MEMORANDUM

To: Banking Committee

From: Board Office

Subject: Updated Business and Financing Plans for University of Northern Iowa Proposed Event Complex

Date: November 5, 2003

Recommended Actions:

1. Receive the report of the University of Northern Iowa on two proposed business and financing plans for the Event Complex, including the University's request for approval of the business and financing plan for Option A with a $22.14 million project budget.

2. Consider making a recommendation to the Board on a proposed business and financing plan.

Executive Summary:

Recent History

In July 2003, the Banking Committee was asked to review the University of Northern Iowa's report on the proposed business and financing plans for the Event Complex, including the University's understanding that construction of the Arena would not begin until funding has been secured (in hand or pledged) in the amount of $19.5 million.

At that meeting, the Banking Committee recommended that a third-party feasibility study be obtained to validate the business plan estimates of operating revenues and expenses.

As a result of a Request for Proposal process, in which Board Office staff participated, the firm of C.H. Johnson Consulting of Chicago, Illinois, was selected to undertake the study.

Representatives of C.H. Johnson Consulting attended the October Banking Committee meeting and provided a report on the feasibility study. In addition, they recommended some program enhancements to further increase revenue.

As a result of the discussion that occurred at the October meeting, the University was requested to return to the Banking Committee with updated financial proformas which could include some or all of the program enhancements that were presented by C.H. Johnson Consulting.

Two Options	The University is providing two options (A and B below) for the consideration of the Banking Committee and Board. Each of the options incorporates into the design selected changes which the consultant expects would enhance the revenue generation capability of the Arena. Most of the revenues and expenditures included in the proformas for the two options are based upon the feasibility study conducted by C.H. Johnson Consulting and have been adjusted to reflect an Arena opening in FY 2007 rather than FY 2006, as had originally been anticipated.
Revenue Bonds	Each of the options would require the sale of revenue bonds as summarized in the table on the following page.
Loan from City of Cedar Falls	The University included the sum of $500,000 from a loan from the City of Cedar Falls in the proforma for both options. Board Office staff and the Board's bond counsel met with City of Cedar Falls officials and University personnel on Wednesday, October 28, 2003, to review the proposed agreement for the loan. Discussions and reviews of the proposed written agreement are expected to continue. The University has advised the Board Office that the Executive Committee of the UNI Foundation voted to guarantee the $500,000 should the loan from the City of Cedar Falls not materialize.
Proceeds from Sale of Golf Course	Both options include the use of $1 million in proceeds and earnings on these funds from the 1990 sale of the University's 9-hole golf course. The property, on which the golf course had been located, was donated to the University in 1925 to be developed and maintained as a playground and recreation and picnic area. The Board staff discussed with the Attorney General's Office whether the use of the funds for construction of the Arena would be within the intent of the donation. Advice from the Attorney General's Office is that the funds can appropriately be expended for construction of the Arena.
Field House Surplus Funds	Option A includes the use of $1,500,000 in Field House Surplus Funds and Option B includes the use of $1,683,199 of these funds. The Board's bond counsel, Ahlers Law Firm, has advised both the Board Office and the University that use of the Field House Surplus Funds for the Arena would be an allowable expense under the bond covenants for the Field House Enterprise (UNI-Dome). With legal questions resolved, the policy question for the Banking Committee and Board becomes the extent to which a portion of these funds should be used for this purpose rather than held for other UNI-Dome related future expenditures.

Preferred – Option A

The University's preferred option, Option A, includes as program enhancements a commissary kitchen, finishing of the alumni suite, retractable seats, catwalks and rigging. The project budget is $22.14 million.

- Appendix 1, Attachment A includes the financial projections under this scenario.

Alternative - Option B

The alternative option, Option B includes as program enhancements retractable seats, catwalks and rigging. The project budget is $20.2 million.

- Appendix 1, Attachment B includes the financial projections under this scenario.

The difference in the initial cost (project budget) between Option A and Option B is $1,955,408.

Comparison of Two Options

The following table summarizes differences between the two options the University has presented:

Source of Funds	Option A	Option B	Difference
UNI Foundation – Arena Gifts and Interest	$16,084,186	$16,084,186	$ 0
UNI Foundation – Undesignated Gifts	915,814	915,814	0
City of Cedar Falls Loan	500,000	500,000	0
Proceeds from Sale of Golf Course	1,000,000	1,000,000	0
Field House Surplus Funds	1,500,000	1,683,199	(183,199)
Additional Borrowing	2,138,607	0	2,138,607
Total Project Cost	$22,138,607	$20,183,199	$1,955,408
Total Amount of Revenue Bonds to be Sold	$10,000,000	$7,600,000	$2,400,000
Number of Bond Principal Payments	20	16	4
Aver. Annual Debt Service after Foundation Pledges Received	$ 630,000	$ 480,000	$ 150,000
Cost of Program Enhancements	$ 2,638,607	$ 683,199	$1,955,408
University's Calculation of Internal Rate of Return (not including cost of capital)	12.5%	4.6%	7.9%

Additional Information from C.H. Johnson Consulting	The Banking Committee, at its October 2003 meeting, requested additional information from C.H. Johnson Consulting. A letter and report from C.H. Johnson Consulting to the Board provide: 1) the firm's confidence in the feasibility of the project, 2) further detail and analysis regarding the methodology used to determine the Complex's event demand, 3) a description of the methods used to determine the Complex's operating expenses, and 4) a sensitivity analysis on the Complex's event demand and operations.

Background:

July 2003 Banking Committee	At its July meeting, the Banking Committee was provided with potential conditions for consideration in its review of the proposed business and financing plans for the Event Complex. The Banking Committee discussed a number of specific items and agreed to the following:
Student Financial Support	1. Student Financial Support – Student Fees a. There will be no increase in the current Field House (UNI-Dome) student (building) fee, which is $90 per academic year, to support construction or operation of the proposed Arena. b. The student activities fee(s) for athletics can be used to secure the issuance of bonds for the Arena but are not to be used to finance the debt service or operational costs of the Event Complex.
General Fund Support	2. Academics – General University Support a. There is to be further discussion between the Board Office and the University regarding the proposed annual two percent inflationary increase in general fund support for the operations of the Event Complex above the FY 2004 budgeted level ($730,830).

Planning Issues

3. Planning Issues – A revised business and financing plan should be presented to the Banking Committee at a future date and should reflect the following:

   a. Updated fund-raising information including the status of pledges reported to be in arrears, as well as the status of additional fund raising efforts.

   b. Review of the proposed loan agreement with the City of Cedar Falls.

   c. Consultation with bond counsel to determine allowable uses of the Field House (UNI-Dome) surplus funds.

   d. Completion of an independent third-party feasibility study to validate the business plan estimates of operating revenues and expenses.

Selection of C.H. Johnson Consulting, Inc.

C.H. Johnson Consulting, Inc., was selected to undertake the independent third-party feasibility study as a result of a Request for Proposal (RFP) process.

- Responses to the RFP were received from five consulting firms. Three of the firms were interviewed via conference calls; these calls included a representative from the Board Office.

C.H. Johnson Consulting is a Chicago-based economics, sports, and real estate consulting firm with extensive experience in planning (including economic and fiscal impact studies, financial analyses, and tax projections) and operation of public assembly facilities such as arenas, stadiums and performing arts centers.

October 2003 Banking Committee

At the October 2003 Banking Committee meeting, representatives of C.H. Johnson Consulting presented the firm's findings including its recommendations for program enhancements that could be incorporated into the physical program for the Arena to enhance its long-term operating potential.

The consultants noted that programming elements would improve the competitive position of the Complex, improve its appeal to University sponsors and event promoters, and, perhaps, most importantly, enhance the revenue potential for the Event Complex.

Since the consultants' revised listing of program enhancements was not received in time to allow for thoughtful review and analysis, the Banking Committee requested the University to return to the November Banking Committee meeting with its desired program enhancements and revised financial proformas.

Analysis:

Additional Information from C.H. Johnson Consulting

In response to Banking Committee requests at the October 2003 meeting, C.H. Johnson Consulting provided additional information regarding the methodology used to determine the Complex's event demand, a description of the method used to determine the Complex's operating expenses, and a sensitivity analysis on the Complex's event demand and operations. The firm also provided a letter to address the firm's confidence in the feasibility of the project. The following summarizes the information provided by C.H. Johnson:

Number and Type of Events

Methodology Used to Determine the Number and Type of Events

The consultants reported that their projections of event demand are based on three factors:

- Actual historical demand at the UNI-Dome and West Gym;
- Consultants' review of the market and interviews with promoters, UNI staff and others; and
- Performance of similar facilities.

Operating Expense Assumptions

C.H. Johnson's estimate of operating expenses is based on:

- All existing staff positions (including student wages) are expected to continue into the future, and salaries are projected to increase by four percent each year.
- Three new positions (marketing position, assistant ticket manager, and mechanical position) would be added when the Arena is open.
- In the past, the operating supplies and expense line included expenses related to concession sales. Beginning in FY 2004, the expenses associated with concessions are accounted for in the net concession sales line item.
- Telecommunications, ongoing maintenance, travel and training are projected to be $5,400 per event day in FY 2004 and FY 2005, declining to $4,800 per event day after the Arena is open. The consultants believe this number is very conservative.
- Utility expenses are based upon FY 2001 through FY 2003 expenses for the UNI-Dome and $2,000 per event day for the Arena, which is comparable to actual expenses at similarly-sized arenas.

Sensitivity Analysis

C.H. Johnson provided a sensitivity analysis of four scenarios for the Complex's demand and operations. A full discussion of these scenarios is included in the consultant information previously provided.

- Scenario #1 – Reduced Operating Supplies and Expenses (reduced to historical averages) (required bond coverage ratio met in all years);

- Scenario #2 – Decreased Operating Supplies and Expense and Decreased Demand (required bond coverage ratio met in all years);
- Scenario #2A – Decreased Attendance (includes decreased event demand in Scenario #2 and a reduction of 10 percent in average attendance) (required bond coverage ratio met in all years); and
- Scenario #3 – Decreased Demand and Attendance and Increased Expenses (includes average attendance and event demand from Scenario #2A while operating supplies and expenses are the same as in the original report) (required bond coverage ratio not met in 2004 and 2005 and after year 2012).

Consultant's Confidence Level

Requested Letter from Consultants Regarding Confidence Level

In their letter, the consultants state that based upon their experience with 250 public assembly facilities since 1995 and the depth and quality of their work for the University of Northern Iowa, they affirm their confidence in their projections for the Event Complex.

Program Enhancements

The University has provided two business and financing plans for consideration of the Banking Committee. The plans vary based upon the included program enhancements.

Preferred Option – Option A

The University's preferred option includes as program enhancements a commissary kitchen, finishing of the alumni suite, retractable seats, catwalks and rigging. The project budget is $22.14 million.

