>Sep-05</u>	Proposed Revised Budget <u>Mar-06</u>
<u>Uses of Funds:</u>				
Construction	\$ 16,700,000	\$ 19,760,000	\$ 20,984,500	\$ 21,975,000
Design, Inspection and Administration	1,750,000	2,000,000	2,150,000	2,250,000
Furniture and Equipment ¹	715,000	400,000	400,000	265,000
Scoreboards				950,000
Artwork	101,000	114,216	121,041	130,166
Contingency	<u>917,199</u>	<u>568,983</u>	<u>552,658</u>	<u>463,033</u>
TOTAL	\$ 20,183,199	\$ 22,843,199	\$ 24,208,199	\$ 26,033,199
<u>Sources of Funds:</u>				
City of Cedar Falls Loan	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Proceeds from Sale of Golf Course	1,000,000	1,000,000	1,200,000	1,575,000
Additional Borrowing	1,683,199	1,683,199	1,683,199	1,683,199
Taxable Loan - Scoreboards				950,000
UNI Foundation Funding:				
Arena Gifts and Interest ²	16,084,186			
Undesignated Funds	915,814			
Bond Proceeds ³		8,591,049	8,591,049	8,591,049
Funding Contract		8,408,951	8,408,951	8,408,951
Contract Amendment 1		2,660,000	2,660,000	2,660,000
Contract Amendment 2			1,165,000	1,165,000
Contract Amendment 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Subtotal - UNI Foundation	17,000,000	19,660,000	20,825,000	21,325,000
TOTAL	\$ 20,183,199	\$ 22,843,199	\$ 24,208,199	\$ 26,033,199

¹ The original project budget included \$350,000 for scoreboards; this amount was subsequently reduced to \$130,000. The budget for which approval is requested at the March 2006 meeting does not include any funding for the scoreboard within the furniture and equipment line item.

² Includes amount on hand or pledged for project.

³ Since gifts for the project to the UNI Foundation extend over a number of years, bonds were sold to provide the needed construction funds. Proceeds from the sale for the project totaled \$8,591,049.