MEMORANDUM

To Banking Committee

From: Board Office

Subject: Financial Plan – Kinnick Stadium Renovation (SUI)

Date: March 1, 2004

Recommended Action:

Provide direction to the Board on financing the Kinnick Stadium Renovation:

a. If the Board chooses Design Option B, B1, C or D, direct the University to return to the Banking Committee with a financing plan for the Board selected design option.

b. If the Board approves proceeding with the University's recommended design option (Option E) for the renovation of Kinnick Stadium (project cost of $86.8 million), recommend the issuance of parity, student fee backed bonds and bond anticipation notes as the least costly financial mechanism.

Executive Summary:

December 2003 Board Meeting

At the December 2003 Board meeting, the University presented the master plan for the renovation of Kinnick Stadium, constructed in 1929, and indicated that the final program statement, schematic design, detailed financial plan and project budget would be presented at a later date.

Options for Consideration

As a result of the discussion at the December 2003 meeting, the University has provided five design options for the Board's consideration. The project costs for these options range from $19.6 million to $86.8 million, as summarized in the table on the following page.

According to the University's calculations, Options B – D would not generate enough revenue to pay the annual required debt service for the respective option, assuming that revenue bonds are issued to finance the project. (The University reports that Option A does not meet code and no calculations were made.)

Should the Board, at its meeting on March 10, 2004, choose design Option B, B1, C or D, the Board Office recommends that the University be directed to return to the Banking Committee with a financing plan for the Board selected design option.

According to the University's calculations, Option E would generate enough revenue to pay the annual required debt service without requiring the use of general fund dollars or additional student fees.

Option E would include the replacement of the south end zone seating area and construction of a new press box on the west sideline as well as improvements to the east and west concourses.

The University provided different bonding scenarios to finance Option E. The lowest total cost option would be the issuance of parity, student fee backed bonds and bond anticipation notes.

Should the Board choose Option E, the Board Office recommends the issuance of student fee backed parity bonds and bond anticipation notes since this method would be the least costly financial mechanism should revenue bonds be issued.

University Capital Register

The final program statement, schematic design, including a range of design options for the project and their respective budgets, are described in detail in the University of Iowa Capital Register (see G.D. 4a).

Each design option and financial information for that option are summarized in the following table provided by the University.

	Cost*	Average Annual Debt Service*	Average Annual Revenue***	New Revenue/Debt Service Funding Ratio	Funding Ratio First 10 Years
Option A (south end zone, replace as is)	Does not meet code – no calculations made				
Option B (south end zone w/o lockers)	$28.4	$2.2	$0.47	0.22	0.29
Option B1 (south stands only, no future development)	$19.6	$1.6	$0.47	0.30	0.42
Option C (total south end zone, east concourse)	$40.2	$3.1	$1.06	0.34	0.34
Option D (total south end zone, east & west concourses)	$48.1	$3.7	$1.68	0.45	0.43
Option E UNIVERSITY RECOMMENDED PROJECT*** (total south end zone, east & west concourses, press box)	$86.8	$6.9	$8.49	1.19	1.22

* Cost, debt service and revenue in $ millions; ** Average of annual estimated income over life of bond issue; ***University recommended financing option of parity bonds and bond anticipation notes.

The University reports that the revenue assumptions for each of the options are different based upon judgments of the related philanthropy gift potential and the seating-based revenue and gift potential. According to the University's calculations, only Option E generates enough revenue to support annual debt service payments. (Revenue/Debt Service Funding Ratio >1.0)

Option E - University's Recommendation

The University requests, as part of its capital register, approval of design Option E with a project cost of $86.8 million. The University recommends that this option be financed by the sale of not more than $100 million in fixed-rate bonds which would be issued in four series on a parity with the outstanding Athletic Facilities Revenue Bonds. (At least one of the bond issues initially would be issued as bond anticipation notes, which would pay interest only, and would be converted to parity bond debt not later than July 1, 2011.)

Major components of the project scope for Option E, which are consistent with the Master Plan, include:

- Replacing the south end zone seating structure with permanent construction;
- Constructing a new press box on the west side to accommodate the existing demand for premium seating;
- Improving the east and west concourses;
- Increasing significantly the number of restrooms;
- Updating and increasing the number of concession points of sale;
- Improving access for mobility impaired individuals; and
- Improving the access/circulation in and around the stadium.

Option E Financing Scenarios

The following summary provides financing scenarios for Option E, the University's recommended design option. In all cases, the bonds would have a maximum term of 25 years.

Bond Issue Costs with/without Student Fee Pledge

	Total Cost of Financing Including Advance Refunding Cost	Net Present Value Cost of Financing
Athletic Facilities Parity Bonds and Bond Anticipation Notes (w/ student fee pledge, no bond insurance)	$172,042,360	$ 91,439,066
Athletic Facilities Subordinate Bonds (w/ student fee pledge, no bond insurance)	$180,322,138	$ 96,704,823
Non-Parity Bonds (no student fee pledge, no bond insurance)	$184,667,678	$100,192,818
Non-Parity Bonds (no student fee pledge, w/ bond insurance)	$184,578,639	$100,416,700

While not directly factored into the above analysis, the University expects that a small portion (less than 15% of the total project budget) of the bonds would be issued as taxable bonds. Bond counsel will advise the University on the portions of the project that would qualify for tax-exempt and taxable financing.

The difference in interest rates between taxable and tax exempt debt varies with the market; rates for taxable debt are likely to be .5% to 1.25% higher than the rates for tax-exempt debt. The spread is lower now than it was four years ago due to the low interest rates in the current market.

Should the Board approve schematic design Option E, the Board Office recommends that parity, student fee-backed bonds and bond anticipation notes be issued. As projected by the Board's financial advisor, Springsted, Inc., this option would provide the lowest net present value cost by $5.3 million (Athletic Facilities Parity Bonds and Bond Anticipation notes compared to Athletic Facilities Subordinate Bonds) as outlined in the above table.

Revenue for Debt Service Payments

Sources of revenue to cover the debt service payments on the bonds to be sold include:

1. <u>Capital Campaign</u>

   Estimated by Grenzebach, Glier & Associates at $10 million for the full rehabilitation of Kinnick Stadium, independent of the funds realized through the premium seating campaign.

2. <u>Premium Seating within the New Press Box</u>

   This includes income to be generated by the suites, and indoor and outdoor club seats; the revenue estimates are included in the table below.

3. <u>I-Club Priority Seating Gift Program</u>

   Formalization and expansion of the Department of Athletics gift requirement for fans sitting in the east and west stands. The University reports that this is a common practice at major college football stadia. The University's and consultants' estimates for the additional revenue are detailed in the table below.

4. <u>Concessions</u>

   Proposed expansion of facilities would increase sales as shown in the table on the following page.

The University has used more conservative numbers in its analyses than those calculated by the consultants. The consultants' annual estimates and the annual revenue used by the University in its financial projections are both shown in the table below. (The University has used approximately 80% of the revenue calculated by the consultants in its analyses.)

Summary of Revenue Model (FY 2007)

Quantity	Average Price	Consultants' Estimates (Gross Annual Revenues)	University's Annual Projections in Analyses
40 Suites*	$55,750	$2,230,000	$1,791,500
310 indoor club seats*	5,000	1,550,000	1,245,200
1,150 outdoor club seats*	2,327	2,676,000	2,149,800
Subtotal		$6,456,000	$5,186,500
Priority Seat Gift Program		1,920,463	1,542,850
Concessions		250,000	200,000
Total Gross Revenue		$8,626,463	$6,929,350
Revenue Loss (includes seat loss, ticket prices included in suite prices and operating costs)			- 786,844
Total FY 2007 Net Revenue Available for Debt Service (excluding gift income)			$6,142,506

*Revenue from the suites and club seats is assumed in the University's models to increase by 2.5% per year. The University's calculations show estimated annual total income of $10.5 million available in FY 2032.

Potential Revenue Sources

Other potential revenue sources, which are not included in the amounts above, are as follows: (No revenue estimates have been provided.)

- Scoreboard/sponsorship;
- Ticket surcharge - If a ticket surcharge were to be used, the surcharge would need to be reduced by approximately 35% due to the Big Ten revenue sharing agreement;
- Off-season rental of club suite area in press box; and
- Net revenue from 7^{th} home game in future years (in those years in which it occurs).

