MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Purchase and Master Lease Financing – Scoreboard and Video Display System, Jack Trice Stadium

Date: March 4, 2002

Recommended Action:

Recommend that the Board consider Iowa State University’s request to purchase a scoreboard and video display system for Jack Trice Stadium, utilizing master lease financing in the amount of $1,000,000.

Executive Summary:

New Scoreboard

Iowa State University wishes to purchase a scoreboard and video display system for Jack Trice Stadium from Daktronics Inc and to finance $1 million of the cost from the Board’s master lease agreement.

The University’s recommendation to award the bid to Daktronics was based upon the sealed responses received to a Request for Proposals. The University reports that Daktronics was the low, compliant bidder.

Possible Protest

The Board Office has been notified by one of the unsuccessful vendors that the firm plans to protest the recommendation to award. The vendor indicated that it plans to review information requested from the University prior to filing the formal protest.

The Board of Regents Policy Manual (§8.03G) requires vendor complainants to exhaust administrative remedies at the institutional level before making a written request for review to the Executive Director.

Further information regarding the possible protest will be provided at the meeting.

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 $130,000 based upon a lease term of 10 years and an interest rate of 5.13%. Repayment would be made from corporate sponsorship dollars and dollars received from the Department of Athletics marketing rights contracts.

Questions

University representatives will be present at the meeting to respond to questions.

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**Background:**

**Existing Scoreboard**

The University reports that the existing scoreboard has become outdated and that athletic fans have requested improvements in the appearance and functions of the display.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 $30,194.59.

- Principal of approximately $138,000 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 Board’s 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:

Solicitation of Proposals

Consistent with Board policies and procedures, the University bid out the equipment (scoreboard unit, new video display unit and new advertising panels) and installation costs by means of a Request for Proposals.

According to the Request for Proposals, the video display was to be able to be operated from two locations: press box area and Jacobson Building.

- The Jacobson control unit was included to increase recruiting efforts by allowing the Department of Athletics the ability to show recruiting videos to prospective student athletes.
Proposal responses were received from four firms; the firms and the University analysis of the proposals are as follows:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>University Analysis</th>
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<tr>
<td>Daktronics, Inc.; Brookings, South Dakota</td>
<td>University recommendation for award: Bid Price - $872,000 including video, video installation, (including cabling and controls from the Jacobson Building) scoreboard, scoreboard installation, advertising panels, advertising panel installation, performance bond, certification costs on the support structure, enclosure of crow's nest, pole covers and siding.</td>
</tr>
<tr>
<td>Trans Lux Midwest (formerly known as Fairtron); Des Moines, Iowa</td>
<td>Bid Price - $761,283 BUT the University considers the bid to be noncompliant since the cabling connection into and the control unit to operate the board from the Jacobson Building were not included in the bid.</td>
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<tr>
<td>Mitsubishi Diamond Vision; Lawrenceville, Georgia</td>
<td>Bid could not be accepted since the bid was not signed and errors in pricing were submitted.</td>
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<tr>
<td>Reynolds Sign Company; Irving, Texas</td>
<td>Bid Price - $1,279,375</td>
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Other estimated costs not included in the above amounts are:

<table>
<thead>
<tr>
<th>Component</th>
<th>Estimated Cost</th>
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<tr>
<td>Sound Cabinet or Sound Recalibration</td>
<td>$92,000 - $127,000</td>
</tr>
<tr>
<td>Camera Cable and Conduit – Jack Trice Field</td>
<td>20,000</td>
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<tr>
<td>Fascia Scoreboard Refurbishment</td>
<td>17,000*</td>
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<tr>
<td>Subtotal (Other Estimated Costs)</td>
<td>$129,000 - $164,000</td>
</tr>
<tr>
<td><strong>Total System (using Daktronics)</strong></td>
<td><strong>$1,001,000 - $1,036,000</strong></td>
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* New fascia boards may be installed rather than refurbishing the current boards. The estimate represents the maximum cost to the Athletic Department.

Assuming a cost of $1,036,000, the Department of Athletics will provide $36,000 for components of the system that are primarily related to the private sponsor usage and advertising boards that are part of the package, 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).

- Further information on meeting the necessary financing requirements will be provided at the Banking Committee meeting.

Repayment

The proposed borrowing rate currently is estimated to be approximately 5.13%. The University would pay 20 semiannual payments of approximately $130,000 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.

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

- The University reports that the Department of Athletics is prepared to guarantee payments should that be necessary.