
Massachusetts State College Building Authority

Credit Presentation

November 2014



1. Introduction
2. Demand for State Universities and Campus Facilities
3. Credit and Security Features
4. Project Delivery and Facility Management
5. Authority Debt Profile
6. Series 2014 Bonds

1. Introduction



Sheehan Residence Hall / Dining Facility
Worcester State University

1. Introduction: Massachusetts State College Building Authority

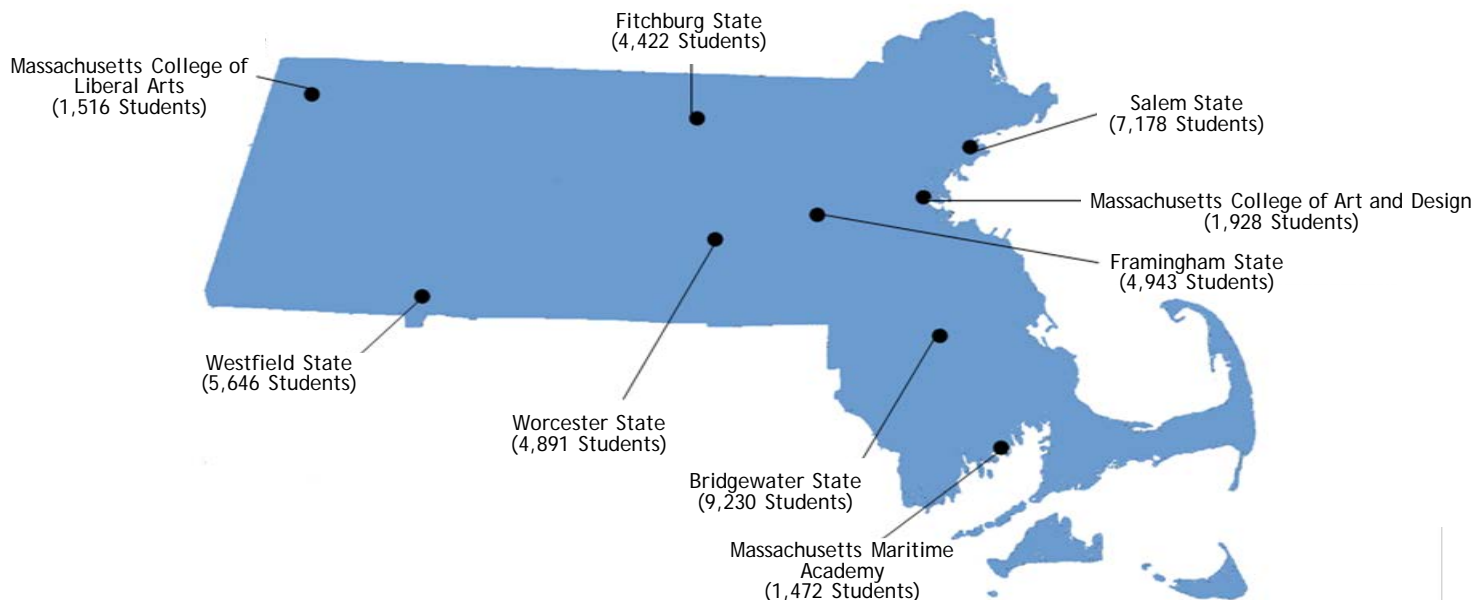
- New Money and Refunding Bonds - \$139.7 million¹
 - Series 2014B - Green Bonds - \$66 million¹
 - Series 2014C - Residence Hall Repair/Student Activity/Academic Projects - \$37.2 million¹
 - Series 2014D - Refunding Bonds - \$36.5 million¹

- Modifications to Trust Agreement
 - Massachusetts Municipal Depository Trust
 - Debt Service Reserve Fund

¹ Estimated par amount

1. Introduction: Massachusetts State College Building Authority

- The Authority finances, designs, constructs residential and student activity facilities on the campuses of the nine State Universities
- The Authority provides oversight and financial management of all of its residential facilities
- The Authority's residential portfolio currently has capacity for approximately 16,500 students in 44 residential complexes. These facilities house approximately 40% of the undergraduate student population.