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.

Athletic Facilities System Revenue Bonds

The University and the Board established 20 years ago a bonded enterprise (Athletic Facilities System) for issuing bonds used to finance athletic and recreational buildings and facilities. Carver-Hawkeye Arena and renovation of the Fieldhouse (1980 bond issue, refunded in 1992), and west campus athletics and recreation projects, including the Roy G. Karro Building Athletics Hall of Fame and soccer facilities (2000 bond issue), were partially financed in this way.

The Athletic Facilities System is defined in the bond covenants as the System of athletic and recreational buildings and facilities of the University, including Carver-Hawkeye Arena and Kinnick Stadium, and other properties which are used as part of the System.

Gross revenues generated by the bonded enterprise (including all rents, profits and income derived from the operation of the System but not including other revenues accruing to the programs of the University utilizing the System), in addition to student fees, are pledged toward debt service after expenses directly related to the operation and maintenance (including repairs and improvements) of the facilities are met.

The Resolution authorizing the Series 2000 West Campus Bonds has a parity test requirement stipulating a debt service coverage ratio of 1.25:1 to be certified by an independent public accounting firm prior to the issuance of new parity debt.

Additional bonds may be issued on a parity with the existing bonds if the 125% coverage ratio is met. The parity test is calculated using two factors: 1) the net revenues from the Athletic Facility Enterprise as documented in the most recently completed bond audit report, and 2) the sum of the maximum annual debt service for all outstanding bonds plus the proposed new bond issuance.

The bond covenants allow for the Financial Officer of the University to incorporate future revenue rates, fee, rental or charge increases into the calculation of the debt service coverage ratio, but only if the rate applies to facilities or service offerings in effect for the existing facility in the last fiscal year.

Audit Data

According to the FY 2003 Financial Statement and Independent Auditor's Report, FY 2003 Athletic Facilities System Student Fee revenue totaled $1,505,427 and FY 2003 debt service payments totaled $1,765,944.

According to the FY 2003 audit, transfers from the Athletic Facilities System to pay the expenses of operating athletic programs of the University totaled $7,411,495 in that year.

Athletic Facilities System Student Building Fees

University mandatory building fees totaled $119 per student for academic year 2003-2004, of which the following were designated for facilities which are part of the Athletic Facilities System.

2003-2004 per Student Athletic Facilities System Building Fees

Project	Academic Year	Summer
Arena/Recreation Project (1992 bond issue)	$28.78	$7.19
Athletic/Recreation Project (2000 bond issue and other projects)	29.64	7.41

The University of Iowa mandatory building fee for the 2004-2005 academic year is $119, as approved by the Board in November 2003. The Board will be asked to allocate the fee among building projects in May 2004.

Outstanding Bond Maturities

The 1992 refunding bonds for the Arena / Recreation project mature on July 1, 2004, and the last principal payment is $840,000. Annual revenue from the building fee for this project is approximately $750,000.

Series 2000 bonds maturing on or after July 1, 2012, are callable on or after July 1, 2011. The principal amount outstanding as of February 1, 2004, is $9,805,000. The last maturity is 2021.

The outstanding Athletic Facilities System bonds are rated AA-/Aa2 by Standard and Poor's and Moody's in part because of the student fee commitment.

Consultants

During the fall 2003, the University of Iowa Foundation retained Martin Grenzebach, the Chair of Grenzebach, Glier & Associates, to evaluate the recent donations history of the Department of Athletics and the potential for future philanthropic support for the renovation of Kinnick Stadium. In this process, Mr. Grenzebach conducted personal interviews with 50 of the Athletic Department's top 300 donors.

Given the complexity and scope of the proposed project, the University decided early in the process to hire another consultant who was an expert at performing market analysis of the demand for premium seating options contemplated in the design of a larger press box area.

The University reports that it emphasized to its consultants that a financial plan needed to be developed that did not rely on additional general fund allocations from the University or increased student fees.

The firm of Grenzebach, Glier & Associates and CSL conducted personal interviews and telephone surveys of 550 friends of the University and University Athletics and 225 corporations within a 100-mile radius of Kinnick Stadium. They inquired as to the level of support for various forms of premium seating at a renovated Kinnick Stadium with descriptions of the amenities and various pricing levels. The surveys were used to analyze the revenue potential from a remodeled Kinnick Stadium.

A summary of the responses to CSL's telephone surveys are included on Table 1.

The conclusions of the consulting firms, which include the results of the surveys and experiences at other universities, form the basis for the revenue projections discussed in detail in the analysis section of this report.

Master Plan Overview

Kinnick Stadium was built in 1929 with a seating capacity of approximately 50,000 primarily in the east and west stands. Today, with the addition of north and south end zone seating and the current press box structure, stadium capacity is 70,397. The facility suffers from deferred maintenance needs as previously outlined for the Board.

The planning for renovations to Kinnick Stadium was based on several objectives and needs, as outlined in the Master Plan presented to the Board in December 2003:

- Maintain and increase safety for both fans and student athletes;
- Improve access and egress for all fans and student-athletes;
- Achieve an acceptable level of service and comfort for the fans;
- Provide a game-day experience that encourages fans and University of Iowa supporters to return;
- Respect the history and architecture of Kinnick Stadium;
- Improve functional and visual experiences for both game-day and non-game-day activities;
- Improve design of the site to better represent a major entry point to the University of Iowa campus; and
- Fund the project through a combination of revenues gained from improved stadium spaces and by donations from supporters of the University of Iowa football program.

Scope of Work

The Master Plan included the following proposed components:

Stadium Rehabilitation and Long-Range Stewardship

- Demolish and replace the existing south end zone bleacher seating, constructed in 1972, and structural system;
- Construct a south concourse below the new seating system that will contain code-required restrooms, concession stands and game-day support spaces;
- Create improved ADA access routes and seating;
- Create improved ingress and egress routing for all fans;
- Renovate and upgrade the existing east and west concourses to improve fan traffic flow, to meet current codes for restrooms and to provide concession stands;
- Replace outdated plumbing located beneath the east and west concourses;
- Relocate football team locker rooms and support spaces to an area beneath the south end zone to provide for safer team access to the stadium and to the field, and to make east concourse space available for code-required restrooms; and
- Replace existing scoreboards and the outdated sound system to address fan needs.

Revenue Generating Facility / Press Box

- Demolish and replace the press box structure;
- Construct premium seating, based on data collected through market studies;
    - Suites
    - Indoor club seats
    - Outdoor club seats
- Construct code-required stair and elevator towers serving the entire press box;
- Include mechanical systems that will provide for year-long use of the press box facility;
- Construct print and broadcast media areas; and
- Construct ground level entry vestibules and service areas.

Stadium Surroundings

- Replace the deteriorating parking lot (43) adjacent to the stadium to increase game-day and non-game-day parking spaces;
- Undertake paving work to improve pedestrian and vehicular traffic through and around the site;
- Provide underground utility extensions through the site, adjacent to and west of Kinnick Stadium;
- Improve security, safety and game-day amenities through additional south end zone structures; and
- Create a new campus entry setting to function on game days as a main entry to Kinnick Stadium from Melrose Avenue.

Athletics Financials

Table 2 provides a summary of Intercollegiate Athletics Financials for FY 2001 – FY 2004 with the budgeted amount for this fiscal year reflecting the mid-year decrease in state appropriations.

Total income increased from $32.2 million in FY 2001 to a budgeted amount of $42.1 million in FY 2004.

Revenue from Football

A financially sound football program is a financial resource for non-revenue sports. The University reports that its football program covers all of its own costs and contributes approximately $9.5 million per year to the other men's and women's athletic programs.

The $9.5 million is exclusive of direct gifts to athletics, many of which are also related to football. When these gifts are considered, the annual contribution of football exceeds $14 million according to the University. The University's calculation of this net revenue for FY 2003 is included on Table 3.

For FY 2003, the $14 million in revenue attributable to football represented more than 34% of total athletic income ($40.8 million).

Big Ten Comparisons

Table 4 provides a comparison of Big Ten stadia, including those that have been upgraded. This table, prepared by the University's Department of Athletics, includes a summary of the project, the total cost and the role of philanthropy in the renovation project. Season ticket price information is also included.

