Wright State University
October 2009 Fee Pledge Request - $11,500,000

I. Project Overview

Wright State University proposes to issue general receipts obligation bonds to finance a campus-wide energy efficiency project that will allow the institution to reduce energy usage by 20% in FY 2014 when compared to the institution's FY 2004 energy consumption. The University intends for this debt to be financed through a permanent debt issuance that will be retired in 10 years.

Submission: October, 2009

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II. Project Financing and Costs

Wright State University requests the authority to pledge student fees in support of the issuance of general receipts obligation bonds in an aggregate amount not to exceed $11,500,000. Estimated project costs funded through the proposed debt issuance are presented below:

Project Costs:		
Construction:	$	10,205,258
Architects and Engineers:	$	588,500
Contingency:	$	350,001
Other Costs:		
Performance & Guarantee Bonds	$	187,755
Misc	$	486
Total Project Costs:	***$***	***11,332,000***

There are no project resources identified.

Amount of Financing Required:	***$***	***11,332,000***
Costs to be Financed:		
Project Costs: *(See details above)*	**$**	**11,332,000**
Cost of Issuance:		
Underwriting Discount:	$	33,780
Bond Counsel:	$	22,000
Moody's Investor Service:	$	20,750
Printing of Official Statement:	$	3,500
Bond Trustee:	$	3,500
Other Costs of Issuance:	$	2,500
Total Cost of Issuance:	**$**	**86,030**
Total Bond Issuance:	**$**	**11,418,030**

Wright State University estimates that the maximum annual debt service obligation for the proposed debt issuance will be $1,391,900 per year, based on an annual interest rate no greater than 4.5% over 10 years. The University expects that the energy savings generated through this campus-wide efficiency project will support the annual debt service. If the annual savings do not fully support the debt service, Wright State will fund any shortages in cash flow with general receipts.

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III. Fee Impact

This proposed debt issuance will have no direct impact on student tuition and fees. While Wright State University may use unrestricted student fee revenues to service the debt service for this energy efficiency project, student fees are not expected to increase as a direct result of this action.

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IV. Project Description

Wright State University intends to use the funds from this bond issuance to finance campus-wide energy efficiency projects that will reduce its FY 2014 energy consumption by 20%, when compared to FY 2004, as directed under Amended Substitute House Bill 251 of the 126th General Assembly. The total project costs are estimated to be $11.3 million with a completion date of December 2010. Moreover, the energy efficiency projects include, but are not limited to:

- Lighting Upgrades – retrofitting of interior light fixtures with higher efficiency ballasts and lower wattage bulbs.
- Demand Control Ventilation – addition of technology to control the amount of outside air used as fresh air in buildings based upon area occupancy, thus reducing the unnecessary need for heating and cooling.
- Retro Commissioning – systematically optimizing building systems for efficient and effective operation.
- Building Automation System – integration of a campus-wide HVAC and lighting controls system with existing equipment which will enable increased monitoring and control of facilities as well as implementation of new control strategies.
- Air Handler Retrofits – upgrades to new equipment and technology such as variable speed motors for many air handlers used to supply conditioned air to various buildings.
- Lab Exhaust Heat Recovery – capture of the heat contained in air exhausted from various labs to preheat incoming make-up air.
- Library Boiler Replacement – upgrade of original units to high efficiency models.
- Quad Chiller Plant – replacement of chillers supplying cooling to several buildings and implementation of new control strategies to operate this group of chillers as one highly efficient plant.

Wright State University expects that this energy efficiency project will reduce energy usage by 22% which translates into an average annual savings of $1.5 million. In addition, the contractor contractually guarantees the energy savings will support the cost of financing.

Specifically, the University estimates that the maximum annual debt service for this project will be $1,391,900 which will be repaid over 10 years and financed through the annual energy savings. In the event that cash flow from the energy savings are not sufficient to support the annual debt service, general receipts will fund the shortfall.

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 Wright State University 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: The FY 2008 data shown in *italics* reflect the ratios and composite score when approximately $11.5 million in new debt is added to the calculations. This amount equals the net new debt requested here. Also, $1.39 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. Wright State University'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**
234.4%	278.2%	313.3%	297.3%	*224.7%*

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. Wright State University'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**
35.3%	36.5%	34.6%	28.9%	*28.8%*

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. Wright State University'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**
+4.2%	+8.1%	+4.0%	+1.0%	*+0.7%*

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

FY 2005	FY 2006	FY 2007	FY 2008	*FY 2008**
4.00	4.50	4.30	4.10	*3.60*

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VI. Financial Outlook and Bond Rating

According to its FY 2008 audited financial report, Wright State University's financial position remains strong, having reported total assets of $474,958,982 and liabilities of $111,520,951. Net assets, which represent the value of the University's assets after liabilities are deducted, increased by $3,814,069 in FY 2008 to $363,438,031 or 76.5 % of total assets.

The University's existing debt has received relatively high marks from independent bond-rating agencies. In November of 2007, Wright State University's long-term debt was assigned a rating of *A2* by Moody's Investors Services. The University expects to maintain their current A2 rating.

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
Aa1	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, Wright State University's plant debt decreased by $3,113,209 or 8.0%.

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**