

**Contact: Joan Racki**

**ATHLETIC FACILITIES REVENUE BONDS,  
SERIES S.U.I. 2006 and S.U.I. 2006A**

**Action Requested:** Consider adopting the following resolutions:

1. A Resolution providing for the sale and authorizing the issuance of Athletic Facilities Revenue Bonds, Series S.U.I. 2006, in the amount of \$27,500,000, for the purpose of improving, remodeling, repairing, furnishing, equipping, and building additions to Kinnick Stadium, funding a debt service reserve fund, and paying the costs of issuance.
2. A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,500,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006A.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of two resolutions for Athletic Facilities Revenue Bonds for the University of Iowa. The first resolution would provide for the sale, award, authorization and issuance, at the May 2006 Board meeting, of \$27,500,000 in Series S.U.I. 2006 bonds. The second resolution would authorize the Executive Director to fix the date or dates for the sale of up to \$25,500,000 in Series S.U.I. 2006A bonds. The sale of these bonds would be scheduled for the June 2006 Board meeting.

At its February 2005 meeting, the Board adopted a resolution authorizing the issuance of not more than \$120,000,000 in revenue bonds to finance the Kinnick Stadium Renovation project; additional costs associated with the renovation including the scoreboard, some furnishings and concession equipment; the refunding of approximately \$10,000,000 in outstanding Athletic Facilities Revenue bonds; the funding of the debt service reserve fund; and the paying of the issuance costs. Given the current interest rate environment, the University and the Board's Financial Advisor, Springsted, expect that approximately \$117,500,000 in bonds will be issued to finance the above-referenced items, with proceeds for the project totaling approximately \$94,700,000.

The sum of \$25,000,000 in double tax exempt bonds (exempt from federal and state taxes for individuals who are Iowa residents and purchase the bonds) was sold for the project at the February 2005 Board meeting. At its August 2005 meeting, the Board sold the sum of \$25,000,000 in double tax-exempt bonds and \$15,000,000 in taxable bonds. The University desires that the May 2006 sale be followed by the last bond sale for the project in June 2006.

Principal on the Series 2006 and 2006A bonds would be repaid over a period of 25 years, with debt service to be paid from income of the Athletics Facilities System including existing student fees; revenue from priority seating; revenue from suites, indoor and outdoor club seats; the capital campaign for the renovation; and increased concession income. In addition, the National Collegiate Athletic Association (NCAA) has approved Division 1A football teams to play a 7<sup>th</sup> home game, beginning with the Fall 2006 season. The University has scheduled this additional home game for Fall 2006 and will schedule one in all future seasons, thereby increasing football ticket sales by approximately \$2,000,000 per year. The Kinnick Stadium Renovation financing plan did not include this additional revenue as a source of funds to pay the debt service.

Other potential sources of revenue available for debt service payments include scoreboard/sponsorship and ticket surcharge. Increased student fees would only need to be charged should other revenue not be available to pay the debt service or maintain coverage ratios.

Details of the May Sale:

The total bond issue size of \$27,500,000 includes:

- project costs (estimated at \$25,160,200);
- debt service reserve (estimated at \$1,832,500);
- underwriters discount (estimated at \$412,500); and
- issuance costs (estimated at \$94,800).

Debt service payments are estimated at \$1.8 million annually.

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, May 3, 2006, and the award is scheduled for later that day. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

Bond specifics are as follows:

Average Maturity:	15.2 Years
Bonds Dated:	June 1, 2006
Interest Due:	January 1, 2007 and each July 1 and January 1 to maturity
Interest Exemption:	Exempt from federal and state taxes for individual purchasers who are residents of Iowa
Principal Due:	July 1, 2007 – 2031
Optional Call:	Bonds maturing on or after July 1, 2017 are callable commencing July 1, 2016 and any date thereafter at par
Denomination:	\$5,000 and integral multiples thereof

Details of the Proposed June Sale:

The size of the June 2006 bond issue is estimated to total \$24,950,000 including:

- project costs (estimated at \$22,802,900);
- debt service reserve (estimated at \$1,682,400);
- underwriters discount (estimated at \$374,200); and
- issuance costs (estimated at \$90,500).

Debt service payments are estimated at \$1.7 million annually

Electronic bidding is authorized in accordance with Board action in November 2001 approving electronic bidding procedures.

**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 Kinnick Stadium Renovation project, which was approved by the Board in March 2004, is addressing the most critical deficiencies with the stadium (constructed in 1929), 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. Information on the status of the project is included as Attachment A.

Of the \$65,000,000 in bonds sold for the project to date, the sum of \$15,000,000 was issued as taxable bonds 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.

Copies of the resolutions, which were prepared by Ahlers & Cooney, P.C. and reviewed by Springsted Inc., are available from the Board Office.

**KINNICK STADIUM RENOVATION – STATUS**

**Phase I** – work completed prior to 2005 football season:

- South end zone replacement
- New press box foundation
- North and south portions of new press box structure

**Phase II** – work to be completed prior to 2006 football season:

- Completion of new press box
- East and west concourses renovation
- Waterproofing the existing stadium
- Site work

The demanding schedule for Phase 2 has required tight coordination of many building trades; the project is progressing very well and is on target to meet the scheduled completion date of August, 2006.

Press Box

The north and south portions of the new press box, built during Phase I, are nearing completion. Construction of the center section of the press box began shortly after the December 3, 2005 demolition of the original press box; the new structure is complete up to the third of four levels. The entire press box is scheduled to be ready for occupancy in August 2006.

West and East Concourses

The East Concourse is scheduled to be completed by June 15, 2006 and the West Concourse by July 15, 2006.

Waterproofing

Waterproofing work on east, west and north grandstands is scheduled to be completed by June 15, 2006.

Landscaping and site work

All landscaping and site work is schedule to be completed by early August.

The 12-foot freestanding sculpture of Nile Kinnick is currently being bronzed at a foundry in Oregon. The entire piece will be finished and shipped to Iowa City for mounting and unveiling prior to the first game of the 2006 season. A 19' by 9' relief sculpture that captures Nile Kinnick "in action" is currently being sculpted; its installation will be coordinated for a later date.

Sale of Premium Seating

The Department of Athletics reports that the sale of premium seating in the new press box has exceeded the conservative assumptions of the financial plan presented to the Board in March 2004. The Department has in hand deposits/contracts on premium seating in the new press box equivalent to the financial plan forecast and is processing additional deposits on a regular basis. The re-seating of season ticket holders within the stadium bowl is half completed and the remaining patrons will have the opportunity to select their seats within the next several months.