The University reports that six of the eleven stadia (excluding the University of Iowa) have been renovated or renovations are underway. Project costs ranged from $3.5 million at the University of Indiana (the project renovated 300 club seats and 10 boxes) to $194 million at Ohio State University. Gifts provided $13.5 million of the Ohio State University cost, $11 million of the $93 million cost for the renovation of Penn State's stadium, and $5 million of the $75 million cost for the renovation of Purdue's stadium.

CSL included, as part of its report, a table for Big Ten stadia showing the number and costs of suites and club seats. This is included as Table 5.

Total potential revenue from the suites and club seats (indoor and outdoor) at the institutions with these amenities ranges from $855,000 at Northwestern University to $12.2 million at Ohio State University, with the average being $6.1 million, according to CSL.

The table indicates that actual or estimated percentages of the suites and seats sold generally exceed 80%; the percentage of outdoor club seats sold at Penn State University is only 65%.

Analysis:

Project Options

In response to the Board's request at its December 2003 meeting, the University has provided five different project scenarios with estimated project costs. These are summarized below; additional information describing the components of the options is included in Appendix A and in the University's capital register (see G.D. 4a).

For each of the options, the University has also provided an estimate of the revenue that would be available to pay for the cost of the improvements. Each of the options assumes the sale of revenue bonds for the entire project cost. Gifts and priority and premium seating revenue would be used to make the debt service payments.

Design Options
Debt Service and Revenue Calculations

	Cost*	Average Annual Debt Service*	Average Annual Revenue***	New Revenue/Debt Service Funding Ratio	Funding Ratio First 10 Years
Option A (south end zone, replace as is)	Does not meet code – no calculations made				
Option B (south end zone w/o lockers)	$28.4	$2.2	$0.47	0.22	0.29
Option B1 (south stands only, no future development)	$19.6	$1.6	$0.47	0.30	0.42
Option C (total south end zone, east concourse)	$40.2	$3.1	$1.06	0.34	0.34
Option D (total south end zone, east & west concourses)	$48.1	$3.7	$1.68	0.45	0.43
Option E UNIVERSITY RECOMMENDED PROJECT*** (total south end zone, east & west concourses, press box)	$86.8	$6.9	$8.49	1.19	1.22

*Cost, debt service and revenue in $ millions; ** Average of annual estimated income over life of bond issue.
***University recommended financing option of parity bonds and bond anticipation notes.

Revenue Assumptions for Options B - E

The University has provided revenue estimate assumptions for each of the options, which are summarized in the following table:

Revenue Assumptions – Design Options B – E

	Total Gifts	Total Priority Seat Gift Revenues (FY 2007 - FY 2032)	Total Premium Seating Revenue (FY 2005 - FY 2032)
Option B	$ 4 million	$ 0.0	$ 8.9 million[1]
Option B1	$ 4 million	$ 0.0	$ 8.9 million[1]
Option C	$ 4 million	$15.2 million[2]	$ 8.9 million[1]
Option D	$ 5 million	$30.3 million[3]	$ 8.9 million[1]
Option E	$10 million	$26.0 million[4]	$185.2 million[5]

[1] Continuing to lease 16 suites within the existing press box – estimated FY 2005 additional revenue of $223,750, which would increase 2.5% per year.

[2] The University assumes that limited improvements to the east and west stands would generate approximately one-third of the maximum amount of priority seat gift income that could be generated under Option E.

[3] The University calculates that two-thirds of the estimated, maximum priority seat gift income that could be generated under Option E could be generated with the improvements made under Option D.

[4] Priority seat gift program income is included in the calculations at $1 million per year for 26 years. To be conservative, the University elected not to escalate the number. (The amount was escalated for Options C and D; if the number had been escalated for Option E, it would have been higher than the amount shown for Option D.)

[5] Includes the revenue from new suites, and indoor and outdoor club seating in new press box; amount escalates at 2.5% per year.

University Recommended Construction Option

- As detailed in its capital register, the University is requesting approval of Option E which would include:
- Replacement of the press box with revenue-generating seating areas;
- Installation of a permanent prefabricated metal seating and support system at the south end zone with brick veneer at the south elevation to respond to the design integrity of the stadium;
- Construction of sub-grade space to house new locker rooms which would replace existing locker rooms in the east concourse;

- Reconstruction of the east and west concourses to include circulation improvements, installation of additional restroom facilities and concession stands, and replacement of plumbing systems;
- Removal of the Klotz Tennis Courts and upgrades to the south and west parking and plaza areas (The University estimates the total cost for the relocation at $1.7 million; see the University's Capital Register – G.D. 4a.);
- Installation of new south end zone scoreboards / videoboards; and
- Modification / waterproofing of east and west concourse bench seats and turf replacement.

The project cost for Option E is $86.8 million.

Revenue Estimates Option E

The revenue estimates to finance Option E, as outlined in the above table, are based upon the results of the studies undertaken by the University's consultants.

Potential revenues from suites, indoor and outdoor club seats, and priority seating were calculated by the consultants based upon the results of telephone surveys of 550 friends of the University and University Athletics and 225 corporations within a 100-mile radius of Kinnick Stadium.

A summary of the questions asked of survey respondents, and the results of the surveys and the consultants' calculations are included in Table 1.

Based upon the results of the surveys and the sales conversion ratio (percentage applied to the survey results based upon the level of positive interest), CSL and other University consultants developed a proposed pricing plan for suites and club seats. This is included in Table 5. (This plan includes 664 suite seats; however, the schematic design for Option E includes 681 suite seats.)

- The sales conversion ratios for suites and club seats ranged from a high of 80% for survey respondents who were definitely interested, to a low of 10% for those who indicated they were possibly interested.
- Higher sales conversion ratios were used for priority seating demand, ranging from a high of 100% for those definitely interested to a low of 90% to those indicating a possible interest.

The proposed plan compared to the average for the Big Ten stadia with premium seating is as follows:

	Aver. Price Suites	Aver. Price Indoor Club	Aver. Price Outdoor Club
Big Ten (those w/ seating)	$ 56,840	$3,780	$2,190
Iowa (proposed)	55,750	5,000	2,327

With a project cost of $86.8 million, approximately $100 million in revenue bonds would need to be sold. This amount would include debt service reserve funds and issuance costs and could include capitalized interest in addition to project costs. Revenue to cover debt service on revenue bonds would come from the following sources:

1. Capital Campaign

   Estimated by Grenzebach, Glier & Associates at $10 million for the full rehabilitation of Kinnick Stadium, independent of the funds realized through the premium seating campaign.

2. Premium Seating within the New Press Box

   Included is the revenue to be generated by new suites and indoor and outdoor club seats. Gross revenue estimated to be generated by the seats is detailed in Table 5.

3. I-Club Priority Seating Gift Program

   Formalization and expansion of the Department of Athletics gift requirement for fans sitting in the east and west stands. The University reports that this is a common practice at major college football stadia.

4. Concessions

   Proposed expansion of facilities would increase sales as shown in the table on the following page.

The University has used more conservative numbers in its analyses than those calculated by the consultants. The consultants' annual estimates and the annual revenue used by the University in its financial projections are both shown in the table below. (The University has used approximately 80% of the revenue calculated by the consultants in its analyses.)

Summary of Revenue Model – FY 2007

Quantity	Aver. Price	Consultants' Estimates (Gross Annual Revenues)	University's Annual Projections in Analyses
40 Suites*	$55,750	$2,230,000	$1,791,500
310 indoor club seats*	5,000	1,550,000	1,245,200
1,150 outdoor club seats*	2,327	2,676,000	2,149,800
Subtotal		$6,456,000	$5,186,500
Priority Seat Gift Program		1,920,463	1,542,850
Concessions		250,000	200,000
Total Gross Revenue		$8,626,463	$6,929,350
Revenue Loss (includes seat loss, ticket prices included in suite prices and operating costs)			- 786,844
Total Net Revenue Available for Debt Service – FY 2007			$6,142,506

*Revenue from the suites and club seats is assumed in the University's models to increase by 2.5% per year. The University's calculations show estimated annual total income of $10.5 million available in FY 2032 from the priority seat gift program and premium seating revenue.

