

Cuyahoga Community College
October 2008 Fee Pledge Request - \$125,000,000

I. Project Overview

Cuyahoga Community College proposes to issue general receipts bonds to retire a \$21 million tax anticipation note, as well as finance various capital projects on the College's three campuses, including:

- Construction of a new Center for Creative Arts on the Metropolitan Campus.
- Construction of a new Workforce Career Center on the Metropolitan Campus.
- Renovation of the Sports Wellness Center on the Metropolitan Campus.
- Construction of a new Westshore Learning Center on the Western Campus.
- Construction of new County Emergency Operations Center on the Western Campus.
- Renovation of the Student Services Center on the Western Campus.
- Construction of a new Health Careers & Technology Center on the Eastern Campus.
- Construction of a new Natatorium & Wellness on the Eastern Campus.
- Renovation of the Student Services Center on the Eastern Campus.

The College intends for this debt to be financed with permanent fixed rate bonds that will be retired within 20 years.

Submission: October, 2008

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II. Project Financing and Costs

Cuyahoga Community College requests the authority to pledge student fees in support of the issuance of general receipts bonds in an aggregate amount not to exceed \$125,000,000. A breakdown of the estimated project costs and project resources to be funded through this debt issuance are presented below:

Total Project Costs							
Project	Architects/ Engineers	Construction	Moveable Equipment	Cost of Issuance	Contingency	Other	Total Project Costs
Center for Creative Arts	\$3,070,000	\$22,630,000	\$5,000,000	\$147,098	\$0	\$0	\$30,847,098
Workforce Career Center	\$0	\$13,400,000	\$0	\$90,415	\$0	\$0	\$13,490,415
Sports Wellness Center Renovation	\$0	\$4,900,000	\$0	\$33,056	\$0	\$0	\$4,933,056
Westshore Learning Center	\$0	\$24,300,000	\$0	\$163,930	\$0	\$0	\$24,463,930
County Emergency Operations Center	\$960,360	\$7,993,242	\$650,000	\$43,872	\$0	\$0	\$9,647,474
Student Services Renovation	\$0	\$7,700,000	\$0	\$51,951	\$0	\$0	\$7,751,951
Health Careers & Technology Center	\$2,055,064	\$18,025,576	\$470,000	\$31,704	\$0	\$0	\$20,582,344
Natorium & Wellness Addition	\$0	\$12,000,000	\$0	\$80,951	\$0	\$0	\$12,080,951
Student Services Renovation	\$0	\$5,200,000	\$0	\$35,084	\$0	\$0	\$5,235,084
Retirement of 2008 TAN	\$0	\$0	\$0	\$143,143	\$0	\$21,215,668	\$21,358,811
Contingency	\$0	\$0	\$0	\$23,795	\$2,439,332	\$0	\$2,463,127
Subtotal	\$6,085,424	\$116,148,818	\$6,120,000	\$845,000	\$2,439,332	\$21,215,668	\$152,854,242

Total Project Resources					
Project	Gifts, Grants, Etc	State Capital Appropriations	Transfers from Existing Resources	Other Revenue	Total Project Resources
Center for Creative Arts	\$0	\$0	\$6,200,000	\$2,700,000	\$8,900,000
Work Force Career Center	\$0	\$0	\$0	\$0	\$0
Sports Wellness Center	\$0	\$0	\$0	\$0	\$0
Westshore Learning Center	\$0	\$0	\$0	\$0	\$0
County Emergency Operations Center	\$0	\$0	\$0	\$3,103,602	\$3,103,602
Student Services Renovation	\$0	\$0	\$0	\$0	\$0
Health Careers & Technology Center	\$0	\$15,826,153	\$24,487	\$0	\$15,850,640
Natorium & Wellness Addition	\$0	\$0	\$0	\$0	\$0
Student Services Renovation	\$0	\$0	\$0	\$0	\$0
Retirement of 2008 TAN	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$15,826,153	\$6,224,487	\$5,803,602	\$27,854,242

