MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Resolutions for the Sale and Award of $10,000,000 Field House Revenue Bonds, Series U.N.I. 2004
Date: February 9, 2004

Recommended Action:

Recommend that the Board adopt the following resolutions (see G.D. 11), subject to receipt of acceptable bids:

1. A Resolution providing for the sale and award of $10,000,000 Field House Revenue Bonds, Series U.N.I. 2004, and approving and authorizing the agreement of such sale and award.

2. A Resolution authorizing and providing for the issuance and securing the payment of $10,000,000 Field House Revenue Bonds, Series U.N.I. 2004, for the purpose of constructing, equipping, and furnishing an addition to the UNI-Dome Field House, and improving and remodeling the UNI-Dome Field House, funding a reserve fund and paying the costs of issuance.

Executive Summary:

The Banking Committee is requested to recommend that the Board adopt two resolutions related to the sale and award and issuance of $10,000,000 Field House Revenue Bonds, Series U.N.I. 2004.

At its January 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to provide partial financing for construction of the Arena, which would provide a 6,100 seat multipurpose venue to host athletic events, including men’s and women’s basketball games, volleyball matches, wrestling meets, and other special events.

The Board approved the schematic design and project description and total budget ($20,183,199) for the project at its November 2003 meeting.

Principal on the bonds would be repaid over a period of 20 years from pledged gifts and net rents, profits and income received from the Event Complex (UNI-Dome and the new Arena). Revenue from the Intercollegiate Athletics student fee could also be used should this source be needed.
Debt service payments would be slightly less than pledged gifts through FY 2008; after that time the debt service payments would be approximately $600,000 per year.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

Background:

Statutory Provisions

Under the provisions of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities.

The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

New Facility

The Arena would be constructed immediately to the south of the UNI-Dome and would be added to the Field House Enterprise, a self-supporting operation.

Project Budget

The project budget of $20,183,199 approved by the Board in November 2003 included the following sources of funds:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNI Foundation Gifts for Arena &amp; Interest</td>
<td>$16,084,186</td>
</tr>
<tr>
<td>UNI Foundation Undesignated</td>
<td>915,814</td>
</tr>
<tr>
<td>City of Cedar Falls Loan</td>
<td>500,000</td>
</tr>
<tr>
<td>Sale of Golf Course Proceeds</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Additional Borrowing</td>
<td>1,683,199</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,183,199</strong></td>
</tr>
</tbody>
</table>

Since the gifts to the UNI Foundation have been pledged through FY 2017, which is beyond the 20-24 month construction period, the University proposed the sale of self-liquidating revenue bonds to partially finance construction.

At its January 2004 meeting, the Board approved issuing $10,000,000 in self-liquidating revenue bonds for the project.
Analysis:

Financing Update
The following provides information on the current status of funds for the project:

Gifts Designated for the Project
From December 31, 2003 to January 31, 2004, the amount of gifts received and pledged (and interest earned on funds received) for the Arena has increased from $16,727,096 to $17,137,602 (+$410,506).

UNI Foundation Undesignated Funds
Since the UNI Foundation committed to raising a total of $17 million for the project and more than this sum has been received and pledged, the University is no longer including UNI Foundation undesignated funds in its financial presentation. (See Table 1)

Status of City of Cedar Falls Loan Agreement
The City of Cedar Falls agreed to lend $500,000 to the University for the Arena project.

At its October 2003 meeting, Banking Committee members raised a number of questions regarding the proposed agreement for the loan.

Board Office staff and the Board’s bond counsel met with City of Cedar Falls officials and University personnel on Wednesday, October 29, 2003, to review the proposed agreement; progress was made during the discussions.

In the November 2003 elections, three new City of Cedar Falls council members were elected and the agreement may need to be revised or renegotiated.

The University reports that discussions between the University and City of Cedar Falls officials are continuing.

The Executive Committee of the UNI Foundation has agreed to guarantee the $500,000 expected from the City of Cedar Falls.

Parity Bonds
The Field House (UNI-Dome) bond resolutions of 1997 and 2001 created a Field House Enterprise, which permits the addition of buildings to the enterprise and the sale of parity bonds. Bond counsel has concurred in the University’s desire to issue the new bonds on a parity with the existing Field House Revenue Bonds. The existing UNI-Dome and the new Arena will be known as the UNI Event Complex.