Sensitivity Analysis

If the University had used 75% rather than 80% of the consultants' projections in its analyses, the total net revenue available for debt service (exclusive of gift revenue) would decline by approximately $460,000 in FY 2007 to $5,683,003. If only 70% of the consultants' projections had been used, net annual revenue would be approximately $5,251,680 (exclusive of gift revenue), a decline of $890,000 from the University's estimates.

Potential Revenue Sources

Other potential revenue sources, which are not included in the University's revenue estimates, are as follows:

- Scoreboard/sponsorship – It is expected that new scoreboards will generate additional advertising revenue for the Department of Athletics;
- Ticket Surcharge - If a ticket surcharge were to be used, estimated revenues would need to be reduced by approximately 35% due to the Big Ten revenue sharing agreement. (The University reports that many universities have implemented a ticket surcharge to help fund major stadium renovations);
- Off-season rental of club suite area in press box; and
- Net revenue from 7th home game in future years (in those years in which it occurs).

Financing Options

Four financing scenarios for Option E are summarized below. Each of the bonding options has assumed an issuance schedule extending from January 2005 until September 2006. Each bond issue would have a maximum term of 25 years.

The options are to issue: athletic facilities revenue parity bonds and bond anticipation notes with a student fee pledge; athletic facilities revenue subordinate bonds with a student fee pledge; non-parity bonds without bond insurance; or non-parity bonds with bond insurance. The University is recommending the issuance of parity bonds and bond anticipation notes with a student fee pledge as the option with the lowest present value cost.

University Preferred Option

<u>Athletic Facilities System Parity Bonds and Bond Anticipation Notes</u>

The outstanding Athletic Facilities System bonds are rated AA-/Aa2 by Standard & Poor's and Moody's in part because student fees are pledged to support debt service payments.

Parity Bond Provisions

Bonds can be issued on a parity with the outstanding Athletic Facilities Revenue Bonds if certain criteria are met.

Student fees would need to be pledged as a credit to bondholders and would only need to be charged should other revenue not be available to pay the debt service.

System net revenues and student fees for the last completed fiscal year must equal at least 125% of the maximum annual debt service for the principal and interest on the outstanding bonds and the bonds to be issued.

- In determining this coverage ratio, the University's Financial Officer may "reflect any changes then in effect in the rates, fees, rentals or charges imposed at or prior to the time of the issuance of any such Additional Bonds, but which revised rates, fees, rentals or charges were not in effect on the first day of the then immediately preceding fiscal year."

In the opinion of Bond Counsel, this provision excludes revenues from the replacement press box and other improved facilities since they were not part of the last fiscal year operating net revenues. Revenues from the new structure and facilities can be used in the debt service coverage ratio test once construction is complete and the facility is generating revenue.

Bond counsel has determined that cash received from existing pre-leased premium seats and capital gifts for the project cannot be used to meet the parity test until the fiscal year after the additional revenue is reported as income and the replacement press box is placed in service.

Given the planned debt issuance schedule of January and November 2005 and May and September 2006, and the timing by which the new revenues will actually be earned by the System, the University and the Board's Financial Advisor estimate that $50 million in new parity issue fixed rate debt could be sold while meeting coverage ratios based on the historical net revenue test.

The remaining parity issue fixed rate debt could not be sold until the FY 2007 bond audit is complete and when new revenues can be used in calculating the coverage ratio. This audit would recognize the premium seating revenues that would be generated from the new press box structure during the Fall 2006 football season.

Proposed Issuance of Parity Bonds and Bond Anticipation Notes

To address the cash flow problem referenced above, the University proposes the issuance of Parity Stadium Bonds (issued on a parity with the outstanding Athletic Facilities Revenue Bonds) and Stadium Bond Anticipation Notes (BANs).

- A Bond Anticipation Note is a short-term security used for interim financing; it is repaid from the proceeds of a planned long-term bond issue.
- BANs are similar to the project notes which have been issued by the Board in prior years, including 2002, for Academic Building projects prior to the issuance of bonds for the projects.

Initial Series of Bonds – early calendar year 2005

The initial series of bonds is expected to be issued in early calendar year 2005 as a fixed rate bond to eliminate interest rate risk and lock-in the debt service requirements. The par amount of this series of bonds is expected to be $25,000,000, with the principal to be repaid over 25 years. The debt service payments on the bonds would be structured to gradually increase over time, to match the expected revenue stream projected to be generated by the Kinnick Stadium renovation.

Second Series of Bonds – late calendar year 2005

The second series of bonds is expected to be issued in late calendar year 2005 on the same terms and conditions as the first series. The par amount of the second series of bonds is expected to be $25,000,000; there would be 25 principal payments.

Third Series of Bonds – mid calendar year 2006

The third series of bonds is projected to be issued in mid calendar year 2006. Depending on interest rates, this series of bonds may result in total Athletic Facilities Enterprise debt service that will not meet the historical-based debt service coverage requirement.

Because of this requirement and the opportunity to reduce substantially capitalized interest costs during the construction period, all or part of the third series of bonds would be issued as Bond Anticipation Notes or BANs.

The Preliminary Schedule prepared by Springsted, Inc., is based on the most conservative issue option for the BANs; the Notes would be issued with a final maturity of 2011 (the date on which the 2000 Series Athletic Facilities Revenue bonds become callable). The BANs would be subject to optional redemption on July 1, 2007, and any date thereafter at a price of par plus accrued interest.

The BANs would be subordinate to the outstanding parity debt of the Athletic Facilities Enterprise System. Interest only would be paid on the BANs while they are outstanding.

The BANs would be refinanced and replaced with permanent parity bond financing following completion of the project when the parity test can be met, and at the discretion of the Board.

The use of BANs would enable the University to comply with the historical revenue parity test requirements in the outstanding bond covenants and reduce the total financing required while meeting the cash flow requirements of the project.

Fourth Series of Bonds – fall calendar year 2006

The fourth series of bonds, expected to be issued in September 2006, would be issued as BANs. If the replacement press box is completed as scheduled (fall 2006), first year revenues from the sale of suites and club seats would be included as net revenues in the FY 2007 bond audit report.

The fourth series of bonds would be refinanced and replaced with permanent parity bond financing in the same manner as the prior series of BANs, upon demonstrated compliance with the parity bond test.

The use of BANs would not result in an extension of the time to repay the debt. The refinancing of the BANs as permanent financing will result in fewer than 25 principal payments; the final maturity would be 25 years from the initial issue date.

The use of BANs would permit the Board to adjust the bond issuance schedule to accommodate changes in the construction schedule that could occur in a project of such magnitude.

Springsted, Inc., has projected that based upon the above scenario, approximately $97 million in bonds would need to be sold to finance Option E, which has a project cost of $86,825,000. In addition to the project costs, the proceeds from the sales would fund the debt service reserve and issuance costs.

To ensure that the 125% coverage would be achieved, Springsted, Inc., has prepared a proforma for the Athletic Facilities System Enterprise, including the bonds proposed to be sold as outlined above. This is included as Table 6.

- The assumptions used in developing the proforma are outlined on the Table and include 2.0% annual increases in revenue from sales and services (primarily ticket sales), with revenues to be derived from the Kinnick Stadium Renovation taken from the recommended project debt service schedule.

- Projections for increased expenses include 4.0% annual increases for salaries and wages, and travel, and a 2.5% annual increase for general supplies, services, repairs and professional services.

According to the schedules and analyses of projected revenue, student fees would not be needed to meet the debt service payments as calculated by Springsted, Inc.

Based upon schedules prepared by Springsted, Inc., total annual debt service payments for the Kinnick Stadium Renovation would range from a low of $0.5 million in FY 2005 to a high of $7.8 million in the FY 2029.

Estimated annual revenue generated by the renovation to make the debt service payments ranges from a low of $500,000 in FY 2006 to a high of $10.5 million in FY 2032.

Athletic Facilities System Subordinate Bonds

Athletic Facilities System Subordinate Bonds

A finance option where the University would issue debt for the Kinnick Stadium Renovation project by using subordinate bonds was also considered.

Subordinate lien or junior lien bonds are bonds secured by revenues that remain after payment of principal and interest on first lien, or senior lien, bonds.

