

ANNUAL REPORT

FISCAL YEAR 2012

**MASSACHUSETTS
STATE COLLEGE BUILDING AUTHORITY**



ANNUAL REPORT

FISCAL YEAR 2012

FOR THE PERIOD
JULY 1, 2011 THROUGH JUNE 30, 2012

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

253 SUMMER STREET ~ SUITE 300
BOSTON, MASSACHUSETTS 02210
WWW.MSCBA.ORG

JAMES T. MORRIS, CHAIRMAN
PETER ALCOCK, VICE-CHAIRMAN
KENNETH WISSMAN, SECRETARY/TREASURER
EDWARD H. ADELMAN, EXECUTIVE DIRECTOR

DECEMBER 31, 2012

FISCAL YEAR 2012

ANNUAL REPORT

OF THE

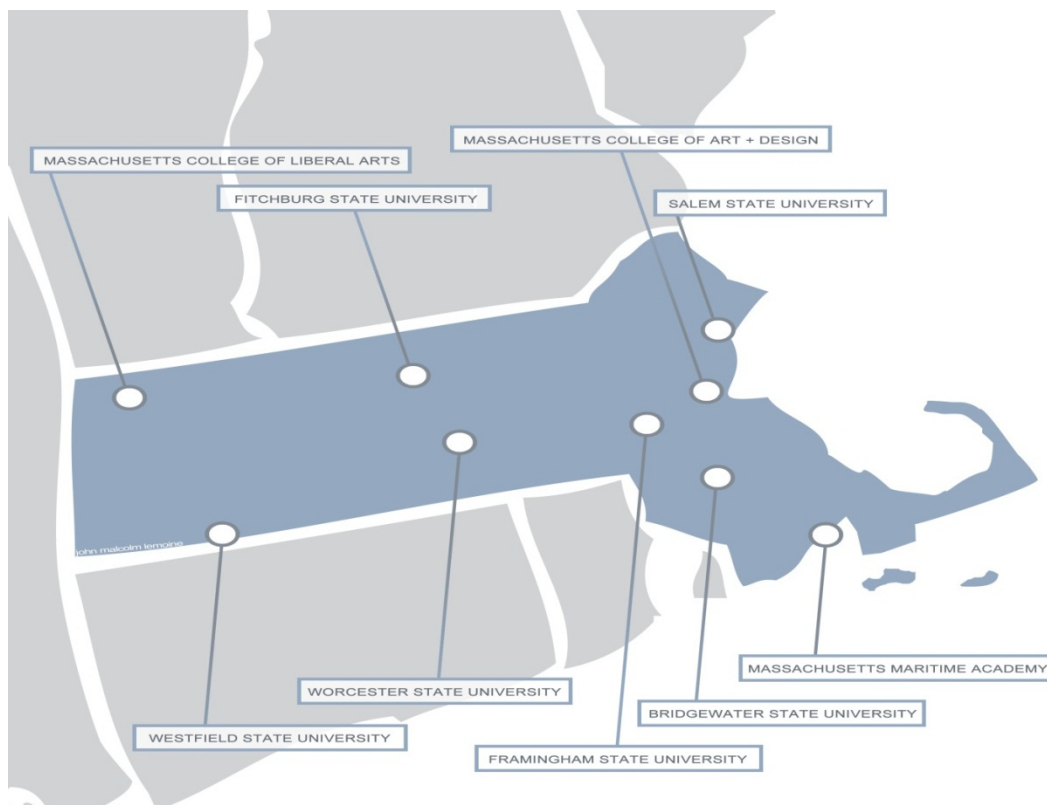
MASSACHUSETTS

STATE COLLEGE BUILDING AUTHORITY

BACKGROUND

The Massachusetts State College Building Authority (the Authority) is a public instrumentality of the Commonwealth charged with financing, designing, constructing, and overseeing the management of revenue-funded facilities – housing, dining, athletic, parking, and other student activity facilities – for the nine state universities: Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester State Universities, Massachusetts College of Art and Design, Massachusetts College of Liberal Arts, and Massachusetts Maritime Academy. Recent amendments to the enabling legislation expand the mission of the Authority to include the fifteen community colleges and to include certain academic facility projects for the state universities and community colleges.

