MINUTES
Board of Regents
October 25, 2011

The Board of Regents of Washington State University held a special meeting at 2:30 p.m., on Tuesday, October 25, 2011, to discuss facility improvements and financing for Martin Stadium. The meeting was held in Lighty Student Services Building, Room 405, Pullman, Washington. The Regents joined via video/teleconference.

Present via video/teleconference: Regent Theodor Baseler, Chair; Regents Scott Carson, Harold Cochran, Francois Forgette, Laura Jennings, Connie Niva, Rafael Stone, and Michael Worthy.

Present in Pullman: Student Regent Jacob Bredstrand, President Elson S. Floyd, Vice President for Business and Finance Roger Patterson, Athletic Director Bill Moos, and Executive Assistant to the Board of Regents Christine Hoyt.

Report from the Chair of the Board of Regents. Regent Theodor Baseler called the special meeting to order. He stated that the purpose of the special meeting of the Board of Regents was to receive an update on Martin Stadium football facilities improvements and financing. He also indicated that he did not expect any action to be taken at this meeting. He asked Christine Hoyt to conduct roll call to ensure the presence of each of the Board members.

Report from the President of the University. President Elson S. Floyd thanked the Board for coming together to talk about the Martin Stadium football facilities improvements and financing. He said this project and conversation at this meeting would focus only on the south side of Martin Stadium. He said that they anticipate a budget of approximately $80 million to complete the south side project of Martin Stadium. He said the secondary project is the Football Operations Building which will be on the west end zone, and conversations for that project will begin as they move forward.

President Floyd said that in terms of history, he felt it was important to note that early on the thought was to expand Martin Stadium on the north side with donor solicitations and contributions. He reiterated that the presentation today is regarding the south side of Martin Stadium, which is solely dependent on having funds that will serve as the financing vehicle from television revenues that are a derivative from WSU’s membership in the Pac 12 Conference.

President Floyd stated that he would like Vice President Patterson to speak more about the project, Steve Henley from ALSC Architects to review the design, and Athletic
Director Bill Moos also to speak on the project from his perspective. He said that there would also be a review on timelines and financing, as well as time for questions.

**Roger Patterson, Vice President for Business and Finance.** Vice President Patterson reported that Martin Stadium is staged in a two-construction period approach. The first project, called the Southside Project, will consist of a Premium Seating/Press Box Facility, and the second project called the West End-Zone Project will consist of a Football Operations Center. He said it is their desire to seek approval at the November 18, 2011, Board of Regents meeting, of the schematic design documents for the Southside project, approval of a project budget of $80 million for the Southside project, and a delegation of authority to the President or his designee to enter into any and all contracts necessary to complete the Southside project.

Vice President Patterson added that construction of the Southside project would begin immediately after the last home game (November 18, 2011) and that the Press Box portion is expected to be completed by the first of the 2012 football season. He said that the remainder of the facility is scheduled for completion in time for Apple Cup 2012, and that any cost savings from the Southside project would be reserved for the West End-Zone project. He said depending on the total cost of the projects, the anticipated cash-flows during construction and the current interest rate environment, the use of a bank line of credit to cover costs during construction may result in additional savings to the project. He also said that once the design work and cost estimate for the West End-Zone Project are complete, savings from the Southside project are known, suite sales from the Southside project are confirmed and donations for the West End-Zone project have been analyzed, a budget meeting would be held to assess the financial feasibility of moving forward with the West End-Zone Project.