The small amount of the outstanding bonds (less than $10 million after July 1, 2004), coupled with the good credit rating of the University and the strong projected revenues of the improved and expanded stadium, made it feasible to consider issuing subordinate lien bonds for this project. The subordinate lien bonds are not subject to the restrictive parity test which is designed to protect outstanding bond holders. Issuance of subordinate lien bonds would permit issuance of permanent financing of the entire project from the outset without reliance on BANs.

The University did not select the option of using subordinated debt since the subordinated bonds would have a substantially higher interest rate than the parity bonds; would require more capitalized interest than the University's preferred financing plan; would preclude the future issue of parity debt; and would not allow the University flexibility to adjust to changed construction schedules.

Springsted, Inc., estimates that there would be a 0.3% premium in interest rates if Athletic Facilities Revenue Subordinate Bonds with a student fee pledge were sold.

This would increase the total cost of the financing by approximately $7.6 million (a present value cost increase of approximately $5.2 million) above the cost of the issuance of parity bonds and bond anticipation notes.

Non-Parity Bonds with and without Bond Insurance

Non-Parity Bonds without Bond Insurance

The outstanding bond resolution for the 2000 Series Athletic Facilities Revenue Bonds contain, according to Ahlers Law Firm, several terms that restrict the ability of the University to finance the renovation of Kinnick Stadium as a separate self-liquidating and revenue-producing facility.

The bond resolutions include Kinnick Stadium in the definition of the Athletic Facilities System. Student fees and net revenues of the System are pledged for the payment of principal and interest on the outstanding bonds and any parity bonds.

Ahlers & Cooney has advised the University that if it wanted to consider and propose a self-liquidating facility supported only by revenues of Kinnick Stadium and not by student fees, it would be necessary to call and redeem all outstanding bonds since Kinnick revenues are pledged for the payment of principal and interest on the outstanding bonds.

Since the Series 2000 bonds are not callable until July 1, 2011, refunding of the outstanding bonds would require an advance refunding (refunding before the call date). Under the provisions for an advance refunding, the proceeds of the new debt are placed with an escrow agent and invested until they are used to pay principal and interest on the old date.

Due to low projected earnings on the funds to be deposited with the escrow agent, Springsted, Inc., has calculated that it would be necessary to sell $10,255,000 in refunding bonds to advance refund the outstanding principal of $9,805,000 on the 2000 Series bonds.

This refunding would result in an estimated net future value loss of more than $2.6 million.

According to Springsted, Inc., the credit rating agencies (Standard and Poor's and Moody's Investors Services) have indicated that for sports facilities and stadiums, enterprise revenue and a back-up pledge of student fees would result in the best credit rating.

The lack of a back-up pledge of student fees would likely result in a minimum reduction in the credit rating of the issue by not less than two levels.

The economic factors cited by Springsted, Inc., if parity bonds are not used, include a 0.5% premium in interest rates on the bonds and the net cost of refunding outstanding bonds.

Non-Parity Bonds with Bond Insurance

The University also examined the cost-effectiveness of issuing bonds backed by bond insurance. The purchase of bond insurance provides the bondholder with AAA-rated debt, thus lowering the interest rate. The positive benefit of the lower rate needs to be compared to the cost of the bond insurance.

Springsted, Inc., has calculated that there would not be a present value benefit to the use of bond insurance.

- When the costs of no student fee backed bonds with and without bond insurance are compared, the net present value benefit of the insurance is $-223,877.

Summary – Costs of Financing Options

The costs for four financing options described above are summarized below. Each option was calculated based on the sale of not more than $100 million in bonds. Depending upon the requirements for capitalized interest, debt reserve and bond insurance, the amount available for project costs from $100 million in bond sales would vary. The project amounts included in each scenario are identified below:

Bond Issue Costs with/without Student Fee Pledge
(includes summary of assumptions)

	Athletic Fac. Parity Bonds and Bond Anticipation Notes (w/ student fee pledge)	Athletic Fac. Subordinate Bonds (w/ student fee pledge)	Non-Parity Bonds without Bond Insurance	Non-Parity Bonds with Bond Insur.
Project Costs Financed	$86,825,000	$86,825,000	$86,565,000	$85,895,000
$ Amount of Bonds	$99,700,000	$99,525,000	$100,000,000	$100,000,000
Interest Rate Assumption	Nov. 10, 2003 rate plus 1%	Nov. 10, 2003 rate plus 1.3%	Nov. 10, 2003 rate plus 1.5%	Nov. 10, 2003 rate plus 1.45%
Cost of Insurance	----		---	$712,694
Total Cost of Financing Including Advance Refunding Cost	$172,042,360	$180,322,138	$184,667,678	$184,578,639
Net Present Value Cost of Financing	$ 91,439,066	$96,704,823	$100,192,818	$100,416,700

University Preferred Bonding Option

The University recommends the issuance of parity bonds and bond anticipation notes with the student fee pledge. As noted above, this option has the lowest net present value cost.

Board Office Recommendation

The Board Office recommends that if the Board decides to select design Option E that parity bonds and bond anticipation notes be issued as this financing option provides the lowest present value cost.

TABLE 1
DEMAND FOR SUITES, CLUB SEATS AND PRIORITY SEATING

Interest in Concept before Pricing (CSL Telephone Survey)

Amenity	Description	Entity	Definitely Interested	Likely Interested	Possibly Interested	Total Interested
Suite	Enclosed, climate controlled areas located in a new press box on the west sideline with seating up to 16 persons. Respondents were informed that amenities offered to private suite patrons could include preferred parking, closed circuit television monitors, optional catered food and beverage service, private restrooms, access to an exclusive stadium club lounge and availability of alcohol.	I Club:				
		Kinnick Society[1]	10%	18%	24%	52%
		Champion Hawks[2]	8%	18%	22%	48%
		Remaining I-Club[3]	2%	5%	21%	28%
		FB STH - Non-Donor[4]	4%	4%	20%	28%
		Corporations - Non-Donor[5]	3%	8%	22%	33%
Indoor Club Seats	Enclosed, climate controlled seating for several hundred people. Located in the second floor of a new press box on the west sideline. Amenities offered to indoor club seat patrons could include preferred parking, closed circuit television monitors, upscale food and beverage service, private restrooms, access to an exclusive stadium club lounge and availability of alcohol.	I Club:				
		Kinnick Society[1]	12%	22%	46%	80%
		Champion Hawks[2]	12%	20%	25%	57%
		Remaining I-Club[3]	4%	4%	32%	40%
		FB STH - Non-Donor[4]	2%	3%	26%	31%
		Corporations - Non-Donor[5]	3%	3%	27%	33%
Outdoor Club Seats	Prime seats offering chair backs, wider seats and more leg room than standard seating. Located on the second floor of a new press box on the west sideline. Amenities offered to outdoor club seat patrons could include preferred parking, closed circuit television monitors, upscale food and beverage service, private restrooms, access to an exclusive stadium club lounge and availability of alcohol.	I Club:				
		Kinnick Society[1]	28%	16%	32%	76%
		Champion Hawks[2]	16%	34%	24%	74%
		Remaining I-Club[3]	6%	9%	44%	59%
		FB STH - Non-Donor[4]	5%	12%	38%	55%
		Corporations - Non-Donor[5]	4%	9%	29%	42%
Priority Seats	Each seat may be replaced and renumbered in order to provide room for each seat holder. Priority seating program may be instituted in which seats along the sidelines would require a qualifying tax-deductible donation in addition to the price of tickets.	I Club:				
		Kinnick Society[1]	36%	32%	14%	82%
		Champion Hawks[2]	44%	18%	18%	80%
		Remaining I-Club[3]	15%	20%	33%	68%
		FB STH - Non-Donor[4]	5%	10%	36%	51%
		Corporations - Non-Donor[5]	4%	10%	25%	39%

[1] Kinnick Society - donate $5,000 or above annually.
[2] Champion Hawks - donate $3,000 - $4,999 annually.
[3] Remaining I-Club - donate less than $3,000 annually.
[4] Football season ticket holders not contributing to I-Club.
[5] Companies in Iowa City, Cedar Rapids, Davenport/Bettendorf, Des Moines and Waterloo/Cedar Falls with at least $5 million in annual sales and/or 25 or more employees. Does not include those donating to I-Club or those having season tickets.

