

A. \$10 Million Financing for Completion of Jabs Hall

A gift of \$25 million was pledged to the MSUAF during 2011, to be paid in full by the end of 2021, of which \$18.7 million is budgeted for the design and construction of Jabs Hall. Currently, \$9 million has been received by the MSUAF, and a portion has already been used to fund design and ongoing construction. The \$10 million borrowing sought in this item will fund the remainder of construction, and will be repaid as gift funds are received from the MSUAF. In the attached plan of finance, repayments are estimated at \$2 million each year for five years. Attachments C and D document the commitment made by the MSU Alumni Foundation (MSUAF) to fund construction of Jabs Hall.

B. \$60 Million Financing for Housing Construction, Dining Renovations, and Other Housing Maintenance and Improvements

Additional debt service will be managed by re-directing the Housing and Dining system's current revenue streams, which have grown significantly due to enrollment that has already grown beyond the housing system's capacity.

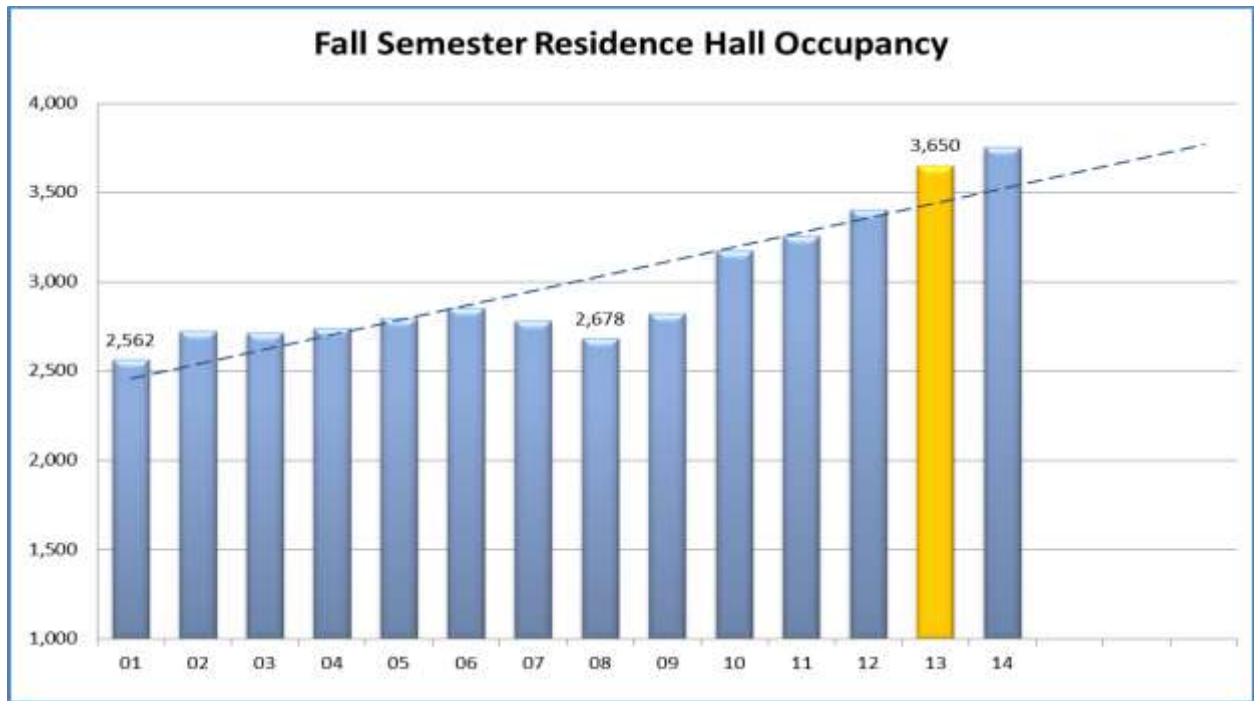
B.1. Redirection of current revenues:

- Increased enrollment has resulted in the Housing and Dining system generating significant funds in excess of recurring operating and debt service requirements.
- A significant portion of the excess has been expended to update spaces, make improvements to infrastructure (including wireless communications), and to make other improvements that ensure the accommodations are desirable to students and generate a healthy revenue stream.
- These projects accounted for approximately \$14 million in expenditures in 2011-2013, or an average of \$4.7 million in each of the past three years.
- Because the most critical improvements have now been completed, revenues that had been directed toward facilities projects are now available to direct toward increased debt service.