Total Bond Issuance Request	
Project	Bond Authorization Request
Center for Creative Arts	\$21,947,098
Workforce Career Center	\$13,490,415
Sports Wellness Center Renovation	\$4,933,056
Westshore Learning Center	\$24,463,930
County Emergency Operations Center	\$6,543,872
Student Services Renovation	\$7,751,951
Health Careers & Technology Center	\$4,731,704
Natorium & Wellness Addition	\$12,080,951
Student Services Renovation	\$5,235,084
Retirement of 2008 TAN	\$21,358,811
Contingency	\$2,463,127
Total	\$125,000,000

Cuyahoga Community College is proposing that the debt associated with this fee pledge request be issued as general receipt bonds. Moreover, the College estimates the annual debt service for the debt associated with this issuance to be \$9.95 million per year based upon 4.92% interest for 20-years.

While the proposed debt issuance from the College will be a general receipts bond issue, the primary source of funds to support both debt service and net new operating costs will be undesignated general funds that are generated through enrollment growth; resulting in increased student tuition revenue. Cuyahoga Community College does not plan to raise fees to support either debt service or net new operating costs to support these projects.

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III. Fee Impact

This proposed debt issuance will have no direct impact on student tuition and fees. While Cuyahoga Community College 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 fee pledge.

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IV. Project Description

Metropolitan Campus

Center for Creative Arts - \$21,947,098

The primary purpose of this project is to construct a new state-of-the-art, 75,000 sq. ft. facility to house the new media arts program, as well as expand facilities for recording arts technology, music, performing arts, learning commons and the Tri-C JazzFest offices. The new Center for Creative Arts will include 22,500 sq. ft. of space dedicated to the Rock and Roll Hall of Fame & Museum for use as a library and archive. This project is underway and is expected to be completed in the summer of 2009.

Cuyahoga Community College estimates that the total project costs will be \$30.8 million; \$21.9 million of which represents bond financing. The College estimates that the annual debt service for this project will be \$1,733,074 with annual net operating costs of \$368,550. The College intends to finance the project over 20 years with general funds.

Workforce Career Center - \$13,490,415

The purpose of the Workforce Career Center is to construct a new 50,000 sq. ft. facility that will house the Workforce and Economic Development Division (WEDD) of the College and provide new workforce training facilities. The facility will include offices and laboratory space for the following programs: fire and police training, manufacturing training, engineering, labor apprenticeship, high school outreach, and other initiatives that will contribute to workforce readiness training and regional economic job growth. This project is expected to be completed in 2011.

Cuyahoga Community College estimates that the total project costs will be \$13.5 million which represents the bond funds requested for the project. The College estimates that the annual debt service for this project will be \$1,065,159 with annual net operating costs of \$351,000. The College intends to finance the project over 20 years with general funds.

Sports Wellness Renovation - \$4,933,056

The Metropolitan Campus has an older physical education building with an aging gymnasium and weight room. This project will renovate 18,000 sq. ft. of unused space in the existing recreation center to create a modern wellness facility for health and educational programs, student activity spaces and community recreation /social activities. This project is expected to be completed in 2011.

Cuyahoga Community College estimates that the total project costs will be \$4.9 million which represents the bond funds requested for the project. The College estimates that the annual debt service for this project will be \$389,340 and intends to finance the project over 20 years with general funds.

Western Campus

Westshore Learning Center - \$24,463,930

The primary purpose of this project is to construct a new facility called the Westshore Learning Center. The new facility will provide better service to students in the underserved Western Campus area. Specifically, the facility will include general classrooms, biology/chemistry labs, nursing labs, video/computer labs and distance learning classrooms, as well as other support areas. This project is expected to be completed in 2011.

Cuyahoga Community College estimates that the total project costs will be \$24.5 million which represents the bond funds requested for the project. The College estimates that the annual debt service for this project will be \$1,931,083 with annual net operating costs of \$456,300. The College intends to finance the project over 20 years with general funds.

