

MEMORANDUM



JOINT BUDGET COMMITTEE

To Members of the Joint Budget Committee
From Amanda Bickel, JBC Staff (303) 866-4960/ (303) 246-6874
Date June 18, 2025
Subject Metropolitan State University of Denver Revenue Bond Intercept Request

Request and Recommendation: April 17, 2025, the Capital Development Committee (CDC) considered and approved a request from Metropolitan State University of Denver (MSU) to expand its debt under the Higher Education Revenue Bond Intercept Program (Section 23-5-139, C.R.S.) by **up to \$115.0 million** for two projects on the Auraria Higher Education Center campus that are, together, anticipated to cost \$108.0 million: an event center restoration and a student housing and workforce complex. MSU proposes issuing 30-year bonds paying an interest rate of approximately 4.7%. Annual payments for the bonds are estimated at approximately \$7.35 million per year.

JBC staff recommends the request but notes some issues for the JBC/General Assembly's consideration:

- *Residential Campus Component for MSU:* This is the first dorm being built by MSU on the Auraria Higher Education Center campus and thus this institution's first formal move toward being a residential campus instead of a commuter campus. The University of Colorado at Denver (UCD) has already constructed housing on the campus, and staff does not think MSU should be blocked from a step already taken by UCD. Nonetheless, this change underlines the need for the General Assembly to think holistically about the campus, MSU's mission, and how the three institutions on the campus and the separate campus management work together. Staff hopes that the work being conducted pursuant to S.B. 25-216 (Auraria Higher Education Center Appropriations) will contribute to this discussion. Staff also hopes that collaboration will be supported by the new Auraria Higher Education Board Framework Plan and a related steering committee created in 2024.¹
- *Use of General Student Fees in Housing Project:* The housing portion of the project is expected to be self-sustaining after the first few years. However, MSU currently expects that it will need to direct some of its general student fee revenue to support the project in the first few years. Further, MSU anticipates using additional general student fee revenue as a backstop if it is not able to fill the dorms at the currently-anticipated price. While the use of fees will help reduce any risk to the General Assembly, use of general student fees for dorms only makes sense if the General Assembly believes that the move toward a

¹ MSU provided information on the 2024 AHEC Integrated Planning Group (IPG) steering committee expectations and responsibilities. This is a team of on-campus representatives and campus community partners who will meet regularly to amplify development opportunities, increase collaboration and transparency, improve efficiencies, strengthen all institutions, and define future development processes on the Auraria Campus.

- residential campus is generally beneficial for the institution and its students. Staff understands that if this project is successful, MSU is likely to build additional dorms.
- *Assignment to MSU of Previously-shared Space:* Part of the project involves MSU remodeling, for its own use, a portion of the AHEC common space that was formerly a shared pool for the whole campus. The pool has been defunct for some time, and this proposal will at least ensure that this area is put to good use. Staff's understanding is that the AHEC board has agreed and that other institutions on the campus do not object. However, this change will shift space that was previously shared to an individual institution, underlining the need for thoughtful ongoing planning for the campus as a whole.
 - *Financial Risk:* As reflected in the attached data, MSU has struggled with declining student enrollment for many years, though enrollment began to increase again in FY 2023-24. As reflected in its A1 credit rating, ratings agencies consider its financial position reasonably strong, but recent-year financial results have relied heavily on stronger state support. It is a large institution with revenue of \$313.4 million, so *the scale of debt reflected in this request, an additional \$7.3 million in payments per year (about 2.3% of MSU revenue), represents a relatively limited risk to the institution and the General Assembly. That said, if the housing project cannot support itself, it is likely to be the larger MSU student population that will suffer and/or the General Assembly will need to provide MSU with more support.*

While staff has some reservations outlined above, staff recognizes that there are advantages to MSU providing residential services and creating dedicated event space. It is well documented that students who reside on a campus, attend full-time, and feel connected to their campus are far more likely to complete their program. According to available data, moving students to completion has been a major challenge for MSU, and Staff supports MSU's efforts to help students complete. Given that UCD already has a dorm on the campus and multiple other entities have reviewed and approved this plan (MSU Board, AHEC Board, Colorado Commission on Higher Education and the Capital Development Committee), as well as what staff believes is relatively limited financial risk for the General Assembly, staff recommends approval of the request.