B.2. Expectation of Continued Strong Revenues:

The Housing and Dining system has experienced significant growth over the past several years due to the University’s increased enrollment.

- University enrollment has grown from 12,369 in Fall 2008 to 15,294 in Fall 2013, an increase of 24%.
- Residence hall occupancy has increased from 2,678 to 3,650 over the past 5 years, a 36% increase.
- Housing and Dining revenues have increased from \$23.2 million to \$31.5 million, or 36%, from 2008 to 2013.



Occupancy “flex” in the housing system has been nearly exhausted due to increased enrollment. To accommodate, management has made several adjustments to its operation:

- 272 rooms were converted from single- to double-occupancy, leaving only 28 doubles-as-singles in the housing inventory
- 218 freshmen have been placed in 62 Family & Graduate Housing units
- 182 students have been placed either in visitor apartments or lounge areas converted to student living spaces
- 93 new beds were available for fall 2013 as a result of a new 72 bed suite-style residence hall, and restoration of 21 bed spaces in the historic Quad F Hall

ITEM 161-2004-R1113: Attachment 2

Plan of Finance – Page 3 of 8

When a new 400-bed (approx.) unit is constructed, the new facility will be fully occupied.

- The 182 beds in converted spaces will be re-located to the new facility, allowing residence hall occupants to reclaim former lounge and gathering space for a better living environment.
- The 218 beds in Family & Graduate Housing will also be re-located to the new facility. This will provide room for families and graduate students to occupy the units currently unavailable to them, generating additional revenue currently not captured.
- Housing in the Bozeman area is in high demand, especially housing suitable and affordable for MSU's students.
- No current plans are underway by private developers for high-density housing that would serve needs of students.

B.3 Housing and Dining Finances

A summary of the MSU Bozeman housing and dining finances is shown in the following schedule.

