

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

April 20, 2005

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, April 20, 2005, 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, John Wells, Secretary, Kenneth Kutina, Assistant Secretary, Ronald E. Cosey, Henry Kasson, Tahlman Krumm and Douglas McMarlin. Also present and assisting in presenting information to the Commission were representatives of the colleges and universities appearing before 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, Mr. Wells, 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 March 16, 2005, were sent to each member and are included in the meeting books for each member. Upon review, the Commission approved the minutes of that meeting as submitted.

OTTERBEIN COLLEGE

At the invitation of the Chairman, C. Brent DeVore, President of the College, updated the Commission on the current status of the College. He noted that this is his 21st year as President. The College's full time enrollment increased by 4.4% this year to 2,200 students. The College plans to limit enrollment increases to about 2%. The College is fiscally sound. It has had over 50 years of balanced budgets. The endowment stands at approximately \$75 million with limited draw-downs for current use. The College plans to use revenues from auxiliary services, such a room rent, to pay the debt service on the Bonds.

Steve Storck, the Vice President for Business Affairs, reviewed the projects to be financed (as described in the College's application letter). The first is the construction of a new student residence hall at an estimated cost of approximately \$9.3 million. The 3-story building will provide 174 beds in a suite configuration – four students to a two bedroom suite. The second project is the proposed purchase of a nearby commercial building. Approximately \$2.6 million would be used to acquire the building and \$900,000 to renovate it for classroom and office use.

In response to several questions from Mr. Cosey, Mr. Storck explained that the new residence facility would be primarily for second year students and would be co-ed, which means men and women on separate floors. Most students come from Ohio, especially central Ohio. Dr. Kutina asked if an estimated \$54,000 per bed construction cost was typical or enough for this project. Mr. Storck answered that the Turner Construction Company provided the preliminary cost estimates and based on prior experience with this company and this type of construction the College felt this cost estimate was appropriate. He also noted that the revenues would be sufficient to cover debt service on the portion of the bonds for this project. Debt service for the acquisition of the commercial building would be paid from general receipts of the College. The College is considering the use of a variable rate bond issue with a 30-year maturity.

In response to a question from Dr. Krumm as to the popularity of single rooms, Dr. DeVore responded that the College considered various configurations and was very comfortable with this choice. Mr. Petrick commented that recently developed projections indicate that the number of graduating high school students in Ohio will decline over the next several years. Dr. DeVore said he was aware of these statistics but felt that there would continue to be demand, especially in the central Ohio area. Mr. Needles asked about the College's consideration of an additional two residence halls in the future. Dr. DeVore stated that the College would review the need based on demand and expected enrollment gain. The goal is to move from the current 48% to 55% of students provided with on-campus housing. In addition, the College could require third and fourth year students to live on campus.

At the request of the Chairman, Mr. Keefe noted that the resolution approved the Preliminary Agreement between the Commission and the College, which is in its usual form.

Dr. Krumm moved and Dr. Kutina seconded the motion that Resolution No. 2005-03 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: Cosey, Kasson, Krumm, Kutina, McMarlin, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2005-03 adopted.

Resolution No. 2005-03 is as follows:

CLEVELAND INSTITUTE OF MUSIC

Eric Bower, the Comptroller and Assistant Treasurer for the Institute, thanked the Commission for the opportunity to discuss its request for financing a major expansion and renovation of its facility. The Institute was founded in 1920. The main building was constructed in 1960 when enrollment was 175 students. There are now 400 students in the degree program and many more than that in the Institute's other programs. The additional space is needed for expansion of the library, more classrooms and many more practice rooms, as well as a new recital hall. The Institute initiated a \$40 million campaign for this project. About 86% of the goal has been achieved so far. Construction costs account for approximately \$20 million, and \$6 million will be set aside as an endowment for maintenance of the new facility. Other costs include development, design, engineering, etc. The campaign will finish in September 2006. The building renovation will start in May and plans are for a May 2007 completion date.

The financing for this project will be a variable rate bond issue with a 25-year maturity. Mr. Bower also noted that the Institute has had a balanced budget for the last nine years. Enrollment is strong at 400 students in the degree program. There are approximately 1,000 applicants each year from 125 position in the first year class.

In response to several questions from Dr. Kutina, who commented that the drawings of the proposed renovated building look great, Mr. Bower stated that the new concert hall would replace the existing hall. He also agreed that the now proposed 4% contingency for construction costs would likely be increased somewhat. Mr. Bower also explained that the bond issue would start out as variable rate but the Institute would continue to review its options to fix the rate. As pledges are received under the Campaign, the Institute will retire the debt. He further noted that approximately 42.5% of tuition is covered by financial aid. The Institute is seeking to increase financial aid to students.

Commenting on a question from Mr. Petrick, Mr. Bower explained that the 1,700 nondegree students range in age from 3 to 93 years old. Most attend the Institute to take private music lessons.

Mr. Bower also responded to several questions from Mr. Needles to describe the average student as very bright, with high SAT scores, and one who has studied music privately for many years. Most are 18 year olds, right out of high school, who come to the Institute to study with a specific teacher, many of whom are members of the Cleveland Orchestra.