This option would include the following sources of funds:

Source of Funds	Amount
UNI Foundation – Arena Gifts and Interest	$16,084,186
UNI Foundation – Undesignated Funds	915,814
City of Cedar Falls Loan	500,000
Proceeds from Sale of Golf Course	1,000,000
Field House Surplus Fund	1,500,000
Additional Borrowing – Field House Bonds	2,138,607
Total	$22,138,607

Alternative Option – Option B

The alternative option includes as program enhancements retractable seats, catwalks and rigging. The project budget is $20.2 million.

This option would include the following sources of funds:

Source of Funds	Amount
UNI Foundation – Arena Gifts and Interest	$16,084,186
UNI Foundation – Undesignated Funds	915,814
City of Cedar Falls Loan	500,000
Proceeds from Sale of Golf Course	1,000,000
Field House Surplus Fund	1,683,199
Total	$20,183,199

Financing Plan

Sources of Funds for Construction

As outlined above, the University has proposed a number of sources of funds for each of the two options including gifts, City of Cedar Falls Loan, proceeds from the sale of the golf course, and Field House Surplus Funds.

Gifts

The major source of funds for construction of the project is gifts to the UNI Foundation. Gifts and interest designated for the Arena (including gifts to be received through 2017) total $16,084,186 as of September 30, 2003, according to information provided by the University. The Foundation Board recently agreed to designate to the Arena project $915,814 of undesignated gifts and pledges. The sum of these two sources of gifts is $17,000,000.

- The $17,000,000 includes $112,227 in gifts which are in arrears.
- The University has also indicated that it anticipates that the UNI Foundation will agree to pledge its full credit to secure the pledges and would, therefore, be responsible for covering any pledge defaults.

Proposed Bonding

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

- Under Option A, the net amount from the bond sale would equal the dollar amount of the outstanding pledges to the UNI Foundation plus an additional $2,138,607. The University envisions that the bond sale amount including principal, reserve fund, and issuance costs to total approximately $10 million. (See Appendix 1, Attachment A, page 5.)
- Under Option B, the net amount from the bond sale would be equal to the dollar amount of the outstanding pledges to the UNI Foundation. The University envisions that the bond sale amount including principal, reserve fund and issuance costs would be approximately $7.6 million. (See Appendix 1, Attachment B, page 5.)

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. The University believes and bond counsel has concurred that the Arena should be added to the Field House Enterprise. The bonds, in each option, would be issued on a parity with the existing Field House Revenue Bonds.

The University has noted that the debt service on the Arena bonds would be paid from gift revenue until exhausted. Principal and interest payments for the remaining years of the bond issue would be made from anticipated revenues and other funds of the Field House Enterprise.

Field House Bond Covenants

Under the bond resolution for the outstanding Field House Bonds, if the Field House Student Fees and 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.

City of Cedar Falls Loan

Each of the University's two financing options includes a $500,000 loan from the City of Cedar Falls.

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.

While progress was made during the discussions, there is not yet a revised, written agreement that is acceptable to all parties.

Discussions and reviews of the proposed written agreement are expected to continue.

In its recently submitted evaluation criteria for major capital projects (included with G.D. 9b Addendum), the University reports that the Executive Committee of the UNI Foundation has guaranteed the $500,000 should the loan from the City of Cedar Falls not materialize.

Golf Course Proceeds

Both options include the use of $1 million from the 1990 sale of the University's 9-hole golf course.

Thirty-three and nine-tenths acres of University property were sold, after approval by the Board of Regents and the Executive Council, to the Iowa Department of Transportation for construction and maintenance of Iowa Highway Number 58.

The University received compensation from the Department of Transportation in the amount of $527,500. Through investment, this sum has grown to more than $1 million.

According to the minutes of the November 14, 1990, Board meeting, the property was donated to the University by Charles and Ella Rownd on April 25, 1925, "to be developed and maintained as a playground and recreation and picnic grounds for said institution." The Board Office does not have access to the documents which provided for the donation.

The University of Northern Iowa's president at that time stated the intent of the University was that the proceeds would be used for an alternate recreational purpose.

The Board Office discussed with the Attorney General's Office whether use of the funds for construction of the Arena would be within the intent of the donation, as described above. Advice from the Attorney General's Office is that the funds can appropriately be expended for construction of the Arena.

Given that there are no legal impediments to the use of the golf course proceeds, there are alternative policy considerations the Board may wish to consider relative to the use of these funds for the Arena project. These include potential additional uses for a portion of these funds.

In January 2003, the Board approved a project description and budget for the West Campus Recreation Fields project which would develop four recreation fields on approximately 12 acres near the western campus border along 27th Street. The project budget of $306,000 included the sum of $282,000 to be funded by proceeds from the sale of the golf course.

At the time the West Campus Recreation Fields project was approved, the University informed the Board that future phases of the west campus development would include relocation of the baseball and softball fields, development of additional recreation fields and trails and other amenities.

Field House Surplus Funds

The Board's bond counsel, Ahlers Law Firm, has advised both the Board Office and the University that use of the surplus funds for the Arena would be an allowable expense under the bond covenants for the Field House Enterprise (UNI-Dome).

While the funds can legally be used to help finance construction of the Arena, the Banking Committee and Board will need to determine whether this is an appropriate use of these funds.

If Surplus Funds are used for the project and revenue projections are not met, then the Surplus Funds that have been spent will not be available to calculate coverage requirements.

As of June 30, 2003, the UNI-Dome Surplus Fund totaled $2.2 million.

The University anticipates that after revenues and other additions, and expenditures and other deductions are taken into account, the Fund will total $3.7 million on June 30, 2004.

Both financing options presented by the University include the use of Field House (Dome) Surplus Funds.

- The preferred option (Option A - kitchen/alumni suite, retractable seating, and catwalks and rigging) includes the use of $1.5 million in Field House Surplus Funds.

The alternative option (Option B – retractable seating, and catwalks and rigging) includes the use of $1.68 million in funds from this source.

Statement of Revenues and Expenditures

The University's Business Plan for the Event Complex is included as Appendix 1. The proforma for Option A ($22.14 million scenario) is included as Attachment A to the Appendix and the proforma for Option B ($20.18 million scenario) is included as Attachment B to the Appendix.

Revenues

A summary of the revenue sources follows:

University Support

The financial proforma for both options has University support of the Event Complex remaining constant at $727,700 beginning in FY 2004 through FY 2023.

- The University pays the Field House Enterprise a flat fee every year as a rent payment for the University's intercollegiate athletic events, physical education classes, intramural sports events and commencements that currently take place in the UNI-Dome.

Rental Income from Public

Income from rental to the public is the same in Option A and Option B; the amount is based upon the feasibility study conducted by C.H. Johnson Consulting. Although Option A includes more program enhancements which should be attractive to event promoters, the projected rental income is the same in both options.

Student Fees

The income from student fees represents income from the existing student building fee for the Field House (UNI-Dome). The revenue is the same in both options.

Net Concession Income

Concession income is net of the cost of goods sold and revenue sharing with the Athletic Department. The estimated revenue is the same in Option A and Option B.

Besides the student building fees, net concession income is the largest source of revenue once the Arena opens. Per capita revenues are expected to increase with the opening of the Arena.

The Arena will contain more points of sale than are currently available for events and will generally allow for a higher quality food service in both the Arena and the UNI-Dome; and

There is no formalized concession service for events currently held in West Gym (volleyball, women's basketball and wrestling); the move to the Arena will have a positive impact on sales.

C. H. Johnson provided the revenue estimates. As an example, as noted in last month's report, the assumptions include an increase for gross per capita sales for UNI Men's Basketball Games from $.90 to $1.75, an increase of 94.4%.

Net Merchandise Income

Net merchandise income includes revenue from the sale of clothing, such as T-shirts and other miscellaneous items at Complex events. In the past, merchandise revenue has been accounted for within the public event rent line item. However, the amount which is the same for both options, is shown separately in the proformas.

Net Parking Revenue	Net Parking Revenue is included beginning with the opening of the Arena; there is no difference in the amount of revenue from this source for the two options. Currently $4 per car is charged for non-university and non-high school football events at the UNI-Dome and this revenue is retained by the University's Athletic Department. The projections include a charge of $5 per car beginning in 2007 and increasing by $.50 every fourth year. Beginning in 2007, it is assumed that the University will lease the parking lots for Arena events from the Parking Enterprise Fund. Eighty percent of the parking revenue from the events that are to be held in the Event Complex will be retained by the Complex, with the remaining 20 percent deposited into the Parking Enterprise Fund for lot maintenance and expense. Net parking revenues from non-university, non-high school events held in the UNI-Dome will continue to accrue to the UNI-Dome. In response to an inquiry, the University reported that a shift in the location of some of the above referenced events from the UNI-Dome to the Arena will reduce Intercollegiate Athletics parking income by $10,000 - $15,000 per year. (Intercollegiate Athletics net parking income is currently $55,000 to $60,000 per year.)
Net Sponsorship and Advertising Revenue	Net sponsorship and advertising revenue is the same in both options. Currently, net sponsorship and advertising revenue that is generated by the UNI-Dome is retained by the Athletic Department and that policy will continue. Beginning in 2007, when the Arena is operational, it is assumed that the net sponsorship and advertising revenue generated by the Arena will be considered Complex revenue.
Net Revenue from Program Enhancements	Additional revenue from the building enhancements differs between the two options. Under Option A, which includes the kitchen and completion of the alumni suite in addition to the program enhancements included in Option B, net revenue due to program enhancements is $275,893 in FY 2007, with the amount increasing to $605,786 in FY 2023. Total revenue from the program enhancements through 2023 as shown in the proforma as $7,875,854. In contrast, under Option B, which includes only retractable seating, and catwalks and rigging, net revenue from the program enhancements is estimated to be $49,076 in FY 2007 and would increase to $72,854 in FY 2023. Total revenue from the program enhancements through 2023 is shown in the proforma as $1,023,957.

The following table compares the additional initial costs of the program enhancements compared to the estimated revenue to be generated by these enhancements through 2023.

Program Enhancement	Estimated Initial Cost	Estimated Increased Revenue through 2023
Option A (includes kitchen and completed alumni suite plus option B)	$2,638,107	$7,875,854
Option B (includes retractable seating, catwalks and rigging	683,199	1,023,957

Enterprise Surcharges

Enterprise surcharges, which are fees added to the price of an event ticket to help support a facility's operation, are included in the same amount in both options.

Currently, surcharges are charged for a limited number of events, such as larger entertainment events; the revenue has historically been accounted for as rent revenue.

The financial proformas include this revenue as a separate line item beginning in FY 2005.

