

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Resolutions for the Sale and Award of \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005
Date: January 19, 2005

Recommended Action:

Adopt the following resolutions, subject to receipt of acceptable bids:

1. A Resolution providing for the sale and award of \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005, and approving and authorizing the agreement of such sale and award.
2. A Resolution authorizing the issuance of not to exceed \$120,000,000 Athletic Facilities Revenue Bonds to be issued in more than one series to finance the costs of the Project including refunding outstanding bonds, funding a reserve fund and paying costs of issuance and providing for the issuance and securing the payment of \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005, for the purpose of refunding outstanding bonds and defraying costs of improving, remodeling, repairing, furnishing, equipping, and building additions to Kinnick Stadium and related facilities located on the campus of The State University of Iowa, funding a Reserve Fund and paying the costs of issuance and approving a Refunding Trust Agreement.

(ROLL CALL VOTE)

Executive Summary:

The Board is asked to adopt two resolutions related to the sale, award, authorization, and issuance of \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005.

At its December 2004 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds which would be sold to finance a portion of the cost of the Kinnick Stadium Renovation project.

The calendar year 2005 bond issuance schedule approved by the Board in August 2004 included the sale of the first \$25,000,000 in bonds for the project in February 2005.

As detailed in Agenda Item 13a, the University and the Board's bond counsel and financial advisor have reviewed, since the discussions which occurred at the December 2004 Board meeting, alternatives for financing the Kinnick renovation project, in total, in the most cost effective manner possible.

Proceeds from the \$25,000,000 bond sale will be used to advance refund the 2006 – 2021 maturities (\$9,100,000) of the Athletic Facilities Revenue Bonds, Series S.U.I. 2000 and to provide funds for the renovation of the Kinnick Stadium. The July 1, 2005 principal and interest payments will be paid from funds transferred from the 2000 Bonds sinking fund that will be deposited into the escrow account.

Principal on the bonds would be repaid over a period of 25 years. Annual debt service payments are estimated to range from \$950,000 in FY 2006, to \$1,500,000 in FY 2007, and to \$1,900,000 in FY 2022 and later years. Debt service would be paid from income of the Athletics Facilities System.

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

Background:

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

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

Athletic Facilities
System Revenue
Bonds

The University and the Board established, more than 20 years ago, a bonded enterprise (Athletic Facilities System) for issuing bonds to finance athletic and recreational buildings and facilities. The Athletics Facilities System is defined in the bond covenants as the System of athletic and recreational buildings and facilities of the University, including Carver-Hawkeye Arena and Kinnick Stadium, the Roy G. Karro Hall of Fame, and other properties which are used as part of the System.

Carver-Hawkeye Arena and renovation of the Fieldhouse (1980 bond issue, refunded in 1992, last maturity of July 1, 2004), and west campus athletics and recreation projects, including the Roy G. Karro Building, University of Iowa Athletics Hall of Fame and soccer facilities (2000 bond issue), were partially financed through the issuance of Athletic Facilities Revenue Bonds.

Project Background	Kinnick Stadium, constructed in 1929, suffers from a number of deficiencies related to the south end zone seating area, plumbing systems, number of toilet facilities and concession stands, accessibility and egress routes, and the press box.
Project Scope	The project, as approved by the Board in March 2004, would address the most critical deficiencies with the stadium, including replacement of the south end zone bleacher area and west side press box; renovation of the concourse, concession and restroom areas; and replacement of mechanical, plumbing, and electrical systems.

Analysis:

Kinnick Stadium Renovation Project Bonds Based upon the analysis presented in Agenda Item 13a, not more than \$120,000,000 in Athletic Facilities Revenue Bonds would be issued for the Kinnick Stadium Renovation project and to refund the 2006 - 2021 maturities of the Athletic Facilities Revenue Bonds, Series 2000.

Issue Size Bond proceeds of \$25,000,000 are expected to be applied as follows:

- project costs (estimated at \$13,119,700);
- deposit to escrow fund for bonds to be refunded (estimated at \$10,049,800)*
- deposit to reserve fund (estimated at \$1,947,200);
- capitalized interest (estimated at \$854,000);
- bond discount (estimated at \$375,000);
- issuance costs (estimated at \$118,600); and
- Less: transfers from existing sinking and reserve funds for refunded bonds (\$-1,464,300).

* amount to deposited to escrow fund is greater than the amount of outstanding bonds since the interest to be earned on the escrow fund is anticipated to be less than the coupon rates on the bonds to be refunded. In addition to bond proceeds to be deposited into the escrow account, money in the 2000 Bonds sinking fund account will be transferred to the escrow to make the July 1, 2005 interest and principal payments on those bonds. The refunded bonds would be called on the first call date, July 1, 2011.

Principal on the bonds would be repaid over a period of 25 years. Annual debt service payments are estimated to be \$950,000 in FY 2006; they would increase to \$1,500,000 in FY 2007 and to \$1,900,000 in FY 2022 and later years. Debt service would be paid from income of the Athletics Facilities System.

Sources of Repayment

Debt service payments on the bonds would be made from income of the Athletics Facilities System including revenue from priority seating; revenue from suites, indoor and outdoor club seats; capital campaign gifts for the renovation; and increased concession income.

Other potential sources of revenue available for debt service payments include scoreboard/sponsorship; ticket surcharge; and net revenue from a 7th home game in future years.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, February 3, 2005 and the award is scheduled for later that day.

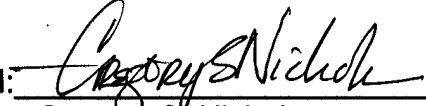
A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

Copies of the resolutions, which were prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. are available from the Board Office.

Bond Specifics

Average Maturity: 16.432 Years
Bonds Dated: March 1, 2005
Interest Due: July 1, 2005, and January 1 and July 1 to maturity
Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
Principal Due: July 1, 2006 – 2030
Optional Call: Bonds maturing on or after July 1, 2016 are callable commencing July 1, 2015 and any date thereafter at par
Denomination: \$5,000 and integral multiples thereof


Joan Racki

Approved: 
Gregory S. Nichols