

Arena Update
UO University Senate
Senate Budget Committee
Subcommittee on Arena Financing

November 12, 2008

By John Chalmers, Subcommittee Chair

Subcommittee Members:

John Chalmers, Associate Professor of Finance, Charles H. Lundquist
Distinguished Research Scholar, and Department Head

Dennis Howard, Philip H. Knight Professor of Sports Business and Dean LCB

Gordon Sayre, Professor of English, Past President Senate President

Paul van Donkelaar, Associate Professor, Human Physiology, Senate President

Ongoing Charge to the Subcommittee

- To collect and distill information concerning the arena and its financial impact on the UO
- To evaluate risks to the UO budget
- To offer recommendations to the President

Process

- The subcommittee has met twice and will continue to meet once per quarter or as the need arises.
- Our mandate is to stay current with progress on the arena and the financial plan

Updates – November 2008

- Arena Bonds were sold in June 2008
- Legacy Fund Update
- Building Permit Process – timeline
- Arena design and lower priced seats available

Financing and Repayment

Borrowing

\$200 million bonds (arena) (Sold in June 2008)

\$ 27 million bond (land) (Sold in 2007?)

\$ 17 million bonds for parking (Yet to be sold?)

Repayment Sources

Interest on bond proceeds (@ 3% about \$8 mm)

Capitalized Interest

Legacy Fund and other Athletic Dept. Resources

Arena revenues

Ultimately a General Obligation of the State of Oregon

} During Construction Period

Arena Bonds Sold June 2008

SOURCES AND USES OF FUNDS

State of Oregon - State Board of Higher Education
General Obligation Bonds
2008 Series A (Federally Taxable)

Dated Date 06/26/2008
Delivery Date 06/26/2008

Sources:

Bond Proceeds:	
Par Amount	200,000,000.00

200,000,000.00

Uses:

Project Fund Deposits:	
Project Fund	192,018,581.61
Other Fund Deposits:	
Capitalized Interest Fund	6,770,220.46
Delivery Date Expenses:	
Cost of Issuance	352,500.00
Underwriter's Discount	855,850.00
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	1,208,350.00
Other Uses of Funds:	
Additional Proceeds	2,847.93

200,000,000.00

Payments Due – A Snapshot

First Year Covered by Capitalized Interest

NET DEBT SERVICE

State of Oregon - State Board of Higher Education
General Obligation Bonds
2008 Series A (Federally Taxable)

Date	Principal	Interest	Total Debt Service	Capitalized Interest Fund	Net Debt Service	Annual Net D/S
08/01/2008		1,118,148.43	1,118,148.43	1,118,148.43		
02/01/2009		5,750,477.65	5,750,477.65	5,750,477.65		
08/01/2009		5,750,477.65	5,750,477.65		5,750,477.65	
02/01/2010		5,750,477.65	5,750,477.65		5,750,477.65	
06/30/2010						11,500,955.30
08/01/2010		5,750,477.65	5,750,477.65		5,750,477.65	
02/01/2011		5,750,477.65	5,750,477.65		5,750,477.65	
06/30/2011						11,500,955.30
08/01/2011	3,080,000	5,750,477.65	8,830,477.65		8,830,477.65	
02/01/2012		5,683,487.65	5,683,487.65		5,683,487.65	
06/30/2012						14,513,965.30
08/01/2012	3,225,000	5,683,487.65	8,908,487.65		8,908,487.65	

Second year covered by interest income and Legacy fund
Third year covered by arena income and Legacy fund

Construction Period

Debt service not in the prior analysis

- Debt service on the Land (part of AD budget)
- Debt service on the parking facility bonds (part of AD budget, and other UO auxiliary budgets)

