**HIGHER EDUCATIONAL FACILITY COMMISSION**

**MINUTES OF THE MEETING OF THE COMMISSION**

**March 19, 2008**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, March 19, 2008, 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; and Sam Speck. Ronald E. Cosey and John Wells were absent. Also present were: John Green, Vice President for Financial Affairs, and Stacey Neeley, Controller, for Ohio Northern University; Michelle Salomon and Jason Bormann of Bank of America; David Mead, Vice President for Business Affairs of Otterbein College; and John Philips, Vice President for Finance and Administration of Notre Dame College; Francis Barry Keefe 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 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 20, 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.

## PUBLIC HEARING

At the Chairman's request, Mr. Keefe explained that the federal income tax regulations require that there be a public hearing for Commission bond issues, including the proposed Ohio Northern University financing. Notice of the hearing was published in the *Columbus Dispatch* and *The Lima News*. The public hearing relating to the proposed State of Ohio Higher Educational Facility Revenue Bonds (Ohio Northern University 2008 Project) to be issued by the Commission was opened. There were no comments at the hearing, and no written comments were submitted to the Commission. The hearing was closed.

## OHIO NORTHERN UNIVERSITY

The Chairman then called on John Green, Vice President for Financial Affairs of the University, to update the Commission as to the proposed bond issue for the University. Mr. Green stated that the projects were unfolding along the lines as previously described in his two prior meetings with the Commission. He briefly described each of the three components. He also explained that the University had determined that the financing for the University Inn should be done on the basis of 75% taxable bonds and 25% tax-exempt bonds. In response to questions from Dr. Kutina, Mr. Green stated that the determination to finance most of the cost of the Inn with taxable debt was to provide flexibility in its use. It was a conservative, "intuitive" estimate of how much private business use would occupy the Inn, at least in its early years of operation. The University's goal is to use the Inn for educational programs, especially the University's professional schools, such as law and pharmacy. But these programs are still being developed. In order to meet costs of operation of the facility, the University will market the Inn to local and regional organizations and businesses as use for a conference center. It can also serve as a hotel not only for guests of the University but for the general population. Mr. Green commented that, based on his experience with a similar (but smaller) facility at a Michigan college, it will take a number of years before the Inn will be used only for University-related guests and conferences. Therefore, in order to avoid complications in connection with federal income tax rules on private use of tax-exempt financed facilities, the University will finance only 25% of the cost of the Inn with tax-exempt bonds.

Responding to additional questions from Dr. Kutina, Mr. Green stated that the University was still planning to use a geothermal system of heating and cooling for the new student residence facilities. He expects that there will be 150 to 200 wells for this system. Mr. Petrick asked that if there will be an analysis or report on the system would the University provide that to the Commission. Mr. Green agreed to provide any such report.

Mrs. Carter inquired whether there would be a follow up by the Commission on the use of the University Inn. Mr. Keefe noted that generally the monitoring of facility use is a responsibility of the university or college and not the Commission. As a practical matter, however, many institutions consult with the Commission's Bond Counsel if there are questions concerning the use of a facility. The University has discussed this matter with Bond Counsel. Thus, some monitoring does occur as issues are brought to the attention of Bond Counsel and the Commission.

Mr. Keefe commented that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the bond issue for the University and the related bond documents.

Mr. Petrick moved and Dr. Speck seconded the motion that Resolution No. 2008-06 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, Kutina, Needles, Petrick, Speck

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-06 adopted.

Resolution No. 2008-06 is as follows:

**OTTERBEIN COLLEGE**

The Chairman called on David Mead, Vice President for Business Affairs of Otterbein College, to discuss the College's request for financing. Mr. Mead described the two projects to be financed. The first is the renovation and expansion of the College's Science Center. One science building, McFadden Hall, has previously been completely renovated. This building, originally constructed in 1919, has 31,400 square feet. A second adjoining building, Schear Hall, has 43,500 square feet, and was built in 1970. The College plans to completely renovate that building to bring it up to modern science education standards. The College will also construct an addition to Schear Hall of 29,000 square feet. The Science Center will then have over 100,000 square feet of modern facilities. Cost of the new renovation and expansion is estimated at $18 million. The College plans to raise $6 million towards this project and finance $12 million with bonds. It already has $2.6 million in pledges.