For purposes of the proformas, the surcharge is assumed to be $1.00 per ticket fee for events excluding UNI sporting events and high school football games. Based upon the assumptions including event demand and attendance, enterprise surcharge revenue is projected to be $106,900 in 2005, increasing to $314,050 in 2023.

Investment Income

Investment income is earned on funds in the Fieldhouse Enterprise Debt Service Reserve and Surplus Fund; an interest rate of three and one-half percent has been used.

Foundation Pledge Revenue

Foundation Pledge Revenue is based upon the amount and pledge date of the funds.

Expenditures

The University believes that the Event Complex can be operated at a minimal incremental cost by using the existing management and operations staff of the UNI-Dome to operate the two facilities comprising the Event Complex.

Salaries, Wages and Employee Benefits

Three new full-time positions are expected to be added (in both options) when the Arena opens: a marketing position, assistant ticket manager, and a mechanical position.

The use of part-time student labor is expected to increase due to the higher level of demand.

Salary levels in both proformas are assumed to increase by four percent per year.

Operating Supplies and Expenses

Operating supplies and expenses which include telecommunications, ongoing maintenance expenses, travel, training etc., and other expense items not included in salaries, insurance or utilities line items are based upon current levels for the UNI-Dome, not the amounts included in the C.H. Johnson Consulting report.

- The expenses for this line item are the same in both proformas.

- For the first year in which the Arena is open, Johnson Consulting projected expenses of $747,000; the University projected expenses of $499,000; C.H. Johnson had noted that the firm's estimates were conservative.

- While the University's estimates are lower than those included in C.H. Johnson's initial report, they are higher than the dollar amounts included in Scenario #1 of Johnson's sensitivity analysis, which projects future expenses for this line item based on actual historical averages. (Scenario #1 shows operating supplies and expenses in the opening year of the Arena at $211,000.)

- The University's proformas include an annual increase of 2.5 percent in operating supplies and expenses.

Insurance

Insurance is a minimal operating expense (shown as approximately $49,000 when the Arena opens under Option A, with the amount for Option B being slightly lower). Annual increases of 2.5 percent are included in the proformas.

Utilities

Utilities are expected to increase from the amount budgeted in FY 2004 for the UNI-Dome ($214,533) to $361,148 when the Arena opens (Option A) in FY 2007. It is projected that the annual cost of utilities would be approximately $20,000 less in Option B which does not include a kitchen. The proformas include annual increases of 2.5 percent in the cost of utilities.

Administrative Overhead

Administrative overhead is charged by the University to compensate for administrative staff's time and other administration related to the operation of the Enterprise; it is 2.5 percent of the Complex's operating expenses. The proformas include annual increases of 2.5 percent in administrative overhead.

Improvements to Event Complex

Funds for improvements to the Event Complex are assumed to equal five percent of the annual gross revenues of the Enterprise. They appear in the proforma as expenditures and other deductions to the Surplus Fund. While they are depicted in the proforma in this manner, there is no requirement that they be spent on an annual basis and funds could be accumulated to be spent on a larger project, such as turf replacement in the UNI-Dome.

Arena Debt Service Payments

The debt service schedules included in the attached proforma were developed by Springsted, Inc., the Board's financial advisor. They maximize principal repayment during the three years ending June 30, 2007 and are based upon the schedule of pledged gifts to the Foundation for the years 2005 – 2007. After 2007, level debt service payments have been established. (The debt service calculations are included on page 7 of Attachments A and B to Appendix 1.)

The interest rates in the analysis are based upon current market rates, with premiums in the early years which would be offset by underwriter's compensation.

- For Option A, principal payments would be made for a total of 20 years. Debt service payments beginning in 2009 are estimated at approximately $630,000 annually (with the amount in 2008 being slightly less), excluding interest to be earned on the reserve fund.

- For Option B, principal payments would be made for a total of 16 years. Debt Service payments beginning in 2008 are estimated at approximately $480,000 per year, excluding interest to be earned on the reserve fund.

Since the debt service payments have been based upon the gift schedules, in years 2005 and 2006 it will be necessary to rely upon revenues in the surplus fund to provide the necessary coverage ratio since the coverage ratio with the gift income is less than the required 120%.

University of Northern Iowa Event Complex
Business Plan
November 1, 2003

BUSINESS DESCRIPTION

The University of Northern Iowa proposes to build a 6,100 seat multipurpose arena to be known as the McLeod Center to host athletic and special events. The arena will provide a suitable venue for the University's Men's and Women's Basketball, Volleyball, and Wrestling teams. The Center will be sited and connected to the south end of the UNI-Dome on the University of Northern Iowa campus. The existing UNI-Dome and the new McLeod Center will constitute a two building, state-of-the art facility to be known as the UNI Event Complex. With the new Event Complex, the University of Northern Iowa will play a significant role in meeting the entertainment needs of the campus and the Cedar Valley. It is anticipated the facility will be a premier event destination in the state of Iowa.

Description of Enterprise

The UNI-Dome and the McLeod Center will be operated as a self-supporting auxiliary enterprise known as the Event Complex. One or both facilities in the event complex will be available for rentals for concerts, trade shows, and other community events. It will be possible with the event complex concept to host large trade shows and athletic events that occupy both buildings.

The McLeod Center will house 6,100 seats used to host athletic events, commencement exercises, physical education classes, recreational activities, and other campus events. The Center will be the new home of the university's intercollegiate men's and women's basketball, women's volleyball, and men's wrestling programs. It will house a large main lobby, hospitality and meeting space, equipment rooms, locker rooms, offices, and other support spaces. Opportunities exist for advertising in the arena.

The UNI-Dome is a 16,324 seat multi-purpose facility that hosts athletic events, physical education classes, recreational activities, and special events. The Dome enjoys tremendous popularity for University athletic events, high school football playoffs, trade shows, University and high school commencement ceremonies, and concerts. The UNI-Dome attracts numerous high school students to the University of Northern Iowa. The 76,633 square feet of floor space can be used in a number of configurations. The Dome can be configured for football by rolling-out turf, for basketball by assembling a portable wooden court, and for an 8-lane running track. For stage-oriented activities such as concerts, both bleachers and folding chairs are utilized to accommodate as many as 25,000 people.

Amenities of the UNI-Dome include permanent/portable concessions stands, merchandise areas, a club room, and a video board. Coach's offices and administrative offices of the Department of Intercollegiate Athletics are provided in the facility. University personnel manage the concession stands and catering in the complex. Opportunities exist for advertising in the UNI-Dome using fixed signage and the UNI-Dome's video board.

MARKET ANALYSIS

C.H. Johnson Consulting Co., a Chicago-based economics, sports, and real estate consulting firm was selected over four other consulting firms by the University of Northern Iowa, in conjunction with the Board of Regents' staff and financial and legal advisors, in September, 2003 to provide an independent review of the operating potential of the proposed arena and Events complex. Implicit in the review was an evaluation of the feasibility of operating the Events Complex as a self-sufficient operation under a single management structure.

Johnson Consulting assessed various conditions and characteristics of UNI that will impact the planned McLeod Center and the UNI-Dome. Characteristics such as current and projected student enrollment, athletic programs offered, resource support for entertainment programming, and the quality of existing facilities will impact the performance of the proposed McLeod Center and the UNI-Dome. The McLeod Center Feasibility Study prepared by Johnson Consulting includes a Market Analysis in section 3 of the report. The analysis includes information on UNI enrollment, UNI Foundation's "Student First" Campaign, UNI Athletics, UNI athletic facilities, Cedar Falls/Waterloo data such as population projections, employment and corporate presence, and per capita income.

Also included in the Johnson study is an overview of the arena industry and competitive analysis including the arena entertainment and events market, local and regional athletic, entertainment, and events facilities, university facilities, and other venue types. The report analyzed lost UNI-Dome business and other missed opportunities and negative consequences of the current facilities.

Promoter interviews were conducted to better understand their general interest in the UNI-Dome and the planned McLeod Center, the facility requirements, the current and expected future event environment, and other factors that would be expected to affect the demand and operations of the Dome and McLeod Center.

Three arenas were analyzed in a case-study format in order to help demonstrate the potential for the McLeod center and the Events Complex.

UNI-Dome and McLeod Center Event and Attendance Projections

Johnson Consulting projected the annual demand and financial performance of the Events Complex at UNI (including the UNI-Dome and the planned McLeod Center) through 2023, based on comparable facilities' operations, the unique characteristics of the university and the local market area, and trends that are likely to affect the complex in the future. Demand and financial projections match the 20-year term of the bonds that will be issued to help finance the McLeod Center's construction.

The Dome hosted a total of 61 events in the 2003 fiscal year, including 12 men's basketball games, six UNI football games, numerous high school football games, six flat-floor events such as consumer shows, and a number of other events. In 2004 and 2005, 69 and 70 events are projected to take place in the Dome, as more event days will be available with the completion. However, when the McLeod Center opens in 2007, total event demand is expected to decrease in the Dome. While new events will be added with the increased availability of event days, more events will move from the Dome to the arena. In 2007, 44 events are projected for the Dome, and this number is projected to increase to 51 by 2016.

Total attendance at Dome events is projected to be approximately 297,000 in 2004. In 2007, with the opening of the McLeod Center, attendance is projected to decrease to 244,000, due to the decreased overall event demand, although attendance is not projected to decrease as much as the number of events, as many of the Dome's smaller events will move to the arena.

The arena will not open until the 2007 fiscal year, when a total of 72 events are projected. The number of UNI athletic events is expected to remain stable throughout the course of the projection (aside from one men's basketball game that will be held in the Dome in even-numbered fiscal years), but other event types are expected to experience varying levels of demand over time. The number of other sports events is expected to increase over time, as the facility is marketed and proves to be a viable site for events, and perhaps creates new events that are not currently held in the area. The number of concerts is first expected to increase, for many of the same reasons, but is later projected to decrease slightly as the facility ages.

Total paid attendance at arena events is projected to be approximately 224,000 in 2007, and by 2015, attendance is projected to reach 329,000. The largest share of arena attendance is projected to be generated from UNI men's basketball games and other sports events.

PLAN OF FINANCE

C. H. Johnson Consulting, based on its analysis, concluded that the UNI Events Complex met the financial conditions set forth in regard to self-sustaining operations and debt service coverage. The analysis communicated the market opportunity and confirmed the soundness of the operating model established by the University. In order to most effectively position the facility for long-term operating success, Johnson Consulting performed additional analysis regarding selected program options. Such options included the addition of a kitchen and vendor service area for food and beverage service, specialty seating with premium services, team store/merchandising, retractable seating, and functional elements such as catwalks, spotlight locations, and lighting and sound grids.