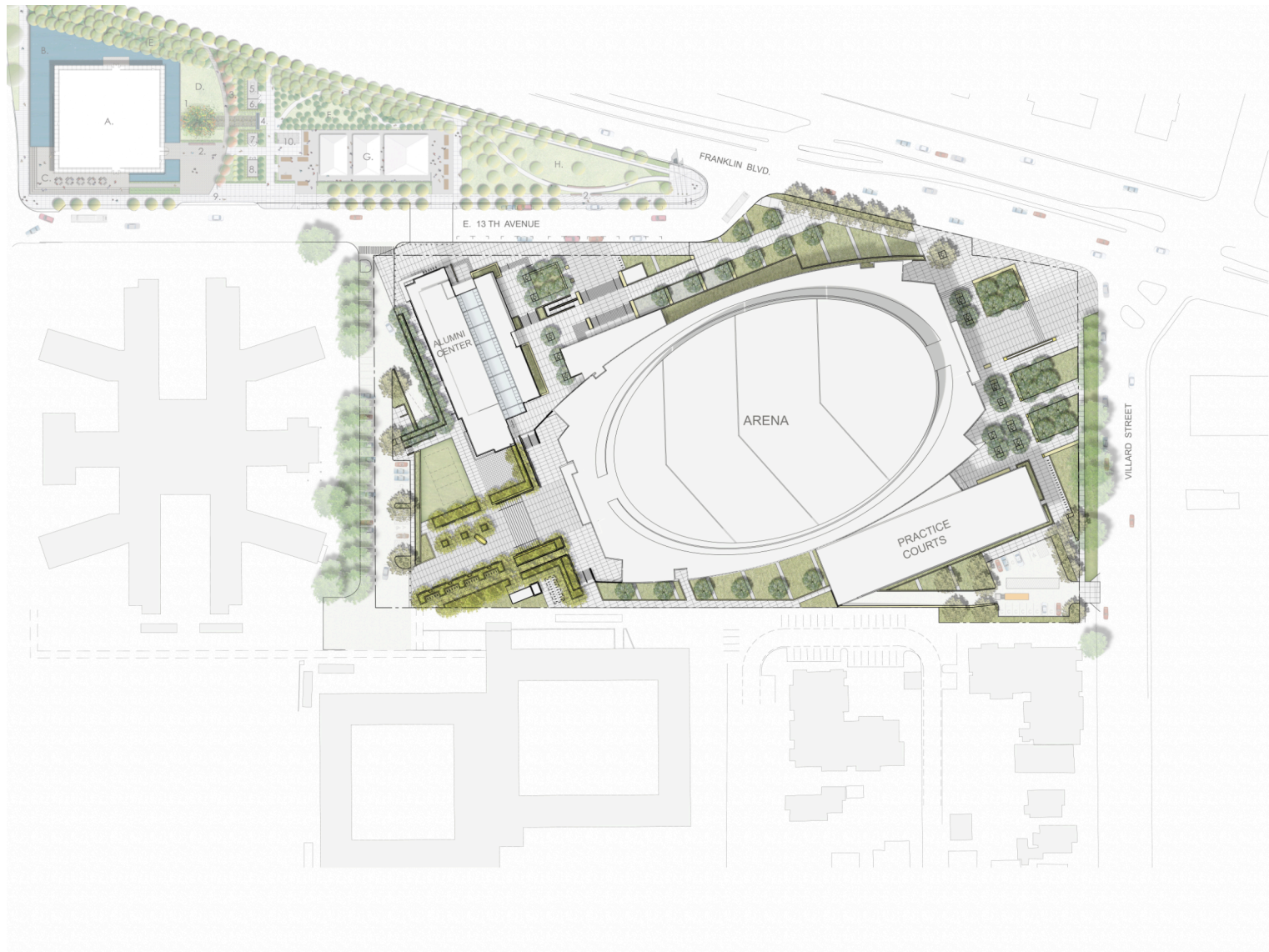
Legacy Fund Update

- From the prior analysis -- the legacy fund is crucial
 - \$121 Million in signed pledges
 - \$ 2 Million in the account (as expected)
 - Large contributions begin within the next month
- In light of current financial turmoil,
 - all donors who have pledged in excess of \$1 million have been contacted to make sure that they are still comfortable with their pledges
 - all donors have re-affirmed their commitments
- Investment of the Legacy fund balances is the responsibility of UO Foundation

