

Fiscal Year 2015-16 Capital Construction Request

Colorado State University

Prospect Road Underpass

PROGRAM PLAN STATUS

2017-011

Approved Program Plan? Date Approved:

PRIORITY NUMBERS

Prioritized By _____ Priority _____
 Dept/Inst NP of 3

PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$0	\$5,996,100	\$0	\$0	\$5,996,100
Total	\$0	\$5,996,100	\$0	\$0	\$5,996,100

ITEMIZED COST INFORMATION

<u>Cost Item</u>	<u>Prior Approp.</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Future Requests</u>	<u>Total Cost</u>
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$486,000	\$0	\$0	\$486,000
Construction	\$0	\$4,885,000	\$0	\$0	\$4,885,000
Equipment	\$0	\$80,000	\$0	\$0	\$80,000
Miscellaneous	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$545,100	\$0	\$0	\$545,100
Software Acquisition	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$5,996,100	\$0	\$0	\$5,996,100

SUMMARY OF THE PROJECT

Staff note: The university is seeking project approval for borrowing under the Higher Education Revenue Bond Intercept Program. The project must also be approved through the two-year process.

Motion: Approve the request from Colorado State University to use funds borrowed under the Higher Education Revenue Bond Intercept Program on behalf of the Prospect Road Underpass project (\$5,996,100 CF).

Colorado State University is requesting cash funds spending authority to construct a bicycle/pedestrian underpass at the intersection of Center Avenue and Prospect Road to improve pedestrian safety. Prospect runs along the south edge of the main campus. In recent years, additional student housing has been constructed on the south side of the road and student traffic has increased at the intersection of Center and Prospect. The university explains that the underpass will create a gateway to the main campus and better connect the main and south campuses. It will also construct sidewalks along both sides of Prospect and connect to the existing bike trail. The underpass will include stair and ramp access. Finally, the project satisfies an intergovernmental agreement between the City of Fort Collins and the university to mitigate an anticipated increase in traffic following the construction of the new stadium.

Source of cash funds. The source of cash funds is uncommitted proceeds from intercept revenue bonds issued in summer 2015. The bonds were sold at a 4.1 percent interest rate and will be repaid from parking and transportation service auxiliary revenues. The bonds were issued for a period of 32 years and the average annual repayment amount is \$6.8 million. The cost of the underpass project represents 5.75 percent of the total bond issuance amount.

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Intercept program requirements pursuant to Section 23-5-139 (1)(b)(I), C.R.S. Based on the information provided by the State Treasurer's Office (see attached), staff has determined that the CSU Board of Governors meets the requirements to participate in the intercept program, as follows:

- 1.) **Credit rating:** As of July 2015, the board received a credit rating of Aa3 from Moody's and a credit rating of A+ from Standard & Poor's. These credit ratings — from nationally recognized statistical rating organizations — are in one of the three highest categories.
- 2.) **Debt service coverage ratio:** The debt service coverage ratio is 1.78 percent (net revenue available for annual debt service/total amount of debt service subject to intercept program, including new debt proposed under program). The anticipated FY 2015-16 debt service payment for all debt held by the institution (including current and proposed) represents 2.8 percent of the operating budget appropriation for FY 2015-16.

The State Treasurer's Office has reviewed this project and no concerns were identified.



BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM

ANALYSIS OF FINANCIAL HEALTH

**PRESENTED TO:
THE COLORADO STATE LEGISLATURE
CAPITAL DEVELOPMENT COMMITTEE - OCTOBER 19, 2015**

PREPARED BY THE COLORADO STATE TREASURER'S OFFICE



BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM

CREDIT RATINGS

STATE INTERCEPT	Aa2
Moody's S&P	Aa-
UNDERLYING	Aa3
Moody's S&P	A+

TREASURER'S COMMENTARY

While Colorado State University has relied extensively on the issuance of certificates of participation (COPs) to fund various University System projects, net revenues remain at a level sufficient to meet existing COP payments. In addition, net revenues available for COP payments would enable the University to issue an additional \$395 million of COPs, assuming a 5% all-in cost of borrowing, and still maintain the minimum coverage threshold of 1.50x. This figure is in excess of the amount they are looking to borrow (\$250 million) in their contemplated upcoming borrowing. It is important to note that while the University will achieve sufficient coverage after the issuance of additional COPs, rating agencies are beginning to identify the limits of future COP issuances and rightly point out that future COP issuance capacity will be limited, putting the University in a precarious position should future, essential funding needs arise.

CREDIT RATING AGENCY REPORT SUMMARIES

Moody's Report – July 29, 2015

The assignment of the Aa3 reflects the system's ability to absorb the current planned increase in leverage, in addition to the recently issued Series 2015A-D bonds, based on current cash flow. The system's demonstrated operational flexibility, achieving positive financial performance and enrollment gains while facing state funding cuts through FY 2013, highlights its long-term financial strength.

Further supporting the Aa3 rating is the system's status as a large land grant institution for the State of Colorado (issuer rating Aa1 stable) inclusive of three campuses and significant federally-funded research activity, with a sizeable \$1 billion scope of operations. A 13% increase in enrollment over the past five years has contributed to ongoing revenue growth and balanced operating performance at the same time as the system has achieved momentum in philanthropic support.

Offsetting these positives are risks introduced in successfully achieving highly ambitious strategic goals, as demonstrated by the inability to meet original fundraising targets for the stadium financed with the Series 2015A-B bonds. With growing leverage, significant cost overruns necessitating additional borrowing or use of reserves, or material failure to meet revenue projections, could pressure the rating.