For the academic year 2011/2012, approximately 14,550 students reside in the 43 residential complexes owned by the Authority; these residential facilities house approximately thirty-five percent of full-time undergraduate students and comprise about 3.9 million square feet of space in approximately 96 separate structures on the state university campuses. In addition, the Authority owns two parking structures that provide spaces for 1,365 vehicles.



HISTORY AND PURPOSE

The institutions now known as the Massachusetts state universities were established in the mid-nineteenth century, essentially to train teachers for the emerging system of public education in America. Students generally commuted to what were at the time two-year institutions. By the mid-twentieth century, these institutions had evolved into more broadly-based, comprehensive, four-year baccalaureate degree-granting universities. The surge in population following World War II, coupled with the greater role that advanced academic attainment played in the post-war economy, contributed to substantial growth in enrollment in higher education. These combined trends greatly increased the demand for campus housing and the attendant dining and student activity facilities on college campuses in Massachusetts and throughout the country. Further, on-campus housing tends to improve the ability of the universities to recruit and to retain students. Students who live on campus tend to persist towards graduation faster than those students who have not had this opportunity.

The Authority was established by the Legislature in 1963 to finance, design, and construct residential, dining, parking, athletic, cultural, healthcare, and other revenue-producing facilities for the Massachusetts state universities. Total enrollment continues to increase at the state universities. This, combined with the need to house a larger percentage of students on campus, to recruit from a larger geographic area, and to improve student activity facilities (dining, retail, athletic, and parking) creates an even greater demand for the services provided by the Authority today.

The 15-campus community college system in Massachusetts is the result of a 1958 study of access to higher education. The community colleges offer an array of programs leading to certificates and associate degrees as well as a variety of vocational programs. Presently, the Massachusetts Community College Executive Office is in the process of reviewing the financial capacity to undertake revenue-funded projects that could be implemented by the Authority.

FUNDING

The Authority receives no appropriation from the Commonwealth. All revenues to support facility design, construction, and operation are derived from the rents and fees paid by students for the use of these facilities and services. In 1998, legislation was enacted to permit the Authority to issue revenue bonds without the general obligation guarantee of the Commonwealth; this has provided the Authority with the ability to issue bonds based upon the facility requirements of the campuses and the availability of revenues sufficient to fund all project costs. The Authority is rated Aa2 by Moody's Investors Services and was upgraded to AA by Standard & Poor's Ratings Services in November 2011. A listing of the credit ratings of Massachusetts higher education institutions is located in Appendix A.

PROJECT DELIVERY

In 1999 and 2004, legislation was enacted to permit the Authority to utilize an alternate means of procurement for design, construction, and construction management services to improve the quality and to reduce the time and cost of delivering new and renovated facilities. The design and construction procurement methodology of the Authority is considered exemplary in the public sector in its ability to provide high-quality, cost-effective facilities in critical timeframes while providing for the public solicitation of architectural design and construction management services and for the public bidding of trade contractor work.

MAJOR ACCOMPLISHMENTS

For fiscal year 2012, significant Authority accomplishments included the following:

Residence Hall Construction and Renovation

1. Occupied the newly constructed 410 bed North Hall at Framingham State.
2. Opened the Treehouse Residence, a new 493 bed residence hall at Massachusetts College of Art & Design to summer residents. Fall occupancy to include students from MassArt and Massachusetts College of Pharmacy and Health Sciences.
3. Completed studies and planning at Bridgewater State and Westfield State to prepare for two major new residence halls on those campuses. Construction of these projects began in March 2012.
4. Implemented facility renewal projects on seven campuses consisting of window replacements, heating system conversions, fire alarm and life safety upgrades, bathroom renovations, HVAC improvements, interior finishes, and access improvements.
5. Began generating electrical power from a 103 kW photovoltaic array at Crimson Hall at Bridgewater State and a 40 kW array at Wasylean Hall at Worcester State.