The second project is the construction and equipping of a new Equine Science Center. The College has had an equine science program for over 20 years (only one of few in Ohio). The Center will occupy 69 acres of 110 acres that the College owns, approximately one mile from its campus. The program now rents land farther away from the campus. The new Center will have a park-like appearance. Mr. Mead described the new facilities, including a 27,000 square foot indoor arena to be used for shows and competitions, classrooms, offices, stables, an apartment for the manager, equipment and storage areas, paddocks and pastures. Cost of the new Center will be about $5.5 million. The College is planning to eventually cover this amount through pledges; $1.5 million has already been pledged. The College anticipates that, with this new facility, enrollment in the program will increase from 75 to 150 students in this major over the next five years. At that time, the College estimates that the program will produce an increase of $1.2 million net revenue.

Mr. Mead noted that the Schear Hall renovation was already underway with the complete gutting of that building in preparation of the reconstruction that should be completed by March 2009. The Equine Science Center will start in June and will be completed in nine months. The College has a Moody's rating of A3 and expects to maintain that rating for this bond issue. The issue will be approximately $17 million plus the cost of issuance. A significant portion of the debt service is expected to be paid from collections of pledges. The College is considering using variable rate demand bonds to fund $5.0 million of the cost so that the debt can be paid off quickly as early pledges are received. The remaining portion would be funded with fixed rate bonds. Debt service on all bonds is estimated to be $1.4 million per year. The College expects to meet this from operations and pledges. Even if pledges are not forthcoming, starting in 2013, $670,000 can be drawn from unrestricted revenues each year to meet debt service.

In response to several questions from Dr. Speck, Mr. Mead noted that the expected growth for the equine program will be from out-of-state students. In recruiting for that program, the College recognizes that it must reach outside the normal recruiting areas. These students usually require less financial aid. As part of the science curriculum, approximately one-third of the students are pre-veterinary medicine majors, about one-third of the students go into equine management programs and the remaining students enter fields related to equine culture or agriculture.

Responding to questions from Mr. Petrick, Mr. Mead stated that, unlike the Equine Science Center, the Science Center did not have a projection as to revenues from new students. The need for the project is to provide the best science facilities to students. It is not a matter of attracting additional students but rather keeping interested students in the sciences. Currently, the College feels that it is losing students interested in the sciences because of the state of the facilities. Mr. Mead also confirmed that the College had produced 8% to 10% surplus in the last few years. Mr. Petrick also noted that even if the College's investment earnings for those years are excluded, there would still be a 4% to 5% surplus.

Dr. Kutina asked whether the Equine Science Center was incorporating any "Green" initiatives. Mr. Mead mentioned the experimental manure recycling project and a program to minimize the use of heated air in the horse areas. In response to other questions, Mr. Mead noted that the shows and competition at the equine facility would be educationally related, not private use. He also explained that the College wanted to fund a significant portion of the cost of these projects with $6 million of its own funds. This is consistent with the College's goal to minimize debt. It also recognizes that the goal of increasing enrollment by 500 students over the next decade will be a challenge, especially in the face of decreasing high school graduates starting this year. It intends to meet the challenge by enhancing the programs that are in demand at the College, for example, nursing, and by recruiting out-of-state students and international students. As of now, only 8% of the students are not from Ohio. In that connection, Mr. Petrick noted that with an expected 15% decline in the number of Ohio high school graduates all schools must pay particular attention to enrollment from this category.

Responding to questions from Mr. Needles, Mr. Mead stated that the current equine facilities were located on land that has been leased from a family for the last 20 years. The $1.2 million increase in net revenue would not be achieved until the program has doubled in size to 150 students. The College is now turning away students for this program because of inadequate facilities.

Mr. Keefe stated that the resolution for consideration approves the preliminary agreement between the Commission and the College. Since Mrs. Carter has stated that she will abstain from voting on this matter because her firm represents the College in certain legal matters, there are not enough voters to adopt the Resolution.

The Chairman then tabled the Resolution until a later meeting.