The Aa2 enhanced rating and stable outlook are derived from the structure and mechanics of the Enhancement Program (the Colorado State Intercept Act), which is based on the State of Colorado's current rating and outlook.

S&P's Report – July 31, 2015

Standard & Poor's Ratings Services assigned its 'A+' long-term rating to the Colorado State University System Board of Governors' (CSU) series 2015E and 2015F system enterprise bonds. At the same time, Standard & Poor's affirmed its 'A+' underlying rating and long-term rating on the CSU's existing system enterprise bonds. The outlook on all ratings is negative.

"The negative outlook reflects our opinion of the university's significant increase in borrowing during the past few years, which has caused dilution in financial resources compared to debt and has elevated the university's debt burden," said Standard & Poor's credit analyst Jessica Wood. "Additionally, while no definitive debt plans are in the pipeline, CSU reports it could have additional debt plans during our two-year outlook period, which would exert greater pressure on financial resources that we already view as very weak for the rating."

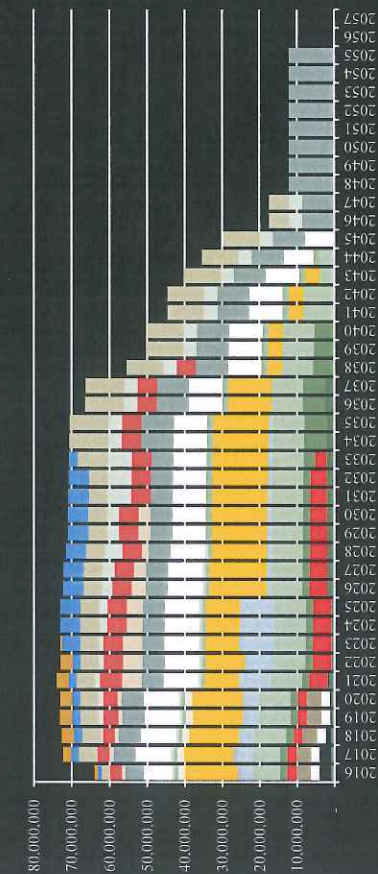
BONDS OUTSTANDING (\$ in millions)

SERIES	TOTAL	INTERCEPT	STAND-ALONE
2015F	\$ 17,670	\$ 0,000	\$ 17,670
2015E-2	42,125	42,125	0,000
2015E1	96,490	96,490	0,000
2015D	66,655	0,000	66,655
2015C	67,675	67,675	0,000
2015B	32,815	0,000	32,815
2015A	134,730	0,000	134,730
2013E	138,230	138,230	0,000
2013D	7,400	0,000	7,400
2013C	18,610	0,000	18,610
2013B	8,780	8,780	0,000
2013A	175,445	175,445	0,000
2012C	2,170	2,170	0,000
2012B	52,580	52,580	0,000
2012A	124,970	124,970	0,000
2010C	33,250	33,250	0,000
2010B	40,335	40,335	0,000
2010A	16,950	16,950	0,000
2009A	0,870	0,000	0,870
2008A	10,400	0,000	10,400
2007B	7,275	0,000	7,275
2007A	19,185	0,000	19,185
TOTAL	\$ 1,114,610	\$ 799,000	\$ 315,610

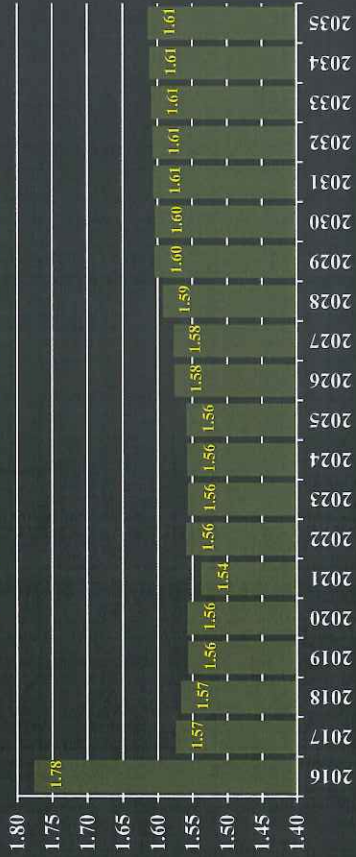


BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM

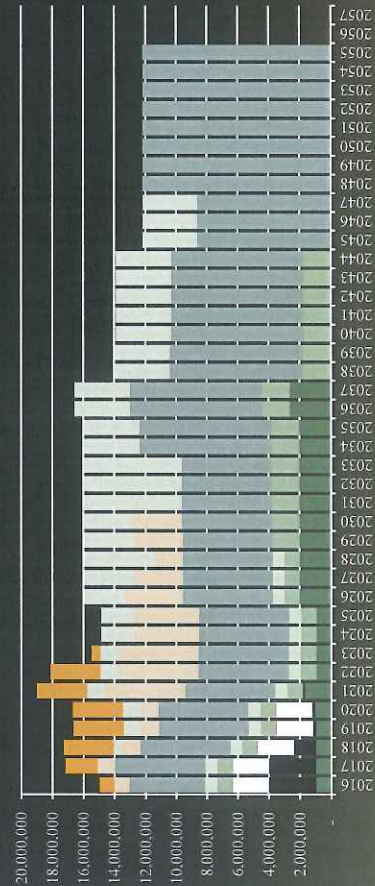
AGGREGATE DEBT SERVICE (STATE INTERCEPT AND STAND-ALONE)



AGGREGATE DEBT SERVICE COVERAGE



NON-INTERCEPT DEBT SERVICE



5-YEAR ENROLLMENT STATISTICS

