

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

January 21, 2009

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, January 21, 2009, at 11:00 a.m. on the 31st floor of the Vern Riffe Center for Government & Arts, 77 South High Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Richard Petrick, Vice Chairman; Kenneth Kutina, Secretary; Wanda Carter; Thomas Needles; Lynnda Davis; and Sam Speck. Absent from the meeting were: John Wells and James Shindler. Also present were: representatives of the institution appearing before the Commission; William Elliott of PNC Capital Markets; Joyce Antoncic of Bank of New York Mellon Trust Company; Francis Barry Keefe and Alexander G. Burlingame of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission; and James Wermuth of the Ohio Board of Regents.

The meeting was called to order by the Vice Chairman. Upon call of the roll, Dr. Kutina declared that a quorum was present. He also stated that the notice of this meeting had been given to all media, organizations or other persons who requested that information in accordance, and in full compliance, with Section 121.22 of the Revised Code.

The Vice Chairman noted that the minutes of the Commission meeting of November 19, 2008, were sent to each member prior to this meeting; those minutes are included in the meeting books for each member. The Commission members present unanimously approved the minutes of that meeting. There was no December meeting of the Commission.

UNIVERSITY OF DAYTON

The Chairman welcomed Thomas Burkhardt, Vice President for Finance and Administrative Services, to speak to the Commission members regarding the University of Dayton's request. Mr. Burkhardt was joined by Phillip Chick, a consultant working with the University's finance office. Mr. Burkhardt thanked the Commission members for meeting to consider the University's request and extended greetings from Dr. Daniel J. Curran, President of the University.

Mr. Burkhardt continued by providing the Commission members with a review of the University and its finances. Some Commission members may recall Delanie Moler from past University presentations. Ms. Moler has left the University to join Rutgers University in New Jersey as its Vice President of Finance.

Mr. Burkhardt noted that University investments are down approximately 23% since June of 2008, which is putting some pressure on the availability of student financial aid. The University, however, is working to maintain current student aid levels. The Fall 2008 entering class was at a record size of 1,995, well in excess of the University's goal of 1,750. Along with this increase, selectivity and test scores for entering students have also improved. Given recent market turmoil, the University will be closely monitoring semester-to-semester and year-to-year enrollment trends. Retention for the Spring 2009 semester is higher than that of the Spring 2008 semester. Further, the number of applications received to date for the Fall 2009 semester is at a level 2.5% higher than this time last year for the Fall 2008 semester. For the first time, the University is receiving more applications from outside the State of Ohio than inside. This is one factor that gives the University optimism in respect of future enrollment trends, but it remains cautious.

Mr. Burkhardt remarked that the University enjoys a favorable national reputation, noting recent press coverage in *USA Today* regarding bird strike tests conducted by the University on behalf of the Air Force. Funded research reached \$75 million last year. The University is ranked No. 2 in the nation for materials research. *US News & World Report* has ranked the University as one of the top 10 Catholic universities in the country, and a national student survey suggests that University students are the seventh "happiest" students in the country.

With regard to recent market declines, Mr. Burkhardt continued by noting that the University's net assets remain at over \$500 million and it continues to enjoy healthy reserve levels. Historically, the University has operated with budget surpluses. Currently, 9% of University income comes from its investment portfolio, meaning that it is tuition-dependent.

In describing the projects that are the subject of the University's application to the Commission, Mr. Burkhardt advised that the University continues its program of updating and renovating student residence halls. Stuart Hall, which was built in 1960, has never been renovated. A University goal is to make sure that Stuart Hall, which houses 550 students, and other residence halls are as nice as the University's academic facilities that have been the subject of recent improvements. This is consistent with the University's emphasis on "living and learning." Approximately \$17.5 million of the financing will be toward improvements of Stuart

Hall and Marycrest Hall. The renovations to Stuart Hall and Marycrest Hall will include updating HVAC systems and plumbing and lighting facilities, as well as the renovation of common areas and other improvements. The University will also be renovating the Virginia W. Kettering 649-bed student residence hall. Improvements will include the addition of a fire suppression system and common area renovations. In addition to residence hall renovations, the University desires to finance improvements to various academic facilities. Projects include renovations and upgrades for laboratory and classroom facilities for the School of Engineering and the University of Dayton Research Institute within the Kettering Laboratory Building, as well as renovations to classroom and office space within St. Joseph's and Zehler's halls. The other components of the proposed financing include a new monitored fire alarm system for University-owned houses, as well as costs of the demolition of the Mechanical Engineering Building and the relocation of departments that used to be housed within it.

