

# Facilities Items



Finance and Facilities Committee  
October 21, 2014

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

# 2015 Capital Bonding Recommendation



# Purpose

- Gain Board approval of capital investment priorities for the 2015 legislative session
- Endorse HEAPR language for Southwest Minnesota State University

# Background – Capital Bonding

- One of two major funding mechanism for system's capital investment needs – Academic priorities
- Traditionally capital bonding occurs during even-number years of a legislative session
  - Deliberate process in place for Board statement on priorities
  - 2014 session provided \$159.8 million for Board approved priorities
  - Development of 2016 recommendation underway
- Not uncommon for odd-year sessions to produce bonding bills

# 2015 Development

- Recommendation based on Board approved priorities from 2014
- 2 components:
  - Unfunded 2014 priorities:
    - Asset preservation – HEAPR
    - Demolition
    - Projects: 8 project lines, 10 campuses
  - Construction ‘tails’ enabled by 2014 funding of Board approved designs
    - Projects: 5 projects
    - Also being reviewed as part of 2016 recommendation

# Recommendation

Asset preservation:	\$67.5 million
Select Demolition:	\$5.0 million
Projects not funded in 2014:	\$39.6 million
<u>'Construction' Tails from 2014:</u>	<u>\$70.5 million</u>
Total Program:	\$182.6 million
GO funded:	\$145.9 million
System financed:	\$36.7 million

# Southwest Minnesota State HEAPR

- Seek specific legislation to utilize \$474,000 for HEAPR work at university
- Remaining funds from 2012 capital bonding for design work
- Planned use:
  - Pool deck repairs
  - Entry door replacement
  - Light replacement
  - Design link repairs
- MMB recommends legislative action

# Recommended Action

- The Board of Trustees approves the capital bonding priorities as presented in Attachment B, and authorizes submission to the executive and legislative branches for consideration as part of the 2015 legislative session. The Chancellor is authorized to make cost and related adjustments to the request as required and shall advise the Board of any subsequent changes in the capital bonding request through the 2015 legislative process. In addition, as funding is authorized and appropriated by the legislature and approved by the Governor, the Chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.
- Further, the Board of Trustees endorses the pursuit of legislative action enabling the use of capital funds from fiscal year 2012 no longer required for capital project design work at Southwest Minnesota State University for asset preservation work through HEAPR at the university.



# 2015 Revenue Fund Bond Sale



# Purpose

- First Reading to 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

# 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-

# 2015 Projects

## MSU, Mankato Dining Facility

- Scope: New 61,800 square foot facility
- Estimated project cost: \$31,500,000
  - Campus Revenue Funds: \$3,000,000
  - Revenue bond proceeds: \$28,500,000
- Planned occupancy: Spring 2017
- Student consultation memo: Nov 2014

# 2015 Projects

## MSU Moorhead Comstock Union Renovation

- Scope: 36,402 square foot renovation  
3,000 square foot addition
- Estimated project cost: \$9,000,000
  - Campus Revenue Funds: \$4,500,000
  - Revenue bond proceeds: \$4,500,000
- Planned occupancy: Summer 2016
- Student consultation memo provided

# 2015 Projects

## Vermilion Community College – Student Housing

- Scope: 18,480 square feet of replacement housing  
11,300 square feet of new housing
- Estimated project cost: \$5,500,000
  - Revenue bond proceeds: \$4,000,000
  - Housing Grant: \$1,100,000
  - IRRRB Grant: \$500,000
- Planned occupancy: Summer 2016
- Student consultation memo provided



# 2015 System office / Design

- Amount: \$1,500,000
- Used to:
  - Satisfy emerging private use opportunities
  - Initiate design of future projects
- Debts 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
- Anticipated savings:
  - \$3.6 - \$4.0 million total net present value
  - \$300,000 - \$350,000 in annual debt service savings

# 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>Vermillion 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.
- *NEW: 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.*

# Rochester Community and Technical College Workforce Center Lease Exceeding \$3 Million



# Purpose

- Gain Board approval of a lease between Rochester Community and Technical College and Department of Employment and Economic Development (DEED)