Fall 2013 Full Time Equivalent Undergraduates
Source: Board of Higher Education

1. Introduction: Authority Board Members, Staff, and Financial Advisor



- The Authority is overseen by a nine-member Board appointed by the Governor. Currently, there are two vacancies. The Board is proactive and includes professionals with experience in all areas of Authority operations
 - James T. Morris , Chair - Partner, Quinn and Morris
 - Carol W. Gladstone, Vice Chair - Principal, Stantec
 - Kenneth Wissman, Treasurer - Financial Advisor, Massachusetts School Building Authority
 - Charles Desmond - Chair of Board of Higher Education
 - David A. Ellis - Senior Vice President and Chief Financial Officer, Becker College
 - Lori Hindle - Director Intergovernmental Affairs, Executive Office Administration & Finance
 - James M. Karam - Member, Vice President of First Bristol Corporation
- Principal staff members of the Authority include
 - Edward H. Adelman, AIA, Executive Director
 - Janet Chrisos, Deputy Director
 - Karol D. Ostberg, Chief Financial Officer
 - Matt Cole, Finance Manager
- Acacia Financial Group, Inc.
 - Noreen P. White, Co-President
 - Richard B. Lopatin, Vice President

1. Introduction: Core Mission and Key Projects

- The Authority owns and manages 44 residential facilities. The Authority has managed the construction of 2 parking facilities and the renovation of 34 student life facilities on its nine university campuses.
- Since 1999, 58% of the Authority's borrowed funds were for Residential Facilities
- The Authority consistently delivers high-quality projects on time and on budget

Recently Completed Projects	Projects Under Construction	Future Projects
Sheehan Residence & Dining Worcester	Viking Hall Salem	New Residence Hall Framingham
University Hall Westfield	Residence Hall Renewal Bridgewater	Parking Garage Salem
Weygand Hall Bridgewater	Hammond Campus Center Fitchburg	Dickinson Hall Westfield
Gasset Fitness Center Salem	Mess Deck Expansion Maritime Academy	
Davis Hall Westfield		
McCarthy Campus Center Framingham		
Cadet Housing Expansion Maritime Academy		

2. Demand for State Universities and Campus Facilities

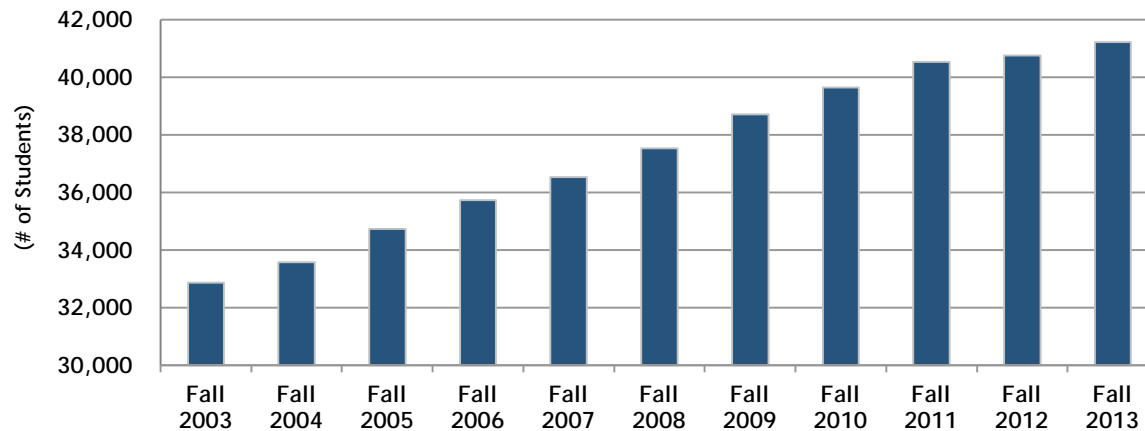


University Hall
Westfield State University

2. Demand: State University Full-time Equivalent

- Full-time equivalent enrollment has increased steadily from 32,868 in Fall 2003 to 41,227 in Fall 2013, an increase of 25.4% or a compound annual growth rate of 2.3%
- Fall 2012 to Fall 2013 enrollment rose by 1.2%
- Full-time undergraduate students as a percentage of total headcount enrollment has increased from 54% in 2000 to 65% in 2011

