BOARD OF HIGHER EDUCATION
REQUEST FOR COMMITTEE AND BOARD ACTION

COMMITTEE: Fiscal Affairs and Administrative Policy        NO.: FAAP 13-39
COMMITTEE DATE: June 11, 2013
BOARD DATE: June 18, 2013

CAPITAL PROJECT REFINANCING REQUEST ON BEHALF OF NORTH SHORE
COMMUNITY COLLEGE AND MIDDLESEX COMMUNITY COLLEGE

MOVED: The Commissioner of the Board of Higher is authorized, upon
consultation with the Chair of the Board of Higher Education and the
Chair of the Fiscal Affairs and Administrative Policy (FAAP)
Committee, to undertake the following:

- to make a written request of the Massachusetts Development
  Finance Agency, as successor to the Massachusetts Health
  and Educational Facilities Authority (the “Agency”), that the
  Agency undertake the issuance of Series 2013 Bonds for the
  purpose of refunding all of the Series B Bonds and Series C
  Bonds when such conditions, as determined by the
  Commissioner, warrant such refunding;

- to execute a contract with the Agency in accordance with
  Section 12 of Chapter 15A of the General Laws providing for
  the expenses of the Agency and the payment of the Series
  2013 Bonds to be issued by the Agency as aforesaid, such
  contract to be substantially in the form as the Commissioner
  may determine is advisable;

- to execute a memorandum of understanding with the
  Comptroller of the Commonwealth providing for the
  implementation of the contract referenced in the preceding
  sentence; and

- upon the advice of counsel to the Board, execute such other
  documents and instruments and take such other actions as
  may be necessary or desirable in connection with the foregoing
  and the transaction contemplated thereby.

Authority: Massachusetts General Laws Chapter 15A, Sections 6, 9, and 10-14
Contact: Sean Nelson, Deputy Commissioner of Administration and Finance
Background Information: Middlesex Community College

Proposed is the refunding of MA HEFA Revenue Bonds, Community College Program Issue, Series B (1998). The Series B Bonds refunded MA HEFA Revenue Bonds, Community College Program Issue, Series A (1992) that originally funded a new health, science and technology center on the Lowell campus. North Shore Community College is also seeking to refund its portion of the Series B Bonds, and a separate approval request is being submitted simultaneously with this one. Each college is liable only for its proportionate share of the debt service on the bonds and associated costs.

Because there was no legislation at the time the A Bonds were issued that would allow the colleges to borrow directly, MA HEFA became the nominal owner of the Project and used the proceeds to construct the health, science and technology center. The arrangement was and is governed in part by a Contract for Financial Assistance, Management and Services between MA HEFA, and the Commonwealth acting through the Department of Higher Education and acknowledged by the NSCC and MCC. This Contract provides that the colleges, acting on behalf of the MA HEFA (and now on behalf of MDFA), will covenant to fix and revise fees, rents, rates and other charges to students and other users of the project in amounts sufficient to pay debt service on the bonds and all other costs associated with facility operations, maintenance and repair. At present, MDFA pays for liability and property insurance as well as rebate calculations and bills the colleges for the expenses.

When all the debt is retired, the ownership of the project will revert to the Commonwealth.

The B Bonds are insured by AMBAC, but the 2013 Bonds are not expected to have insurance.
Background information: North Shore Community College


The Series C Bonds funded the construction of a classroom building on the Danvers campus. It should be noted that the Series B Bonds were issued to refinance projects at both NSCC and Middlesex Community College (MCC). MCC is also seeking to refund its portion of the B Bonds, and a separate request for MCC is being presented simultaneously with this request. Each college is liable only for its proportionate share of the debt service on the bonds and associated costs. NSCC is the only obligor on the Series C Bonds.

Because there was no legislation at the time the A Bonds were issued that would allow the colleges to borrow directly, MA HEFA became the nominal owner of the project and used the proceeds to make the renovations noted above. The arrangement was and is governed in part by a Contract for Financial Assistance, Management and Services between MA HEFA, and the Commonwealth acting through the Department of Higher Education and acknowledged by the NSCC and MCC. This Contract provides that the Colleges, acting on behalf of the MA HEFA (and now on behalf of MDFA), covenant to fix and revise fees, rents, rates and other charges to students and other users of the project in amounts sufficient to pay debt service on the bonds and all other costs associated with facility operations, maintenance and repair. At present, MDFA pays for liability and property insurance as well as rebate calculations and bills the colleges for the expenses.

When all the debt is retired, the ownership of the project originally financed by the Series A Bonds will revert to the Commonwealth. The project originally financed by the Series C Bonds has always been owned by the Commonwealth.

The B Bonds and C Bonds are insured by AMBAC, but the 2013 Bonds are not expected to have insurance.