

**Public Institution of Higher Education  
November 2016  
Fee Pledge Request - \$70,000,000**

**I. Project Overview**

Public Institution of Higher Education requests the authority to pledge fees to secure general receipts bonds in an aggregate amount not to exceed \$70,000,000 to finance various capital projects on its main campus, including:

- improvements to fully or partially renovate six academic classroom and instructional laboratory buildings and the supporting campus infrastructure;
- partial renovation of the campus recreation and wellness facility and student union facility;
- demolition, utility relocation and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects including demolition of three to four existing buildings or structures;
- new construction of town-home style student housing;
- renovations to address deferred maintenance issues associated with auxiliary facility roofs, elevators, structural, mechanical, electrical and associated systems; and
- acquisition and installation of all related fixtures, furnishings and equipment, and other improvements to University facilities.

Public Institution of Higher Education issued an RFP for underwriting and investment banking services. As a result of that RFP process the institution appointed a small pool of senior underwriters and co-managers to be used as needed for financing activities over the next 3 to 5 years. Consideration will be given to both short and long term options, both variable and fixed rate instruments, both taxable and tax-exempt, and a variety of public offerings or direct placement options.

*Submission: November, 2016*

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**II. Project Financing and Costs**

Public Institution of Higher Education requests the authority to pledge fees in support of the issuance of general receipts obligation bonds in an aggregate amount not to exceed \$70,000,000.

Estimated project costs funded through the proposed debt issuance are presented below:

<u>Project</u>	<u>Bond Funding</u>
Greek Housing	\$35,000,000
Academic Classroom and Instructional Laboratory Buildings	\$20,500,000
Student Union	\$10,000,000
Enabling and Infrastructure	\$3,500,000
Other	\$1,000,000
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Total Fee Pledge Request	\$70,000,000

Public Institution of Higher Education estimates that the maximum annual debt service obligation for the proposed debt issuance will be \$4,500,000 per year, based on an annual interest rate no greater than 5.0% over 30 years.

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**III. Fee Impact**

The proposed debt issuance will have no direct impact on student tuition and fees. While Public Institution of Higher Education may use unrestricted student fee revenue to support the debt service related to this request, the tuition and fees that are included in the legislatively controlled cap are not expected to increase as a direct result of this action.

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**IV. Project Description**

The following provides a description of the various projects identified in Public Institution of Higher Education's \$70,000,000 debt authority request:

**Redevelopment of Academic Core**

The Public Institution of Higher Education's Master Plan approved by the Board of Trustees recommended the transformation and regeneration of the Academic Core of the campus. The Master Plan includes full interior renovations of four academic buildings. In addition to these major upgrades of academic buildings, the plan recommended targeted improvements to address long-standing deferred maintenance needs, and modernization of selected classrooms and instructional spaces in order to upgrade information technology, room furnishings and audio-visual equipment.

The existing mechanical, electrical, plumbing and sewer infrastructure systems serving the Academic Core are antiquated, do not meet code, or, in the case of air conditioning and fire suppression, are non-existent. A Phase 2 Energy/Infrastructure study is currently underway, which will assist in establishing long-term campus energy use targets, and assess future energy sources and distribution strategies. These factors are key to meeting long-term sustainability goals and the President's Climate Commitment.

In order to support the renovations, major improvements to the campus infrastructure systems are required. Furthermore, as the next step in the ongoing upgrade of the University's aging electrical infrastructure, these buildings need to be taken off of the old 4,160 volt distribution system and connected to the newer 12,470 volt distribution loops.

The infrastructure providing water sources to the buildings has deteriorated and is under-sized for the future buildings' needs. For example, the volume of water required for adequate fire suppression and sprinkler systems cannot be met utilizing existing water sourcing. Existing sewers are currently combined (sanitary and storm together). Storm and sanitary sewer lines must be separated to meet current code requirements as buildings are being renovated.

Finally, engineering study results may dictate the upgrade of some tunnels in order to adequately support the utility infrastructure distribution networks.

**Greek Housing**

In October 2010, the Public Institution of Higher Education began Phase One of a study of its Fraternity/Sorority Life (i.e., Greek) Program along with an evaluation of its Greek Housing. Working with staff from Student Affairs and Finance and Administration, a nationally recognized team of consultants was engaged to perform the study.