Several of the options were in the original McLeod Center plans but were included as add alternates or dropped from immediate consideration because of the scope of the project. As Johnson Consulting stated in its report, "*While the design and program for the McLeod Center will ensure the introduction of a high quality facility to the UNI campus, the operating mandate from the Regents in combination with the demands of the end-user dictate the facility must have the optimum operating model, which means additional revenue generation capacity. To ensure this is the case, the incorporation of selected changes in the design for the facility will enhance the long-term potential for the complex from the standpoint of revenue generation.*"
Based on the analysis of the program options, and the cost-benefit of adding selected options, the University is submitting two options for the Board of Regents, State of Iowa to consider.

Option A: Event Center with additional features – Commissary/Kitchen, Retractable Seats, Catwalk and Rigging, and Alumni Suite Finish

The project budget for Option A is $22,138,607. This proposal includes:

• the original Event Center schematic design		$19,500,000
• Options:		
o Commissary Kitchen	$1,260,000	
o Retractable Seats	40,000	
o Catwalk and Rigging	475,000	
o Alumni Suite Finish	214,000	
o Architect Fees & Other Soft costs	649,607	
Subtotal options		$ 2,638,607
Grand Total		$22,138,607

Option B: Event Center with additional features – Retractable Seating and Catwalk and Rigging

The project budget for Option B is $20,183,199. This proposal includes:

• the original Event Center schematic design		$19,500,000
• Options:		
o Retractable Seats	40,000	
o Catwalk and Rigging	475,000	
o Architect Fees & Other Soft costs	168,199	
Subtotal options		$ 683,199
Grand Total		$20,183,199

Recommended Option:

To provide the optimum operating model and revenue generating features, Option A is the alternative recommended by the University of Northern Iowa for consideration and approval by the Board of Regents, State of Iowa. The projected revenue over the twenty-year life of the debt service is sufficient to fund Option A.

McLeod Center Financing:

The projection of the Event Complex's operation appears in Attachment A. The assumptions and methodology used to estimate the financial performance of the Field House Enterprise, which currently includes the UNI-Dome, but will also incorporate the McLeod Center beginning in the FY 2007 fiscal year follows. A description of each revenue and expense category is included.

Operating Revenue

University Support of Field House/Events Complex – the university pays the Field House Enterprise a flat fee every year as a rent payment for the school's intercollegiate athletic events, physical education classes, intramural sports events, and commencements and convocations that take place in the Dome (and in the future, the

McLeod Center). Although there is no contractual agreement, the university has committed to making this payment on an annual basis in return for the use of the facilities for the above mentioned uses. The university's payment is $727,700 in FY 2004, and this amount has increased over time. Since 1992, this revenue stream has increased by an average of approximately three percent per year, and is not expected to increase significantly in the future. The university support should increase each year by approximately 2.0% but for this projection, the $727,700 contribution remains constant.

Rental Income from Public – The complex will charge a flat fee, a per-square-foot rate, or a percent of ticket sales as rent for certain types of events. The specific method used, and the amounts charged, are negotiable with event promoters and will vary from event to event. The revenue was based on the feasibility study conducted by C.H. Johnson Consulting in September 2003.

Daily rental rates and average ticket prices are inflated for the remainder of the 20-year projection. Rent from university-sponsored events is included in the University Support of Field House/Events Complex line item. For regular season and playoff high school football games in the Dome, daily rent charges have varied from year to year and among facility lessees, but it is assumed that net rent to the complex (including expense reimbursement and overhead charges) for IHSAA playoff games and individual schools' games is $5,500 and $1,000 per event day, respectively. Similar to high school football games, rent charges for other sporting events vary, and are negotiated with individual event promoters. However, based on historical rents, it is assumed that net rent to the complex is $850 per event day in 2004 and 2005. In 2007, net rent revenue from other sports events is projected to increase because of the presence of the arena. Although the arena will be smaller than the Dome, it will allow the complex to charge higher rents because the arena will be a higher quality event space. Flat-floor events are currently charged $0.13 per square foot rented, and this amount is inflated in future years of the projection. Also, the net complex rent for concerts is assumed to be $10,000 per event. In 2004, rent income from non-university events is projected to be $205,974, and this amount is projected to increase to $686,908 in 2023.

Student Fees for Field House – the Board of Regents, State of Iowa has established student fees, based on student enrollment during an academic semester and summer sessions, that are used to pay debt service on Field House bonds. These per-student fees can change on an annual basis, and are currently set for the 2004 fiscal year. In 2004, student fee revenue is expected to be approximately $1.1 million, based on the current per-student fee and UNI's enrollment. As Attachment A shows, student fee revenue increased from $784,115 in 2002 to approximately $1.1 million in 2003, after a rate increase was approved by students. For the 2003 fiscal year, student fees increased from $26.25 per student, per semester, to $45.15, while summer session fees remained constant at $2.90 per student. For the purposes of this projection, student fee revenue is assumed to remain constant through 2023.

Net Concessions Income – it is assumed that the complex will self-operate its concession service, as the Dome currently does. Under this arrangement, the facility is responsible for capital and operating expenses related to food service, and it retains the associated revenue. Concessions income earned by the complex will be net of cost of goods sold and revenue sharing with the Athletic Department.

Per capita revenues are expected to increase with the opening of the arena, for multiple reasons. First, the arena will contain more points of sale than are currently available for current events and will generally allow for a higher quality of food service in both the arena and Dome. In addition, events such as volleyball, women's basketball, and wrestling currently have no true concessions service in the West Gym, and these sports' move to the arena will have a particularly positive impact on sales. In 2004 and 2005, net concessions revenue to the Dome is projected to be $315,630 and $331,788, respectively. In 2007, with the opening of the arena, net concessions revenue is projected to increase to $637,137.

Having a kitchen may not affect the revenue potential for some sports events; however, it has the potential to increase food and beverage sales for flat-floor events as well as selected entertainment events. It will also establish an ability to generate food and beverage sales for smaller special events such as receptions. With the addition of a kitchen, it is anticipated concession/food sales will generate an additional net of $160,126 in 2007 when the facility opens. This amount increases to $463,620 in 2023.

It is anticipated that the Alumni Suite will be utilized for both game day and non-sporting events. With 2,000 square feet of space, the room could accommodate between 150 and 200 patrons for events. A room rental charge has not been incorporated for either of the above elements, but such charges could have been adapted in future years, if required. An operating expense of 25 percent has been reflected in the net in order to account for labor and other costs. The addition of an alumni suite provides a modest $45,552 net return per year in additional food sales.

Net Parking Revenue - Currently, $4.00 per car is charged for non-university and non-high school football events at the Dome, and this revenue is retained by the university's athletic department. Beginning in 2007, it is assumed that the Field House Enterprise will lease the parking lots for McLeod Center events from the Parking enterprise fund. Eighty percent of the parking revenue from the events that are held in the McLeod Center will be retained by the complex. The remaining twenty percent will be deposited in the University's Parking enterprise fund for lot maintenance and expense. For this projection, it is assumed that there is one parked car at the facility for every 3.2 attendees (based on industry standards), and the per-car rate is assumed to increase to $5.00 beginning in 2007. The per-car rate is then assumed to increase by $0.50 every fourth year. Parking-related expenses are assumed to be 15 percent of gross parking revenues. In 2007, when the arena opens, a total of 37 event days are projected to be generated from entertainment events, other sports events, flat-floor events, and concerts in the arena. Based on the assumptions described above, net parking revenues are projected to be $110,872 in 2007, and increase to $253,842 in 2023 with increased event demand.

Net Sponsorship and Advertising Revenue – similar to parking revenue, facility advertising and sponsorship revenue from signage and other opportunities is typically captured by a facility as an additional source of revenue for the arena. Currently, revenue that is generated by the Dome is retained by the Athletic Department. However, with the opening of the arena, it is assumed that the McLeod Center's advertising and sponsorship revenue is considered to be complex revenue. This revenue only includes revenue generated from signage and other advertising opportunities in the arena, and does not include naming rights, although naming rights can still be sold by the university to an individual or corporation.

Because it is not possible to include a center-hung scoreboard, revenue opportunities in the McLeod Center are not as great as in many other new arenas. However, numerous locations for signage remain in concourses, vomitories, in the arena bowl, and in other locations. Based on the facility's size and its lack of a main scoreboard, it is assumed that a total of $225,000 in advertising and sponsorship revenue is available annually. Of this amount, 10 percent is assumed to be fulfillment expenses. As a result, in 2007, net advertising and sponsorship revenue is projected to be $218,070 in the arena. While many sponsorship contracts are long-term and payment can be structured in various ways, this projection assumes that the gross value of advertising and sponsorship revenue inflates by 2.5 percent per year. As a result, net advertising and sponsorship revenue is projected to increase to $323,727 in 2023.

Net Merchandise Income – includes revenue from the sale of clothing, such as T-shirts and other miscellaneous items at complex events. In the past, merchandise revenue has been accounted for within the public event rent line item, but it is shown separately in this projection. The complex contracts with a third-party vendor (University Book and Supply) that sells merchandise at events, and UBS pays a 20 percent commission from gross sales at certain types of events. Merchandise revenue from UNI athletic events is dedicated to the athletic department, and the complex does not share in this revenue.

During IHSAA football playoff games, the complex splits its 20 percent commission with the IHSAA, and therefore receives 10 percent of gross sales. For other sporting events, the entire 20 percent commission is assumed to be complex revenue. Revenue sharing from merchandise sales during entertainment events and concerts is negotiated individually with promoters, but generally ranges from 15 to 25 percent. UBS does not sell merchandise during concerts, as this is done by the promoter's staff, and it is assumed that the complex receives a 20 percent commission on a promoter's gross sales. In 2004, net merchandise revenue is projected to be $25,812, and this amount increases to $78,953 in 2007. In 2023, net merchandise revenue is projected to be $186,824.

Enterprise Surcharges – are considered to be fees that are added to the price of an event ticket that are commonly used to help support a facility's operations. This is a proven and accepted method for generating increased revenue from facility users and attendees. The Dome currently charges such a fee for a limited number of events, such as larger entertainment events, and this revenue has historically been accounted for as rent revenue. It is assumed that ticket fees will continue to be added to the price of tickets for certain event types beginning in the 2005 fiscal year, but are projected separately from rent revenue in this analysis. It is assumed that ticket fees will not be utilized for most types of events, including UNI sporting events and high school football games. However, a $1.00 per ticket fee is assumed for concerts, other sporting events, and flat-floor events. Based on these assumptions as well as assumptions regarding event demand and attendance, total enterprise surcharge revenue is projected to be $106,900 in 2005 and $187,000 in 2007, and is projected to increase to $314,050 in 2023.

Investment Income – is currently earned on funds in the Debt Service Reserve and Surplus Fund, and the interest rates on the investments vary. In the future, investment income is recognized each year as three and one-half percent of the previous year's year-end capital improvement/surplus fund balance. In 2004, investment income is projected to be $78,000 and this amount increases to $679,401 in 2023 with increases in the fund balance.

