

Sen. Nick Hinrichsen, *Chair*
Sen. Kyle Mullica
Sen. Cleave Simpson

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



January 16, 2024

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

Dear Representative Bird,

On January 11, 2024, the Capital Development Committee (CDC) considered and approved one project submitted by the Colorado School of Mines 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 6-0.* 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
Residence Hall 7	Golden	\$221,500,000
	Total	\$221,500,000

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

Sincerely,

Senator Nick Hinrichsen
Chair, Capital Development Committee

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

Kirsten Volpi, Colorado School of Mines

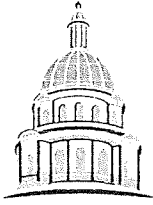
Dave Young, State Treasurer

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

December 11, 2023

TO: Capital Development Committee
FROM: Bo Pogue, Senior Research Analyst, (303) 866-5390
SUBJECT: Colorado School of Mines 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 2023 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. The preapproval certificate includes the total amount of intercept bonds that a governing board

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may issue in the next year. For FY 2023-24, the Colorado School of Mine's (CSM) preapproval amount is \$250.3 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. Attachment B is a letter from the State Treasurer to CSM indicating that the university meets the statutory requirements to participate in the Higher Education Revenue Bond Intercept Program. 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 CSM seeks intercept approval has already received separate review and approval by the CDC under the two-year projection of need process.

Colorado School of Mines Intercept Projects

CSM has submitted one project to the CDC for review and approval under the intercept program. The project received cash funds spending authority approval by the CDC at its September 13, 2023, meeting. A description of the project is detailed on the university's most recent two-year cash list amendment, which is included as Attachment C (see Residence Hall 7 on the second page). 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.








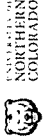

The maximum amount of intercept bonds CSM seeks to issue for the projects is \$221.5 million. The total amount of cash funds spending authority received by CSM for the project is \$200.0 million. CSM anticipates that the intercept bonds will be issued for a term of 35 years at an interest rate of about 4.7 percent. The average debt service payment is anticipated to be \$13.1 million per year. A projected debt service schedule is attached (Attachment D).

CDC Action Required

Approve the use of the intercept program for bonding of up to \$221.5 million for the Colorado School of Mines Residence Hall 7 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:	Ratings Requirement Met	Coverage Ratio Requirement Met	State Funding % Requirement Met	Pre-Approval Amount
 ARKANSAS STATE UNIVERSITY EXPLORE THE POSSIBILITIES	✓	✗	✓	N/A
 COLORADO COMMUNITY COLLEGE SYSTEM	✓	✓	✓	\$3.258 Billion
 COLORADO MESA UNIVERSITY	✓	✓	✓	\$350.7 Million
 COLORADO SCHOOL OF MINES	✓	✓	✓	\$250.3 Million
 Colorado State UNIVERSITY	✓	✓	✓	\$1.984 Billion
 FORT LEWIS COLLEGE	✓	✓	✓	\$62.0 Million
 MSU DENVER	✓	✓	✓	\$1.154 Billion
 UNIVERSITY OF NORTHERN COLORADO	✓	✓	✓	\$665.5 Million
 WESTERN STATE UNIVERSITY OF COLORADO	✓	✓	✓	\$155.5 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 may be obtained: Moody's, Standard and Poor's, and Fitch. Below are the most recent ratings available for each institution. **However, 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 received a rating change. In addition, all rating agency outlooks remain unchanged. 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	November 2020
Colorado School of Mines	A1 (Stable)	A+ (Stable)	N/A	November 2022
Colorado State University	Aa3 (Stable)	A+ (Stable)	N/A	July 2023
Fort Lewis College	A3 (Stable)	N/A	N/A	August 2020
Metropolitan State University	A1 (Stable)	A (Stable)	N/A	August 2023
University of Colorado	Aa1 (Stable)	N/A	AA+ (Stable)	July 2023
University of Northern Colorado	A3 (Stable)	A- (Negative)	N/A	June 2022
Western Colorado University	A3 (Stable)	N/A	N/A	April 2022

