

Sen. Nick Hinrichsen, *Chair*
Sen. Kyle Mullica
Sen. Byron Pelton

Rep. Tammy Story, *Vice-Chair*
Rep. Marc Catlin
Rep. Mandy Lindsay



Capital Development Committee

State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521



October 29, 2024

Representative Shannon Bird, Chair
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Representative Bird,

On October 29, 2024, the Capital Development Committee (CDC) considered and approved one project submitted by Colorado Mesa University pursuant to the requirements of the Higher Education Revenue Bond Intercept Program under Section 23-5-139, C.R.S. *The CDC approved the project as submitted on a vote of 5-0.* Table 1 summarizes the intercept project. A memorandum describing the requested bond issuance and the project is attached.

Table 1
Approved Intercept Projects

Project Name	Location	Amount of Issuance
Centennial Village Student Housing	Grand Junction	\$55,000,000
	Total	\$55,000,000

If you have any questions or concerns about the CDC's recommendations, please call Bo Pogue, Legislative Council Staff, at 303-866-5390.

Sincerely,

Representative Tammy Story
Vice-Chair, Capital Development Committee

Representative Shannon Bird, Chair

October 29, 2024

Page 2

C:

Capital Development Committee Members

Joint Budget Committee Members

Adrian Leiter, Governor's Office of State Planning and Budgeting

Tammy Pacheco, Governor's Office of State Planning and Budgeting

Lauren Gilliland, Department of Higher Education

Kent Marsh, Colorado Mesa University

Michelle Quinn, Colorado Mesa University

Dave Young, State Treasurer

Eric Rothaus, Deputy State Treasurer

Amanda Bickel, Joint Budget Committee Staff

Andrea Uhl, Joint Budget Committee Staff

Capital Development Committee Staff



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

October 24, 2024

TO: Capital Development Committee
FROM: Bo Pogue, Senior Research Analyst, (303) 866-5390
SUBJECT: Colorado Mesa University Intercept Request

Summary

The Higher Education Revenue Bond Intercept Program allows the state to make necessary payments of principal and interest on revenue bonds, if needed, on behalf of a participating state-supported higher education institution. Under the program, an institution is permitted to bond for projects using the state's credit rating, which typically results in cost savings for the institution.

In order to participate in the program, an institution must meet certain requirements regarding its credit rating and its debt service coverage ratio. An institution must have a credit rating in one of the three highest categories from a nationally recognized statistical rating organization, without regard to modifiers within a category. If more than one organization has rated an institution, none of the ratings can be in a category below the three highest categories. An institution must also have a debt service coverage ratio of 1.5, measured by dividing net revenue available for annual debt service by the total amount of annual debt service plus the annual debt service to be issued.

The requirements to participate in the intercept program are established in law and verified by the Office of the State Treasurer in a report published by September 1 of each year. An excerpt of relevant sections of the 2024 report is included as Attachment A. The report itemizes the following for each state-supported higher education institution:

- the most recent credit rating or ratings;
- the debt service coverage ratio;
- the total amount of intercept bonds issued, including the anticipated payment schedule; and
- the total amount of revenue bonds issued, including the anticipated payment schedule.

Based on this report, the State Treasurer issues an annual preapproval certificate to each governing board that meets the statutory requirements to participate in the intercept program.

Open records requirements: Pursuant to Section 24-72-202 (6.5)(b), C.R.S., research memoranda and other final products of Legislative Council Staff are considered public records and subject to public inspection unless: a) the research is related to proposed or pending legislation; and b) the legislator requesting the research specifically asks that the research be permanently considered "work product" and not subject to public inspection. If you would like to designate this memorandum to be permanently considered "work product" not subject to public inspection, or if you think additional research is required and this is not a final product, please contact the Legislative Council Librarian at (303) 866-4011 within seven days of the date of the memorandum.



The preapproval certificate includes the total amount of intercept bonds that a governing board may issue in the next year.

For FY 2024-25, Colorado Mesa University's (CMU) preapproval amount is \$410.5 million. The institution is required to receive certification from the State Treasurer that it qualifies to participate in the intercept program prior to submitting a proposal to the Capital Development Committee (CDC) for review and approval. Any proposed new borrowing under the state intercept program is subject to approval by the CDC and the Joint Budget Committee (JBC), regardless of the cost of individual projects.