Foundation Pledge Revenue – assumes that the UNI Foundation, which is the fundraising arm of the university and for the McLeod Center project, disburses funds to the complex annually to repay debt service. Assuming a $22.1-million project cost, a remainder of approximately $9.0 million is needed to fund construction, which accounts for cash on hand, payments that have already been made, and funds from other sources.

Springsted Incorporated, the Board's financial consultant, has established a debt service model for McLeod Center bonds that maximizes principal repayment during the three years ended June 30, 2007. Beginning in 2008, level annual principal and interest payments were established. The final payment will be in 20 years. The UNI Foundation will provide funds to the complex for debt service over eight years. Foundation pledge revenue to the complex is expected to be $1,362,850 in 2005, $1,284,350 in 2006, and $1,382,350 in 2007. Beginning in 2008 the amounts vary between $551,600 and $644,500. Amounts are smaller in 2004 and 2011 due to partial-year payments.

Total Revenue – based on the assumptions described above, total revenue is projected to be approximately $2.4 million in 2004. In 2007, the first year of the McLeod Center's operation, total revenue is projected to increase to $3.7 million, and then to $6.2 million in 2023.

<u>Operating Expenses</u>

Salaries, Wages, and Employee Benefits – the facility's full- and part-time staff has increased in the last three years, as new positions have been added. In addition, part-time student labor is also used to assist in facility management and operations, and the cost of this labor is included in this line item. With the opening of the McLeod Center in 2007, we expect to add three new full-time staff positions: a marketing position, an assistant ticket manager, and a mechanical position. The Dome's current staff and the three new staff members, along with continued part-time student labor, are expected to be sufficient to manage and operate the complex. However, the use of part-time student labor is expected to increase with the higher level of event demand in the complex.

In 2007, total salaries, wages, and benefits are projected to be approximately $753,000. Salary levels are assumed to increase by four percent per year, and student wage expense is forecasted based on historical per-event expense levels. After 2007, the size of the complex's staff is assumed to remain constant.

Operating Supplies and Expense – consists of items such as telecommunications, ongoing repair and maintenance expenses, staff-related travel, training, uniforms, and other expenses, and other items that are not included in salaries, insurance, and utilities. Operating supplies and expenses increased substantially in 2002 due to losses related to Dome events in which the facility assumed promotion risk. In 2003, operating supplies and expenses were approximately $104,000. In 2004 and 2005, with increased activity at the Dome, this expense is projected to increase, based on the historical rate, to $277,259 and $284,190, respectively. In 2007, when the arena opens, this expense is expected to increase at a greater rate, although not all expenses within this item will change significantly, as many have a fixed component. In 2007, operating supplies and expense is projected to increase to $498,578, and this amount increases to $740,141 in 2023.

- **Insurance –** In 2002 and 2003, insurance expense in the Dome was approximately $107,000, or approximately $0.40 per attendee. However, insurance for the facility has since decreased substantially, and insurance expense for the Dome is expected to be approximately $32,000 in 2004. With the Dome's new roof, insurance coverage decreased and is now similar to that of other university buildings. With $45.5 million of coverage, the Dome's insurance premium is $0.065 per $100 of coverage. The Dome also currently pays a premium of approximately $650 for automobile coverage. When the arena opens in 2007, its insurance premium is expected to be approximately $14,000, based on $22.1 million of total coverage and the same rate as the arena. These rates are inflated in future years of the projection. As a result, insurance expense is projected to be $49,063 in 2007 and increase to $72,834 in 2023.

- **Utilities –** Utilities expense ranged from $197,773 to $210,097 in the Dome for fiscal years 2002 and 2003. As a result, utilities expense was approximately $2,300 per event day in the Dome. Total utilities expense is projected to be $214,533 and $227,145 in 2004 and 2005, respectively. In 2007, with the opening of the arena, utilities expense is projected to be $361,148.

- **Administrative Overhead** – is charged by the university to compensate for its administrative staff's time and other administration related to the operation of the facility, and is 2.5 percent of the complex's operating expenses. In 2003, administrative overhead expense was $33,335, based on other operating expenses of approximately $1.3 million. In 2004, administrative overhead in projected to be $32,364, and this amount is projected to increase to $68,970 in 2023, assuming that it remains 2.5 percent of operating expenses.

- **Total Expenses –** based on the assumptions described above, total expenses are projected to be $1.1 million in 2004 and increase to $1.7 million in 2007 with the opening of the McLeod Center. In 2023, total expenses are projected to increase to $2.8 million.

Net Income (Available for Debt Service) – after consideration of all revenues and expenses listed above, the complex is projected to generate an operating profit of $1.3 million in 2004. This amount is projected to increase to $2.0 million in 2007.

- **Debt Service** – the Field House Enterprise currently has one debt service obligation, but with the development of the McLeod Center, two more will be incurred, and these are discussed below.

  Current Field House Issues – there are two outstanding bond issues related to the Dome – a $9.2-million 1997 issue for roof replacement, and a $5.6-million 2001 issue for roof repair. Both series will mature in 2022. Based on current debt repayment schedules provided by UNI, total debt service for these two issues is expected to be approximately $1.1 million a year through 2022.

  McLeod Center – bonds that will finance the construction of the McLeod Center are expected to be sold towards the end of the 2004 fiscal year, and as a result, debt service payments are assumed to begin in 2004. Bonds will be sold that mature in 20 years. Five percent is the expected interest rate. A debt service model has been developed that maximizes principal repayment during the three years ending June 30, 2007. Beginning in fiscal 2008, level annual principal and interest payments were established.

City of Cedar Falls – the City of Cedar Falls has agreed to lend $500,000 towards the McLeod Center project. Of the $500,000, $200,000 is a forgivable loan, and the remaining $300,000 is a non-interest-bearing loan that will be repaid at $15,000 a year for 20 years. Repayment is assumed to begin in the 2008 fiscal year, and debt service expense related to this loan is $15,000 a year through 2023.

Total Debt Service – based on the assumptions related to the complex's debt, total debt service expense is projected to be $1.2 million in 2004 and increase to approximately $2.4 million in 2005. It will remain at $2.4 million in 2006 and 2007. After 2007, the debt service will be level, varying between $1.6 and $1.8 million. It will decrease to $652,875 in 2023 with the maturation of the two Field House issues.

Coverage Ratio of Net Income to Debt Service – the enterprise is required to maintain 120 percent coverage of net income to debt service payments. Based on the demand and operating assumptions described above, the ratio of net income to debt service expense is projected to be 121 percent in 2004 and 117 percent in 2005. With the opening of the McLeod Center in 2007, the enterprise's coverage ratio is projected to be 138 percent, and this ratio is projected to range from 138 percent to 187 percent through 2022, and increase to 512 percent in 2023 with decreased debt service expenses. In addition to the items listed above, the enterprise also includes a surplus fund that is used to fund large capital projects that are not considered to be routine maintenance. While the balance of this fund is not used for operations, it can technically be considered in the calculation of the enterprise's coverage ratio.

The fund balance at the end of the 2003 fiscal year, and therefore, the beginning of the 2004 fiscal year, is assumed to be $2.2 million. Annual deposits to the capital improvement fund are assumed to be the excess of net income over debt service expense, or $1.7 million in 2004. Annual fund expenditures are projected to be five percent of operating revenues, which is a common amount to be earmarked for capital reserve projects. This projection assumes that the entire five percent is expended each year, rather than being built up over time and spent on large one-time capital projects. In 2004, after consideration of the excess operating revenues and capital reserve expenditure, the year-end fund balance is projected to be approximately $3.7 million. This results in debt service coverage of 428 percent, including the fund balance. Throughout the term of the bonds, projected coverage ranges from 219 percent to 3,850 percent with the inclusion of the capital improvement fund balance.

A Spring 2004 bond sale is proposed. The amount of the sale will equal the dollar amount of outstanding pledges to the UNI Foundation plus costs of issuance and a pre-funded debt service reserve. Field House Enterprise parity bonds will be issued. The Board's financial advisor has provided guidance on how to best structure the issue.

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 existing Field House Enterprise bonds.

A bond covenant will require that Athletics student fees be placed in escrow at the beginning of each fiscal year. Once the Foundation or the Field House Enterprise supplies funds for the current year's principal and interest payment, the student fees will be released to the Athletic Department for its programmatic needs. While "an unlimited student fee" established by the Board is essential to sell the bonds, University officials assure the Board they have no intention to utilize the fees as the actual source of funds for the payment.

APPROVALS REQUESTED

The University requests the following approvals:

1. Approval of the business plan for Option A, which incorporates a plan of finance.
2. Approval of the Option A schematic design and project budget of the McLeod Center.

TGS
11-01-2003

Field House Enterprise Financial Projection
Twenty Years Ending June 30, 2023
Option "A"--$19.5 Base Plus Commissary Kitchen, Alumni Suite, Retractable Seating, and Catwalks and Rigging

