November 20-21, 2025

ITEM 221-2007-R1125

Request for Authorization to Issue Facilities Revenue Bonds for Energy Performance Contracts (EPC) for Multi-year, Multi-phased Projects; Montana State University

THAT

Consistent with BOR Policy 950.3 and MCA 20-25-302, the Board of Regents authorizes Montana State University (MSU) to issue a new series of facilities improvement revenue bonds and authorizes MSU and the Commissioner of Higher Education to proceed with the issuance of these bonds resulting in par of up to $28,000,000 to implement energy performance contracts (EPC) for multi-year, multi-phased projects to address deferred maintenance across the MSU campus.

EXPLANATION

1. MSU received prior authorization to conduct energy performance audits, contracting processes and EPC projects to address deferred maintenance per BOR ITEMS: 208-2008-R0923, 212-2004-R0524 and 212-2005-R0524.

2. MSU received prior authorization with BOR ITEM: 214-2003-R0924, which allowed up to $50,500,000 for additional energy performance contracts as authorized by MCA 90-4-1114 for multi-year, multi-phased projects in academic, administrative and research facilities to address more than $43,000,000 in deferred maintenance and system efficiencies.

3. Financing for this project will come from:
   - Revenue bond proceeds (up to $28 million), to be repaid with student building fees, and
   - Existing student fee fund balances ($4.5 million)

4. The financing terms are expected to be as follows:
   a. All-in interest cost of approximately 4.75%, requesting authority up to 5.0%
   b. Fixed rate increments maturing from 1-30 years
   c. The attached Plan of Finance demonstrates the ability to service this additional debt.

5. MSU has engaged with financial advisory services to assist with identifying the most advantageous debt financing terms and has also engaged with bond counsel on legal requirements.

6. Due to the strength of the University's credit rating, MSU does not expect to attach bond insurance to this transaction. Current markets indicate that the potential reduced interest rate gained from bond insurance is minimal in comparison with the associated costs. Should market conditions fluctuate significantly, indicating benefit to be realized from issuing insured bonds that outweigh the related costs, the University would seek bond insurance at a cost estimated at $150,000.

7. The bonds will be issued under the existing Montana State University Indenture of Trust. Principal and interest payments will be made from existing student building fees as detailed in the attached Plan of Finance.

8. This item authorizes the Chair of the Board of Regents, the Commissioner of Higher Education, and the President and Vice President for Administration and Finance of MSU to execute such documents as may be required to consummate the issuance of the bonds. This authorization to proceed with the issuance of the bonds is subject to final approval by the University and the Commissioner of Higher Education, who will determine whether and when to execute this transaction based on prevailing interest rates.

9. MSU anticipates that there will be energy savings for EPC projects of $500,000/year on average.

ATTACHMENTS

Attachment #1: Bond Resolution
Attachment #2: Plan of Finance
Attachment #3: ASMSU Resolution
Attachment #4: Proposed EPC Projects to be Financed