Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

I. Project Overview

Clark State Community College proposes to issue general receipts bonds to finance the purchase of the Greene Center, a facility in Beavercreek, Ohio that is currently under long term lease by the institution. In addition to purchasing the Greene Center, the College intends to purchase land adjacent to the facility for future expansion. The college intends for this debt to be financed through a permanent debt issuance, which will be retired in 25 years.

Clark State Community College may issue a sub-series of Build America Bonds (BABs) as part of the total debt issuance. Build America Bonds (BABs), which can be used in lieu of qualified tax-exempt bonds, enable governmental entities to issue taxable bonds with an imbedded subsidy. The subsidy is 35% of the annual interest payment, which can result in significant cost savings relative to a traditional tax-exempt issuance, under certain market conditions.

Submission: March, 2010

Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

II. Project Financing and Costs

Clark State Community College requests the authority to pledge student fees in support of the issuance of general receipts obligation bonds in an aggregate amount not to exceed $10,500,000. Estimated project costs funded through the proposed debt issuance are presented below:

Project	Purchase Price	Resources	Costs Included In Debt Issuance
Greene Center Facility	*$ 8,633,333*	*$ -*	*$ 8,633,333*
Total Project Costs	**$ 8,633,333**	**$ -**	**$ 8,633,333**
Other Costs			
Original Issue Discount (OID)			*$ 103,987*
Estimated Issuance Costs			*$ 125,000*
Adjacent Land			*$ 1,637,681*
		Subtotal	**$ 1,866,667**
Total Bond Issuance Included in the Pledge of Student Fees			**$ 10,500,000**

Clark State estimates that the maximum annual debt service obligation for the proposed debt issuance will be $684,300, based on an annual interest rate no greater than 7% over 25 years. The College expects that the debt service and operating costs relating to the capital project included in this request will be supported with the institution's general funds.

Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

III. Fee Impact

This proposed debt issuance will have no direct impact on student tuition and fees. While Clark State may use unrestricted student fee revenues to support the debt service and operating costs relating to this request, student fees are not expected to increase as a direct result of this action.

Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

IV. Project Description

The primary purpose of this project is to purchase the Greene Center, a 51,560 square foot facility currently under lease by the College. In September of 2007, Clark State Community College entered into an agreement with the owners of the Greene Center leasing the first floor of the facility, thereby providing approximately 25,780 square feet of classroom and office space in Greene County. In addition to housing Clark State's Greene County facility, the owners have leased the second floor to Dayton's Regional STEM School since July 2009.

With this debt issuance, Clark State proposes the purchase of the Greene Center facility. Clark State has experienced steady enrollment growth in the center since its opening in 2007. Specifically, the fall enrollments have increased from 202 students in the Fall of 2007 to more than 830 students in Fall of 2009. Given the increase in enrollments, Clark State Community College has determined that it would be financially feasible to purchase the Greene Center facility as opposed to continuing to lease the first floor at a rate of $42,923 per month; or $515,084 annually.

The total purchase price and bond issuance costs are estimated to be $10,500,000. Clark State expects that the debt authority requested within will be used to fund this project. Moreover, the institution intends to support the estimated debt service costs of $684,300 annually through the use of general funds, currently being used to lease the same facility, and initially with auxiliary revenues generated from continuing to lease a portion of the Greene Center to Dayton's Regional STEM School. Once the STEM School vacates the second floor, the entire debt service costs will be supported by the use of General Funds.

The purchase of this facility will result in additional utility and cleaning costs. Initially, these costs bill be passed through to the Dayton Regional STEM School. Once the STEM School vacates the second floor, the College will incur these additional costs estimated at $52,000 per year for utilities and $29,000 for cleaning.

As part of the project detailed above, Clark State Community College intends to purchase land adjacent to the facility for future expansion. Therefore, as part of the estimated costs included in this fee pledge request, the College has budgeted approximately $1.6 million for the additional costs associated with the proposed land purchase. Note that the acquisition of property is still pending and is subject to the approval of the Controlling Board.

Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

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 Clark State Community College performed when these measures are applied to its FY 2006, FY 2007, FY 2008 and FY 2009 audited financial statements—the most up-to-date financial data available.

*NOTE: The FY 2009 data shown in *italics* reflect the ratios and composite score when approximately $10,500,000 in new debt is added to the calculations. Also, $684,300 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. Clark State's viability ratios for FY 2006, FY 2007, FY 2008 and FY 2009 are as follows:

FY 2006	FY 2007	FY 2008	FY 2009	*FY 2009**
91.6%	90.5%	88.3%	97.6%	*41.9%*

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. Clark State's primary reserve ratios for FY 2006, FY 2007, FY 2008 and FY 2009 are as follows:

FY 2006	FY 2007	FY 2008	FY 2009	*FY 2009**
32.8%	31.1%	24.5%	26.1%	*25.6%*

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. Clark State's net income ratios for FY 2006, FY 2007, FY 2008 and FY 2009 are as follows:

FY 2006	FY 2007	FY 2008	FY 2009	*FY 2009**
+5.0%	+9.1%	-0.4%	-0.4%	*-2.7%*

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. Clark State's composite scores have been above the minimum threshold:

FY 2006	FY 2007	FY 2008	FY 2009	*FY 2009**
3.70	3.90	2.60	3.10	*2.80*

Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

VI. Ratio Analysis for Participation in Credit Enhancement Program

In conjunction with this fee pledge request, Clark State Community College has submitted a request to participate in the Credit Enhancement Program. As required in OAC: 3333-1-15 the following ratio analysis is required.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*
GRF SSI Payments	$6,493,171	$6,763,526	$7,083,338	$7,878,362	$8,026,066
Aggregate Proposed Bonds Higher Debt Service (Occurs in FY 2017)	$684,300	$684,300	$684,300	$684,300	$684,300
Annual Debt Service Ratio	9.49	9.88	10.35	11.51	11.73
Estimated Debt Ratio For Remaining State Operating Support (Occurs in June 2011)					3.24:1

** FY 2010 SSI figure reflects GRF support net of the federally supported SFSF-Education funds.*

As proposed, if there is a semi-annual debt service payment made on the 1st of June, Clark State Community College would reasonably anticipate one State Share of Instruction payment of $668,839 remaining for the fiscal year. The highest semi-annual payment in June is $206,575, resulting in a **3.24:1 ratio**.

As proposed, if there is a semi-annual debt service payment made on the 1st of December, Clark State Community College would reasonably anticipate seven State Share of Instruction payments of $668,839 (or $4,681,873 in total) remaining for the fiscal year. The highest semi-annual payment in December is $680,378, resulting in a **6.88:1 ratio**.

Based on the debt service ratios and accompanying analysis, the Chancellor of the Board of Regents recommends Clark State Community College's participation in the state's Credit Enhancement Program. This recommendation is contingent upon the subsequent approval of this request by the Office of Budget Management and the Ohio Building Authority.

VII. Financial Outlook and Bond Rating

According to its FY 2009 audited financial report, Clark State Community College's financial position remains strong, having reported total assets of $47,002,000 and liabilities of $13,648,000. Net assets, which represent the value of the College's assets after liabilities are deducted, decreased by $106,000 in FY 2009 to 33,354,000 or 71.0% of total assets.

The College's existing long term debt has received relatively high marks from independent bond-rating agencies. Clark State's most recent bond rating from Moody's Investor Services was *A3 with a Stable Outlook*.

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.

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).

Clark State Community College
May 2010 Fee Pledge Request - $10,500,000

VIII. 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 2005 and FY 2009, statewide plant debt increased 35.4% or approximately $1.17 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 $445.6 million or 11.0% in FY 2009, Clark State Community College's plant debt decreased by $275,000 or 3.4%.