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 outstanding debt, service coverage, and their respective ratios. For those institutions which (i) have not adopted an expanded pledge OR (ii) whose expanded pledge were not reflected in their FY22 audit, figures 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**
FY2024 Debt Service-All Outstanding Bonds	\$4,123,823	\$7,650,983	\$15,301,157	\$25,330,528	\$88,083,225
FY2024 Debt Service-Intercept Bonds	\$3,834,073	\$1,614,869	\$13,338,630	\$7,794,170	\$59,767,026
FY2022 Net Pledged Revenues	\$6,096,236	\$28,442,108	\$121,562,000	\$57,377,000	\$212,198,000
DSCR-All w/ 10% Pledge	1.48x	3.72x	**	2.27x	2.41x
DSCR-Intercept w/ 10% Pledge	1.59x	17.61x	**	7.36x	3.55x
DSCR-All w/ 100% Pledge	6.59x	36.63x	7.94x	8.64x	7.81x
DSCR-Intercept w/ 100% Pledge	7.09x	173.5x	9.11x	28.09x	11.52x

**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**
FY2024 Debt Service-All Outstanding Bonds	\$4,271,017	\$11,004,197	\$130,075,209	\$10,850,765	\$7,195,229
FY2024 Debt Service-Intercept Bonds	\$3,262,979	\$6,720,023	\$0	\$10,102,378	\$6,791,669
FY2022 Net Pledged Revenues	\$11,521,824	\$127,703,798	\$1,415,324,000	\$35,045,721	\$10,721,831
DSCR-All w/ 10% Pledge	**	**	N/A	3.23x	1.49x
DSCR-Intercept w/ 10% Pledge	**	**	N/A	3.47x	1.58x
DSCR-All w/ 100% Pledge	2.70x	11.61x	10.88x	8.22x	3.61x
DSCR-Intercept w/ 100% Pledge	3.53x	19.00x	N/A	8.83x	3.82x

**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
        	

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 2023-2024 State funding.

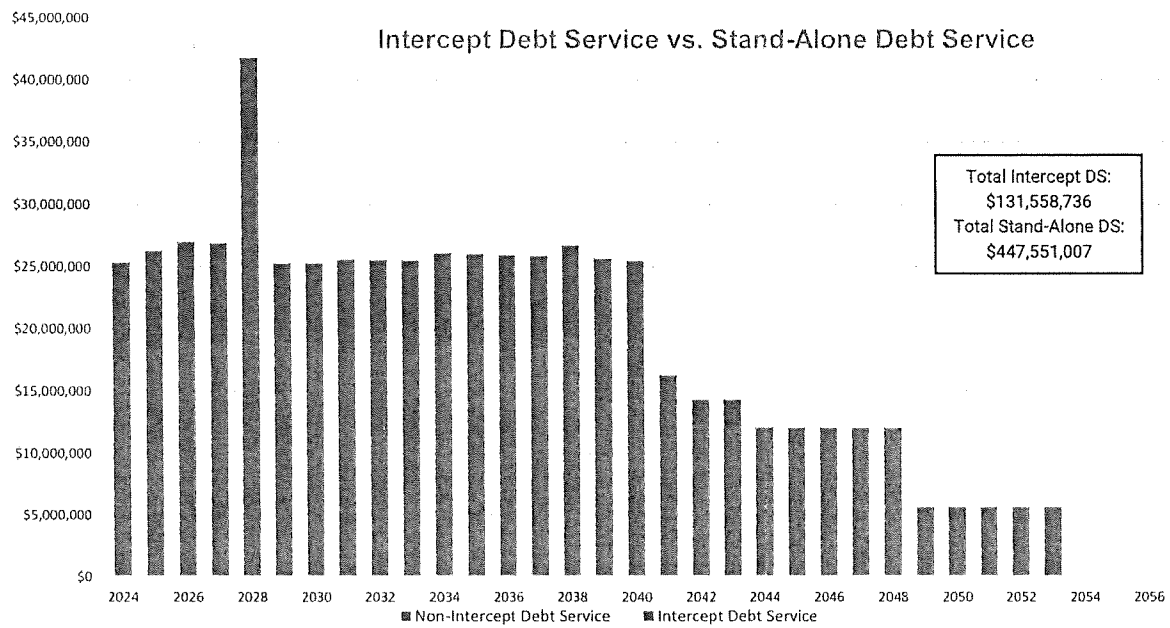
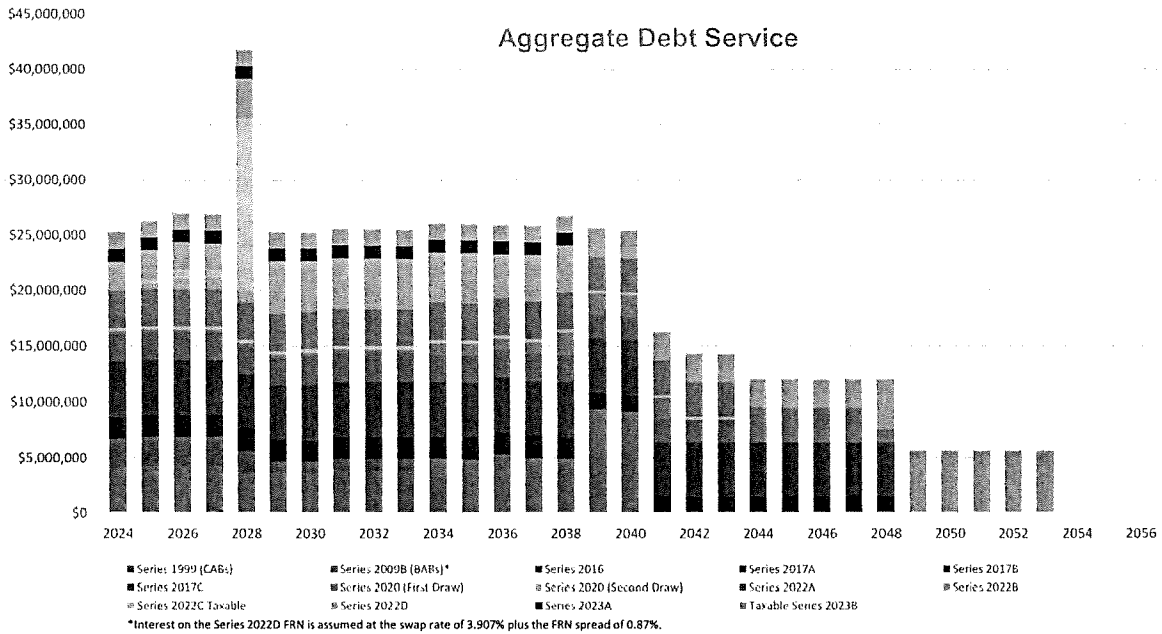
Institution	State Funding Amount FY2023-2024	Maximum Intercept Debt Service Amount	Percentage of Intercept Debt Service Amount to State Funding
Adams State University	\$23,568,197	\$4,504,380	19.1%
Colorado Community College System	\$270,019,813	\$1,623,619	0.6%
Colorado Mesa University	\$45,050,411	\$13,468,096	29.9%
Colorado School of Mines	\$33,574,131	\$11,142,517	33.2%
Colorado State University	\$225,213,020	\$59,767,026	26.5%
Fort Lewis College	\$19,069,629	\$3,405,169	17.8%
Metropolitan State University	\$93,592,346	\$6,720,023	7.2%
University of Colorado	\$309,892,969	\$0	N/A
University of Northern Colorado	\$63,120,632	\$10,743,317	17.0%
Western Colorado University	\$20,443,587	\$6,798,175	33.2%

