

**MINUTES
FINANCE COMMITTEE**

**UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES**

November 6, 1997

The University of Southern Indiana Board of Trustees Finance Committee met on Thursday, November 6, 1997, in Carter Hall of the University Center. Present were Trustees Bruce Baker, Louise Bruce, Charles Combs, Tina Kern, Thomas McKenna, Harolyn Torain, and James Will Sr. Also attending were Vice President Richard Schmidt and Business Office Director Michael Whipple.

There being a quorum present, Mr. Combs called the meeting to order at 12:40 p.m.

I. Discussion of future University financngs, including the student housing project scheduled for completion in fall 1998 and the Liberal Arts Center.

A. Bonding Alternatives - Jeff Lewis - Ice, Miller, Donadio, and Ryan

Mr. Jeff Lewis of Ice, Miller, Donadio, and Ryan presented information on bonding alternatives (Attachment 1). Discussion followed.

B. Review of Request for Proposal for Financing - Michael Whipple

Mr. Whipple reported the Request for Proposal for Financing (Attachment 2) will be sent to Smith-Barney Inc., Bank One, First Chicago NBD, Fifth Third Bank, all local banks, and John Nuveen & Co. Inc.. Discussion followed.

On a motion by Mr. Will, seconded by Mrs. Kern, the Request for Proposal for Financing was approved.

There being no further business, the meeting adjourned at 2:15 p.m.

UNIVERSITY of SOUTHERN INDIANA
Request for Proposal for Financing
Calendar Year 1998 Construction Projects

I. BACKGROUND OF THE UNIVERSITY OF SOUTHERN INDIANA

A. Brief History

The University of Southern Indiana was established as a regional campus of Indiana State University following enactment of legislation in 1965. In 1984, legislation was enacted to begin the process of establishing a separate state university on the site of the Indiana State University-Evansville campus. The process was completed July 1, 1985, in accordance with Public Law 218, enacted by the 1985 Indiana General Assembly, which created the University of Southern Indiana and provided for the transfer of assets and liabilities from Indiana State University.

From its inception, the University was a comprehensive state university. It has evolved as a broad-based institution offering programs of instruction, research, and service. A liberal arts and science curriculum serve as the foundation of knowledge for all programs and complements undergraduate programs leading to careers in business, engineering technology, government, health professions, education, and related fields. Selected master's degrees already in existence, and in development, serve persons in professional and technical studies.

The first class was graduated in 1971, and today the alumni body numbers more than 14,000. Annual enrollment has grown steadily over the years with 8,300 students enrolled in credit courses for the fall term 1997.

The University is located on a 300-acre tract between Evansville and Mt. Vernon. The University first occupied its new quarters on the present campus in 1969 when the Wright Administration Building and the Science Center were opened. The Rice Library opened in 1971; the University Center, which was recently enlarged, in 1974; the Engineering Technology Center in 1975; the Physical Activities Center in 1980; the Robert D. Orr Center in 1990; and the Health Professions Center in 1994. These major facilities are complemented by several specialized structures that support the University's academic programs.

Student housing is available on campus. This housing consists of 40 buildings with 532 apartment-style units that house approximately 2,004 students. In addition to the on-campus facilities, the University of Southern Indiana Foundation owns an apartment complex located near the campus that can house approximately 400 students. To meet the demand for housing, the University has also rented private apartments to house more than 275 students.

B. Enrollment History and Projection

<u>YEAR</u>	<u>ACTUAL</u>	<u>YEAR</u>	<u>PROJECTION</u>
1993	7,551	1998	8,549
1994	7,443	1999	8,805
1995	7,666	2000	9,070
1996	7,763	2001	9,342
1997	8,300	2002	9,622

II. PROJECT DESCRIPTIONS

CURRENT PROJECTS

Current projects have preliminary or final internal and state agency approvals and are either in construction or near construction.

LIBERAL ARTS CENTER -The primary purpose of this building is to provide classrooms and faculty offices. The building will also provide specialized facilities and service areas for the School of Liberal Arts. The general purpose classrooms and lecture rooms will be available for scheduling by all academic schools. This project has been approved by the State of Indiana with bonding authority of \$15,200,000 plus the cost of bond issuance. The project qualifies for fee replacement funding within the State budget process.

UNIVERSITY HOUSING - The University is experiencing rapid growth that requires the construction of additional housing facilities for students. The current type of housing used at the University is an apartment style-unit. The University has state approval to construct three additional units. Each unit will house 64 student residents. Total construction cost, including the cost of furnishing, is expected to be \$3,200,000 plus the cost of bond issuance.

WELLNESS, FITNESS, RECREATIONAL FACILITY - The University has received authorization to fund and construct an on-campus fitness center that will be attached to the current Physical Activities Center. The University anticipates that this facility will provide opportunities for both students and staff to participate in a number of fitness activities and intramural sports and provide supplemental facilities for instruction in the physical education curriculum. This facility is projected to cost \$3,500,000 plus the cost of bond issuance.