Staff will provide a draft letter to the Treasurer's Office and the Colorado Commission on Higher Education for the Committee's consideration.

Background Information – Higher Ed Revenue Bond Intercept Program

The Higher Education Revenue Bond Intercept Program, first authorized in 2008 and most recently modified in 2022, enables the governing boards of higher education institutions to issue debt under the state's credit rating rather than their own. This reduces the cost of debt for governing boards but also makes the State responsible for making timely payments on the debt if the governing board is not able to do so. If this occurs, the State is authorized to recoup its expenditures from the affected governing board.

Pursuant to Section 23-5-139, C.R.S., to qualify for the Revenue Bond Intercept Program, an institution must have:

- A credit rating in one of the three highest categories from a nationally recognized statistical rating organization (i.e., a rating in the A or higher category)
- A debt service coverage ratio of at least 1.5x (net revenue available for debt service/annual debt service) applied to all debt.
- Pledged revenues for the issuance of not less than: the net revenues of auxiliaries; 100% of tuition if an enterprise; indirect cost recovery revenues; facility construction fees designated for bond repayment; and student fees and revenues pledged to bondholders.
- Debt service payments for intercept bonds that do not exceed 75 percent of the governing board's most recent fiscal year state General Fund appropriation (amounts reappropriated to the Board).
- Pre-approval from the State Treasurer and approval from the CDC and JBC.²

Senate Bill 16-206 (a JBC bill) modified Section 23-5-139, C.R.S., to tighten the program and ensure that the legislature and the Treasurer's Office have better oversight and information on use of the intercept program, given that the State serves as the financial backstop for this debt. Senate Bill 22-121 reduced restrictions on institutional indebtedness by increasing the amount of tuition revenue to be pledged from 10 percent to 100 percent. This greatly increased institutions' debt service coverage ratios for the intercept program, making bonds more marketable and improving rates. However, the change also facilitates expanded use of the intercept program, since meeting the 1.5x coverage ratio for new issuances presents less of an obstacle. It thus makes other program constraints—including the JBC's approval—particularly important.

An annual report from the Treasurer's Office, received September 1 each year, provides each governing board's debt profile and outlines whether, at the time of the report, the governing board is qualified to participate in the program. Based on data provided by the Treasurer's Office for the 2024 report, state institutions have outstanding principal and interest obligations of \$6.1 billion. This includes \$2.3 billion in obligations issued under the higher education revenue bond intercept program, which are issued based on the State's Aa2 rating, rather than the underlying bond rating of the institution. All of the governing boards participate in the intercept program, except the University of Colorado, which has had a credit rating higher than or equal to the State's.

MSU Denver Request and Background

MSU seeks expanded use of the intercept program by up to \$115.0 million to issue debt for the two projects shown below, based on the attached letter dated April 17, 2025, from the CDC. As

² Pre-approval to a specified amount is included as part of annual reports from the Treasurer on the institutions of higher education.

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shown, the current estimate for the projects is \$108.0 million, with additional costs due to interest capitalized in the first two years. Annual payments for 30-year bonds to support these projects are estimated at approximately \$7,345,000 per year.

Project	Location	Amount
Event Center Renovation	AHEC Campus, Denver	\$13,000,000
Student Housing, Workforce Complex	AHEC Campus, Denver	95,000,000
Total		\$108,000,000

Both projects have been approved by the CDC for the 2-year cash fund and for use of the intercept program. They have also been approved by Colorado Commission on Higher Education for the 2-year cash list.

The JBC must review the request and approve it for MSU to expand its use of the intercept program.

The additional information below is from project plans submitted to the CDC and information provided to staff by MSU and the Auraria Higher Education Center administration.

