

Facilities Items



Finance and Facilities Committee
November 18, 2014

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

2015 Revenue Fund Bond Sale, 2nd Reading

Finance and Facilities Committee
November 18, 2014



Purpose

- Gain board approval of revenue fund bond sales for:
 - Construction of three capital projects and enable future designs
 - Refunding of outstanding bonds from 2005 revenue fund bond sale to achieve cost savings

Background – Revenue Fund

- One of two major funding mechanism for system's capital investment needs – Auxiliary priorities
 - Residence halls, student unions, athletic and fitness facilities and parking ramps
- Legislatively authorized, system driven process, set up on an odd-year cycle
 - College and university master planning
 - Student consultation
 - Debt capacity analysis
 - Predesign and financial feasibility
 - Full debt carried by institution - serviced by fees



2015 Revenue Fund Process

May 2013 - Call for projects

- Student and campus discussion on scope and funding

Summer - Fall 2013 - Predesign and financial analysis

- Preliminary fee discussions, initial student consultation
- Produced preliminary project list

Spring - Summer 2014

- Project predesign and financial refinement, project list

Fall 2014

- Student consultation
- Board review and approval (Oct/Nov)
- Rating agency presentations/visits

February 2015 – Bond pricing/sale



Outside Agencies

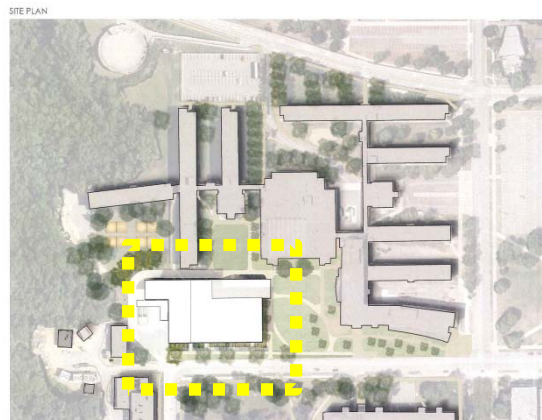
- Financial Advisors: Springsted, Inc.
 - Barry Fick, Senior Vice President
 - Mark LeMay, Vice President
- Bond counsel: Kennedy & Graven
 - John Utley
 - Rhonda Skoby
- Registrar and Paying Agent: U.S. Bank National Association
- Rating Agencies:
 - Moody's – Aa2
 - Standard & Poor's – AA-

Minnesota State University, Mankato

Mankato

Students and Financials:

FYE (14):	14,180
Residence Life Occupancy Rate:	97%
Average Rates (Academic Year) (FY15):	
Double Room:	\$4,650
Single Room:	\$6,478
Meals (Unlimited Plan)	\$2,273
Ave Annual Debt (res halls): \$4.65M	
Additional Ave. Debt (2015): \$2.5M	
Est. Annual Refund Savings: \$316,000	



New Dining Facility

Project Summary:

- **Bond Type:** Taxable Revenue Bonds
- **2015 Project Cost:** \$31,500,000
- **Project Type:** New Construction
- **Square Footage:**
 - New: 61,800 gsf
- **Purpose:** Provide a new dining facility in the residential precinct of campus. Part of the campus residential life master plan. Replaces capacity lost when Gage Hall residential dining was demolished.
- **Funding:**
 - Campus Revenue Funds (reserves): \$3,000,000
 - Revenue bond proceeds: \$28,500,000
- **Planned occupancy:** Spring 2017
- **Student consultation:** Nov 2014



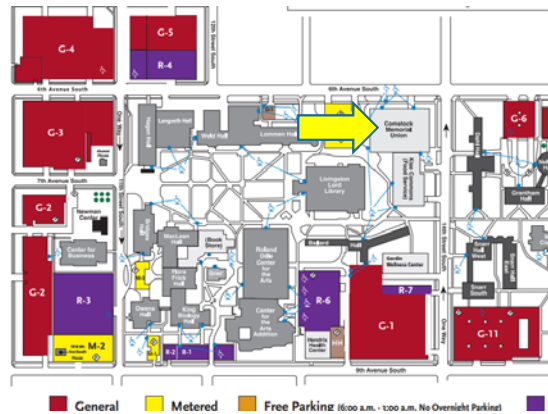
Minnesota State University Moorhead

Moorhead

Students and Financials:

