

Sen. Randy Baumgardner, Chair
 Sen. John Kefalas
 Sen. Jerry Sonnenberg

Rep. Edward Vigil, Vice-Chair
 Rep. KC Becker
 Rep. J. Paul Brown



Capital Development Committee
 State Capitol Building, Room 029
 Denver, Colorado 80203-1784
 (303) 866-3521



January 6, 2016

Representative Millie Hamner
 Chair, Joint Budget Committee
 200 East 14th Avenue, Third Floor
 Denver, Colorado 80203

Dear Representative Hamner:

On January 6, 2016, the Capital Development Committee (CDC) considered two requests for supplemental funding. It also considered two higher education cash-funded projects which require additional review because the projects will be financed using the Higher Education Revenue Bond Intercept Program (intercept program). Table 1 summarizes the supplemental requests. Table 2 summarizes the higher education project requests. *The CDC approved the requests as submitted and forwards the requests to the Joint Budget Committee for consideration.*

Table 1
Capital Development Committee Recommendation
Regarding Supplemental Requests

Agency	Project Title	Summary of Request	Fiscal Year	Amount and Type of Funds
Department of Agriculture	Biochemistry Laboratory Facility Pesticide Laboratory Equipment	The project purchases testing equipment for the Colorado Department of Agriculture pesticide laboratory in order to accommodate an increased demand for testing pesticide residue on marijuana plants.	FY 2014-15	\$860,000 CF
Department of Corrections	Cell Modifications, Limon Correctional Facility	The project replaces hardware in 480 close custody living unit cells at Limon Correctional Facility. The project also updates software that will support the new hardware.	FY 2015-16	\$1,547,348 CCF

Representative Millie Hamner
January 6, 2016
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Table 2
Capital Development Committee Recommendation
Regarding Colorado Mesa University Cash Projects Subject to Intercept Program

Project Title	Summary of Request	Amount
Kinesiology Expansion	The project replaces the current Maverick Pavilion with a new, 32,893-GSF pavilion. The new, two-story Maverick Pavilion will house the marching band, which is vacating space in the Moss Performing Arts Center, as well as the Kinesiology Department, intramural sports, and athletic programs.	\$9,997,913
Student Housing, Phase VII	The project constructs a 43,330-GSF residence hall that will house 149 student beds.	\$12,649,630
Total		\$22,647,543

Descriptions of the requests are attached. Also attached is an analysis of Colorado Mesa University's debt capacity under the intercept program, prepared by the State Treasurer's Office. If you have any questions or concerns about the CDC's recommendations, please call Kori Donaldson, Legislative Council Staff, at 303-866-4976.

Sincerely,



Senator Randy Baumgardner
Chair, Capital Development Committee

- c: Capital Development Committee Members
Joint Budget Committee Members
Joy Huse, Colorado Department of Agriculture
Danny Tomlinson, Colorado Department of Agriculture
Christina Rosendahl, Department of Corrections
Richard Weems, Department of Corrections
Laura Glatt, Colorado Mesa University
Ashley Brenner, Colorado Mesa University
Erick Scheminske, Office of State Planning and Budgeting
Alexis Senger, Office of State Planning and Budgeting
Andrew Rauch, Department of Higher Education
John Ziegler, Joint Budget Committee Director
Alfredo Kemm, Joint Budget Committee Staff
Amanda Bickel, Joint Budget Committee Staff
Kori Donaldson, Capital Development Committee Staff

FY 2014-15 Supplemental Capital Construction Request

Agriculture

Biochemistry Laboratory Facility Pesticide Laboratory Equipment

Motion: Approve the supplemental request from the Colorado Department of Agriculture for cash funds spending authority from the Marijuana Tax Cash Fund to purchase new equipment for its pesticide laboratory (\$860,000 CF).

GENERAL INFORMATION

2017-032

1. Which supplemental criterion does the request meet?

Other

The Capital Development Committee wants to expedite funding on behalf of the project in order to reduce the amount of time it takes the department to test marijuana samples.

2. Which projects will be restricted to fund the supplemental request?

No emergency restriction is required because the project is a regular supplemental request and because it is funded from cash fund sources.