State University Full-time Equivalent¹

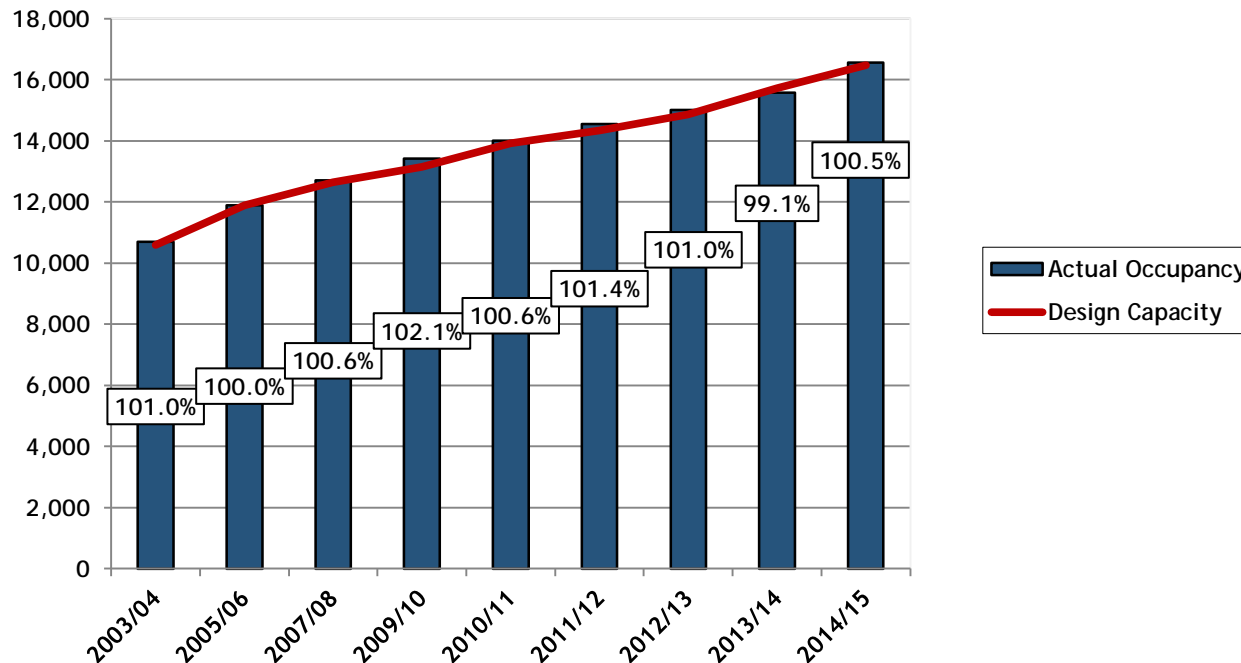


¹Fall 2013 Full Time Equivalent All Students
Source: Board of Higher Education

2. Demand: State University Residence Hall Capacity and Occupancy

- Residence hall design capacity (# of beds) has increased 64% from 10,065 in 2001 to 16,472 in fall 2014
- Residence halls have been fully occupied since academic year 2003-2004, even as the number of beds has increased by nearly 5,900
- Total aggregate occupancy of all university residence halls was 100.5% in Fall 2014

System Actual Occupancy versus Design Capacity¹



¹ 2014/15 represents only fall occupancy rates which are typically higher than spring occupancy rates
Source: Authority

2. Demand: Affordability of Campus Housing

- The Authority conducts a biennial market evaluation to ensure that rents are at or below the cost of off-campus housing in the area served by each State University
 - Steady, modest rent increases fund operating costs and renewal expenses
 - Campus rents are established to ensure relative cost reflects value
 - Authority currently in process of updating biennial market evaluation
- The Authority maintains a range of housing styles and prices to suit diverse needs and interests
- A housing financial aid program, funded by the Authority's Residential Hall Trust Fund, will make \$2.0 million available in fiscal 2015 as part of financial aid package for students with need.
 - In FY13, approximately 13% of students received 17% of their housing costs through this program.

3. Credit and Security Features



Gasset Fitness and Recreation Center
Salem State University

3. Credit & Security Features: Strong State Oversight

- All projects must be approved by:
 - Board of Higher Education
 - Secretary of the Executive Office for Administration and Finance
 - Commissioner of the Department of Higher Education

- State Statute - Chapter 703 of the Massachusetts Acts of 1963 as amended
 - Statute requires the State Universities to assess fees, rents, rates and other charges from the Project and to use other available monies for the repayment of debt service
 - Authority is required to report to the Comptroller sufficiency of funds to pay debt service in September and January
 - The Act was amended in 2009 to achieve aggregate intercept

