

November 21-22, 2024

ITEM 215-1011-R1124

**Request for Authorization to Issue Bonds to Finance a New Residence Hall; University of Montana
Missoula**

THAT

Consistent with the Board's authority to manage and control the Montana University System, BOR Policy 1003.7 and the provisions in MCA 20-25-402, the Montana Board of Regents of Higher Education adopts a resolution authorizing the University of Montana and the Commissioner of Higher Education to execute required documents necessary to proceed with the issuance of bonds in an amount up to \$69M par value.

EXPLANATION

1. In July 2024, the Board of Regents approved a request by the University of Montana to construct a new residence hall (ITEM 213-1002-R0724), with the stipulation that UM would return within the calendar year to request approval for project financing through the issuance of revenue bonds.
2. The Fall of 2020 Student Life Master Plan identified facilities improvement needs which included the removal of Craig, Duniway, and Elrod Residence Halls and the construction of a new residence hall. The Student Life Master Plan estimated that the construction of more than 500 beds was needed.
3. The University, with Board of Regents approval, has designed and begun construction on a new 600 bed residence hall. Construction bids for the project were received with a low-cost total of \$89 million. The University of Montana has available funding of approximately \$20 million from Housing Reserves and Capital Investment funds, as well as from previously issued bond proceeds.
4. Earlier in 2024, the University of Montana provided an update on the Residence Hall Project and related Bond Issuance to the Board of Regents Infrastructure Subcommittee.
5. The University of Montana now has an opportunity to raise the funds needed for the completion of the 600 bed Residence Hall Project. Including projected new borrowings, pro forma total debt service remains very manageable, amounting to approximately \$15 million annually or 4% of total expenses.
6. University Management believes that a fixed rate public market bond sale provides competitive funding that matches the University's conservative risk profile and delivers sufficient proceeds to complete the Residence Hall Project, while avoiding risks associated with bank exposure and variable rate debt. Any bond proceeds remaining after completion of the Residence Hall Project shall be applied to improvements to the campuses of the University and its Affiliates in accordance with Board of Regents policies and procedures for the benefit of the University and its students. At this time the University does not expect to have any such excess funds.
7. The Resolution presented to the Board of Regents for its approval authorizes a total of up to \$69 million par amount of bonds to be issued. It is management's desire to generate total net proceeds available to fund the Residence Hall Project of \$69 million. Based on current market conditions, management believes that a total amount of approximately \$64 million par amount of tax-exempt bonds would generate proceeds (including bond premiums, and net of issuance expenses) sufficient to complete the Resident Hall Project. Management will work with its Underwriters to execute the most favorable financing option available to the University, which may include a combination of taxable or tax-exempt bonds. In order to provide flexibility to address changing market conditions, the University has requested the Board of Regents approve a maximum par amount of \$69 million to be issued.

Based on the preceding items, the University of Montana is seeking approval to borrow funds that will be deployed in the coming months and years for the following:

Project Description

New 600 Bed Residence Hall
Total

Needed Funding Estimate

\$69,000,000
\$69,000,000

ATTACHMENTS

Attachment #1: Bond Resolution