

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Preliminary Resolution for the Sale of up to \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005  
**Date:** December 1, 2004

---

**Recommended Action:**

Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005.

**(ROLL CALL VOTE)**

---

**Executive Summary:**

The Board is asked to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005.

The bond issue would finance a portion of the cost of the Kinnick Stadium Renovation project; at its March 2004 meeting, the Board approved a \$86.8 million budget for the project.

The calendar year 2005 bond issuance schedule approved by the Board in August 2004 includes a bond sale for the Kinnick renovation project in February 2005.

Principal on the bonds would be repaid over a period of 25 years. Annual debt service payments are estimated to range from \$1.6 million in FY 2006 to \$1.9 million in FY 2022 and later years. Debt service would be paid from income of the Athletics Facilities System.

In May 2004, the Board adopted a reimbursement resolution declaring its intent under Treasury regulations to issue debt to reimburse the University of Iowa for expenditures paid in connection with the Kinnick Renovation project.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

---

**Background:**

Statutory Provisions Under the provisions of the 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.

Athletic Facilities  
System Revenue  
Bonds

The University and the Board established more than 20 years ago a bonded enterprise (Athletic Facilities System) for issuing bonds to finance athletic and recreational buildings and facilities. Carver-Hawkeye Arena and renovation of the Fieldhouse (1980 bond issue, refunded in 1992, last maturity of July 1, 2004), and west campus athletics and recreation projects, including the Roy G. Karro Building, University of Iowa Athletics Hall of Fame and soccer facilities (2000 bond issue), were partially financed in this way.

The Athletics Facilities System is defined in the bond covenants as the System of athletic and recreational buildings and facilities of the University, including Carver-Hawkeye Arena and Kinnick Stadium, and other properties which are used as part of the System.

Project Background

Kinnick Stadium, constructed in 1929, suffers from a number of deficiencies related to the south end zone seating area, plumbing systems, number of toilet facilities and concession stands, accessibility and egress routes, and the press box.

Project Scope

The project, as approved by the Board in March 2004, would address the most critical deficiencies with the stadium, 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.

Project Budget

The project budget of \$86,825,000 for the Kinnick Stadium Renovation project was approved by the Board at its March 2004 meeting.

Construction  
Timeline

In August 2004, the Board approved the University proceeding with the project this construction season. The majority of the work will be undertaken in two major phases with the first phase beginning at the completion of the 2004 football season, with the second phase scheduled to begin at the conclusion of the 2005 football season. Substantial completion of the project is expected prior to the 2006 football season.

Electronic Bids

The Board, at its November 2001 meeting, adopted a resolution approving electronic bidding procedures.

**Analysis:**

Bond Issuance	<p>The University anticipates the issuance of not more than \$100 million in student fee backed bonds and bond anticipation notes (four series) for the project to be issued on a parity with the outstanding Athletic Facilities Revenue Bonds.</p> <ul style="list-style-type: none"><li>• As discussed when the financial plan for the Kinnick Stadium Renovation was presented in March 2004, the bond anticipation notes, which are short term securities used for interim financing, would be issued when parity fixed rate debt could not be sold while meeting the coverage ratios for the Athletic Facilities Revenue Bonds based on the historical revenue tests.</li><li>• The bond anticipation notes would be refinanced and replaced with permanent parity bond financing following completion of the project when the parity test can be met, and at the discretion of the Board.</li></ul> <p>The outstanding principal on the Athletic Facilities Series 2000 bonds is \$9,460,000 and the last maturity is 2021.</p>
Financing until Bonds Issued	<p>In May 2004, the Board approved a reimbursement resolution for the project which provides that financing for the project would be provided by Income from Treasurer's Temporary Investments until the first series of bonds is issued.</p>
Issue Size	<p>The size of the bond issue is estimated to total \$25,000,000 including:</p> <ul style="list-style-type: none"><li>• project costs (estimated at \$20,975,000);</li><li>• debt service reserve (estimated at \$1,966,000);</li><li>• capitalized interest (estimated at \$1,599,000)</li><li>• bond discount (estimated at \$375,000); and</li><li>• issuance costs (estimated at \$85,000).</li></ul> <p>Principal on the bonds would be repaid over a period of 25 years. Annual debt service payments are estimated to range from \$1.6 million in FY 2006 to \$1.9 million in FY 2022 and later years. (Interest only would be paid in FY 2005.)</p>
Sources of Repayment	<p>Debt service payments on the bonds would be made from income of the Athletics Facilities System including revenue from priority seating; revenue from suites, indoor and outdoor club seats; capital campaign gifts for the renovation; and increased concession income.</p> <p>Other potential sources of revenue available for debt service payments include scoreboard/sponsorship (see Agenda Item 15b for the proposed purchase of a new scoreboard / videoboard); ticket surcharge; and net revenue from a 7<sup>th</sup> home game in future years.</p>

Since the bonds will be issued on a parity with the outstanding Athletic Facilities Revenue Bonds, student fees would need to be pledged as a credit to bondholders. 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 Bonds** The bond issuance schedule approved by the Board at its August 2004 meeting includes an additional sale of \$25 million in bonds for the Kinnick Stadium Renovation project in August 2005.

Additional bonds / bond anticipation notes for the project would be sold in calendar year 2006 under the schedule presented to the Board in March 2004.

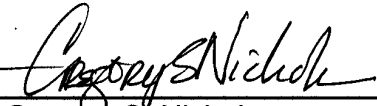
**Resolution** The resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney and reviewed by Springsted, Inc., is available from the Board Office.

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 electronic bidding procedures.

**Sale Date** The bond sale and award would be scheduled for the February 2005 Board meeting.

---

  
Joan Racki

Approved:   
Gregory S. Nichols

H:\BF\2004\04decdoc\1204\_ITEM15c.doc