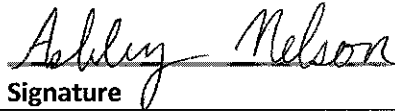


End of Comment Period: April 5, 2012  
No comments received, recommend approval

**RECOMMENDATION**

I have collected all necessary information from the Cuyahoga Community College for their request to pledge fees in support of general receipts obligation bonds in an aggregate amount not to exceed \$24,000,000. I have reviewed this information and confirm that it meets required guidelines for approval.

  
Signature

4-6-12  
Date

**RECOMMENDATION**

The Office of the Vice Chancellor of Finance & Data Management has verified that Cuyahoga Community College has demonstrated that their request to pledge fees in support of general receipts obligation bonds, in an aggregate amount not to exceed \$24,000,000, meets all the required guidelines for approval.

  
Signature

9 APR 12  
Date



John R. Kasich, Governor  
Jim Petro, Chancellor

University System of Ohio  
Board of Regents

**DIRECTIVE 2012-011**

April 9, 2012

Re: CONSIDERATION OF A REQUEST BY CUYAHOGA COMMUNITY COLLEGE TO PLEDGE STUDENT FEES IN SUPPORT OF A BOND REFUNDING NOT TO EXCEED \$24,000,000.

Ohio Revised Code §3345.11 enables a state university or college to issue general receipts obligation bonds in the manner provided by and subject to the applicable provisions of Ohio Revised Code §3345.12.

§371.50.40 of Am. Sub. H.B. 153 of the 129<sup>th</sup> General Assembly requires that any new pledge of student fees to secure bonds or notes of a state college or university be approved by the Chancellor of the Ohio Board of Regents.

Pursuant to Ohio Revised Code, Cuyahoga Community College has demonstrated the following:

- The proposed refunding is essential to fulfilling institutional goals.
- The College's Board of Trustees approved a resolution authorizing this bond issuance during its March 22, 2012 meeting.
- The institution's proposal complies with §3345.11 and §3345.12.

Agency staff reviewed the request and posted its recommendations to the Regents' web site for purposes of providing a period of public comment before final approval by the Chancellor. The materials posted for comment and the request to pledge student fees are attached to this document.

Based on my review of staff recommendations, I hereby approve the Request to Pledge Student Fees by Cuyahoga Community College in support of general receipts obligation bonds in an aggregate amount not to exceed \$24,000,000. Furthermore, any increase in student fees to support this issuance shall not be exempt from any future restraint to increases in undergraduate instructional and general fees imposed by the General Assembly.

This directive will take effect immediately.

  
\_\_\_\_\_  
Jim Petro  
Chancellor, Ohio Board of Regents

mk

**Cuyahoga Community College**  
**March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**I. Project Overview**

Cuyahoga Community College (the "College") proposes to refund certain general receipts bonds in an aggregate amount not to exceed \$24,000,000. The College intends for this debt refunding to be financed through a general receipts bond with a term not to exceed 20 years.

*Submission: March, 2012*

**Cuyahoga Community College**  
**March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**II. Project Financing and Costs**

Cuyahoga Community College proposes to refund a portion of its general receipts bonds in an aggregate amount not to exceed \$24,000,000. This is a partial refunding of a portion of the College's Series A, 2002 General Receipts Revenue Bonds. Those Series A, 2002 bonds callable after December 1, 2012 (the "Refunded Bonds") will be called. The remaining Series A, 2002 bonds maturing on June 1, 2012 and December 1, 2012 are not included in this refunding. The College is refunding these bonds because it will provide them with a net present value savings of approximately \$2,723,734, as of March 2012. The pledge of student fees and general receipts securing the Refunded Bonds will provide security for the proposed refunding bonds.

The College estimates that, as of March 2012, the maximum annual debt service obligation for the proposed refunding bonds will be \$1,702,375; based on an estimated all-in true interest cost of 3.45%.

**Cuyahoga Community College**  
**March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**III. Fee Impact**

This proposed debt refunding will have no direct impact on student tuition and fees. While the College may use unrestricted student fee revenues to support the debt service, student fees are not expected to increase as a direct result of this action.

**Cuyahoga Community College  
March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**IV. Project Description**

Cuyahoga Community College is refunding a portion of the College's Series A, 2002 bonds to realize savings to the College. There are no new projects associated with this bond refunding.

**Cuyahoga Community College**  
**March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**V. Financial Ratio Analysis**

Through the 1997 enactment of Senate Bill 6, the 122<sup>nd</sup> General Assembly established a standardized method for monitoring the financial health of Ohio's state-assisted colleges and universities. Subsequently, the administrative rules used to guide the implementation of S.B. 6 identified three financial ratios to evaluate an institution's fiscal health. The rules also established threshold factors for ranges of ratios, and created a weighted score of the threshold factors, termed the *composite score*, which provides a summary statistic to evaluate an institution's financial stability. The ratios and composite score are described in greater detail below, including how Cuyahoga performed when these measures are applied to its FY 2008, FY 2009, FY 2010 and FY 2011 audited financial statements—the most up-to-date financial data available.

