



## Business Affairs

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### **Valley City State University – Request for Budget Section approval to change the funding sources for the renovation of Snoeyenbos Hall pursuant to Section 48-01.2-25.**

Chairman Holmberg and members of the Budget Section, I am Trudy Collins, Vice President for Business Affairs at Valley City State University. I am before you to request a change in funding sources for the VCSU Snoeyenbos renovation project.

The \$3,500,000 Snoeyenbos renovation project to be funded 100% from revenue bond funds was approved by the 2009 Legislature. The intent was to fund all costs of the project, including bond issuance costs estimated at \$140,000 from the bond proceeds. In early July 2010, VCSU is scheduled to issue taxable Recovery Zone Economic Development Bonds (RZEDB) instead of tax exempt bonds because of a favorable 45% federal interest subsidy. Under terms of the RZEDB bonds, 45% of annual interest payments are subsidized over the life of the bonds with Federal grant funds. The RZEDB net interest rate (net of subsidy) is currently 4.15% compared to a tax exempt interest rate currently at 4.96%. The interest savings will reduce the overall cost to students in the form of room rates for servicing the debt over the next 30 years.

Because VCSU is issuing RZEDB bonds instead of tax exempt bonds, VCSU must use institutional funds as part of the financing package. Recovery Zone bond provisions allow the bond proceeds to be used for bond issuance costs up to a maximum of 2% of the bond proceeds. Estimated bond issuance costs of \$140,000 exceed the 2% maximum by \$70,000. VCSU must use institutional funds to cover the remaining bond issuance costs. Institutional funds have been identified within current Housing net assets and are available for this purpose.

VCSU requests approval to use up to \$70,000 in institutional funds to pay bond issuance costs not permitted to be charged against the bond proceeds for the Snoeyenbos renovation project. Correspondingly, VCSU will reduce the bond issue to an estimated \$3,430,000 to maintain the authorized project amount of \$3,500,000.