

**MINUTES**  
**JOINT**  
**FINANCE/AUDIT COMMITTEE & ACADEMIC AFFAIRS AND ENROLLMENT MANAGEMENT COMMITTEE**  
**UNIVERSITY OF SOUTHERN INDIANA**  
**BOARD OF TRUSTEES**

**January 9, 2020**

The Finance/Audit Committee and the Academic Affairs and Enrollment Management Committee of the University of Southern Indiana Board of Trustees met in joint session on Thursday, January 9, 2020, in Indianapolis. Present were Finance/Audit Committee Chair Ronald D. Romain '73; Academic Affairs and Enrollment Management Committee Chair Jeffrey L. Knight; and Trustees Josi M. Barscz '22; Harold Calloway; John M. Dunn; Christine H. Keck; Christina M. Ryan; and Kenneth Sendelweck '76. Trustee Ellis S. Redd was absent. Also, in attendance were President Ronald S. Rochon; Provost Mohammed Khayum; Vice President for Finance and Administration Steven J. Bridges '89 M'95; Vice President for Marketing and Communications Kindra L. Strupp; Vice President for Enrollment Management Andrew W. Wright; Vice President for Development David A. Bower; Vice President for Student Affairs Khalilah T. Doss; Chief Government and Legal Affairs Officer Aaron C. Trump; and Faculty Senate Chair Kenneth M. Purcell.

Finance/Audit Committee Chair Ron Romain called the joint meeting to order at 10:20 a.m.

**1. APPROVAL TO RECOMMEND ISSUANCE OF BOND SERIES N**

Mr. Romain called on Vice President Bridges for a recommendation. Mr. Bridges explained that a recommendation is being presented for the issuance of Series N bonds for the Health Professions classroom renovation and expansion project, but a pertinent update regarding this action will also be given. The State of Indiana has experienced a significant budget surplus that may enable cash funding, rather than debt issuance, for additional state capital projects. USI's Nursing and Health Professions renovation and expansion project has been listed as one of those that is being considered. However, USI will continue moving forward with the debt issuance process in the event cash funding does not occur. Therefore, we are proceeding with the approval process today, following the State Budget committee approval given on December 20, 2019. Mr. Bridges explained that if the project is cash funded, USI will not issue this debt.

A summary of information obtained from a request for proposal for underwriting and investment banking services for \$48 million in Series N Bonds, was included in the handouts. The request was sent to eight broker-dealers and nine commercial banks with responses due on December 10, 2019. The University received proposals from six broker-dealers and three commercial banks. Mr. Bridges noted the proposals were evaluated with the help of municipal advisor, Blue Rose Capital Advisors James McNulty and Georgina Walleshauser, and University Controller and Assistant Treasurer Jeff Sickman. Mr. Bridges also reviewed the proposals in the context of the firm's ability to achieve the University's goal of minimizing cost of capital and interest rate risk. A secondary objective was to lower transaction costs such as investment banking fees and take any prior experiences with the University into consideration.

Mr. Bridges explained the page entitled "Senior and Co-Manager Underwriting Experience (2017-YTD)," provided an idea as to the amount of experience each broker-dealer had since 2017. The dollars and numbers of transactions were included. This provided a level of understanding of their experience and also provided some idea of their work in the current market. This page did not provide any specific information to the USI proposal that information followed in additional pages. The page entitled "Indicative Rates as of November 29, 2019," addressed the cost of capital that was reviewed with the broker dealer responses and the "2019 Direct Purchase RFP Response Summary Indicative Rates as of December 10, 2019," provided information with the three bank responses. Mr. Bridges explained since the 2017 tax reform bill lowered the corporate tax rate from 35 percent to 21 percent, the relative value of tax-exempt bonds decreased for traditional commercial banks and thus proposals from these banks were less competitive compared to capital market transactions. The rates with these proposals are higher than the broker-dealer approach and none of the three banks included terms longer than 10 years which would require the University to assume interest rate risk at a later date for a required rollover. For those reasons, a bank deal was not recommended. He directed the Trustees to review the second page entitled "Indicative Rates as of November 29, 2019" and the second option of financing

