

Financing for Energy Performance Contracting (EPC) projects

A. Overview

MSU has utilized the EPC process over the last 15 years to address deferred maintenance, reduce utility costs such as water and electricity, and improve system efficacy through energy efficient replacements. MSU received authorization from the Board in September 2023 [ITEM 208-2008-R0923] to prepare an investment grade audit as authorized by MCA 90-4-1113. MSU selected McKinstry, a qualified energy service provider, in coordination with the Montana Department of Environmental Quality as authorized by MCA 90-4-1112 to perform the audits for the entire campus including all academic, athletic, auxiliary, student-fee funded, and research buildings.

Initially proposed phase 1 work included \$102.8 million for various projects including lighting, water conservation, building mechanical systems, heat plant, and energy districts. Two of these projects, geothermal bore field at Jones Hall and south campus tunnel piping and pumping were completed using existing funds. These projects were authorized in May 2024 [ITEM 212-2005-R0524, ITEM 212-2004-R0524] totaling a \$7.6 million dollar investment.

After narrowing the scope to priority projects, the university has determined that we are able to service debt of \$2.2 million per year. Therefore, MSU is requesting Board of Regent's authority to issue up to \$28,000,000 par value facilities revenue bonds to fund the prioritized projects. Debt service will be funded through current Building fees, from which there is currently no associated debt service.

B. Project Cost

Please see attachment 3 for the specific projects, associated costs, payback time estimate, and alleviated deferred maintenance costs.

C. Financing Plan

To accomplish this project, MSU is requesting authority to issue facilities revenue bonds up to \$28,000,000 par value. Annual debt service (assumed 4.0% interest, 20 years) will be approximately \$2,060,000. If interest rates are higher, less debt will be issued.

Summary of Sources to Pay Annual Debt Service

Annual Resident Building Fee Revenues (FY25)	\$1,400,000
Annual Non-Resident Building Fee Revenues (FY25)	\$2,600,000
Allocated Revenues for this debt issuance	\$4,000,000

Annual Debt Service for this issuance	\$2,060,000
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Revenue Projections

Revenues from student fees are projected to be stable in the foreseeable future. Currently, it is not anticipated that MSU will see a significant drop in enrollment. The following table provides a snapshot of previous collections for Building fees, and a projection of revenues to 2028. The projections estimate a slight drop in non-resident enrollment and a slight increase in resident enrollment. It also includes the currently approved increase to building fees for FY27 as approved by the Board of Regents in May 2025. FY26 projections are based upon fall collections.

	Per Full-Time Student	FY24 Revenue	FY25 Revenue	FY26 Proj	FY27 Proj	FY28 Proj
Resident Building Fee	\$ 71.03	\$ 1,397,528	\$ 1,437,079	\$ 1,459,348	\$ 1,472,482	\$ 1,485,734
Non-Resident Building Fee	\$ 175.08	\$ 2,514,088	\$ 2,664,814	\$ 2,685,765	\$ 2,682,837	\$ 2,656,009
Total	\$ 246.11	\$ 3,911,616	\$ 4,101,894	\$ 4,145,113	\$ 4,155,319	\$ 4,141,743

D. Debt Profile

Montana State University holds a diverse bond portfolio and works to maintain strong reserves, high debt service coverage ratios, and a modern campus funded through conservative debt management practices. MSU continues to receive high credit ratings, most recently Aa3 by Moody's and AA-/Stable by Standard & Poor's, which was upgraded in March 2024. All bonds issued by MSU are subject to the requirements in the Indenture of Trust. Bonds are secured by a variety of revenue sources, including revenue from campus housing and dining systems, student fees, land grant income, and select indirect cost recoveries. Total debt outstanding as of December 2025 (post-November payment) is \$206.3 million. A summary of MSU's percentage of total debt by funding source is as follows:

Debt Service Source	Total Outstanding	Percentage
RLUFS	94,129,428	55.17%
Building Fees	38,689,068	22.67%
Athletics	304,027	0.18%
Parking	9,930,214	5.82%
Other:		
SUB	3,800,698	2.23%
Research	21,380,358	12.53%
Student Turf Field	2,397,760	1.41%
Total long-term debt	170,631,553	100.00%
2024K-2 Athletics	6,980,000	
2024K-3 Nursing	28,720,000	
Total construction bridge funding	35,700,000	
Total Debt after Nov 25	206,331,553	

All borrowings must be viewed in relation to the University's overall outstanding bond debt service.