Other approval requirements. Intercept projects exceeding \$2 million for new projects or \$10 million for renovation projects must also be reviewed as part of an institution's two-year projection of cash need. In addition, the Colorado Commission on Higher Education must review and approve program plans for any new project costing more than \$2 million that will be financed under the intercept program. Once an institution is prepared to issue intercept backed bonds, it submits the proposed borrowing for separate review and approval by the CDC and the JBC. *The cash project for which CMU seeks intercept approval, Centennial Village Student Housing, has already received separate review and approval by the CDC under the two-year projection of need process.* This took place at the committee's September 24 meeting. A written description of the project prepared by Legislative Council Staff is included as Attachment B.

Additional Intercept Requirements

In addition to the preapproval requirements verified by the State Treasurer, current law specifies that a request for intercept project approval to the CDC must also include:

- the maximum amount of intercept bonds the governing board seeks to issue;
- the anticipated terms of the issuance, including the maximum annual debt service; and
- if available, a copy of the governing board's resolutions authorizing the issuance.

The maximum amount of intercept bonds CMU seeks to issue for the projects is \$55.0 million. The total amount of cash funds spending authority received by CMU for the project is \$53.6 million. CMU anticipates that the intercept bonds will be issued for a term of 30 years at an interest rate of about 4.5 percent. The average debt service payment is anticipated to be \$3.3 million per year. A projected debt service schedule is attached (Attachment C).

CDC Action Required

Approve the use of the intercept program for bonding of up to \$55.0 million for the Colorado Mesa University Centennial Village Student Housing project.

Executive Summary

The following institutions are measured as to whether they met the statutory requirements to participate in the intercept program. If all requirements are met, the pre-approval amount is included as well.

Institution:	ADAMS STATE UNIVERSITY COLORADO	COLORADO COMMUNITY COLLEGE SYSTEM	COLORADO MESA UNIVERSITY	COLORADO SCHOOL OF MINES	Colorado State University	FORT LEWIS COLLEGE	MSU DENVER	CU DENVER	UNIVERSITY OF NORTHERN COLORADO	WESTERN COLORADO UNIVERSITY	Pre-Approval Amount
Ratings Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$580,477
Coverage Ratio Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$3.565 Billion
State Funding % Requirement Met	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	\$410.5 Million
											\$143.2 Million
											\$2.295 Billion
											\$61.75 Million
											\$1.301 Billion
											\$4.858 Billion
											\$754.2 Million
											\$184.9 Million

Ratings

Section 23-5-139(1)(b)(II)(A), C.R.S., requires the State Treasurer to confirm that an institution's governing board participating in the state higher education intercept program carries a "credit rating *in one of the three highest categories* from at least one nationally recognized statistical rating organization [NRSRO]." (emphasis added).

There are three NRSRO's from which a credit rating has been obtained: Moody's, Standard and Poor's, and Fitch. Below are the most recent ratings available for each institution. **Note - not every institution has been rated recently and their financial situation may have changed since their last rating report was issued.** Since last year's report, no institution has received a rating change. In addition, all rating agency outlooks remain unchanged except for University of Northern Colorado's S&P outlook was revised to stable from negative. The three highest categories for Moody's, S&P, and Fitch are Aaa/Aa/A, AAA/AA/A, and AAA/AA/A, respectively.

Institution	Moody's	S&P	Fitch	Most Recent Agency Report
Adams State University	A3 (Stable)	N/A	N/A	December 2022
Colorado Community College System	Aa3 (Stable)	N/A	N/A	April 2023
Colorado Mesa University	A2 (Stable)	N/A	N/A	April 2024
Colorado School of Mines	A1 (Stable)	A+ (Stable)	N/A	March 2024
Colorado State University	Aa3 (Stable)	A+ (Stable)	N/A	February 2024
Fort Lewis College	A3 (Stable)	N/A	N/A	March 2024
Metropolitan State University	A1 (Stable)	A (Stable)	N/A	July 2024
University of Colorado	Aa1 (Stable)	N/A	AA+ (Stable)	June 2024
University of Northern Colorado	A3 (Stable)	A- (Stable)	N/A	March 2024
Western Colorado University	A3 (Stable)	N/A	N/A	August 2024

Institutions Meeting the Rating Requirement	Institutions Not Meeting the Rating Requirement
	NONE

Debt Service Coverage Ratio and Outstanding Debt

The debt service coverage ratio is measured by “dividing the governing board’s net revenue available for annual debt service over such governing board’s total amount of annual debt service.” § 23-5-139(1)(b)(II)(B), C.R.S. As of the writing of this report, the eight institutions which expanded their tuition pledges (from 10% to 100%) are the Colorado Community College System, Colorado Mesa University, Colorado School of Mines, Colorado State University, Fort Lewis College, Metropolitan State University of Denver, University of Northern Colorado, and Western Colorado University. The statute requires a coverage ratio of at least one and one-half times to be eligible for the intercept program.

