

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Preliminary Resolution for the Sale of up to \$10,500,000 Field House Revenue Bonds, Series U.N.I. 2004
Date: January 5, 2004

Recommended Action:

Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$10,500,000 Field House Revenue Bonds, Series U.N.I. 2004.

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 \$10,500,000 Field House Revenue Bonds, Series U.N.I. 2004.

The bonds would be sold to provide partial financing for construction of the Arena.

The Board approved the schematic design and project description and total budget (\$20,183,199) for the project at its November 2003 meeting.

The calendar year 2004 bond issuance schedule approved by the Board in November 2003 included a bond sale for the project in February 2004.

Principal on the bonds would be repaid over a period of 20 years, with debt service being slightly less than pledged gifts through FY 2008; after that time the debt service would be approximately \$600,000 per year.

After the pledged gifts are received, debt service payments would be made from the net rents, profits and income received from the Event Complex, which will include the existing UNI-Dome and the new Arena.

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 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 gift income, income and revenues from the operation or use of the facility, and income from any fees or charges implemented by the Board to students for whom the facilities are made available.

New Facility Construction of the Arena would provide a 6,100 seat multipurpose venue to host athletic events, including men’s and women’s basketball games, volleyball matches, wrestling meets, and other special events; the facility would be constructed immediately to the south of the UNI-Dome and would be added to the Field House Enterprise. The combined facility of the UNI-Dome and the Arena would be known as the Event Complex.

November 2003 Banking Committee Action At its November 2003 meeting, the Banking Committee considered the business and financing plans for the Arena and approved a plan which included the following sources of funds for the project:

<u>Source of Funds</u>	<u>Amount</u>
UNI Foundation Gifts for Arena & Interest	\$16,084,186
UNI Foundation Undesignated	915,814
City of Cedar Falls Loan	500,000
Sale of Golf Course Proceeds	1,000,000
Additional Borrowing	<u>1,683,199</u>
	\$20,183,199

November 2003 Board Action At its November 2003 meeting, the Board approved a revised schematic design and project description and budget (\$20,183,199) for the project.

The approved design included the original design proposal (approved in July 2003) plus \$683,000 for retractable seats, catwalks and rigging. Shelling of the space for a kitchen would be included as an add alternate in the construction bid documents, with the intent that it be finished in the future when funds are available.

Since the gifts to the UNI Foundation had been pledged through FY 2017, which is beyond the 20-24 month construction period, the University proposed the sale of self-liquidating revenue bonds to partially finance construction.

The financing option approved by the Board in November 2003 included the anticipated borrowing of approximately \$9.5 million for the project. (This amount was based upon the budget referenced above and the status of gifts and pledges.)

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

Analysis:

Financing Update The following provides information on the current status of funds for the project:

Gifts Designated for the Project Since the November 2003 Banking Committee meeting, the amount of gifts received and pledged (and interest earned on funds received) for the Arena project (as of noon on December 31, 2003) has increased from \$16,084,186 to \$16,727,096, an increase of \$642,910. In addition, a \$350,000 pledge received in December 2003 will be added to this total when the documentation of the gift is complete.

Additional gifts may be received prior to the issuance of the bonds and could reduce the amount that needs to be borrowed.

UNI Foundation Undesignated Funds The University's spreadsheet (Attachment A) shows a reduction in the amount of Foundation undesignated gifts from \$915,814 in November 2003 to \$272,904 in December 2003.

This reduction is the same as the increase in gifts designated for the project as the UNI Foundation committed to raising a total of \$17 million for the project. In each case, the total of designated and undesignated gifts is \$17 million.

Status of City of Cedar Falls Loan Agreement The City of Cedar Falls agreed to lend \$500,000 to the University for the Arena project.

At its October 2003 meeting, Banking Committee members raised a number of questions regarding the proposed agreement for the loan.

Board Office staff and the Board's bond counsel met with City of Cedar Falls officials and University personnel on Wednesday, October 29, 2003, to review the proposed agreement; progress was made during the discussions.

In the November 2003 elections, three new City of Cedar Falls council members were elected and the agreement may need to be revised or renegotiated.