Background on MSU and AHEC

Metropolitan State University of Denver is a large urban institution that has thus far been a commuter-only school. MSU used to be host to more non-traditional, part-time students but has seen significant shifts in enrollment, similar to the community college experience, and now more than 50% of their student population is considered “traditional.”

Section 23-54-101, C.R.S., identifies the MSU role and mission as follows:

There is hereby established a university at Denver, to be known as Metropolitan state university of Denver, which shall be a comprehensive institution with modified open admission standards at the baccalaureate level; except that nontraditional students at the baccalaureate level who are at least twenty years of age shall only have as an admission requirement a high school diploma, the successful completion of a high school equivalency examination, as defined in section 22-33-102 (8.5), C.R.S., or the equivalent thereof. Metropolitan state university of Denver shall offer a variety of liberal arts and science, technical, and educational programs. The university may offer a limited number of professional programs. In furtherance of its role and mission, Metropolitan state university of Denver may offer master’s degree programs that address the needs of its urban service area.

MSU served 11,717 student FTE in FY 2023-24, almost all of whom were resident students. Historically, the majority of MSU students were non-traditional (older), part-time students. However, between FY 2010-11 and FY 2023-24, enrollment fell 34 percent, and, with this change, the nature of the student body has also changed. Similar to the pattern that has occurred at community colleges, “non-traditional” students have been choosing employment opportunities over further studies at MSU. As a result, a far larger share of the student population is now made up of “traditional” younger full time students than used to be the case. Please see attached charts on the history of enrollment and funding at the institution, and links to additional profile information about the institution.

MSU shares the 150 acre Auraria Higher Education Center campus with two other entities: the University of Colorado at Denver and the Community College of Denver. The Auraria Higher Education Center manages facilities shared among the three institutions. MSU is the largest of the three schools, comprising about 50 percent of the student population on the AHEC campus.

Project Details

Event Center Restoration: As outlined for the CDC:

“The project renovates a defunct 12,355-ASF pool space in the event center to become a multipurpose instruction and event space. The Exercise and Sport Sciences Department will use the space for hands-on learning and training experiences. In addition, the renovations will allow the space to host events, including guest lectures, student orientations, and large-scale academic assemblies, and will offer seating for up to 500 attendees. The university says the new space will fill a gap in its facilities portfolio.

The source of cash funds for the project is the issuance of bonds, to be repaid from the university's Metro Bond Fee, which is dedicated to debt repayment for capital improvements.”

As reflected in the CDC document and in response to JBC staff questions, MSU has indicated:

- The project renovates pool space that was previously space shared by the three entities on the AHEC campus. Because MSU is financing the renovation, it will take control of the space. Although it may allow use by other institutions when not in use by MSU, MSU anticipates that almost all use will be for its activities.
- MSU negotiated with AHEC on the use of the space. Auraria staff presented the MSU-D PE/Events Center concept to the AHEC board on 1/22/25, and a resolution was approved by the AHEC board to allow the AHEC CEO to negotiate an agreement with MSU to convert the pool space. The agreement, which has since been signed, indicates that MSU previously invested \$7 million in the space and is expected to invest an additional \$10 million and is already the “near exclusive” user of the space. The agreement specifies that AHEC will continue to provide maintenance, custodial, groundskeeping, and utilities for the facility and to insure the facility after the improvements by MSU. Construction will be MSU’s responsibility but coordinated with AHEC. All event space in the renovated building, athletic and otherwise, will be limited to use by MSU Denver. MSU Denver and AHEC will coordinate special events and split any related revenue 50/50.
- The University’s Metro Bond Fee, which will be used for payments, derives from a charge of \$29.20 per credit hour (\$876 per student FTE/30 credit hours in FY 2024-25). According to MSU information for current students: “This student approved fee will provide capital financing for the construction of a new Metropolitan State University Neighborhood, student scholarships, and student equipment and classroom enhancements.” This fee was

first established for these purposes by a student vote in 2009³. It is currently subject to annual increases of up to 5.0 percent without further student votes, and, based on the current fee rate and enrollment, staff assumes it generates over \$10.0 million per year for the institution.⁴ As other obligations have fallen off and fee rates have increased, MSU has “space” for bond payments for this project.