Institutions Meeting the Percentage Requirement	Institutions Not Meeting the Percentage Requirement
	NONE

Colorado School of Mines



Location: Golden
Underlying Ratings: A1, A+, N/A*
State Intercept Enhanced Ratings: Aa2, AA-, N/A*
Most Recent Agency Rating: November 2022
Pre-Approved for Intercept? Yes
Pre-Approval Amount: \$250.332 Million



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

STATE OF COLORADO
DEPARTMENT OF THE TREASURY

Dave Young
State Treasurer



Eric Rothaus
Deputy Treasurer

December 6, 2023

Colorado School of Mines
Office of the President
Colorado School of Mines
1500 Illinois St.
Golden, CO 80401

Dr. Paul C. Johnson, President

Board of Trustees for Colorado School of Mines
Issuance of Tax-Exempt Enterprise Revenue Bonds Series 2024A for the funding of
Residence Hall 7 project.

President Johnson:

Pursuant to §23-5-139(1)(c)(II), CRS (2021), my office is providing notification that Colorado School of Mines ("CSM") has met the statutory requirements to qualify for participation in the Higher Education Revenue Bond Intercept program.

The proposed Tax-Exempt Enterprise Revenue Bonds, Series 2024A will issue funds for the Residence Hall 7 project. The bond being considered for funding meet the requirements of §23-5-139(1)(b)(II), CRS (2021), as listed below:

1. The CSM's Board of Trustees carries a Moody's credit rating in one of the three highest categories from a nationally recognized statistical rating organization;
2. The maximum total debt service payment of the Series 2024A bonds, plus the debt service payment for all other intercept bonds issued by the CSM Board of Trustees is less than or equal to 75% of CSM's most recent general fund appropriations for stipends and fee-for-service contracts reappropriated to the Board of Trustees;
3. The debt service ratio is coverage of at least 1.5x;

My office has made no recommendations to CSM Board of Trustees regarding the structure of the Series 2024A bond refunding.