The first portion of the study involved comparing and benchmarking the Public Institution of Higher Education's Fraternity/Sorority Life Program to 27 peer institutions that were similar

in size, location, academic offerings, athletic conference and student population. Publicly available data was collected and summarized, and a survey of fraternity/sorority life was developed and distributed to Greek Program officers at each of the peer universities.

The second portion of the study included conducting on-site reviews at four universities by Public Institution of Higher Education staff. The on-site reviews included evaluating recently developed Greek Housing projects.

The last part of the study involved performing a second building conditions' assessment of Public Institution of Higher Education's Greek Housing. (Note: The initial facility assessment indicated that the condition of the buildings was poor and not suitable for renovation.) The second assessment confirmed the original findings.

Following the completion of Phase One, four findings were presented to the Board of Trustees at the June 24, 2011 meeting; the findings are summarized below:

1. National trends indicated growth in all types of Greek Organizations; however, those trends were not mirrored at Public Institution of Higher Education.
2. New Greek Housing solutions were being implemented at universities across the country in response to aging housing stock, competition from new types of student housing, and changing needs and preferences of students and Greek Organizations. Many of these housing types represented significant changes from traditional, single chapter houses.
3. Public Institution of Higher Education had strong fraternity and sorority participation rates (i.e., within the top 20% of their peer institutions), with opportunities to increase membership in existing chapters.
4. New Greek Housing was a key asset in strengthening fraternity/sorority life at Public Institution of Higher Education, providing significant benefits over renovation of the existing housing, whose condition was very poor and unsuitable for cost-effective modernization.

At the May 9, 2014 Board of Trustees' meeting, the Board approved funding to proceed with the Criteria Architect, pre-construction and design scope of work. At the June 19, 2014 Board of Trustees' meeting, the Board approved proceeding with the demolition of the existing Greek Housing Units and utility relocation in preparation for the new construction.

Following the Board's May 9, 2014 approval, the project team, led by the Criteria Architect, CBT, has worked to complete the criteria documents. The criteria documents include: 1) floor plans for six 4-bed units, fourteen 12-bed units, and thirteen 18-bed units, single and two story townhouse style buildings (total of 426 beds in 33 separate units), 2) building elevations, 3) interior and exterior finish materials, 4) mechanical/electrical/plumbing systems and equipment, 5) site building layout and site landscape and hardscape (see attachment A for site building layout).

Each 4, 12, and 18 bed unit is fully ADA accessible, has accessible living/sleeping accommodations and is served by limited use, limited access elevators to the second level where applicable.

Throughout the fall of 2013, the spring of 2014 and into the fall of 2014, current student members, chapter advisors and various alumni of the Greek Chapters have been engaged in regular meetings and presentations to keep them abreast of work progress, project cost estimates, estimated room rates and parlor fee estimates, building upgrade options, and a variety of other details of particular interest or concern to the group or individuals.

### **Renovation of University Hall**

The Board of Trustees provided approval to proceed with a project scope for University Hall to create a dynamic facility that contains high-impact programs that define the Public Institution of Higher Education undergraduate experience. These programs include: the Public Institution of Higher Education Office of Service Learning, Pre-Professional Programs, International Programs and Partnerships, AIMS, COSMOS, the Center for Undergraduate Research, ACTION, the Office of Deciding Students, and the Learning Communities Office. The Public Institution of Higher Education Office of Admissions also will be re-located into the building.

The first floor of the building will contain the following: Pre-Professional Programs and the Offices of Service Learning, Deciding Students, and Learning Communities. In addition, there will be two 50-seat, active learning classrooms with collaboration/break-out spaces.

The traditional main entry of the building will preserve key architectural features as a gesture to the historical significance of the original building. A new entry, on the east side of the building, will provide a welcoming interior environment to University Hall and will open to the proposed entry forecourt - a key feature of the Campus Master Plan.

The design of the Admissions area on the second level will draw from some of the most dynamic and progressive precedents of leading universities. The reception, pre-function and presentation spaces will be cutting-edge and reflect positively on the reputation of Public Institution of Higher Education, setting the stage for a positive, high-impact visit by parents and prospective students. The location of the Admissions function within the building will enable prospective students to anticipate the progressive nature of their Public Institution of Higher Education academic career by virtue of locating the high-impact programs conveniently within the same building. Finally, meeting and conference rooms will be equipped with technology but located throughout the building to ensure they are viewed as shared resources, and not unnecessarily duplicative.