Student Housing and Workforce Complex: As outlined for the CDC:

“The project constructs a 199,800-GSF, 550-bed student housing building on the north side of campus to house students in a traditional on-campus environment. The university says it does not currently have a residence hall exclusively for its students, and a market study it conducted indicates that of the nearly half of its enrollment that live in apartment rentals, 71 percent would prefer an on-campus unit. Further, the project will significantly impact students who might not otherwise be able to afford to live in Denver, and will help transform the campus away from being a commuter-focused campus.

The source of cash funds is bonds, to be repaid from student housing revenue and the university's Metro Bond Fee, which is dedicated to debt repayment for capital improvements.”

Based on further communication with MSU:

- The project provides for 266 double rooms and 40 single rooms, housing a total of up to 572 students.
- Every two double rooms share a bathroom, and every four singles share a bathroom. While there will be a shared cooking facilities available in a public location, the building will provide traditional dorm housing for undergraduates, rather than apartment housing with cooking facilities.
- Because of the above planned configuration, the project assumes that students will have access to cafeteria meals. In response to JBC questions, MSU provided a letter from UCD (attached) indicating a commitment to partnership between CU Denver and Metropolitan State University, and the Auraria Higher Education Campus, with regard to the provision of dining services across the Auraria campus. This collaboration should provide for the efficient use of resources, and staff sees this as a positive move for the campus as a whole.

³ As originally approved, the fee was for \$19.80 per credit hour as of 2012, with a requirement that the fee would be charged for a maximum of 12 credit hours, even if a student took additional credit hours. Institutional policies have changed over time, allowing the fee to increase.

⁴ MSU has provided additional information indicating that its net Metro Bond Fee revenue is \$6.9 million in FY 2024-25 and is projected to be \$7,246,733 in FY 2025-26 and subsequent years, including an increase already approved for FY 2025-26. Beginning in FY 2026-27, MSU expects to have \$1.9 million per year from this source that is uncommitted (increasing in 2033). The debt service anticipated to be required for the event center is approximately \$650,000 per year. As previously noted, the housing project may require \$300,000 to \$500,000 per year in FY 2027-28 and FY 2028-29 but is expected to be self-sustaining thereafter.

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- Metro’s revenue projections are based on charging \$7,092 per semester for a double room and \$7,212 per semester for a single room, with summer rates (for beds that remain occupied during the summer) at \$5,409 for a double and \$6,130 for a single. The rents equate to \$1,633 per month for a bed in a shared double room beginning in FY 2027-28. These rates appear quite high to staff. However, Metro states that it has based its rates largely on UCD dorm rates, taking into consideration inflation at 3.0% per year and that its construction will be newer (premium of 10%). MSU states that “We are working closely with a student housing consulting firm (Brailsford & Dunleavy) who has reviewed and confirmed that those assumptions are reasonable.”
- MSU provided an operating cost proforma and projected debt service payment information for the housing project, which is summarized below.

PRO FORMA	LEASE UP FY 2027-28	FY 2028-29	FY 2029-30	OUT-YEAR FY 2037-38	OUT-YEAR FY 2047-48
Gross revenue (572 beds in 306 rooms)	\$8,148,653	\$11,904,398	\$12,261,530	\$15,532,540	\$20,874,435
Operating Costs/Reserve/Vacancy Allowance	(3,331,298)	(5,612,975)	(5,543,887)	(6,624,932)	(9,327,145)
Debt service for dorm	(4,371,322)	(5,652,628)	(5,650,306)	(5,638,117)	(5,603,753)
Student life and university support costs	(947,000)	(974,000)	(1,003,000)	(1,270,000)	(1,708,000)
Net Cash Flow	(\$500,967)	(\$335,205)	\$64,337	\$1,999,492	\$4,235,536

- As shown, MSU currently anticipates that the project will have net financial losses in the first two years and begin to break even by the third year. MSU anticipates that any initial losses will be covered by the previously-discussed Metro Bond Fee.
- According to MSU, the “student life and university support costs” are high relative to the overall support of the project because MSU anticipates that it must stand up its own staffing for dorm maintenance and support services. It notes that the marginal additional costs if it expands its dorm footprint will be smaller.

