

**West Liberty University
Board of Governors**

Minutes

May 23, 2012

Attendance:

Beverly Burke, Richard Carter, George Couch, Brian Joseph, Patrick Kelly, Rob Marks, Ann Thomas, Carrie White

Unable to Attend:

Lisa Allen, Paul Limbert, Robert Steptoe, David Syrylo

Administration/Faculty/Staff:

Robin Capehart, John Davis, Mary Ann Edwards, John Gompers, John McCullough, Fred Williams, Jack Wright

1. Call to Order:

Chair Joseph called the meeting to order at 8:34 a.m.

2. Chairperson Comments:

None.

3. Action Items*:

a. WesBanco Commitment Letter

Mr. Wright, for those present and attending by telephone, offered some background on the commitment letter. WLU had three banks who submitted proposals for the bonds; WesBanco at 2.85% interest on \$12 million over 15 years with the capital fee as back-up; United at 3.45% interest on roughly \$13 million with the capital fee as back-up; and Huntington at 3.49% interest with the capital fee as back-up. The difference between Huntington and United equaled \$37,000 on \$13 million. Without question WesBanco was better than both and we picked WesBanco with a payment of roughly \$830,000/year. The commitment letter refers to the backing solely of the capital fee with a 2% penalty if we run into default. The penalty exists only during the time of default. The bonds will be supported by the \$200 per student per semester capital fee, subject to the passing of this fee today. Mr. Wright asked Mr. Williams if there is anything he would like to add. Mr. Williams stated that the interest rates in the commitment letter and also in the resolution are virtually identical to what was on the open market yesterday. These are very good market rates.

Mr. Couch asked approximately how much the student fee would generate per year. Mr. Wright stated approximately \$1 million, with excess going toward capital improvements or a fund for capital improvements. We would need to drop to roughly 2,060 students to put us at a breakeven. Right now on full-time student FTE and converting part-time students we have approximately 2,500 FTE. Online students pay their respective portion of the fee; if taking a three-hour online course they get charged their three-hour portion of the \$200. Every student pays some portion whether full-time or not. Mr. Williams stated with respect to the payment structure, there is no period of time restricted for prepayment. This is a nice feature if you finance and are able to pay off early. Mr. Couch asked if there are a minimum of years for repayment; three or five. Mr. Williams stated that there is not a minimum; we could turn around and pay off if we wanted.

Mr. Joseph stated that he received an email from Lisa Allen addressing any liabilities to the Board of Governors. Mr. Williams stated that under the resolution and state law, these bonds are revenue bonds that are payable only from the capital fee. There would be no liability, no mortgages on any property, and no lien on any of the University's revenues. It does not restrict refinancing other bonds or other bonds from other revenue sources and there is no liability to the individual members of the governing board for taking this action.

Mr. Joseph asked if there were any other questions. Mr. Carter stated that we are stipulating that our method of payment for the bonds is the capital fee and it's anticipated that our annual capital fee revenue generated will probably exceed what is needed. Should this excess be there for other capital items; is there anything that restricts us as to what it can be used for? Mr. Williams stated that the excess can only be used for capital items; that's really the only restriction. Statute provides that the capital fee can be used for land acquisition, construction of new buildings, renovations, furniture, etc. It cannot be used for auxiliary items.

Mr. Couch asked if the excess can be used for other existing debt with a higher interest rate. Mr. Williams stated that this is a good question; since these are required education and general capital fees you could not use them to pay off debt for auxiliary items since auxiliary bonds for dormitories are a different set up. If there was a debt that was issued for required core educational items then you could technically use it, but if you issued a refunding bond you could not make a pledge of these revenues to repay those bonds on a parity with the bonds issued now without the consent of WesBanco. Mr. Wright stated that we plan to take a look at existing bonds at a later date. The reason we didn't combine existing bonds is that the same day the Governor is going to sign this bond he's leaving for Japan, and it's also the day bids are due on the building. We didn't have time to combine the existing bonds but we will look at that as soon as we get these items in line for this building. Mr. Couch stated that it is a simple way to pay off something else without incurring additional expense.

A motion that the West Liberty University Board of Governors approve the WesBanco commitment letter was then made by George Couch and seconded by Richard Carter; motion passed unanimously.

b. Educational and General Capital Fee Resolution

Mr. Wright stated that the Board is approving the \$200 per semester fee that will be included for the spring semester of fiscal year 2013, and will continue thereafter for the length of the bond and until terminated by the Board. This fee will be paid by all full-time students as well as proportionally by all other students. It is to be used, as Mr. Williams mentioned, for the acquisition of land, construction of new buildings, renovations, furniture, etc., but cannot be put into auxiliary facilities. After the bonds are paid off it then becomes the discretion of the Board as to whether to continue the fee for other capital projects or not. Mr. Williams had nothing further to add, stating that in essence the Board has already approved the fee for fiscal year 2013 through the previous action, but bond lawyers like to have this item clear as to how long the fee takes place and how it can be used. Mr. Joseph asked if there was any further discussion.

A motion that the West Liberty University Board of Governors approve the Educational and General Capital Fee Resolution was then made by Beverly Burke and seconded by Ann Thomas; motion passed unanimously.

c. Bond Resolution of the Board of Governors

Mr. Wright stated that the bond resolution will allow the university to go forward and conclude the bonds using the commitment letter from WesBanco, approving them as the bank, Steptoe & Johnson as the attorney, the issuance of the \$10 million, and allowing the people involved to conclude any administrative functions needed to be done. Mr. Williams stated that the bond resolution contains all of the final terms for the bond issuance. The amortization schedule on page four lists the bonds being issued, maturing dates and percentages. Beginning November 1, 2013 the University will actually start paying down the principal of the first bonds with a payment of \$720,000 that year and would gradually work its way down and start on the next payment. The first payment is a little higher because there is a longer period to accumulate the amount. Mr. Wright stated we will be taking down \$75,000 at the time of the signing of the bonds. Mr. Williams stated that no interest will be paid until we draw money down on the bond. Mr. Joseph asked if there was any further discussion.

A motion that the West Liberty University Board of Governors approve the Bond Resolution of the Board of Governors was then made by Richard Carter and seconded by Ann Thomas; motion passed unanimously.

4. Information Item:

a. Trust Indenture

Mr. Williams stated that there are still one or two things to work out on the Trust Indenture. Mr. Joseph asked with regard to the Trust Indenture; what is its purpose. Mr. Williams explained the Trust Indenture to the group. Mr. Joseph asked if there was any other business to discuss.

5. Adjournment

The meeting adjourned at 8:55 a.m.

Brian Joseph

Chair

George Couch

Secretary