

**ANNUAL REPORT**

**FISCAL YEAR 2010**

**MASSACHUSETTS  
STATE COLLEGE BUILDING AUTHORITY**

# **ANNUAL REPORT**

## **FISCAL YEAR 2010**

FOR THE PERIOD  
JULY 1, 2009 THROUGH JUNE 30, 2010

### **MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY**

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DECEMBER 31, 2010

# FISCAL YEAR 2010 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-financed facilities – housing, dining, athletic, parking, and other student activity facilities – for the 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.

Approximately 13,100 students reside in the 40 residential complexes owned by the Authority; these facilities house one-third of full-time undergraduate students and comprise about 3.5 million square feet of space in approximately 90 separate structures on the nine state university campuses:



## **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 college education 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.

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.

## **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 its need for funding and the availability of revenue, without awaiting available capacity in Commonwealth-issued debt. The Authority is rated Aa2 by Moody's Investors Service and AA- by Standard and Poor's Ratings Services. A listing of the bond ratings of private Massachusetts higher education institutions is located in Appendix A.



ATLANTIC HALL PHOTOVOLTAIC ARRAY  
SALEM STATE UNIVERSITY

## **PROJECT DELIVERY**

In 1999 and 2004, legislation was enacted that permitted the Authority to utilize an alternate means of procurement for design 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 2010, significant Authority accomplishments included the following:

### *Residence Hall Construction and Renovation*

1. Completed the construction of a new 100 bed residence hall building in the Mara Village complex at Fitchburg State.
2. Opened renovated and expanded Pope and Scott Halls at Bridgewater State; increasing total capacity by 300 beds.
3. Implemented facility renewal projects on all nine campuses consisting of electrical upgrades, fire protection, elevators, roofing, and masonry repairs.
4. Installed 65 kW photovoltaic array on Atlantic Hall at Salem State.
5. Completed the 172 bed addition to Dowden Hall at Worcester State and continued the multi-year renovation of Dowden Hall and the heating system servicing the Chandler Village Apartments.
6. Substantially completed the construction of a new residence hall at Salem State, scheduled to be open for student occupancy in fall 2010.
7. Substantially completed the renovation of the Great Hill Apartments at Bridgewater State.



DOWDEN HALL  
WORCESTER STATE UNIVERSITY

### *Student Activity Facilities*

1. Completed chiller replacement and utility upgrades at the McCarthy Center at Framingham State.
2. Completed construction of a new parking facility at Framingham State.
3. Completed renovations of the Kennedy Campus Center at Massachusetts College of Art and Design, including expansion and improvement of the dining hall and relocation of the bookstore.

The following tables list projects that were substantially complete in fiscal 2010 and are underway during fiscal 2011:

### PROJECTS COMPLETED – FY 2010

Campus	Building	Description	Total Cost
Bridgewater	Pope and Scott Halls	Additions and Renovations - 300 New Beds	\$23,010,830
	Great Hill Apartments	Life Safety, Energy and Modernization - Part I	8,075,183
Fitchburg	Mara Village	New Building (100 beds) and Life Safety Upgrades	17,296,469
	Cedar Street Apartments	Acquisition/Life Safety Improvements	963,705
Framingham	Aubuchon Hall	Window Replacement and Renovations to Add 16 New Beds	2,041,773
	Parking Deck	Parking Facility & Land Acquisition	4,214,956
	O'Connor Hall	New Roof and Masonry Repairs	942,296
Mass Art	McCarthy College Center	Chiller Replacement and Utility Upgrades	1,054,745
	Kennedy Campus Center	New Student Center, Bookstore	1,975,396
MCLA	Smith Hall	Roof Replacement & Bathroom Renovations	64,760
	Flagg Townhouses	Roof Replacement - Phase II	829,965
Salem	Hoosac Hall	Fire Alarm and Electrical Improvements	1,385,793
	Atlantic Hall	Photovoltaic Panel Installation	487,234
	Peabody Hall	Door and Hardware Replacement	834,425
Westfield	Bates Apartments	Fire Safety Upgrades - Phase I	2,922,956
	Scanlon Hall	Bathroom Renovations – Phase I	2,319,438
Worcester	Dowden / Chandler	Dowden Expansion (172 new beds)/ Heating Loop Replacement	19,928,685
<b>TOTAL</b>			<b>\$88,373,215</b>