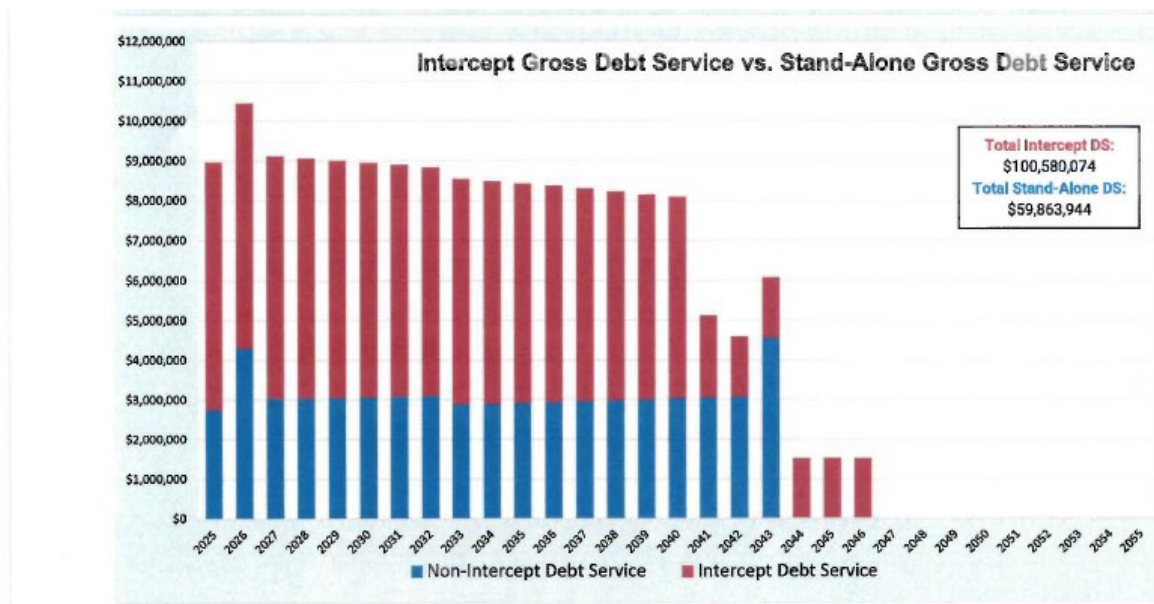
Qualification for Intercept Program:

- A document prepared by North Slope Capital Advisors for MSU includes estimates for a June 2025 30-year bond issuance with a par value of \$114.15 million at a coupon rate of 5.0 percent. With capitalized interest in the first two years, annual payments are expected to start at \$5.7 million in June 2028 and increase to \$7.3 million for the period from June 2029 through June 2058.
- As of the Colorado Treasurer’s 8th Annual Report on State Institutions of Higher Education Fiscal Year 2023/2024 (August 30, 2024), MSU was qualified to participate in the intercept program and had “pre-approval” from the Treasurer’s Office, based on various factors including its A1 credit rating from Moody’s.
- Qualification for intercept:

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- Based on the data provided by MSU, proposed debt service payments of \$7.3 million annually per a proposed issuance document (\$115.0 million maximum cumulative), when added to the current intercept obligation of \$5.1 million (\$90.6 million cumulative), remains within the “pre-approval” of \$1.3 billion in intercept debt service reflected in the Treasurer’s report.
- If MSU’s total annual intercept debt service payment increases to approximately \$12.4 million, as would be anticipated with the addition of this issuance, staff anticipates that annual payments will remain well within 75 percent of annual state operating appropriations at the time of issuance, as required by statute. MSU received \$105.7 million in appropriations for student stipends and fee-for-service contracts in the FY 2025-26 Long Bill.