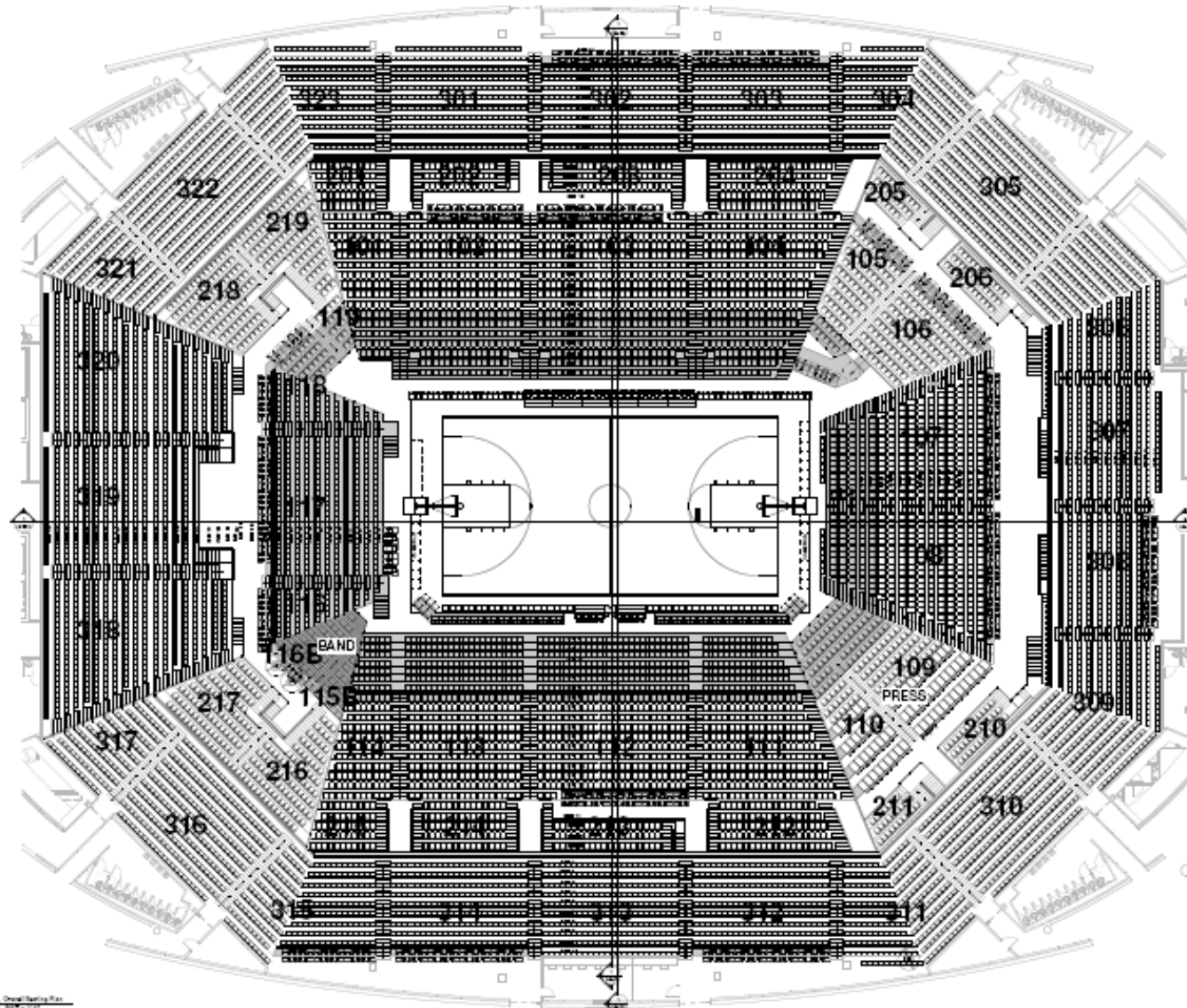
Construction Schedule

- Getting the arena built and operating is also critical to generating revenues
- Current situation
 - November 19th is deadline for appeals to Conditional Use Permit
 - December 19th is deadline for a final decision on the Conditional Use Permit, if appealed
 - If approved, it takes about two weeks to begin construction
 - Once under construction, 23 months to completion

Arena Design



Arena Seating Plan



Arena Seats and Prices

Two Concerns

1) Are arena seats too rich for the community?

- 1,800 Student Seats
- 2,900 seats @ \$15 per ticket (no annual DAF)
- 1,240 seats @ \$25 per ticket (no annual DAF)

2) Are revenues sufficient to cover a sufficient share of the costs?

- Pricing plan has not been finalized
- What we have seen is promising
- Will continue to monitor the development of the plan and its success

To Do

Analysis by Athletic Department

- Analysis of cash flows during construction period
- Analysis of parking and land debt service requirements in the context of the overall Athletic Department budget

Discussion of Investment Policy for Legacy Fund

Ongoing review of overall Athletic Department budgets

Ongoing review of arena revenue drivers (seats, advertising, legacy fund, etc.)