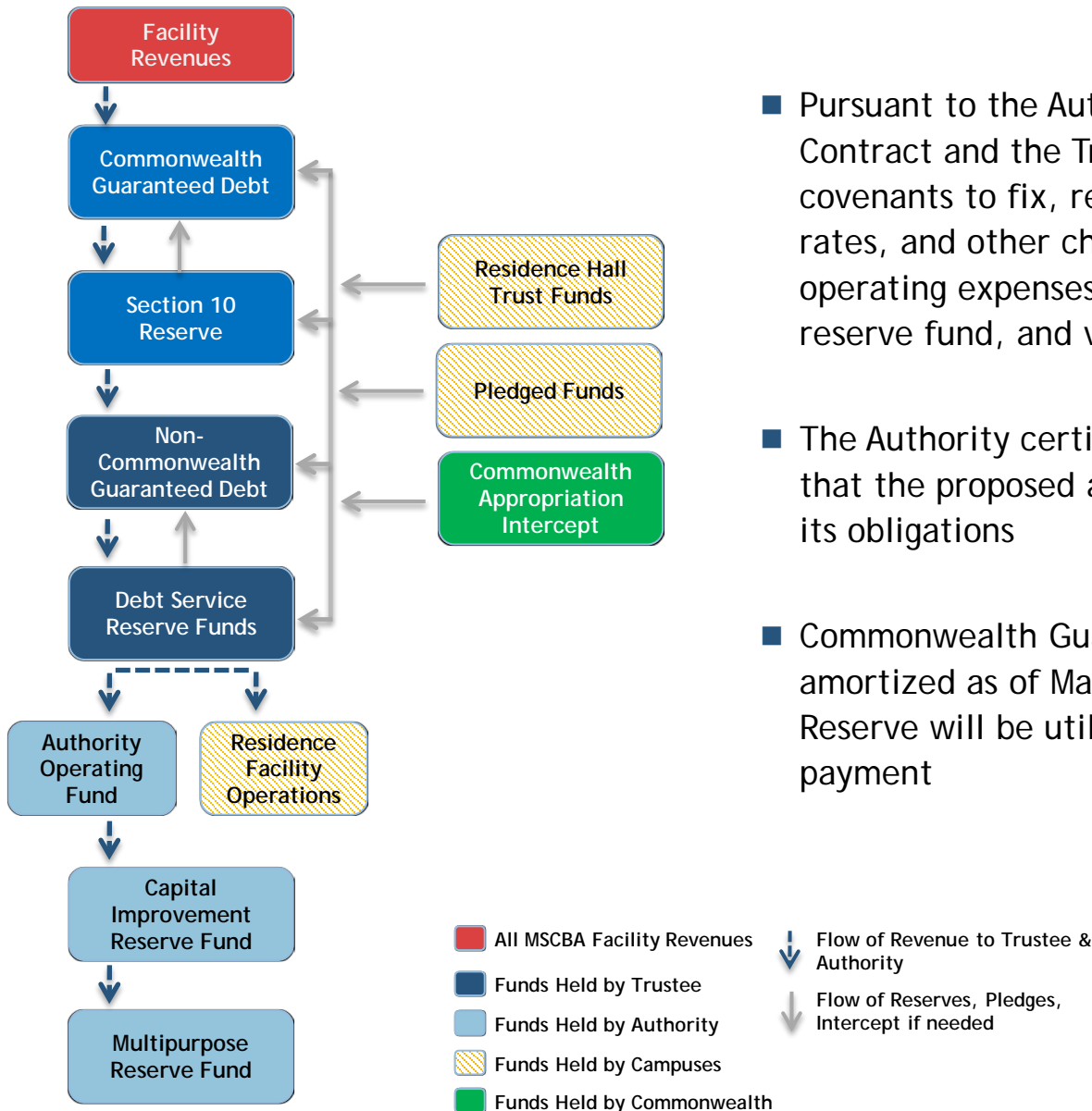
- State Appropriations Intercept captures aggregate appropriations
 - If timely report not provided, Comptroller shall prevent any State University appropriation from being expended until Comptroller determines whether there is an insufficiency
 - State Comptroller can transfer unexpended amounts from any State University account to cure deficiency
 - If Comptroller determines there is an insufficiency, funds must be transferred to Trustee within five days but not later than the debt service deposit date, 20 days prior to the debt service payment date

3. Credit & Security Features: Contract for Financial Assistance, Management and Services

- Key Provisions of the Contract for Financial Assistance, Management and Services
 - State Universities must submit operating budgets for all residential hall projects and system projects
 - State University covenants to set fees, rents and other charges to cover all costs and reserves for each project. All monies received as payment of rents or other charges for use and occupancy of an Authority project are held by each State University in Trust for the Authority separate from all other moneys held by the State Universities.
 - Authority establishes operating and capital improvement reserves for each project as well as Pledged Funds
 - Under the Contract, the Board of Higher Education pledges 25% of the State Universities average annual debt service due to the Authority as additional security from each State University's non-appropriated funds or other available revenues, including tuition, fees and other charges

Post Series 2014BCD Pledged Funds	
Campus	Balance
Bridgewater State	\$ 4,736,034
Fitchburg State	\$ 2,493,954
Framingham State	\$ 3,267,004
Mass Art	\$ 2,220,335
MCLA	\$ 600,070
MMA	\$ 1,773,016
Salem State	\$ 3,990,492
Westfield State	\$ 2,919,506
Worcester State	\$ 2,247,766
Total	\$ 24,248,177

3. Credit & Security Features: Flow of Funds



- Pursuant to the Authority's enabling statute, the Contract and the Trust Agreement, the Authority covenants to fix, revise, adjust, and collect fees, rents, rates, and other charges sufficient to fund all project operating expenses, debt service, a debt service reserve fund, and various other reserves
- The Authority certifies to the Board of Higher Education that the proposed annual rates are sufficient to meet its obligations
- Commonwealth Guaranteed Debt will be fully amortized as of May 1, 2016 and associated Section 10 Reserve will be utilized to pay the final debt service payment