Additional Background: The chart below, from the Treasurer’s September 1, 2024 report on the program, shows MSU’s debt service obligations, much of which use state-backed intercept debt.



As shown, MSU’s annual net debt service payments are anticipated to spike in FY 2025-26 but will then decline.

Based on financial statements, MSU’s gross revenue in FY 2023-24 was \$313.4 million. The table below (data included in the staff budget briefing) provides additional context on the scale of the new debt compared to MSU’s obligations. It is important to remember that, because MSU operates on the AHEC campus, a significant portion of its facilities costs remain with AHEC. Therefore, it has not engaged in as much construction directly as many other state institutions.

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Debt Profile and Credit Ratings (Fall 2024)					
	Credit Rating Moody's	Total Outstanding Principal and Interest (Obligations)	Percent Intercept Debt (state- backed)	Total Obligations/ Total Annual Revenue ⁵	Annual Debt Payment/Total Annual Revenue ⁵
MSU Denver	A1 (stable)	\$150,445,301	60.2%	48.0%	2.5%

In July 2024, Moody's maintained MSU's underlying **credit rating of A1 (stable)**. This is lower than the State rating of Aa2 that MSU may use under the intercept program (Moody's scale from highest to lowest: Aa1, Aa2, Aa3, A1, A2, A3, Baa1, etc.). The credit rating report noted "Total wealth and liquidity, supported by improving philanthropy, provides adequate coverage of operating expenses while generally steady improvement in state operating support also underpins credit quality. Offsetting credit factors include a competitive student market environment in Colorado and nearby states as well as a strong economy in the region which is attracting prospective students to join the labor force." The report notes declines in student enrollment (18% from 2019 to 2023 and poor retention), "elevated" leverage relative to wealth, and a large unfunded pension liability.

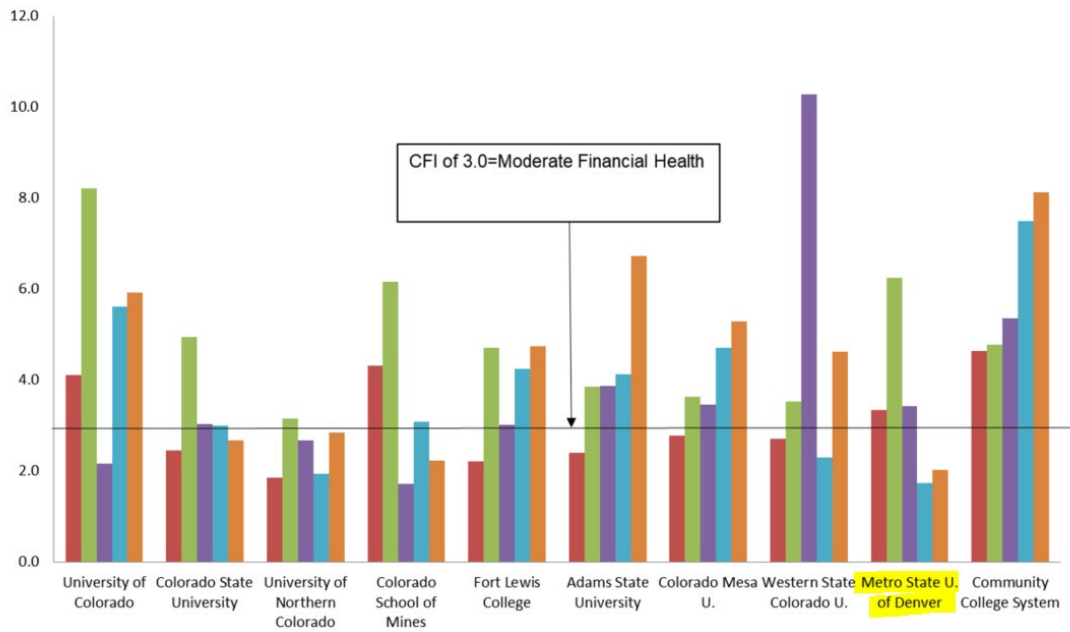
As reflected in charts below, the institution is overall in relatively weak financial health based on its Composite Financial Index score, with negative operating margins in both FY 2022-23 and FY 2023-24 and some spend-down of reserves.

