

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Update on Kinnick Stadium Renovation
Date: January 19, 2005

Recommended Action:

Receive the University's report on the Kinnick Stadium Renovation project.

Executive Summary:

At the December 2004 Board meeting, the University indicated that it would return to the Board in February 2005 with an update on the Kinnick Stadium Renovation project.

The February update proposes modifications to the financing plan for the project to provide more flexibility in issuing debt and to reduce bond issuance costs.

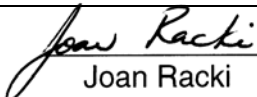
The proposed modifications, as outlined in the attached University report, include the issuance of up to \$120 million in bonds including approximately \$10 million of the bonds to advance refund the Athletic Facilities Revenue Bonds, Series 2000. The refunding will permit the inclusion of a forward looking net revenue coverage test in the bond resolution. This action will eliminate the need for the issuance of bond anticipation notes, will reduce issuance costs and will provide administrative efficiencies.

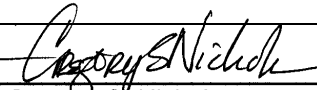
The University report also proposes to utilize bond financing for the purchase and installation of the new scoreboard for Kinnick Stadium.

The University's update will also include a status report on the capital gifts campaign and projected revenue from suites, indoor and outdoor club seats, and priority seating, as well as a status report on the construction work and the budget to date.

The Board's agenda this month also includes the sale of the first series of Athletic Facilities Revenue Bonds for the Kinnick Stadium Renovation project (see Agenda Item 13b).

The report provided by the University is attached to this memorandum.


Joan Racki

Approved: 
Gregory S. Nichols

**University of Iowa
Update on Kinnick Financing Plan – February 2005**

Based upon discussion at the December Regents meeting and further advice of the Board's Bond Counsel and Financial Advisor, the University is recommending improvements to the Kinnick Financing Plan that will provide more flexibility in issuing debt. The improvements also are expected to reduce total issuance costs and achieve a lower interest cost over the life of the bonds.

Background

The Regents in March 2004 approved a plan to issue up to \$100 million in bonds to finance the construction and renovation of the Kinnick Stadium in accordance with the following schedule:

January 2005	\$ 25 million
November 2005	\$ 25 million
May 2006	\$ 25 million (Bond Anticipation Notes -- BANs)
<u>September 2006</u>	<u>\$ 25 million</u> (issued as BANs)
Total	\$100 million

As noted above and in the March 2004 docket item, the Board's Financial Advisor estimates that \$50 million in new parity issue fixed rate debt could be sold while meeting historical net revenue coverage ratios as defined in the Series 2000 bond covenants. Under the original plan, the remaining parity issue fixed rate debt would then be sold after the FY 2007 bond audit is completed, incorporating the new revenues realized from premium seating in the new press box from the Fall 2006 football season.

To address this timing restriction, the Board's Bond Counsel and Financial Advisor in March 2004 proposed issuing stadium Bond Anticipation Notes. A Bond Anticipation Note (BAN) is a short-term security used for interim financing; it is repaid from the proceeds of a planned long-term bond issue. (BANs are similar to project notes which have been issued by the Board as recently as 2002.) Under this proposal, subsequent to the issuance of the BANs, the University would issue new parity fixed rate debt after the new premium seating revenues are in place. The proceeds from the parity fixed rate debt would then be used to buy out the balance due on the BANs.

Improved Financing Plan

The Board's Bond Counsel and Financial Advisor are recommending that the University utilize an alternative and superior way to achieve the financing results required. The first recommended step is to issue an Advance Refunding on the Series 2000 bonds as part of the first \$25 million issue. Refunding the Outstanding Bonds allows Bond Counsel to re-write the bond covenants, providing an opportunity to incorporate a forward looking net revenue coverage test into the bond resolution. In acting on the February 2005 bond resolution, the Board will authorize the issuance of not to exceed \$120 million Athletic Facilities Revenue Bonds to be issued in several series, which will include the February \$25 million issue. The remaining bonds will be authorized to be issued in subsequent series on a parity. This eliminates the need for the University to issue BANs, thereby eliminating duplicative bond issuance costs (cost to issue BANs and subsequent cost to issue bonds converting BANs to fixed rate debt). It also minimizes interest rate risk since the University can issue fixed rate debt at an earlier date.

Finally, this proposed financing plan will reduce the number of required bond issues from seven to a total of five issuances, which includes the advance refunding.

The Board's Financial Advisor recently updated its estimate of the cost to issue an Advance Refunding on the Athletic enterprise's outstanding bonds, showing substantial improvements over earlier estimates and overall a slight net present value savings.

An additional reason for the advance refunding has been brought forward by the Board's Bond Counsel. There may be some advantages in the allocation of bond proceeds to account for private use areas of the stadium. These are areas that will be financed by gift proceeds, University equity, or taxable bond proceeds. These evaluations will determine the ultimate ratio of tax exempt to taxable bond financing for the project.

Bond Counsel and Financial Advisor are recommending that the forward looking net revenue coverage test be limited to bonds that will be sold to finance the Kinnick Stadium renovation. It is their opinion that the rating agencies will look favorably upon inserting this constraint into the bond covenants and will thus continue to provide a AA rating on the Kinnick bonds.

