

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Resolutions for the Sale of a \$1,735,000 Ice Arena Facility Revenue Note, Series I.S.U. 2000
Date: January 10, 2000

Recommended Actions:

Adopt the following resolutions subject to the receipt of acceptable bids:

1. A Resolution providing for the sale and award of a \$1,735,000 Ice Arena Facility Revenue Note, Series I.S.U. 2000, and approving and authorizing the agreement of such sale and award.
2. A Resolution authorizing and providing for the making of a loan and the issuance and securing the payment of an Ice Arena Facility Revenue Note, Series I.S.U. 2000, in the amount of \$1,735,000, for the purpose of defraying costs of constructing, improving and equipping certain ice arena facilities for Iowa State University of Science and Technology.

Executive Summary:

In December 1999, the Banking Committee received an update on the Financing Plan for the new City of Ames / ISU Ice Arena. Shortly after the Banking Committee meeting, a term sheet was sent to financial institutions in the Ames / Des Moines area which had previously expressed an interest in financing the University's share of the cost of the arena. Responses are due on January 11, 2000, and a recommended award will be provided to the Board at its January telephonic meeting. Subject to receipt of acceptable bids, the Board will be asked to adopt the resolutions, as presented above.

In February 1999, the Banking Committee and the Board authorized Iowa State University to work with the Board's legal and financial advisors to develop a debt financing, through a competitive placement process with interested financial institutions, for the University's share of the cost of the new City of Ames / ISU Ice Arena. At that time, it was envisioned that the financing documents would be brought forward for approval at the March meeting. The debt financing was postponed since funds were on hand to pay for the design. The project did not progress as quickly as originally planned and is now scheduled to be bid in March 2000, with construction to be completed in February 2001.

The new ice arena will be constructed on University land immediately adjacent to the existing ice arena located south of the campus. The Board previously approved the program statement, schematic design, project description and the budget for the new facility. The proposed financing includes \$1.8 million in funds from the City of Ames, \$300,000 in private funds raised by the Iowa State University Foundation, and \$1.7 million in debt financing from the University supported by designated tuition.

Background:

In October 1998, the Board granted Iowa State University permission to proceed with a project to replace the existing City of Ames / ISU Ice Arena, which was constructed by volunteers in 1978 utilizing used equipment. The facility has reached the end of its useful life due to extensive usage.

In April 1999, the Board approved three agreements (easement, development and joint use) with the City of Ames for the construction and operation of the new facility.

The Board approved, in September 1999, the program statement, schematic design, project description and budget (\$3.8 million) for the 36,300 gross square foot facility. The arena will include a National Hockey League regulation-size rink and spectator seating for at least 1,000 people.

In May 1998, the Board approved an allocation of designated tuition in the amount of \$4.20 per student per academic year (\$2.10 for the summer semester) for the ice facility for the 1998-1999 academic year. This allocation was increased by the Board in May 1999 to \$8.40 per student per academic year (\$4.20 for the summer semester) for the 1999-2000 year.

Under Iowa Code §262.48, the Board may borrow money and issue notes, bonds, or other evidence of indebtedness in anticipation of the collection of income or revenues from the facility or from student fees or charges.

Analysis:

The University's share of the project budget is \$1.7 million. This amount is too small for a conventional bond issue, so the University received Board permission in February 1999 to solicit proposals from a number of interested financial institutions to arrange the financing. A term sheet was sent to interested financial institutions after the Banking Committee received an update on the financing plan at its December 1999 meeting. The format of the term sheet is similar to the one used for a competitive bond sale and includes a summary of the project, source of repayment of the note, and criteria for award.

The previously approved allocation of designated tuition will provide approximately \$200,000 - \$220,000 per year for debt service payments for the University's share of the cost of the new facility.

The amount to be borrowed is \$1,735,000. This amount includes \$1.7 million for the project plus necessary issuance costs (estimated at \$35,000). The term of the financing is not to exceed 15 years. The bidders are to include with their proposal a debt service schedule based upon the proposed interest rate. Based upon current interest rates and the projected annual allocation of designated tuition, a financing period of 11 - 13 years is expected.

A representative of Springsted, Inc. will report at the January telephonic meeting on the bids received and make a recommendation to the Board for award of the note.

Copies of the resolutions, which were prepared by Ahlers law firm and reviewed by Springsted, Inc., are included in the Regent Exhibit Book.

Joan Racki

Approved: _____
Frank J. Stork