3. Has the request been approved by OSPB and CCHE?

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: N/A 00-0000

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$0	\$860,000	\$0	\$860,000
	\$0	\$860,000	\$0	\$860,000

REASON FOR SUPPLEMENTAL REQUEST

The project was originally submitted as a FY 2016-17 capital budget request. When the department presented the request at the Capital Development Committee (CDC) annual hearings in December 2015, members of the CDC expressed interest in expediting cash funds spending authority on behalf of the project. The committee approved a motion to reclassify the project as a regular supplemental budget request, pending verification that funding from the Marijuana Tax Cash Fund is available. Legislative Council Staff verified the availability of FY 2014-15 funds with OSPB and Joint Budget Committee staff.

SUMMARY OF PROJECT

The project purchases testing equipment for the Colorado Department of Agriculture pesticide laboratory in order to accommodate an increased demand for testing pesticide residue on marijuana plants. The project purchases a new nitrogen gas storage and delivery system and additional laboratory testing equipment, including two types of liquid chromatographs. The equipment purchased under the request is moveable.

According to the department, the number of complaints about pesticide misapplication — and thus the need for testing — has increased significantly since marijuana agriculture was legalized in the state. The department says the purchase of a new nitrogen gas storage and delivery system and additional testing equipment will reduce the

FY 2014-15 Supplemental Capital Construction Request

Agriculture

Biochemistry Laboratory Facility Pesticide Laboratory Equipment

Motion:

Approve the supplemental request from the Colorado Department of Agriculture for cash funds spending authority from the Marijuana Tax Cash Fund to purchase new equipment for its pesticide laboratory (\$860,000 CF).

amount of time it takes to test marijuana samples. The new nitrogen gas storage and delivery system will allow ICS to operate more equipment simultaneously, thus increasing its testing capacity. Current capacity only allows two instruments to run at the same time. The current testing time ranges from several weeks to several months. After the new equipment is purchased and installed, the department anticipates that it will see a 50 percent reduction in testing turnaround time within 30 days of implementation. CDA believes it will reach its target testing turnaround time of 14 to 30 days within three months of installation. This goal matches the turnaround time of most commercial laboratories. According to the department, timely testing is needed in order to better enforce violations related to pesticide misuse and misapplication. Furthermore, a delay in testing can impact the quality of the samples tested.

Cost assumption. The cost assumption is based on the price of the needed equipment as of July 2015, with an assumption that this equipment will be purchased beginning in spring 2016. The project is not required to meet the requirements of the Art in Public Places or High Performance Certification Programs.

QUESTIONS / OUTSTANDING ISSUES

None.

FY 2015-16 Supplemental Capital Construction Request

Corrections

Cell Modifications, Limon Correctional Facility

Motion: Approve the supplemental request from the Department of Corrections for the Cell Modifications, Limon Correctional Facility project (\$1,547,348 CCF).

GENERAL INFORMATION

2017-058

1. Which supplemental criterion does the request meet?

Other

Unforeseen circumstances have arisen at the facility, and the department says immediate cell modifications to the close custody living units, including hardware replacement, are necessary.

2. Which projects will be restricted to fund the supplemental request?

No emergency restriction is required because the project is a regular supplemental request.

3. Has the request been approved by OSPB and CCHE?

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill:

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Cost</u>
CCF	\$0	\$1,547,348	\$0	\$1,547,348
	\$0	\$1,547,348	\$0	\$1,547,348

REASON FOR SUPPLEMENTAL REQUEST

The department says security for both offenders and staff may be compromised if the request is not funded.

SUMMARY OF PROJECT

This is a new, never-before-requested project. The Department of Corrections (DOC) is requesting state funds to replace hardware in 480 close custody living unit cells at Limon Correctional Facility (LCF). The project also updates software that will support the new hardware. DOC says there are no other alternatives to the project and that the project will provide increased security in the close custody living units.

LCF is a 930-bed Level IV correctional facility, primarily designated for housing close management and escape-risk offenders. Close custody offenders represent 47.6 percent of the total population at LCF.

Cost assumption. The cost assumption is based on a per cell cost of \$2,841, professional services, and a 10 percent contingency. The project is not required to meet the requirements of the Art in Public Places or High Performance Certification Programs.

FY 2015-16 Supplemental Capital Construction Request

Corrections

Cell Modifications, Limon Correctional Facility

Motion:

Approve the supplemental request from the Department of Corrections for the Cell Modifications, Limon Correctional Facility project (\$1,547,348 CCF).

QUESTIONS / OUTSTANDING ISSUES

None.