Proposed Bond Sale:

February 2005 \$25 million tax-exempt, fixed rate for advance refunding of Series 2000 bonds (proceeds used to satisfy and discharge the outstanding bonds) and for the Kinnick Stadium Renovation which will be applied toward project costs incurred on the renovation project

August 2005 \$25 million tax-exempt, fixed rate for Kinnick
\$10-20 million taxable, fixed rate for Kinnick

May 2006 (approx.) ~\$25 million tax-exempt, fixed rate for Kinnick

Sept. 2006 (approx.) Remaining balance – tax-exempt, fixed rate for Kinnick

The Board has requested that the University consider the best method of financing the purchase and installation of a new scoreboard. Under this plan of finance and at the suggestion of the Board's Financial Advisor, the University would request permission to issue up to \$120 million (of which approximately \$10 million would be to refund outstanding bonds) in bond financing for the Kinnick project. It is expected that this amount would include the acquisition of a new scoreboard and related sound system and control room costs. Recall that \$1 million of this cost was proposed to be within the \$100 million in bond financing and \$2.25 million outside. It is now proposed that the entire \$3.25 million be within the bonding plan.

Kinnick Stadium Concessions

Aramark currently has exclusive rights to concession services at all Athletic venues except swim meets. The current contract expires in 2009 but there is an option to extend the current contract arrangement until 2014 if mutually acceptable to both parties.

On January 18th, 2005, University staff will meet with Aramark representatives to begin negotiations on how the contract will work within the new Kinnick Stadium. A proposal from the Iowa Memorial Union has been received for food sales within the press box. This information will be compared with proposals that Aramark may wish to provide for Press Box service.

If discussions to amend the food services contract fail, then this work will be contracted through a competitive bid process. This will require that the University buy-out the contract from Aramark at an estimated cost of \$95,000.

An update will be provided at the February Regents meeting.

January 18, 2005

MONTHLY REPORT - JANUARY 2005
KINNICK STADIUM RENOVATION PROJECT

REVENUE

	Total Number Used in Revenue Model (1) <i>(Actual Design No.)</i>	Estimates Used in Revenue Model	Letters of Intent Number of Suites or Seats as of January 10, 2005				Annual Revenue	Executed Contracts Number of Suites or Seats as of January 10, 2005 (2)(3)				Total Annual Revenue
			3 year	5 year	7 year	Total		3 year	5 year	7 year	Deposit Rec'd	
Suites	40 <i>(46)</i>	\$ 1,791,500	6	14	26	46	\$ 2,575,000	2	5	14	\$210,000	\$ 2,575,000
Indoor Club Seats	310 <i>(132)</i>	\$ 1,245,200	25	30	38	93	\$ 465,000					\$ 465,000
Outdoor Club Seats	1,150	\$ 2,149,800	315	285	486	1,086	\$ 2,553,400					\$ 2,553,400
		\$ 5,186,500					\$ 5,593,400					\$ 5,593,400

CAPITAL GIFTS

\$ 10,000,000

The University has received commitments totaling \$7.9 million toward the Kinnick Stadium capital campaign. Gift commitment agreements are being developed.

NOTES

- As reported to the Board in March 2004, the final mix of suites vs. indoor club seats and outdoor club seats was to be determined in the design development stage. As a result of initial sales and expressed interest, the number of suites increased and the number of indoor clubs seats decreased in the design phase. The actual number of suites and indoor clubs seats are bracketed and in italics.
- The University began the contracting process in October for suites and will begin the process in early 2005 for club seats. These times have been established to allow specific locations of each suite or club seat to be offered to individuals on a priority basis. This process will take several weeks to accomplish. It is the University's intent to begin this process only after all patrons have had a fair opportunity to express their interest through a signed letter of intent and to assist in the solicitation of capital gifts.
- Athletics Department and UI Foundation staff have met with 41 patrons who signed letters of intent to lease suites in the new press/viewing box. As of January 10, 21 patrons have selected their suite locations and have submitted deposit checks of \$10,000 each.

CONSTRUCTION BID PACKAGES: COST ESTIMATES --- BIDS --- AWARDEES

Date	Bid Package	Estimate	Bid	Awardee	Notes
05/11/04	<u>Bid Package 1</u>				
	Utilities (Contract #1)	2,485,000	2,660,000	Maxwell (Iowa City)	
	Demolition (Contract #2)	175,000	79,000	Maxwell (Iowa City)	
07/29/04	<u>Bid Package 2</u>				
	S. End Zone Structure (#3)	8,400,000	9,433,000	Knutson (Iowa City)	
11/12/04	<u>Bid Package 3</u>				
	S. End Zone Masonry (#7)	1,835,000	2,288,000*	Seedorf (Strawberry Pt., IA)	The original Seedorf bid was \$2,593,000. A \$305,000 deduct was established prior to award. See Bid Package 7 below
	S. End Zone Interiors (#8)	3,350,000	REJECTED		
	S. End Zone Bleachers (#9)	293,000	275,000	Elrod (Mooresville, IN)	
	S. End Zone Mechanical (#13)	2,480,000	2,226,000	Modern (Cedar Rapids, IA)	
S. End Zone Electrical (#15)	1,913,000	1,522,000	DeVries (Pella, IA)		
12/07/04	<u>Bid Package 4</u>				
	Press Box Structure (#20)	9,472,000	9,108,500	Story (Ames, IA)	
02/23/05	<u>Bid Package 5</u>				
	Press Box Completion and Site ¹	30,100,000			
02/23/05	<u>Bid Package 6</u>				
	East Concourse	4,500,000			
01/26/05	<u>Bid Package 7</u>				
	Re-bid of rejected contract #8	3,350,000			Work has been split into 3 separate bid contracts

The construction work on the South End Zone is going well and is roughly 2 weeks ahead of schedule. Excavation is nearing completion and foundation form work and concrete pouring has begun.