

FY2018 Capital Budget

BACKGROUND

In March 2016, the Board of Trustees approved the Higher Education Coordinating Commission's 2017-19 Integrative Capital Plan request, which contained a preliminary 2017-19 Capital Plan. In January 2017, the Board approved the 10-year Business Forecast, which contained a 10-year Capital Forecast.

CAPITAL BUDGET REQUEST

The following capital projects were included in the 2017-19 Capital Plan and the 10-year Business Forecast and are ready to move forward in FY2018. These project costs do not change the forecasted debt policy ratios presented to the Board in January. The 2017-19 Capital Plan also included the Newport Housing project; however, the *pro forma* for that project is still under development and will be presented at the June 2017 meeting. A bond resolution will also be provided at the June meeting, which will include the relevant projects below and the Newport Housing project.

Location, fund type, and project	Total (\$M)	State-paid bonds (\$M)	OSU-paid bonds (\$M)	Gift funds (\$M)	OSU funds (\$M)
OSU Corvallis					
E&G					
Gilkey Hall Renovation – Undergraduate and International Studies	\$5.0	\$3.0	\$2.0	\$0	\$0
Steam Line Replacement and Tunnel Extension	7.8	0	7.8	0	0
Oregon Quality Food and Beverages Center	18.0	9.0	0	9.0	0
Minor Capital Programmatic Improvements (Snell Hall/Research Way Building)	5.3	0	5.3	0	0
Subtotal E&G	\$36.1	\$12.0	\$15.1	\$9.0	\$0
Auxiliaries– Housing and Dining					
Upper Division and Graduate Housing	\$30.0	\$0	\$30.0	\$0	\$0
Subtotal Auxiliaries	\$30.0	\$0	\$30.0	\$0	\$0
Total OSU capital budget request	\$66.1	\$12.0	\$45.1	\$9.0	\$0

CAPITAL PROJECTS**Gilkey Hall Renovation (\$5.0M: \$3.0M State-paid bonds, \$2.0M OSU revenue bond)**

The renovation of Gilkey Hall will provide an interior space renewal and re-organization to accommodate the divisions of Undergraduate Studies and International Programs, substantially improving student experiences and enhancing student success at OSU. The renovation will:

- Strengthen collaboration for academic advising between Undergraduate Studies and International Programs;
- Provide centralized writing and computing labs and other academic assets for students;
- Modernize fire and life safety, plumbing, electrical and mechanical systems; and preserve the building's historic exterior, creating modern, healthy, accessible space for OSU students and staff as well as addressing critical deferred maintenance needs.

The Governor's Recommended Budget ranked the Gilkey Hall renovation third of 14 projects to receive state-paid bonds (\$2.0M Article XI-G, \$1.0M Article XI-Q).

The **revised** *pro forma* is in Table 1.

Steam Line Replacement and Tunnel Extension (\$7.8M OSU revenue bond)

This project will deliver looped and redundant heating steam from the Energy Center to the campus steam distribution system. Currently, the sole pipe distributing heating steam from the Energy Center to the campus distribution system is a direct buried (double wall) pipe that is deteriorating, leaking and exposing the inner pipe to ground water. The project extends the utility tunnel system between 30th and 35th Streets, along the north side of Jefferson Way, and replaces the existing deteriorating pipe with a redundant pair of pipes that will be accessible within the new tunnel. The new utility tunnel and redundant pair of steam lines will:

- Provide steam distribution redundancy for reliability, repair and maintenance and
- Make the critical steam distribution connection from the Energy Center to the campus accessible for inspection, maintenance and repair.

The *pro forma* is in Table 2.

Oregon Quality Foods and Beverages Center (\$18.0M: State-paid bonds \$9.0M, gift funds \$9.0M)

The Oregon Quality Foods and Beverages Center will create three research and learning pilot facilities for Brewing Science, Wine Science and Dairy Science. The finished facility will house pilot production plants, open laboratory space, and a distance education classroom, as well as administrative and retail spaces, and storage. This project will:

- Generate new high-quality food and beverage products, efficient production methods, and innovative product development to expand the market value of Oregon foods and beverages;

- Connect communities across the state with opportunities to add value to food and beverage products and increase sustainable entrepreneurship in both rural and urban communities;
- Develop creative solutions to food production, processing, and distribution; and
- Assess the impacts on the health of the environment, economy and communities.

