

Dear Colleagues,

The Senate has received many questions concerning the costs of constructing the Simpson Center for Student Athlete High Performance and for renovating the Cal Memorial Stadium. Since CAPRA is the committee charged by DIVCO to monitor Intercollegiate Athletics, we have worked with John Wilton, Vice Chancellor for Administration, and Laura Hazlett, CFO for Intercollegiate Athletics, to develop this fact sheet to address the construction costs for these two facilities and the mechanism for financing these costs.

#### Intercollegiate Athletics (IA) Facilities Project Summary Simpson Center for Student-Athlete High Performance and California Memorial Stadium

**Simpson Center:** The Simpson Center for Student-Athlete High Performance (previously, SAHPC) is a student-athlete training, coaching, and applied sports science and sports medicine center. The facility embodies the High Performance Initiative (HPI), Cal's innovative performance philosophy designed to build competitive advantage, maximize efficiency and enhance the student-athlete experience.

The Simpson Center is home to 13 sports and approximately 450 student-athletes and also provides year-round access for more than 850 student-athletes. It contains training facilities, meeting rooms and offices for Cal football and 12 Olympic sports programs. Importantly, the academic center gives student-athletes access to the resources they need — from computers to tutors — to meet the high standards that have always been the hallmark of Berkeley.

**Memorial Stadium:** California Memorial Stadium (CMS) is undergoing a retrofit and renovation to reduce seismic risk as well as create a more enjoyable environment for the thousands of fans who attend games every year – all while maintaining the architecture and character of the historic facility. The stadium is on schedule to be game ready to host Cal football in September 2012, with the final work completed in early 2013. When Memorial Stadium reopens, Golden Bear fans will notice facility upgrades, including three club levels for those participating in ESP (described below), better sight lines, wider concourses, improved ADA access, and more restrooms and concession stands.

#### Construction Costs

The total cost of the Simpson Center, including both project costs and financing costs, will be approximately \$153M. About \$126M was funded through external financing, which will be paid back over time from the net operating revenues of Intercollegiate Athletics, and the remainder met via an upfront draw down from private gifts. To date, a total of \$86M has been pledged by donors (of which approximately \$66M has been collected and of which approximately \$27M was used for construction) to support the High Performance Initiative, including a state-of-the-art training facility (the Simpson Center), and operating funds for strength and conditioning, sports medicine and the academic student center.

The total cost of the Memorial Stadium renovation, including both project costs and financing costs, will be approximately \$321M. This has been financed externally and will be paid back overtime by the Athletic Department. The revenue of the Athletic Department is enhanced by a combination of the revenue sources listed below. The most current data on number of ESP seats sold and resulting cash proceeds are published on a quarterly basis on the Athletic Department website [http://www.calbears.com/genrel/advancingCalAthletics\\_esp.html](http://www.calbears.com/genrel/advancingCalAthletics_esp.html)

The most current data on funds collected are shown below in Table 1. The approximate rate on the Simpson Center debt is 4% (nontaxable). Similarly, around \$200M of the projected \$320M in debt for Memorial Stadium was issued at approximately 4% (nontaxable) and \$75M was issued at approximately 4.86% (taxable), which is part of a much larger “century bond” issued by University of California Office of the President (UCOP). The remaining \$45M is has not yet been issued.

### Debt Service Coverage

Debt service from both projects will be covered through the Athletic Department operating budget, which has been bolstered by the initiation of a facility fee, philanthropic revenues, increased media rights revenue and ESP revenue. ESP revenue is generated by selling just under 3,000 (approximately 5% of the stadium seating capacity) of the best seats located between the 30 yard lines on the west side of the stadium. Donors in the ESP area will have access to enhanced game day amenities, including club rooms, food and premium beverages, cushioned seats, and priority parking. A portion of the revenues from ESP will be invested in a fund functioning as an endowment (FFE) by the UCB Foundation, which is intended to allow for the long-term financial management of the Athletic Department. Other revenues from the program will be used to supplement Athletic Department operations.

