

**MEMORANDUM**

**To** Banking Committee

**From:** Board Office

**Subject:** Reallocation of Proceeds from Master Lease Financing for Jack Trice Stadium - Exterior Stair Replacement (ISU)

**Date:** April 12, 2004

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**Recommended Action:**

Recommend that the Board approve the reallocation of a portion of the proceeds from the master lease financing of the exterior stair replacement at Jack Trice Stadium to other projects at the Stadium.

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**Executive Summary:**

At its April 2003 meeting, the Board approved Iowa State University's utilization of \$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.

Since construction costs were significantly lower than had been estimated, approximately \$130,000 of the proceeds remain unspent.

The University proposes to use the remaining proceeds for additional projects at Jack Trice Stadium.

Ahlers & Cooney, the Board's bond counsel, has confirmed that the use of the proceeds for this purpose would be permitted under federal tax regulations and the financing documents, but has advised that Board approval should be first obtained.

Notice will be provided to Wells Fargo Brokerage Services, LLC, the Board's master lease provider, as recommended by bond counsel.

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**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 was effective through January 1, 2004 and was renewed for an additional three-year period, as approved by the Board in December 2003.

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

Project Description	<p>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.</p> <ul style="list-style-type: none"><li>• 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.</li></ul> <p>In March 2003, consistent with the Board's <u>Policy Manual</u>, 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.</p> <ul style="list-style-type: none"><li>• 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.</li></ul>
Project Financing	<p>The Board approved master lease financing for the project at its April 2003 meeting.</p> <ul style="list-style-type: none"><li>• The University financed the project over a five-year period; the interest rate was 3.27%, which resulted in semi-annual payments of \$35,315.99.</li><li>• The semi-annual payments are being made from revenue from the \$15 stadium facilities fee which was incorporated into football season ticket prices beginning with the 2003 season.</li></ul>
Remaining Proceeds	<p>Since construction costs to replace the stairs were lower than had been estimated, approximately \$130,000 of the proceeds from the master lease financing remain unspent.</p>

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**Analysis:**

Proposed Use of Remaining Proceeds	<p>The University proposes to use the \$130,000 of remaining proceeds for additional projects at Jack Trice Stadium. These projects could include replacement of chairs in the Club Section, stair handrails, and carpet in the working press area of the press box, as well as improvements to seating for the physically disabled.</p>
Bond Counsel Advice	<p>Ahlers &amp; Cooney, the Board's bond counsel, has confirmed that the use of proceeds from the master lease financing for the above identified projects would be permitted under federal tax regulations and financing documents, but has advised the University that Banking Committee and Board approval should first be obtained.</p> <p>Ahlers has also recommended that notice be given to Wells Fargo Brokerage Services as the lessor.</p>