\*NOTE: The FY 2011 data shown in *italics* reflect the ratios and composite score when \$23,545,000 in debt, the 2002 Series A bond being refunded, is subtracted from the calculation and \$24,000,000 in debt, the 2012 bond, is added to the calculation. Also, \$1,874,940 which is the highest remaining debt service for the 2002 Series A bond, has been taken out. \$1,702,375 in debt service for the 2012 bonds has been added. Other factors not taken into account here include the impact of the refunding on the College's expendable net assets, the future retirement of existing debt obligations, and future changes in revenues and expenses.

**1. Viability Ratio**

The viability ratio is defined as expendable net assets divided by plant debt. This ratio is a measure of an institution's ability to retire its long-term debt using available current resources. A viability ratio in excess of 100% indicates that the institution has expendable fund balances in excess of its plant debt. Pursuant to this analysis, a viability ratio of 60% or greater is considered good, while a ratio below 30% might be a cause for concern. The College's viability ratios for FY 2008, FY 2009, FY 2010 and FY 2011 are as follows:

	FY 2008	FY 2009	FY 2010	FY 2011	<i>FY 2011*</i>
	141.0%	62.5%	52.8%	63.1%	<i>62.9%</i>

**2. Primary Reserve Ratio**

The primary reserve ratio is defined as expendable net assets divided by total operating expenses. This ratio is one measure of an institution's ability to continue operating at current levels without future revenues. Pursuant to the S.B. 6 analysis, a ratio of 10% or greater is considered good, while a ratio below 5% would be a cause for concern. The College's primary reserve ratios for FY 2008, FY 2009, FY 2010 and FY 2011 are as follows:

	FY 2008	FY 2009	FY 2010	FY 2011	<i>FY 2011*</i>
	45.3%	40.4%	31.2%	36.1%	<i>36.1%</i>

### 3. Net Income Ratio

The net income ratio represents the change in total net assets divided by total revenues. This ratio is an important measure of an institution's financial status in terms of current year operations. A negative net income ratio results when an institution's current year expenses exceed its current year revenues. A positive net income ratio indicates that the institution experienced a net increase in current year fund balances. The College's net income ratios for FY 2008, FY 2009, FY 2010 and FY 2011 are as follows:

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2011*
	+5.9%	+0.4%	+2.4%	+8.4%	+8.5%

### 4. Composite Score

The ratios are translated into a single composite score by assigning individual scores to ranges of ratios, weighting the individual scores, and summing the weighted scores. The primary reserve score is weighted more heavily than is the viability ratio, which in turn is weighted more heavily than the net income ratio. This scoring process effectively emphasizes the need for campuses to have strong expendable fund balances, manageable plant debt, and a positive operating balance.

The minimum acceptable composite score is any score above 1.75. Institutions with composite scores at or below this level merit special monitoring, and would be placed on fiscal watch if the ratio analysis yielded a composite score at or below this level for two consecutive years. The highest possible score is a 5.0. The College's composite scores have been above the minimum threshold:

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2011*
	4.20	3.30	3.20	3.90	3.90



**Cuyahoga Community College**  
**March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**VII. Financial Outlook and Bond Rating**

According to its FY 2011 audited financial report, the College's financial position remains strong, having reported total assets of \$622,294,458 and liabilities of \$313,035,839. Net assets, which represent the value of the College's assets after liabilities are deducted, increased by \$27,860,405 in FY 2011 to \$309,258,619 or 49.7% of total assets.

The College's existing debt has received relatively high marks from independent bond-rating agencies. Moody's Investors Services' rating for the College's General Receipts debt is Aa2 with a stable outlook. Standard & Poor's rating of the College's General Receipts debt is an AA- with a stable outlook.

These ratings indicate that the College's ability to meet its debt obligations is considered strong, as shown in Moody's and S&P's scale below.

<b>Long-Term Bonds</b>				
<b>Moody's</b>			<b>S &amp; P</b>	<b>Description</b>
Aaa1	Aaa2	Aaa3	AAA	Best quality with little or no investment risk.
Aa1	Aa2	Aa3	AA	High quality with low investment risk.
A1	A2	A3	A	High quality with moderate investment risk.
Baa1	Baa2	Baa3	BBB	Good quality with some investment risk.
Ba1	Ba2	Ba3	BB	Medium quality with some investment risk.
B1	B2	B3	B	Medium quality with higher investment risk.
Caa1	Caa2	Caa3	CCC	Low quality and susceptible to default.
Ca1	Ca2	Ca3	CC	Low quality and highly vulnerable to default.
C1	C2	C3	C	Lowest quality and extremely vulnerable to default.
-	-	-	D	In payment default (S&P rating only).

**Cuyahoga Community College**  
**March 2012 Refunding Bonds Fee Pledge Request - \$24,000,000**

**VIII. Institutional Plant Debt**

The table on the following page depicts how long-term plant debt at Ohio's public colleges and universities has changed at the statewide level over the past five years. Between FY 2007 and FY 2011, statewide plant debt increased 40.5% or approximately \$1.58 billion. A major contributing factor to this growing level of debt is the need for institutions to address critical capital and maintenance needs on campus. As the state's capital investment in Ohio's campuses has diminished in recent years, the need has grown for campuses to issue local debt.