FY 2005-2009 Long-Term Plant Debt

Institution	Long-Term Plant Debt				
	FY 2005	FY 2006	FY 2007	FY 2008	*2009*
UNIVERSITIES					
BOWLING GREEN	$109,000,000	$99,250,000	$89,345,000	$80,290,000	$78,255,000
CENTRAL STATE	$2,340,402	$2,177,250	$2,003,952	$1,862,693	$1,743,287
CLEVELAND STATE	$115,923,075	$113,522,226	$161,098,196	$163,591,508	$207,067,009
KENT STATE	$279,692,000	$276,441,000	$273,153,000	$277,532,000	$276,019,000
MUO (b)	$56,299,000	$53,827,000	See UT	See UT	See UT
MIAMI UNIV.	$168,613,252	$159,727,329	$235,357,582	$228,484,393	$224,325,090
NEOUCOM	$1,046,607	$878,345	$700,300	$2,291,713	$1,992,413
OHIO STATE	$877,540,000	$1,106,227,000	$1,118,091,000	$1,076,097,000	$1,360,245,000
OHIO UNIVERSITY	$167,529,147	$192,862,349	$182,914,606	$167,403,027	$192,718,265
SHAWNEE STATE	$2,270,000	$1,925,000	$19,550,000	$17,765,000	$17,515,000
UNIV. AKRON	$258,484,797	$255,328,236	$247,378,185	$421,931,710	$418,195,077
UNIV. CINCINNATI	$877,453,000	$966,516,000	$1,074,333,000	$1,091,020,000	$1,090,644,000
UNIV. TOLEDO	$176,779,000	$171,134,000	$269,554,000	$265,409,000	$252,924,000
WRIGHT STATE	$46,189,820	$42,513,677	$38,738,096	$35,624,887	$31,564,022
YOUNGSTOWN STATE	$13,268,653	$22,162,550	$20,397,972	$18,603,592	$38,990,037
COMMUNITY COLLEGES					
BELMONT TECH	$33,107	$0	$0	$0	$0
CINCINNATI STATE	$47,530,000	$47,923,408	$47,701,975	$47,455,542	$46,774,109
CLARK STATE	**$46,400**	**$8,195,000**	**$8,175,000**	**$8,175,000**	**$7,900,000**
COLUMBUS STATE	$22,700,000	$21,250,000	$19,830,000	$18,255,000	$16,620,000
COTC	$100,986	$2,112,219	$3,875,762	$3,470,979	$2,394,382
CUYAHOGA	$64,840,147	$62,974,601	$57,393,209	$79,449,916	$178,119,296
EDISON STATE	$532,347	$5,109,018	$4,975,254	$4,704,730	$4,422,095
HOCKING	$1,039,729	$5,025,450	$5,235,058	$6,384,650	$6,089,638
JAMES RHODES	$3,067,812	$3,018,241	$2,968,669	$2,914,098	$2,859,527
JEFFERSON	$2,023,978	$1,838,573	$1,623,724	$1,422,593	$1,211,968
LAKELAND	$5,535,996	$4,767,321	$4,044,695	$3,308,426	$11,096,151
LORAIN	$7,925,194	$7,472,149	$7,010,546	$6,529,973	$6,035,000
MARION TECH	$0	$0	$0	$0	$0
NORTH CENTRAL	$220,160	$182,119	$727,540	$97,879	$51,308
NORTHWEST STATE	$82,001	$35,594	$25,249	$59,860	$40,300
OWENS STATE	$749,152	$579,288	$401,212	$536,241	$276,495
RIO GRANDE	$0	$0	$0	$2,411,421	$2,256,498
SINCLAIR	$0	$0	$0	$0	$0
SOUTHERN STATE	$3,022,204	$2,839,083	$2,710,583	$5,577,394	$5,371,694
STARK STATE	$16,738	$6,137	$0	$0	$0
TERRA STATE	$655,721	$464,012	$264,285	$66,409	$0
WASHINGTON STATE	$0	$0	$0	$0	$0
ZANE STATE (MATC)	$285,586	$223,983	$156,401	$309,075	$654,117
STATEWIDE TOTAL	**$3,312,836,011**	**$3,638,508,158**	**$3,899,734,051**	**$4,039,035,709**	**$4,484,369,778**