The following is the calculated debt service for all outstanding bonds and intercept bonds (FY2025), net pledged revenues (FY2023), and their respective debt service coverage ratios. For Adams State University, calculations are provided for debt service coverage ratios under both a 10% tuition pledge and a 100% tuition pledge.

Institution	Adams State University	Colorado Community College System**	Colorado Mesa University**	Colorado School of Mines**	Colorado State University**
FY2025 Debt Service-All Outstanding Bonds	\$4,290,350	\$8,235,517	\$15,386,610	\$33,219,316	\$88,190,872
FY2025 Debt Service-Intercept Bonds	\$4,000,600	\$1,620,769	\$13,436,656	\$7,962,730	\$59,708,139
FY2023 Net Pledged Revenues	\$6,482,872	\$303,158,326	\$97,389,000	\$184,707,000	\$703,186,803
DSCR-All w/ 10% Pledge	1.51x	**	**	**	**
DSCR-Intercept w/ 10% Pledge	1.62x	**	**	**	**
DSCR-All w/ 100% Pledge	6.60x	36.81x	6.33x	5.56x	7.97x
DSCR-Intercept w/ 100% Pledge	7.08x	187.05x	7.25x	23.20x	11.78x

**Denotes university/college which has adopted 100% tuition pledge provided for in SB22-121

Institution	Fort Lewis College**	Metropolitan State University**	University of Colorado***	University of Northern Colorado**	Western Colorado University**
FY2025 Debt Service-All Outstanding Bonds	\$4,283,611	\$8,976,848	\$161,657,336	\$10,884,438	\$7,201,719
FY2025 Debt Service-Intercept Bonds	\$3,277,844	\$6,209,957	-	\$10,739,801	\$6,798,176
FY2023 Net Pledged Revenues	\$11,462,085	\$126,289,149	\$1,542,950,000	\$88,316,932	\$25,886,326
DSCR-All w/ 10% Pledge	**	**	N/A	**	**
DSCR-Intercept w/ 10% Pledge	**	**	N/A	**	**
DSCR-All w/ 100% Pledge	2.68x	14.07x	9.54x	8.11x	3.59x
DSCR-Intercept w/ 100% Pledge	3.50x	20.34x	N/A	8.22x	3.81x

**Denotes university/college which has adopted 100% tuition pledge provided for in SB22-121

***The University of Colorado already had flexibility to pledge 100% tuition revenue under previous legislation

Institutions Meeting the Coverage Requirement	Institutions Not Meeting the Coverage Requirement
	NONE

Debt Service as a Percentage of State Funding

Higher education institutions receive State funding through various mechanisms. The State supplies funding to institutions directly through the Colorado Opportunity Fund (“COF”) and fee for service contracts. The maximum amount of intercept debt service owed by any institution in any year *must equal 75% or less* of the combined amount of the COF and fee for service. § 23-5-139(1)(b)(I), C.R.S.

Below is each institution’s maximum annual intercept debt service, in any current or future year, as a percentage of 2024-2025 State funding.