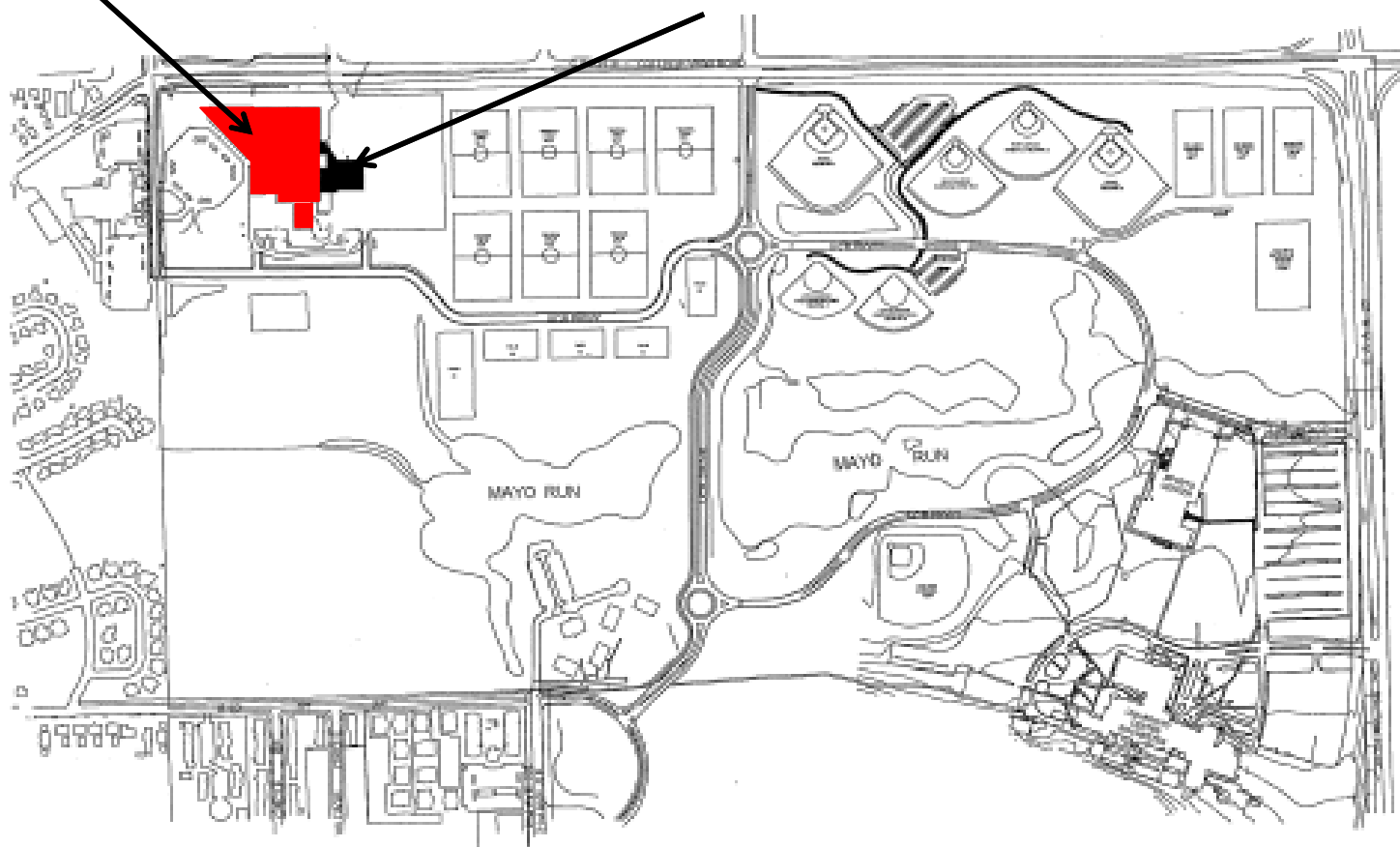
# Background – 2012 Bonding Bill

- Bill provided \$8.746 million to upgrade the Heintz Center and construct an adjoining workforce center on campus of RCTC
  - \$3.146 million for RCTC's Heintz Center upgrades
  - \$5.6 million for workforce center construction
- Enabling legislation called for the Board to enter into a lease with DEED for operational and debt service costs.

# Geography

Heintz Center

Workforce Center





# Basic Terms

- Scope 14,694 square feet
- Initial Term: 5 years, with 3, 5-year options
- Rent:
  - Year 1      \$13.27/sq ft      \$194,989/year
  - Year 2      \$13.73/sq ft      \$201,748/year
  - Year 3      \$14.21/sq ft      \$208,801/year
  - Year 4      \$14.71/sq ft      \$216,148/year
  - Year 5      \$15.22/sq ft      \$223,642/year
- Debt Service:    \$8.59/sq ft (average)    \$126,288/year



## Recommended Action

- The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease and related documents including renewals, with the Department of Employment and Economic Development (DEED), its successor, subtenants and assigns for the co-location of the Workforce Center at the Rochester Community and Technical College campus.