(303) 866-2441

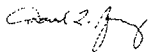
State Capitol
200 E. Colfax Ave. Room 140
Denver, Colorado 80203

FAX (303) 866-2123

Colorado School of Mines Intercept Request
December 6, 2023

Please do not hesitate to contact me if I can be of further assistance.

Sincerely,
David L. Young
Colorado State Treasurer



cc: Senator Rachel Zenzinger, Chair, JBC
Senator Nick Hinrichsen, Chair, CDC
Sarah Kendall Hughes, Chair, CCHE
Mark Ferrandino, Executive Director, OSPB

Two Year Projection of Cash Need

Colorado School of Mines
Wednesday, September 13, 2023

SUGGESTED MOTION: *Approve the new projects listed on the Colorado School of Mines two year projection of cash needed.*

Project Name	LEED Certification	Amount	Fund Source
<i>Alderson Hall Fourth Floor Renovation</i> 2024-068	N/A	\$14,000,000	CF
<p>The project renovates 12,750 GSF in Alderson Hall to create new research labs, right-sized offices for faculty and researchers, and graduate student open offices. Alderson houses the Chemical and Biological Engineering Department. The university says the project will increase academic and research productivity, occupancy, and the efficiency of associated spaces.</p> <p>The source of cash funds for the project is likely to consist of cash reserves and tax-exempt institutional revenue bonds to be repaid over a period of 15-30 years by education and general revenues.</p> <p>Date Authorized Until: 09/13/2025 <i>New Project List, Requires Approval</i></p>			
<i>Dining and Student Services Building (Chauvenet Hall)</i> 2024-069	N/A	\$60,000,000	CF
<p>The project creates 38,000 GSF of dining, study, and student service space at the Chauvenet Hall site, which sits at the center of campus. The project is currently undergoing initial planning, and the university has not yet decided whether to renovate and construct additions to Chauvenet Hall, or to replace the facility completely. The project may also include academic and lab spaces. The university says it is expanding its on-campus housing offerings in response to ongoing increases in enrollment, and certain services, such as dining, are not meeting demand.</p> <p>The source of cash funds for the project is tax-exempt institutional revenue bonds at an expected rate of 5.0%, to be repaid over 30 years with dining revenues and, to a lesser extent, education and general revenues.</p> <p>Date Authorized Until: 09/13/2025 <i>New Project List, Requires Approval</i></p>			
<i>Mines Park Housing New Construction</i> 2023-042	Gold	\$140,000,000	CF
<p>The project replaces six residential buildings and a shared community building, with a net increase of 514 on-campus beds. The new housing village will serve upperclass and graduate students, and each residential building will include a shared community space and study lounges. The school says the project addresses student enrollment growth and the scarcity and high cost of area rental housing. The project was originally approved by the committee in April 2022, but it has since been rescoped into two projects: This project, which is new construction, and a separate project approved by the committee in June 2023 that renovates existing space.</p> <p>The source of cash funds for the project is tax-exempt institutional revenue bonds at a 5.0% rate, to be repaid over 30 years by apartment rental revenues.</p> <p>Date Authorized Until: 09/13/2025 <i>Revised. Resubmitted. Requires Approval</i></p>			

Residence Hall 7
2024-070

Gold \$200,000,000 CF

The project constructs a new, 312,500-GSF, 800-bed residence hall, including fitness, dining, study, multi-purpose meeting, and gathering spaces. The project also includes landscaping and strategies for pedestrian crossing of 19th Street in Golden. In response to continually increasing enrollment and the desire for some students residing off campus to live in campus housing, the university says it is constructing on-campus, apartment-style residences.

The source of cash funds for the project is tax-exempt institutional revenue bonds with a 5.0% rate, to be repaid over 30 years from room rental revenues.

Date Authorized Until: 09/13/2025

New Project List, Requires Approval

University Residence
2024-071

Gold \$2,500,000 CF

The project constructs a new, 4,000-GSF University Residence at the south edge of campus. The University Residence is used by the university president and hosts many events. The current residence is located within a row of houses prominently located on campus, all of which are used for functions other than housing. The university feels that the University Residence's planned location better suits its purpose. The existing residence will be repurposed for academic support, and eventually all small residential units in the campus core will be consolidated and redeveloped as new academic, research, student life, or administrative facilities.