Sales Conversion Rate	Suites & Club Seats		Priority Seating	
Definitely Interested	80%	for all entities	100%	for all entities
Likely Interested	50%	for all entities	95%	for all entities
Possibly Interested	10%	for all entities	90%	for all entities

Data from CSL Market and Financial Analysis: Kinnick Stadium Renovation

Table 2

ATHLETICS FINANCIAL PERFORMANCE - OPERATIONS

Financial Information-FY01; FY02; FY03; FY04 Budget

	FY01 Total	FY02 Total	FY03 Total	FY04 Budget	
Income:					
Football	9,757,989	9,780,052	12,410,060	13,783,200	
Other Sports	4,157,488	4,366,813	4,921,936	4,912,500	
Conference Distribution	7,055,704	9,010,848	10,160,312	10,419,000	
Foundation Support	3,836,386	3,623,720	4,308,596	4,763,568	
General Fund Support	1,925,000	2,166,137	2,437,361	2,223,359	
Other Revenues (e.g.: student fees $1.4m; sponsorship $2.7m; concessions $0.8m; etc.)	5,470,177	5,699,916	6,592,506	5,997,919	
Total Revenue	32,202,744	34,647,486	40,830,771	42,099,546	
Expense:					
Football	8,251,619	9,150,065	12,064,124	11,205,896	
Other Sports	11,158,410	12,961,973	13,679,975	15,416,122	
Administration & General Expenses	6,690,245	6,868,203	7,505,987	8,263,049	
Building & Grounds (Facilities Expenses)	4,112,551	4,121,862	4,625,140	4,205,030	
Academic & Counseling	1,199,307	1,140,903	1,239,796	1,307,505	
Debt Retirement	1,186,010	1,746,218	1,765,944	1,701,944	
Total Expense	32,598,142	35,989,224	40,880,966	42,099,546	
Operating Balance	(395,398)	(1,341,738)	(50,195)	-	*
Add Income From Additional Home Game:					
7th game (net)	-	-	610,310	690,000	
Balance from Hawkeye Fund	-	-	-	50,000	
Net Income/<Loss>	(395,398)	(1,341,738)	560,115	740,000	*

* Current FY04 outlook projects an additional $500,000 in Net Income.

Table 3

ATHLETICS - FOOTBALL CONTRIBUTION TO OTHER PROGRAMS

	FY 2003
Revenue:	
Camps	224,124
Season Ticket Sales	10,578,720
Big 10 Settlement (35%)	2,138,236
TV (Big 10 Revenue)	4,373,715
Share of Big 10 Bowl Revenue	1,846,627
Orange Bowl Gross Revenues	1,662,935
Concessions	505,962
Parking	53,842
Guarantee	200,000
Corporate Sponsorship	434,426
Programs	50,000
Radio Income	842,000
Total Revenue	22,910,587
Expense:	
Salaries	3,593,773
Scholarships	1,576,023
Operations	4,838,964
Guarantees	1,221,287
Big 10 Settlement	2,172,991
Total Expense	13,403,038
Net Revenue	9,507,549
Annual Gift Income Attributable to Football	4,446,150
Total Net Revenue including Gifts	13,953,699

Table 4

Big Ten Stadium Renovation Comparison

Big Ten Institution	Capacity Before Renovation	Capacity After Renovation	Date Completed	Notes	Project Cost	Philanthropy	2003 Public Season Ticket Price (# games)
Illinois	69,249	No renovation project	N/A	N/A	N/A	N/A	$167 (6)
Indiana	52,354	51,400	2003	Renovated current space – 300 club seats, 10 boxes	$3.5 mil	0	$168 (6)
Iowa	70,397	TBD	2006		TBD	TBD	$246 (7)
Michigan	101,500	107,501	1998	N/A			$304, 332, 360 (7)
Michigan State	72,027	74,000	2005 or 2006	Includes suites & outdoor club	$50 mil	0	$266 (7)
Minnesota	64,172	No renovation project*	N/A	N/A	N/A	N/A	$200 (7)
Northwestern	47,130	No renovation project	N/A	N/A	N/A	N/A	$170 (6)
Ohio State	89,841	101,568	2002	Includes suites, indoor & outdoor club	$194 mil	$13.5 mil	$376 (8)
Penn State	93,967	107,282	2001	Includes suites, indoor & outdoor club	$93 mil	$11 mil	$280, 343 (7)
Purdue	68,000	66,295	2003	Includes suites, indoor & outdoor club	$75 mil	$5 mil	$225 (7)
Wisconsin	76,634	79,500	2004 or 2005	Includes suites, indoor & outdoor club	$84 mil	$10 mil	$196 (7)

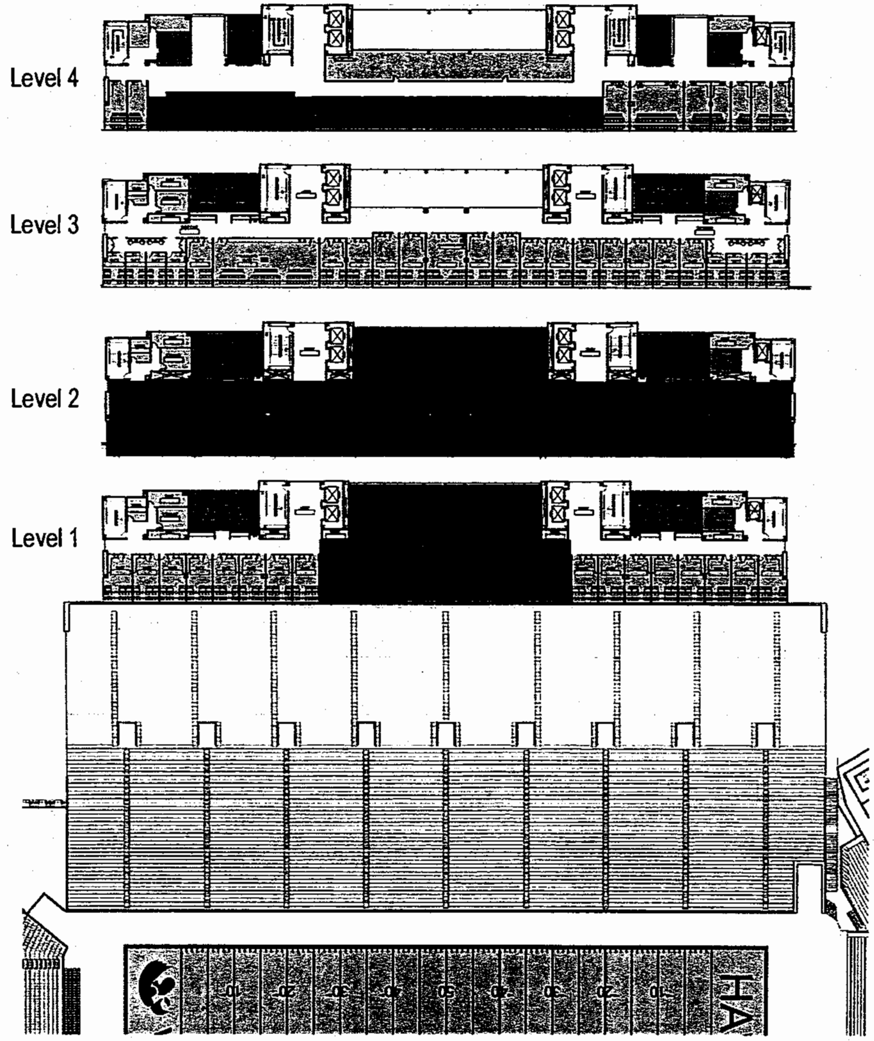
*University of Minnesota is currently evaluating building a new on-campus stadium

Prepared by: University of Iowa Department of Athletics

Table 5

Executive Summary

Suites and Club Seat Inventory and Pricing Plan



Based on the survey results presented in this report, results of personal interviews conducted by Grenzebach Glier and Associates, Inc., an assessment of premium seating at comparable stadiums, preliminary design developed by HNTB, and analysis and input by Athletics Department officials, the following inventory and pricing plan has been developed for Kinnick Stadium.