The Governor's Recommended Budget ranked this project fourth of 14 for state-paid bond funding (\$9.0M Article XI-G).

Upper Division & Graduate Student Housing (\$30.0M OSU revenue bond)

This project will expand programming and address an on-campus housing need for underserved populations of graduate, transfer, and non-traditional students. It also responds to the request by the Corvallis community for the university to provide additional on-campus housing. This new development, planned on the OSU Corvallis campus on a parcel located near 11th and Monroe will:

- Provide 150-200 units, with a goal of providing 200-400 additional beds to the University Housing and Dining Services Corvallis housing inventory;
- Offer a mix of studio and multi-bedroom apartments configured for single student occupancy by the bedroom, and occupancy by students with partners and/or dependents who will contract by apartment unit; and
- Provide on-site parking and other communal amenities.

The *pro forma* is in Table 3.

Minor Capital Programmatic Improvement (\$5.3M OSU revenue bond)

This project will renovate the low-rise section of Snell Hall for the revised 2D art program (\$1.7M) and the Research Way facilities (\$3.6M) to create a National Science Foundation-funded international OSU Marine and Geology Repository.

The *pro forma* is in Table 4.

RECOMMENDATION

Staff proposes that the Finance & Administration Committee recommend to the Board that it adopt the FY2018 Capital Budget.

Table 1: OSU Corvallis - Gilkey Hall *pro forma*.

OSU - Gilkey Hall Renovation (REVISED)												
ASSUMPTIONS												
	Amount	Year 1 (FY19)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 25 (FY43)
Funding requested from the State (XI-Q)	3,000,000											
Internal Bank Loan	2,000,000											
Total Cost	\$ 5,000,000											
REVENUE PROJECTIONS												
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 25
Central Funds (from existing revenues)		440,483	440,483	440,483	440,483	440,483	440,483	440,483	440,483	440,483	440,483	200,000
TOTAL REVENUES		\$440,483	\$440,483	\$440,483	\$440,483	\$440,483	\$440,483	\$440,483	\$440,483	\$440,483	\$440,483	\$200,000
EXPENSE PROJECTIONS												
Debt Service (\$2M - 10 year @ 3.5%)*		(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	(\$240,483)	
Depreciation**		(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
TOTAL EXPENSES		(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$440,483)	(\$200,000)
ANNUAL OPERATING NET		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCUMULATED BALANCE			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
*Principal is included for total funding needs/projections												
**\$5M project; 25 year, straight line depreciation												

Table 2: OSU Corvallis - Steam Line Replacement and Tunnel Extension *pro forma*.

ASSUMPTIONS											
	Amount										
Total Cost	\$	7,800,000									
RESOURCES											
	Year 1 (FY18)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20 (FY37)
Central Funds (from existing revenues)	1,338,000	1,338,300	1,338,609	1,338,927	1,339,255	1,339,593	1,339,941	1,340,299	1,340,668	1,341,048	407,535
TOTAL RESOURCES	1,338,000	\$1,338,300	\$1,338,609	\$1,338,927	\$1,339,255	\$1,339,593	\$1,339,941	\$1,340,299	\$1,340,668	\$1,341,048	\$407,535
EXPENSE PROJECTIONS											
Debt Service - (\$7.8M - 10 year @ 3.5%)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	(\$938,000)	\$0
Annual repair/maintenance	(\$10,000)	(\$10,300)	(\$10,609)	(\$10,927)	(\$11,255)	(\$11,593)	(\$11,941)	(\$12,299)	(\$12,668)	(\$13,048)	(\$17,535)
Depreciation/Renewal Fund*	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)	(\$390,000)
TOTAL EXPENSES	(\$1,338,000)	(\$1,338,300)	(\$1,338,609)	(\$1,338,927)	(\$1,339,255)	(\$1,339,593)	(\$1,339,941)	(\$1,340,299)	(\$1,340,668)	(\$1,341,048)	(\$407,535)
ANNUAL OPERATING NET	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCUMULATED BALANCE		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
*Principal is included for total funding needs/projections											
*\$7.8M project; 20 year, straight line depreciation											
Total Interest: \$1,578,827											

Table 3: OSU Corvallis- Upper Division & Graduate Student Housing *pro forma*.