County Emergency Operations Center - \$6,543,872

Cuyahoga County and the City of Cleveland currently operate separate Emergency Operations Center within the City. To provide training facilities for the College's public safety and homeland security programs, as well as to provide a more strategic location for the County, this project will allow the College to renovate an existing 33,000 sq. ft. facility that will be leased to the county on a long term basis. The facility includes regional information systems, emergency communications (911), fusion center, emergency management and the emergency operation spaces. This project is currently in the design development phase with construction completion expected in the spring of 2010.

Cuyahoga Community College estimates that the total project costs will be \$9.6 million; \$6.5 million of which represents bond financing. The College estimates that the annual debt service for this project will be \$516,733 and intends to finance the project over 20 years with lease payments from the County.

Student Services Renovation - \$7,751,951

The primary purpose of the student services project is to renovate to a 25,000 sq. ft. facility and construct a 23,000 sq. ft. building addition to develop an improved "One-Stop" service facility and campus center expansion. As the College has improved its processes to provide students with efficient and effective services, it has looked at how the facilities are organized to provide those services. The renovation project includes new or renovated facilities for admissions, records, financial aid, testing, tutoring, writing center, counseling, Key Career Place, student activity spaces, event space and administrative offices. This project is expected to be completed in 2011.

Cuyahoga Community College estimates that the total project costs will be \$7.75 million which represents the bond funds requested for the project. The College estimates that the annual debt service for this project will be \$612,065 with annual net operating costs of \$161,460. The College intends to finance the project over 20 years with general funds.

Eastern Campus

Health Careers & Technology Center - \$4,731,704

In response to the growing demand for health career jobs, as well as the specific development of new hospital providers on the east side of Cleveland, the College is planning to build a new 54,000 sq. ft. building on its recently acquired 106 acre property. This new facility will allow the eastern campus to expand its ability to provide health care programming to meet the growing demand of the local area. The facility will include general classroom and laboratory space as well as specialized areas for massotherapy, emergency medical treatment, pharmacy technology, nurses training, medical assisting, fitness prescriptions, medical screening and environmental health/safety. This project is expected to be completed in 2010.

Cuyahoga Community College estimates that the total project costs will be \$20.6 million; \$4.7 million of which represents bond financing. The College estimates that the annual debt service for this project will be \$373,530 with annual net operating costs of \$379,080. The College intends to finance the project over 20 years with general funds.

Natorium & Wellness Addition - \$12,080,851

Both the Metropolitan and Western Campuses have greatly benefited from having natatoriums and wellness spaces dedicated to service students and staff. This new 25,000 sq. ft. building addition will finally provide those same facilities on the Eastern Campus and greatly enhance the student, staff and local community's use of the College's facilities. This facility will also support the new sports and exercise science programs at this campus. This project is expected to be completed in 2011.

Cuyahoga Community College estimates that the total project costs will be \$12 million which represents the bond funds requested for the project. The College estimates that the annual debt service for this project will be \$953,320 with annual net operating costs of \$175,500. The College intends to finance the project over 20 years with general funds.

Student Services Renovation - \$5,235,084

The primary purpose of the student services renovation project on the eastern campus is to renovate 13,000 sq. ft. within the facility to create a new entrance to the student services building in order to develop an improved "One-Stop" service facility. The new facility will include the following student support offices: admissions, records, financial aid, testing, tutoring, writing center, counseling and Key Career Place. The first phase of this project is currently underway with a completion date scheduled for 2011.

Cuyahoga Community College estimates that the total project costs will be \$5.2 million which represents the bond funds requested for the project. The College estimates that the annual debt service for this portion of the issuance will be \$413,258 and intends to finance the project over 20 years with general funds.

Tax Anticipation Notes, Series 2008 - \$21,358,811

This bond issuance request also includes the principal retirement of the College's Series 2008 Tax Anticipation Notes (\$20,875,000) that were issued on April 8, 2008 and are scheduled to mature on December 18, 2008.