	Actual 2002	Actual 2003	Feb 04 Sale 2004	2005	2006	July 1st Opening 2007	2008	2009	2010	2011	2012	2013
Operating Revenue												
University Support of F H	710,700	716,500	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700
Rental Income from Public	168,349	176,145	205,974	231,610	252,617	315,006	322,881	364,121	408,884	419,106	492,976	505,301
Student Fees-Field House	784,115	1,128,781	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676
Net Concessions Income	187,985	190,394	315,630	331,788	348,776	637,137	655,394	732,838	806,614	823,645	958,416	979,406
Net Merchandise Income	-	-	25,812	26,457	43,105	78,953	80,927	97,040	110,408	113,168	142,791	146,361
Net Parking Revenue	-	-	-	-	-	110,872	110,872	130,045	159,780	159,780	197,238	197,238
Net Sponsorship and Advertising Income	-	-	-	-	-	218,070	223,522	229,110	234,838	240,709	246,727	252,895
Net Rev from Bldg Enhance-Alumni Suite, Kitchen & Retract Seats	-	-	-	-	-	275,893	282,790	322,293	352,278	361,086	425,934	436,583
Enterprise Surcharges	-	-	4,000	106,900	136,500	187,000	187,000	219,100	240,900	240,900	293,200	293,200
Investment Income	252,619	182,875	78,000	130,326	87,566	97,581	124,131	150,554	183,517	222,645	254,052	283,614
Total Revenue	2,103,768	2,394,695	2,431,792	2,629,457	2,670,939	3,722,888	3,789,893	4,047,477	4,299,595	4,383,415	4,813,710	4,896,974
Operating Expense												
Salaries Wages and Employee Benefits	467,745	544,427	545,500	567,320	590,013	752,648	782,754	814,064	846,627	880,492	915,711	952,340
Operating Supplies and Expense	261,473	104,320	277,259	284,190	291,295	498,578	511,042	523,818	536,914	550,336	564,095	578,197
Insurance	107,700	106,783	30,844	31,615	32,405	49,063	50,289	51,546	52,835	54,156	55,510	56,897
Utilities	197,773	210,097	214,533	227,145	232,824	361,148	370,177	379,431	388,917	398,640	408,606	418,821
Administrative Overhead	25,108	33,335	32,364	33,503	28,663	41,536	42,857	44,221	45,632	47,091	48,598	50,156
Total Expense	1,059,799	998,962	1,100,500	1,143,773	1,175,200	1,702,972	1,757,119	1,813,081	1,870,925	1,930,715	1,992,520	2,056,412
Net Operating Income	1,043,969	1,395,732	1,331,292	1,485,683	1,495,739	2,019,915	2,032,774	2,234,396	2,428,670	2,452,700	2,821,190	2,840,562
Foundation Pledge Revenue	-	-	137,617	1,362,850	1,284,350	1,382,350	551,600	619,850	610,850	384,037		-
Net Income Available for Debt Service	1,043,969	1,395,732	1,468,909	2,848,533	2,780,089	3,402,265	2,584,374	2,854,246	3,039,520	2,836,737	2,821,190	2,840,562
Debt Service:												
Debt Service--Field House Issues	784,115	1,077,669	1,074,676	1,075,927	1,076,049	1,075,199	1,073,319	1,075,241	1,080,749	1,079,561	1,082,249	1,083,164
Debt Service--McLeod Center	-	-	137,617	1,362,850	1,284,350	1,382,350	551,600	619,850	610,850	625,650	638,625	624,975
Debt Service--City of Cedar Falls	-	-	-	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000
Total Debt Service	784,115	1,077,669	1,212,293	2,438,777	2,360,399	2,457,549	1,639,919	1,710,091	1,706,599	1,720,211	1,735,874	1,723,139
Coverage Ratio With Gift Revenue	133.14%	129.51%	121.17%	116.80%	117.78%	138.44%	157.59%	166.91%	178.10%	164.91%	162.52%	164.85%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%
Surplus Fund:												
Beginning Balance	4,067,996	3,520,732	2,228,565	3,723,591	2,501,874	2,788,017	3,546,589	4,301,549	5,243,330	6,361,272	7,258,627	8,103,258
Revenue and Other Additions	172,829	1,806,038	1,736,616	409,756	419,690	944,717	944,455	1,144,155	1,332,921	1,116,526	1,085,316	1,117,423
Expenditures and Other Deductions	720,093	3,098,205	241,590	1,631,473	133,547	186,144	189,495	202,374	214,980	219,171	240,686	244,849
Ending Balance	3,520,732	2,228,565	3,723,591	2,501,874	2,788,017	3,546,589	4,301,549	5,243,330	6,361,272	7,258,627	8,103,258	8,975,832
Coverage Ratio (with Surplus Fund)	582.15%	336.31%	428.32%	219.39%	235.90%	282.76%	419.89%	473.52%	550.85%	586.87%	629.33%	685.75%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%

Field House Enterprise Financial Projection
Twenty Years Ending June 30, 2023
Option "A"--$19.5 Base Plus Commissary Kitchen, Alumni Suite, Retractable Seating, and Catwalks and Rigging

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenue										
University Support of F H	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700
Rental Income from Public	522,027	596,055	610,956	597,971	612,920	622,305	637,862	653,809	670,154	686,908
Student Fees-Field House	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676
Net Concessions Income	1,030,179	1,126,635	1,158,347	1,149,406	1,184,376	1,193,265	1,227,011	1,253,674	1,289,129	1,317,142
Net Merchandise Income	151,025	167,423	171,608	166,297	170,455	169,253	173,484	177,821	182,267	186,824
Net Parking Revenue	216,189	236,353	236,353	223,157	242,064	235,710	235,710	235,710	253,842	253,842
Net Sponsorship and Advertising Income	259,217	265,698	272,340	279,148	286,127	293,280	300,612	308,128	315,831	323,727
Net Rev from Bldg Enhance-Alumni Suite, Kitchen & Retract Seats	447,498	509,513	522,251	519,570	535,426	548,813	562,533	576,596	591,011	605,786
Enterprise Surcharges	294,000	331,550	331,550	317,150	318,650	314,050	314,050	314,050	314,050	314,050
Investment Income	314,154	346,681	387,743	430,662	470,441	511,771	552,400	593,806	635,864	679,401
Total Revenue	5,036,665	5,382,283	5,493,524	5,485,737	5,622,835	5,690,824	5,806,039	5,915,970	6,054,523	6,170,055
Operating Expense										
Salaries Wages and Employee Benefits	990,433	1,030,051	1,071,253	1,114,103	1,158,667	1,205,014	1,253,214	1,303,343	1,355,477	1,409,696
Operating Supplies and Expense	592,652	607,468	622,655	638,222	654,177	670,531	687,295	704,477	722,089	740,141
Insurance	58,320	59,778	61,272	62,804	64,374	65,984	67,633	69,324	71,057	72,834
Utilities	429,292	440,024	451,025	462,300	473,858	485,704	497,847	510,293	523,050	536,127
Administrative Overhead	51,767	53,433	55,155	56,936	58,777	60,681	62,650	64,686	66,792	68,970
Total Expense	2,122,465	2,190,754	2,261,360	2,334,365	2,409,853	2,487,914	2,568,639	2,652,123	2,738,465	2,827,767
Net Operating Income	2,914,200	3,191,529	3,232,164	3,151,372	3,212,982	3,202,910	3,237,400	3,263,848	3,316,059	3,342,288
Foundation Pledge Revenue	-	-	-	-	-	-	-	-	-	-
Net Income Available for Debt Service	2,914,200	3,191,529	3,232,164	3,151,372	3,212,982	3,202,910	3,237,400	3,263,848	3,316,059	3,342,288
Debt Service:										
Debt Service--Field House Issues	1,082,414	1,089,700	1,089,730	1,092,453	1,097,838	1,101,018	1,105,830	1,108,148	1,112,950	-
Debt Service--McLeod Center	635,625	644,500	626,500	633,100	638,125	641,525	643,250	643,250	641,475	637,875
Debt Service--City of Cedar Falls	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Debt Service	1,733,039	1,749,200	1,731,230	1,740,553	1,750,963	1,757,543	1,764,080	1,766,398	1,769,425	652,875
Coverage Ratio With Gift Revenue	168.16%	182.46%	186.70%	181.06%	183.50%	182.24%	183.52%	184.77%	187.41%	511.93%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%
Surplus Fund:										
Beginning Balance	8,975,832	9,905,160	11,078,375	12,304,633	13,441,166	14,622,043	15,782,869	16,965,887	18,167,538	19,411,445
Revenue and Other Additions	1,181,161	1,442,329	1,500,934	1,410,819	1,462,019	1,445,367	1,473,320	1,497,450	1,546,634	2,689,413
Expenditures and Other Deductions	251,833	269,114	274,676	274,287	281,142	284,541	290,302	295,799	302,726	308,503
Ending Balance	9,905,160	11,078,375	12,304,633	13,441,166	14,622,043	15,782,869	16,965,887	18,167,538	19,411,445	21,792,356
Coverage Ratio (with Surplus Fund)	739.70%	815.80%	897.44%	953.29%	1018.58%	1080.25%	1145.26%	1213.28%	1284.46%	3849.84%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%

University of Northern Iowa
Event Complex (McLeod Center)
Option "A"
Base Project Plus Enhancements: Commissary Kitchen, Alumni Suite, Retractable Seats, and Catwalks and Rigging
Gift Income and Revenue Cash Flow
As of September 30, 2003

Date	Private Funds UNI Foundation Gifts & Interest	Private Funds UNI Foundation Undesignated	City of CF Loan	Sale of Golf Course Proceeds	FH Surplus Fund	Borrowing: FH Revenue Bonds	Total	
09/30/03	$ 6,830,931	879,011	-	1,000,000	1,500,000	-	10,209,942	Cash on Hand
09/30/03	703,984	-	-	-	-	-	703,984	Paid Costs
09/30/03	1,500	-	-	-	-	-	1,500	F02 Arrears
09/30/03	109,099	1,628	-	-	-	-	110,727	F03 Arrears
03/01/04	-	-	-	-	-	2,138,607	2,138,607	
06/30/04	2,236,388	35,175	500,000	-	-	-	2,771,563	
06/30/05	1,490,919	-	-	-	-	-	1,490,919	
06/30/06	1,385,186	-	-	-	-	-	1,385,186	
06/30/07	1,518,442	-	-	-	-	-	1,518,442	
06/30/08	623,659	-	-	-	-	-	623,659	
06/30/09	483,524	-	-	-	-	-	483,524	
06/30/10	350,825	-	-	-	-	-	350,825	
06/30/11	257,625	-	-	-	-	-	257,625	
06/30/12	32,104	-	-	-	-	-	32,104	
06/30/13	12,000	-	-	-	-	-	12,000	
06/30/14	12,000	-	-	-	-	-	12,000	
06/30/15	12,000	-	-	-	-	-	12,000	
06/30/16	12,000	-	-	-	-	-	12,000	
06/30/17	12,000	-	-	-	-	-	12,000	
06/30/18	-	-	-	-	-	-	-	
	$ 16,084,186	915,814	500,000	1,000,000	1,500,000	2,138,607	22,138,607	

University of Northern Iowa
Event Complex (McLeod Center)
Option "A"
Gift Income and Revenue Cash Flow
As of September 30, 2003

Notes:
1. This listing does not include deferred gifts to the McLeod Center.
2. Cost of building enhancements is $2,138,607.
3. The use of ticket surcharges requires using and repaying Surplus Fund money.
4. 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 fund its $17,000,000 commitment.
5. The City of Cedar Falls agreed to lend $500,000 to the University. Payment will be made within 30 days after signing a construction contract. $200,000 is a forgivable loan and $300,000 is a non-interest bearing loan to be repaid at $15,000 per year for 20 years. Agreement requires ratification by the Board of Regents, State of Iowa. The ad hoc Banking Committee at its October 2003 meeting, asked the University to renegotiate the agreement. UNI Foundation Chairman suggested the Foundation will guarantee the $500,000 until the agreement is re-negotiated so the project can proceed.
6. 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.
7. The Field House Enterprise, a self-liquidating enterprise, will provide the final $1,000,000 of the construction fund through surcharges on tickets and/or parking.
8. Interest on Foundation investments has been recorded on the cash basis through September 30, 2003.