Student Activity Facilities

1. Opened a newly constructed 840 space parking structure at Bridgewater State.
2. Completed renovations to the servery at the Kennedy Campus Center, which is the main dining hall for the MassArt campus and supports Massachusetts College of Pharmacy and Health Sciences and Wentworth Institute of Technology.
3. Opened the expanded and renovated Tim & Jeanne's Dining Facility at Westfield State.
4. Completed property acquisition, repairs, and parking improvements at Ashland Street in North Adams for Massachusetts College of Liberal Arts.
5. Continued major infrastructure and mechanical system upgrades to the Hammond Student Center at Fitchburg State.
6. Began construction on a 39,000 square foot Fitness Center addition to the O'Keefe Center at Salem State.



O'KEEFE FITNESS CENTER
SALEM STATE UNIVERSITY



TREEHOUSE RESIDENCE
MASSACHUSETTS COLLEGE OF ART AND DESIGN

The following tables list projects that were substantially complete in fiscal year 2012 and are underway during fiscal year 2013:

PROJECTS COMPLETED – FY 2012

Campus	Building	Description	Budget
Bridgewater	Crimson Hall	Solar Power (power purchase agreement)	n/a
	Woodward Hall	New Heating System, Fire Alarm, and Flooring	3,375,956
	Parking Structure	New Parking Structure for 852 Vehicles	12,495,400
Fitchburg	Hammond Center	Campus Center Renovation	25,298,592
	Cedar House	Bathroom and Common Area Renovations	998,965
Framingham	North Hall	Construction of New 400 Bed Residence Hall	50,254,142
MassArt	New Residence Hall	Construction of New 493 Bed Residence Hall	62,800,000
	Paine & Bakalar Galleries	Gallery Renovation and Addition Study	199,549
	Smith Hall	Generator Replacement	636,892
	Kennedy Campus Center	Servery Upgrades	2,834,891
MCLA	Amsler Center	Gym Floor Replacement	821,297
	Ashland Street	Property Acquisition and Renovation	1,707,708
Salem	O'Keefe Center	Fitness and Recreation Center Study	200,000
	Bates Complex	Boiler Replacement and Finishes	1,439,018
Westfield	Tim & Jeanne's	Dining Commons Expansion	5,912,709
	Lammers Hall	Window Replacement	1,742,712
Worcester	Wasylean Hall	Solar Power (power purchase agreement)	n/a
	Dowden, Chandler, Wasylean	Floor Finishes and HVAC Improvements	621,136
TOTAL			\$ 171,350,597

PROJECTS UNDERWAY – FY 2013

Campus	Building	Description	Budget
Bridgewater	Weygand Hall	New Housing Capacity (500 Beds)	62,000,000
	Shea Durgin	Ground Level Renovations, Card Access	2,054,000
	Miles DiNardo	Roof Replacement	1,271,000
	University Park	Replace Surface Parking with Campus Green	1,000,000
Fitchburg	Hammond Campus Center	Addition and Renovations	25,821,995
	Aubuchon Hall	Heating System Replacement	5,222,097
	Hammond Campus Center	Roof Replacement and HVAC Upgrades	5,400,000
Framingham	O'Connor Hall	Planetarium Relocation	3,525,000
	McCarthy Campus Center	Dining Expansion Study	3,300,000
MassArt	Tower Building	Campus Police Relocation and Renovations	3,696,000
	Kennedy Building	Student Center 6th Floor Upgrades	1,300,000
MCLA	Hoosac Hall	New Entry, Bathroom Renovations (27 New Beds)	7,690,774
MMA	Company 5	Renovations and Added Capacity on 03 Deck	2,000,000
	Companies 1-6	New Cadet Housing Capacity Study	205,000
Salem	O'Keefe Center	New Fitness and Recreation Center	15,716,000
	Peabody Hall	Boiler Renovations and Student Room Lighting	895,000
Westfield	University Hall	New Housing Capacity (410 Beds)	50,000,000
	WSC Apartments	New Sprinklers and Fire Alarm	4,020,569
	Ely Campus Center	Fitness Center and Renovations	15,270,000
Worcester	New Residence Hall	New Capacity Study (400 Beds)	200,000
	Dowden Hall	HVAC for Study Rooms	633,469
TOTAL			\$ 211,220,904