The third level of University Hall will contain three additional high-impact programs. The first group supports Public Institution of Higher Education's Science programs and includes AIMS, COSMOS and ACTION. The second and third are International Programs and Study Abroad. The third floor will also be the location for one 50-seat active learning classroom with collaboration and breakout space, and a large 81-seat active learning classroom.

Finally, the fourth floor of University Hall will contain two additional active learning classrooms: one designed for 35 seats and the other designed for 40 seats. Collaboration and breakout spaces will also be included in the design.

### **Bowen-Thompson Student Union Renovation**

The Bowen-Thompson Student Union welcomes more than two million guests annually throughout its roughly 250,000 square feet. It offers various services, including dining

options, a campus bookstore, event space, houses student organizations, and various other student-centered services. As a residential campus, the Student Union serves as the proverbial living room for students and should offer essential services which enhance the overall student experience in one, convenient location.

Since the Student Union was last renovated in 2001, changes in technology, student needs and expectations, and service delivery methods have created a need to meet changing student demand. To meet this need, plans are being developed for both renovation and expansion of the Student Union. Through renovation, the existing bookstore footprint will be cut in half and reduced to a single story from its current two story configuration. The vacated space will then house the Career Center. Through expansion, essential student services including bursar, financial aid, and registration and records will move from decentralized locations across campus to one central location within the Student Union.

The renovation and expansion of the Bowen Thompson Student Union not only allows the Public Institution of Higher Education to better meet the needs of current and future students, it also works to facilitate the Public Institution of Higher Education Master Plan. Departments moving into the Student Union will be relocated from the Administration Building, which is slated for demolition by 2021.

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**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 public institutions of higher education. 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 Public Institution of Higher Education performed when these measures are applied to its FY 2012, FY 2013, FY 2014 and FY 2015 audited financial statements—the most up-to-date financial data available. For the purpose of this analysis, all ratio calculations exclude associated impacts of GASB 68.

\*NOTE: The FY 2015 data shown in *italics* reflect the ratios and composite score when \$70,000,000 in new debt is added to the calculations. Also, \$4,500,000 in related debt service expenses have been added to the calculations. Other factors not taken into account here include the impact of the new debt 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. Public Institution of Higher Education’s viability ratios for FY 2012, FY 2013, FY 2014 and FY 2015 are as follows:

<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015*</u>
110.1%	92.1%	92.8%	115.0%	102.7%

**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. Public Institution of Higher Education’s primary reserve ratios for FY 2012, FY 2013, FY 2014 and FY 2015 are as follows:

<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015*</u>
24.0%	20.9%	19.8%	20.3%	20.5%

### 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. Public Institution of Higher Education's net income ratios for FY 2012, FY 2013, FY 2014 and FY 2015 are as follows:

<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015*</u>
+1.5%	-1.2%	+10.5%	+6.2%	+5.2%

### 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. Public Institution of Higher Education's composite scores have been above the minimum threshold:

<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2015*</u>
2.90	3.50	3.30	2.90	3.10

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**VI. Financial Outlook and Bond Rating**

According to its FY 2015 audited financial report, Public Institution of Higher Education's financial position remains strong, having reported total assets of \$12,685,269 and liabilities of \$2,486,256. Net assets, which represent the value of the College's assets after liabilities are deducted, increased by \$239,247 in FY 2015 to \$10,256,247 or 57.3% of total assets.

The College's existing long term debt has received relatively high marks from independent bond-rating agencies. In July of 2015, Public Institution of Higher Education's long-term debt was assigned a rating of *A3 with a stable outlook* by Moody's Investors Service.

These ratings indicate that the institution'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).

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**VII. Institutional Plant Debt**

The table on the following page depicts how long-term plant debt at Ohio's public institutions of higher education has changed at the statewide level over the past five years. Between FY 2011 and FY 2015, statewide plant debt increased 31.7% or approximately \$1.7 billion.

While statewide institutional debt increased by \$244.0 million or 3.5% from FY 2014 to FY 2015, Public Institution of Higher Education's plant debt changed by \$XX or X.X%.