OSU - Corvallis Upper Division & Graduate Student Housing												
ASSUMPTIONS												
	Amount											
Total cost	\$ 30,000,000											
REVENUE PROJECTIONS												
	Year 1 (FY20)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10 (FY29)	Year 30 (FY49)	
Revenue from housing units (3 buildings)	\$ 1,973,700	\$ 2,710,548	\$ 2,791,864	\$ 2,875,620	\$ 2,961,889	\$ 3,050,746	\$ 3,142,268	\$ 3,236,536	\$ 3,333,632	\$ 3,433,641	\$ 6,201,538	
TOTAL REVENUES	\$ 1,973,700	\$ 2,710,548	\$ 2,791,864	\$ 2,875,620	\$ 2,961,889	\$ 3,050,746	\$ 3,142,268	\$ 3,236,536	\$ 3,333,632	\$ 3,433,641	\$ 6,201,538	
EXPENSE PROJECTIONS												
Personnel Expenses	\$ (217,105)	\$ (223,618)	\$ (230,327)	\$ (237,236)	\$ (244,354)	\$ (251,684)	\$ (259,235)	\$ (267,012)	\$ (275,022)	\$ (283,273)	\$ (511,622)	
Maintenance	(285,000)	(293,550)	(302,357)	(311,427)	(320,770)	(330,393)	(340,305)	(350,514)	(361,029)	(371,860)	(671,621)	
Janitorial	(9,500)	(9,785)	(10,079)	(10,381)	(10,692)	(11,013)	(11,343)	(11,684)	(12,034)	(12,395)	(22,387)	
Utilities (including data/phone)	(192,060)	(209,185)	(216,317)	(223,707)	(231,362)	(239,295)	(247,515)	(256,034)	(264,864)	(274,015)	(548,524)	
Other Expenses	(45,683)	(47,622)	(49,093)	(50,611)	(52,177)	(53,792)	(55,457)	(57,176)	(58,949)	(60,777)	(112,452)	
Depreciation (Building & Equipment)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	(706,800)	
TOTAL EXPENSES	\$ (1,456,148)	\$ (1,490,560)	\$ (1,514,972)	\$ (1,540,162)	\$ (1,566,155)	\$ (1,592,977)	\$ (1,620,656)	\$ (1,649,220)	\$ (1,678,698)	\$ (1,709,121)	\$ (2,573,406)	
REVENUE AVAILABLE FOR DEBT SERVICE	\$517,552	\$1,219,988	\$1,276,892	\$1,335,458	\$1,395,734	\$1,457,769	\$1,521,612	\$1,587,316	\$1,654,934	\$1,724,520	\$3,628,132	
Debt Service	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	(1,917,845)	
NET REVENUE AFTER DEBT SERVICE	(1,400,293)	(697,857)	(640,953)	(582,387)	(522,111)	(460,076)	(396,233)	(330,529)	(262,911)	(193,325)	1,710,287	
Earnings before taxes, depreciation and amortization	1,224,352	1,926,788	1,983,692	2,042,258	2,102,534	2,164,569	2,228,412	2,294,116	2,361,734	2,431,320	4,334,932	
NET REVENUE AFTER DEBT SERVICE W/O DEPR	(\$693,493)	\$8,943	\$65,847	\$124,413	\$184,689	\$246,724	\$310,567	\$376,271	\$443,889	\$513,475	\$2,417,087	

Table 4: Minor Capital Programmatic Improvement *pro forma*.

OSU - Minor Capital Programmatic Improvement											
ASSUMPTIONS											
	Amount										
Snell Hall	1,700,000										
Research Way Building	3,600,000										
Total	\$	5,300,000									
RESOURCES											
	Year 1 (FY18)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 25 (FY42)
Central Funds (from existing revenues)	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$212,000
TOTAL RESOURCES	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$849,279	\$212,000
EXPENSE PROJECTIONS											
Debt Service (\$5.3M - 10 years @ 3.5%)*	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	(\$637,279)	
Depreciation**	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)	(\$212,000)
TOTAL EXPENSES	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$849,279)	(\$212,000)
ANNUAL OPERATING NET	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCUMULATED BALANCE		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

*Principal is included for total funding needs/projections

**\$5.3M project; 25 year, straight line depreciation