

**MINNESOTA STATE
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Executive Committee

Date: March 5, 2019

Title: Contract Exceeding \$1 million and Revenue Bond Fund Allocation: MSU, Mankato, Sports Bubble Construction

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 5.14, Procurement and Contracts, requires that contracts, including amendments, with values greater than \$1,000,000, must be approved in advance by the Board of Trustees.

MSU, Mankato plans to construct a 240' x 450' (108,000 sq. ft) seasonal sports dome with an attached 4,300 square foot support building containing mechanical equipment, restrooms and to provide seasonal dome storage. The total project cost is estimated to be approximately \$5.7 million. The college is seeking Board approval to a) enter a construction contract (including the cost of purchasing the dome itself) in excess of \$1.0 million and b) allocate approximately \$2.0 million of available proceeds of the Revenue Fund Bonds, Taxable Series 2015B (the "Series 2015B Bonds"), issued by the Board of Trustees, Minnesota State Colleges and Universities on February 26, 2015 to finance a portion of the project cost

Scheduled Presenter: Brian Yolitz, Associate Vice Chancellor for Facilities

**MINNESOTA STATE
BOARD OF TRUSTEES**

BOARD ACTION

**CONTRACT EXCEEDING \$1 MILLION AND REVENUE BOND FUND ALLOCATION:
MSU, MANKATO, SPORTS BUBBLE CONSTRUCTION**

AUTHORITY

Board Policy 5.14, *Contracts and Procurements*, requires advance approval by the Board of procurement contracts in excess of \$1 million.

BACKGROUND

MSU, Mankato plans to construct a 240' x 450' (108,000 sq. ft) seasonal sports dome with an attached 4,300 square foot support building containing mechanical equipment, restrooms and to provide seasonal dome storage. The total project cost is estimated to be approximately \$5.7 million. The college is seeking Board approval to a) enter a construction contract (including the cost of purchasing the dome itself) in excess of \$1.0 million and b) allocate approximately \$2.0 million of available proceeds of the Revenue Fund Bonds, Taxable Series 2015B (the "Series 2015B Bonds"), issued by the Board of Trustees, Minnesota State Colleges and Universities on February 26, 2015 to finance a portion of the project cost.

The university's 2013 CFP, which included an Athletic Master Plan, contemplated an indoor turf practice facility on campus. Since that time, the university has supplemented the facility plan with a feasibility study for a domed sports center and convened an Athletics and Campus Recreation Programming and Space Needs Task Force, which included student leaders, student athletes and campus recreational facility users, campus recreational staff, and athletic department staff. The task force vetted and further refined the sports dome concept. The resulting task force recommendations generated substantial momentum to pursue a sports dome, culminating in a student referendum held December 4, 2018, in support of a seasonal indoor recreation facility fee in support of the project debt service from taxable revenue bonds. The sports dome will be a mixed use athletic facility with the facility being shared by student recreation, student athletics, and community partners. The planned location is shown on **Attachment A**.

SCHEDULE

The university used its own funds to complete the schematic design for the project. Pending Board approval and allocation of revenue bonds, the university intends to complete design work and plans to bid the project in the summer of 2019 with an anticipated completion date by November 1, 2019. The dome could be in use as early as late Fall 2019.

FUNDING

The project will have two (2) primary sources of capital funding: \$2 million of Series 2015B Bonds to be allocated from the 2015 revenue bond sale and approximately \$3.7 million of university reserves. There is a possibility of a third funding source from the philanthropic community that would reduce the university's capital contribution, but the commitment had not yet been formalized in time to be included in this Board report. The university does not anticipate any impact on tuition rates as a result of this project, but students have voted in support of a revenue fund fee to support this seasonal recreational facility, specifically a fee not to exceed \$0.83 per credit or \$10.00 per semester with banded tuition for a period of 10 years. The new fee will be included in the university's annual tuition and fee submittal later this year and become effective starting in FY2020.

Relating to the taxable revenue bonds contemplated for this project, the system regularly issues between \$1-\$3 million of taxable bonds during each regularly scheduled bond sale to advance design or deploy for smaller revenue bond projects. The Board originally authorized a \$73 million revenue bond sale in February 2015 to finance several revenue fund projects, which included \$2.5 million of Series 2015B Bonds for future project design or construction. Of the Series 2015B Bonds, \$2.0 million remains available for project use. Bond counsel recommends that bond proceeds should be fully committed within three (3) years of a bond sale, and the MSU Mankato project would fully utilize the remaining \$2.0 million in bond proceeds.

STUDENT REFERENDUM

Because the dome will support recreational sports and involve revenue fund debt service, the university worked closely with the students as they developed a student referendum during fall 2018 to approve a facility fee supporting the seasonal recreational dome. Students were asked to vote in support of a Seasonal Recreational Facility Student Fee for a period of 10 years at a cost not to exceed \$0.83 per credit or \$10.00 per semester with banded tuition. The new fee would begin in the Fall 2019 semester. In order to be considered a valid referendum vote, the Student Government Constitution required that the number of participants in the vote equal at least half of the number of participants in the last regular election. In Spring 2018, 2,155 voters participated, meaning that 1,078 participants would be required for the fee referendum to be considered. The results of the December 4 vote were substantially in favor of the fee and project:

Of the 2,915 participants, 1,900 (65%) voted "Yes", 997 (34%) voted "No" and there were 18 (1%) abstentions.