Field House Bond Covenants
Under the bond resolution for the outstanding Field House Bonds, if the Field House Student Fees (currently being charged) and the Project Income (net income from operations of the project), together with the funds on deposit in the Surplus Fund, are insufficient to meet the requirements of the Bond resolution, the Board must employ a qualified consultant to prepare a report on the Field House Student Fees and Project Income and to recommend changes in the amount of Fees or Project Income so that the bond requirements can be met.
Since the new bonds will be issued on a parity with the existing Field House bonds, the provisions of the bond covenants will also apply to the new bond issue.

Security for Bonds

The primary guarantee for the proposed bonds will be the existing Intercollegiate Athletics student fee. This guarantee will be in addition to the Field House student fee and project income, which secure the existing Field House Enterprise bonds.

Revenue from the Intercollegiate Athletics student fee will be released for intercollegiate athletics in each fiscal year in which revenue from the existing Field House student fee and project income are sufficient to meet the debt service requirements of the bond covenants.

Outstanding Bonds

The outstanding principal of the Field House System existing bonds, as of February 1, 2004, is $13.3 million; the last maturity is 2022.

Issue Size

Components of the $10,000,000 bond issue are estimated to include:

- project costs (estimated at $8,792,500);
- debt service reserve (estimated at $1,000,000);
- bond discount (estimated at $150,000); and
- issuance costs (estimated at $57,500).

Receipt of Bids

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, February 19, 2004, and the award is scheduled for later that day.

Resolutions

Copies of the resolutions, which were prepared by Ahlers Law Firm and reviewed by Springsted, Inc., are available from the Board Office.

Bond Specifics

Average Maturity: 10.2 Years
Bonds Dated: March 1, 2004
Interest Due: January 1, 2005, and July 1 and January 1 to maturity
Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
Principal Due: July 1, 2005 – 2024
Optional Call: Bonds maturing on or after July 1, 2014 are callable on any date on or after July 1, 2013
Denomination: $5,000 and integral multiples thereof
# Private Funds

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<thead>
<tr>
<th>Date</th>
<th>Private Funds</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>UNI Foundation</td>
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<tr>
<td>01/31/04</td>
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<tr>
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<tr>
<td>06/30/17</td>
<td>12,000</td>
</tr>
<tr>
<td>(137,602)</td>
<td>(137,602)</td>
</tr>
</tbody>
</table>

| $ 17,000,000 | - | 500,000 | 1,000,000 | 1,683,199 | 20,320,801 |

**Table 1**

University of Northern Iowa
Event Complex (McLeod Center)
Option "C"

Revenue Cash Flow
(as of January 31, 2004)
Table 1
University of Northern Iowa
Event Complex (McLeod Center)
Option "C"
Revenue Cash Flow
(as of January 31, 2004)

Notes:
1. On October 10, 2003 the Board of Trustees of the UNI Foundation voted to commit undesignated gifts
to its Students First Campaign to the McLeod Center to guarantee its $17,000,000 commitment.
2. The City of Cedar Falls agreed to lend $500,000 to the University. The Board of Regents, State of Iowa asked the
   University to attempt to have restrictive clauses removed from the agreement. Because three new council members
   were elected in November, the University must renegotiate the agreement. The agreement must be ratified by the Board.
3. The Executive Committee of the UNI Foundation agreed to guarantee the $500,000 expected from the City of Cedar Falls.
4. The University sold its 9-hole golf course located at the corner of University Avenue and Main Street to the
   Iowa Department of Transportation for the construction of Highway 57.
5. The Field House Enterprise, a self-liquidating enterprise, will provide the final $1,683,199 of the construction fund.
6. A cutoff of January 31, 2004 was used for this report. The UNI Foundation will record any payments
   postmarked in January 2004 on its books as a January gift. January interest income has not
   been verified.
7. This listing does not include deferred gifts to the McLeod Center.
8. Cash and pledged total $17,137,602. Pledged in excess of $17,000,000 will be used as a reserve for any slippage in pledges.

GBS
2/4/2004