## FY 2011-2015 Long-Term Plant Debt

### LONG-TERM PLANT DEBT, FY 2011 - 2015

Institution	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>UNIVERSITIES</b>					
BOWLING GREEN	\$132,505,000	\$124,675,000	\$119,715,998	\$147,067,224	\$134,457,569
CENTRAL STATE	\$1,513,758	\$1,863,645	\$18,225,857	\$17,515,223	\$16,403,259
CLEVELAND STATE	\$217,354,270	\$212,407,980	\$258,656,081	\$252,935,475	\$239,322,461
KENT STATE	\$326,014,000	\$469,771,000	\$492,032,000	\$504,287,000	\$505,173,000
MIAMI UNIV.	\$325,614,330	\$431,316,046	\$528,156,951	\$643,705,600	\$622,306,800
NEOMED	\$16,454,983	\$42,000,000	\$41,660,000	\$40,825,000	\$43,012,814
OHIO STATE	\$1,973,883,000	\$2,410,942,000	\$2,574,238,000	\$2,515,108,000	\$2,743,351,000
OHIO UNIVERSITY	\$164,745,879	\$199,295,000	\$324,941,582	\$310,210,349	\$543,347,988
SHAWNEE STATE	\$16,505,000	\$15,970,000	\$17,657,225	\$16,120,070	\$15,602,553
UNIV. AKRON	\$398,884,080	\$386,676,812	\$407,923,165	\$473,999,582	\$453,581,325
UNIV. CINCINNATI	\$1,186,317,000	\$1,133,438,000	\$1,073,645,000	\$1,175,815,000	\$1,060,120,000
UNIV. TOLEDO	\$287,550,000	\$330,946,000	\$326,663,000	\$312,691,000	\$298,187,000
WRIGHT STATE	\$32,690,128	\$84,425,012	\$109,232,116	\$106,769,168	\$95,429,869
YOUNGSTOWN STATE	\$78,656,592	\$76,220,729	\$73,508,103	\$70,710,037	\$67,819,444
<b>COMMUNITY COLLEGES</b>					
BELMONT TECH	\$0	\$0	\$0	\$0	\$0
CINCINNATI STATE	\$45,085,000	\$43,612,347	\$48,209,233	\$45,734,380	\$42,510,954
CLARK STATE	\$16,845,000	\$16,265,000	\$15,675,000	\$15,065,000	\$14,440,000
COLUMBUS STATE	\$13,690,000	\$12,425,000	\$11,460,000	\$9,995,000	\$8,475,000
COTC	\$1,477,666	\$93,910	\$69,926	\$44,876	\$18,678
CUYAHOGA	\$173,508,483	\$162,247,557	\$153,068,927	\$148,906,753	\$147,774,706
EDISON STATE	\$3,813,992	\$3,610,329	\$3,368,736	\$3,134,699	\$3,047,498
HOCKING	\$3,191,976	\$2,775,926	\$519,043	\$21,468,907	\$20,937,434
JAMES RHODES	\$2,740,385	\$2,675,815	\$4,125,000	\$3,886,667	\$3,743,334
EASTERN GATEWAY	\$734,426	\$500,817	\$256,182	\$0	\$1,831,736
LAKELAND	\$17,537,805	\$15,250,000	\$13,660,000	\$15,015,000	\$31,020,000
LORAIN	\$5,440,000	\$69,845,000	\$68,950,000	\$67,645,000	\$66,165,000
MARION TECH	\$0	\$0	\$0	\$0	\$0
NORTH CENTRAL	\$0	\$0	\$0	\$0	\$369,024
NORTHWEST STATE	\$5,063	\$0	\$0	\$0	\$0
OWENS STATE	\$7,477,454	\$6,273,615	\$5,962,323	\$4,408,127	\$3,207,962
RIO GRANDE	\$1,968,337	\$0	\$0	\$0	\$0
SINCLAIR	\$0	\$0	\$0	\$0	\$0
SOUTHERN STATE	\$4,771,667	\$18,960,007	\$18,889,766	\$18,579,087	\$17,459,086
STARK STATE	\$19,443,994	\$18,636,250	\$17,822,917	\$16,994,167	\$3,642,542
TERRA STATE	\$0	\$0	\$6,000,000	\$5,920,000	\$5,795,000
WASHINGTON STATE	\$0	\$0	\$0	\$0	\$0
ZANE STATE (MATC)	\$1,095,272	\$934,376	\$6,866,596	\$6,687,680	\$6,685,510
<b>STATEWIDE TOTAL</b>	<b>\$5,477,514,540</b>	<b>\$6,294,053,173</b>	<b>\$6,741,158,727</b>	<b>\$6,971,244,071</b>	<b>\$7,215,238,546</b>