

**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 that 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**

Proposed is the refunding of MA HEFA Revenue Bonds, Community College Program Issue, Series B (1998) and MA HEFA Revenue Bonds Community College Program Issue, Series C (2000). The Series B Bonds refunded MA HEFA Revenue Bonds, Community College Program Issue, Series A (1992) that funded the renovation of a 51,000 square foot building and the addition of a second floor. The building houses the Main Administrative Offices of North Shore Community College (NSCC) as well as laboratory and classroom space.

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.