

Agenda Item No. 3.2

AGENDA ITEM BRIEFING

Submitted by: Billy Hamilton, Executive Vice Chancellor and Chief Financial Officer
The Texas A&M University System

Subject: Approval of the Revised Project Scope and Budget, Additional Appropriation for Construction Services, and Approval for Construction for the Engineering Education Complex Project, Texas A&M University, College Station, Texas (Project No. 02-3155)

Background and Prior Actions:

The Engineering Education Complex (EEC) Project was included as an approved project on the FY 2015-FY 2019 A&M System Capital Plan for \$137,000,000, and approved on the FY 2016-FY 2020 A&M System Capital Plan approved by the Board at the September 2015 meeting for \$168,900,000.

Proposed Board Action:

- (1) Approve the revised project scope and budget.
- (2) Appropriate \$56,769,000 additional funding for construction services and related project costs.
- (3) Approve for construction the additional work scope outlined in this agenda item for the EEC at Texas A&M University (Texas A&M).

Funding/Budget Amount:

<u>Funding Source</u>	<u>Project Budget</u>	<u>Proposed Adjustment</u>	<u>Proposed Budget</u>	<u>Average Estimated Annual Debt Service</u>	<u>Debt Service Source</u>
Permanent University Fund Debt Proceeds	\$ 90,500,000		\$ 90,500,000	\$ 7,179,115	Available University Fund
Revenue Financing System Debt Proceeds	\$ 68,250,000	\$ 15,214,000	\$ 83,464,000	\$ 9,291,740	Gifts*
Cash (Gifts)	\$ 6,750,000	\$ -	\$ 6,750,000	N/A	N/A
Cash (Designated Funds)	\$ 900,000	\$ -	\$ 900,000	N/A	N/A
Cash (Indirect Cost Recovery - TEES)	\$ 2,500,000	\$ -	\$ 2,500,000	N/A	N/A
Revenue Financing System Debt Proceeds	\$ -	\$ 39,555,000	\$ 39,555,000	\$ 2,673,015	COE Differential Tuition
Revenue Financing System Debt Proceeds	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 135,155	Indirect Cost Recovery - TEES
	<u>\$ 168,900,000</u>	<u>\$ 56,769,000</u>	<u>\$ 225,669,000</u>		

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*Currently 70% of all gifts have been pledged. Should Texas A&M fail to receive the remaining \$83,464,000 needed to fund the gift portion of the project budget, Texas A&M has agreed to make timely payments to A&M System as necessary to fully service commercial paper or other debt issued to support the project, and such payment shall be made from any available unrestricted source of funds, which may include investment reserves, designated tuition and/or auxiliary reserves/resources.

Note: Any gifts received for this project are hereby appropriated and previous appropriations are reverted from Revenue Financing System Debt Proceeds.

Project Justification:

Due to the limits of the original project budget, several areas of the building were designed only to be shelled for future completion. With this additional funding, the building will be completed and usable from Day 1, with the exception of two labs and lab support areas on the 3rd floor.

The nuclear reactor was originally planned to remain in the building, and steps have been taken to protect and keep operational during construction. However, the College of Engineering (COE) has been able to gain approval to decommission the reactor, thus freeing space in the EEC for other uses.

The roof garden was likewise planned for during the design of this project, but was deemed a lower priority than other spaces so was “shelled”. With this feature, gathering for public events will be possible.

Finally, the Engineering Quad was originally being planned as a minor project, but including it in the EEC project will provide better coordination of this work with the new work already being done to the site for EEC.

Scope:

The existing scope of the EEC Project completely renovates the existing 350,000 gross square foot Zachry Education Center and adds approximately 200,000 gross square feet. The resulting facility will encompass 550,000 square feet of space dedicated solely to undergraduate education. This scope included 114,000 square feet of shelled space.

The requested increase to the scope does several things:

- Builds out the shelled space on Floors 4 and 5. (Note: 10,090 SF of labs on Level 3 remain shell; the remainder of the building will be built out).
- Constructs a green roof above the third floor to accommodate functions.
- Constructs a green space south of the main entrance to EEC. This provides the Engineering District with an outdoor gathering space and begins to create the Engineering identity. Three buildings will be razed as part of this project.
- Provides a wayfinding signage for the EEC.
- Provides funding for the COE to remove and relocate the nuclear reactor currently operating in this facility, allowing this space to be reclaimed for educational space.
- Builds out a food service area to be operated by Starbucks.