The Executive Committee of the UNI Foundation has agreed to guarantee the \$500,000 expected from the City of Cedar Falls.

Amount to be Borrowed Springsted has calculated that based upon the report from the University on the current status of gifts, the University will need to borrow \$10,325,000. (Attachment B) This sum includes the amount of outstanding pledges to the UNI Foundation plus costs of issuance and a pre-funded debt service reserve. To allow for changes in interest rates, the not-to-exceed amount included in the preliminary resolution, which the Board is asked to approve, is \$10,500,000.

The \$10,325,000 compares to the estimated amount of borrowing of \$9,500,000 provided to the Banking Committee in November.

The primary reason for the \$825,000 increased amount of borrowing is that all pledge payments anticipated to be received by December 31, 2003 were not received.

The table on page 8 summarizes the differences in the status of funds for the project between November and December 2003.

Springsted also indicated that the multiplier used to determine the amount of the bond issuance size, based upon the construction fund requirement, needed to be increased slightly from 1.11 to 1.137. This change increased the amount that needed to be borrowed by approximately \$247,000.

Parity Bonds The Field House (UNI-Dome) bond resolutions of 1997 and 2001 created a Field House Enterprise, which permits the addition of buildings to the enterprise and the sale of parity bonds. Bond counsel has concurred in the University's desire to issue the new bonds on a parity with the existing Field House Revenue Bonds. The existing UNI-Dome and the new Arena will be known as the UNI Event Complex.

Field House Bond Covenants Under the bond resolution for the outstanding Field House Bonds, if the Field House Student Fees (currently being charged) and the Project Income (net income from operations of the project), together with the funds on deposit in the Surplus Fund, are insufficient to meet the requirements of the Bond resolution, the Board must employ a qualified consultant to prepare a report on the Field House Student Fees and Project Income and to recommend changes in the amount of Fees or Project Income so that the bond requirements can be met.

Since the new bonds will be issued on a parity with the existing Field House bonds, the provisions of the bond covenants will also apply to the new bond issue.

Outstanding Bonds The outstanding principal of the Field House System existing bonds, as of January 1, 2004, is \$13.3 million; the last maturity is 2022.

Issue Size The size of the bond issue, which would not exceed \$10,500,000, is estimated to total \$10,325,000 including:

- project costs (estimated at \$9,079,400);
- debt service reserve (estimated at \$1,032,500);
- bond discount (estimated at \$154,900); and
- issuance costs (estimated at \$58,200).

Security for Bonds The primary guarantee for the proposed bonds will be the existing Intercollegiate Athletics student fee. This guarantee will be in addition to the Field House student fee and project income, which secure the existing Field House Enterprise bonds.

Revenue from the Intercollegiate Athletics student fee will be released for intercollegiate athletics in each fiscal year in which revenue from the existing student fee and project income are sufficient to meet the debt service requirements of the bond covenants.

Sources of Repayment The bonds would be repaid with gifts for the Arena project as well as the net rents, profits, and income received from the facility, including revenue from the Intercollegiate Athletics student fee should this source be needed.

Resolution The resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers Law Firm 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 2004 Board meeting.


Joan Racki

Approved: 
Gregory S. Nichols

University of Northern Iowa
Event Complex (McLeod Center)
Option "C"
Revenue Cash Flow
As of December 31, 2003