HAMMOND STUDENT CENTER
FITCHBURG STATE UNIVERSITY



EAST CAMPUS PARKING STRUCTURE
BRIDGEWATER STATE UNIVERSITY

STATE OF THE SYSTEM

Overview

The Authority develops and manages two different types of projects: System projects and Campus projects. System projects are those facilities that were financed with pooled debt – guaranteed by the Commonwealth – prior to 1999. Approximately 10,600 students reside in 82 System buildings that comprise 2.5 million gross square feet of building space; these buildings were constructed over a period of 100 years, the oldest having been completed in 1906. The System buildings have pooled replacement reserves. By contrast, each Campus project is funded by revenue bonds that are secured by pledged rent and fees; these bonds are not guaranteed by the Commonwealth. Since 2000, the Authority has completed construction on 16 Campus projects for both new residence halls and the expansion of existing residence halls, and two Campus projects for the construction of Authority-owned parking facilities. For the academic year 2011/2012, approximately 3,900 students reside in Campus residence halls which comprise 1.4 million gross square feet. With the addition of the Treehouse Residence at Massachusetts College of Art and Design, which opened to students in fall 2012, Campus housing capacity has increased by an additional 493 bed spaces. Each Campus project has a separate, dedicated replacement reserve. Over the years, the Authority has dramatically reduced the deferred maintenance in all facilities and has renovated buildings to meet the changing needs of students and the changing requirements of building codes and standards (e.g., life safety, accessibility, energy conservation). The condition of the residential facilities of the Authority has resulted in improved desirability of on-campus housing, as demonstrated in part through increased occupancy over the past several years. The predictable schedule, quality, and funding of facility improvement projects reduces the likelihood of substantial unanticipated projects and their associated inconvenience and expense.

Financial Performance

The financial performance of Authority projects is strong. For fiscal year 2012, Authority assessments and other revenues totaled \$74.7 million, of which \$58.0 million was used to pay debt service. To cover the Authority's assessments and the annual expense of operating the residence halls, the universities collect rents and fees from students in accordance with the annual Rent Certificate prepared by the Authority and approved by the Massachusetts Board of Higher Education. The Authority's audited financial statements for fiscal year 2012 are included as Appendix B.

The financial strength of the Authority is further enhanced by a series of reserves and trust funds. The campus assessments fund annual debt service requirements, Authority operating expenses, insurance, and deposits to reserves. During fiscal year 2012, \$5 million was deposited into the System Capital Improvement Reserve from rent revenues; this reserve is managed by the Authority and is used to fund the repair and renewal requirements of the System projects. At the close of the fiscal year, the balance available in the reserve was \$16.2 million. A growing percentage of the effective gross income of Campus projects is deposited into the replacement reserve for each new building project. At the close of the fiscal year, these funds totaled \$3.4 million, and are used specifically to fund the renewal requirements of Campus projects. In addition, Multipurpose and Supplemental reserves are held totaling \$4.2 million as of the close of the fiscal year.