### PROJECTS UNDERWAY – FY 2011

Campus	Building	Description	Budget
Bridgewater	Great Hill Apartments	Life Safety, Energy and Modernization – Phase II	5,750,000
	Shea Durgin Halls	Window Replacement	2,400,000
	Swenson Field	Synthetic Turf and Facility Upgrade	5,750,000
Fitchburg	Cedar Street Apartments	Roof Replacement and Landscape Improvements	1,700,225
	Aubuchon Hall	Window Replacement – Common Areas	1,187,629
Framingham	Mara Village	Bathroom Renovations & Common Building Renovation	1,905,066
	New Residence Hall	Construction of New 400 Bed Residence Hall	49,641,873
MassArt	McCarthy College Center	Food Service Dining Renovations	3,030,000
	Kennedy Campus Center	Dining Hall/Student Affairs Center	9,000,000
MCLA	New Residence Hall	Construction of New 493 Bed Residence Hall	61,400,000
	Flagg Townhouses	Fire Alarm and Window Replacement	2,300,000
	Shapiro Building	Property Acquisition	1,100,000
	Berkshire Towers	Switchgear & Transformer Replacement	742,000
Salem	Bates Apartments	Fire Safety Upgrades –Phase II	5,021,925
	Peabody & Bowdich Halls	Life Safety and Security Upgrades	860,575
Westfield	Marsh Hall	Construction of New 525 Bed Residence Hall and Dining Hall	57,500,000
Worcester	Scanlon Hall	Access Improvements/Bathroom Renovations – Phase II	5,192,334
Worcester	Dowden Hall	Life Safety and Modernization	4,246,315
<b>TOTAL</b>			<b>\$241,232,023</b>



SCOTT HALL  
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. There are 80 System buildings that comprise 2.5 million gross square feet of building space and house 10,400 students; 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 guaranteed by pledged rent and fees; these bonds are not guaranteed by the Commonwealth. There are eight Campus projects, constructed since 2000, which comprise 872,000 gross square feet and house 2,700 students. 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 and improving. For fiscal 2010, Authority projects generated total revenue of \$84 million, of which \$38 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 2010 are included as Appendix B.

The financial strength of the Authority is further enhanced by a series of reserves and trust funds. The college assessments fund annual debt service requirements, Authority operating expenses, insurance, and deposits to reserves. During this fiscal year, \$4.3 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 end of the fiscal year, the balance available in the reserve was \$11.5 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 \$2.1 million, and are used specifically to fund the renewal requirements of Campus projects.

***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, construction, and debt service/bond issuance expenses for the last two years:

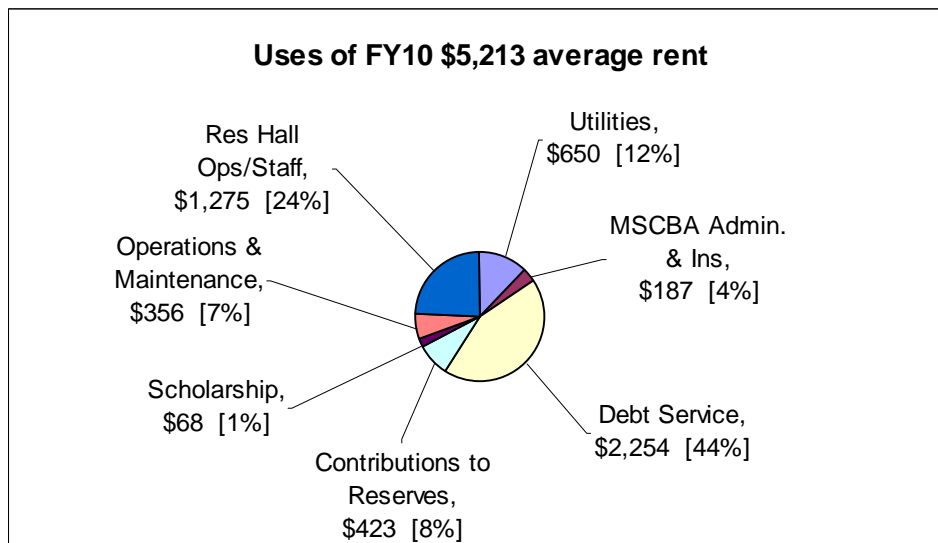
**ECONOMIC IMPACT OF THE AUTHORITY AND ITS PROJECTS (in \$1,000,000)**