ITEM 161-2004-R1113: Attachment 2

Plan of Finance – Page 4 of 8

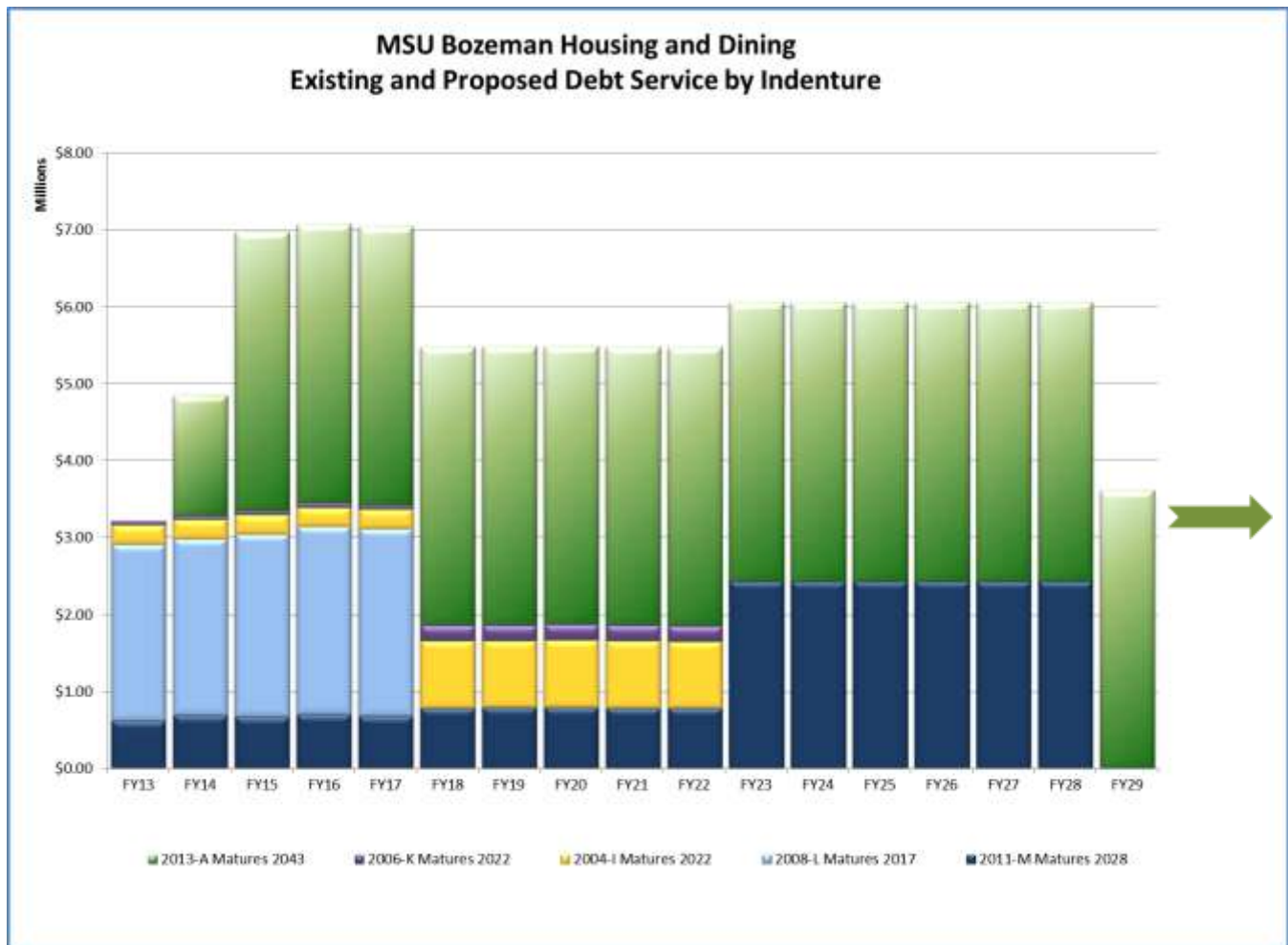
MSU Bozeman Housing and Dining Financial Summary

