

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of January 24, 2002**

The meeting of the Resources Committee of the Ohio Board of Regents was held at the Center of Science & Industry in Columbus, Ohio. In attendance were the following:

Ohio Board of Regents members:

J. Gilbert Reese, Committee Chair
Floyd Nickerson
Thomas Noe

Ohio Board of Regents staff:

Rod Chu, Chancellor
Kyle Gephart, Assistant Director, Capital Development
Neal McNally, Assistant Director, Budget & Resource Planning
Richard L. Petrick, Vice Chancellor for Finance
Bill Wagner, Financial Analyst

Guests:

Dan Albrinck, University of Cincinnati
Larry Christman, Association of Independent Colleges & Universities of Ohio
Keith Kamerer, VP for Finance, Edison State Community College
Barbara Hawley, Squire Sanders & Dempsey, LLP
Jim Johnson, Ohio Faculty Senate/Sinclair Community College
Jan Niger, Office of the Ohio Attorney General
Sheri Stoll, Kent State University
Terry Thomas, Ohio Association of Community Colleges
Susan Walker, Office of the Ohio Attorney General
Kenneth Yowell, President, Edison State Community College

The meeting was called to order by Regent Reese and introductions were conducted. The minutes of the November 2001 Committee meeting were approved without objection.

Reports and updates

President Kenneth Yowell of Edison State Community College briefed the Committee on the status of the College's FY 2001 audited financial report, which was submitted to the Auditor of State 18 days after the legislatively-mandated December 31st deadline. President Yowell expressed regret but stated that the tardiness of the report was not due to dereliction or procrastination on the part of the College. President Yowell explained that an unexpected delay in the College's transition to a new information system contributed to the tardiness of the report. President Yowell also indicated that the College's independent auditor, Deloitte & Touche, had been told by the State Auditor's office that a deadline extension was not permissible, even though

state statute does give the State Auditor discretion to grant such an extension. President Yowell stated that although the College's report was submitted late, the report shows that the College is financially sound. President Yowell said he accepted full responsibility for the report's tardiness and has sent a letter of apology to Governor Taft and legislative leaders. President Yowell asked the Committee to accept his assurances that the College would not miss the deadline in the future. Finally, President Yowell said that placing the College on fiscal watch would be unnecessary since a remedy is already in place, that is, a new information system. Regent Reese noted the Board of Regents' statutory responsibility regarding such issues, and suggested that the Committee address this at its next meeting in March 2002, after the College's audited financial report has been reviewed by Board members and Regents' staff. Regent Nickerson asked about the audit and new information system. President Yowell responded that the College received a clean audit with an unqualified opinion from Deloitte & Touche, and that the new information system is used widely by other colleges and universities. The Committee approved Regent Noe's motion to table the issue until its next meeting in March 2002.

Vice Chancellor Petrick told the Committee that that OBM had not yet completed the January financial report, which monitors state revenues and expenditures. Vice Chancellor Petrick said that the FY 2002 budget cuts had probably contributed to the delay of this report. Vice Chancellor Petrick turned the Committee's attention to the FY 2003-2004 Higher Education Capital Plan. Vice Chancellor Petrick noted that the Board originally recommended \$544.7 million, but that OBM had reduced this amount to \$525 million. Vice Chancellor Petrick said that by reducing other line items, the effects of the reductions on campus projects and basic renovations were minimized. Vice Chancellor Petrick also noted that the \$525 million includes \$6 million added by OBM for Central State University, which was not included in the Board's recommendations. Noting that Central State has yet to spend a \$7 million capital appropriation from the FY 2001-2002 capital bill, Regent Noe expressed concern over the additional \$6 million added by OBM. Regent Noe said it would seem unfair to give Central State an additional \$6 million while other campuses have been asked to reduce their capital requests by 2.5%. Regent Noe stressed the importance of campuses providing capital plans to demonstrate the need for capital funds, and suggested that a letter be sent to OBM regarding his concern.

Items for review in January

Barbara Hawley, bond counsel for Kent State University, briefed the Committee on Kent State University's request to pledge student fees in support of a \$60 million bond issuance. Ms. Hawley stated that the University would be able to take advantage of low interest rates to raise funds for routine capital projects. Regent Noe asked how Kent State's viability ratio would be affected by this additional debt. Sheri Stoll responded that the effect would be marginal since much of the bond proceeds would reimburse funds already expended. Ms. Stoll predicted that Kent State's viability ratio would increase in FY 2002. Vice Chancellor Petrick noted that Kent State had opted to secure bond insurance, and that the University would provide the Board with periodic updates on the capital projects the bond proceeds would support.

Dan Albrinck briefed the Committee on the University of Cincinnati's request to pledge student fees in support of a \$53.2 million bond issuance. Mr. Albrinck stated that Advantage Pharmaceuticals had donated an existing facility and 8 to 10 acres of land to the University. The University proposes to raise bond proceeds to finance the renovation of the facility, which will become the site of the University's Genome Research Institute.

Vice Chancellor Petrick told the Committee that he expects Cincinnati State Technical & Community College to submit a request to pledge student fees in support of a bond issuance, which might be on the Committee's agenda in March.

The meeting was adjourned.