# OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

## MINUTES OF THE MEETING OF THE COMMISSION

**November 17, 2010**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, November 17, 2010, at 11:00 a.m. on the 36th Floor of the Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

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

The meeting was called to order by the Chairman. Upon call of the roll, the Secretary 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 Chairman noted that the minutes of the Commission meeting of October 20, 2010, 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.

## UNIVERSITY OF DAYTON

The Chairman next called upon Thomas Burkhardt, Vice President for Finance, to speak to the Commission members regarding University of Dayton's financing request. Joining Mr. Burkhardt was Phil Chick, University Treasurer. The University of Dayton is the largest private university in the state. With total enrollment of over 11,000, the University has increased its focus on training students to be a part of the local economy. The University has a significant impact on the local economy, employing approximately 2,100 persons and performing approximately $95 million of sponsored research in fiscal year 2010. University activities result in approximately $7 million of annual income taxes to city and state authorities. Mr. Burkhardt continued by describing some of the recent improvements to University facilities. Recent projects include improvements to Stuart and Kettering residence halls, including updated common areas and bathroom facilities. Other projects include the relocation of the Visual Communications Department into a former NCR building that had been acquired by the University. Mr. Burkhardt thanked the Commission members for their support over the years, for these and many other projects on its campus.

The University has come through recent economic difficulties fairly well. Its current budget provides for an operating margin of approximately 8%. The University's budget over the last several years has included a continued focus on maintaining facilities. The value of the University's property plant equipment is valued at approximately $450 million and the value of all the University's assets, including investments, is approximately $1 billion. Currently, the University maintains just under $300 million in long-term debt. Investment performance has improved, with the University endowment and other investments achieving slightly in excess of a 12% gain in the last complete fiscal year. University investment policy has been focused on diversification so as to avoid large variations in value in the event of another economic downturn. In evaluating its current financial condition, the University believes that it meets the "A" rating category criteria set forth by Moody's. Looking ahead to 2011, the University believes that it will maintain an operating margin slightly in excess of 7%; however, there will be less money provided to the University for research purposes, and the University is being conservative in its estimates of future gift receipts.

With regard to enrollment, Mr. Burkhardt noted that the University has an incoming freshman class of over 2,000 students. This is the University's largest freshman class in 10 years. The University's focus with regard to enrollment and recruiting continues to be on maintaining quality and improving diversity. Standardized test scores for incoming students have improved, as well as the number of students coming from the top 25% of their high school graduating class. The University has seen significant improvements in diversity, including a significant increase in the number of international students.

Mr. Chick next spoke to the Commission members regarding the proposed projects that are the subject of the University's financing request. The largest component of the University's financing request is for the construction of a new student housing facility on Brown Street on the site of a former car dealership. The new facility will include apartment-style housing for approximately 400 students contained within 100 individual units at an overall cost of approximately $28 million. A portion of the student residence facility will include ADA-accessible units and green space; it is scheduled to open in time for the academic year starting in the fall of 2012. The need for the new housing is current and is necessary to keep up with University enrollment growth. The University also wishes to provide better housing options for its students, with the condition of non-University-owned housing in a state of continued decline. Other project components include costs of relocating the University's Visual Arts Department from the Rikes Center, which was last renovated in 1998. In addition, the University will be financing the costs of creating a new University central mall space, as well as costs of various technology upgrades to provide for enhanced campus interconnectivity and improved research and education facilities. The University is requesting a total financing in the amount of approximately $60 million. Included within this is approximately $18 million to be used for the potential refinancing of Commission bonds issued for the University in 2001. At the moment the University is considering a mix of fixed and variable rate bonds for the new issue. The University anticipates an average interest rate of approximately 4.75% and has confirmed that the increased debt load will be accommodated by the University's budget. Mr. Chick also noted that the University has made great improvements in its sustainability efforts, noting that the University has reduced its level of dining waste by over 200 tons per year. Mr. Burkhardt and Mr. Chick then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina and Mr. Petrick, Mr. Chick confirmed that the site of the proposed new residence facility is currently owned by a developer. Prior to the time of the bond issue, the University will acquire that project site from the developer with its own funds. Mr. Burkhardt noted that the decline in applicants is in large part the result of the University's increased emphasis on quality. When the University moved toward the common application form, the number of applications increased. Recently, the University has been focused on soliciting applicants with an increased likelihood of ultimately enrolling. With recent declines in the number of Ohio high school graduates, the University is also increasingly focused on recruiting students from outside the State of Ohio and distinguishing itself from its peers. The University's discount rate is in the low 40% to 42% range. In response to questions from Mr. Petrick, Mr. Burkhardt confirmed that large payments of debt reflected in the University's audit were the result of escrow funds paid out in connection with bond refinancing transactions. With regard to the proposed new residence facility, Mr. Burkhardt also noted that the University believes it will pay for itself with a break-even point within five years. In addition, the University believes that there will be more than adequate demand for the new facility. The number and quality of other housing options near the University is declining and it has been found that there is in fact a need for approximately 1,000 additional beds.

