

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

March 15, 2006

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, March 15, 2006, at 11:00 a.m. at the offices of the Ohio Board of Regents, 36th Floor, State Office Building, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chairman; Richard Petrick, Vice Chairman; Kenneth Kutina, Deputy Secretary; Wanda Carter, Ronald E. Cosey and Tahlman Krumm. John Wells, Secretary, and Henry Kasson were absent. Also present were representatives of the educational institutions making presentations to the Commission 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, 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 Chairman noted that the minutes of the Commission meeting of February 15, 2006, were sent to each member and is included in the meeting books for each member. Upon review, the Commission approved the minutes of that meeting as submitted.

XAVIER UNIVERSITY

TEFRA Public Hearing. The Chairman requested that Mr. Keefe conduct the public hearing required under the federal income tax rules for the financing of the project for Xavier University. Mr. Keefe opened the hearing and asked for public comment. There were not comments, and the Commission had not received any written comments. Mr. Keefe closed the public hearing.

At the invitation of the Chairman, Richard Hirte, Senior Vice President for Finance and Administration, reviewed the University's proposed financing. Dr. Hirte first commented that the University was celebrating its 175th anniversary and was conducting a campaign for \$175 million. The campaign is coming along nicely. In reviewing the proposed bond issue, which received preliminary approval at last month's meeting, Dr. Hirte noted that most of the issue would be used to refund the Commission's 1997 bond issue, which funded the Cintas Center. The University will not be refunding the 1993 bond issue as originally planned. Approximately \$6.5 million of the bond proceeds will be used for new projects, including acquisition of property and technology improvements. The bond issue will be insured by CIFG to get an AAA rating. The University is expecting a present value savings from the refunding of approximately \$2 million. In response to questions from Dr. Kutina, Dr. Hirte explained that the University would be making an equity contribution of over \$5 million to the refunding portion of the bond issue. This will provide some additional capacity in the event that there is private activity use of the Cintas Center. Under the federal tax rules, the so-called private activity is restricted to 5% or less of the project. But that 5% also includes the cost of issuance up to 2% of the bond issue. The bond insurance should prove to be very cost effective. The premium from CIFG was approximately 40% of the bids from the other two better-known insurance companies.

At the request of the Chairman, Mr. Keefe explained that the resolution to be considered authorizes the bond issue and approves the bond documents, which have been prepared and presented to the Commission.

Dr. Krumm moved and Ms. Carter seconded the motion that Resolution No. 2006-6 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: Carter, Cosey, Krumm, Kutina, Needles, Petrick

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-6 adopted.

Resolution No. 2006-6 is as follows:

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FRANCISCAN UNIVERSITY OF STEUBENVILLE

David Skiviat, Vice President of Finance, presented the University's request for financing various projects on its campus. Mr. Skiviat briefly reviewed the history of the University. The Franciscan Order founded the University in the mid-1900s. By 1971, there were 1,100 students but then the Jefferson Community College opened, along with branches of The Ohio State University and Kent State University, all of which impacted the enrollment at the University. By 1982, the University had 650 students and a budget deficit of \$1.5 million. The University's turn around started in 1984 when Father Scanlon became the President. He identified the mission of the University as "Faith and Reason," and this became its niche in the market place. Today, the University has 2,400 students and 22 buildings. The University has \$7 million of debt, a portion of which is its participation in the Commission's 1996 pooled financing bond issue. In fall 2005, the University had more students than it could house. It is using triple rooms and placing students in other locations, some off-campus. There is a need for a new residence hall, which is under construction and will open in the fall of 2007. It will house 175 students. The cost is approximately \$8.5 million. In addition, St. Thomas Hall is being renovated to update this residence facility, including air conditioning, new windows and new plumbing. The work is being done over five summers. The total cost of the project is \$10 million but only approximately \$5.5 million will be funded from bond proceeds. As part of the project, the University will be installing a data network, including a data center and phone center. Approximately \$1 million dollars of this \$2 million improvement will come from bond proceeds.

As set forth in the University's application letter, the project also includes an addition to and the renovation of the J.C. Williams Student Center. The University is considering purchasing land adjacent to the campus. The land is currently being used as a municipal golf course. The City plans to put the land up for sale on a competitive basis. The University would only purchase it at a price far below what the City is asking. The University is also considering refunding its 1996 bond issue, which has a variable rate. The University has benefited from the low variable rates over the last ten years, which have averaged less than 3%. But current rates are increasing, and the University may want to convert this to a fixed rate bond. The University plans to apply for a bond rating and will talk to bond insurers about insuring the proposed issue.

Dr. Kutina asked about the University's plans for repaying the bond issue. Mr. Skiviat stated that each portion of the project would be self-supporting. For St. Thomas Hall, each year's budget has \$800,000 from residence fees, a part of which will be used to pay the bond issue. The new residence facility will be paid from residence fees for that building. In addition, the University anticipates approximately 25 new students per year and some of that additional tuition will be used towards those payments. For the J.C. Williams Student Center, most of the funding has come from donations. The University has raised \$1.6 million and a donor has contributed another \$1 million towards that project. Student activity fees have been budgeted for the operations and debt service connected with this building. In response to several questions from Dr. Krumm, Mr. Skiviat explained that the students at the University come from all 50 states, 35% to 40% come from Ohio, the next state contributing the most students is California. Approximately 80% of the students are Catholic and approximately 20% come from the local area. There have been increases recently in both student aid and in tuition. Aid represents about 23% of the budget. The University focuses primarily on "net tuition" for budgeting purposes. There are a number of full pays, that is, students who are paying full tuition

without financial aid. Mr. Skiviat also discussed the economic impact that the University has had on the local economy. He will send a copy of a draft report discussing that impact to each of the members.

In response to a question from Ms. Carter, Mr. Skiviat explained that the chapel area in St. Thomas Hall and the proposed smaller chapel area in the new residence hall will not be funded with bond proceeds, but rather with other available funds of the University. In response to several questions from Mr. Cosey, Mr. Skiviat explained that in addition to the liberal arts courses provided at the University, the curriculum also included business courses, such as accounting and finance, education courses and engineering and nursing courses. Theology is a popular course of study and is often part of a double major. The University dropped most of its intercollegiate athletics in 1982, when it was having financial problems. It is now starting to reintroduce NCAA sports back on campus. Mr. Skiviat noted that new residence hall would have a more typical room configuration, but with bathrooms for a cluster of rooms rather than a single bathroom to serve the whole floor. There would not be kitchens available.

In response to several questions from Mr. Needles, Mr. Skiviat explained that the over capacity problem has been growing over the last few years but has gotten much more intense recently. The University will have the rating services and the bond insurers visiting the campus in the next several weeks. The University's endowment has grown from approximately \$5 million in 1994 to \$22 million currently. The University just received a gift of \$1.4 million for scholarship endowment. Last year, the University added \$1 million from its operating budget to the endowment. Mr. Skiviat again discussed the source of students. During the summer, the University conducts retreats for high school students. About 2,000 attend these retreats, which provide an opportunity for the students to experience the University. Approximately, 60% of the students come from public schools and 40% from Catholic high schools. All are interested in the University's "Faith and Reason" approach to University education.

Mr. Keefe stated that the resolution before the Commission approves the preliminary agreement for the proposed financing. The agreement is in its usual form.

Mr. Petrick moved and Mr. Cosey seconded the motion that Resolution No. 2006-7 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: Carter, Cosey, Krumm, Kutina, Needles, Petrick

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-7 adopted.

Resolution No. 2006-7 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

Deputy Secretary