FYE (14): 5,987
 Student Union Fee (FY15) \$289.68

Average Annual Debt Service: \$255,000
 Additional Debt Service: \$317,000



Comstock Memorial Union

Project Summary:

- **Bond Type:** Taxable Revenue Bonds
- **2015 Project Cost:** \$9,000,000
- **Project Type:** Renovation, New addition
- **Square Footage:**
 - Renovation: 36,402 sq. ft.
 - New: 3,000 sq. ft.
- **Purpose:** Update student union space to meet needs for improved student social and casual study space, student organization space, retail and convenience food service, and minor retail space.
- **Funding:**
 - Campus revenue funds (reserves): \$4,500,000
 - Revenue bond proceeds: \$4,500,000
- **Planned occupancy:** Spring 2016
- **Student consultation:** Nov 2014



Vermilion Community College

Ely

Students and Financials:

No. of Beds:	260
Add Beds:	120
Demo Beds:	84
Net Beds add:	36

Average Room Rate (new): \$4500
(\$500/mo for 9 mo. lease)

Ave Annual Debt: \$0M
With 2015 Debt: \$302,000



Project Summary:

- **Bond Type:** Tax Exempt
- **2015 Project Cost:** \$5,500,000
- **Project Type:** New construction
- **Square Footage:**
 - New: 11,300 sq. ft.
 - Demolition: 18,480 sq. ft.
- **Purpose:** Add new townhome style units to the campus's current residential program. New project allows campus to remove "temporary" modular housing from service.
- **Funding:**
 - Revenue bond proceeds: \$4,000,000
 - Housing Grant (2014 Leg): \$1,100,000
 - IRRRB Grant: \$ 500,000
- **Planned occupancy:** Fall 2016
- **Student consultation:** Nov 2014



2015 System office / Design

- Amount: \$1,500,000
- Used to:
 - Satisfy emerging private use opportunities
 - Initiate design of future projects
 - Fund smaller projects, such as asset preservation
- Debt serviced by system revenue fund until placed with a college or university

Refunding

- Bonds sold in 2005 available for refunding (10 years)
 - Similar to refunding of 2002 bonds in 2012
 - Current conditions financially advantage to colleges and university
- 2005 projects impacted:
 - MSU Mankato Residence Hall – Julia Sears
 - St Cloud State University Parking Ramp
- Estimated savings:
 - \$350,000 in annual debt service savings
 - \$5.0 million total net present value

Bond Sale Structure – 2 Series

- Tax-Exempt: \$36.1 million

Refund Series 2005A, Mankato	\$28,745,000
Refund Series 2005A, St Cloud	\$2,985,000
<u>Vermilion Housing</u>	<u>\$4,330,000</u>
Tax-Exempt Total	\$36,060,000

- Taxable: \$40.7 million

MSU Mankato Dining Facility	\$34,040,000
MSU Moorhead Student Union	\$4,950,000
<u>System office/design funds</u>	<u>\$1,655,000</u>
Taxable Total	\$40,645,000



Recommended Action

- The Board of Trustees authorizes a revenue bond sale for not more than \$40,000,000 of tax-exempt Series 2015A Bonds and for not more than \$44,000,000 of taxable Series 2015B Bonds subject to the sale parameters as presented on **Attachment A**. The Board of Trustees approves the Series Resolution as described in **Attachment B**. In addition, as bond proceeds are made available, the Chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