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- Provides additional funding for enhanced Audio/Visual equipment for the original three floors.

Construction on this project started in March 2015 with substantial completion currently scheduled for December 2017. This additional scope extends the substantial completion date to March 2018. The total revised project budget is \$225,669,000.

Other Major Fiscal Impacts:

None.

THE TEXAS A&M UNIVERSITY SYSTEM
FACILITIES PLANNING AND CONSTRUCTION
Office of the Executive Vice Chancellor and Chief Financial Officer
March 11, 2016

Members, Board of Regents
The Texas A&M University System

Subject: Approval of the Revised Project Scope and Budget, Additional Appropriation for Construction Services, and Approval for Construction for the Engineering Education Complex Project, Texas A&M University, College Station, Texas (Project No. 02-3155).

I recommend adoption of the following minute order:

“The revised project scope for the Engineering Education Complex Project is approved.

The revised project budget of \$225,669,000 for the Engineering Education Complex Project is approved.

The amount of \$15,214,000 is appropriated from Account No. 01-083536, Revenue Financing System Debt Proceeds, (Gifts), the amount of \$39,555,000 is appropriated from Account No. 01-083536, Revenue Financing System Debt Proceeds (COE Differential Tuition), and the amount of \$2,000,000 is appropriated from Account No. 01-083536, Revenue Financing System Debt Proceeds (Indirect Cost Recovery - TEES), for construction services and related project costs.

The revised scope of the Engineering Education Complex Project, Texas A&M University, College Station, Texas, is approved for construction.

The Board of Regents of The Texas A&M University System (Board) reasonably expects to incur debt in one or more obligations for this project, and all or a portion of the proceeds received from the sale of such obligations is reasonably expected to be used to reimburse the account(s) for amounts previously appropriated and/or expended from such account(s).

As required by Section 5(a) of the Master Resolution of the Revenue Financing System, the Board hereby determines that it will have sufficient funds to meet the financial obligations of The Texas A&M University System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that

the Participants, on whose behalf the debt is issued, possess the financial capacity to satisfy their Direct Obligations.”

Respectfully submitted,

[ORIGINAL SIGNED BY]

Billy Hamilton
Executive Vice Chancellor and
Chief Financial Officer

Approval Recommended:

[ORIGINAL SIGNED BY]

John Sharp
Chancellor

Approved for Legal Sufficiency:

[ORIGINAL SIGNED BY]

Ray Bonilla
General Counsel

[ORIGINAL SIGNED BY]

Michael K. Young, President
Texas A&M University

ENGINEERING EDUCATION COMPLEX
TEXAS A&M UNIVERSITY
PROJECT NO. 02-3155

PROJECT BUDGET

1.	Amount Available for Construction Contract.....	\$166,271,444
2.	Owner's Contingency	7,402,121
3.	Architectural/Engineering Fees	11,221,879
4.	CMAR Pre-Construction Services	222,500
5.	Program of Requirements	165,000
6.	FP&C Project Management and Inspection Fees	5,798,824
7.	Movable Furnishings & Equipment	11,170,000
8.	Audio Visual Equipment.....	12,003,850
9.	Food Service Equipment.....	375,000
10.	Reactor Removal.....	2,000,000
11.	Environmental Systems Balancing	500,000
12.	Construction Testing.....	651,074
13.	Data.....	3,511,218
14.	Telecommunications	147,207
15.	Owner Supplied Insurance.....	160,000
16.	Feasibility Study (District Plan).....	588,455
17.	Security System	1,328,273
18.	Exterior and Interior Graphics	535,000
19.	Interagency and Other Costs.....	169,183
20.	Physical Plant Services	182,972
21.	Electrical Testing	15,000
22.	Building Envelope Consultant	150,000
23.	Artwork Allowance	<u>1,100,000</u>
24.	TOTAL ESTIMATED COST OF PROJECT.....	<u>\$225,669,000</u>