	Number Quantity	Annual Price	Number of Seats	Cost Per Seat	Total Annual Revenue Potential
Suites: *(Levels 1, 3 & 4)*					
	1	$85,000	28	$3,036	$85,000
	15	$60,000	18	$3,333	$900,000
	15	$55,000	18	$3,056	$825,000
	3	$50,000	12	$4,167	$150,000
	6	$45,000	10	$4,500	$270,000
Subtotal - Suites	40	$55,750	664	$3,358	$2,230,000
Indoor Club Seats *(Level 1)*	310	$5,000	310	$5,000	$1,550,000
Outdoor Club Seats: *(Level 2)*					
	270	$2,600	270	$2,600	$702,000
	604	$2,400	604	$2,400	$1,449,600
	276	$1,900	276	$1,900	$524,400
Subtotal - Outdoor Club Seats	1,150	$2,327	1,150	$2,327	$2,676,000
Total			2,124	$3,040	$6,456,000

x

The University of Iowa

Table 6

THE STATE UNIVERSITY OF IOWA
ATHLETIC REVENUE BONDS
KINNICK STADIUM RENOVATION
DEBT SERVICE COVERAGE RATIO
(Proforma basis)

F/S Description	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales and services	11,733,423	11,968,091	12,207,453	12,451,602	12,700,634	12,954,647	13,213,740	13,478,015	13,747,575	14,022,527
Kinnick Revenues	-	-		500,000	7,142,506	7,271,069	7,402,845	7,537,917	7,676,364	7,818,274
Tuition and fees	1,505,427	1,701,944	819,419	823,219	826,119	823,119	824,444	829,869	834,169	836,738
Investment income	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772
Total Revenue	13,667,622	14,098,807	13,455,644	14,203,593	21,098,031	21,477,607	21,869,801	22,274,572	22,686,880	23,106,310
Salaries and wages	1,958,757	2,037,107	2,118,592	2,203,335	2,291,469	2,383,127	2,478,452	2,577,591	2,680,694	2,787,922
Travel	44,376	46,151	47,997	49,917	51,914	53,990	56,150	58,396	60,732	63,161
General supplies	396,941	406,865	417,036	427,462	438,149	449,102	460,330	471,838	483,634	495,725
Services, repairs & prof. servcies	4,193,868	4,298,715	4,406,183	4,516,337	4,629,246	4,744,977	4,863,601	4,985,191	5,109,821	5,237,566
Other uses	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825
Total Expense	6,596,767	6,791,663	6,992,632	7,199,876	7,413,601	7,634,022	7,861,358	8,095,841	8,337,706	8,587,199
Net income	7,070,855	7,307,145	6,463,012	7,003,717	13,684,430	13,843,585	14,008,443	14,178,731	14,349,174	14,519,110
West Campus Debt Service*	1,765,944	1,701,944	819,419	823,219	826,119	823,119	824,444	829,869	834,169	836,738
Kinnick Debt Service FY 2005	-	-	(44,208)	343,900	1,702,538	1,715,663	1,726,413	1,734,088	1,739,013	1,741,013
Kinnick Debt Service FY 2006	-	-	-	(61,892)	1,687,438	1,702,538	1,715,663	1,726,413	1,734,088	1,739,013
Kinnick Debt Service FY 2006(2nd)**	-	-	-	68,458	821,500	821,500	821,500	1,216,488	1,811,101	1,816,026
Kinnick Debt Service FY 2007	-	-	-	-	468,750	1,698,218	1,687,768	1,700,893	1,711,643	1,719,318
Total Debt Service	1,765,944	1,701,944	775,210	1,173,685	5,506,344	6,761,036	6,775,786	7,207,749	7,830,012	7,852,106
Debt Service Coverage Ratio per Bond Covenants	4.00	4.29	2.25	1.44	1.63	1.65	1.67	1.69	1.71	1.73

Notes: * Includes Carver Hawkeye Debt service in FY 2003 and FY 2004.
** BANs through 2010, interest only.

Annual Inflation Factor used:
2.00% Sales and Services
4.00% Salaries and Wages & Travel
2.50% General supplies; Services, repairs & prof. services

THE STATE UNIVERSITY OF IOWA
ATHLETIC REVENUE BONDS
KINNICK STADIUM RENOVATION
DEBT SERVICE COVERAGE RATIO
(Proforma basis)

Table 6

F/S Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales and services	14,302,977	14,589,037	14,880,817	15,178,434	15,482,002	15,791,643	16,107,475	16,429,625	16,758,217	17,093,382
Kinnick Revenues	7,963,730	8,112,824	8,265,644	7,922,285	7,582,842	7,747,414	7,916,099	8,089,001	8,266,226	8,447,882
~~Tuition and fees~~	~~837,768~~	~~842,355~~	~~844,953~~	~~845,203~~	~~848,953~~	~~855,953~~	~~855,253~~	~~862,400~~	~~862,230~~	-
Investment income	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772
Total Revenue	23,533,247	23,972,987	24,420,186	24,374,694	24,342,569	24,823,781	25,307,599	25,809,798	26,315,446	25,970,036
Salaries and wages	2,899,439	3,015,416	3,136,033	3,261,474	3,391,933	3,527,611	3,668,715	3,815,464	3,968,082	4,126,806
Travel	65,687	68,315	71,047	73,889	76,845	79,919	83,115	86,440	89,898	93,494
General supplies	508,118	520,821	533,842	547,188	560,867	574,889	589,261	603,993	619,092	634,570
Services, repairs & prof. servcies	5,368,506	5,502,718	5,640,286	5,781,293	5,925,826	6,073,971	6,225,821	6,381,466	6,541,003	6,704,528
Other uses	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825
Total Expense	8,844,575	9,110,095	9,384,033	9,666,670	9,958,296	10,259,215	10,569,737	10,890,188	11,220,900	11,562,222
Net income	14,688,672	14,862,892	15,036,153	14,708,024	14,384,273	14,564,566	14,737,861	14,919,611	15,094,546	14,407,814
West Campus Debt Service*	837,768	842,355	844,953	845,203	848,953	855,953	855,253	862,400	862,230	-
Kinnick Debt Service FY 2005	1,739,913	1,735,850	1,754,325	1,769,325	1,781,075	1,789,475	1,794,425	1,820,375	1,841,750	1,882,950
Kinnick Debt Service FY 2006	1,741,013	1,739,913	1,735,850	1,754,325	1,769,325	1,781,075	1,789,475	1,794,425	1,820,375	1,841,750
Kinnick Debt Service FY 2006(2nd)**	1,818,026	1,941,926	1,957,051	1,968,251	1,975,751	1,979,851	1,980,451	1,977,451	1,995,226	1,983,351
Kinnick Debt Service FY 2007	1,724,243	1,726,243	1,725,143	1,721,080	1,689,555	1,707,055	1,771,355	1,779,755	1,884,705	1,880,205
Total Debt Service	7,860,961	7,986,286	8,017,321	8,058,183	8,064,658	8,113,408	8,190,958	8,234,406	8,404,286	7,588,256
Debt Service Coverage Ratio per Bond Covenants	1.75	1.77	1.79	1.75	1.71	1.73	1.75	1.78	1.92	1.83

THE STATE UNIVERSITY OF IOWA
ATHLETIC REVENUE BONDS
KINNICK STADIUM RENOVATION
DEBT SERVICE COVERAGE RATIO
(Proforma basis)