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Beginning Fund Balance	\$ 4,001,421	\$ 4,053,227	\$ 4,376,308	\$ 2,288,107	\$ 3,727,115	\$ 4,910,805	\$ 4,831,058	\$ 5,209,868	\$ 5,882,209	\$ 6,744,892
Total Revenues	25,900,372	28,967,613	29,514,321	31,541,731	33,458,684	34,570,324	35,831,474	37,454,241	38,342,465	39,252,173
Total Operating Expenses	(18,619,469)	(18,924,800)	(19,437,141)	(19,950,009)	(20,513,149)	(21,117,831)	(21,753,113)	(23,300,050)	(24,063,773)	(24,837,397)
NET Pledged Revenues	7,280,903	10,042,813	10,077,180	11,591,722	12,945,535	13,452,492	14,078,361	14,154,191	14,278,692	14,414,776
Bond Debt Service	(2,542,220)	(2,541,661)	(2,944,421)	(3,157,165)	(5,362,297)	(7,066,977)	(7,166,606)	(6,831,692)	(5,262,582)	(5,266,927)
<i>Housing/Dining Coverage Ratio</i>	(2.86)	(3.95)	(3.42)	(3.67)	(2.41)	(1.90)	(1.96)	(2.07)	(2.71)	(2.74)
Available after Debt Service	4,738,684	7,501,152	7,132,759	8,434,557	7,583,238	6,385,515	6,911,755	7,322,499	9,016,110	9,147,849
Annual Recurring R&R	(837,000)	(1,014,656)	(1,019,000)	(907,990)	(1,000,000)	(1,000,000)	(1,000,000)	(1,047,500)	(1,047,500)	(1,097,375)
Other R&R-- Addressing Deferred Maintenance/Upgrades	(1,867,407)	(4,096,864)	(5,986,822)	(3,827,449)	(2,750,000)	(2,750,000)	(2,750,000)	(2,750,000)	(4,250,000)	(4,250,000)
University G&A Recharges	(1,982,471)	(2,066,551)	(2,142,395)	(2,127,734)	(2,200,000)	(2,266,000)	(2,333,980)	(2,403,999)	(2,476,119)	(2,550,403)
Annual BOI Intercap Loan Payment	-	-	(72,743)	(132,376)	(449,548)	(449,262)	(448,965)	(448,658)	(379,807)	(311,644)
Total Annual R&R, Deferred Mtce Projects, and BOI Intercap Loan	(4,686,878)	(7,178,071)	(9,220,960)	(6,995,550)	(6,399,548)	(6,465,262)	(6,532,945)	(6,650,158)	(8,153,426)	(8,209,422)
Change in Fund Balance	51,806	323,081	(2,088,201)	1,439,008	1,183,690	(79,747)	378,809	672,341	862,683	938,427
Ending Fund Balance	\$ 4,053,227	\$ 4,376,308	\$ 2,288,107	\$ 3,727,115	\$ 4,910,805	\$ 4,831,058	\$ 5,209,868	\$ 5,882,209	\$ 6,744,892	\$ 7,683,319
		Includes significant one-time capital items			Re-directing expenditures toward higher levels of debt			Debt service payments decrease when existing debt is retired		

Net revenues have trended upward, while debt service has risen only slightly. The minimal net revenue increases modeled above result in cash flows that are sufficient to service additional debt. Should a decline in enrollment and occupancy occur, the deferred maintenance and upgrades anticipated at \$2.75- \$4.25 million in years 2014 – 2019 would be curtailed.

B.4. Housing and Dining Debt Service Projections

Debt service for the housing and dining system is approximately \$3.2 million through 2017, then decreases significantly when debt that was issued in 1996 is retired. Existing housing debt will be retired completely in 2028. This short horizon on housing system obligations, coupled with a substantial increase in revenues over the past several years, enables the University to take on additional debt for housing and dining projects. Debt commitments are shown in the following schedule.