3. Credit & Security Provisions: Commonwealth Appropriation Intercept

Characteristics of Commonwealth Appropriations

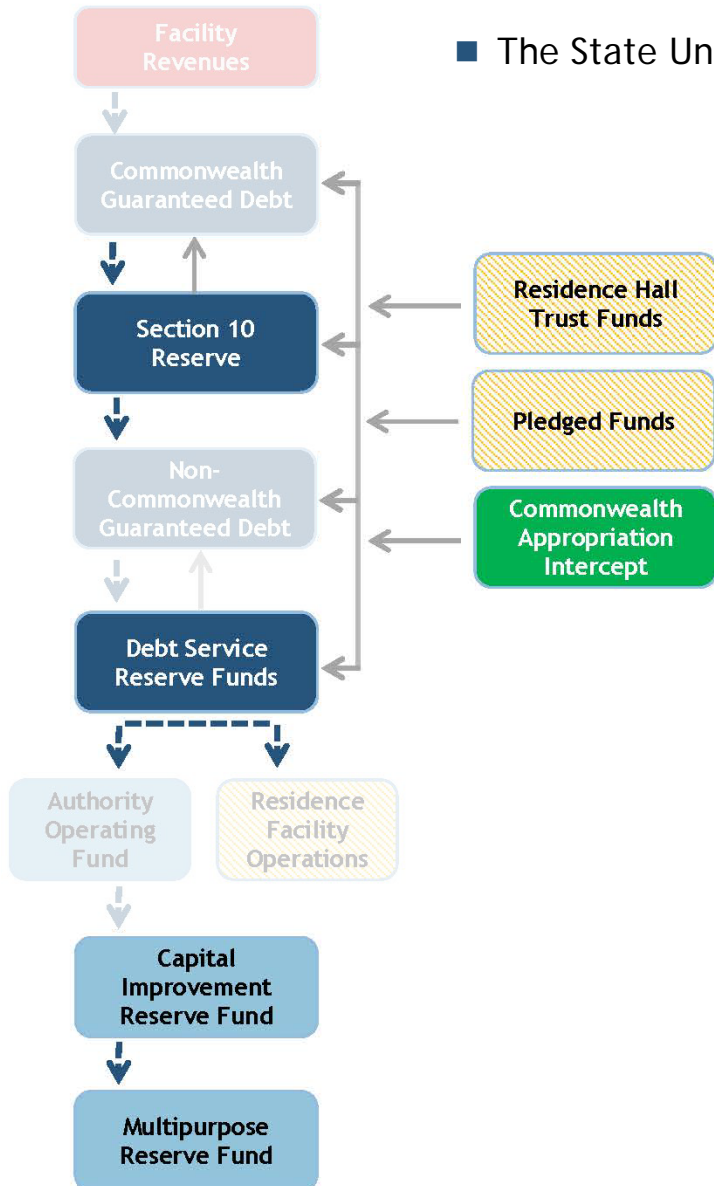
- Based on historical expenditures, 50% of State University appropriations remain at the end of the second quarter
- State Universities submit requests for vendor payments to the Comptroller for direct payment
- State Universities schedule most payments for payroll costs which are spent ratably throughout the year
- Additionally, the Authority assesses 50% of the State University's principal due 6 months prior to the actual payment date (Authority trustee currently holds \$6.4 million for the 5/1/2015 payment)

Key Dates for Academic Year 2014/15

Date	Activity
September 5	Final fall semester room payment due
September 10	Universities certify fall occupancy
September 29	<i>Authority reports to Comptroller and BHE</i>
October 1	University assessments due to Trustee
November 1	Debt service payment disbursed by Trustee
January 15	Final spring semester room payment due
January 23	Universities certify spring occupancy
January 30	<i>Authority reports to Comptroller and BHE</i>
February 14	University assessments due to Trustee
May 1	Debt service payment disbursed by Trustee

3. Credit & Security Features: Substantial Reserve Funds

■ The State Universities and the Authority maintain significant reserve balances



- **Section 10 Reserve** - fully funded and will be used to make the final debt service payment on the Series 2004B Bonds on May 1, 2016
- **Capital Improvement Reserve Fund** - used to fund project costs and facility renewal and , if necessary, the Authority can transfer amounts in the CIR to the Revenue Fund to pay debt service
- **Multipurpose Reserve Fund** - funded from the Revenue Fund as directed by the Authority and while it can be used for any lawful purpose, it is typically used to fund pre-development costs, including new facility studies and architectural designs
- **Residence Hall Trust Funds** - all monies received as payment of rents or other charges for use and occupancy of an Authority project are held by each State University in Trust for the Authority separate from all other moneys held by the State Universities. Funding goal of 5.0% of prior year's disbursements
- **Pledged Funds** - 25% of the State Universities' average annual debt service due to the Authority as additional security
- **Debt Service Reserve Funds** - fully funded through Series 2014BC