<b>Expense Type</b>	<b>FY 2009</b>	<b>FY 2010</b>
Authority Operations & Administration	\$1.2	\$1.4
Campus Construction & Maintenance	79.4	107.5
Bond Issuance & Debt Service	39.2	51.8
<b>Total</b>	<b>\$119.8</b>	<b>\$160.7</b>

***Rents and Fees***

For the 2009-2010 academic year (fiscal 2010), the average on-campus room rent was \$5,213 per bed (\$579 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) and a regular program of facility renewal and renovation (debt service expense and deposits in the Capital Improvement Reserve). The following chart illustrates the uses of the average rent charged for fiscal 2010:

**USES OF THE AVERAGE RENT**





### ***Bond Capacity***

In 1998, the Legislature empowered the Authority to issue revenue bonds that are not guaranteed by the Commonwealth. Each bond issue is guaranteed by the rents and fees pledged by the universities and paid by the students who benefit from these projects. As detailed in the following chart, some \$783.0 million in bonds has been issued. Principally, the projects funded with the bond proceeds are new residence halls or student activity facilities: \$523.6 million [MSCBA Projects]. Just under half of this amount, \$203.5 million, has been invested in the renewal or renovation of residence halls [MSCBA Repair]. The balance of the bonds issued, \$55.9 million, has been directed towards the repair and improvement of Commonwealth-owned facilities [MA Facilities]; this work includes the renovation and expansion of dining facilities and student centers, the rehabilitation of athletic fields, and the improvement of parking lots. The following table lists the use of the bond proceeds, including cost of issuance and debt service reserve funds (net of premiums or discounts):

**USE OF BOND PROCEEDS** (in \$1,000,000)

<b>Total Bond Utilization</b>	<b>MSCBA Repair</b>	<b>MSCBA Projects</b>	<b>MA Facilities</b>	<b>Total</b>
Bridgewater State	\$39.5	\$98.9	\$6.2	\$144.6
Fitchburg State	25.1	17.5	6.7	49.3
Framingham State	38.2	45.4	17.1	100.7
MA College of Art & Design	1.3	89.8	12.0	103.1
MA College of Liberal Arts	13.6	0.0	1.8	15.4
MA Maritime Academy	17.6	15.8	0.0	33.4
Salem State	10.8	96.0	8.4	115.2
Westfield State	29.0	32.0	0.0	61.0
Worcester State	10.6	55.8	0.0	66.4
Project Fund Subtotal	\$185.7	\$451.2	\$52.2	\$689.1
COI, DSRF less premium	17.8	72.5	3.7	93.9
<b>Total Bonds Issued (1999-2009)</b>	<b>\$203.5</b>	<b>\$523.6</b>	<b>\$55.9</b>	<b>\$783.0</b>

### ***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

	2000	2001	2002	2004	2006	2007	2008	2009	2010
Deferred Maintenance (\$m)	61.1	52.1	49.3	25.2	14.6	10.1	8.9	8.1	8.4
Current Replacement Value (\$m)	274	282	293	330	374	399	420	431	464
<b>Facility Condition Index</b>	<b>22.3%</b>	<b>18.5%</b>	<b>16.8%</b>	<b>7.6%</b>	<b>3.9%</b>	<b>2.5%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>1.8%</b>

