MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Approval of Master Lease Financing for Jack Trice Stadium - Exterior Stair Replacement (ISU)

Date: March 31, 2003

Recommended Action:

Recommend that the Board authorize Iowa State University to utilize master lease financing in the amount of $325,000 to replace twelve sets of stairs in need of replacement at Jack Trice Stadium.

Executive Summary:

Iowa State University requests approval to utilize $325,000 in master lease financing to replace twelve sets of stairs that connect the lower level concourse areas to the upper level seating of Jack Trice Stadium.

The University proposes to finance the project over a five-year period, with the final interest rate set per the master lease agreement at the time the borrowing commitment is executed.

• The estimated interest rate is approximately 3.38 percent, which would result in semi-annual payments of approximately $35,600.

Funding for the semi-annual payments would come from a portion of the $15 stadium facilities fee which will be incorporated into football season ticket prices beginning with the 2003 season.

Background:

Master Lease Agreement

In November 2001, the Board approved entering into a new master lease agreement (Agreement) with Wells Fargo Brokerage Services, LLC (Wells Fargo) to provide short-term financing (3 to 10 years) for real and personal property. The agreement will be effective through January 1, 2004, with an option of an additional three-year period based on the mutual consent of both parties.

Property up to an outstanding principal amount of $20 million can be financed under the Agreement; to date, borrowing commitments of $1.7 million of the $20 million have been made.
The Board must approve each financing utilizing the Agreement and Wells Fargo must agree to lease the property.

If the Board approves the use of master lease financing for the project, notification to the Legislative Fiscal Bureau will be made. The information provided to the Fiscal Bureau is provided to the Legislative Fiscal Committee at its next scheduled meeting.

**Project Description**

In June 2001, the Executive Director approved, consistent with Board policies, a project description and budget ($139,510) to replace four sets of steel stairs that connect the lower level seating to the upper level seating in Jack Trice Stadium.

- The project was to be funded by Athletic Department Funds, but was placed on hold by the Department prior to bidding, due to funding concerns.

Consistent with the Board’s **Policy Manual**, in March 2003, the Executive Director approved a revised project description and budget ($325,000) for the project which would replace a total of twelve sets of stairs rather than the four sets included in the initial budget.

- Since master lease financing was the proposed source of funds, the revised budget was approved subject to Banking Committee and Board approval of the use of master lease financing for the project.

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**Analysis:**

**Stairs**

The University reports that twelve sets of concrete stairs that connect the lower level concourse areas to the upper level seating at Jack Trice Stadium have deteriorated to the level that safety is a concern and repair is no longer cost effective.

**Proposed Work**

Construction work would include demolition of the existing concrete stairways and the fabrication and installation of new galvanized steel stairs.

**Financing**

Financing the improvements, rather than undertaking them as funds are available from the $15 stadium facilities fee which will be incorporated into football season ticket prices beginning with the 2003 season, would permit the construction to occur this summer, rather than phasing it over a period of time.

Based upon a financing period of five years and current interest rates, the semi-annual master lease payments would be approximately $35,600.