3. Credit & Security Features: Projected Reserve Balances

- The State Universities and the Authority maintain significant reserve balances
 - Reserves, excluding the Debt Service Reserve Funds, were 116% of the total debt service requirement in FY14
 - RHTF requirement is no less than 5% of prior year expenses; as of 6/30/14, the RHTF balance equals 23.1% of prior year expenses
 - Debt Service Reserve Fund
 - The Series 2014BC Bonds will include a deposit to the DSRF which will be fully funded
 - Following the issuance of the Series BC Bonds, the Authority proposes to modify the Debt Service Reserve Fund Requirement to zero
 - Once 50% bond holder consent is obtained, the current DSRF balance will likely be utilized, at the discretion of the Authority, to redeem bonds

Actual Fiscal Year 2014; Projected Fiscal Year 2015 and 2016 Reserve Funds			
Fund	2014 Actual	2015 Projected	2016 Projected
Reserves			
Residence Hall Trust Funds	\$22.65	\$21.38	\$23.53
Pledged Funds	\$22.38	\$24.25	\$24.44
Capital Improvement Reserve Funds	\$21.75	\$27.98	\$34.65
Multi-Purpose & Supplemental Reserve Funds	\$5.28	\$6.68	\$8.08
Section 10 Reserve Fund	\$8.30	\$8.30	\$8.30
Aggregate Debt Service Reserve Fund	\$81.60	\$88.95	\$88.95
Total Reserves	\$161.97	\$177.54	\$187.96
Commonwealth Appropriation Intercept ²	\$229.29	\$229.69	\$229.69
Total Reserves and Intercept	\$391.26	\$407.23	\$417.65

¹ \$'s in millions

² Projected intercept based on fiscal year 2015 appropriations

3. Credit & Security Features: Total Available for Debt Service on Non-Guaranteed Bonds

- Projected funds available after the issuance of the Series 2014BC Bonds

Total Revenue and Reserves Available for Coverage of Non-Guaranteed Bonds ^{1,2}						
Campus	Gross Revenue	Building Expenses	Reserves and Pledges	Total	Average Annual Net Debt Service ³	Coverage
Bridgewater State	\$27.63	(\$8.90)	\$15.70	\$34.44	\$14.95	2.30x
Fitchburg State	\$13.25	(\$3.74)	\$8.10	\$17.60	\$6.74	2.61x
Framingham State	\$17.52	(\$7.17)	\$10.04	\$20.39	\$9.67	2.11x
MA College of Art and Design	\$12.51	(\$4.29)	\$8.76	\$16.97	\$8.08	2.10x
MA College of Liberal Arts	\$5.67	(\$2.43)	\$5.43	\$8.67	\$1.39	6.22x
MA Maritime Academy	\$10.83	(\$3.28)	\$5.63	\$13.18	\$4.93	2.67x
Salem State	\$22.99	(\$7.24)	\$10.64	\$26.39	\$12.71	2.08x
Westfield State	\$19.57	(\$7.58)	\$16.17	\$28.16	\$8.57	3.29x
Worcester State	\$14.21	(\$4.39)	\$10.24	\$20.06	\$8.06	2.49x
Total (Excluding DSRF)	\$144.18	(\$49.03)	\$90.71	\$185.86	\$75.12	2.47x
Commonwealth Appropriation Intercept ⁴				\$229.69		
Total (Including Intercept)				\$415.56	\$75.12	5.53x
DSRF, Non-Guaranteed Bonds				\$88.95		
Total (Including DSRF)				\$504.51	\$75.12	6.72x

¹ \$'s in millions

² Reflects FY2016 projections

³ Includes Series 2014BC financing subject to change

⁴ Projected appropriation intercept based on fiscal year 2015 appropriations

4. Project Delivery and Facility Management



Cadet Housing Expansion
Massachusetts Maritime Academy



Woodward Hall
Bridgewater State University

4. Project Delivery & Facility Management: Approach

Planning

Market Feasibility

- Determine Key Project Attributes

Building Feasibility

- Quantify Building Program
- Prepare Total Project Budget
- Identify Sources of Funds (debt; reserves; campus contributions)

Financial Feasibility

- Develop Project Pro-Forma

Design and Construction

Pre-Qualification of Project Team

- Owner's Project Manager; Architect; Construction Manager; Trade Contractors
- Recent, Successful, Comparable Experience
- Bonding Capacity

