

Contact: Joan Racki

SALE OF ATHLETIC FACILITIES REVENUE BONDS, SERIES S.U.I. 2006A

Action Requested: Consider adopting, subject to receipt of acceptable bids, A Resolution providing for the sale and authorizing the issuance of Athletic Facilities Revenue Bonds, Series S.U.I. 2006A, in the amount of \$25,000,000, for the purpose of improving, remodeling, repairing, furnishing, equipping, and building additions to Kinnick Stadium, funding a debt service reserve fund, and paying the costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award, authorization and issuance of \$25,000,000 in Athletic Facilities Revenue Bonds for the University of Iowa. This would be the last issuance of bonds for the Kinnick Stadium Renovation project.

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 approximately \$10,000,000 in outstanding Athletic Facilities Revenue bonds; the funding of the debt service reserve fund; and the paying of the issuance costs. The sum of \$117,500,000 in bonds will be issued to finance the above-referenced items, with proceeds for the project totaling approximately \$94,700,000.

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 sum of \$27,500,000 in double tax-exempt bonds was sold in May 2006.

Principal on the bonds would be repaid over a period of 25 years, with debt service 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; the capital campaign for the renovation; and increased concession income. In addition, the National Collegiate Athletic Association (NCAA) has approved Division 1A football teams to play a seventh home game, beginning with the Fall 2006 season. The University has scheduled this additional home game for Fall 2006 and will schedule one in all future seasons, thereby increasing football ticket sales by approximately \$2,000,000 per year. The Kinnick Stadium Renovation financing plan did not include this additional revenue as a source of funds to pay the debt service.

Other potential sources of revenue available for debt service payments include scoreboard/sponsorship and ticket surcharge. Increased student fees would only need to be charged should other revenue not be available to pay the debt service or maintain coverage ratios.

The total bond issue size of \$25,000,000, for which debt service payments are estimated at \$1.7 million annually, includes:

- project costs (estimated at \$22,820,000);
- debt service reserve (estimated at \$1,715,000);
- underwriters discount (estimated at \$375,000); and
- issuance costs (estimated at \$90,000).

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, June 21, 2006, 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.

Bond specifics are as follows:

Average Maturity:	15.2 Years
Bonds Dated:	July 1, 2006
Interest Due:	January 1, 2007 and each July 1 and January 1 to maturity
Interest Exemption:	Exempt from federal and state taxes for individual purchasers who are residents of Iowa
Principal Due:	July 1, 2007 – 2031
Optional Call:	Bonds maturing on or after July 1, 2017 are callable commencing July 1, 2016 and any date thereafter at par
Denomination:	\$5,000 and integral multiples thereof

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 \$92,500,000 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.

A copy of the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted Inc., is available from the Board Office.