Metropolitan State University Construction Update



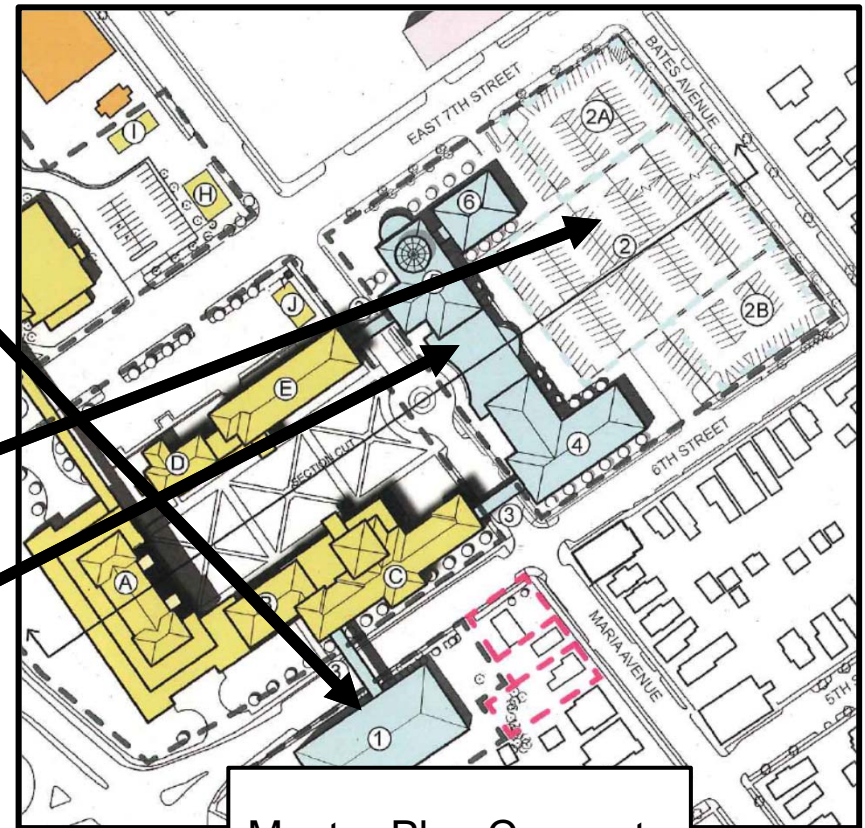
Finance and Facilities Committee
November 18, 2014

Purpose

- Update the Board of Trustees on the ongoing major construction at Metropolitan State University;
- Gain approval of updated project budgets; and
- Provide a status update on property acquisition action associated with the construction program

Master Plan and Programmed Construction

- St Paul campus development in 2011 Master Plan
- Science Education Center
 - Capital Bonding
 - \$3.4M - 2011 / \$35.9 M – 2014
- Parking Complex
 - \$17.6M – 2013 Revenue Fund
- Student Center
 - \$11.6M – 2013 Revenue Fund