Bidding Process

- 100% Construction Documents
- Bid Bond Requirement

Construction Process

- 100% Performance and Payment Bonds
- Early Completion Bonus/Late Delivery Penalty
- Insurance: Builder's Risk and Business Income

Operational (Residential Facilities)

Occupied Building

- Robust Residential Life Program: Student Recruitment; Programming; Counseling

Facility Management & Capital Replacement

- Security; Custodial; Grounds
- Scheduled Renewal/Replacement
- Fully Funded from Operating and Reserve Budgets

Insurance

- Property
- Liability
- Business Interruption

4. Project Delivery & Facility Management: Facility Renewal Planning and Funding

- Interactive database of all building components, useful life, and replacement cost
- Schedule of future renewal projects and fund source
- Deferred Maintenance (DM) has been reduced from \$49.3 million in 2002 to \$9.0 million in 2014 on Residence Halls constructed after 2002
- The Facility Condition Index (FCI) is the ratio of the estimated cost of DM to the Current Replacement Value (CRV) of Authority buildings: $FCI = DM/CRV$
 - The current Authority System CRV is \$642 million, System DM is \$9.0 million and System FCI equals 1.5%
 - The industry FCI range is 5-15%
- The goal is to fully fund future scheduled repairs from current year revenue
- Improved desirability of on-campus housing
 - Full occupancy and revenue

Annual System Deferred Maintenance			
Year	CRV ¹	DM ¹	FCI
2014	\$ 642	\$ 9.0	1.5%
2012	511	10.6	2.1%
2010	464	13.0	2.8%
2008	416	15.2	3.6%
2006	374	22.7	6.1%
2004	330	39.1	11.8%
2002	293	49.3	16.8%

¹ \$'s in millions

5. Authority Debt Profile

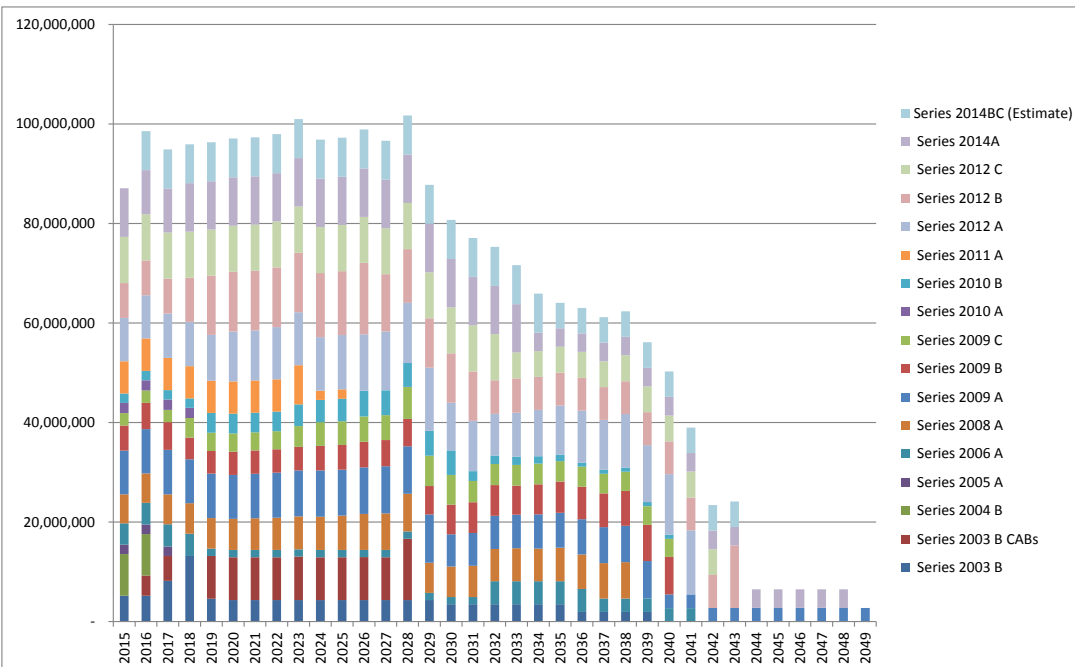


Viking Hall
Salem State University

5. Debt Profile: Outstanding Indebtedness (including Series 2014B&C estimates)

- **Total Outstanding Par: \$1.315 Billion¹**
 - \$1.3 Billion Parity Bonds without Commonwealth Guarantee
 - \$15.1 Million Parity Bonds with Commonwealth Guarantee [Series 2004B] which will be fully amortized by 5/1/2016
- **Maximum Annual Debt Service: \$103.2 Million¹**
- **Average Annual Debt Service: \$66.3 Million¹**
- **DSRF Balance²: \$96.8 Million**
- **Weighted Average Life of Debt: 15.6 Years**
- **Fixed Rate Debt:**
 - The Authority has no variable rate debt
 - The Authority has no derivatives exposure