**Steve Henley, ALSC Architects.** Mr. Henley reviewed the schematic design for the Martin Stadium Football Facilities Improvements Southside Project. *(Please see Exhibit A.)*

**Bill Moos, Director of WSU Athletics.** Athletic Director Bill Moos said that the design team has been outstanding since receiving approval last winter. He told the Board that every school in the Pac 12 is in the midst of major facility enhancements to their football program or has just recently completed them. Mr. Moos highlighted some of the success stories from Pac 12 schools, which have made major enhancements. For example, he noted that WSU’s last two opponents and the one that they are about to face next Saturday (Stanford) have completely built a new stadium and a new football operations component to it. He said that four years before that project was started, Stanford averaged three wins a year, and that four years after the project was completed with one recruiting cycle they have lost only one game, finished in the top five in the nation, and could very well win the national championship this year with a Heisman Trophy front runner. He said that Stanford is not a traditional football powerhouse, but with the improved facilities, all the rest of their programs have continued to rise and are competitive across the board with the additional revenue and
exposure they have been able to realize. He provided additional examples of the successes that schools have had based upon what they have done with their facilities, including Oregon State and the University of Oregon. He said that these are the teams that we are competing against and he knows that WSU can compete with these schools especially now with equal television revenue shares, if invested wisely in facilities and other infrastructure. He said that WSU is at a key point right in the beginning of a year of the Pac 12 Conference, to be competitive and to be able to raise money across all of their sports programs, with the exposure and the additional revenue that we are going to be able to see.

President Floyd added that the bottom line is that virtually every institution within the Pac12 currently has completed or is engaged in some major expansion of their football facilities, and it is really important that WSU maintains competitiveness associated with it. President Floyd asked Roger Patterson to go over the financing plan.

**Financing Plan**

Vice President Patterson said that in talking with their financial advisors, they propose the interim financing piece for the Southside project to be in the form of a bank line of credit because the interest rates remain low -- around 1 percent -- rather than issuing debt at a rate of 4 to 4.25 percent, saving approximately $1.8 to $2 million. He proposed to issue bonds for permanent financing only after the Board of Regents has an opportunity to consider the plans and budget for the operations building project and additional information is known relative to the identified source of repayment (premium seating, Pac 12 television revenue, and potential contributions). He laid out the following:

—By summer 2012 they need to know: 1) the final cost of the south side and what balance of the $80 million remains to fund the west side, 2) what will be the maximum allowable construction costs of the west side Football Operations building, 3) what contributions have been collected to facilitate the completion of the west side project, 4) what additional revenues have been collected from premium seating and press boxes, and 5) whether additional Pac 12 television revenue have materialized.

—If the operations building project is approved by the Board of Regents, they would expect to issue long term bonds for both projects at one time, taking into account available funds from contributions and other sources, and expected expenditure timing and market conditions.

—If the operations building project is not approved by the Board of Regents, they would issue long term Bonds for the premium seating improvements in 2012, with timing to be determined by market conditions.
He said that for the November Board of Regents meeting, they would ask the Board to approve a resolution delegating authority to the President or his designee to proceed with the premium seating and procure financing in the amount up to $80 million. He said they would subsequently bring to the Board of Regents a separate resolution to approve the issuance of General Revenue Bonds in an amount and for purposes determined based on Board of Regents direction, after consideration of new information expected to be available in April – June 2012. He said, also, depending on direction from the Regents (after receipt of a more complete project and revenue information), this bond resolution would be sized for one or both of the proposed project components.

Following the presentations, there was further discussion, and the Regents asked many detailed questions, particularly focused on the financing aspect of the project. Included were inquiries about the general revenue bond issuance process, the current state of the bond market, and timing associated the issuance of bonds; financial risks associated with the project; details on the possible line of credit (and a discussion about the groundwork that needs to be done associated with pursuing this option, especially in this current fiscal climate); expected television revenues; the current status of luxury suite sales; and the importance of donors continuing to embrace contributions to intercollegiate athletics.

The Regents requested that Vice President Patterson address remaining questions, including further financial analysis and additional information on associated risks, prior to the November Regents’ meeting.

The meeting adjourned at 3:40 pm.

Approved by the Board of Regents at its meeting held November 18, 2011, at the Nursing Building, Room 205, WSU Spokane, Spokane, Washington.

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