ITEM 161-2004-R1113: Attachment 2
Plan of Finance – Page 6 of 8

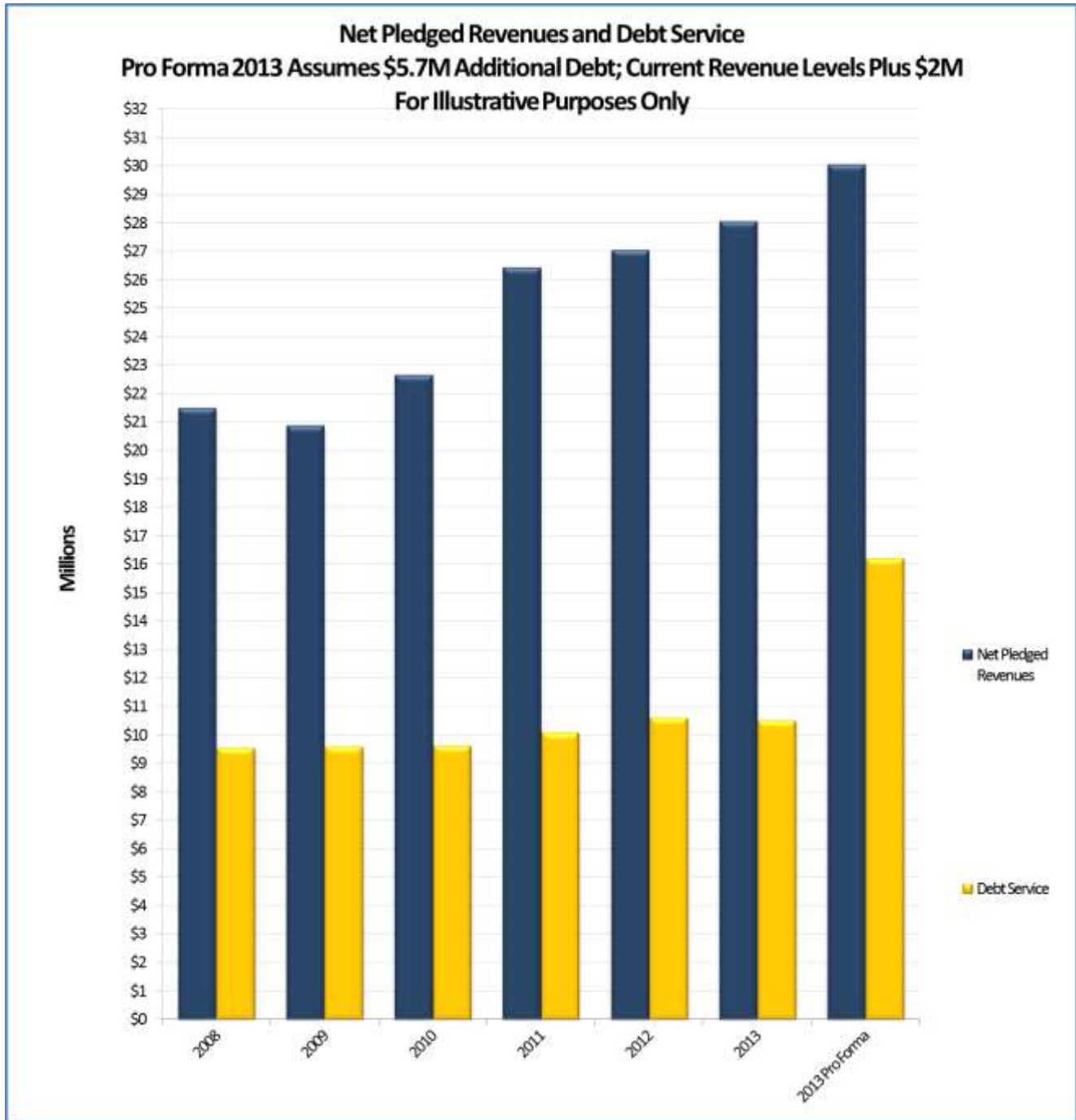
C. The Big Picture

All borrowings must be viewed in relation to the University’s overall outstanding bond debt service. The information below summarizes all MSU campuses’ pledged revenues and debt service historically, and demonstrates the ability to take on additional debt from a broad perspective.

The first pro forma column illustrates what 2013 may have looked like with additional housing debt at the level proposed, but with no additional housing or dining revenue. The second pro forma column incorporates the housing debt as well, but adds in the \$2 million Jobs gift and borrowing. To present the most conservative picture possible, no additional housing revenues are assumed in either scenario.

