MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Purchase and Master Lease Financing – Scoreboard and Video Display System, Jack Trice Stadium
Date: April 12, 2002

Recommended Action:

Recommend that the Board consider Iowa State University’s request to purchase a scoreboard and video display system, using a combined bid from Daktronics and DB Acoustics, for Jack Trice Stadium, utilizing master lease financing in the amount of $1 million.

Executive Summary:

New Scoreboard

The purchase and financing by Iowa State University of a new scoreboard and video display system for Jack Trice Stadium was deferred at the March Banking Committee meeting.

The University had recommended award of the bid to Daktronics, based upon the sealed responses received to a Request for Proposals (RFP).

March Appeal

One of the unsuccessful vendors protested the recommendation to award through University administrative remedies, consistent with the Board of Regents Policy Manual §8.03G.

New Request for Proposals (RFP)

Following a hearing held with the unsuccessful vendor, in conformance with University purchasing procedures, the University made the decision, consistent with its options as stated in the RFP to reject all proposals and issue a new RFP with revised specifications.

The form of proposal submitted by vendors included pricing for various components of the system.

Responses to RFP

Responses to the new RFP were received on April 9, 2002 from:

- Daktronics; Brookings, SD (proposal for all components);
- Trans-Lux Midwest; Des Moines, Iowa (parent located in New Haven, CT) (proposal for all components);
- Reynolds Sign Company, Irving, Texas / Mitsubishi, Lawrenceville, GA (proposal for all components); and
- DB Acoustics, Inc.; Marion, IA (proposal for display sound system).
| **Award Options** | The RFP stated that the University reserved the right to make a single award, multiple awards or no award. |
| **Award Recommendation** | Iowa State University requests approval to purchase a scoreboard and video display system for Jack Trice Stadium with a combined bid from Daktronics, Inc. and DB Acoustics, Inc. in the amount of $1,032,058. |
| **New vs. Existing Scoreboard** | The existing scoreboard was installed in 1994; the scoreboard was expected to perform over a 10-year period. Although technology continues to change rapidly, the University believes that the proposed new scoreboard system should have a 10-year useful life. |
| **Financing** | The University plans to finance a portion of the scoreboard through the master lease agreement with Wells Fargo Brokerage Services, LLC. Semi-annual lease payments from financing of $1 million are estimated at approximately $65,000 based upon a lease term of 10 years and an interest rate of 5.32%. |
| **Repayment** | Repayment would be made from corporate sponsorship dollars and dollars received from the Department of Athletics marketing rights contracts. The University reports that all of the advertising for the advertising panels of the new video display board has been sold. |
| **Questions** | University representatives will be present at the meeting to respond to questions. |

**Background:**

The University reports that the existing scoreboard has become outdated and that athletic fans have requested improvements in the appearance and functions of the display.

The University’s Asset Recovery operation will perform a bid process to determine whether there are any parties interested in purchasing the old scoreboard.

- The University reports that past experience has shown that there is generally little interest in purchasing older technology scoreboards; there may be significant costs associated with removing and transporting the old scoreboard, which exceed its residual value.

- If the old scoreboard cannot be sold, the bid documents require the selected vendor to remove and dispose of the scoreboard at the bidder’s expense.
• Should the scoreboard be sold and removed, the University will attempt to negotiate a price reduction with the successful bidder.

Financing of Existing Scoreboard

The Board approved, in June 1994, the use of master lease financing (for a 10 year period) for the purchase and installation of a new main scoreboard, fascia scoreboards and a new sound system for Jack Trice Stadium.

The amount financed was $450,000.

• The semi-annual lease payment is $28,189.59.

• Principal of approximately $154,000 remains outstanding.

• The last maturity is November 1, 2004.

Anchor sponsorship agreements were written for 10-year terms, with the expectation that those sponsorships would cover the cost of the scoreboard.

Assuming that a new scoreboard is installed this summer, the University’s Athletic Department plans to pay off the remaining balance this spring since it will no longer be using the 1994 scoreboard.

Board Policies

Board policies help ensure that goods and services are competitively bid. Written bids (§8.04A, Policy Manual) are required for purchases which are expected to exceed $5,000 at the universities.

The Regent Policy Manual (§8.11B) also requires Board approval of moveable equipment costing more than $1 million.

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 until 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; no financings have yet occurred.

The Board must approve each financing utilizing the Agreement and Wells Fargo must agree to lease the property.