While statewide institutional debt increased by \$789.4 million or 16.8% in FY 2011, Cuyahoga Community College's plant debt decreased by \$6,090,635 or 3.39%.

## FY 2007-2011 Long-Term Plant Debt

Institution	Long-Term Plant Debt				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>UNIVERSITIES</b>					
BOWLING GREEN	\$89,345,000	\$80,290,000	\$78,255,000	\$141,265,000	\$132,505,000
CENTRAL STATE	\$2,003,952	\$1,862,693	\$1,743,287	\$1,617,887	\$1,513,758
CLEVELAND STATE	\$161,098,196	\$163,591,508	\$207,067,009	\$217,893,028	\$217,354,270
KENT STATE	\$273,153,000	\$277,532,000	\$276,019,000	\$296,569,000	\$326,014,000
MUO (b)	See UT	See UT	See UT	See UT	See UT
MIAMI UNIV.	\$235,357,582	\$228,484,393	\$224,325,090	\$213,566,272	\$325,614,330
NEOMED	\$700,300	\$2,291,713	\$1,992,413	\$1,676,808	\$16,454,983
OHIO STATE	\$1,118,091,000	\$1,076,097,000	\$1,360,245,000	\$1,354,259,000	\$1,973,883,000
OHIO UNIVERSITY	\$182,914,606	\$167,403,027	\$192,718,265	\$177,027,086	\$164,745,879
SHAWNEE STATE	\$19,550,000	\$17,765,000	\$17,515,000	\$17,015,000	\$16,505,000
UNIV. AKRON	\$247,378,185	\$421,931,710	\$418,195,077	\$424,907,317	\$398,884,080
UNIV. CINCINNATI	\$1,074,333,000	\$1,091,020,000	\$1,090,644,000	\$1,153,641,000	\$1,186,317,000
UNIV. TOLEDO	\$269,554,000	\$265,409,000	\$252,924,000	\$295,561,000	\$287,550,000
WRIGHT STATE	\$38,738,096	\$35,624,887	\$31,564,022	\$37,870,633	\$32,690,128
YOUNGSTOWN STATE	\$20,397,972	\$18,603,592	\$38,990,037	\$62,083,924	\$78,656,592
<b>COMMUNITY COLLEGES</b>					
BELMONT TECH	\$0	\$0	\$0	\$0	\$0
CINCINNATI STATE	\$47,701,975	\$47,455,542	\$46,774,109	\$46,150,000	\$45,085,000
CLARK STATE	\$8,175,000	\$8,175,000	\$7,900,000	\$7,615,000	\$16,845,000
COLUMBUS STATE	\$19,830,000	\$18,255,000	\$16,620,000	\$14,910,000	\$13,690,000
COTC	\$3,875,762	\$3,470,979	\$2,394,382	\$2,078,251	\$1,477,666
CUYAHOGA	\$57,393,209	\$79,449,916	\$178,119,296	\$179,599,118	\$173,508,483
EDISON STATE	\$4,975,254	\$4,704,730	\$4,422,095	\$4,126,979	\$3,813,992
HOCKING	\$5,235,058	\$6,384,650	\$6,089,638	\$5,498,634	\$3,191,976
JAMES RHODES	\$2,968,669	\$2,914,098	\$2,859,527	\$2,799,956	\$2,740,385
JEFFERSON	\$1,623,724	\$1,422,593	\$1,211,968	\$957,506	\$734,426
LAKELAND	\$4,044,695	\$3,308,426	\$11,096,151	\$9,590,647	\$17,537,805
LORAIN	\$7,010,546	\$6,529,973	\$6,035,000	\$5,740,000	\$5,440,000
MARION TECH	\$0	\$0	\$0	\$0	\$0
NORTH CENTRAL	\$727,540	\$97,879	\$51,308	\$1,504	\$0
NORTHWEST STATE	\$25,249	\$59,860	\$40,300	\$40,230	\$5,063
OWENS STATE	\$401,212	\$536,241	\$276,495	\$6,417,348	\$7,477,454
RIO GRANDE	\$0	\$2,411,421	\$2,256,498	\$2,114,858	\$1,968,337
SINCLAIR	\$0	\$0	\$0	\$0	\$0
SOUTHERN STATE	\$2,710,583	\$5,577,394	\$5,371,694	\$5,080,903	\$4,771,667
STARK STATE	\$0	\$0	\$0	\$0	\$19,443,994
TERRA STATE	\$264,285	\$66,409	\$0	\$0	\$0
WASHINGTON STATE	\$0	\$0	\$0	\$0	\$0
ZANE STATE (MATC)	\$156,401	\$309,075	\$654,117	\$460,366	\$1,095,272
<b>STATEWIDE TOTAL</b>	<b>\$3,899,734,051</b>	<b>\$4,039,035,709</b>	<b>\$4,484,369,778</b>	<b>\$4,688,134,255</b>	<b>\$5,477,514,540</b>