Contact: Jean Friedrich

IOWA STATE UNIVERSITY BASKETBALL PRACTICE FACILITY FINANCING

Action Requested: Consider authorizing the issuance of a fixed rate tax exempt financing in the amount of $5,900,000, and a variable rate tax exempt financing in the amount of $1,000,000 to purchase a new basketball practice facility for the benefit of Iowa State University as summarized below, and authorizing the Executive Director to finalize the terms of the financing agreements.

(ROLL CALL VOTE)

Executive Summary: At its August 2008 meeting, the Board authorized the University to proceed with developing agreements for the purchase of a basketball practice facility. The facility is under construction with an anticipated substantial completion date of late August 2009. The pro forma budget of the Athletic Department provided at that time assumed a 10-year financing using the Board's Master Lease Agreement at an annual interest rate of 6.0%. The firm of Convention, Sports and Leisure International (CSL) verified the reasonableness of the University's financial planning assumptions included in the pro forma.

The University wishes to borrow the $6,900,000 purchase price for the facility as two 10-year tax exempt components – $5,900,000 at a fixed rate, and $1,000,000 at a variable rate, similar to the structure used for part of the Jack Trice Stadium East Concourse financing approved by the Board in March 2009.

Because the current Master Lease Agreement with Wells Fargo Brokerage Services, LLC does not permit the issuance of the variable rate financing, the University, through Springsted, the Board's financial advisor, will issue a request for proposals for both fixed (estimated at 5.50%) and variable rate financing (estimated at 1.45%). The results will be presented to the Board for approval at the August Board meeting.

Variable rate financing would allow for partial or full repayment of the $1,000,000, which could come from donor-pledged funds, during the 10-year term without penalty at any semi-annual reset. The University will provide "self-liquidity" for the variable rate portion, avoiding the need for a bank letter of credit or liquidity facility. University and Athletic Department cash reserves or investment securities would be used to satisfy the liquidity requirement.

The University has reviewed the financial proformas, the preliminary June 30, 2009, athletic revenues and expenses, and the FY 2010 financial plan which will fund the necessary debt service obligations. The Athletic Department intends to service the debt from available operating revenue and donor pledges. No additional general university support or increased student fees are contemplated as a revenue source to finance the basketball practice facility or any incremental operating and maintenance costs.