Enrollment was on the decline for many years. It ticked up in FY 2023-24, and is projected to continue to increase modestly in FY 2024-25 and FY 2025-26, based on the most recent Legislative Council Staff forecast.

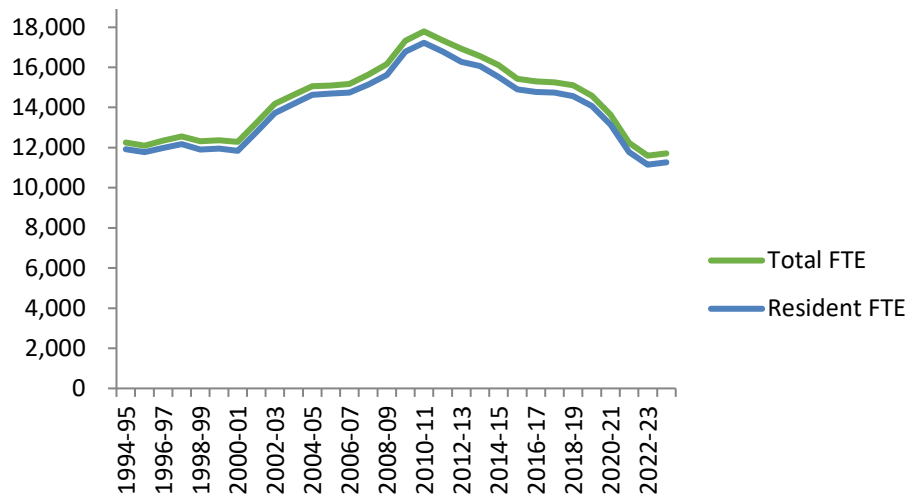
⁵ Revenue of \$313.4 million is based on data submitted for the Composite Financial Index calculation and includes operating and non-operating revenue and unrestricted foundation income.

