BOARD OF REGENTS
STATE OF IOWA

AGENDA ITEM 1
June 12-13, 2007

Contact: Joan Racki

IOWA STATE UNIVERSITY - JACK TRICE STADIUM FINANCING

Action Requested: Receive the final report of the financing plan for the Jack Trice Stadium, Phase I project and consider adoption of A Resolution authorizing the Executive Director to fix the dates for the sale of up to $12,500,000 Athletic Facilities Revenue Bonds, Series I.S.U. 2007 (taxable) and up to $8,500,000 Athletic Facilities Revenue Bonds, Series I.S.U. 2007A.

(ROLL CALL VOTE)

Executive Summary: At the June 2006 Board meeting, Iowa State University Athletic Director Jamie Pollard presented a proposed Athletic Facilities Master Plan which encompassed a multi-year, multi-facility vision for updating and expanding University athletic facilities. The Board granted permission to proceed with project planning and fund raising for the Jack Trice Stadium, Phase 1 (Jack Trice) project, subject to collaboration between representatives of the University and Board Office staff for development of a submission of external validation of financial support to the Board comparable to those submitted by the University of Northern Iowa in the case of the McLeod Center and the University of Iowa in the case of Kinnick Stadium.

Through a competitive selection process, the University selected Convention, Sports and Leisure International (CSL) as the independent consultant to review the financial plan and provide independent verification of the reasonableness of the financial planning assumptions.

At its February 2007 meeting, the Board received an updated Athletic Facilities Master Plan and approved the schematic design and project description and budget ($19,500,000) for the Jack Trice project, which would construct 22 additional suites on the west side of the stadium; enlarge two existing suites; replace existing concession/toilet buildings on the west side; retrofit all existing suites with operable windows; renovate the existing Cyclone Club section; and raze the center concession/toilet building on the east concourse.

The Board also received, at its February 2007 meeting, a preliminary report on the financing plan for the Jack Trice project, which included $16.0 million in proceeds from the sale of Athletic Facilities Revenue Bonds and $3.5 million in private giving. At that time, the University indicated that it would return to the Board in the summer of 2007 with a final report on the financing plan for the project and the completed external validation. The financing plan was to include updated FY 2007 financial projections, if necessary, and appropriate pro forma revisions for years FY 2008 – FY 2018 of the plan presented in February.

Attachment A contains the updated 10-year pro forma of Athletic Department finances developed by the University. The pro forma also includes comparison data between the FY 2007 athletic budget and current FY 2007 projections, and the assumptions used in developing the financial plan.

The financial projection includes the following revenue enhancements that provide the capacity to meet the debt service requirements for the bonds.

1. Suite Revenues**:** The existing suites at Jack Trice Stadium have been re-priced and 100% of the 10-year leases have been renewed or resold for the fall 2007 (FY 2008) season. The University reports that total revenue generation of $630,000 is available for debt service on the bonds in FY 2008. The Athletic Department has secured leases or signed letters of intent for all but 4 of the new suites that will be available in fall 2008. The pro forma assumes an additional $900,000 in annual revenue beginning in FY 2009. An inflation adjustment has been built into the suite rates in subsequent years.

2. Club Section Revenues**:** While no additional club section seats are included in the project, ticket prices for these seats will be repriced for the fall 2008 season. (Club section ticket prices have not been adjusted for many years.) There will be offsetting expenses since the new package will include catering and parking privileges. Net revenue available for debt service will be approximately $500,000 beginning in FY 2009.

3. National Cyclone Club (NCC) Giving Levels: Annual giving levels required to qualify for preferred-seating in both Jack Trice Stadium and Hilton Coliseum will be increased (also referred to as "re-indexed") for the calendar year beginning January 1, 2008. The NCC fund raising for FY 2007 has already exceeded the level assumed in the pro forma through FY 2010. The sum of $750,000 of the additional annual giving will be available for debt service.

CSL has completed its external validation; the conclusions of its report are as follows:

> In assessing the financing plan for the proposed $19.5 million (Phase I) project at Jack Trice Stadium, the analysis undertaken by CSL focused on the specific revenue sources identified for a debt repayment plan including the addition of private suites, the enhancement of existing club seat amenities and the re-indexing of the National Cyclone Club. As they relate to these revenue sources, CSL's findings support the reasonableness of the planning assumptions of the Athletic Department's financial pro forma plan for the stadium project. This conclusion is based on an analysis that included a review of Athletic Department pro forma financial projections, an assessment of peer institution benchmarks, a review of historical and projected Athletic Department operations, independent verification of signed letters of intent and new suite leasing contracts, market surveys as well as CSL's industry experience.

After receipt of the financing plan, the Board is asked to consider adoption of a resolution authorizing the sale of two series of bonds for the project. The sale of the taxable series of bonds would be scheduled for the August 2007 Board meeting, consistent with the bond issuance schedule approved by the Board in November 2006. Proceeds from this sale would also refinance outstanding debt of $2.5 million for the existing suites at the Stadium. The sale of the tax exempt series of bonds would be scheduled for the October 2007 meeting.

