University of Toledo
May 2009 Fee Pledge Request - $51,950,000

I. Project Overview

The University of Toledo proposes to issue general receipts obligation bonds to finance various capital and infrastructure projects on its campuses, including:

- Construction of a new College of Pharmacy Building
- Improvements to the Medical Center's Intensive Care Unit
- Digital Campus Records System Project
- Construction of a new Indoor Practice Facility
- Wireless Telecommunications Project

The University intends for this debt to be financed through a permanent debt issuance that will be retired in 22 years.

Submission: May, 2009

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II. Project Financing and Costs

The University of Toledo requests the authority to pledge student fees in support of the issuance of general receipts obligation bonds in an aggregate amount not to exceed $51,950,000. Estimated project costs funded through the proposed debt issuance are presented below:

Project Costs:		
Construction:	$	35,500,000
Equipment:	$	14,270,000
Architects and Engineers:	$	1,570,000
Contingency:	$	1,425,000
Other Costs:		
Misc	$	235,000
Total Project Costs:	***$***	***53,000,000***
Project Resources		
Gifts, Grants, etc:	$	2,000,000
Total Project Resources:	***$***	***2,000,000***
Difference (Total Costs - Total Resources):	***$***	***51,000,000***
Costs to be Financed:		
Project Costs: *(See details above)*	**$**	**51,000,000**
Cost of Issuance:		
Underwriting Discount:	$	145,000
Bond Counsel:	$	35,700
Rating Agencies:	$	95,000
Trust Origination:	$	11,000
Printing:	$	8,000
OMAC Report:	$	4,000
Financial Advisor:	$	49,000
Underwriter's Counsel:	$	50,000
Other Costs of Issuance:	$	25,300
Total Cost of Issuance:	**$**	**423,000**
Insurance Premium	**$**	**527,000**
Total Bond Issuance:	**$**	**51,950,000**

The University of Toledo estimates that the maximum annual debt service obligation for the proposed debt issuance will be $4,166,026 per year, based on 5.14% interest over 22 years. The University has identified revenues to support the debt service and annual operating expenses for each project included in this request. Specific information regarding the funding sources to support the projects can be found in the individual project descriptions.

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III. Fee Impact

This proposed debt issuance will have no direct impact on student tuition and fees. While the University of Toledo may use unrestricted student fee revenues to service the debt and pay for related operating costs, student fees are not expected to increase as a direct result of this action.

IV. Project Description

College of Pharmacy Building, $25,000,000

The purpose of this project is to finance the construction of a state-of-the-art facility on the University's Health Science campus for the College of Pharmacy. Once constructed, the new facility will include high-tech laboratories, lecture halls and office space; including modern professional development amenities. The new building will offer students and staff with a hands-on learning experience in an integrated medical community. The construction of the new laboratory space will be based on a modular design with moveable laboratory elements that will enhance the efficiency and flexibility of the building and provide the region with one of the most clinically advanced medical learning facilities.

The University of Toledo estimates the maximum annual debt service for this project to be $2,042,170 with an additional annual operating cost of $340,740; which will be repaid over 22 years and financed with student tuition and fee revenues.

Medical Center's Intensive Care Unit, $7,000,000

The primary purpose of this project is to renovate the Intensive Care Unit (ICU) at the University of Toledo's Medical Center. The improvements to the ICU will increase the Center's current capacity from 14 beds to 24 beds. Given that the current occupancy of the University of Toledo's Medical Center is 90 percent, this expansion will accommodate planned growth and allow for improvements to a system of seamless patient care.

The University of Toledo estimates the average annual debt service for this project to be $571,807; which will be repaid over 22 years with revenues from the Medical Center.

Digital Campus Records System, $7,000,000

The Digital Campus Records Systems project is a multiphase, multiyear initiative to comply with the federal requirement that the University of Toledo's Medical Center develop a complete Electronic Health Record. The University remains committed to full implementation of this government-certified system in order to circumvent any potential reductions in Medicare reimbursement rates. Moreover, by proactively completing the Digital Campus project within the time frame required, the Medical Center will have the opportunity to qualify for additional incentives that bring the center closer to interoperability standards.