Although the referendum outlined a separate seasonal recreational facility fee, university currently has a revenue fund facility fee for its outdoor recreational fields, and the indoor recreational facility fee would be reported under the university's revenue fund recreational fee facility line with the specific fee amount identified.

RECOMMENDED COMMITTEE MOTION

The Executive Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees authorizes the chancellor or the chancellor's designee to execute a construction contract not to exceed \$5.7 million for the construction of the seasonal sports dome and authorizes the allocation of \$2.0 million of Series 2015B Bonds to Minnesota State University, Mankato, for the project.

RECOMMENDED BOARD MOTION

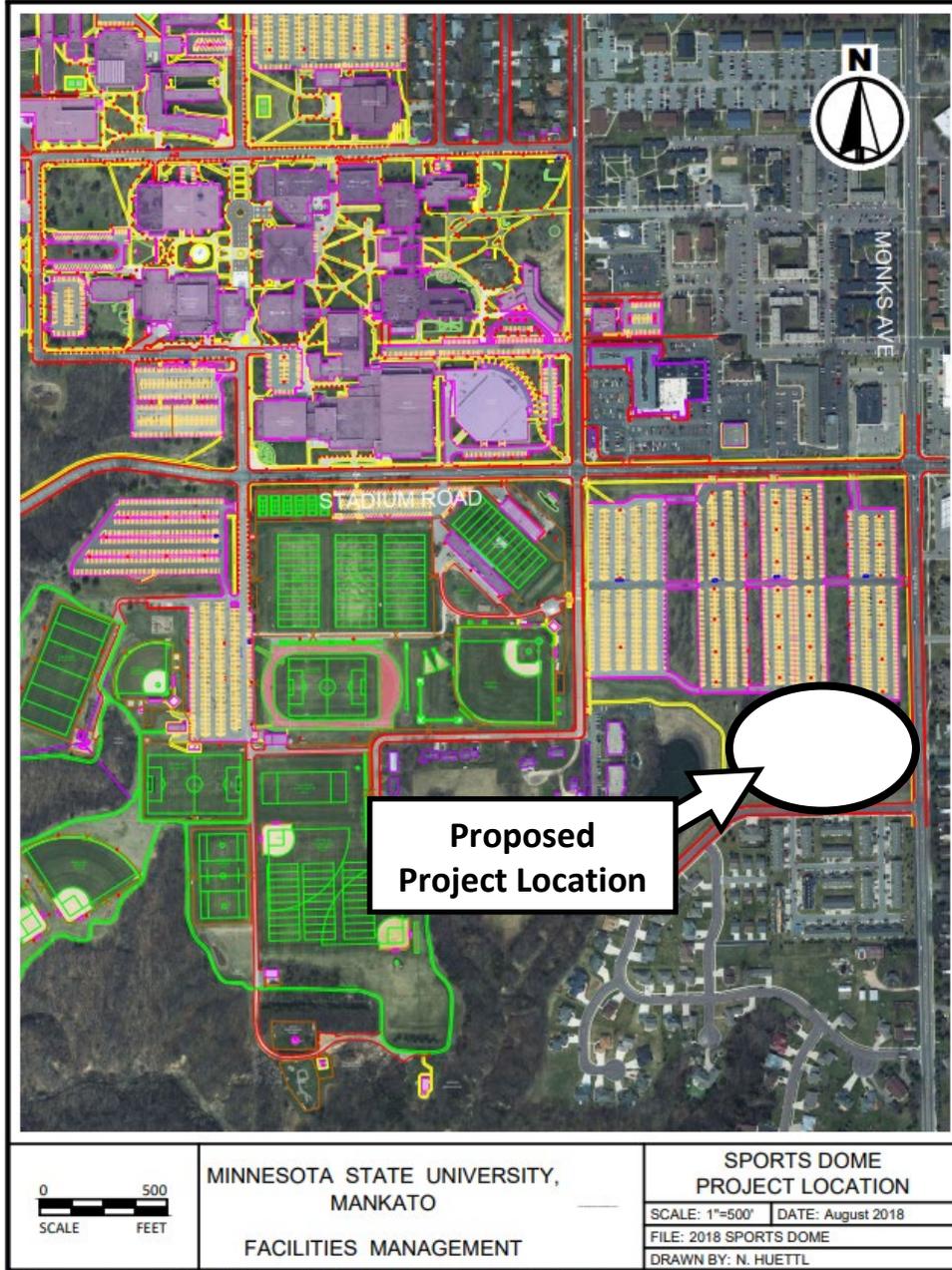
The Board of Trustees authorizes the chancellor or the chancellor's designee to execute a construction contract not to exceed \$5.7 million for the construction of the seasonal sports dome and authorizes the allocation of \$2.0 million of Series 2015B Bonds to Minnesota State University, Mankato.

Date Presented to the Board of Trustees: 3/20/2019

Date of Implementation: 3/20/2019

ATTACHMENT A

**Sport Bubble Construction
Minnesota State University, Mankato**



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