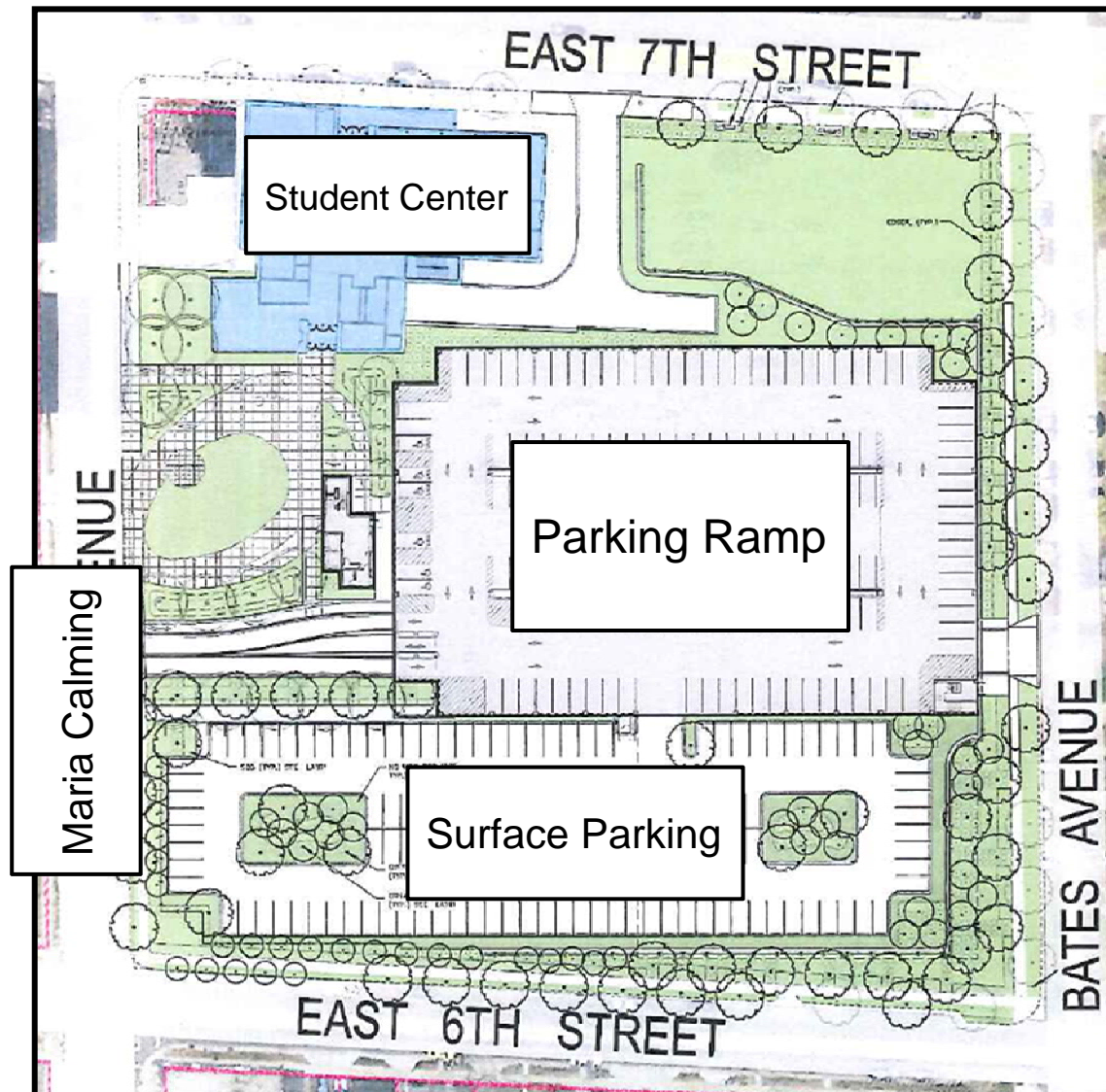
Master Plan Concepts

Parking Ramp and Student Center Design

- Initial configuration and designs were challenged
- System office brokered city, neighborhood, and university discussions and negotiations
- Accommodations:
 - Re-siting and reorientation parking ramp and student center
 - Limited ramp entry/exit to Maria and Bates Avenues
 - Limited ramp height and scope
 - Green space
 - Maria 'calming' initiative
- Schedule and cost impacts:
 - Program redesign and construction costs: \$4.7 million
 - Delays: parking ramp: 7 months; student center: 11 months



Current Site plan



Environmental Mitigation

- May 2014: Soil contamination discovered during initial parking ramp excavation
 - Diesel and gasoline organic compounds, volatile organic compounds
 - Levels exceeding permissible limits
 - Additional testing and researched confirmed
- Mitigation actions:
 - MPCA coordination
 - Removal, disposal, and replacement of contaminated soil
 - Vapor barrier installation and stormwater system redesign and upgrade
- Schedule and cost impacts:
 - Program redesign, construction, and delay costs: \$4.6 million
 - Delays: parking ramp: 5 months; student center: negligible



Financing

	Parking Ramp	Student Center	Maria Calming	Program Total
Costs/Expenses				
Original	\$17,605,000	\$11,604,982	N/A	\$29,209,982
Neighborhood Accommodations	\$2,449,820	\$642,247	\$1,640,788	\$4,732,855
Environmental Remediation, Delay and Adjustments	\$4,276,898	\$24,436	\$280,612	\$4,581,946
Current Cost Estimate	\$24,331,718	\$12,271,665	\$1,921,400	\$38,524,783
Change	+\$6,726,718	+666,683	+1,921,400	+\$9,314,801
Revenues				
Original 2013 Revenue Bond Sale - Project	\$17,605,000	\$11,604,982	N/A	\$29,209,982
University general fund balances – grant			\$1,640,788	\$1,640,788
University general fund reserves – loan	\$2,024,000			\$2,024,000
2013 Revenue Bonds – system	\$1,594,000	\$100,000		\$1,694,000
Supplemental university general fund reserves and balances - grant	\$3,108,718	\$566,683	\$280,612	\$3,956,013
Current Revenues	\$24,331,718	\$12,271,665	\$1,921,400	\$38,524,783

Lessons Learned

- Neighborhood and community coordination
 - Master Planning
 - Design process, predesign special interest item
- Environmental considerations
 - Design process, predesign special interest item
 - Design: Phase I evaluation
 - Urban area default = 'Contaminated' until proven otherwise

Property Acquisition Update

- Unable to secure residential property at 393 Bates Avenue through a negotiated sale, the board authorized the chancellor to take action to complete the acquisition
 - Direct negotiations, settlement or the eminent domain process
- Attempts to clear title through Veterans Affairs and General Services Administration to facilitate an agreement
- Processing a final appraisal in preparation for final offer
- Initiate eminent domain action, if required, as soon as January 2015