Mr. Keefe stated that the resolution under consideration approves the Preliminary Agreement with the Institute.

Mr. McMarlin moved and Mr. Petrick seconded the motion that Resolution No. 2005-04 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: Cosey, Kasson, Krumm, Kutina, McMarlin, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2005-04 adopted.

Resolution No. 2005-04 is as follows:

OHIO WESLEYAN UNIVERSITY

At the request of the Chairman, George Elsbeck, Vice President for Business Affairs/Treasurer of the University, reviewed the University's proposed project. Mr. Elsbeck noted that the University's Science Center, financed with prior bond issues, is now open. The University's \$35 million capital campaign will be completed in 2007. It will be used in part to pay off the \$15 million of bonds. The University has a new President, Mark Huddleston. Its fall enrollment was 1,915 students with 566 new first year students, which is in range and on target for the University's enrollment projections. The endowment has grown to \$146 million. The University is also conducting a small campaign for athletic and recreation facilities. To date, approximately \$2.5 of the \$22 million goal has been raised to renovate current facilities and to construct a new swimming pool and baseball field.

The project to be financed includes (1) the replacement of the campus telephone system at a cost of approximately \$2.5 million, (2) another \$2.5 million for the construction of the data communication closets and (3) the purchase of property for campus purposes (\$900,000). Debt service on the bonds will be paid from the general operating budget of the University.

In response to questions from Mr. Cosey and Dr. Kutina, Mr. Elsbeck explained that the property to be acquired is a commercial building including a mechanic shop and retail space. The owner is going out of the business so is now willing to sell the property to the University.

In response to a question from Dr. Kutina, Mr. Keefe explained that a "negative mortgage" is a provision sometimes included in a bond financing whereby a university pledges not to mortgage its property without the consent of the bond holders or, as applicable, the letter of credit bank or bond insurance company. In response to further questions by Dr. Kutina, Mr. Elsbeck noted that 50.63% of full tuition was covered by financial aid. The University has a new student enrollment plan that includes new marketing materials, increasing the marketing staff and widening the areas for that marketing effort. In addition, the University has retained a specific recruiter for international students. Approximately 17% of the student body are international students. For the international students, the tuition discount rate is 62%.

Mr. Keefe stated that the resolution approves the preliminary agreement relating to the proposed financing.

Mr. Wells moved and Dr. Krumm seconded the motion that Resolution No. 2005-05 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: Cosey, Kasson, Krumm, Kutina, McMarlin, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2005-05 adopted.

Resolution No. 2005-05 is as follows:

WALSH UNIVERSITY

John Wray, the Vice President for Finance and Business Affairs, updated the Commission on the University. The current enrollment is 1,200 full time students, 2,000 total. This is an increase of over 400 in the last seven years. Enrollment is expected to increase by about 10% this fall. Approximately 650 students live on campus. The campus has grown from 50 to 135 acres over the last ten years. Endowment is at \$7 million, an increase of \$5 million in the last five years. The overall tuition discount is 36% (39% for first year students).

Mr. Wray discussed the renovation of Menard Hall, which is the largest component of the proposed financing. Both wings of this residence hall will undergo substantial renovation and a central core structure will be constructed to provide additional student suites. Mr. Walsh also discussed the various other improvements to be accomplished with the proposed financing including the renovation of the Physical Education Building, construction of parking facilities and acquiring property for campus uses. In response to questions from Dr. Krumm and Mr. Petrick, Mr. Wray discussed the property to be acquired and the sources of payment for the other improvements. For example, the \$1.0 million federal grant for the first phase of the physical education improvements. Responding to additional questions from Dr. Kutina and Dr. Krumm, Mr. Wray noted that the apartment units are very popular with the students. The charge is \$3,000 per a semester. The University' clinical doctorate program in Physical Therapy is now in operation and is expecting increased enrollment next year. The primary competitors for this program include Cleveland State University and a university in West Virginia and one in Pennsylvania.

Mr. Keefe again noted that the resolution approves the preliminary agreement.

Mr. Petrick moved and Dr. Kutina seconded the motion that Resolution No. 2005-06 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: Cosey, Kasson, Krumm, Kutina, McMarlin, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2005-06 adopted.

Resolution No. 2005-06 is as follows:

OTHER BUSINESS

At the request of Mr. Kasson, Mr. Keefe briefly explained the new statutory legislation that authorizes the Commission to issue bonds to fund hospital improvements. He reviewed his letter that presented background on this new authority (that letter is attached to these minutes as Exhibit A). There followed a discussion among Commission members concerning this matter. It was the consensus that additional information on hospital financing of capital improvements would be helpful. Mr. Wilhelm offered to have someone from RBC Dain Rauscher attend the Commission's next meeting. Mr. Keefe also indicated that either he or one of his colleagues would be able to describe the legal aspects of such financings. The members asked if those arrangements could be made for its next meeting.

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.

Secretary