Economic Impact

The impact of the Authority and of its projects on the Massachusetts economy is substantial. The following table illustrates the dollar value of the direct expenditure of the Authority for personnel, purchasing, and construction for the last two years:

ECONOMIC IMPACT OF THE AUTHORITY AND ITS PROJECTS (in \$1,000,000)

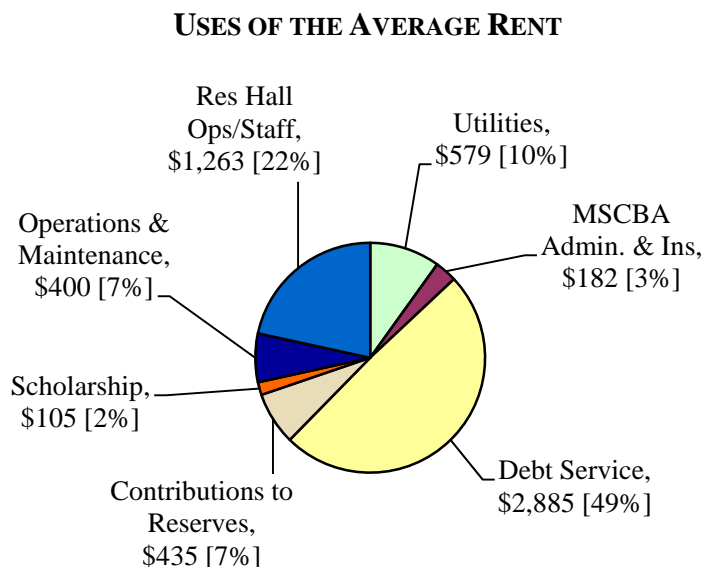
Expense Type	FY2011	FY2012	Employment
Authority Operations & Administration	\$1.4	\$1.5	14
Residence Hall Operations	\$32.1	\$42.3	323
Construction & Maintenance	\$111.5	\$122.7	612
Total	\$145.0	\$166.5	949

NOTE: Construction industry guidelines indicate that at current prevailing wage rates, every million dollars of construction could result in the employment of approximately 5 workers for a full year.

Rents and Fees

For the 2011/2012 ten-month academic year (fiscal 2012), the average on-campus room rent was \$5,849 per bed (\$585 per month). To ensure affordability and full occupancy, Authority room rents are typically maintained at or below the off-campus market rental rates in the locality served by the campus. Regular modest increases in room rents permit the Authority to fund increases in operating expenses (salaries and utilities), debt service expense, and a regular program of facility renewal and renovation (deposits in the Capital Improvement Reserve).

The following chart illustrates the uses of the average rent charged for fiscal 2012:



Facility Renewal

The Authority has developed a comprehensive facility renewal program to ensure that the recurring need for reinvestment occurs on a predictable schedule that is coordinated with the availability of funds necessary to implement this work. Typically, renewal projects include work that is performed on a regular cycle to maintain an existing building in its present configuration for its current use. The *Facility Renewal Plan* includes a schedule of the anticipated useful life of each major building component and system and the date and amount of the next required investment. The plan is revised annually to incorporate recently-completed work, to validate the projected schedule for future work, and to update the unit prices for each building assembly that is scheduled for future replacement.

One measure of facility condition is the Facility Condition Index, a higher education industry standard that is the ratio of the value of Deferred Maintenance divided by the Current Replacement Value of the facility [FCI = DM/CRV]. Due to steady reinvestment in existing facilities (System Projects) the FCI for the Authority has steadily improved over the past several years:

FACILITY CONDITION INDEX (System Projects)

	2000	2002	2004	2006	2008	2009	2011	2012
Deferred Maintenance (\$m)	61.1	49.3	25.2	14.6	8.9	8.1	8.4	6.6
Current Replacement Value (\$m)	274	293	330	374	420	431	464	511
Facility Condition Index	22.3%	16.8%	7.6%	3.9%	2.1%	1.9%	1.8%	1.3%