## NOTRE DAME COLLEGE

The Chairman called on John Philips, Vice President for Finance and Administration, to discuss the College's request. Mr. Philips explained that the College has experienced rapid growth over the last four years. Previously an all-female college, the College became co-educational in 2001 and enrollment began increasing immediately but more so in the last three to four years. Growth has occurred in the traditional student population as well as in the graduate and post graduate licensure programs. In order to provide academic facilities for these new students, some residential space has been used. There was a need to locate 125 resident students off-campus to an apartment building. The College expects to double its enrollment in the next five years. In order to meet the current demand for campus housing as well as provide for future growth, the College is planning to construct two new residence facilities. The current facilities have suite-style room arrangements. The new structure will be more apartment style arrangements: two bedrooms, a living room, kitchen and bathroom. One of the buildings will connect two existing residence buildings. This "infill" building will have about 160 square feet per bed. The other building will be a stand-alone structure with 220 to 225 square feet per bed. The exterior for both buildings will be brick and will follow the style of the existing buildings. The College expects to fully utilize all of the new facilities. If necessary it could change its current policy and require non-commuting students to live on campus and move those living in the off-campus apartment back to the campus facilities. It believes that these new facilities will attract students and provide better housing than is now available. The College also expects that debt service on the bonds will be paid from revenues generated by the new residence facilities. There will not be a capital campaign for these facilities. The debt will be structured as variable rate bonds backed with a letter of credit from Bank of America.

In responding to a number of questions from Dr. Speck, Mr. Philips discussed the College's future enrollment growth. Current programs in businesses and education (the most popular programs in the past) will continue to grow but newer programs offer even more growth potential. These include the Nursing programs, which had an original target of 250 students but is now 50% beyond that number, international businesses and hospitality management. The College has also had success in attracting students with learning disabilities. The program will increase but the goal is to keep it relatively small so as to be able to provide the special instruction and personal attention needed. Linking athletics to academic programs has also been successful in attracting students, especially out-of-state students. The College believes that it has an effective enrollment plan that will attract students to the College's program notwithstanding the expected decline in high school graduates in Ohio. Dr. Speck commended the College on its enrollment success. But he also cautioned that achieving a 50% increase in full-time students could be hard to pull off.

In response to questions from Dr. Kutina, Mr. Philips noted that the male/female ratio for traditional students is 50/50, but for part-time and adult education students there are about twice as many women as men enrolled. The College does offer on-line programs, such as the teacher education licensing program, which has 335 students with 180 on-line students. Many of the on-line courses are "blended" involving both on-line instruction and in person classroom work.

Mr. Needles asked about the College's $2.1 million note outstanding with National City Bank. Mr. Philips stated that the College is considering refinancing that note as part of the proposed bond issue.

Mr. Keefe stated that the resolution approves the Preliminary Agreement with the College. That Agreement is in its usual form.

Mrs. Carter moved and Dr. Kutina seconded the motion that Resolution No. 2008-07 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, Kutina, Needles, Petrick, Speck

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-07 adopted.

Resolution No. 2008-07 is as follows:

## OTHER BUSINESS

Construction Report

Dr. Kutina distributed the 2008 Annual College Construction Report that discusses the average cost of various types of educational buildings on college/university campuses. A copy of the Report is attached to these minutes.

University Hospitals Health System

Mr. Keefe explained that the Hospital System is requesting a supplemental resolution. The new resolution supplements the Commission's resolution adopted at its last meeting to authorize bonds to refinance outstanding auction-rate bonds. The supplement authorizes the refinancing of any interim loan that the Hospital System must incur in order to refund the outstanding bonds. Mr. Keefe noted that such a temporary loan may be required in order to more quickly get out of the auction-rate debt (which is now carrying a higher interest rate) prior to when the bonds can be issued. The supplemental resolution also confirms that the new trust indenture for the bonds may be treated, if necessary, as a supplemental trust indenture for the outstanding bonds.

Mr. Petrick moved and Mrs. Carter seconded the motion that Resolution No. 2008-08 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, Kutina, Needles, Petrick, Speck

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-08 adopted.

Resolution No. 2008-08 is as follows:

**CALL OF NEXT MEETING AND ADJOURNMENT**

The Commission will next meet on April 16, 2008, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

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Deputy Secretary