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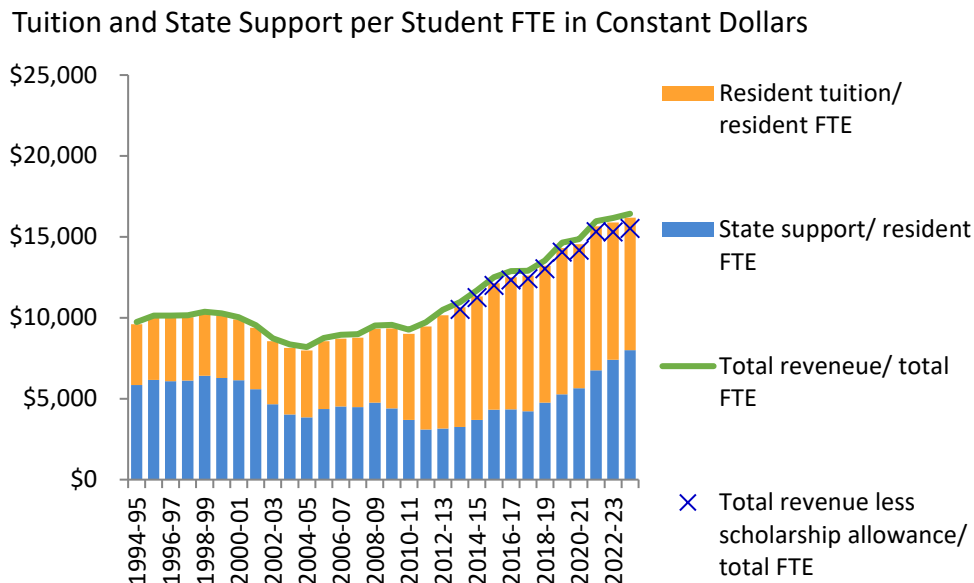
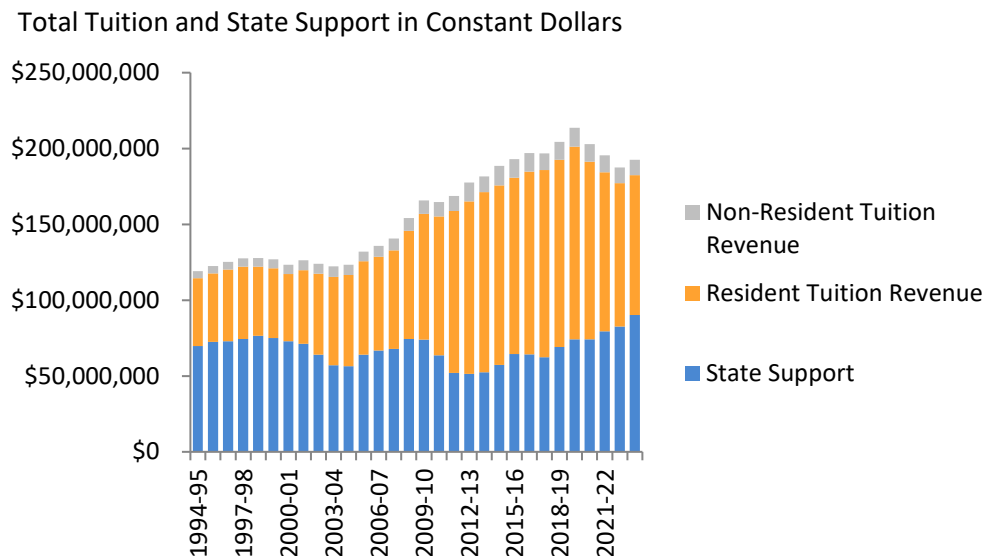
Composite Financial Index Scores for Higher Education Governing Boards
FY 2019-20 to FY 2023-24



Student FTE



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As reflected in the MSU IPEDS data feedback report:

- A relatively large share of students are low income: 37 percent of students qualified for a federal Pell grant in FY 2023-24. This is relevant because the risks associated with this project could shift additional costs to a disproportionately low-income population.
- Graduation rates are low. Only 30 percent of first-time full-time students who began at MSU in 2017 graduated after 6 years. An additional 30 percent transferred out. As previously described, housing on campus and additional connection to the campus, could improve these exceptionally low rates.

For additional information:

<https://nces.ed.gov/IPEDS/DFR/2024/ReportPDF.aspx?unitid=127565>



University of Colorado
Denver

Ann Sherman, Executive Vice Chancellor
Finance and Administration

Campus Box 173364
1380 Lawrence Street, 14th Floor | Denver, CO 80217
o 303-315-2769 | ann.sherman@ucdenver.edu
www.ucdenver.edu

June 12, 2025

Jim Carpenter
Vice President for Finance and Administration/Chief Financial Officer
Campus Box 98, PO Box 173362
Denver, CO 80217

Dear Jim,

This letter is intended to serve as a commitment to partnership between CU Denver and Metropolitan State University, and the Auraria Higher Education Campus, with regard to the provision of dining services across the Auraria campus. At this time, CU Denver provides meal plan dining options, not only to the CU Denver community, but to the entire Auraria campus community. Going forward, it would be our intention to provide the necessary infrastructure to partner with both Metropolitan State University and the Auraria Higher Education Campus as we jointly develop a seamless campus dining experience for our collective faculty, staff and students.

While the exploration of logistical and financial details is continuing, CU Denver is fully supportive of the development of enhanced dining facilities and food and beverage offerings which enhance the student experience for all Auraria entities, including additional on-campus residential development.

The goal of the food service program is one we all share: healthy, available, and affordable offerings to the wide range of students, faculty, staff, and visitors to the Auraria campus. CU Denver is pleased to be part of these discussions, and confident in a successful conclusion.

Sincerely,

Ann M. Sherman
Executive Vice Chancellor
Finance & Administration
University of Colorado Denver