

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

September 15, 2010

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, September 15, 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; Lynnda Davis; Thomas Needles; James Shindler; and Susan Tate. Absent from the meeting were: Kenneth Kutina, Secretary; and Wanda Carter. Also present were: Daniel C. Bryant, Vice President for Administration & Finance of Marietta College; William Elliott of PNC Capital Markets; and Alexander G. Burlingame of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission. The Chairman welcomed David Cummins, Richard Petrick's successor as Vice Chancellor of Finance of the Board of Regents. Mr. Petrick will continue to serve as the Chancellor's designee and Vice Chairman of the Commission through the end of the year.

The meeting was called to order by the Chairman. Upon call of the roll, the Vice Chairman 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 June 16, 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.

MARIETTA COLLEGE

The Chairman next called upon Daniel C. Bryant, Vice President for Administration and Finance, to speak to the Commission members regarding Marietta College's financing request. Mr. Bryant thanked the Commission members and extended greetings from the College's president who was unable to attending the meeting. The College's proposed project is an approximately 364-bed student residence hall. This project had been the subject of a presentation to the Commission at its April 2008 meeting. Given economic uncertainties, the project had been delayed until now. With regard to the state of the College, Mr. Bryant noted that it enjoys an active and engaged Board of Trustees. This year's fall enrollment was slightly below expectations. The College's budget, however, included a cushion to account for this type of contingency. The College has been experiencing increased student quality, with improved standardized test scores for incoming students. The Alumni Department has also been the subject of College focus in recent years, which has become increasingly important given recent endowment losses and investment volatility.

An important part of the College's consideration of whether to proceed with this financing is how it will impact the overall budget. The College currently has approximately \$24 million in long-term debt, requiring approximately \$3 million of annual debt service payments. This constitutes approximately 5% of the College's annual budget. That percentage may increase upon the completion of this proposed financing. Other important financial considerations for the College include faculty pay. Much is expected of College faculty and the College is focused on faculty compensation consistent with industry standards. Approximately 90% of College revenue comes from tuition fees and room and board, and the College's discount rate is approximately 45%. A College goal is to increase overall enrollment to 2,000 by the year 2020.

With regard to the proposed new residence hall, the need is current. The College's existing residence halls are filled to capacity and no new residence facilities having been built for some time. Parsons Hall, which will be replaced by the new residence hall, was built in the 1960s. The College had considered financing the new residence hall through a private developer. However, the College opted against that financing option. The new residence hall will be populated first from students that otherwise would have been housed in Parsons Hall. Parsons Hall will be demolished and replaced with parking facilities. The new residence hall will also provide additional capacity for students that live off campus due to lack of space. There are approximately 80 to 130 students of this type each year. Rooms may also be filled by graduate students and as a result of increased College enrollment. The new residence hall will provide new facilities at standards comparable to new residence halls at other Ohio colleges. The proposed project has been the subject of Board level discussions at the College for some time, with final Board consideration expected in late October. Referring to the handouts, Mr. Bryant noted that the new residence hall will also include a new College-run health center. Historically, Marietta Memorial Hospital has provided health service for the College. Providing health services directly to students will be a little more expensive, but the College has determined it necessary to best serve it students. With the planning for the facility, the College has been working with the Design Group. In the selection process, College officials had visited several comparable projects that had been completed by other Ohio colleges or universities.

Mr. Bryant noted that the College enjoys a strong international program, with many students coming from both China and Saudi Arabia. The growth in the number of Middle Eastern students is partly attributable to the College's petroleum engineering program. As a residence hall project, Mr. Bryant also noted that the proposed facility should largely pay for itself by virtue of the room and board fees associated with it. Other sources of revenues will include income from summer conference attendees. In considering the size of the proposed residence hall, the College is being careful not to make it so big so as to increase pressure on bringing in new students. Mr. Bryant then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Shindler and Mr. Needles, Mr. Bryant confirmed that Parsons Hall will be demolished and will be replaced with a surface parking lot. Currently, most College residence halls are not air conditioned. An important aspect of this new project is to maintain College housing facilities at a level provided by College peers. With regard to a private financing option with the developer, Mr. Bryant noted that in those transactions the goals of the developer are often inconsistent with those of the College. By financing the residence hall based on its own credit, the College is able to retain complete control of the facility. Ms. Tate noted that Capital University has looked at private developer based financing arrangements as well. A negative aspect of the structure was the guaranteed minimum occupancy requirement that limits flexibility in where students are housed. Responding to a question from Ms. Davis, Mr. Bryant confirmed that the College does enjoy a significant international student population. Many of the students come from China and the College focuses on integrating international students with the larger student population. While some international students receive financial aid, the majority do not. Responding to questions from Mr. Petrick, Mr. Bryant noted that the project will have an approximately \$62,000 per bed cost, with most of those beds being replacements for those who would have formerly been located in Parsons Hall. With regard to the College's endowment, the College applies a 5% spending rate based on a three-year historic average. The endowment includes traditional equity investments, as well as hedge fund, private equity and REIT investments.

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

Mr. Needles moved and Ms. Tate seconded the motion that Resolution No. 2010-12 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; Needles; Petrick, Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-12 adopted.

Resolution No. 2010-12 is as follows:

KENYON COLLEGE

Mr. Burlingame referred to the resolution in the Commission members' notebooks regarding Kenyon College. This is a supplemental resolution, intended to confirm the authorization for the issuance of new bond certificates when the interest rates on the College's 2002 bond issue are periodically reset.

Mr. Shindler moved and Ms. Davis seconded the motion that Resolution No. 2010-13 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; Needles; Petrick, Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-13 adopted.

Resolution No. 2010-13 is as follows:

POOLED FINANCING PROGRAM

The Chairman next opened the discussion of rebate checks the Commission received from the former trustee on pooled financing bond issues. Colleges and Universities, and not the Commission, are responsible for the payment of debt service on bonds issues as part of the pooled financing program. The Commission members discussed that these checks may have been the result of class action litigation and that each check identifies the College's or University's trust indenture fund to which it is related.

Upon completion of the discussion, Mr. Needles moved that:

The Chairman, Vice Chairman and Secretary each be authorized to sign and endorse rebate checks received from PNC Bank relating to the Commission's pooled financing program and investments in Allgiant Funds. Each check shall be endorsed and delivered to the related College or University identified therein.

Ms. Tate seconded the motion.

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

Aye: Davis; Needles; Petrick; Shindler; Tate; Wells

Nay: None

The Chairman declared the motion, as described above, passed as Resolution 2010-14.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on October 20, 2010, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Kenneth A. Kutina 10/20/2010
Secretary