Date	Private Funds		City of CF Loan	Sale of Golf Course Proceeds	Enterprise Borrowing	Total	
	UNI Foundation Gifts & Interest	UNI Foundation Undesignated					
12/31/03	\$ 8,484,594	272,904	500,000	1,000,000	-	10,257,498	Cash on Hand
12/31/03	846,321	-	-	-	-	846,321	Paid Costs
12/31/03	2,100	-	-	-	-	2,100	F02 Arrears
12/31/03	33,015	-	-	-	-	33,015	F03 Arrears
12/31/03	386,146	-	-	-	-	386,146	F04 Arrears at 12-31-2003
03/01/04	-	-	-	-	1,683,199	1,683,199	
06/30/04	592,419	-	-	-	-	592,419	Due Jan-Jun 2004
06/30/05	1,472,802	-	-	-	-	1,472,802	
06/30/06	1,438,010	-	-	-	-	1,438,010	
06/30/07	1,565,996	-	-	-	-	1,565,996	
06/30/08	673,313	-	-	-	-	673,313	
06/30/09	509,326	-	-	-	-	509,326	
06/30/10	373,325	-	-	-	-	373,325	
06/30/11	257,625	-	-	-	-	257,625	
06/30/12	32,104	-	-	-	-	32,104	
06/30/13	12,000	-	-	-	-	12,000	
06/30/14	12,000	-	-	-	-	12,000	
06/30/15	12,000	-	-	-	-	12,000	
06/30/16	12,000	-	-	-	-	12,000	
06/30/17	12,000	-	-	-	-	12,000	
	<u>\$ 16,727,096</u>	<u>272,904</u>	<u>500,000</u>	<u>1,000,000</u>	<u>1,683,199</u>	<u>20,183,199</u>	

**University of Northern Iowa
Event Complex (McLeod Center)
Revenue Cash Flow
As of December 31, 2003**

Notes:

1. On October 10, 2003 the Board of Trustees of the UNI Foundation voted to commit undesignated gifts to its Students First Campaign to the McLeod Center to guarantee its \$17,000,000 commitment.
2. The City of Cedar Falls agreed to lend \$500,000 to the University. The Board of Regents, State of Iowa asked the University to attempt to have restrictive clauses removed from the agreement. Because three new council members were elected in November, the University must renegotiate the agreement. The agreement must be ratified by the Board.
3. The Executive Committee of the UNI Foundation agreed to guarantee the \$500,000 expected from the City of Cedar Falls.
4. The University sold its 9-hole golf course located at the corner of University Avenue and Main Street to the Iowa Department of Transportation for the construction of Highway 57.
5. The Field House Enterprise, a self-liquidating enterprise, will provide the final \$1,683,199 of the construction fund.
6. A cutoff of noon December 31, 2003 was used for this report. The UNI Foundation will record any payments postmarked in December 2003 on its books as a December gift. December interest income has not been verified.
7. A \$350,000 pledge received in December, 2003 will be added to above schedule when documentation is complete.
8. This listing does not include deferred gifts to the McLeod Center.

**University of Northern Iowa
Event Complex (McLeod Center)
Computation of Amount of Borrowing
As of December 31, 2003**

	<u>11/10/2003</u>	<u>12/31/2003</u>	<u>Change</u>
Construction Fund Requirement	\$ 20,183,199	\$ 20,183,199	\$ -
Less: Cash on hand-UNI Foundation	(7,709,742)	(8,757,498)	(1,047,756)
Less: Estimated Pledge Payments Prior to 2/2004 Bond Sale	(1,750,000)	-	1,750,000
Less: Cash on hand-Sale of Golf Course	(1,000,000)	(1,000,000)	-
Less: UNI Foundation Guarantee of City of Cedar Falls Funding	(500,000)	(500,000)	-
Less: Project Costs Paid by Foundation through 12/31/2003	(703,984)	(846,321)	(142,337)
Construction Fund Requirement	<u>8,519,473</u>	<u>9,079,380</u>	<u>559,907</u>
Bonding multiplier to provide for issuance costs and DSR	1.11	1.14	308,478
Bond Sale Requirement	<u>\$ 9,456,615</u>	<u>\$10,325,000</u>	<u>\$ 868,385</u>
Bond Sale Requirement -- Rounded	<u>\$ 9,500,000</u>	<u>\$10,325,000</u>	<u>\$ 825,000</u>

Notes:

1. The McLeod Center will be financed with self-liquidating revenue bonds issued by the Board of Regents, State of Iowa. It is assumed the all inclusive interest cost will not exceed 4.50 percent.
2. The primary guarantee for the proposed bonds will be the existing Intercollegiate Athletics student fee. This guarantee will be in addition to the Field House student fee and project income, which secure the existing Field House Enterprise bonds.
3. After the pledged gifts are received, debt service payments will be made from the net rents, profits and income received from the Event Complex, which will include the existing UNI-Dome and the McLeod Center.
4. Additional gifts may be received prior to the issuance of the bonds and could reduce the amount that needs to be borrowed.
5. The bond sale and award are scheduled for the February 2004 Board meeting.