Bond Capacity

In 1998, the Legislature empowered the Authority to issue revenue bonds that are not guaranteed by the Commonwealth. Each bond issue is secured by the rents and fees pledged by the universities and paid by the students who benefit from these projects. Further security is provided by a campus pledge of twenty-five percent of the average annual debt service and by a debt service reserve fund with a balance of \$83.2 million as of June 30, 2012. Through the close of fiscal year 2012, the Authority has issued bonds to finance project funds totaling \$902.5 million. As detailed in the following chart, \$209.7 million in bond proceeds have been used to fund repair and renewal of existing residence halls. Bond proceeds of \$578.3 million have been used to fund the construction of new residence halls and the expansion of existing residence halls. The remaining bond proceeds of \$114.5 have been used to fund new construction, repair, and renovation of Commonwealth-owned student activity facilities.

The following table shows use of project funds from bond proceeds since 2000: (Amounts are in millions.)

Series	Repair and Renovation Projects	New Projects	Student Activity Projects	Total
1999-2000	\$33.4	\$58.6	\$1.8	\$93.8
2003A,B	\$19.0	\$67.0	\$2.1	\$88.1
2004A	\$24.0	\$32.0	\$2.0	\$58.0
2005A	\$19.0	\$0.0	\$14.9	\$33.9
2006A	\$19.6	\$64.1	\$8.3	\$92.0
2008A	\$32.6	\$49.0	\$0.8	\$82.4
2009A,B,C	\$38.1	\$180.5	\$22.3	\$240.9
2010A,B	\$12.5	\$14.1	\$28.3	\$54.9
2012A	\$11.5	\$113.0	\$34.0	\$158.5
Project Fund Total	\$209.7	\$578.3	\$114.5	\$902.5

Enrollment

Enrollment at the state universities continues to increase. The following chart illustrates the enrollment of full-time undergraduate students at each state university:

STATE UNIVERSITY ENROLLMENT (Fall Data)

Campus	2004	2006	2008	2010	2011
Bridgewater State	7,399	7,471	8,117	8,911	9,084
Fitchburg State	3,622	3,903	4,421	4,503	4,465
Framingham State	4,207	4,169	4,237	4,288	4,758
MA College of Art & Design	1,482	1,543	1,803	1,956	1,937
MA College of Liberal Arts	1,592	1,765	1,589	1,715	1,617
MA Maritime Academy	984	1,092	1,221	1,297	1,422
Salem State	6,422	7,224	7,279	7,438	7,211
Westfield State	4,090	4,630	4,863	5,174	5,367
Worcester State	3,794	3,939	4,004	4,350	4,691
Total	33,592	35,736	37,535	39,630	40,552

Residence Hall Occupancy

Occupancy in the residence halls on each campus is strong and growing. As shown on the following table, occupancy at several of the state universities remains over 100%:

RESIDENCE HALL OCCUPANCY (Annual Data)

Campus	1998	2000	2002	2004	2006	2008	2010	2012
Bridgewater State	106%	104%	107%	105%	105%	103%	101%	100%
Fitchburg State	71%	65%	89%	99%	100%	104%	105%	100%
Framingham State	83%	89%	99%	102%	100%	99%	101%	100%
MA College of Art & Design	103%	101%	104%	100%	98%	99%	100%	100%
MA College of Liberal Arts	63%	58%	71%	82%	89%	89%	94%	94%
MA Maritime Academy	75%	80%	89%	95%	99%	92%	100%	106%
Salem State	99%	99%	106%	105%	103%	100%	106%	102%
Westfield State	96%	103%	107%	106%	106%	107%	105%	106%
Worcester State	91%	100%	103%	101%	97%	100%	102%	103%
Average	87%	89%	97%	101%	101%	101%	102%	101%

Housing Financial Aid

The Authority makes a concerted effort to maintain rent levels at or below comparable rents in the market served by each campus. By statute, the fees, rents, and charges assessed by the Authority must provide sufficient revenue to pay the cost of project debt service, maintenance, repair, operations, and reserves. There is a range of types and costs of Authority projects, to appeal to a range of student interests and resources. To further improve the affordability of its projects, the Authority established a housing financial aid program in 2005. In fiscal year 2012, this program provided \$2 million that is redistributed by the financial aid offices of the nine state universities to complement the financial aid package for residential students. In fiscal 2012, 9.7% of students received 20.1% of their housing costs through this program.