The funds included in this request for the Digital Campus project will complete stage IV and V of the initiative and will result in a fully operational clinical information system that will service patients, education and science through a world class system. Furthermore, it will enhance the quality of health care delivery and access while decreasing costs.

The University of Toledo estimates the average annual debt service for this project to be $571,808 with an additional annual operating cost of $1,200,000; which will be repaid over 22 years and supported by Medical Center revenues.

Indoor Practice Facility, $10,000,000

In conjunction with the "Building Champions Campaign", the University is planning to construct a new campus facility that will include a football practice field, a basketball and volleyball practice court, along with an indoor track. Designed to improve the competitive environment for the University's student-athletes, the facility will support all 16 varsity sports as well as other campus groups. The estimated cost of the facility is $11 million with $10 million being funded through this debt issuance and the remaining $1 million funded through philanthropy. The University has set a target completion date of spring 2010 for the new athletic facility.

The University of Toledo estimates the average annual debt service for this project to be $816,868 with an additional annual operating cost of $410,826; which will be supported with revenues generated from student tuition and fees.

Wireless Telecommunications, $2,000,000

The primary purpose of this project is to provide wireless coverage for more than 4 million square feet of university buildings on its main campus. The University's student government leadership group has identified this project as very high priority in order to provide a higher level of student centeredness, allowing for access to "anytime/anywhere" learning, research, entertainment, and communication channels. Currently less than 30 percent of the campus is "wired." The project implementation timeline is 6 months. Once complete, this project will provide coverage to the entire University community.

The University of Toledo estimates the average annual debt service for this project to be $163,374 with an additional annual operating cost of $225,500; which will be supported with revenues generated from student tuition and fees.

V. Financial Ratio Analysis

Through the 1997 enactment of Senate Bill 6, the 122nd 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 The University of Toledo performed when these measures are applied to its FY 2005, FY 2006, FY 2007 and FY 2008 audited financial statements—the most up-to-date financial data available. Note that prior to FY 2007, the University of Toledo and the Medical University of Ohio were two separate institutions. The figures appearing below for the fiscal years of 2005 and 2006 reflect the University of Toledo, only.

*NOTE: The FY 2008 data shown in *italics* reflect the ratios and composite score when approximately $51.95 million in new debt is added to the calculations. This amount equals the net new debt requested here. Also, $4.16 million 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 University'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 University of Toledo's viability ratios for FY 2005, FY 2006, FY 2007 and FY 2008 are as follows:

FY 2005	FY 2006	FY 2007	FY 2008	*FY 2008**
55.0%	59.7%	74.2%	92.9%	*77.7%*

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. University of Toledo's primary reserve ratios for FY 2005, FY 2006, FY 2007 and FY 2008 are as follows:

FY 2005	FY 2006	FY 2007	FY 2008	*FY 2008**
30.6%	29.9%	29.3%	33.1%	*33.0%*

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. University of Toledo's net income ratios for FY 2005, FY 2006, FY 2007 and FY 2008 are as follows:

FY 2005	FY 2006	FY 2007	FY 2008	*FY 2008**
+4.6%	+0.7%	+4.2%	+0.6%	*0.0%*

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. University of Toledo's composite scores have been above the minimum threshold:

FY 2005	FY 2006	FY 2007	FY 2008	*FY 2008**
3.40	3.00	3.70	3.30	*3.30*

VI. Financial Outlook and Bond Rating

According to its FY 2008 audited financial report, the University of Toledo's financial position remains strong, having reported total assets of $947,696,000 and liabilities of $393,177,000. Net assets, which represent the value of the University's assets after liabilities are deducted, increased by $4,318,000 in FY 2008 to $554,519,000 or 58.5% of total assets.

The University's existing debt has received relatively high marks from independent bond-rating agencies. In July of 2008, The University of Toledo's long-term debt was assigned ratings of *A2* by Moody's Investors Services and *A* by Standard and Poor's.

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

Long-Term Bonds				
Moody's			**S & P**	**Description**
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).

VII. 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 2004 and FY 2008, statewide plant debt increased 34.0% or approximately $1.0 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 $139,026,658 or 3.6% in FY 2008, the University of Toledo's plant debt decreased by $4,145,000 or 1.54%.