MSCBA Debt Service by Fiscal Year³



Series 2009C and 2010B are net of BAB's subsidy

¹ As of 9/30/2014 plus Series 2014B&C estimates subject to change

² Includes both the DSRF for Guaranteed Bonds and the DSRF for Non-Guaranteed Bonds; 9/30/14 market valuation and Series 2014B&C estimated debt service reserve fund deposit

³ Additional debt service in fiscal year 2016 will be paid from the Section 10 reserve fund; additional debt service in fiscal years 2023, 2028, and 2043 will be paid from debt service reserve funds

5. Debt Profile: Parity Bond Financings To-Date

- Since 1999, the Authority has financed \$1.294 billion in project funds from bond proceeds including the estimated Series 2014BC project fund:

Summary of New Money Proceeds ¹					
Series	Repair and Renovation Projects	New Capacity	Student Activity Projects	Commonwealth Support	Total
1999-2000	\$33.40	\$58.60	\$1.80	N/A	\$93.80
2003A,B	\$19.00	\$67.00	\$2.10	N/A	\$88.10
2004A	\$24.00	\$32.00	\$2.00	N/A	\$58.00
2005A	\$19.00	\$0.00	\$14.90	N/A	\$33.90
2006A	\$19.60	\$64.10	\$8.30	N/A	\$92.00
2008A	\$32.60	\$49.00	\$0.80	N/A	\$82.40
2009A,B,C	\$38.10	\$180.50	\$22.30	N/A	\$240.90
2010A,B	\$12.50	\$0.00	\$32.40	\$10.00	\$54.90
2012A	\$11.50	\$113.00	\$31.00	\$3.00	\$158.50
2012C	\$10.50	\$80.60	\$37.45	\$26.00	\$154.55
2014A	\$18.50	\$62.80	\$27.35	\$21.00	\$129.65
2014B,C ²	\$10.00	\$44.00	\$34.10	\$19.00	\$107.10
Project Fund Total	\$248.70	\$751.60	\$214.50	\$79.00	\$1,293.80

¹ \$'s in millions

² Preliminary numbers subject to change

6. Series 2014BCD Bonds



"The new dorm tower at Massachusetts College of Art and Design is the most interesting Boston high-rise in years."

Robert Campbell
architecture critic
The Boston Globe
Sunday, May 13, 2012

Tree House Residence
Massachusetts College of Art and Design

6. Series 2014BCD Bonds: Projects

- The following projects have received the requisite approvals from the Authority, the Board of Higher Education and the Executive Office for Administration and Finance
- The new residence hall at Framingham State and the parking structure at Salem State will be financed through Green Bond Series 2014B

Series 2014BC Approved New Money Projects		
Campus	Project/Building	Project Cost
Residence Hall Renewal and Adaption and New Capacity Projects		
Bridgewater State	Residence Halls	\$3,000,000
Framingham State	New Residence Hall	44,000,000
Westfield State	Dickinson Hall	7,000,000
Student Activity and Academic Projects		
Fitchburg State	Hammond Center	10,000,000
Framingham State	Maple St. Athletic Fields	750,000
Framingham State	Salem End Parking	350,000
Mass College of Art and Design	Center for Design and Media Project	8,000,000
Salem State	Parking Structure	23,000,000
Westfield State	Science Building	11,000,000
Total		\$107,100,000

6. Series 2014BCD Bonds: Structure

Sources and Uses of Funds (as of 11/10/2014) ¹		
	Series 2014B Bonds	Series 2014C Bonds
Sources		
Par Amount	\$66.0	\$37.2
Premium / (Discount)	9.7	5.6
Total	\$75.7	\$42.8
Deposit to Project Fund	\$67.0	\$40.1
Deposit to CAPI	3.9	---
Deposit to Debt Service Reserve Fund	4.3	2.4
Cost of Issuance	0.5	0.3
Total	\$75.7	\$42.8

¹ Series 2014BC preliminary numbers subject to change

- Parity Bonds
- Traditional, fixed-rate, tax-exempt bonds
- Level debt service on underlying projects
- Deposit to the aggregated Debt Service Reserve Fund will meet DSRF Requirement
- New capacity projects will have 12-18 months of capitalized interest
- Framingham State new capacity project, Salem State Parking Structure and Westfield Science Building are planned for a 30-year term
- The remaining renewal and adaption projects, student activity projects will have 20-year terms
- If market conditions allow, the Authority anticipates refunding all or a portion of its outstanding Series 2005A and 2006A with the issuance of approximately \$36.5 million in Series 2014D refunding bonds for net present value debt service savings of approximately \$2.6 million based on current market conditions

Questions

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