Fiscal Year 2015-16 Capital Construction Request

Colorado Mesa University *Kinesiology Expansion*

PROGRAM PLAN STATUS

2017-059

Approved Program Plan? Yes No Date Approved:

PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2015-16	FY 2016-17	Future Requests	Total Cost
CF	\$0	\$9,997,913	\$0	\$0	\$9,997,913
Total	\$0	\$9,997,913	\$0	\$0	\$9,997,913

ITEMIZED COST INFORMATION

Cost Item	Prior Approp.	FY 2015-16	FY 2016-17	Future Requests	Total Cost
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$1,120,797	\$0	\$0	\$1,120,797
Construction	\$0	\$8,152,567	\$0	\$0	\$8,152,567
Equipment	\$0	\$340,886	\$0	\$0	\$340,886
Miscellaneous	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$383,663	\$0	\$0	\$383,663
Software Acquisition	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$9,997,913	\$0	\$0	\$9,997,913

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 Mesa University to use funds borrowed under the Higher Education Revenue Bond Intercept Program on behalf of the Kinesiology Expansion project (\$9,997,913 CF).

Colorado Mesa University is requesting cash funds spending authority to replace the current Maverick Pavilion with a new, 32,893-GSF pavilion. The new, two-story Maverick Pavilion will house the marching band, which is vacating space in the Moss Performing Arts Center, as well as the Kinesiology Department, intramural sports, and athletic programs. The new pavilion will be located on the south side of the existing Maverick Student Recreation Center, and will replace a temporary pavilion constructed in 2009 to accommodate needed classroom and student life space. The university may decide to reuse the temporary pavilion at another location on campus. The new facility will feature four gymnasiums, a running track, a climbing wall, support facilities, informal student gathering spaces, and instrument storage space for the CMU marching band. CMU says the project is necessary to accommodate recent enrollment growth. Between 2008 and 2013, graduates in the Kinesiology Department increased by 111 percent. Established in 2011, the marching band program has grown by 75 percent in its first three years.

Source of cash funds. The source of cash funds is unrestricted enterprise cash reserves and proceeds from bonds to be issued under the Higher Education Revenue Bond Intercept Program.

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, staff has determined that the CMU Board of Trustees meets the requirements to participate in the intercept program, as follows:

1.) **Credit rating:** As of May 2013, the board received a credit rating of A2 from Moody's. This credit rating — from a nationally recognized statistical rating organization — is in one of the three highest categories.

Fiscal Year 2015-16 Capital Construction Request

Colorado Mesa University

Kinesiology Expansion

2.) **Debt service coverage ratio:** The debt service coverage ratio is 1.69 (net revenue available for annual debt service/total amount of debt service subject to intercept program, including new debt proposed under program).

The State Treasurer's Office has reviewed this project and expects that CMU will maintain its credit rating from Moody's after its proposed bond issuance. The proposed bond issuance will bring CMU's debt service coverage ratio closer to the minimum threshold of 1.5. Also, future hikes in interest rates could further reduce CMU's additional debt capacity following the issuance of bonds for this project.

Fiscal Year 2015-16 Capital Construction Request

Colorado Mesa University Student Housing Phase VII

PROGRAM PLAN STATUS

2017-060

Approved Program Plan? Yes No Date Approved:

PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2015-16	FY 2016-17	Future Requests	Total Cost
CF	\$0	\$12,649,630	\$0	\$0	\$12,649,630
Total	\$0	\$12,649,630	\$0	\$0	\$12,649,630

ITEMIZED COST INFORMATION

Cost Item	Prior Approp.	FY 2015-16	FY 2016-17	Future Requests	Total Cost
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$0	\$0	\$0	\$0
Construction	\$0	\$11,418,816	\$0	\$0	\$11,418,816
Equipment	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$1,230,814	\$0	\$0	\$1,230,814
Software Acquisition	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$12,649,630	\$0	\$0	\$12,649,630

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 Mesa University to use funds borrowed under the Higher Education Revenue Bond Intercept Program on behalf of the Student Housing Phase VII project (\$12,649,630 CF).

Colorado Mesa University is requesting cash funds spending authority to construct a 43,330-GSF residence hall that will house 149 student beds. The project is also known as Garfield Hall Phase 3A. The project will include 35 four-bed rooms, 5 two-bed rooms, 2 computer rooms, 3 conference rooms, 5 resident assistant rooms, 10 bathrooms, 5 laundry rooms, gathering spaces, and a main entry. The Garfield Housing Complex includes four residence halls. Garfield Halls 1 and 2 were completed in 2013 and 2015, respectively. Garfield Hall 3 will be located immediately west of Garfield Hall 1.