If the Board approves the purchase of the scoreboard and video display and its financing, 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.
Analysis:

Rejection of Initial Proposals
Following an appeal by one of the unsuccessful vendors, the University made the decision, consistent with its options as stated in the RFP to reject all proposals and issue a new RFP with revised specifications.

New Specifications
Changes in the specifications included:

- Minimum height to permit the installation of permanent bleachers below the scoreboard;
- Structural issues regarding the catwalk;
- Minimum board size;
- LED lights as a requirement in the scoreboard; and
- Owner reserving the right to request companies to participate in a shootout and/or provide an opportunity to view display units in a competitive manner.

Pricing Sheet
The form of proposal to be submitted by vendors included costs for:

- Video Display Board (VDB);
- Scoreboard Display;
- Advertising Panels; and
- Sound Cabinet.

Evaluation Criteria
The RFP listed 19 criteria to be used in evaluating the responses. Some of the criteria were:

- Compliance with all terms, conditions and instructions;
- Noted exceptions;
- Price;
- Payment, FOB, and delivery terms;
- Product and installation warranties; and
- Scheduling availability.

Award Options
The RFP stated that the University reserved the right to make a single award, multiple awards or no award.
Proposal responses were received from four firms; the firms, the items for which pricing was included, and the proposal amounts are as follows:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Components</th>
<th>Bid Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daktronics, Inc.; Brookings, SD</td>
<td>Video Display Board; Scoreboard Display; Advertising Panels; Optional Message Center; Performance Bond</td>
<td>$904,722</td>
</tr>
<tr>
<td>Trans Lux Midwest (formerly known as Fairtron); Des Moines, Iowa (parent company in New Haven, CT)</td>
<td>Video Display Board; Scoreboard Display; Advertising Panels; Optional Message Center; Allocation of Performance Bond</td>
<td>$1,008,570</td>
</tr>
<tr>
<td>Reynolds Sign Company, Irving, Texas; Mitsubishi Diamond, Lawrenceville, GA</td>
<td>Video Display Board; Scoreboard Display; Advertising Panels; Optional Message Center; Performance Bond</td>
<td>$1,191,693</td>
</tr>
<tr>
<td>DB Acoustics; Marion, IA</td>
<td>Sound System for Display, Performance Bond</td>
<td>$127,336</td>
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**TOTAL** $1,052,871

**TOTAL** $1,148,589

**TOTAL** $1,317,693

**TOTAL** $127,336

The University’s evaluation of the proposals has been provided to the Board Office.

Based upon its evaluation of the criteria and the low bid cost, the University recommends award for all components, except the sound system, to Daktronics in the amount of $904,722.

- This amount includes the video display, video installation, scoreboard, fascia scoreboards, and scoreboard installations, advertising panels, advertising panel installation, message centers, video cabling, performance bond, certification costs on the support structure, enclosure of the crow’s nest, and siding.
The University recommends award of the sound system for the display to DB Acoustics in the amount of $127,336.

The total cost of this proposal is $1,032,058, which is $20,813 lower than the cost of the total proposal from Daktronics and $103,848 lower than the sum of proposals from Trans-Lux and DB Acoustics.

The Department of Athletics will pay $32,058 for the advertising panels, leaving the balance of $1 million to be financed over 10 years.

- Although technology continues to change rapidly, the University believes that the proposed new system should have a 10-year useful life.

Financing

The University proposes to use the Board’s master lease agreement with Wells Fargo Brokerage Services, LLC to finance the balance of $1 million.

The University is in the process of working out final arrangements with Wells Fargo and the Regents bond counsel (Ahlers Law Firm) to ensure compliance with Internal Revenue Service regulations dealing with both Unrelated Business Income Tax (UBIT) and private purpose tax exempt financing.

- Preliminary discussions with Ahlers Law Firm indicate that the requirements can be met as long as less than 10% of the cost of the borrowing would be utilized for private purposes (sponsorship signage and messages).

Repayment

The proposed borrowing rate currently is estimated to be approximately 5.32%. The University would pay 20 semiannual payments of approximately $65,000 each from Corporate Sponsorship dollars and dollars received from the Department of Athletics marketing rights contracts.

- The Department of Athletics has a commitment of $100,000 a year through 2009 and an additional commitment of $30,000 a year through 2007.

- Any remaining funds required for payment will come from renegotiated marketing rights contracts.

- The University reports that all advertising for the advertising panels (five single, two tri-vision and four fascia mount) of the new video display board has been sold.