1. Project Initiation MeetingApril 9, 2014
2. Schematic Design Complete September 3, 2014
3. 100% Schematic Design Review Meeting.....September 18, 2014
4. Design Review SubCouncil SD Review October 8, 2014
5. Design Development CompleteDecember 22, 2014
6. Design Review Sub-Council DD ReviewJanuary 7, 2015
7. 100% Design Development MeetingJanuary 21, 2015
8. Pre-Construction ConferenceFebruary 4, 2015
9. Board of Regents Approval for ConstructionFebruary 13, 2015
10. Notice to ProceedMarch 9, 2015
11. Begin ConstructionMarch 10, 2015
12. Complete Construction Documents July 2, 2015
13. 100% Construction Document Review July 14, 2015
14. Construction Substantial Completion (Floors 1-4)December 2017
15. Owner Occupancy (Floors 1-4)January 2018
16. Construction Substantial Completion (5th Floor, Additional Scope)March 2018
17. Owner Occupancy (5th Floor, Additional Scope)April 2018

**TEXAS A&M UNIVERSITY
PERMANENT UNIVERSITY FUND
02-3155 Engineering Education Complex
Available University Fund**

Dates	Outstanding Principal	Principal Amount	Interest Amount	Annual Total
BONDS	91,395,000.00			
YEAR 1	88,555,000.00	2,840,000.00	4,341,262.50	7,181,262.50
YEAR 2	85,585,000.00	2,970,000.00	4,206,362.50	7,176,362.50
YEAR 3	82,470,000.00	3,115,000.00	4,065,287.50	7,180,287.50
YEAR 4	79,210,000.00	3,260,000.00	3,917,325.00	7,177,325.00
YEAR 5	75,795,000.00	3,415,000.00	3,762,475.00	7,177,475.00
YEAR 6	72,215,000.00	3,580,000.00	3,600,262.50	7,180,262.50
YEAR 7	68,465,000.00	3,750,000.00	3,430,212.50	7,180,212.50
YEAR 8	64,540,000.00	3,925,000.00	3,252,087.50	7,177,087.50
YEAR 9	60,425,000.00	4,115,000.00	3,065,650.00	7,180,650.00
YEAR 10	56,115,000.00	4,310,000.00	2,870,187.50	7,180,187.50
YEAR 11	51,600,000.00	4,515,000.00	2,665,462.50	7,180,462.50
YEAR 12	46,870,000.00	4,730,000.00	2,451,000.00	7,181,000.00
YEAR 13	41,920,000.00	4,950,000.00	2,226,325.00	7,176,325.00
YEAR 14	36,730,000.00	5,190,000.00	1,991,200.00	7,181,200.00
YEAR 15	31,295,000.00	5,435,000.00	1,744,675.00	7,179,675.00
YEAR 16	25,605,000.00	5,690,000.00	1,486,512.50	7,176,512.50
YEAR 17	19,640,000.00	5,965,000.00	1,216,237.50	7,181,237.50
YEAR 18	13,395,000.00	6,245,000.00	932,900.00	7,177,900.00
YEAR 19	6,855,000.00	6,540,000.00	636,262.50	7,176,262.50
YEAR 20	-	6,855,000.00	325,612.50	7,180,612.50
		<u>\$ 91,395,000.00</u>	<u>\$ 52,187,300.00</u>	<u>\$ 143,582,300.00</u>

Estimated issuance costs and rounding of \$895,000 are included in this schedule.
 Long-term rates are assumed to be 4.75%. Rates are subject to market change.
 Prepared by the Office of the Treasurer - Treasury Services 3/9/16

Rates are subject to market change. Amounts are preliminary estimates that will be revised at the time bonds are issued.