University of Northern Iowa
Event Complex (McLeod Center)
Option "A"
Computation of Amount of Borrowing
and Amount of Annual Debt Service
As of September 30, 2003

	McLeod Center	
Construction Fund Requirement	$22,138,607	
Less: Cash on hand--UNI Foundation Gifts and Interest	(6,830,931)	
Less: Cash on hand--UNI Foundation Undesignated Gifts	(879,011)	
Less: Cash on hand--Sale of Golf Course Proceeds	(1,000,000)	
Less: Cash on hand--Field House Special Surplus Fund	(1,500,000)	
Less: City of Cedar Falls Funding Contract	(500,000)	
Less: Est Pledge Payments Prior to 2/2004 Bond Sale	(1,750,000)	
Less: Project Costs Paid by Fndn thu 09/30/2003.	(703,984)	
Construction Fund Requirement	8,974,681	
Bonding multiplier to provide for issuance costs and DSR	1.11	
Bond Sale Requirement (20-years, 5.0% interest)	$9,961,896	Use $10,000,000
Bond Guarantee--Arena--Athletics (designated tuition, mandatory athletic fee and Panther Pass	$1,200,000	
Field House Coverage Requirement	120.00%	
Maximum Amount of Annual Debt Service	$1,000,000	

Notes:
1. The McLeod Center will be financed with self-liquidating revenue bonds issued by the Board of Regents, State of Iowa.
2. A 20-year bond amortization schedule is recommended. Payments will be tailored to use cash as it becomes available.
3. The bonds will be backed by Intercollegiate Athletics student fees and Field House Enterprise project revenue.
4. Interest on the bonds will be paid from Field House Enterprise project revenue.
5. C. H. Johnson Consulting completed a financial feasibility study in October, 2003 which opined the Events Complex can be operated without an increase in student fees or University rental income.
6. The precise amount of bonding will be determined based on cash on hand 60 days prior to the bond sale.

GBS
11/4/2003

University of Northern Iowa
Event Complex
McLeod Center
ROI of Option "A"
Kitchen, Alumni Suite, Retractable Seating, and Catwalk and Rigging
November 4, 2003

Year	Construction Cost	Incremental Net Revenue	Incremental Utilities	Net Cash Flows
2006	(2,638,607)			(2,638,607)
2007		275,893	20,000	255,893
2008		282,790	20,500	262,290
2009		322,293	21,013	301,281
2010		352,278	21,538	330,740
2011		361,086	22,076	339,010
2012		425,934	22,628	403,306
2013		436,583	23,194	413,389
2014		447,498	23,774	423,724
2015		509,513	24,368	485,145
2016		522,251	24,977	497,274
2017		519,570	25,602	493,968
2018		535,426	26,242	509,184
2019		548,813	26,898	521,915
2020		562,533	27,570	534,963
2021		576,596	28,259	548,337
2022		591,011	28,966	562,045
2023		605,786	29,690	576,096
			IRR	**12.50%**

University of Northern Iowa
Event Complex
McLeod Center
Debt Service Projection
Kitchen, Alumni Suite, Retractable Seating, and Catwalk and Rigging
November 4, 2003

Maturity	Principal	Coupon	Interest	Payment	Prior FH Debt Service	Cedar Falls Debt Service	Total Debt Service	Projected Gift/Income Cash Flow	Gift & Income Coverage
2004	0	3.00%	137,617	137,617	1,074,676	0	1,212,293		
2005	950,000	3.00%	412,850	1,362,850			1,362,850	1,490,919	1.09
2006	900,000	3.00%	384,350	1,284,350			1,284,350	1,385,186	1.08
2007	1,025,000	3.00%	357,350	1,382,350			1,382,350	1,518,442	1.10
2008	225,000	3.00%	326,600	551,600			551,600	623,659	1.13
2009	300,000	3.00%	319,850	619,850			619,850	483,524	0.78
2010	300,000	3.40%	310,850	610,850			610,850	350,825	0.57
2011	325,000	3.70%	300,650	625,650			625,650	257,625	0.41
2012	350,000	3.90%	288,625	638,625			638,625	32,104	0.05
2013	350,000	4.10%	274,975	624,975			624,975	12,000	0.02
2014	375,000	4.30%	260,625	635,625			635,625	12,000	0.02
2015	400,000	4.50%	244,500	644,500			644,500	12,000	0.02
2016	400,000	4.60%	226,500	626,500			626,500	12,000	0.02
2017	425,000	4.70%	208,100	633,100			633,100	12,000	0.02
2018	450,000	4.80%	188,125	638,125			638,125	-	
2019	475,000	4.90%	166,525	641,525			641,525		
2020	500,000	5.00%	143,250	643,250			643,250		
2021	525,000	5.10%	118,250	643,250			643,250		
2022	550,000	5.20%	91,475	641,475			641,475		
2023	575,000	5.30%	62,875	637,875			637,875		
2024	600,000	5.40%	32,400	632,400			632,400		
2025		5.50%	0	0			0		
2026		5.50%	0	0			0		
2027		5.50%	0	0			0		
Totals:	10,000,000		4,856,342	14,856,342	1,074,676	0	15,931,018	6,202,284	

Field House Enterprise Financial Projection
Twenty Years Ending June 30, 2023
Option "B"--$19.5 Base Plus Retractable Seating and Catwalks and Rigging

	Actual 2002	Actual 2003	Feb 04 Sale 2004	2005	2006	July 1st Opening 2007	2008	2009	2010	2011	2012	2013
Operating Revenue												
University Support of F H	710,700	716,500	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700
Rental Income from Public	168,349	176,145	205,974	231,610	252,617	315,006	322,881	364,121	408,884	419,106	492,976	505,301
Student Fees-Field House	784,115	1,128,781	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676
Net Concessions Income	187,985	190,394	315,630	331,788	348,776	637,137	655,394	732,838	806,614	823,645	958,416	979,406
Net Merchandise Income	-	-	25,812	26,457	43,105	78,953	80,927	97,040	110,408	113,168	142,791	146,361
Net Parking Revenue	-	-	-	-	-	110,872	110,872	130,045	159,780	159,780	197,238	197,238
Net Sponsorship and Advertising Income	-	-	-	-	-	218,070	223,522	229,110	234,838	240,709	246,727	252,895
Net Rev from Bldg Enhance-Retract Seats & Catwalks/Rigging	-	-	-	-	-	49,076	50,303	51,560	52,849	54,171	55,525	56,913
Enterprise Surcharges	-	-	4,000	106,900	136,500	187,000	187,000	219,100	240,900	240,900	293,200	293,200
Investment Income	252,619	182,875	78,000	130,326	81,154	90,955	110,510	129,536	153,603	182,606	211,780	250,840
Total Revenue	2,103,768	2,394,695	2,431,792	2,629,457	2,664,527	3,489,445	3,543,785	3,755,726	3,970,252	4,036,461	4,401,030	4,484,530
Operating Expense												
Salaries Wages and Employee Benefits	467,745	544,427	545,500	567,320	590,013	752,648	782,754	814,064	846,627	880,492	915,711	952,340
Operating Supplies and Expense	261,473	104,320	277,259	284,190	291,295	498,578	511,042	523,818	536,914	550,336	564,095	578,197
Insurance	107,700	106,783	30,844	31,615	32,405	47,694	48,886	50,108	51,361	52,645	53,961	55,310
Utilities	197,773	210,097	214,533	227,145	232,824	341,148	349,677	358,419	367,379	376,564	385,978	395,627
Administrative Overhead	25,108	33,335	32,364	33,503	28,663	41,002	42,309	43,660	45,057	46,501	47,994	49,537
Total Expense	1,059,799	998,962	1,100,500	1,143,773	1,175,200	1,681,069	1,734,668	1,790,069	1,847,337	1,906,538	1,967,739	2,031,011
Net Operating Income	1,043,969	1,395,732	1,331,292	1,485,683	1,489,327	1,808,376	1,809,117	1,965,657	2,122,915	2,129,924	2,433,291	2,453,519
Foundation Pledge Revenue	-	-	95,042	1,260,125	1,205,875	1,302,375	470,125	486,875	477,875	467,675	481,575	85,962
Net Income Available for Debt Service	1,043,969	1,395,732	1,426,334	2,745,808	2,695,202	3,110,751	2,279,242	2,452,532	2,600,790	2,597,599	2,914,866	2,539,481
Debt Service:												
Debt Service--Field House Issues	784,115	1,077,669	1,074,676	1,075,927	1,076,049	1,075,199	1,073,319	1,075,241	1,080,749	1,079,561	1,082,249	1,083,164
Debt Service--McLeod Center	-	-	95,042	1,260,125	1,205,875	1,302,375	470,125	486,875	477,875	467,675	481,575	468,900
Debt Service--City of Cedar Falls	-	-	-	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000
Total Debt Service	784,115	1,077,669	1,169,718	2,336,052	2,281,924	2,377,574	1,558,444	1,577,116	1,573,624	1,562,236	1,578,824	1,567,064
Coverage Ratio With Gift Revenue	133.14%	129.51%	121.94%	117.54%	118.11%	130.84%	146.25%	155.51%	165.27%	166.27%	184.62%	162.05%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%
Surplus Fund:												
Beginning Balance	4,067,996	3,520,732	2,228,565	3,723,591	2,318,675	2,598,726	3,157,432	3,701,041	4,388,671	5,217,324	6,050,864	7,166,855
Revenue and Other Additions	172,829	1,806,038	1,736,616	409,756	413,278	733,178	720,798	875,416	1,027,166	1,035,363	1,336,042	972,417
Expenditures and Other Deductions	720,093	3,098,205	241,590	1,814,672	133,226	174,472	177,189	187,786	198,513	201,823	220,051	224,227
Ending Balance	3,520,732	2,228,565	3,723,591	2,318,675	2,598,726	3,157,432	3,701,041	4,388,671	5,217,324	6,050,864	7,166,855	7,915,045
Coverage Ratio (with Surplus Fund)	582.15%	336.31%	440.27%	216.80%	231.99%	263.64%	383.73%	433.78%	496.82%	553.60%	638.56%	667.14%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%

Field House Enterprise Financial Projection
Twenty Years Ending June 30, 2023
Option "B"--$19.5 Base Plus Retractable Seating and Catwalks and Rigging