In response to a question from Mrs. Davis regarding jobs created in the City of Dayton in connection with University's activities, Mr. Burkhardt noted that this was not a very large number. A certain number will be created as a result of the University's new housing projects. The University continues to focus on economic development and research, as evidenced by the incubator space it provides for new and smaller businesses. Responding to an additional question from Dr. Kutina, Mr. Burkhardt noted that the University maintains a 49% to 51% male/female student ratio. Programs such as engineering have significantly more male enrollees. Other programs, such as education, have significantly more female enrollees. There are approximately 350 freshman students enrolled in the University's engineering program.

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

Mr. Petrick moved and Mrs. Davis seconded the motion that Resolution No. 2010-18 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; Petrick, Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-18 adopted.

Resolution No. 2010-18 is as follows:

**FRANKLIN UNIVERSITY**

The Chairman next called on Marvin Briskey, Chief Financial Officer, to speak to the Commission members regarding Franklin University's financing request. Joining Mr. Briskey was Steve Felten, University Director of Accounting. Mr. Briskey noted that the University has overall enrollment in excess of 11,000 students. The need for recent and future improvements to University facilities is to accommodate significant anticipated growth. The University currently has 30 undergraduate programs, with a number of new programs being developed for the coming years. The University currently offers five master's in business administration programs, with an additional two waiting for approval from accrediting authorities. The University recently opened an Indianapolis, Indiana campus and is looking for other places to accommodate growth. With reference to the University's application, Mr. Briskey is seeking approval for the purchase of a building for University administrative and academic purposes, as well as improvements to Frasch Hall and upgrades and improvements to various University facilities, including HVAC upgrades, window and roof replacements, and other building upgrades. Depending upon market conditions, the University may also seek to refinance its portion of the Commission's 2007 Pooled financing bond issue, resulting in an overall financing request of $10 million. Mr. Briskey then inquired of the Commission members as to whether they had any questions.

In response to a question from Ms. Tate, Mr. Briskey stated that he did not think the University's new Indianapolis campus would be confused with Franklin College in Indiana. Franklin College is a traditional four-year liberal arts institution with a student body typically in the 18- to 24-year-old range. Franklin University focuses on older, nontraditional students that are typically in the 27- to 35-year-old range. The University targets working professionals by offering a high number of night and weekend courses. In response to a question from Mr. Petrick, Mr. Briskey confirmed that all the requested projects are situated on the University's main campus in Columbus, Ohio. Responding to questions from Dr. Kutina and Mr. Wells, Mr. Briskey noted that the University is still looking at all of its options with regard to the proposed structure of the financing. The University anticipates that it will be a privately placed "bank qualified" bond issue. The bonds are anticipated to bear interest at a fixed rate, but Mr. Briskey noted that current variable rates are attractive. The building that the University is looking to acquire is situated at the corner of Mound and Grant in Columbus.

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

Mr. Shindler moved and Ms. Tate seconded the motion that Resolution No. 2010-19 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; Petrick, Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-19 adopted.

Resolution No. 2010-19 is as follows:

## MOUNT VERNON NAZARENE UNIVERSITY

The Chairman next called on Jeffrey Spear, Vice President Finance and Treasurer, to speak to the Commission members regarding Mount Vernon Nazarene University's financing request. Joining Mr. Spear were Alan Shaffer from the University's Finance Department and the University's attorney, Kim Rose. Mr. Spear thanked the Commission members for considering the University's financing request. Mr. Spear noted that the University has a beautiful library that was financed by bonds of the Commission issued in 1995. Mount Vernon Nazarene University focuses on serving the needs of rural Ohio. Its main campus is located in Mount Vernon. The University also has done well with its facilities in Mansfield and Newark, Ohio. In Newark, Ohio, the University provides course offerings to nontraditional professional and night students. Currently, there are approximately 75 students attending classes in a leased 8,100-square-foot facility in Newark. The subject of the proposed financing would be to acquire a former elementary school building in Newark, Ohio, to house the University's activities there. Included within the financing request is approximately $850,000 to pay the acquisition price, as well as approximately $950,000 to pay renovation costs. This will provide the University with approximately 33,000 square feet of usable space for course offerings and related activities in Newark. The University's current debt levels are relatively low at approximately $4.6 million. Current enrollment includes approximately 1,400 traditional students and 1,200 nontraditional students. Mr. Spear then inquired of the Commission members as to whether they had any questions.

Responding to a question from Dr. Kutina, Mr. Spear noted that this bond issue would be a private placement with First Knox Bank in Mount Vernon. The bond structure will include a fixed interest rate of under 4% for the first 10 years.

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

Mr. Petrick moved and Dr. Kutina seconded the motion that Resolution No. 2010-20 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; Petrick, Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-20 adopted.

Resolution No. 2010-20 is as follows:

## CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on December 15, 2010, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Kenneth L Kurtz

Secretary