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Football Stadium Arms Race Pushed This School Deeper Into Debt.

Colorado State University sold \$239 million of bonds to build a football stadium that students, faculty and credit-rating companies say may strain its finances. School leaders say the debt binge will help secure its future.

Colorado's second-largest university is joining an intensifying national competition to attract high-tuition, out-of-state students by pouring billions into new dormitories, classrooms, student centers and gyms.

With borrowing costs holding close to the lowest since the 1960s, the university issued debt last month to replace its 47-year-old stadium two miles from the Fort Collins campus where the Rams now play. The new arena will help push CSU's debt to \$1.14 billion this year, more than double what it was in 2009, according to Standard & Poor's.

"This is one of the few things that an institution can do that's going to draw 40,000 people to campus," said Joe Parker, the school's director of athletics. "There are very few things that attract people with the same passion that athletics does."

S&P has had a negative outlook on higher-education bonds for more than a year because of the mounting debt of universities. On March 17, the company said it may lower CSU's A+ credit rating, the fifth-highest rank, as it plans to sell \$160 million in additional bonds this year for new buildings.

'Greater Pressure'

The new debt will "exert greater pressure on financial resources that we already view as very weak for the rating," Jessica Wood, an S&P analyst in Chicago, wrote in a report.

Investors haven't punished the university. CSU bonds maturing in 2038 traded for an average yield of 2.9 percent on April 16, close to the lowest this year, data compiled by Bloomberg show.

Ron Speaker, chief executive officer of Equus Private Wealth Management, a municipal-bond investor, said having an off-campus stadium was discouraging attendance.

"Fixing that problem is the right thing to do despite the financial implications it has," said Speaker, whose firm is based in Carbondale, Colorado. "They can handle it. They've been under-leveraged compared to other competing high-quality institutions in the state and across the country."

Rival's Stadium

The University of Colorado, CSU's in-state rival about 55 miles (88 kilometers) south in Boulder, is completing a \$156 million renovation of its athletic facilities, including 90-year-old Folsom Field for the Buffaloes, which play in a separate conference, the Pac-12.

CSU plans to fund debt payments with revenue from premium seats, concessions, naming rights, sponsorships and events other than football. Rich Schweigert, the university system's chief financial officer, said the stadium won't need money from student fees or tuition to pay off the bonds.

"We financed the stadium using the lowest projected revenue stream, which is what our current stadium is doing now," he said. "All we have to do is perform like we are currently performing — which would be inconceivable that we can't do better."

While schools in the five richest college football conferences are able to use revenue from media contracts to pay for new facilities, divisions like CSU's Mountain West have relied on student fees to help support their programs, said Amy Perko, the executive director of the Knight Commission on Intercollegiate Athletics.

"The financial policies in athletics should aim to strengthen each institution's broader educational mission, not to detract significant resources away from it," she said.

Football's Share

CSU spent \$12 million on football in the 2014 budget year, the second highest in the Mountain West, according to data submitted to the U.S. Department of Education. That's up from \$5.5 million in 2005, as new media contracts created an explosion of revenue and spending across college sports.

Some faculty and students opposed the school's decision to go into debt for the stadium. S&P's reduced outlook on CSU's rating signals the school is over-leveraged, said Steven Shulman, chair of CSU's economics department.

"It's the financial equivalent of a police car pulling up behind you with lights flashing and sirens blaring," said Shulman, who writes about the economics of higher education.

Winning Record

The Rams have played post-season bowl games in the past two years, posting a 10-3 record in 2014 that included a 31-17 win over Colorado. Even so, attendance at its six home games averaged 26,575, leaving 5,925 seats empty. The new stadium, scheduled to open in September 2017, will have a capacity of 40,085.

Some students aren't convinced that building a stadium on campus will increase attendance or that it won't result in higher fees.

"They should keep using the old one," said Elizabeth Bergersen, 21, a creative-writing major, as she read a textbook in front of the student center. "I don't think more people will go to the new one because people who like football go now."

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