LONG-TERM PLANT DEBT, FY 2004 - FY 2008

Institution	Long-Term Plant Debt				
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
UNIVERSITIES					
BOWLING GREEN	$84,410,000	$109,000,000	$99,250,000	$89,345,000	$80,290,000
CENTRAL STATE	$2,535,821	$2,340,402	$2,177,250	$2,003,952	$1,862,693
CLEVELAND STATE	$53,754,446	$115,923,075	$113,522,226	$161,098,196	$163,591,508
KENT STATE	$282,832,000	$279,692,000	$276,441,000	$273,153,000	$277,532,000
MUO (b)	**$8,730,000**	**$56,299,000**	**$53,827,000**	***See UT***	***See UT***
MIAMI UNIV.	$92,833,435	$168,613,252	$159,727,329	$235,357,582	$228,484,393
NEOUCOM	$1,237,841	$1,046,607	$878,345	$700,300	$2,291,713
OHIO STATE	$814,606,000	$877,540,000	$1,106,227,000	$1,118,091,000	$1,076,097,000
OHIO UNIVERSITY	$175,592,164	$167,529,147	$192,862,349	$182,914,606	$167,403,027
SHAWNEE STATE	$2,600,000	$2,270,000	$1,925,000	$19,550,000	$17,765,000
UNIV. AKRON	$226,729,516	$258,484,797	$255,328,236	$247,378,185	$421,931,710
UNIV. CINCINNATI	$893,004,000	$877,453,000	$966,516,000	$1,074,333,000	$1,091,020,000
UNIV. TOLEDO	**$167,367,000**	**$176,779,000**	**$171,134,000**	**$269,554,000**	**$265,409,000**
WRIGHT STATE	$29,584,121	$46,189,820	$42,513,677	$38,738,096	$35,624,887
YOUNGSTOWN ST.	$13,492,373	$13,268,653	$22,162,550	$20,397,972	$18,603,592
COMMUNITY COLLEGES					
BELMONT TECH	$66,728	$33,107	$0	$0	$0
CINCINNATI ST.	$47,580,000	$47,530,000	$47,923,408	$47,701,975	$47,455,542
CLARK STATE	$72,800	$46,400	$8,195,000	$8,175,000	$7,900,000
COLUMBUS ST.	$24,105,000	$22,700,000	$21,250,000	$19,830,000	$18,255,000
COTC	$401,059	$100,986	$2,112,219	$3,875,762	$3,470,979
CUYAHOGA	$65,222,373	$64,840,147	$62,974,601	$57,393,209	$79,449,916
EDISON STATE	$604,972	$532,347	$5,109,018	$4,975,254	$4,704,730
HOCKING	$516,117	$1,039,729	$5,025,450	$5,235,058	$6,384,650
JAMES RHODES ST	$3,087,383	$3,067,812	$3,018,241	$2,968,669	$2,914,098
JEFFERSON	$2,170,485	$2,023,978	$1,838,573	$1,623,724	$1,422,593
LAKELAND	$5,674,098	$5,535,996	$4,767,321	$4,044,695	$3,308,426
LORAIN	$9,560,074	$7,925,194	$7,472,149	$7,010,546	$6,529,973
MARION TECH	$0	$0	$0	$0	$0
NORTH CENTRAL	$300,562	$220,160	$182,119	$727,540	$97,879
NORTHWEST ST.	$73,705	$82,001	$35,594	$25,249	$59,860
OWENS STATE	$0	$749,152	$579,288	$401,212	$536,241
RIO GRANDE	$0	$0	$0	$0	$2,411,421
SINCLAIR	$0	$0	$0	$0	$0
SOUTHERN ST.	$3,245,886	$3,022,204	$2,839,083	$2,710,583	$5,577,394
STARK STATE	$620,080	$16,738	$6,137	$0	$0
TERRA STATE	$839,738	$655,721	$464,012	$264,285	$66,409
WASHINGTON ST.	$0	$0	$0	$0	$0
ZANE STATE (MATC)	$341,385	$285,586	$223,983	$156,401	$309,075
STATEWIDE TOTAL	**$3,013,791,162**	**$3,312,836,011**	**$3,638,508,158**	**$3,899,734,051**	**$4,038,760,709**