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenue										
University Support of F H	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700	727,700
Rental Income from Public	522,027	596,055	610,956	597,971	612,920	622,305	637,862	653,809	670,154	686,908
Student Fees-Field House	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676	1,074,676
Net Concessions Income	1,030,179	1,126,635	1,158,347	1,149,406	1,184,376	1,193,265	1,227,011	1,253,674	1,289,129	1,317,142
Net Merchandise Income	151,025	167,423	171,608	166,297	170,455	169,253	173,484	177,821	182,267	186,824
Net Parking Revenue	216,189	236,353	236,353	223,157	242,064	235,710	235,710	235,710	253,842	253,842
Net Sponsorship and Advertising Income	259,217	265,698	272,340	279,148	286,127	293,280	300,612	308,128	315,831	323,727
Net Rev from Bldg Enhance-Retract Seats & Catwalks/Rigging	58,336	59,794	61,289	62,821	64,392	66,002	67,652	69,343	71,077	72,854
Enterprise Surcharges	294,000	331,550	331,550	317,150	318,650	314,050	314,050	314,050	314,050	314,050
Investment Income	277,027	301,717	333,529	365,587	394,266	423,637	452,375	481,033	526,072	572,232
Total Revenue	4,610,375	4,887,601	4,978,348	4,963,912	5,075,626	5,119,878	5,211,132	5,295,944	5,424,797	5,529,955
Operating Expense										
Salaries Wages and Employee Benefits	990,433	1,030,051	1,071,253	1,114,103	1,158,667	1,205,014	1,253,214	1,303,343	1,355,477	1,409,696
Operating Supplies and Expense	592,652	607,468	622,655	638,222	654,177	670,531	687,295	704,477	722,089	740,141
Insurance	56,693	58,110	59,563	61,052	62,578	64,142	65,746	67,390	69,074	70,801
Utilities	405,518	415,656	426,047	436,699	447,616	458,806	470,277	482,033	494,084	506,436
Administrative Overhead	51,132	52,782	54,488	56,252	58,076	59,962	61,913	63,931	66,018	68,177
Total Expense	2,096,429	2,164,067	2,234,006	2,306,327	2,381,114	2,458,456	2,538,445	2,621,174	2,706,742	2,795,251
Net Operating Income	2,513,947	2,723,534	2,744,342	2,657,586	2,694,512	2,661,422	2,672,687	2,674,770	2,718,055	2,734,703
Foundation Pledge Revenue	-	-	-	-	-	-	-	-	-	-
Net Income Available for Debt Service	2,513,947	2,723,534	2,744,342	2,657,586	2,694,512	2,661,422	2,672,687	2,674,770	2,718,055	2,734,703
Debt Service:										
Debt Service--Field House Issues	1,082,414	1,089,700	1,089,730	1,092,453	1,097,838	1,101,018	1,105,830	1,108,148	1,112,950	-
Debt Service--McLeod Center	480,575	465,525	474,775	482,525	488,725	468,325	472,500	-	-	-
Debt Service--City of Cedar Falls	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Debt Service	1,577,989	1,570,225	1,579,505	1,589,978	1,601,563	1,584,343	1,593,330	1,123,148	1,127,950	15,000
Coverage Ratio With Gift Revenue	159.31%	173.45%	173.75%	167.15%	168.24%	167.98%	167.74%	238.15%	240.97%	18231.36%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%
Surplus Fund:										
Beginning Balance	7,915,045	8,620,484	9,529,413	10,445,333	11,264,745	12,103,913	12,924,998	13,743,799	15,030,624	16,349,489
Revenue and Other Additions	935,958	1,153,309	1,164,837	1,067,608	1,092,949	1,077,079	1,079,357	1,551,622	1,590,105	2,719,703
Expenditures and Other Deductions	230,519	244,380	248,917	248,196	253,781	255,994	260,557	264,797	271,240	276,498
Ending Balance	8,620,484	9,529,413	10,445,333	11,264,745	12,103,913	12,924,998	13,743,799	15,030,624	16,349,489	18,792,694
Coverage Ratio (with Surplus Fund)	705.61%	780.33%	835.05%	875.63%	924.00%	983.78%	1030.33%	1576.41%	1690.46%	143515.98%
Required Coverage Ratio	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%	120.00%

University of Northern Iowa
Event Complex (McLeod Center)
Option "B"
Base Project Plus Enhancements: Retractable Seats and Catwalks and Rigging
Gift Income and Revenue Cash Flow
As of September 30, 2003

Date	Private Funds UNI Foundation Gifts & Interest	Private Funds UNI Foundation Undesignated	City of CF Loan	Sale of Golf Course Proceeds	FH Surplus Fund	Total	
09/30/03	$ 6,830,931	879,011	-	1,000,000	1,683,199	10,393,141	Cash on Hand
09/30/03	703,984	-	-	-	-	703,984	Paid Costs
09/30/03	1,500	-	-	-	-	1,500	F02 Arrears
09/30/03	109,099	1,628	-	-	-	110,727	F03 Arrears
06/30/04	2,236,388	35,175	500,000	-	-	2,771,563	
06/30/05	1,490,919	-	-	-	-	1,490,919	
06/30/06	1,385,186	-	-	-	-	1,385,186	
06/30/07	1,518,442	-	-	-	-	1,518,442	
06/30/08	623,659	-	-	-	-	623,659	
06/30/09	483,524	-	-	-	-	483,524	
06/30/10	350,825	-	-	-	-	350,825	
06/30/11	257,625	-	-	-	-	257,625	
06/30/12	32,104	-	-	-	-	32,104	
06/30/13	12,000	-	-	-	-	12,000	
06/30/14	12,000	-	-	-	-	12,000	
06/30/15	12,000	-	-	-	-	12,000	
06/30/16	12,000	-	-	-	-	12,000	
06/30/17	12,000	-	-	-	-	12,000	
06/30/18	-	-	-	-	-	-	
	$ 16,084,186	915,814	500,000	1,000,000	1,683,199	20,183,199	

University of Northern Iowa
Event Complex (McLeod Center)
Option "B"
Gift Income and Revenue Cash Flow
As of September 30, 2003

Notes:
1. This listing does not include deferred gifts to the McLeod Center.
2. Cost of building enhancements is $683,199.
3. Commissary kitchen and alumni suite can be done at a later time with a change order as additional gifts become available.
4. The use of ticket surcharges requires using and repaying Surplus Fund money.
5. 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 fund its $17,000,000 commitment.
6. The City of Cedar Falls agreed to lend $500,000 to the University. Payment will be made within 30 days after signing a construction contract. $200,000 is a forgivable loan and $300,000 is a non-interest bearing loan to be repaid at $15,000 per year for 20 years. Agreement requires ratification by the Board of Regents, State of Iowa. The ad hoc Banking Committee at its October 2003 meeting, asked the University to renegotiate the agreement. UNI Foundation Chairman suggested the Foundation will guarantee the $500,000 until the agreement is re-negotiated so the project can proceed.
7. 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.
8. The Field House Enterprise, a self-liquidating enterprise, will provide the final $1,000,000 of the construction fund through surcharges on tickets and/or parking.
9. Interest on Foundation investments has been recorded on the cash basis through September 30, 2003.

University of Northern Iowa
Event Complex (McLeod Center)
Opton "B"
Computation of Amount of Borrowing
and Amount of Annual Debt Service
As of September 30, 2003

	McLeod Center	
Construction Fund Requirement	$20,183,199	
Less: Cash on Hand-Pledges	(7,709,742)	
Less: Cash on Hand-Sale of Golf Course	(1,000,000)	
Less: Cash Withdrawal from Surplus Fund	(1,683,199)	
Less: City of Cedar Falls Funding Contract	(500,000)	
Less: Est Pledge Payments Prior to 2/2004 Bond Sale	(1,750,000)	
Less: Project Costs Paid by Fndn thu 09/30/2003.	(703,984)	
Construction Fund Requirement	6,836,274	
Bonding multiplier to provide for issuance costs and DSR	1.11	
Bond Sale Requirement (20-years, 5.0% interest)	$7,588,264	Use $7,600,000
Bond Guarantee--Arena--Athletics (designated tuition, mandatory athletic fee and Panther Pass)	$1,200,000	
Field House Coverage Requirement	120.00%	
Maximum Amount of Annual Debt Service	$1,000,000	

Notes:
1. The McLeod Center will be financed with self-liquidating revenue bonds issued by the Board of Regents, State of Iowa.
2. A 16-year bond amortization schedule is recommended. Payments will be tailored to use cash as it becomes available.
3. The bonds will be backed by Intercollegiate Athletics student fees and Field House Enterprise project revenue.
4. Interest on the bonds will be paid from Field House Enterprise project revenue.
5. C. H. Johnson Consulting completed a financial feasibility study in October, 2003 which opined the Events Complex can be operated without an increase in student fees or University rental income.
6. The precise amount of bonding will be determined based on cash on hand 60 days prior to the bond sale.

University of Northern Iowa
Event Complex
McLeod Center
ROI of Option "B"
Retractable Seating, Catwalks, and Rigging
November 2, 2003

	Construction Cost	**Net Revenue**	**Net Cash Flows**
2006	-683199		-683199
2007		49076	49076
2008		50303	50303
2009		51560	51560
2010		52849	52849
2011		54171	54171
2012		55525	55525
2013		56913	56913
2014		58336	58336
2015		59794	59794
2016		61289	61289
2017		62821	62821
2018		64392	64392
2019		66002	66002
2020		67652	67652
2021		69343	69343
2022		71077	71077
2023		72854	72854
		IRR	**4.57%**

University of Northern Iowa
Event Complex
McLeod Center
Debt Service Calculation
Retractable Seating, Catwalks, and Rigging
November 4, 2003

Maturity	Principal	Coupon	Interest	Payment	Prior FH Debt Service	Cedar Falls Debt Service	Total Debt Service	Projected Gift/Income Cash Flow	Gift & Income Coverage
2004	0	3.00%	95,042	95,042	1,074,676	0	1,169,718		
2005	975,000	3.00%	285,125	1,260,125			1,260,125	1,490,919	1.18
2006	950,000	3.00%	255,875	1,205,875			1,205,875	1,385,186	1.15
2007	1,075,000	3.00%	227,375	1,302,375			1,302,375	1,518,442	1.17
2008	275,000	3.00%	195,125	470,125			470,125	623,659	1.33
2009	300,000	3.00%	186,875	486,875			486,875	483,524	0.99
2010	300,000	3.40%	177,875	477,875			477,875	350,825	0.73
2011	300,000	3.70%	167,675	467,675			467,675	257,625	0.55
2012	325,000	3.90%	156,575	481,575			481,575	32,104	0.07
2013	325,000	4.10%	143,900	468,900			468,900	12,000	0.03
2014	350,000	4.30%	130,575	480,575			480,575	12,000	0.02
2015	350,000	4.50%	115,525	465,525			465,525	12,000	0.03
2016	375,000	4.60%	99,775	474,775			474,775	12,000	0.03
2017	400,000	4.70%	82,525	482,525			482,525	12,000	0.02
2018	425,000	4.80%	63,725	488,725			488,725	-	
2019	425,000	4.90%	43,325	468,325			468,325		
2020	450,000	5.00%	22,500	472,500			472,500		
2021	0	5.10%	0	0			0		
2022	0	5.20%	0	0			0		
2023	0	5.30%	0	0			0		
2024	0	5.40%	0	0			0		
2025		5.50%	0	0			0		
2026		5.50%	0	0			0		
2027		5.50%	0	0			0		
Totals:	7,600,000		2,449,392	10,049,392	1,074,676	0	11,124,068	6,202,284	