Strategic Planning

Every other year, the Authority prepares an update to its *Strategic Plan* to determine the long term demand for student housing facilities at the nine state university campuses. This plan considers the latest available enrollment data and projections prepared by the Department of Higher Education. In the past, the goal was to provide, on average, housing for fifty percent of the full-time undergraduate students in the state university system; which would provide capacity for two years of housing during a students' four-year undergraduate experience. The present goal is to identify specific housing goals to support the sustained enrollment for each campus. In addition to a greater number of total students, the percentage of full-time undergraduate students – the students most likely to avail themselves of housing opportunities – increased from 54% to 65% of total headcount since 2000. Further, despite an increase of 4,088 new beds from academic years 1999/2000 to 2011/2012, system-wide occupancy in fall 2011 was 104.3% of design occupancy. The Authority will continue to update its *Strategic Plan* on a biennial basis to ensure that demand is sufficient for future projects and to effectively manage occupancy of existing facilities.



NORTH HALL
FRAMINGHAM STATE UNIVERSITY

COMMONWEALTH OF MASSACHUSETTS

Deval L. Patrick, Governor

Timothy P. Murray, Lieutenant Governor

AUTHORITY MEMBERS AND OFFICERS

James T. Morris, Chairman

Peter Alcock, Vice-Chairman

Kenneth Wissman, Secretary/Treasurer

Brian Q. Corridan

James M. Coyle

David A. Ellis

Carol W. Gladstone

Edward H. Adelman, Executive Director

Assistant Secretary/Treasurer

AUTHORITY STAFF

Michael Babin, Financial Analyst

David Bates, Senior Construction Manager

Ellen Bell, Chief Administrative Officer

Janet Chrisos, Director of Capital Projects

Amanda Forde, Project Manager

Paul Forgione, Project Manager

Dan Ocasio, Senior Project Manager

Karol Ostberg, Chief Financial Officer

Marcelyn Pearson, Contracts Specialist

Sandra Pike, Administrative Assistant

Michael Pineau, Information Technology Systems Administrator

David Spolidoro, Accounting Manager

Illiana Valladarez, Senior Financial Analyst

Leigh Warren, Project Manager

GENERAL COUNSEL

Krokidas and Bluestein, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Ercolini and Company, LLP

BOND COUNSEL

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC

As of June 30, 2012

APPENDIX A
Moody's Investors Services

Massachusetts College and University Ratings
as of June 30, 2012

Institution	Rating
Amherst College	Aaa
Harvard University	Aaa
Massachusetts Institute of Technology	Aaa
Smith College	Aa1
Wellesley College	Aa1
Williams College	Aa1
Massachusetts State College Building Authority	Aa2
Tufts University	Aa2
University of Massachusetts Building Authority	Aa2
Boston College	Aa3
College of the Holy Cross	Aa3
Mount Holyoke College	Aa3
Brandeis College	A1
Franklin W. Olin College of Engineering	A1
Worcester Polytechnic Institute	A1
Berklee College of Music	A2
Boston University	A2
Clark University	A2
MA College of Pharmacy and Health Sciences	A2
Northeastern University	A2
Stonehill College	A2
Wheaton College	A2
Babson College	A3
Bentley College	A3
Emmanuel College	Baa1
New England Conservatory	Baa1
Simmons College	Baa1
Springfield College	Baa1
Wentworth Institute of Technology	Baa1
Hampshire College	Baa2
Suffolk University	Baa2
Merrimack College	Baa3

APPENDIX B

FY 2012 Audited Financial Statements