

# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Amanda Bickel, JBC Staff

**SUBJECT:** Colorado Mesa University – Change in Use of Previously-approved Intercept Revenue Bond Proceeds

**DATE:** June 20, 2016

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Colorado Mesa University (CMU) has requested, and the Capital Development Committee (CDC) has authorized, a change to how it proposes to use some previously issued intercept revenue bond proceeds. Because the bonds in question were issued prior to the enactment of S.B. 16-204 (Revenue Bond Intercept Program), and the bonds were issued consistent with the previous revenue bond intercept statute, legislative staff do not believe that any additional *approval* by the JBC is required. However, in light of the new requirements in S.B. 16-204, JBC staff and CMU wished the JBC to be aware of the change. **The CDC approved the change as a change to CMU's list of approved cash-funded projects.**

Specifically, CMU proposes to direct bond funds originally authorized under the intercept program for its Maverick athletic pavilion for its engineering building project.

The following is an excerpt of an email from CMU describing the changes:

[On May 23, 2016] the CMU Board of Trustees approved a revised scope, budget and funding plan for the Engineering Building project. As it appears unlikely the State will have significant resources to invest in capital construction in the near future and the need for academic space to accommodate critical Engineering programs, CMU has decided to delay, by way of phasing, the Maverick Pavilion project used for athletics and recreational purposes and instead invest in the Engineering project.

To accommodate the Engineering project, CMU has:

- Changed project scope. The most major change is to delay occupancy of the computer science program in the facility, until a potential future phased addition to Engineering to accommodate.
- Reduced budget original \$32+ million to \$26 million
- Reduced size from 87,500 sf to about 66,000 sf
- Delayed full implementation (to a phased approach) of the Maverick Pavilion project and thus, reallocated about \$10.5 million in January 2016 intercept bond proceeds to Engineering (Engineering is permitted under the scope of the January 2016 parameters resolution). More information on the Maverick Pavilion phased approach below.

- Committed to using a combination of additional currently available CMU cash funds, along with a direct bank placement borrowing to finance the balance of the project. We expect a 5-10 year repayment period on the bank loan.
- Shifted its focus from an athletic/recreational facility to an academic facility.

CMU has mapped out a multi-year phased project approach to achieving its original Maverick Pavilion goals. The phases would be:

- **Phase 1**--Expand existing Maverick Pavilion by one court; convert front court to wood flooring; and re-skin tent structure. Cost: \$1.8 million. Estimated completion date: Fall 2017.
- **Phase 2**--Remove existing tent structure and build a permanent structure with four courts. Possible addition of enclosed bridge connecting the Maverick Center and MavPav. Estimated cost: \$7.8 million. Estimated completion date: TBD.
- **Phase 3**--Relocate the existing tent structure to new location on campus with three courts. Estimated cost: \$1.1 million. Estimated completion date: TBD. At this time, CMU intends to for Phases 2 and 3 from CMU cash funds in the future as they become available.

On January 12, 2016, the JBC authorized issuance of up to \$22.6 million under the intercept program for CMU for the Maverick Pavilion and a student housing project. CMU ultimately issued \$26.6 million in new intercept bonds in February 2016. The issuance itself was written quite broadly, which enables a portion to be repurposed.

The Series 2016 Bonds are being issued to: (a) construct and equip a new residence hall on the Colorado Mesa University (the "University") campus, expand, renovate and equip the Maverick Center located on the University campus, including potentially relocating and reconstructing the existing bubble space and to make such additional capital improvements to the campus as may be designated by the Board, which might include construction of a portion of a new Computer Science and Engineering facility; (b) pay capitalized interest through May 15, 2017; and (c) pay costs of issuance.

The CDC has now specifically authorized CMU to adjust its cash list to reflect \$26.0 million for the new engineering center to be supported in part with the revenue from the intercept issuance.