FUTURE PROJECT

STUDENT RESIDENTIAL COMPLEX - The future development of housing at the University of Southern Indiana is intended to take the best attributes of the current apartment-style facilities and combine them with the strengths of more traditional residence hall design. This new housing complex will be built in phases, with each phase able to accommodate 150 students. We anticipate that the first phase will include the construction of facilities for 300 students at a total cost of \$7,000,000 plus the cost of bond issuance.

USI FOUNDATION PROJECT

GOLDEN TOWER APARTMENTS - The Golden Tower Apartments are owned by the University of Southern Indiana Foundation, a closely-related entity. The purchase of these units was originally funded through a \$4,000,000 bond issue with a final balloon payment due in December 1999. The University anticipates that the USI Foundation will require financing assistance to permanently fund the cost of this purchase.

III. REQUEST

Based upon the project descriptions set forth in this request for proposal:

- A. Outline the financing plan(s) that you would recommend and any ***innovative*** methods or new ideas that you would propose. Your proposal should be both comprehensive and specific. You may propose a comprehensive financing package for all projects or choose to address each element individually. Alternative funding scenarios may be proposed for each component of the financing package.

Include:

1. Comparison of Floating Rate versus Fixed Rate Financing.
2. Comparison of Parity Debt versus Junior Debt (or interim financing).
3. Arbitrage consequences and rebate management.
4. Bond Insurance applicability (From whom? Cost? Need?)
5. Bank Letter (or Line) of Credit.
6. Stand-alone credit rating.
7. Methods of managing interest rate risk with variable rate issues.
8. Reserve fund strategies.
9. Your firm's sales or remarketing services.

Your proposal need not assume the necessity of 'bank qualification' under IRC Section 265, but if recommended, you should outline how it would be achieved within the framework of the total financing need.

- B. Summarize the advantages and disadvantages of each funding alternative and why your firm is uniquely qualified to serve the University of Southern Indiana.
- C. Catalog all expenses to be paid by the University (from any source of funds) associated with the implementation on the financing program(s) recommended. Identify the form and approximate amount of compensation that you propose. Provide an indication of the spread (in dollars/\$1,000) which would be required if your firm is selected as the underwriter for these projects. Provide a breakdown of the spread by component, i.e., management fee, takedown, underwriting fee, and out of pocket expenses, excluding counsel. Identify negotiable items. *Be advised that unrealistic spread assumptions will be viewed negatively by the University.*
- D. The University of Southern Indiana reserves the right to select separate underwriters for each component of the RFP, or may select one underwriter for all components. Your proposal should identify any cost savings derived from issuing all debt under the auspices of one underwriter.

IV. DESCRIPTIVE INFORMATION THAT MUST BE PROVIDED BY ALL FIRMS SUBMITTING PROPOSALS

A. Background

1. Brief history of organization.
2. Number and location of offices.
3. Equity capital position (net capital) and excess net capital position.

B. Experience (for the past five years)

1. List major financing underwritten for Indiana issuers. (Indicate whether your firm participated as a manager or co-manager in these issues.)
2. List major financing underwritten for institutions of higher education in Indiana. (Indicate whether your firm participated as manager or co-manager in these issues.)
3. List major financing underwritten for institutions of higher education nationwide. (Indicate whether your firm participated as manager or co-manager in these issues.)
4. Comment on the use and involvement of Indiana investment houses and financial institutions as co-managers in connection with marketing and sale of bonds, pricing, allocation of bonds, and underwriting or other fees.

C. Personnel

1. Provide names and brief resumes of the individuals in your firm responsible for coordinating and directing this project. Include their years of experience in public finance and relevant higher education public finance experience.
2. Briefly describe the responsibilities of each of these individuals with respect to this financing.

D. Services

1. Provide your assessment of the municipal bond market for the remainder of 1997 and 1998.
2. Indicate your procedures and strategies with Moody's, Standard & Poors, and Fitch.
3. Identify the specific services that you would provide as the lead underwriter as a part of your fee.

E. Privileged Information

1. Identify that information in your proposal which you deem to be confidential or proprietary and explain the justification for requesting that such information not be disclosed by the University.

F. General

1. Confirm that your firm is eligible to underwrite municipal securities in the state of Indiana and for the University of Southern Indiana under applicable state or federal rules.
2. Identify and discuss any pending or threatened SEC, or other regulatory body proceedings, or criminal proceedings against your firm or in which your firm is involved concerning or related to municipal securities.
3. A maximum thirty 30-page limit is requested, excluding appendices. Please send four copies of your response for receipt by 4:00 p.m. (C.S.T.) on December 10, 1997, to:

Richard W. Schmidt
Vice President for Business Affairs and Treasurer
University of Southern Indiana
8600 University Boulevard
Evansville, Indiana 47712

UNIVERSITY of SOUTHERN INDIANA
 Student Fee Analysis - UNDERGRADUATE
 Academic Years 1996/97 - 1997/98

**96/97 97/98 %
 Change Change Change**

Resident Credit Hour Fees	\$80.00	\$83.75	\$3.75
Credit Hour Fees for Non-Resident	\$195.25	\$205.25	\$10.00
Other Mandatory Fees			
Campus Services Fee - 8 or more credit hours per semester	\$27.00	\$27.00	\$0.00

