

Board of Trustees

Washtenaw Community College

ACTION

4800 E. Huron River Drive
Ann Arbor, Michigan 48105-4800

Subject
Advanced Transportation Center Capital Project Funding Request

Date
November 17, 2019

Background

On June 22, 2018, Washtenaw Community College received notice from the State of Michigan that our proposed Advanced Transportation Center (ATC) project was approved for construction at a total cost of \$5.9 million. This authorization included commitment for State funding of \$1,999,800, with the remaining project cost funded by the College. Over the past year, the College has completed the final building design and has updated the project cost, which is estimated at \$7.9 million. This \$2 million increase is largely due to the significant rise in construction costs over the past two years and reflects the impact of changing the design to a two-story building. The change to a two-story design improves building accessibility, provides greater space utility and minimizes the overall footprint of the building on the proposed site.

While the College is not requesting additional state funding, the increased cost of the ATC project must be legislatively approved by the State of Michigan. The College has requested of and received support from the Department of Transportation, Management and Budget (DTMB) for the authority to proceed with the ATC project at a cost of \$7.9 million. The State Budget Director, Chris Kolb has submitted his support to the Joint Capital Outlay Subcommittee and we are currently awaiting legislative approval. Upon state approval, the College will submit the final design documents for DTMB review. Upon DTMB acceptance for the final design, the project key dates are:

- Construction Bidding process March – April, 2020
- Long Term Debt terms and timing are finalized March - April, 2020
- Board of Trustees reviews/approves ATC Construction Contract May - June , 2020
- Construction commences September, 2020
- New \$6 million long term debt issuance June, 2021
- Construction completed July, 2021
- ATC building opens for Fall 2021 semester

Project Funding Discussion

In addition to the ATC project, the College is also pursuing a full renovation of the Morris Lawrence building at a cost of \$9 million. While the College has adequate General Fund reserves to support the ML project, transfer of \$9 million to the Capital Fund will leave the College with an estimated \$26 million in unrestricted General Fund reserves, or about 2.5 months of operating costs. As a result, it is recommended that the full \$6 million cost for the ATC project be funded from a new long-term debt issue. Given the timing of the ATC construction, it is estimated that this new debt issuance would be needed by June 2021. Based upon this funding plan, we have also calculated that our Composite Financial Index (CFI) would remain at a strong 3.0 level. We have reviewed our proposed capital spending, funding and forecasted multi-year financial plan with Paul Stauder of PFM consultants and he is supportive of our funding plan.

RECOMMENDATION

That the Board of Trustees approve the Advanced Transportation Center Capital Project in the amount of \$7,900,000. The funding for this project will include \$1,999,800 from the State of Michigan and the balance of approximately \$6,000,000 funded from a new College Bond Issue in mid-2021. This approval is granted with the understanding that the final terms and timing of the new bond issue are presented to the Board of Trustees before the contract to construct the Advanced Transportation Center is approved.

A ROLL CALL VOTE WILL BE TAKEN.

Prepared by: William Johnson

Title: Executive Vice President
CFO and Vice President of Finance

Recommended by:

Rose B. Bellanca, Ed.D.

Rose B. Bellanca, President