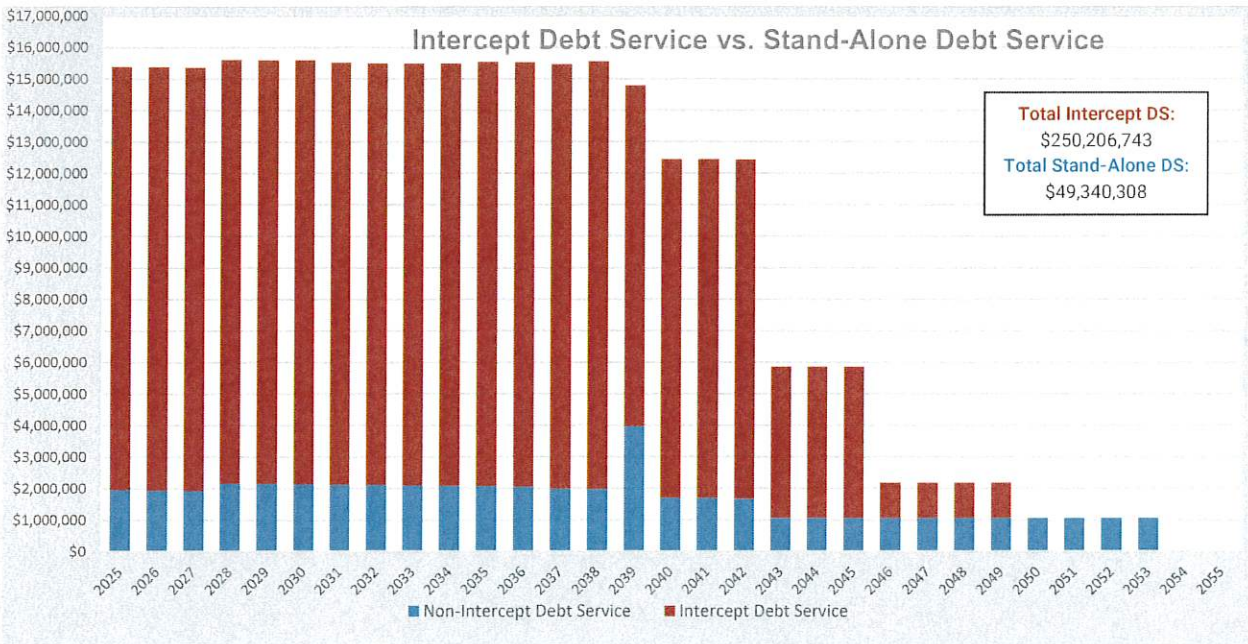
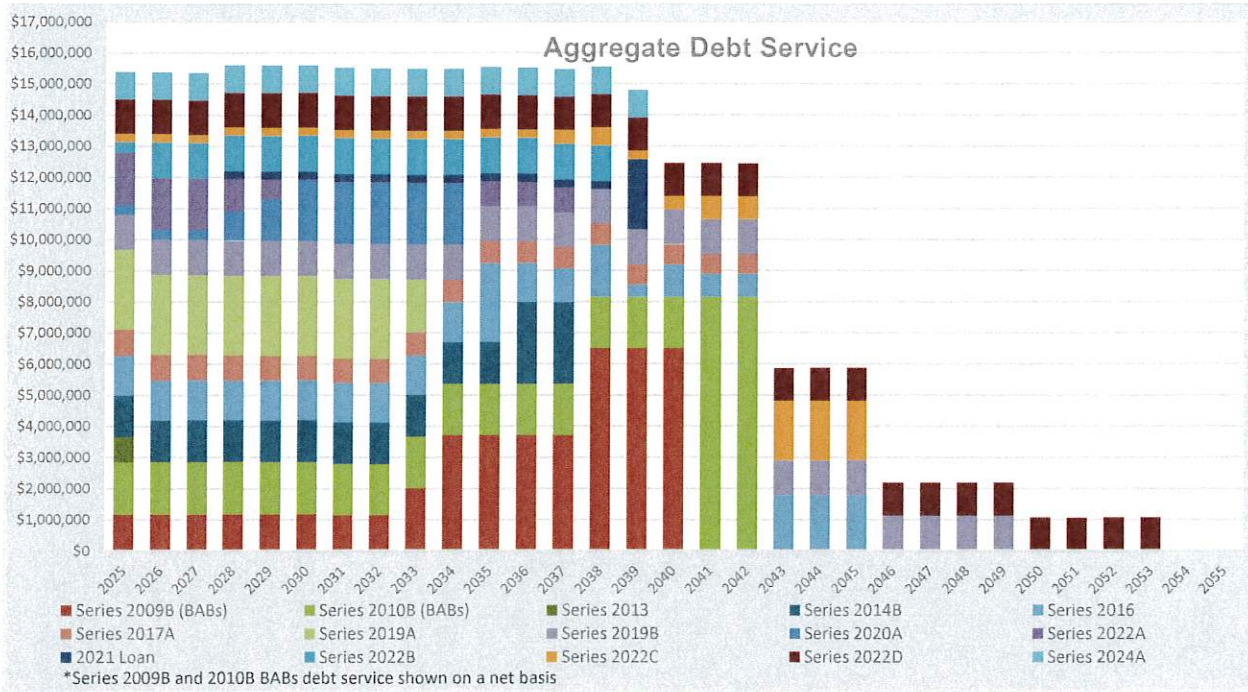
Institution	State Funding Amount FY2024-2025	Current Maximum Intercept Debt Service Amount	Percentage of Maximum Intercept Debt Service Amount to State Funding
Adams State University	\$28,074,295	\$4,504,380	16.04%
Colorado Community College System	\$293,557,242	\$1,623,619	0.6%
Colorado Mesa University	\$49,217,113	\$13,569,515	27.6%
Colorado School of Mines	\$37,054,876	\$20,002,019	53.9%
Colorado State University	\$245,989,778	\$59,708,139	24.3%
Fort Lewis College	\$23,188,891	\$3,405,169	14.7%
Metropolitan State University	\$102,577,951	\$6,209,957	6.1%
University of Colorado	\$352,251,853	\$0	N/A
University of Northern Colorado	\$69,004,345	\$10,743,317	15.6%
Western Colorado University	\$24,942,246	\$6,798,175	27.3%