utilizing the broker-dealer market approach. He stated after reviewing the proposals, USI found five of the six broker-dealers demonstrated their qualifications to serve as a senior-managing underwriter for this transaction. Of those five, the proposals from Bank of America, Piper Jaffray, and Stifel stood out among the group. These firms provided the best combination of relevant experience, knowledgeable bank team, substantiated pricing execution, customized ideas and strategies, in depth credit analysis, and overall proposal quality. Of these three firms, the evaluation team ranked Stifel the highest due to the quality of the response, the firm's experience in Indiana, and most significantly the ability to deliver on their proposal with Series L and Series M transactions for USI. Stifel also performed well in the secondary objective to lower transaction costs which was listed in the handout entitled "Compensation and Fees". Mr. Bridges explained offers from the broker-dealers to serve as placement agents instead of capital market underwriters were received, but were dismissed due to the bank loan rates being less competitive than capital market rates. USI will continue to monitor the bank market as we approach the pricing of the transaction in the event that something would change making the transaction or part of the transaction attractive using this method.

Mr. Bridges concluded recommending Stifel, Nicholas, and Company to serve as the underwriter for the Series N bond issuance.

On a motion by Mr. Dunn, seconded by Ms. Keck, and abstention by Mr. Sendelweck, a recommendation to the Board of Trustees approving the issuance of Bond Series N was approved.

## **2. REPORT OF CHANGE ORDERS APPROVED**

Mr. Romain called on Vice President Bridges, who reviewed the construction change orders related to the PAC Phase I & II renovations in Attachment A. Mr. Bridges noted that none of these change orders exceed the \$25,000 threshold requiring Board of Trustees approval. The nature of the changes are fairly routine in renovation situations where unplanned issues are discovered in the process of the work.

## **3. MIDWEST STUDENT EXCHANGE PROGRAM TUITION APPROVAL**

Vice President for Enrollment Management, Andrew Wright was called upon to explain the Midwest Student Exchange Program (MSEP). Mr. Wright directed the Trustees to a handout outlining the MSEP. He explained the MSEP is a program of the Midwestern Higher Education Compact which offers reduced tuition rates to students in participating states and serves as the Midwest's largest multi-state tuition reciprocity program. He noted that he, Vice President Bridges, and their teams, have been reviewing the opportunity to participate in this program and have concluded it would be beneficial to do so.

The Board was asked to approve participation beginning in Fall 2021, and to set an undergraduate tuition rate of 125 percent of the in-state rate for new and continuing undergraduate students that are from participating states. Those states were noted on the handout and include three of USI's top four sending states – Illinois, Missouri and Ohio. Mr. Wright also noted that several Indiana institutions already participate in the MSEP, including Ball State University, Indiana State University, and the Indiana University and Purdue University branch campuses.

He outlined three benefits of participation in this program.

- 1) Opportunity to increase enrollment from key states
- 2) Anticipate improved retention rates of students from MSEP states
- 3) Immediate lowering of the discount rate

Mr. Wright explained the start date of Fall 2021 gives USI time to properly market the MSEP opportunity to new students, as well as high school counselors and community college partners. Additionally, it gives USI time to adjust internal processes and controls. USI would also be adjusting the current out-of-state scholarship from 120 percent of in-state rates to 125 percent of in-state rates for students not living in an MSEP state.

Mr. Wright concluded by recommending Board of Trustees approval for participation in the Midwest Student Exchange Program beginning Fall 2021 and a tuition rate of 125 percent of in-state rates for new and continuing students to be assessed.

On a motion by Mr. Knight, seconded by Ms. Keck, a recommendation to the Board of Trustees approving participation in the Midwest Student Exchange Program was approved.

There being no further business, the meeting was adjourned at 10:37 a.m.

**Summary of Construction Change Orders  
Authorized by the Vice President for Finance and Administration**

**PHYSICAL ACTIVITIES CENTER (PAC) RENOVATIONS PHASE I**

**Empire Contractors, Inc. – General Contractor**

CO P056 Bennett Lane credit (\$15,570)

**PHYSICAL ACTIVITIES CENTER (PAC) RENOVATION PHASE II**

**Empire Contractors, Inc. - General Contractor**

CO P007 Storm and roof drain, floor box, AV coordination, ceiling changes and slab details \$ 22,995

CO P008 Door and hardware changes, electrical power modifications \$ 12,130

CO P011 Window closure, piping change, seat logo, electric box, custom color radiators \$ 1,450