Recommended Committee Action

- The Board of Trustees finds construction of Metropolitan State University's parking ramp and student center necessary to the programs and mission of Metropolitan State University and authorizes new project budgets, specifically up to \$24.5 million to complete the parking ramp and \$12.5 million for the student center and up to \$2 million for the Maria calming project. The chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

Northland Community and Technical College Lease

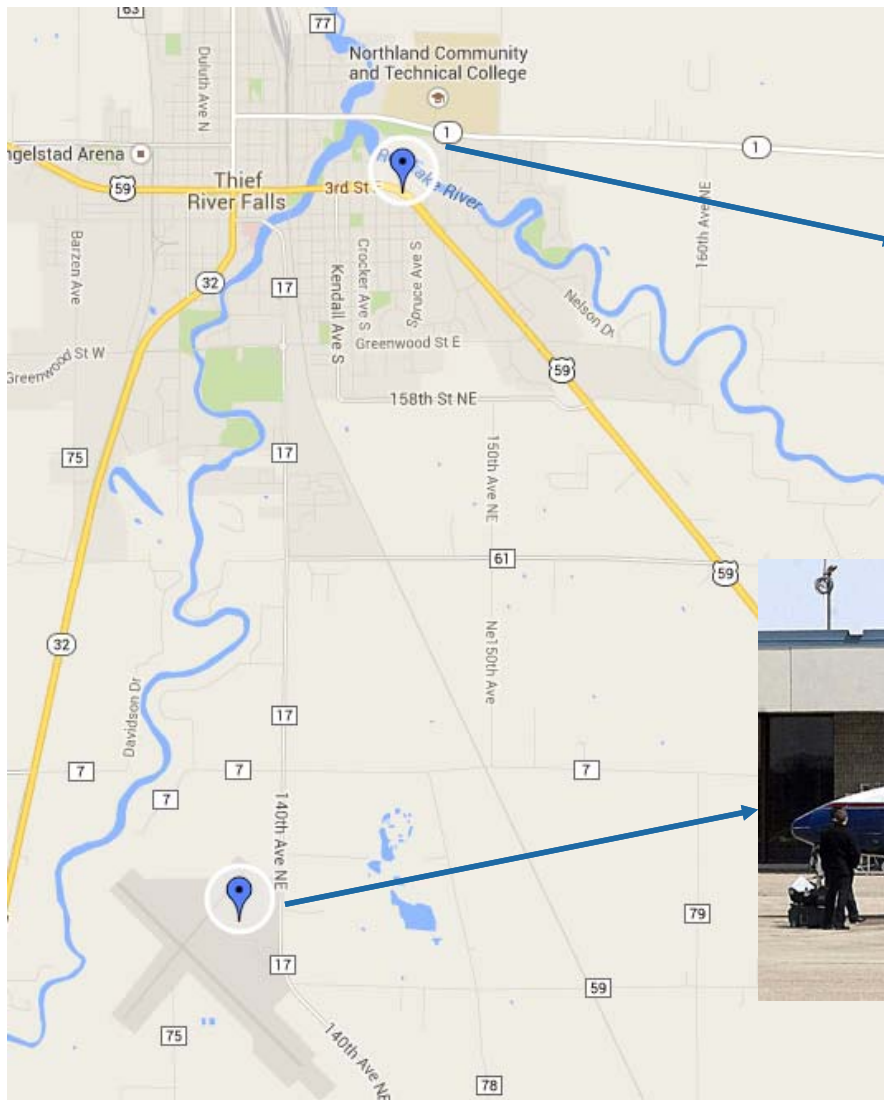
Finance and Facilities Committee
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Purpose

- Gain board approval of a lease between the Board and Thief River Falls Airport Authority and satisfy the legislative conditions necessary to release funds for the 2014 Northland Community and Technical College aviation maintenance capital project

Location



Background – 2014 Bonding Bill

- Bill provided \$5.864 million to design, demolish, construct and equip the current aviation maintenance facilities at the Thief River Falls airport
- The legislation conditioned release of the appropriation upon the board entering into a long-term ground lease with the Thief River Falls Airport Authority

Basic Terms

- Ground lease and operating agreement
- Minimum term required per legislation: 37.5 years
- 40 year lease term (operating agreement runs concurrently)
- Average cost per year: \$51,909
- Leased Area: 257,230 sq. ft.
- Cost psf: \$0.20
- Total Cost: \$2,076,360

Recommended Action

- The Board of Trustees authorizes the chancellor or his designee to execute all necessary lease and related documents with the Thief River Falls Airport Authority, its successor, or assigns for purposes of satisfying the legislative conditions necessary to release funds for the Northland Community and Technical College capital project.