The source of cash funds for the project is donations.

Date Authorized Until: 09/13/2025

New Project List, Requires Approval

Grand Total, All Projects: \$416,500,000

Exhibit 1:
Residence Hall 7
Projected Debt Repayment Schedule

	(a)	(b)	c = (a + b)	d	(d - c)
Fiscal Year Ending	Existing Intercept Debt Service	2024A Estimated Net Debt Service	Proforma Intercept Debt Payments	Maximum Allowable Intercept Payment under 75% of State Funding Test	Remaining Intercept Debt Payment Capacity
6/30/2024	\$7,794,170		\$7,794,170	\$22,657,122	\$14,862,953
6/30/2025	\$7,962,730		\$7,962,730	\$22,657,122	\$14,694,393
6/30/2026	\$7,947,881		\$7,947,881	\$22,657,122	\$14,709,241
6/30/2027	\$7,959,049	\$4,438,750	\$12,397,799	\$22,657,122	\$10,259,323
6/30/2028	\$7,985,112	\$13,319,625	\$21,304,737	\$22,657,122	\$1,352,386
6/30/2029	\$7,122,612	\$13,319,375	\$20,441,987	\$22,657,122	\$2,215,135
6/30/2030	\$7,292,552	\$13,317,000	\$20,609,552	\$22,657,122	\$2,047,571
6/30/2031	\$7,587,898	\$13,317,125	\$20,905,023	\$22,657,122	\$1,752,100
6/30/2032	\$7,557,411	\$13,319,250	\$20,876,661	\$22,657,122	\$1,780,461
6/30/2033	\$7,558,967	\$13,318,000	\$20,876,967	\$22,657,122	\$1,780,155
6/30/2034	\$7,402,760	\$13,318,000	\$20,720,760	\$22,657,122	\$1,936,362
6/30/2035	\$7,328,110	\$13,318,750	\$20,646,860	\$22,657,122	\$2,010,262
6/30/2036	\$7,795,924	\$13,319,750	\$21,115,674	\$22,657,122	\$1,541,448
6/30/2037	\$7,470,997	\$13,315,625	\$20,786,622	\$22,657,122	\$1,870,500
6/30/2038	\$7,396,140	\$13,315,875	\$20,712,015	\$22,657,122	\$1,945,107
6/30/2039	\$11,415,306	\$11,111,375	\$22,526,681	\$22,657,122	\$130,441
6/30/2040	\$11,212,719	\$11,211,875	\$22,424,594	\$22,657,122	\$232,528
6/30/2041	\$2,055,600	\$13,319,125	\$15,374,725	\$22,657,122	\$7,282,397
6/30/2042	\$2,059,600	\$13,317,500	\$15,377,100	\$22,657,122	\$7,280,022
6/30/2043	\$2,060,400	\$13,317,750	\$15,378,150	\$22,657,122	\$7,278,972
6/30/2044		\$13,787,125	\$13,787,125	\$22,657,122	\$8,869,997
6/30/2045		\$13,316,375	\$13,316,375	\$22,657,122	\$9,340,747
6/30/2046		\$13,316,750	\$13,316,750	\$22,657,122	\$9,340,372
6/30/2047		\$13,316,000	\$13,316,000	\$22,657,122	\$9,341,122
6/30/2048		\$13,318,250	\$13,318,250	\$22,657,122	\$9,338,872
6/30/2049		\$13,317,625	\$13,317,625	\$22,657,122	\$9,339,497
6/30/2050		\$13,318,250	\$13,318,250	\$22,657,122	\$9,338,872
6/30/2051		\$13,319,125	\$13,319,125	\$22,657,122	\$9,337,997
6/30/2052		\$13,319,250	\$13,319,250	\$22,657,122	\$9,337,872
6/30/2053		\$13,317,625	\$13,317,625	\$22,657,122	\$9,339,497
6/30/2054		\$13,318,125	\$13,318,125	\$22,657,122	\$9,338,997
6/30/2055		\$13,319,500	\$13,319,500	\$22,657,122	\$9,337,622
6/30/2056		\$13,315,625	\$13,315,625	\$22,657,122	\$9,341,497
6/30/2057		\$13,320,125	\$13,320,125	\$22,657,122	\$9,336,997
6/30/2058		\$13,316,625	\$13,316,625	\$22,657,122	\$9,340,497
6/30/2059		\$13,318,750	\$13,318,750	\$22,657,122	\$9,338,372
6/30/2060		\$13,319,875	\$13,319,875	\$22,657,122	\$9,337,247

