

**ITEM 152-2010-R0911**

**Authorization to Construct a Suite-Style Residence Hall, Make Improvements to Certain Existing Residence Halls, and Proceed with the Issuance of Series M 2011 Facilities Revenue Bonds: MSU Bozeman**

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**THAT**

The Board of Regents authorizes MSU- Bozeman to construct a suite-style residence hall and construct improvements to certain existing residence halls in an amount not to exceed \$15 million; and;

The Board of Regents adopts a Resolution for the Series M 2011 Facilities Improvement Revenue Bonds for Montana State University and authorizes MSU and the Commissioner of Higher Education of the Montana University System to proceed with the issuance of these bonds in an amount up to \$16 million.

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**EXPLANATION**

1. Board of Regents' Item 151-2004-R0511 authorized the University to design a new housing unit, as well as improvements to existing student housing facilities. Such design work is currently in progress.
2. This item authorizes MSU to construct and improve its facilities based on that design work, and to obtain the related financing necessary to:
  - a. fund \$15 million in renovation and construction of student housing facilities;
  - b. pay costs related to the bond issuance, including attorneys', underwriters', and other professional fees; and
  - c. provide for a debt service reserve fund, should it be deemed necessary.
3. Debt is expected to be issued in November, 2011, at a fixed rate of interest; the total interest cost will be no more than 4.75%, and the final maturity will be no later than 20 years.
4. Due to the strength of the University's credit rating, management does not expect to attach bond insurance to this transaction. Current markets show that the potential reduced interest rate gained from bond insurance is minimal in comparison with the associated costs. Should market conditions fluctuate significantly, indicating a benefit to be derived from issuing insured bonds that outweigh the related costs, the University would seek bond insurance at a cost not to exceed \$250,000.
5. Principal and interest payments will be made from Auxiliary Services revenue streams, as shown in the attached Plan of Finance.
6. The bond approval process requires the Board of Regents to be presented with certain documents prepared or reviewed by university bond counsel, including a supplemental indenture of trust, a bond purchase agreement, a continuing disclosure agreement, and a preliminary official statement. These documents have been filed with the commissioner's office on behalf of the board, and they have been reviewed by university and commissioner staff. They are available for

review upon request and will be available at the regents' meeting on September 21-22, 2011. The document which must be expressly approved by the board is the Bond Resolution, which is attached to this item. The Bond Resolution provides the board's approval of the issuance, sale and delivery of the Series M 2011 Bonds and delegates to the Board Chair, the MSU Vice President for Administration and Finance and Counsel to the Board the authority to approve the form and content of the various documents needed to complete the transaction, including the above-mentioned documents.

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**ATTACHMENTS**

1. Plan of Construction
2. Plan of Finance
3. Series M 2011 Facility Improvement Revenue Bond Resolution