**TEXAS A&M UNIVERSITY
REVENUE FINANCING SYSTEM
02-3155 Engineering Education Complex
Gifts**

Dates	Outstanding Principal	Principal Amount	Interest Amount	Annual Total	Coverage 1.15x
Commercial Paper	83,464,000.00				
YEAR 1	75,839,000.00	7,625,000.00	1,669,300.00	9,294,300.00	10,688,445.00
YEAR 2	68,064,000.00	7,775,000.00	1,516,800.00	9,291,800.00	10,685,570.00
YEAR 3	60,134,000.00	7,930,000.00	1,361,300.00	9,291,300.00	10,684,995.00
YEAR 4	52,044,000.00	8,090,000.00	1,202,700.00	9,292,700.00	10,686,605.00
YEAR 5	43,794,000.00	8,250,000.00	1,040,900.00	9,290,900.00	10,684,535.00
YEAR 6	35,379,000.00	8,415,000.00	875,900.00	9,290,900.00	10,684,535.00
YEAR 7	26,794,000.00	8,585,000.00	707,600.00	9,292,600.00	10,686,490.00
YEAR 8	18,039,000.00	8,755,000.00	535,900.00	9,290,900.00	10,684,535.00
YEAR 9	9,109,000.00	8,930,000.00	360,800.00	9,290,800.00	10,684,420.00
YEAR 10	-	9,109,000.00	182,200.00	9,291,200.00	10,684,880.00
		<u>\$ 83,464,000.00</u>	<u>\$ 9,453,400.00</u>	<u>\$ 92,917,400.00</u>	<u>\$ 106,855,010.00</u>

Short-term rates are assumed to be 2.00%. Rates are subject to market change.
Assuming that project will remain in commercial paper until paid off in ten years.
Prepared by the Office of the Treasurer - Treasury Services 3/9/16

Rates are variable and subject to market change.

**TEXAS A&M UNIVERSITY
REVENUE FINANCING SYSTEM
02-3155 Engineering Education Complex
COE Differential Tuition**

Dates	Outstanding Principal	Principal Amount	Interest Amount	Annual Total	Coverage 1.15x
BONDS	39,945,000.00				
YEAR 1	39,370,000.00	575,000.00	2,097,112.50	2,672,112.50	3,072,929.38
YEAR 2	38,765,000.00	605,000.00	2,066,925.00	2,671,925.00	3,072,713.75
YEAR 3	38,125,000.00	640,000.00	2,035,162.50	2,675,162.50	3,076,436.88
YEAR 4	37,455,000.00	670,000.00	2,001,562.50	2,671,562.50	3,072,296.88
YEAR 5	36,750,000.00	705,000.00	1,966,387.50	2,671,387.50	3,072,095.63
YEAR 6	36,005,000.00	745,000.00	1,929,375.00	2,674,375.00	3,075,531.25
YEAR 7	35,220,000.00	785,000.00	1,890,262.50	2,675,262.50	3,076,551.88
YEAR 8	34,395,000.00	825,000.00	1,849,050.00	2,674,050.00	3,075,157.50
YEAR 9	33,530,000.00	865,000.00	1,805,737.50	2,670,737.50	3,071,348.13
YEAR 10	32,615,000.00	915,000.00	1,760,325.00	2,675,325.00	3,076,623.75
YEAR 11	31,655,000.00	960,000.00	1,712,287.50	2,672,287.50	3,073,130.63
YEAR 12	30,645,000.00	1,010,000.00	1,661,887.50	2,671,887.50	3,072,670.63
YEAR 13	29,580,000.00	1,065,000.00	1,608,862.50	2,673,862.50	3,074,941.88
YEAR 14	28,460,000.00	1,120,000.00	1,552,950.00	2,672,950.00	3,073,892.50
YEAR 15	27,280,000.00	1,180,000.00	1,494,150.00	2,674,150.00	3,075,272.50
YEAR 16	26,040,000.00	1,240,000.00	1,432,200.00	2,672,200.00	3,073,030.00
YEAR 17	24,735,000.00	1,305,000.00	1,367,100.00	2,672,100.00	3,072,915.00
YEAR 18	23,360,000.00	1,375,000.00	1,298,587.50	2,673,587.50	3,074,625.63
YEAR 19	21,915,000.00	1,445,000.00	1,226,400.00	2,671,400.00	3,072,110.00
YEAR 20	20,390,000.00	1,525,000.00	1,150,537.50	2,675,537.50	3,076,868.13
YEAR 21	18,790,000.00	1,600,000.00	1,070,475.00	2,670,475.00	3,071,046.25
YEAR 22	17,105,000.00	1,685,000.00	986,475.00	2,671,475.00	3,072,196.25
YEAR 23	15,330,000.00	1,775,000.00	898,012.50	2,673,012.50	3,073,964.38
YEAR 24	13,460,000.00	1,870,000.00	804,825.00	2,674,825.00	3,076,048.75
YEAR 25	11,495,000.00	1,965,000.00	706,650.00	2,671,650.00	3,072,397.50
YEAR 26	9,425,000.00	2,070,000.00	603,487.50	2,673,487.50	3,074,510.63
YEAR 27	7,245,000.00	2,180,000.00	494,812.50	2,674,812.50	3,076,034.38
YEAR 28	4,955,000.00	2,290,000.00	380,362.50	2,670,362.50	3,070,916.88
YEAR 29	2,540,000.00	2,415,000.00	260,137.50	2,675,137.50	3,076,408.13
YEAR 30	-	2,540,000.00	133,350.00	2,673,350.00	3,074,352.50
		<u>\$ 39,945,000.00</u>	<u>\$ 40,245,450.00</u>	<u>\$ 80,190,450.00</u>	<u>\$ 92,219,017.58</u>

