BOARD OF REGENTS
STATE OF IOWA

AGENDA ITEM 6
MARCH 20-21, 2006

Contact: Joan Racki

PRELIMINARY RESOLUTION FOR THE SALE OF UP TO $27,500,000 ATHLETIC FACILITIES REVENUE BONDS, SERIES S.U.I. 2006

Action Requested: Consider adopting A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to $27,500,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing the Executive Director to fix the date or dates for the sale of up to $27,500,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006. The sale was included on the calendar year 2006 bond issuance schedule approved by the Board in November 2005; the sale would be scheduled for the May 2006 Board meeting.

At its February 2005 meeting, the Board adopted a resolution authorizing the issuance of not more than $120,000,000 in revenue bonds to finance the Kinnick Stadium Renovation project; additional costs associated with the renovation including the scoreboard, some furnishings and concession equipment; the refunding of outstanding Athletic Facilities Revenue bonds; the funding of the debt service reserve fund; and the paying of the issuance costs.

The sum of $25,000,000 in double tax exempt bonds (exempt from federal and state taxes for individuals who are Iowa residents and purchase the bonds) was sold for the project at the February 2005 Board meeting. At its August 2005 meeting, the Board sold the sum of $25,000,000 in double tax-exempt bonds and $15,000,000 in taxable bonds.

The University desires that the planned May 2006 sale be followed by the last sale of bonds for the project in June 2006. The proposed May sale amount of $27,500,000 is higher than the maximum amount of Regent double tax-exempt bonds usually sold as a single issue. However, past demand for the double tax-exempt bonds to finance the Kinnick Stadium Renovation has been very strong and the Board's financial advisor, Springsted, Inc., believes that a sale of this amount will be readily accepted into the marketplace.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately $1.8 million annually to be paid from income of the Athletics Facilities System including existing student fees; revenue from priority seating; revenue from suites, indoor and outdoor club seats; capital campaign 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. Increased student fees would only need to be charged should other revenue not be available to pay the debt service or maintain coverage ratios.

Additional Information: Under the provision of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities. The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

The Kinnick Stadium Renovation project, which was approved by the Board in March 2004, is addressing the most critical deficiencies with the stadium (constructed in 1929), 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.

Of the $65,000,000 in bonds sold for the project to date, the sum of $15,000,000 was issued as taxable bonds due to an allocation of private use (trade or business of a nongovernmental entity), including concessions areas and certain advertising as well as other private uses; under Internal Revenue Service requirements, taxable bonds need to be issued when the private use exceeds certain thresholds.

The size of the May 2006 bond issue is estimated to total $27,500,000 including:

- project costs (estimated at $25,167,000);
- debt service reserve (estimated at $1,782,000);
- underwriters discount (estimated at $451,000) and
- issuance costs (estimated at $99,000).

A copy of the resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

The resolution includes a provision permitting the Board to receive bids by means of both sealed and electronic communication; the receipt by electronic communication is consistent with the resolution adopted by the Board in November 2001 approving the electronic bidding procedures.