Prior to launching the retrofit and renovation of CMS, the University created a funding feasibility model. The model relies not only on revenue from the sale of ESP seats, but also on revenues from renting the club spaces and additional fundraising, primarily through naming rights of the field, the North Tunnel and the Concourse. The model allows the University to vary all of the key financial variables to generate “best-to-worse” scenarios. Campus leadership, including the Vice Chancellor for Administration and Finance, will monitor actual outcomes against projections on a regular basis to be able to take corrective action in a timely manner. The most recent outcomes from the model are summarized below in Table 2. Intercollegiate Athletics is taking full responsibility for generating the funds needed to pay the debt for construction of the Simpson Center and Memorial Stadium.

### Summary Data

**Table 1: Simpson Center for High Performance (SAHPC) and ESP Cash In**

	<b>FY 09 and before</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12 through Jan close</b>	<b>Cumulative through FY 12</b>
<b>SAHPC FFE</b>	\$ 6,711,811	\$ 16,813,875	\$ 5,940,110	\$ 1,040,642	\$ 30,506,438
<b>SAHPC</b>	\$ 27,775,084	\$ 2,413,749	\$ 2,736,084	\$ 2,554,384	\$ 35,479,301
<b>Current Use</b>					
<b>ESP FFE</b>	\$ --	\$ 14,367,534	\$ 13,461,021	\$ 4,248,781	\$ 32,077,336
<b>Total</b>	\$ 34,486,895	\$ 33,595,158	\$ 22,137,215	\$ 7,843,807	\$ <b>98,063,075</b>

**Table 2: Model Scenario Summary (see notes below)**

<b>Scenario</b>	<b>Total Philanthropy (\$M)</b>	<b>Seats Sold Relative to Goal</b>	<b>Incremental Simpson Center Revenue (\$M)</b>	<b>Market Return on FFE</b>	<b>Projection of when combined balance becomes &lt; 0</b>
<b>1</b>	<b>60</b>	<b>100%</b>	<b>3</b>	<b>8.0%</b>	<b>Never</b>
<b>2</b>	<b>50</b>	<b>94%</b>	<b>3</b>	<b>7.5%</b>	<b>Never</b>
<b>3</b>	<b>40</b>	<b>88%</b>	<b>3</b>	<b>7.0%</b>	<b>Never</b>
<b>4</b>	<b>30</b>	<b>82%</b>	<b>0</b>	<b>6.5%</b>	<b>2044</b>
<b>5</b>	<b>20</b>	<b>76%</b>	<b>0</b>	<b>6.0%</b>	<b>2038</b>

**Notes on Table 2:**

1) Philanthropy is assumed to come in over a 10-year period, i.e. one should divide the number in the “Total Philanthropy” column by 10 to get the per annum assumption.

2) The goal is to sell 90% of ESP inventory; therefore, one has to multiply the percentage in the “Seats Sold Relative to Goal” column by 0.9 to derive the actual percentage of seats sold relative to the total stock; i.e. in scenario 5, the model assumes that 69.8% of seats are sold (76%\*0.9).

3) The column labeled “Incremental Simpson Center Revenue” reflects a conservative estimate with respect to future naming rights in the Simpson Center. As with the “Total Philanthropy” column, the amount in the “Incremental Simpson Center Revenue” column is expected to come in over a 10 year period (e.g., in Scenario 1, \$300K/year for 10 years).

4) The range of market returns shown in the “Market Return on FFE” column reflects the most probable outcomes over the period as estimated by our academic colleagues at the Haas Business School.

5) The final column of the Model Scenario Summary Table reflects the year that the balance of the combined FFEs is projected to turn negative if no additional action is taken. For example, under Scenario 4, the balance in the FFEs is projected to become negative in 2044 if IA does not take any steps over the next 30+ years to avert this outcome.

*March 26, 2012*