Institutions Meeting the State Funding Percentage Requirement	Institutions Not Meeting the State Funding Percentage Requirement
	NONE

Colorado Mesa University



Location: Grand Junction
Underlying Ratings: A2, N/A, N/A*
State Intercept Enhanced Ratings: Aa2, N/A, N/A*
Most Recent Agency Rating: April 2024
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$410.5 Million



*Ratings are displayed in order of Moody's, S&P, and Fitch

Two Year Projection of Cash Need

Colorado Mesa University
Tuesday, September 24, 2024

SUGGESTED MOTION:

Approve the new projects listed on the Colorado Mesa University two year projection of cash needed.

Project Name	LEED Certification	Amount	Fund Source
Centennial Village Student Housing 2025-119	N/A, targeting 3 Green Globes (campus standard)	\$53,643,606	CF

Colorado Mesa University is requesting cash funds spending authority to construct a 104,000-GSF, 316-bed student housing project. Greater-than-expected student enrollment for the 2024-25 school year has resulted in the need to add up to 320 beds in on-campus housing. The source of cash funds is debt financing.

This project has not yet been approved by CCHE. CDC approval of the project would be contingent upon CCHE approval at their October meeting.

Date Authorized Until: 09/24/2026

New Project List, Requires Approval

Grand Total, All Projects:	\$53,643,606
-----------------------------------	---------------------

Attachment C

Year	Interest	Principal	Debt Service	Ending Balance
1	\$2,456,848.36	\$887,274.68	\$3,344,123.04	\$54,112,725.32
2	\$2,416,087.12	\$928,035.92	\$3,344,123.04	\$53,184,689.40
3	\$2,373,453.31	\$970,669.73	\$3,344,123.04	\$52,214,019.66
4	\$2,328,860.92	\$1,015,262.13	\$3,344,123.05	\$51,198,757.53
5	\$2,282,219.95	\$1,061,903.09	\$3,344,123.04	\$50,136,854.44
6	\$2,233,436.31	\$1,110,686.74	\$3,344,123.05	\$49,026,167.70
7	\$2,182,411.55	\$1,161,711.49	\$3,344,123.04	\$47,864,456.21
8	\$2,129,042.73	\$1,215,080.31	\$3,344,123.04	\$46,649,375.90
9	\$2,073,222.15	\$1,270,900.89	\$3,344,123.04	\$45,378,475.01
10	\$2,014,837.19	\$1,329,285.86	\$3,344,123.05	\$44,049,189.15
11	\$1,953,770.03	\$1,390,353.01	\$3,344,123.04	\$42,658,836.14
12	\$1,889,897.46	\$1,454,225.59	\$3,344,123.05	\$41,204,610.55
13	\$1,823,090.59	\$1,521,032.46	\$3,344,123.05	\$39,683,578.09
14	\$1,753,214.62	\$1,590,908.42	\$3,344,123.04	\$38,092,669.67
15	\$1,680,128.57	\$1,663,994.48	\$3,344,123.05	\$36,428,675.19
16	\$1,603,684.95	\$1,740,438.09	\$3,344,123.04	\$34,688,237.10
17	\$1,523,729.53	\$1,820,393.51	\$3,344,123.04	\$32,867,843.58
18	\$1,440,100.97	\$1,904,022.07	\$3,344,123.04	\$30,963,821.51
19	\$1,352,630.53	\$1,991,492.51	\$3,344,123.04	\$28,972,328.99
20	\$1,261,141.71	\$2,082,981.33	\$3,344,123.04	\$26,889,347.66
21	\$1,165,449.91	\$2,178,673.13	\$3,344,123.04	\$24,710,674.53
22	\$1,065,362.05	\$2,278,760.99	\$3,344,123.04	\$22,431,913.54
23	\$960,676.17	\$2,383,446.87	\$3,344,123.04	\$20,048,466.66
24	\$851,181.04	\$2,492,942.01	\$3,344,123.05	\$17,555,524.66
25	\$736,655.72	\$2,607,467.33	\$3,344,123.05	\$14,948,057.33
26	\$616,869.13	\$2,727,253.92	\$3,344,123.05	\$12,220,803.41
27	\$491,579.56	\$2,852,543.49	\$3,344,123.05	\$9,368,259.92
28	\$360,534.21	\$2,983,588.84	\$3,344,123.05	\$6,384,671.09
29	\$223,468.66	\$3,120,654.39	\$3,344,123.05	\$3,264,016.70
30	\$80,106.34	\$3,264,016.70	\$3,344,123.04	\$0.00