Estimated issuance costs and rounding of \$390,000 are included in this schedule.
Long-term rates are assumed to be 5.25%. Rates are subject to market change.
Prepared by the Office of the Treasurer - Treasury Services 3/9/16

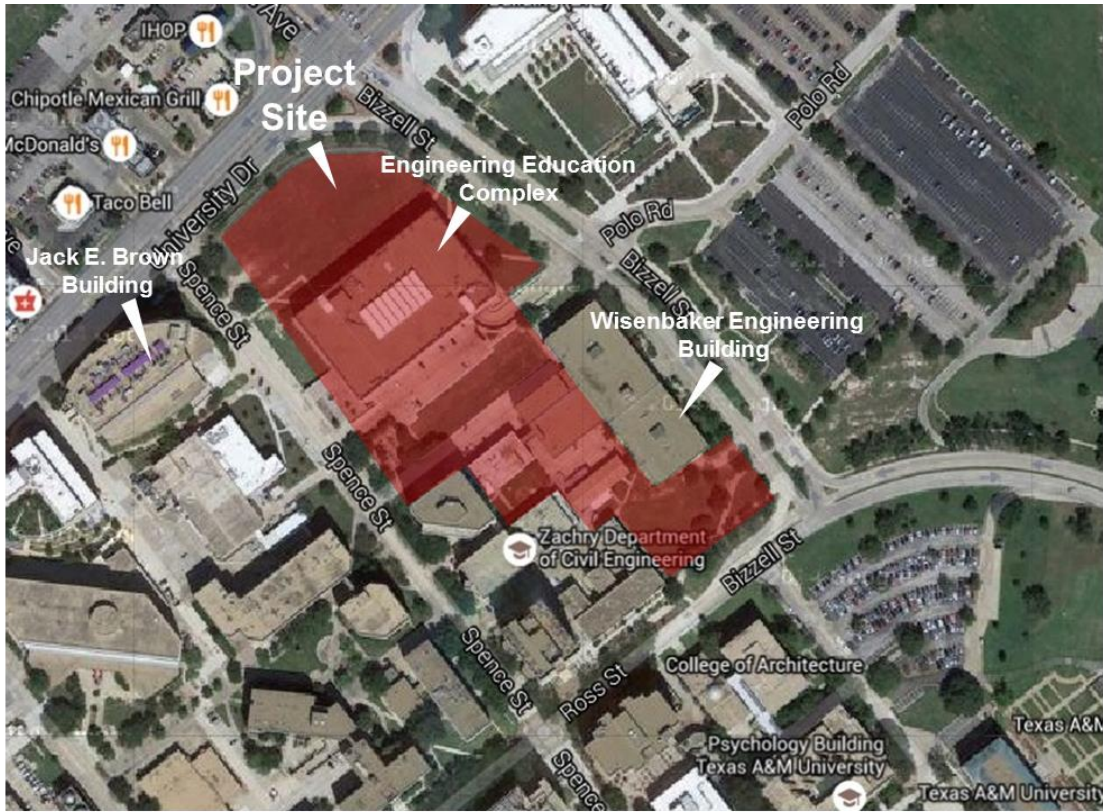
Rates are subject to market change. Amounts are preliminary estimates that will be revised at the time bonds are issued.

