

May 25-26, 2017

ITEM 173-1503-R0517

Request for Authorization to Construct a Living Learning Center on the Montana Tech Campus, and Proceed with the Issuance of Facilities Revenue Bonds; Montana Tech

THAT

The Board of Regents authorizes Montana Tech to construct a Living Learning Center in an amount not to exceed \$24.0 million; and

Consistent with Section 20-25-402, MCA, Borrowing by the Regents, the Board of Regents adopts a Resolution for Issuance of the Facilities and Improvement Revenue Bonds for the University of Montana (UM) and authorizes UM and the Commissioner of Higher Education of the Montana University System to proceed with the issuance of these bonds in an amount up to \$14.2 million.

EXPLANATION

1. The University received legislative authority for the construction of a Living Learning Center in the amount of \$8.5 million (House Bill 5, 65th Montana Legislature).
2. Items presented to the Board previously have discussed Montana Tech's intent to raise private funds through the Montana Tech Foundation, borrow funds through bond financing, and the desire to construct a Living Learning Center.
3. Board of Regents Item 151-1503-R5011 authorized Montana Tech to plan a new Resident Hall using \$150,000 of Auxiliary funds for this work; Board of Regents Item 153-1501-C1211 authorized Montana Tech to proceed to the design development phase of a New Residence Hall using an additional \$350,000 of Auxiliary Plant funds.
4. During the planning of a Residence Hall previously approved by the Board or Regents, the Chancellor requested the Montana Tech Foundation to engage the national university consulting firm, Brailsford & Dunlavey, to perform an intensive study and analysis to identify how best to address the needs of Montana Tech. The result of this work concluded that a different type of facility other than just a resident hall would provide additional solutions to campus needs and serve the entire Tech community. The concept of a living Learning Center that combines a new resident hall with collaborative and state of the art learning space along with dining and conference ancillary space was identified as the best design choice for a new facility on campus. Board of Regents Item 170-1501-R116 authorized Montana Tech to proceed to Design Development Phase of a Living Learning Center. The cost of this phase was covered by the previously authorized \$500,000 in Auxiliary funds.
5. Board of Regents Item 172-1502-R016 authorized Montana Tech to proceed to construction design documents in order to competitively bid the project. Authority was also granted to

increase the expenditure authority by \$1,400,000 to a total of \$1,900,000. The increase was funded with private and auxiliary funds.

6. This Item authorizes Montana Tech to construct a Living Learning Center, and obtain the related financing necessary to:
 - a. Fund up to \$24.0 million in construction of a Living Learning Center which includes
 - I. Two floors of housing with 166 beds
 - II. One floor accommodating the Enrollment Services, Academic Center for Excellence, Business, Office, and collaborative/study and dining space
 - b. Pay costs related to bond issuance, including attorneys, underwriters, trustee, and other professional services.
7. Funding is expected to be as follows:
 - a. \$2.0 million in Plant Funds reserved for this project
 - b. \$8.0 million from Private Funds raised through the Montana Tech Foundation
 - c. \$14.2 in debt for the project and to cover costs of issuing bonds
 - d. No state funds or tuition will be used
8. Debt is expected to be issued in June or July 2017 as follows:
 - a. Up to \$14.2 million at a fixed rate of interest
 - b. Term of the debt will be 20 years
 - c. Interest is expected to be no more than 4.0%
 - d. A private placement with a financial institution will be form of financing
 - e. If a private placement doesn't result in favorable rates for the financing, a public offering will be made to finance the project.
9. Due to the strength of the University UM affiliation credit rating, Montana Tech doesn't expect to procure insurance or to enter into additional covenants regarding this transaction.
10. Principal and interest payments will be made from net income from the Living Learning Center and current pledged revenues. Montana Tech's existing bond debt, approximately 1.0 million annually, will be paid in full in FY2024.
11. Principal and interest payments during construction will be paid from a plant fund balance reserved for this purpose.
12. The Bond approval process requires the Board of Regents to approve the Bond Resolution. The Bond Resolution provides the Board's approval of the issuance, sale and delivery of the Series O 2017 Bonds and delegates to the Board Chair, the UM Vice President for Administration and Finance, and the Commissioner's Office Legal Counsel the authority to approve the form and content of the various documents necessary to complete the transaction.

ATTACHMENTS

1. Plan of Construction for Living Learning Center
2. Project Budget
3. Plan of Finance
 - a. Overview
 - b. Occupancy (10 year)
 - c. Enrollment (10 year including projections)
 - d. Montana Tech projected coverage rates
 - e. University of Montana coverage rates
4. Living Learning Center Memorandum of Understanding
5. Series O 2017 Bond Resolution