Taxable bonds need to be issued for a portion of the project 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.

Principal on both series of bonds would be repaid over a period of 25 years, with debt service of approximately $915,800 annually for the Series 2007 (taxable) bonds and $545,000 annually for the Series 2007A bonds. The debt service on both series of bonds would be paid from net rents, profits and income of the Athletics Facilities System, which includes Jack Trice Stadium. There would be a backup student fee pledge.

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 size of the Series 2007 bond issue is estimated to total $12,155,000, including, based upon current interest rates:

- project costs, including refinancing of existing loan (estimated at $11,000,000);
- debt service reserve (estimated at $917,900);
- underwriters discount (estimated at $170,200) and
- issuance costs (estimated at $66,900).

The size of the Series 2007A bond issue is estimated to total $8,215,000 including, based upon current interest rates:

- project costs (estimated at $7,500,000);
- debt service reserve (estimated at $546,900);
- underwriters discount (estimated at $106,800) and
- issuance costs (estimated at $61,300).

A copy of the resolution authorizing the Executive Director to fix the dates for the sales 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.

Iowa State University Department of Athletics
June 2007 Financials

	FY07 Budget	FY07 Projection	FY08 Preliminary Budget	FY09 Forecast	FY10 Forecast	FY11 Forecast	FY12 Forecast	FY13 Forecast	FY14 Forecast	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY18 Forecast
OPERATING REVENUE													
Ticket Sales	11,081,670	11,529,837	13,561,579	12,177,920	13,458,217	13,048,606	14,070,975	13,454,574	14,214,043	14,407,078	16,165,337	15,070,845	16,534,069
Conference & NCAA Revenue	7,547,650	7,447,423	7,931,608	8,940,777	9,290,508	9,580,124	9,956,704	10,273,341	10,677,116	11,021,121	11,438,448	11,812,295	12,272,011
Fundraising	5,015,600	5,407,000	5,636,572	7,250,247	7,379,350	7,756,120	7,633,370	7,859,696	8,030,341	8,670,561	8,853,698	9,002,219	9,191,095
Multi-Media Rights	2,630,000	2,653,998	2,630,000	2,681,600	2,832,600	3,133,232	3,085,252	3,134,897	3,287,957	3,336,595	3,490,716	3,538,326	3,693,531
Post Season	1,000,000	205,000	1,020,000	1,040,400	1,061,208	1,082,432	1,104,081	1,126,162	1,148,686	1,171,659	1,195,093	1,218,994	1,243,374
Investment Income	230,000	216,557	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Student Fees	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750
University Support	2,974,067	2,974,067	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732	2,953,732
Licensing	260,000	253,613	265,200	270,504	275,914	281,432	287,061	292,802	298,658	304,631	310,724	316,939	323,277
Game Guarantees	610,000	593,104	275,000	880,000	125,000	650,000	525,000	670,000	400,000	690,000	250,000	275,000	550,000
Auxiliary Revenue	601,000	564,216	712,516	723,306	734,312	745,538	756,989	768,669	780,582	792,734	805,129	817,771	830,667
Transfer from Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Revenue	559,801	595,764	539,316	549,410	559,706	570,208	580,919	591,845	602,990	614,357	625,952	637,779	649,842
TOTAL OPERATING REVENUE	33,578,538	33,509,328	36,824,273	38,766,646	39,969,297	41,100,174	42,252,833	42,424,467	43,692,854	45,261,218	47,387,579	46,942,649	49,540,347
OPERATING EXPENSES													
Salaries	13,005,855	12,434,069	13,248,231	13,544,110	13,995,680	14,456,119	14,934,522	15,298,171	15,771,191	16,249,852	16,425,823	17,244,482	17,761,219
Scholarships	5,255,123	5,311,865	5,779,698	6,026,680	6,297,880	6,581,285	6,877,443	7,186,928	7,510,339	7,848,305	8,201,478	8,570,545	8,956,219
Sports Programs - Operations	4,705,662	5,893,683	6,037,084	6,287,739	6,361,952	6,435,853	6,600,655	6,691,577	6,938,850	7,172,712	7,603,409	7,656,199	7,821,349
Sports Programs - Post Season	1,280,000	485,000	1,640,600	1,667,112	1,694,154	1,721,737	1,749,872	1,778,570	1,807,841	1,837,698	1,868,152	1,899,215	1,930,899
Sports Program - Support Units	1,110,710	1,350,710	1,240,561	1,274,598	1,296,581	1,319,062	1,342,056	1,365,577	1,389,639	1,414,258	1,439,450	1,465,231	1,491,618