Source of cash funds. The source of cash funds is unrestricted enterprise cash reserves and proceeds from bonds to be issued under the Higher Education Revenue Bond Intercept Program.

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, staff has determined that the CMU Board of Trustees meets the requirements to participate in the intercept program, as follows:

1.) **Credit rating:** As of May 2013, the board received a credit rating of A2 from Moody's. This credit rating — from a nationally recognized statistical rating organization — is in one of the three highest categories.

2.) **Debt service coverage ratio:** The debt service coverage ratio is 1.69 (net revenue available for annual debt service/total amount of debt service subject to intercept program, including new debt proposed under program).

The State Treasurer's Office has reviewed this project and expects that CMU will maintain its credit rating from

Fiscal Year 2015-16 Capital Construction Request

Colorado Mesa University

Student Housing Phase VII

Moody's after its proposed bond issuance. The proposed bond issuance will bring CMU's debt service coverage ratio closer to the minimum threshold of 1.5. Also, future hikes in interest rates could further reduce CMU's additional debt capacity following the issuance of bonds for this project.

BOARD OF TRUSTEES FOR COLORADO MESA UNIVERSITY
Debt Service Coverage - Intercept Only

Aggregate debt capacity is roughly \$43mm based on Net Revenue Available for Debt Service of \$21.8mm - To the extent this number is actually lower, debt capacity will be negatively impacted - Net Revenues Available for Debt Service must be at least \$19.8mm in order to maintain a 1.50x Debt Service Coverage Ratio assuming the issuance of the 2016 Bonds

2016 Proposed Bond Issuance (Estimated) (2)

Fiscal Year	Intercept Only	Net Revenues Available for D/S (1)	D/S Coverage	2016 Proposed Bond Issuance (Estimated) (2)	Total D/S	D/S Coverage
2015						
2016	11,119,859	21,800,000	1.96	2,006,065	13,125,924	1.66
2017	11,115,840	21,800,000	1.96	2,006,065	13,121,905	1.66
2018	11,113,326	21,800,000	1.96	2,006,065	13,119,391	1.66
2019	11,119,209	21,800,000	1.96	2,006,065	13,125,274	1.66
2020	11,122,596	21,800,000	1.96	2,006,065	13,128,661	1.66
2021	11,121,434	21,800,000	1.96	2,006,065	13,127,499	1.66
2022	11,113,644	21,800,000	1.96	2,006,065	13,119,709	1.66
2023	10,261,880	21,800,000	2.12	2,006,065	12,267,945	1.78
2024	10,260,429	21,800,000	2.12	2,006,065	12,266,494	1.78
2025	10,260,611	21,800,000	2.12	2,006,065	12,266,676	1.78
2026	10,257,004	21,800,000	2.13	2,006,065	12,263,069	1.78
2027	10,255,461	21,800,000	2.13	2,006,065	12,261,526	1.78
2028	10,265,124	21,800,000	2.12	2,006,065	12,271,189	1.78
2029	10,261,130	21,800,000	2.12	2,006,065	12,267,195	1.78
2030	10,255,594	21,800,000	2.13	2,006,065	12,261,659	1.78
2031	10,265,001	21,800,000	2.12	2,006,065	12,271,066	1.78
2032	10,259,406	21,800,000	2.12	2,006,065	12,265,471	1.78
2033	10,260,934	21,800,000	2.12	2,006,065	12,266,999	1.78
2034	10,263,247	21,800,000	2.12	2,006,065	12,269,312	1.78
2035	9,011,616	21,800,000	2.42	2,006,065	11,017,681	1.98
2036	10,297,895	21,800,000	2.12	2,006,065	12,303,960	1.77
2037	10,297,030	21,800,000	2.12	2,006,065	12,303,095	1.77
2038	9,411,073	21,800,000	2.32	2,006,065	11,417,138	1.91
2039	8,149,874	21,800,000	2.67	2,006,065	10,155,939	2.15
2040	8,152,890	21,800,000	2.67	2,006,065	10,158,955	2.15
2041	8,150,451	21,800,000	2.67	2,006,065	10,156,516	2.15
2042	8,152,461	21,800,000	2.67	2,006,065	10,158,526	2.15

Meets Minimum 1.50x Coverage Requirement

(1) Estimated based on 2015 Annual Financial Report
 (2) Assumes \$25mm Issuance with 20-year term and 5.00% All-in Cost of Funds