

**OHIO HIGHER EDUCATIONAL FACILITY COMMISSION**

**MINUTES OF THE MEETING OF THE COMMISSION**

**February 15, 2006**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, February 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; Kenneth Kutina, Deputy Secretary; Wanda Carter, Tahlman Krumm and Neal McNally, as designee of the Chancellor. John Wells, Secretary, Ronald E. Cosey and Henry Kasson were absent. Also present were representatives of the 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 January 18, 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.

## JOHN CARROLL UNIVERSITY

At the invitation of the Chairman, Jon Ivec, Vice President for Finance and Administrative Services, discussed the University's proposed financing. He noted that the University has a new leadership team starting with Father Robert L. Niehoff, S.J., who became the University's 24<sup>th</sup> President in August 2005. The University is currently looking for a new Vice President for Enrollment, a new position, and a new Dean for the School of Business. Mr. Ivec reviewed the outstanding debt of the University. The purpose for the proposed bond issue is to refund outstanding bonds issued in 1997 and 1999 and a portion of the bonds issued in 2001. The present value savings for the refunding is estimated to be approximately \$900,000. In response to a question from Dr. Kutina, Mr. Ivec noted that the outstanding bonds had interest rates of 5% or slightly higher and that the expected interest rates on the new bonds would be closer to 4.25%. There would be no extension of the maturities of the outstanding bonds. Responding to a further question concerning the Business School, Mr. Ivec noted that enrollment at the school was holding up generally. The MBA program may be down slightly. The University is looking forward to the arrival of the new Dean of the School. Responding to a question from Mr. Needles, Mr. Ivec stated that the new Dolan Science Center has been a success for the University. In fact, it is the most sought after venue on campus.

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. 2006-3 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, Krumm, Kutina, McNally, Needles

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-3 adopted.

Resolution No. 2006-3 is as follows:

## OHIO COLLEGE OF PODIATRIC MEDICINE

Appearing on behalf of the Ohio College of Podiatric Medicine were Thomas Melillo, President, David Nicolante, Executive Vice President, and Jonathan Carlson, Controller. The President stated that the College started originally in 1916 in downtown Cleveland. It has been at its current location between Case Western Reserve University and the Cleveland Clinic since 1976. That facility is aging and really cannot be renovated to meet the requirements of the College as it expands. The College has an opportunity now because the Cleveland Clinic wishes to purchase that property. The College has determined to buy an existing building in Independence, Ohio, just south of the City, that will provide adequate space for its purposes. The proposed financing would pay the costs of rehabilitating and expanding that facility to accommodate the College's need for classrooms, laboratories, offices and space for other student activities. The College has approximately 100 employees. Enrollment at the College is approximately 270 students. Mr. Nicolante noted that the College competes with seven other podiatric medicine colleges in the country. The total cost for the new acquisition and renovation of the facility is approximately \$20,000,000. The portion to be financed would be between \$8,000,000 and \$10,000,000. The College does not have any outstanding debt at this time. Dr. Krumm asked about a story appearing in *The Chronicle of Higher Education* a number of years ago that there was a high default rate for student loans at the College. President Melillo responded that those federal health loans were set up to make default too easy. In addition the interest continued to accrue on those loans as long as they were unpaid, which inflated the amount of debt in default even though there was no possibility of collecting. He reported that this problem has disappeared and that the current default rate is now at about 2%. Tuition at the College is \$23,000, which is in about the middle for the eight podiatric medicine colleges. Responding to a question from Dr. Kutina, President Melillo noted that the College contracts with individual professors at Case, the Cleveland Clinic and University Hospitals to provide instructions in basic sciences at the College. He does not anticipate a problem with this arrangement at the new location. He discussed the proposed architect for the project and noted that work would start on the renovation in April. The project is anticipated to be completed in time for the fall class of 2007. The project includes remodeling for classrooms and laboratories and adding 10,000 square feet for lecture halls and other space. As noted in its application letter, the College has guaranteed approximately \$1.5 million of debt owed by its subsidiaries, including a surgery center. This debt is expected to be paid off by June 30, 2006. In response to a number of additional questions from Dr. Kutina, the College representatives stated that the eventual goal of 400 student enrollment was achievable based on the rebound in enrollment over the last three years. The College has also been more successful in getting more students out of its application pool. This is anticipated to continue and maybe even increase with the anticipation and achievement of the new educational facility. There is generally an increase in applications to all medical facilities. The College currently offers some clinical training at its location and at some of the hospitals with which it is affiliated. In the future, it plans to have clinics in its new site in Independence and in Cleveland on the eastside, downtown and another site to be determined. None of the proposed financing will be used for those clinics. The clinics will be housed in leased space. The attrition rate at the College is only approximately 6%, mostly for personal reasons. The new classes are approximately 50% women.