MSU—All Campuses Pledged Revenue Summary

	2009	2010	2011	2012	2013 (unaudited)	2013 (pro forma) (with housing debt only)	2013 (pro forma) (with housing and bridge loan)
Student Housing System Facilities Revenues							
Residence Halls and Food Services	\$24,556,761	\$26,605,199	\$30,522,113	\$31,221,148	\$32,490,672	\$32,490,672	\$32,490,672
Family and Graduate Housing	<u>3,978,444</u>	<u>4,080,090</u>	<u>4,135,430</u>	<u>3,879,067</u>	<u>3,881,421</u>	<u>3,881,421</u>	<u>3,881,421</u>
Total:	<u>\$28,535,205</u>	<u>\$30,685,289</u>	<u>\$34,657,543</u>	<u>\$35,100,215</u>	<u>\$36,372,093</u>	<u>\$36,372,093</u>	<u>\$36,372,093</u>
Student Housing System Facilities Operation and Maintenance Expenses							
Residence Halls and Food Services	\$20,525,593	\$20,672,982	\$22,024,541	\$22,617,447	\$23,445,489	\$23,445,489	\$23,445,489
Family and Graduate Housing	<u>2,653,976</u>	<u>2,621,970</u>	<u>2,480,154</u>	<u>2,431,735</u>	<u>2,199,285</u>	<u>2,199,285</u>	<u>2,199,285</u>
Total:	<u>\$23,179,569</u>	<u>\$23,294,952</u>	<u>\$24,504,695</u>	<u>\$25,049,182</u>	<u>\$25,644,774</u>	<u>\$25,644,774</u>	<u>\$25,644,774</u>
Net Student Housing System Facilities Pledged Revenues	\$5,355,636	\$7,390,337	\$10,152,848	\$10,051,033	\$10,727,319	\$10,727,319	\$10,727,319
Other Pledged Revenues							
Gift revenue from the MSUAF	-	-	-	-	-	-	2,000,000
Other Revenue Facilities Pledged Revenues	2,155,153	2,083,511	2,236,144	2,295,972	2,302,990	2,302,990	2,302,990
Student Fee Revenues	6,871,992	7,212,197	7,775,255	8,184,457	8,450,123	8,450,123	8,450,123
Land Grant Income	2,000,527	1,616,394	1,939,931	1,758,778	1,931,797	1,931,797	1,931,797
Investment Income	1,223,201	904,856	940,231	676,480	462,917	462,917	462,917
Events Receipts	1,668,860	1,713,825	1,835,134	2,540,881	2,428,568	2,428,568	2,428,568
Museum Lease Income	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Expenses	(178,285)	(71,503)	(63,201)	(72,748)	(39,244)	(39,244)	(39,244)
F&A Cost Recovery Payments	<u>1,474,514</u>	<u>1,514,793</u>	<u>1,309,113</u>	<u>1,309,256</u>	<u>1,482,103</u>	<u>1,482,103</u>	<u>1,482,103</u>
Net Pledged Revenues	<u>\$20,871,598</u>	<u>\$22,664,410</u>	<u>\$26,425,455</u>	<u>\$27,044,109</u>	<u>\$28,046,573</u>	<u>\$28,046,573</u>	<u>\$30,046,573</u>
Actual Debt Service for Outstanding Bonds	\$9,599,949	\$9,610,416	\$10,092,542	\$10,603,041	\$10,499,013	\$10,499,013	\$10,499,013
Debt Service Coverage Ratio	2.17 x	2.36 x	2.62 x	2.55 x	2.68 x		
Proforma Additional Annual Debt Service (\$3.6 M 30-year debt, \$2.0 M 5-Year Debt)						<u>\$3,600,000</u>	<u>\$5,700,000</u>
Proforma Total Annual Debt Service						<u>\$14,099,013</u>	<u>\$16,199,013</u>
Proforma Debt Service Coverage Ratio, All Debt						1.99 x	1.87 x



Net pledged revenues have increased significantly, and the University has not taken on significant new debt. In fact, in the recent low interest rate environment, the University was able to reduce its debt service with the refinancing of its Series H and Series I debt, creating additional debt capacity. With this proposed debt issuance, annual debt service will increase reasonably in comparison with the increase in revenues. The above schedule demonstrates pro-forma revenue and debt service including bridge funding for the Jobs gift.

The University’s anticipated debt service schedule, assuming the additional proposed debt, is as follows. It includes the housing system debt (both existing and proposed), and all debt service from all projects for the MSU campuses.

