


January 27, 2016

TO: Members of the Board of Trustees

FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

RE: Funding Strategy for Athletic Facilities Improvements

RECOMMENDATION:

That the Board of Trustees endorse the funding strategy described below for athletic facilities improvements, and direct the administration to develop a plan for implementation, with the understanding that, at each stage of implementation, the approval of the appropriate committee of the Board of Trustees and full Board will be sought.

BACKGROUND:

The three existing and adjacent athletic facilities along Jim Calhoun Way that are home to our men's and women's soccer, baseball, and softball programs are in need of major improvements. They each offer limited seating capacity for our students, fans and alumni, and the playing fields and supporting facilities are in poor condition compared to other flagship universities in the American Athletic Conference and elsewhere, and stand in sharp contrast to modern facilities such as the Burton Family Football Complex, Shenkman Training Facility and the Werth Champions Center. Preliminary estimates of the cost of improvements to these facilities total \$46 million.

Given the current budgetary environment, which has placed constraints on UConn's ability to fund projects such as this, it is the University's intent to fund this project without the use of student tuition or fees or state dollars, and to rely instead on private philanthropy and ticket revenue generated by the athletics program.

Private philanthropy has already stepped up, and the UConn Foundation expects to be able to raise \$25 million toward these projects over a five-year period, with a portion of that amount already in hand.

This funding strategy is intended to provide a framework for filling the funding gap for soccer, baseball, and softball facilities over the amount that can be raised through gifts, bridging the time period during which funding commitments from donors can be converted into cash and providing for the long-term maintenance and improvement of other athletic facilities. Under this plan, the University will issue bonds sufficient to fund the cost of the projects in excess of gifts in hand, and to repay those bonds through conversion of pledges to cash and by imposing a modest fee on non-student tickets to athletic events. In this way, the projects will be financed entirely by donors and fans.

Gifts directed to this purpose and the revenue generated by the fees added to ticket prices will be allocated to servicing the bonds issued to finance the improvements to the soccer, baseball and softball facilities and to funding maintenance of our athletic facilities. The details of these arrangements will be worked out with our financial and legal advisors and shared with the appropriate committees and the Board as they are developed.

The bonds to fund the athletic facilities improvements will be issued in conjunction with the bonds to be issued to finance the student recreation center, both under the University's Special Obligation Revenue Bond program. Integrating the bonding for both purposes provides two benefits: 1) it creates a bond issue of sufficient size for an efficient transaction, with lower issuance costs as a proportion of bond proceeds raised, and 2) the bonds will enjoy the credit strength of the program's Aa2 rating from Moody's, which will garner lower interest rates.

Board endorsement of this funding strategy will provide a framework for moving forward. Details of the program structure will be developed by the administration, and committee and board approvals will be sought at the planning, design, construction and bonding stages.