

Contact: Joan Racki

IOWA STATE UNIVERSITY SCOREBOARD PURCHASE AND FINANCING

Action Requested: Consider recommending to the Board approval of the purchase from Daktronics, Inc. of a new video scoreboard and related systems for Hilton Coliseum at Iowa State University at a cost of up to \$2.5 million and authorization for the University to enter into a financing agreement for the purchase.

Executive Summary: Iowa State University installed a new four-sided scoreboard system in Hilton Coliseum in 1997; according to the University, this scoreboard paid for itself in a five-year period and generated additional revenue. However, the University reports that the scoreboard needs to be replaced to take advantage of current technology, fan informational requests, sponsorship opportunities, and future recruiting and retention needs.

Problems with the existing system identified by the University include:

- the existing board is too small for the venue and Light Emitting Diodes (LED) technology has advanced almost tenfold since the current scoreboard was installed;
- the current scoreboard lacks the flexibility to change to meet the needs of fans, and other events and sports that take place in Hilton Coliseum; and
- sponsors want different options, in addition to fixed panels and static displays, to exhibit their messages.

The proposed new equipment consists of a center-hung video scoreboard, a LED ribbon board, auxiliary scoreboards, shot clocks, locker room clocks, replacement of the outdoor marquee board, and controllers for the scoreboards. The center-hung scoreboard will include a four-sided LED video display, four-sided LED scoreboard, upper and lower fixed advertising panels and a middle LED advertising or display panel. This purchase would enhance the atmosphere of Hilton Coliseum by providing a state-of-the-art scoreboard with maximum flexibility to allow the board to be used for all sports and events held at the facility.

Consistent with the Board's procurement policies, a request for proposals (RFP), with detailed functional specifications, was issued by the University's Purchasing Department. RFP's were sent to eight vendors. Four vendors were present at the pre-proposal meeting held on March 23, 2006, and a fifth vendor, while not at the pre-proposal conference, expressed an interest in submitting a proposal.

Proposals from Daktronics and Fairplay/Barco were received at a formal sealed bid opening on April 7, 2006. Both bids were then reviewed and additional information was requested. The University reports that both proposals were substantially compliant. The proposal from Daktronics, at a cost of \$2,479,045, has been selected pending Board approval, as it represents a cost savings of more than \$920,000 compared to the bid received from Fairplay. The University reports that the other possible bidders have a number of other projects underway and did not feel that they could meet the desired installation dates and thus did not submit proposals.

The University plans to finance the purchase of the video scoreboard and related systems. Based upon an estimated interest rate of 6.09% and a seven-year financing period, the semi-annual payments for the equipment would be approximately \$222,500. The financing will be taxable since the display of advertising would be considered to be a "private business use." According to federal requirements, no more than 10% of the proceeds of a tax-exempt financing can be used for private activity purposes.

Funding for the semi-annual payments would come from guaranteed funds received from the Athletic Department's marketing rights contract. The total marketing rights fees received by the University in FY 2006 from the existing agreement (negotiated in 2002) with Clear Channel are \$1,675,000. This agreement was transferred and assigned by Clear Channel to Learfield Communications in February 2006; under the terms of the 2002 agreement, the marketing rights holder had first opportunity to negotiate an extended agreement. Learfield proposed an improved financial arrangement in exchange for extending the agreement to create a seven-year term in total, ending in 2013. The incremental increase in the guaranteed rights fee from the new marketing rights contract with Learfield of approximately \$600,000 beginning in FY 2007 will be more than sufficient to pay the debt service.

While the University and Learfield have concurred on the terms of the new marketing rights agreement, the contract has not yet been signed. The University reports that the agreement will be signed before the order for the new scoreboard and related systems is placed. Subject to Board approval of the purchase and financing and the contract being signed, assembly and installation would commence after June 13, 2006, with completion by the end of August 2006.