### *College 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	2002	2003	2004	2005	2006	2007	2008	2009
Bridgewater State	6,965	7,242	7,399	7,375	7,471	7,762	8,117	8,536
Fitchburg State	3,311	3,404	3,622	3,753	3,903	4,331	4,421	4,628
Framingham State	4,219	4,272	4,207	4,149	4,169	4,189	4,237	4,213
MA College of Art & Design	1,366	1,470	1,482	1,512	1,543	1,544	1,803	1,905
MA College of Liberal Arts	1,539	1,588	1,592	1,627	1,765	1,796	1,589	1,684
MA Maritime Academy	953	957	984	1,057	1,092	1,179	1,221	1,308
Salem State	5,844	6,057	6,422	6,830	7,224	7,182	7,279	7,343
Westfield State	4,186	4,090	4,090	4,520	4,630	4,615	4,863	4,971
Worcester State	3,846	3,788	3,794	3,899	3,939	3,938	4,004	4,121
<b>Total</b>	<b>32,229</b>	<b>32,868</b>	<b>33,592</b>	<b>34,722</b>	<b>35,736</b>	<b>36,536</b>	<b>37,535</b>	<b>38,709</b>

### *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 was over 100%:

#### RESIDENCE HALL OCCUPANCY

Campus	1998	2000	2002	2004	2006	2007	2008	2009	2010
Bridgewater State	106%	104%	107%	105%	105%	104%	103%	104%	101%
Fitchburg State	71%	65%	89%	99%	100%	102%	104%	103%	105%
Framingham State	83%	89%	99%	102%	100%	100%	99%	101%	101%
MA College of Art & Design	103%	101%	104%	100%	98%	101%	99%	100%	100%
MA College of Liberal Arts	63%	58%	71%	82%	89%	95%	89%	88%	94%
MA Maritime Academy	75%	80%	89%	95%	99%	103%	92%	94%	100%
Salem State	99%	99%	106%	105%	103%	101%	100%	104%	106%
Westfield State	96%	103%	107%	106%	106%	108%	107%	107%	105%
Worcester State	91%	100%	103%	101%	97%	101%	100%	102%	102%
<b>Average</b>	<b>87%</b>	<b>89%</b>	<b>97%</b>	<b>101%</b>	<b>101%</b>	<b>103%</b>	<b>101%</b>	<b>102%</b>	<b>102%</b>

### ***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, and 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. This program annually provides one-and-a-half million dollars that is redistributed by the financial aid offices of the nine state universities to complement the financial aid package for residential students.



MARA VILLAGE  
FITCHBURG STATE UNIVERSITY

### ***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. The plan recommends the provision of residence hall capacity to house up to an average of fifty percent of the full time undergraduate students in the state university system; this would provide, on average, capacity for two years of housing during a students' four-year undergraduate experience. Overall, system enrollments are at or above projected levels. Individual universities vary, but several show distinct five- and ten-year trends for enrollment increases above projections. 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 55% to 63% of total headcount since 2000. Further, despite an increase of 2,818 new beds from 2000 to 2010, system-wide occupancy in fall 2009 was 104.6% 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.

# **COMMONWEALTH OF MASSACHUSETTS**

Deval L. Patrick, Governor

Timothy P. Murray, Lieutenant Governor

## **AUTHORITY MEMBERS AND OFFICERS**

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Mary-Elizabeth Beach

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## **BOND COUNSEL**

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As of June 30, 2010

**APPENDIX A**  
 Moody's Investors Service  
 Massachusetts College and University  
 Ratings

Institution	Rating
Amherst College	Aaa
Babson College	A3
Bentley College	A3
Berklee College of Music	A2
Boston College	Aa3
Boston University	A2
Brandeis University	A1
Clark University	A2
College of the Holy Cross	Aa3
Emmanuel College	Baa1
Franklin W. Olin College of Engineering	A1
Hampshire College	Baa2
Harvard University	Aaa
Lasell College	Ba1
Massachusetts College of Pharmacy and Health Sciences	A3
Massachusetts Institute of Technology	Aaa
<b>Massachusetts State College Building Authority</b>	<b>Aa2</b>
Merrimack College	Baa3
Mount Holyoke College	Aa3
New England Conservatory	Baa1
Northeastern University	A2
Simmons College	Baa1
Smith College	Aa1
Springfield College	Baa1
Stonehill College	A2
Suffolk University	Baa2
Tufts University	Aa2
University of Massachusetts Building Authority	Aa2
Wellesley College	Aaa
Wentworth Institute of Technology	Baa1
Wheaton College	A2
Williams College	Aa1
Worcester Polytechnic Institute	A1

## **APPENDIX B**

FY 2010 Audited Financial Statements