Lake Superior College Lease

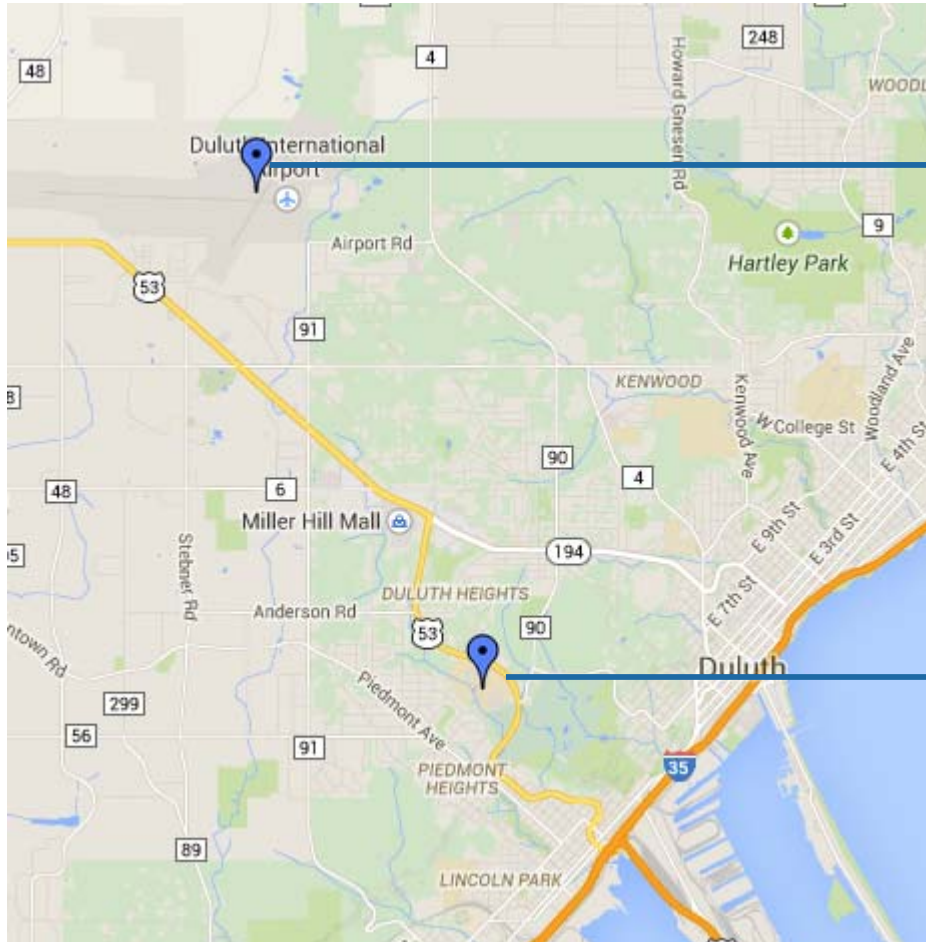
Finance and Facilities Committee
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Purpose

- Gain board approval of a lease between the Board and Duluth Airport Authority for Lake Superior's aviation maintenance and pilot programs

Location



Background

- Allow the college to operate its aviation maintenance program and consolidate its pilot program in Hangar 103 on the airport
- Growth driven by Cirrus and AAR successes
- Airport authority providing up front build out costs
- Serving 50 – 100 new FYE
- College to pay back tenant improvements through lease

Basic Terms

- 10 years total - 5 year term with 5 years option to renew
- First 5 years: \$362,101
- Years 6 – 10: \$370,422
- Leased Area: 39,577 sq. ft.
- Rent psf: \$9.14 (includes amortized portion of improvements)
- Total Rent: \$3,662,615 (10 years)

Recommended Action

- The Board of Trustees authorizes the chancellor or his designee to execute all necessary lease and related documents including renewals, with the Duluth Airport Authority, its successor, and assigns to lease property at the Duluth airport for Lake Superior College.