In response to questions from the Chairman, Mr. Carlson noted that the projections for enrollment set forth in the application letter are conservative estimates. The College expects to exceed those estimates but budgets on a conservative basis. The sale of the

existing facility is projected to close at the end of March. Mr. Nicolante reported that the proceeds of sale of the College's existing building would be more than sufficient to cover the cost of acquiring the new facility. The new location offers 13 acres of property, which will provide space for future growth and provide a campus setting. Its location adjacent to U.S. Interstate Highways 480 and 77 should help with commuting.

Mr. Keefe noted that the bonds are expected to be issued as variable rate issue backed with a letter of credit. He stated that the resolution before the Commission approves the Preliminary Agreement for the bond issue for the University and it is in its usual form as is the Preliminary Agreement.

Dr. Kutina moved and Ms. Carter seconded the motion that Resolution No. 2006-4 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, Krumm, Kutina, McNally, Needles

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-4 adopted.

Resolution No. 2006-4 is as follows:

## XAVIER UNIVERSITY

Dr. Richard Hirte, Senior Vice President, presented the University's request for financing. Robert Munson, Director of Finance at the University, was also present. Dr. Hirte discussed the status of the University in general and the proposed financing. The University is the third largest private university in Ohio. It has two million square feet of facility space on a 140-acre campus. There are approximately 950 employees and 6,600 students. The University budgets each year to produce a 2% surplus. It has an endowment of approximately \$103 million. There is a campaign underway to increase this by over \$40 million. The University has outstanding debt of \$113 million; \$51.2 million of that is the 1993 and 1997 bonds that will be refunded. The University estimates that the present value savings for that refunding would be approximately \$2.7 million. Approximately \$7.5 million of the proposed \$60 million bond issue would be for property acquisitions to support the construction of the Academic Quad Project and associated capital improvement fees. In addition, costs of new campus-wide technology initiatives will also be covered by the bond issue. The University has retained UBS Securities as its underwriters for this transaction. The refunding would not extend the maturities of the prior bond issues. In response to questions from Dr. Kutina, Dr. Hirte noted that the insurance deductible of \$1,000 did not increase the insurance costs appreciably. The University enjoys very reasonable insurance rates from its insurer. Dr. Hirte also noted that the tuition increase of approximately 10% last year brought the University into about the average range for its regional competition. The increase applied only to the first year students. Other years increased by approximately 5.8%. Responding to a question from Dr. Krumm, Dr. Hirte discussed the tuition discounting or financial aid situation. The targeted financial aid for the University totals about 31% in terms of discount. Approximately 15% of financial aid comes from endowment, with 85% being paid by the institution. In follow up questions from Ms. Carter, Dr. Hirte stated that there is a commitment to the graduate program through financial aid. The University has a strong MBA program, which is aimed at the business community, with many of the classes being held at night. The retention rate for the whole University has increased. Approximately 92% of the first year students go on to be second year.

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

Dr. Krumm moved and Dr. Kutina seconded the motion that Resolution No. 2006-5 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, Krumm, Kutina, McNally, Needles

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-5 adopted.

Resolution No. 2006-5 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.

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Deputy Secretary