Table 6

F/S Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Sales and services	17,435,249	17,783,954	18,139,633	18,502,426	18,872,475	19,249,924	19,634,923	20,027,621	20,428,173	20,836,737
Kinnick Revenues	8,634,079	8,824,931	9,020,554	9,221,068	9,426,595	9,637,260	9,853,191	10,074,521	10,301,384	10,533,919
Tuition and fees	-	-	-	-	-	-	-	-	-	-
Investment income	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772	428,772
Total Revenue	26,498,100	27,037,657	27,588,960	28,152,266	28,727,841	29,315,956	29,916,886	30,530,914	31,158,330	31,799,428
Salaries and wages	4,291,878	4,463,553	4,642,095	4,827,779	5,020,890	5,221,726	5,430,595	5,647,818	5,873,731	6,108,680
Travel	97,233	101,123	105,168	109,374	113,749	118,299	123,031	127,952	133,070	138,393
General supplies	650,434	666,695	683,362	700,446	717,957	735,906	754,304	773,162	792,491	812,303
Services, repairs & prof. servcies	6,872,141	7,043,945	7,220,043	7,400,544	7,585,558	7,775,197	7,969,577	8,168,816	8,373,037	8,582,362
Other uses	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825
Total Expense	11,914,511	12,278,140	12,653,493	13,040,969	13,440,980	13,853,953	14,280,332	14,720,574	15,175,154	15,644,564
Net income	14,583,589	14,759,517	14,935,467	15,111,298	15,286,862	15,462,003	15,636,554	15,810,340	15,983,176	16,154,863
West Campus Debt Service*	-	-	-	-	-	-	-	-	-	-
Kinnick Debt Service FY 2005	1,917,400	1,944,900	1,965,250	1,978,975	1,985,975	1,986,150	2,005,275	(106,100)		
Kinnick Debt Service FY 2006	1,882,950	1,917,400	1,944,900	1,965,250	1,978,975	1,985,975	1,986,150	2,005,275	(106,100)	-
Kinnick Debt Service FY 2006(2nd)**	1,992,551	1,971,301	1,970,901	1,989,776	1,977,013	1,984,013	1,984,188	1,978,313	(109,774)	-
Kinnick Debt Service FY 2007	1,897,455	1,884,455	1,892,480	1,894,980	1,891,805	1,883,505	1,895,005	1,899,718	1,898,380	(100,795)
Total Debt Service	7,690,356	7,718,056	7,773,531	7,828,981	7,833,768	7,839,643	7,870,618	5,777,206	1,682,506	(100,795)
Debt Service Coverage Ratio per Bond Covenants	1.85	1.88	1.90	1.92	1.94	1.96	2.71	9.40	N/A	N/A

APPENDIX A

Project Options

The University has presented six options for the renovation of Kinnick Stadium:

Option A

This option would replace the south end zone bleachers only with a prefabricated metal seating system in a configuration similar to the existing bleachers.

- The University has indicated that this option would not meet current code requirements with respect to accessibility, restroom fixture counts, and design. Since this is not a viable option, no cost estimates have been prepared.

Option B

This option would replace the south end zone without locker facilities and would include:

- Installation of a permanent prefabricated metal seating and support system at the south end zone; the exterior of the system would be exposed at the south elevation (no brick veneer).

- South end zone concourse improvements limited to construction of free-standing restroom, concession and ticket buildings.

- Removal of the Klotz Tennis Courts and modest upgrades to the parking/plaza area to the south and west of the stadium.

- Installation of new south end zone scoreboards/videoboards.

- Modification/waterproofing of east and west concourse bench seats, and turf replacement.

- No renovation of the east and west concourses or the press box.

The estimated project cost is $28,363,000.

Budget for Option B

Construction Costs	
South End Zone Seating Replacement	$ 12,900,000
Plaza Upgrades	1,500,000
Klotz Tennis Court Relocation	1,000,000
Installation of Scoreboard/Videoboards	1,000,000
Modification/Waterproofing of East and West Concourse Bench Seats	2,700,000
New Turf	1,000,000
Site Utilities	2,000,000
Furnishings, Fixtures and Equipment	500,000
Professional Services Costs	3,390,000
Contingencies	2,260,000
Art in State Buildings	113,000
TOTAL	$ 28,363,000

Option B-1

This option would replace the south end zone without locker facilities and would include:

- Installation of a permanent prefabricated metal seating and support system at the south end zone; the exterior of the system would be exposed at the south elevation (no brick veneer).
- South end zone concourse improvements limited to construction of free-standing restroom, concession and ticket buildings.
- Modest upgrades to the parking/plaza area to the south and west of the stadium.
- Installation of new south end zone scoreboards/videoboards.
- No renovation of the east and west concourses or the press box.

Budget for Option B-1

Construction Costs	
South End Zone Seating Replacement	$ 12,900,000
Plaza Upgrades	1,000,000
Klotz Tennis Court Relocation	0
Installation of Scoreboard/Videoboards	1,000,000
Modification/Waterproofing of East and West Concourse Bench Seats	0
New Turf	0
Site Utilities	500,000
Furnishings, Fixtures and Equipment	250,000
Professional Services Costs	2,350,000
Contingencies	1,565,000
Art in State Buildings	78,000
TOTAL	$ 19,643,000

Option C

This option would provide a full replacement of the south end zone and install additional restrooms in the east concourse as follows:

- Installation of a permanent prefabricated metal seating and support system at the south end zone with brick veneer at the south elevation to respond to the design integrity of the stadium.
- Construction of sub-grade space to house new locker rooms which would replace existing locker rooms in the east concourse.
- Construction of two additional east concourse restroom facilities at the location of the vacated locker rooms.
- Removal of the Klotz Tennis Courts and modest upgrades to the parking/plaza area to the south and west of the stadium.
- Installation of new south end zone scoreboards/videoboards.
- Modification/waterproofing of east and west concourse bench seats and turf replacement.
- No additional renovation of the east concourse, and no renovation of the west concourse or the press box.

Budget for Option C

Construction Costs	
South End Zone Seating Replacement	$ 18,800,000
East Concourse Locker Room/Restroom Renovation	3,000,000
Plaza Upgrades	1,500,000
Klotz Tennis Court Relocation	1,000,000
Installation of Scoreboard/Videoboards	1,000,000
Modification/Waterproofing of East and West Concourse Bench Seats	2,700,000
New Turf	1,000,000
Site Utilities	2,000,000
Furnishings, Fixtures and Equipment	1,000,000
Professional Services Costs	4,800,000
Contingencies	3,200,000
Art in State Buildings	160,000
TOTAL	$ 40,160,000

Option D

This option would provide a full replacement of the south end zone and improvements to the east and west concourses as follows:

- Installation of a permanent prefabricated metal seating and support system at the south end zone with brick veneer at the south elevation to respond to the design integrity of the stadium.
- Construction of sub-grade space to house new locker rooms which would replace existing locker rooms in the east concourse.
- Reconstruction of the east and west concourses to include circulation improvements, installation of additional restroom facilities and concession stands, and replacement of plumbing systems.
- Removal of the Klotz Tennis Courts and upgrades to the south and west parking and plaza areas.
- Installation of new south end zone scoreboards/videoboards.
- Modification/waterproofing of east and west concourse bench seats, and turf replacement.
- No renovation of the press box.

Budget for Option D

Construction Costs	
South End Zone Seating Replacement	$ 18,800,000
East and West Concourse Renovation	8,600,000
Plaza Upgrades	2,000,000
Klotz Tennis Court Relocation	1,000,000
Installation of Scoreboard/Videoboards	1,000,000
Modification/Waterproofing of East and West Concourse Bench Seats	2,700,000
New Turf	1,000,000
Site Utilities	2,000,000
Furnishings, Fixtures and Equipment	1,500,000
Professional Services Costs	5,565,000
Contingencies	3,710,000
Art in State Buildings	185,000
TOTAL	$ 48,060,000

Option E

This option would provide a full replacement of the south end zone, improvements to the east and west concourses, and replacement of the press box as follows:

- Replacement of the press box with revenue-generating seating areas.
- Installation of a permanent prefabricated metal seating and support system at the south end zone with brick veneer at the south elevation to respond to the design integrity of the stadium.
- Construction of sub-grade space to house new locker rooms which would replace existing locker rooms in the east concourse.
- Reconstruction of the east and west concourses to include circulation improvements, installation of additional restroom facilities and concession stands, and replacement of plumbing systems.
- Removal of the Klotz Tennis Courts and upgrades to the south and west parking and plaza areas.
- Installation of new south end zone scoreboards/videoboards.
- Modification/waterproofing of east and west concourse bench seats and turf replacement.

Budget for Option E

Construction Costs	
Press Box/Suite Replacement	$ 28,500,000
South End Zone Seating Replacement	18,800,000
East and West Concourse Renovation	8,600,000
Plaza Upgrades	2,500,000
Klotz Tennis Court Relocation	1,000,000
Installation of Scoreboard/Videoboards	1,000,000
Furnishings, Fixtures and Equipment	
Modification/Waterproofing of East and West Concourse Bench Seats	2,700,000
New Turf	1,000,000
Site Utilities	2,000,000
	3,000,000
Professional Services Costs	10,465,000
Contingencies	6,910,000
Art in State Buildings	350,000
TOTAL	$ 86,825,000