COST OF ATTENDANCE COMPARISONS

PART-TIME STUDENT/COURSE

Resident	\$240.00	\$251.25	\$11.25	4.69%
Non-Resident	\$585.75	\$615.75	\$30.00	5.12%

FULL-TIME STUDENT/SEMESTER

Resident	\$987.00	\$1,032.00	\$45.00	4.56%
Non-Resident	\$2,370.00	\$2,490.00	\$120.00	5.06%
Resident	\$1,227.00	\$1,283.25	\$56.25	4.58%
Non-Resident	\$2,955.75	\$3,105.75	\$150.00	5.07%

FULL-TIME STUDENT/ACADEMIC YEAR

Resident	\$1,974.00	\$2,064.00	\$90.00	4.56%
Non-Resident	\$4,740.00	\$4,990.00	\$240.00	5.06%
Resident	\$2,454.00	\$2,566.50	\$112.50	4.58%
Non-Resident	\$5,911.50	\$6,211.50	\$300.00	5.07%

UNIVERSITY of SOUTHERN INDIANA

Interim Financing Analysis - Liberal Arts Building

June 30, 1997

	<u>AmBank</u>	<u>Bank One</u>	<u>Fifth Third</u>	<u>NBD</u>	<u>NatCity</u>	<u>Citizens</u>
						<u>National</u>
Fixed Rate - Tax Exempt	5.290%	0.000%	5.250%	4.280% (A)	4.450% (2) (A)	4.790%
Fixed Rate - Taxable	7.690%	0.000%	7.750%	6.370% (A)	6.200% (2) (A)	7.160%
Variable Rate - Tax Exempt	0.000%	6.200%	0.000%	4.252%	0.000%	4.640%
Variable Rate - Taxable	0.000%	7.220%	7.631%	6.312%	0.000%	6.940%
Fees		1/8%			\$16,000	
Interest Payments	Semi-annual	Quarterly	Semi-annual	Semi-annual	Maturity	Semi-annual
Principal Payments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Prepayment Penalty	\$0.00	\$0.00	\$0.00	\$0.00 (1)	\$0.00	\$0.00
Maturity	31-Dec-98	31-Dec-98	31-Jul-98	31-Dec-98	31-Jul-98 (3)	31-Dec-98

Old National Bank of Evansville and National City Bank of Evansville declined to quote.

- (1) Prepayment penalty on variable rate if prepayment made during LIBOR period.
- (2) Interest rate includes an adjustment to reflect the impact of placement fee.
- (3) Proposal suggests initial disbursement of entire \$8,000,000 rather than incremental borrowing.
- (A) Rate projection based upon Treasury quote as of date of submission, rate will be fixed at time of note issuance.

PROJECT DESCRIPTION

NEW CONSTRUCTION - LIBERAL ARTS CENTER

Budget Agency Number: G-0-93-1-01

DESCRIPTION OF THE PROJECT:

The University of Southern Indiana proposed the construction of a general purpose classroom building (the Liberal Arts Center) in its 1995-97 Capital Improvement Budget Request. This project includes related site preparation for the building and expansion of the central campus chiller plant to accommodate the facility. Projections for the building include approximately thirty (30) general classrooms, twenty-two (22) specialized instructional facilities for individual disciplines, eighty (80) faculty offices, and administrative and academic/administrative support facilities.

The building will be located southwest of the University Center and east of Reflection Lake near the former location of the Children's Center. As part of the site preparation for the project, the Children's Center has been moved to the area near the Theatre Center and the Radio Center.

The primary function of this classroom building is to provide additional classrooms and faculty offices. The building also will provide specialized facilities and service areas for the School of Liberal Arts. The general purpose classrooms and lecture rooms will be available for scheduling by all academic schools.

PROJECT SIZE: approximately 110,000 GSF

ESTIMATED PROJECT COST: \$15,200,000

ANTICIPATED CONSTRUCTION SCHEDULE:

Bid Date	8/97
Start Construction	9/97
Occupancy	8/99

EXHIBIT B

TERMS OF INTERIM FINANCING FOR THE LIBERAL ARTS CENTER PROJECT

Maximum Principal Amount:	\$1,050,000 tax-exempt \$6,950,000 taxable
Final Maturity:	January 31, 1999
Interest Rate:	Tax-exempt: Fixed at the prevailing rate on U.S. Treasury obligations of like maturity, plus 75 basis points, divided by 1.565363, plus 22 basis points
	Taxable: Fixed at the prevailing rate on U.S. Treasury obligations of like maturity, plus 75 basis points
Interest Payable:	Semiannually (December 31, 1997; June 30, 1998; December 31, 1998) and at Final Maturity
Principal Payable:	At Final Maturity
Financial Institution:	NBD Bank, N.A.
Financing Documents:	Loan Agreement; Promissory Note
Prepayment Provisions:	No Restrictions
Demand Provisions:	None or Demand upon default
Fees:	None
Security:	Junior lien on student fees