Internal Operations	1,611,223	1,811,223	1,659,183	1,713,184	1,769,221	1,827,374	1,887,728	1,950,368	2,015,385	2,082,873	2,152,929	2,225,655	2,301,156
External Operations	872,538	1,098,728	937,200	946,572	956,038	965,598	975,254	985,007	994,857	1,004,805	1,014,853	1,025,002	1,035,252
Facilities & Events	3,242,479	2,750,451	2,829,894	2,860,593	2,891,671	3,103,134	3,140,388	3,118,201	3,155,984	3,194,344	3,233,291	3,172,837	3,211,996
Transfer from Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	31,083,589	31,135,729	33,372,451	34,320,587	35,263,176	36,410,162	37,507,916	38,374,397	39,584,086	40,804,846	41,939,385	43,259,166	44,509,707
NET OPERATING MARGIN	2,494,949	2,373,599	3,451,822	4,446,058	4,706,121	4,690,012	4,744,917	4,050,070	4,108,768	4,456,372	5,448,194	3,683,483	5,030,640
LESS: DEBT SERVICE	(1,709,983)	(1,779,983)	(1,498,218)	(1,430,362)	(1,400,279)	(1,189,534)	(1,243,958)	(1,123,729)	(706,895)	(601,925)	(600,525)	(602,369)	(598,337)
LESS: CAPITAL EXPENDITURES	(410,000)	(865,000)	(500,000)	(600,000)	(525,000)	(551,250)	(578,813)	(607,753)	(638,141)	(670,048)	(703,550)	(738,728)	(775,664)
LESS: ADMINISTRATIVE FEE	(632,667)	(632,667)	(613,759)	(525,147)	(433,877)	(339,869)	(243,040)	(143,306)	(40,580)	0	0	0	0
LESS: STADIUM-Suites, Club	0	0	(441,423)	(1,455,230)	(1,460,668)	(1,454,980)	(1,458,605)	(1,461,105)	(1,457,215)	(1,457,103)	(1,455,553)	(1,457,540)	(1,457,778)
LESS: CONTINGENCY	0	0	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
NET CAPITAL ADJUSTMENTS	(2,752,650)	(3,277,650)	(3,253,400)	(4,210,739)	(4,019,824)	(3,735,633)	(3,724,416)	(3,535,893)	(3,042,831)	(2,929,076)	(2,959,628)	(2,998,637)	(3,031,779)
NET MARGIN	(257,701)	(904,051)	198,422	235,319	686,297	954,379	1,020,501	514,177	1,065,937	1,527,296	2,488,565	684,846	1,998,861
RESERVE FUNDS													
Cash Balance- July 1		$3,399,462	$1,374,525	$449,970	$685,289	$1,371,586	$2,055,965	$3,076,467	$3,590,643	$4,656,581	$6,183,877	$8,672,442	$9,357,288
Net Margin		($904,051)	$198,422	$235,319	$686,297	$954,379	$1,020,501	$514,177	$1,065,937	$1,527,296	$2,488,565	$684,846	$1,998,861
Capital Expenditures/Plant Fund		($407,036)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Coaching Change		($3,823,331)	($224,973)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accounting Change (Note 2)		($4,451,641)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Change in Accrued Ticket Sales(Note2)		$6,300,000	($300,000)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Foundation Expendable Balance		$868,004	($598,004)	$0	$0	($270,000)	$0	$0	$0	$0	$0	$0	$0
Foundation Restricted Balance		$393,118	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Year End Balance - June 30		$1,374,525	$449,970	$685,289	$1,371,586	$2,055,965	$3,076,467	$3,590,643	$4,656,581	$6,183,877	$8,672,442	$9,357,288	$11,356,149

Footnotes:

Note 1: For FY2008, total stadium debt service of $761,423 has been offset by $320,000 construction fund earnings.

Note 2: Implements an accounting change to budget football ticket sales on accrual versus cash basis.
Preseason ticket sales held in reserve and recorded as revenue of the following fiscal year.

Jack Trice Pro Forma Assumptions

- No increase in football season ticket sales other than the Iowa promotion or an additional home game.
- Premium football single game sales at less than actual of former year.
- FY 2008 season ticket increases due to additional home games; 2% men's basketball ticket price increases every fifth year after FY 2011.
- Institutional support is maintained.
- No increase in athletic student activity fees.
- New Big 12 television contract and Cyclone Club re-indexing reflected in FY 2009.
- Multi-year, contracted football suite and club section revenues increase 3.5% annually.
- Major gifts of $3.5 million to reduce bond borrowing amount.
- Multi-Media/Marketing rights projected as currently contracted.
- Annual 2% increase in other operating revenue.
- Salary costs increase 3% annually.
- Operating expenses increase 4% annually.
- Scholarship costs increase 4.5% annually, includes non-resident awards; and increasing demand beginning in FY 2008.
- Wrestling ticket sales increasing in Iowa home match years.