

## ITEM 152-2010-R0911: Attachment 2: Plan of Finance

### Housing System Environment

- Freshmen are required to live on- campus, to ensure that they have access to academic programs and a structure that offers the best opportunity for success.
- Students expect that their on-campus living experience will be a positive one, and expect updated facilities and amenities that offer privacy, wireless internet and comfortable gathering spaces.

### Housing System Study Results

- The housing system has managed its resources well, ensuring that funds are available for periodic small-scale updates such as re-carpeting and furniture replacement.
- The committee recommended that the housing operation add additional space to meet student demand, and make significant updates to certain of its common spaces— primarily restrooms and study areas.

### Contemplated Series M 2011 Debt

- The current housing system debt structure includes debt incurred in 1993 and 1996 to build 2 suite-style facilities and a family and graduate housing complex, as well as to perform utility and wiring improvements.
- The committee recommended a short debt horizon (under 20 years) to minimize interest costs and prudently retire debt as soon as could be accommodated within projected housing and dining revenue streams.
- Debt is structured with lower principal repayments in the early years, which increase significantly as soon as the existing debt is retired.
- All housing system debt, including the Series M Debt, is expected to be retired by 2028, leaving the University in a position to make significant improvements or replace certain housing units entirely at that point in time.
- The estimated debt service for this bond issue is as follows:

Average Annual Debt Service, Fiscal Years 2012 - 2022	\$ 750,000
Average Annual Debt Service, Fiscal Years 2023 - 2028	\$ 2,600,000
Total debt service over the life of the Series M bonds	\$ 23,850,000

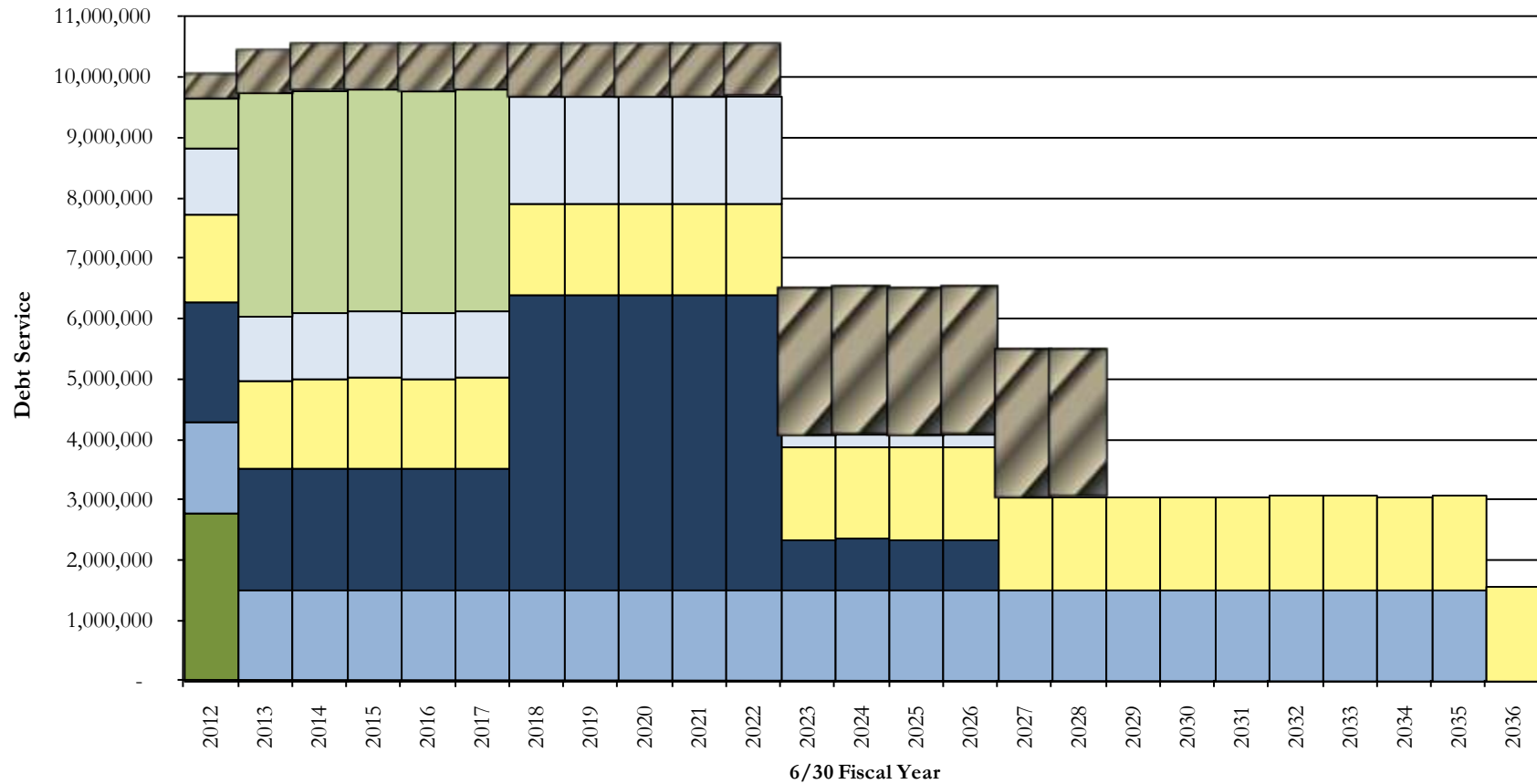
- Preliminary data for the Series M 2011 bond issue is as follows:
  - Value of bonds including premium/discount totaling up to \$16 million
    - Project cost of \$15 million
    - Up to \$1 million for issuance costs (\$220,000, or \$470,000 with bond insurance) and a debt service reserve, if needed
  - Delivery Date: November 1, 2011
  - Final maturity: November 15, 2027
  - All-in Total Interest Cost: Not to exceed 4.75%

## Repaying the Debt

The components of debt repayment, as discussed in the November 2010 Board meeting's information item, are as follows.

- Incremental debt of \$750,000 per year will be absorbed as follows through FY 2022:
  - A slight increase to approved room and board rates (approximately 1%, or an additional \$40 per semester) will be implemented effective Fall of 2012, which is outside the customary biennial fee increase timeline. This will contribute \$220,000 annually to debt repayment.
  - In recent years, the Housing system had paid certain expenses which resulted in benefits to the entire University, but were not directly allocable to Housing system operations. In FY2011, management reallocated approximately \$320,000 of these annual expenses to other University funding sources.
  - Due to record enrollments and high rates of occupancy, the Housing system has experienced increased net revenues in recent years. This, coupled with continued cost containment, will contribute the remaining \$210,000 annually to debt repayment.
- Existing Housing system debt service (\$2.5 million for FY2011) will decrease in FY2018, and will cease entirely in FY2023, as existing bonds are retired. These payments will be replaced with \$2.6 million in annual Series M 2011 debt service from FY2023 through FY2028.

**Montana State University Debt Service**  
**All Campuses**  
**Montana State University - All Campuses**  
**Outstanding Debt Service Requirements with Pro Forma Series M 2011**



\* Assumes 3.953% fixed rate swap rate and does not include direct purchase applicable spread or variable rate index

■ A 1993   ■ H 2004   ■ I 2004   ■ J 2005\*   ■ K 2006   ■ L 2008   ■ M 2011 (Pro Forma)