Mr. Burkhardt advised that the University is also considering the refinancing of Commission bonds issued in 1997 and 1998, respectively, as well as the refinancing of interim indebtedness that was incurred last year to refinance Commission bonds issued in 2002. The University is monitoring the market and will determine at a later date whether these refinancing transactions are economically viable. It is currently anticipated that the bonds will be issued at fixed rates of interest without bond insurance. The bond issue may, however, include proceeds necessary to fund a debt service reserve fund. The total amount of the University's request, accounting for new projects and potential refundings, is an estimated \$90 million. The University has retired \$31 million of debt over the last few years, which offsets the \$32 million new-money portion of the proposed bond issue.

Mr. Burkhardt then inquired of the Commission members as to whether they had any questions. Mr. Petrick commented on the University's excellent summary and printed materials. In response to questions from Mr. Speck, Mr. Burkhardt confirmed that there is pressure to manage endowment spending given recent market declines. Annual endowment spending is limited to a range between no less than 4% and no more than 5.5%, with annual adjustments for inflation so long as the adjustment does not go over the 5.5% cap (5% for this fiscal year). Given the decrease in endowment value, and the decline in the financial markets generally, the University will be pursuing significant spending decreases in the coming year. It anticipates a 25% to 30% spending decrease, though some University reserves held outside of the endowment will be applied to offset up to half of that amount. The University will be watching endowment carefully. Recent problems in the economy translate to decreased family income and increased need for financial aid. A decrease in value of savings, decreased home values, decreased availability of student loans and lower family incomes are all factors that could contribute to enrollment pressure in the coming years. The University anticipates that there will be increased pressure to discount. The discount rate for the University has been good so the Board would consider a modest, temporary increase. With the increased emphasis on enrollment and retaining students, the University's Office of Student Success will be working to monitor and intervene in circumstances where students are at risk of leaving the University, whether for economic, personal or academic reasons.

In response to questions from Dr. Kutina and Mr. Needles, Mr. Burkhardt confirmed that the University's discount rate is in a range of 34% to 36% at the undergraduate level, and that endowment funds are included in that amount. The amount of funded research at

the University has increased from last year. The University did perform a student-managed economic impact study several years ago that, among other things, demonstrated that the University is one of the top ten employers in the Dayton area. Mr. Burkhardt advised that he will obtain and forward a copy of the economic impact study. The University's importance to the economic fortunes of the Dayton area has increased with the recent closure of a General Motors assembly plant. The University is working to improve the surrounding area, as evidenced by its acquisition of a 50-acre site from NCR Corporation. The former NCR building on that site is now almost fully occupied. The building contains classroom space for the School of Education, as well as space for the new Doctor of Physical Therapy program. The Early College Academy Charter School is also housed within this building. That school, which has an affiliation with the University, has an enrollment of 400 and focuses its efforts on at-risk students. Evidencing its success, all members of its first two graduating classes have gone on to college.

In response to further questions from Mr. Needles, Mr. Burkhardt confirmed that the University owns and manages an aggregate of 6,000 total beds of student housing. Approximately half of these beds are located within the University's five principal residence halls: Marycrest Hall; Stuart Hall; Kettering Residence Hall; Founders Residence Hall; and Marianist Hall. Founders Hall is the oldest residence hall; Stuart is the farthest from the core campus. Current University housing policy requires that freshmen and sophomores live in residence halls, with seniors having first pick of University-owned houses. This results in juniors constituting the highest percentage of the student population that live in non-University owned housing. The University continues its program of buying houses adjacent to the campus with a view, as each circumstance requires, to tearing them down or remodeling them.

In response to a question from Mr. Speck, Mr. Burkhardt confirmed that the University has received "Clean-Ohio" grant money and expects to receive additional grants in the future.

Mr. Keefe stated that the resolution approves the Preliminary Agreement with the University. That agreement and related resolution are in their usual form.

Dr. Kutina moved and Mr. Speck seconded the motion that Resolution No. 2009-01 be adopted.

There being no further discussion, the Chairman called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Davis, Kutina, Needles, Petrick, Speck

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2009-01 adopted.

Resolution No. 2009-01 is as follows:

OTHER BUSINESS

University Hospitals Health System. Referencing a letter from Bradley Bond of University Hospitals that was distributed to Commission members, Mr. Burlingame advised that University Hospitals would like to add another bond issue to be refunded as a part of its proposed financing. The subject bonds were issued in 1988 to finance health care facilities at the health system's Heather Hill extended care facility in Chardon, Ohio. Mr. Bond will be available to answer any questions in respect of this facility when University Hospitals returns for final approval of its financing.

Meeting Schedule. The Commission members next discussed the meeting schedule for the remainder of the year and the availability of meeting space within the State Office Tower. The next two Commission meetings will be held on February 18 and March 18, respectively, in the same location at the Riffe Center. Mr. Wermuth will provide the Commission members with updates as to the availability of space within the Riffe Center and the State Office Tower for the remainder of the year.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on February 18, 2009 at the Riffe Center location, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Secretary