**TEXAS A&M ENGINEERING EXPERIMENT STATION
REVENUE FINANCING SYSTEM
02-3155 Engineering Education Complex
Indirect Cost Recovery**

Dates	Outstanding Principal	Principal Amount	Interest Amount	Annual Total	Coverage 1.15x
BONDS	2,020,000.00				
YEAR 1	1,990,000.00	30,000.00	106,050.00	136,050.00	156,457.50
YEAR 2	1,960,000.00	30,000.00	104,475.00	134,475.00	154,646.25
YEAR 3	1,930,000.00	30,000.00	102,900.00	132,900.00	152,835.00
YEAR 4	1,895,000.00	35,000.00	101,325.00	136,325.00	156,773.75
YEAR 5	1,860,000.00	35,000.00	99,487.50	134,487.50	154,660.63
YEAR 6	1,820,000.00	40,000.00	97,650.00	137,650.00	158,297.50
YEAR 7	1,780,000.00	40,000.00	95,550.00	135,550.00	155,882.50
YEAR 8	1,740,000.00	40,000.00	93,450.00	133,450.00	153,467.50
YEAR 9	1,695,000.00	45,000.00	91,350.00	136,350.00	156,802.50
YEAR 10	1,650,000.00	45,000.00	88,987.50	133,987.50	154,085.63
YEAR 11	1,600,000.00	50,000.00	86,625.00	136,625.00	157,118.75
YEAR 12	1,550,000.00	50,000.00	84,000.00	134,000.00	154,100.00
YEAR 13	1,495,000.00	55,000.00	81,375.00	136,375.00	156,831.25
YEAR 14	1,440,000.00	55,000.00	78,487.50	133,487.50	153,510.63
YEAR 15	1,380,000.00	60,000.00	75,600.00	135,600.00	155,940.00
YEAR 16	1,315,000.00	65,000.00	72,450.00	137,450.00	158,067.50
YEAR 17	1,250,000.00	65,000.00	69,037.50	134,037.50	154,143.13
YEAR 18	1,180,000.00	70,000.00	65,625.00	135,625.00	155,968.75
YEAR 19	1,105,000.00	75,000.00	61,950.00	136,950.00	157,492.50
YEAR 20	1,030,000.00	75,000.00	58,012.50	133,012.50	152,964.38
YEAR 21	950,000.00	80,000.00	54,075.00	134,075.00	154,186.25
YEAR 22	865,000.00	85,000.00	49,875.00	134,875.00	155,106.25
YEAR 23	775,000.00	90,000.00	45,412.50	135,412.50	155,724.38
YEAR 24	680,000.00	95,000.00	40,687.50	135,687.50	156,040.63
YEAR 25	580,000.00	100,000.00	35,700.00	135,700.00	156,055.00
YEAR 26	475,000.00	105,000.00	30,450.00	135,450.00	155,767.50
YEAR 27	365,000.00	110,000.00	24,937.50	134,937.50	155,178.13
YEAR 28	250,000.00	115,000.00	19,162.50	134,162.50	154,286.88
YEAR 29	130,000.00	120,000.00	13,125.00	133,125.00	153,093.75
YEAR 30	-	130,000.00	6,825.00	136,825.00	157,348.75
		<u>\$ 2,020,000.00</u>	<u>\$ 2,034,637.50</u>	<u>\$ 4,054,637.50</u>	<u>\$ 4,662,833.17</u>

Estimated issuance costs and rounding of \$20,000 are included in this schedule.
Long-term rates are assumed to be 5.25%. Rates are subject to market change.
Prepared by the Office of the Treasurer - Treasury Services 3/9/16

Rates are subject to market change. Amounts are preliminary estimates that will be revised at the time bonds are issued.



Engineering Education Complex

Texas A&M University

Project No. 02-3155