The April 2008 Tax Anticipation Notes were used to retire the College's Series B 2002 Variable Rate Bonds, with Ambac Insurance. The Series B 2002 Bonds were used, in part, to finance the (a) acquisition of certain property and renovation of the existing building for the College's Western Corporate College; (b) construction of a new building for use as the College's Eastern Corporate College; and (c) renovation of capital facilities for use for programs in culinary arts, food service, and tourism management.

Cuyahoga Community College estimates the cost to retire the short term tax anticipation note and issue permanent debt to be \$21,358,811. The College estimates that the annual debt service for this portion of the issuance will be \$1,686,050 and intends to finance the project over 20 years with general funds.

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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 Cuyahoga Community College performed when these measures are applied to its FY 2004, FY 2005, FY 2006 and FY 2007 audited financial statements—the most up-to-date financial data available.

*NOTE: The FY 2007 data shown in *italics* reflect the ratios and composite score when approximately \$125 million in permanent debt is added to the calculations. This amount equals the net new debt service requested here. Also, \$9.95 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 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. Cuyahoga Community College's viability ratios for FY 2004, FY 2005, FY 2006 and FY 2007 are as follows:

<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u><i>FY 2007*</i></u>
128.8%	137.5%	154.7%	200.8%	<i>63.2%</i>

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. Cuyahoga Community College's primary reserve ratios for FY 2004, FY 2005, FY 2006 and FY 2007 are as follows:

<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u><i>FY 2007*</i></u>
38.8%	39.9%	41.7%	47.6%	<i>45.8%</i>

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. Cuyahoga Community College's net income ratios for FY 2004, FY 2005, FY 2006 and FY 2007 are as follows:

<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2007*</u>
+0.8%	+5.1%	+5.1%	+8.0%	+4.4%

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. Cuyahoga Community College's composite scores have been above the minimum threshold:

<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2007*</u>
3.60	4.20	4.20	4.20	3.70

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VI. Financial Outlook and Bond Rating

According to its FY 2007 audited financial report, Cuyahoga Community College's financial position remains strong, having reported total assets of \$425,725,800 and liabilities of \$168,474,533. Net assets, which represent the value of the College's assets after liabilities are deducted, increased by \$21,108,748 in FY 2007 to \$257,251,267 or 60.4% of total assets.

The College's existing debt has received relatively high marks from independent bond-rating agencies. Cuyahoga Community College's short-term debt was most recently assigned a rating of "MIG 1" by Moody's Investor Services.

This rating indicates that the College's ability to meet its debt obligations is considered strong, as shown in Moody's Short Term Bond Ratings below:

Moody's Investor Services Short-Term Bond Ratings Scale	
RATING	EXPLANATION
MIG 1/ VMIG 1	Superior financial backing; Issuer has access to wide variety of financial protection in the event primary revenue source is weakened
MIG 2/ VMIG 2	Financial backing is strong, but issuer does not have access to as wide a variety of protection mechanisms as notes in higher category
MIG 3/ VMIG 3	Financial backing is still strong but protection mechanisms have the possibility of failure
MIG 4/ VMIG 4	Adequate protection, but specific risk exists with this issue
SG	Inadequate protection of short-term issue

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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 2003 and FY 2007, statewide plant debt increased 61.9% or approximately \$1.5 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 \$261,225,893 or 7.2% in FY 2007, Cuyahoga Community College's debt decreased by \$5,581,392 or 8.9% in FY 2007.