GBS
01/02/2004

**University of Northern Iowa
Event Complex (McCleod Center)
Debt Service Calculation**

FYE June 30.	Principal	Coupon *	Interest	Annual D.S. Payment	Prior FH Debt Service	4.00% Reserve Earnings**	Total Net Debt Service	Projected Gift/Income Cash Flow	Gift & Income Coverage
2004	\$0	2.50%	\$0	\$0	\$1,074,676	\$0	\$1,074,676	592,419	0.55
2005	850,000	2.50%	481,330	1,331,330		(41,300)	1,290,030	1,472,802	1.14
2006	950,000	2.50%	339,748	1,289,748		(41,300)	1,248,448	1,438,010	1.15
2007	1,000,000	2.50%	315,998	1,315,998		(443,800)	872,198	1,565,996	1.80
2008	330,000	2.50%	290,998	620,998		(25,200)	595,798	673,313	1.13
2009	345,000	2.50%	282,748	627,748		(25,200)	602,548	509,326	0.85
2010	350,000	2.75%	274,123	624,123		(25,200)	598,923	373,325	0.62
2011	360,000	3.00%	264,498	624,498		(25,200)	599,298	257,625	0.43
2012	375,000	3.25%	253,698	628,698		(25,200)	603,498	32,104	0.05
2013	385,000	3.50%	241,510	626,510		(25,200)	601,310	12,000	0.02
2014	400,000	3.60%	228,035	628,035		(25,200)	602,835	12,000	0.02
2015	415,000	3.75%	213,635	628,635		(25,200)	603,435	12,000	0.02
2016	425,000	3.85%	198,073	623,073		(25,200)	597,873	12,000	0.02
2017	445,000	4.00%	181,710	626,710		(25,200)	601,510	12,000	0.02
2018	465,000	4.15%	163,910	628,910		(25,200)	603,710	-	-
2019	480,000	4.25%	144,613	624,613		(25,200)	599,413		
2020	500,000	4.35%	124,213	624,213		(25,200)	599,013		
2021	525,000	4.45%	102,463	627,463		(25,200)	602,263		
2022	550,000	4.50%	79,100	629,100		(25,200)	603,900		
2023	575,000	4.60%	54,350	629,350		(25,200)	604,150		
2024	600,000	4.65%	27,900	627,900		(655,200)	(27,300)		
2025		4.65%	0	0			0		
2026		4.70%	0	0			0		
2027		4.70%	0	0			0		
Totals:	<u>\$10,325,000</u>		<u>\$4,262,648</u>	<u>\$14,587,648</u>	<u>\$1,074,676</u>	<u>(\$1,584,800)</u>	<u>\$14,077,524</u>	<u>\$6,974,920</u>	

* Interest rates are estimates as of December 31, 2003, Delphis 98.

** Includes partial release in FY 2007 and final release of DSR in FY 2024.

University of Northern Iowa
 Event Complex (McCleod Center)
 Sources and Uses

Sources of Funds

Bonds	\$10,325,000	
Cash on hand @ 12/31/2003	10,257,498	
Prepaid Project Costs & expenses	<u>846,321</u>	
Total Sources	<u>\$21,428,819</u>	

Uses of Funds

Project Costs	\$20,183,199	
Debt Service Reserve	1,032,500	10.00%
Underwriter's discount	154,875	1.50%
Issue Costs	58,245	0.56%
Total Uses	<u>\$21,428,819</u>	

Issue Costs Detail (Projected)

Springsted	\$13,325
Ahlers	16,656
Rating Agencies	20,000
Printing	3,500
Notices, etc.	3,500
Miscellaneous	<u>1,264</u>
Issue Costs	<u>\$58,245</u>

Cash on Hand @ 12/31/2003

Cash	\$8,484,594
Undesignated	272,904
CF Guaranty	500,000
Golf Course	<u>1,000,000</u>
Cash on hand @ 12/31/2003	<u>\$10,257,498</u>