LONG-TERM PLANT DEBT, FY 2003 - FY 2007

Institution	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
UNIVERSITIES					
BOWLING GREEN	\$91,215,000	\$84,410,000	\$109,000,000	\$99,250,000	\$89,345,000
CENTRAL STATE	\$2,703,429	\$2,535,821	\$2,340,402	\$2,177,250	\$2,003,952
CLEVELAND STATE	\$55,977,422	\$53,754,446	\$115,923,075	\$113,522,226	\$161,098,196
KENT STATE	\$285,773,000	\$282,832,000	\$279,692,000	\$276,441,000	\$273,153,000
MCOT	\$8,837,000	\$8,730,000	\$56,299,000	\$53,827,000	See UT
MIAMI UNIV.	\$47,994,898	\$92,833,435	\$168,613,252	\$159,727,329	\$235,357,582
NEOUCOM	\$1,397,190	\$1,237,841	\$1,046,607	\$878,345	\$700,300
OHIO STATE	\$586,233,000	\$814,606,000	\$877,540,000	\$1,106,227,000	\$1,118,091,000
OHIO UNIVERSITY	\$133,002,202	\$175,592,164	\$167,529,147	\$192,862,349	\$182,914,606
SHAWNEE STATE	\$2,910,000	\$2,600,000	\$2,270,000	\$1,925,000	\$19,550,000
UNIV. AKRON	\$211,208,546	\$226,729,516	\$258,484,797	\$255,328,236	\$247,378,185
UNIV. CINCINNATI	\$647,688,000	\$893,004,000	\$877,453,000	\$966,516,000	\$1,074,333,000
UNIV. TOLEDO	\$172,577,000	\$167,367,000	\$176,779,000	\$171,134,000	\$269,554,000
WRIGHT STATE	\$18,570,323	\$29,584,121	\$46,189,820	\$42,513,677	\$38,738,096
YOUNGSTOWN ST.	\$14,263,619	\$13,492,373	\$13,268,653	\$22,162,550	\$20,397,972
COMMUNITY COLLEGES					
CINCINNATI ST.	\$49,173,132	\$47,580,000	\$47,530,000	\$47,923,408	\$47,701,975
CLARK STATE	\$0	\$72,800	\$46,400	\$8,195,000	\$8,175,000
COLUMBUS ST.	\$11,434,658	\$24,105,000	\$22,700,000	\$21,250,000	\$19,830,000
CUYAHOGA	\$59,095,229	\$65,222,373	\$64,840,147	\$62,974,601	\$57,393,209
EDISON STATE	\$68,676	\$604,972	\$532,347	\$5,109,018	\$4,975,254
JEFFERSON	\$0	\$2,170,485	\$2,023,978	\$1,838,573	\$1,623,724
LAKELAND	\$1,976,978	\$5,674,098	\$5,535,996	\$4,767,321	\$4,044,695
LORAIN	\$3,952,163	\$9,560,074	\$7,925,194	\$7,472,149	\$7,010,546
NORTHWEST ST.	\$106,207	\$73,705	\$82,001	\$35,594	\$25,249
OWENS STATE	\$0	\$0	\$749,152	\$579,288	\$401,212
RIO GRANDE	\$0	\$0	\$0	\$0	\$0
SINCLAIR	\$0	\$0	\$0	\$0	\$0
SOUTHERN ST.	\$168,506	\$3,245,886	\$3,022,204	\$2,839,083	\$2,710,583
TERRA STATE	\$35,171	\$839,738	\$655,721	\$464,012	\$264,285
WASHINGTON ST.	\$0	\$0	\$0	\$0	\$0
TECHNICAL COLLEGES					
BELMONT TECH	\$97,927	\$66,728	\$33,107	\$0	\$0
COTC	\$186,826	\$401,059	\$100,986	\$2,112,219	\$3,875,762
HOCKING	\$497,794	\$516,117	\$1,039,729	\$5,025,450	\$5,235,058
JAMES RHODES ST	\$0	\$3,087,383	\$3,067,812	\$3,018,241	\$2,968,669
MARION TECH	\$0	\$0	\$0	\$0	\$0
ZANE STATE (MATC)	\$182,571	\$341,385	\$285,586	\$223,983	\$156,401
NORTH CENTRAL	\$375,474	\$300,562	\$220,160	\$182,119	\$727,540
STARK STATE	\$620,993	\$620,080	\$16,738	\$6,137	\$0
STATEWIDE TOTAL	\$2,408,322,934	\$3,013,791,162	\$3,312,836,011	\$3,638,508,158	\$3,899,734,051