

**SPECIAL MEETING OF THE
WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**

**Chancellor's Conference Room*
Boulevard Tower – 10th Floor
1018 Kanawha Boulevard East
Charleston, West Virginia**

**November 9, 2012
3:30 P.M.**

AGENDA

- I. Call to Order
- II. Approval of the Center for Graduate and Professional Studies at Shepherd University
- III. Approval of a Resolution to Authorize the Issuance of Refunding and Capital Improvement Revenue Bonds by West Virginia State University
- IV. Adjournment

**To join the meeting by conference call, dial the following numbers: 1-866-453-5550, participant code: 5245480#.*

**West Virginia Higher Education Policy Commission
Meeting of November 9, 2012**

ITEM: Approval of the Center for Graduate and Professional Studies

INSTITUTION: Shepherd University

RECOMMENDED RESOLUTION: *Resolved,* That the West Virginia Higher Education Policy Commission authorizes Shepherd University to enter into a favorable lease agreement with a preferred Lessor to establish a site in the greater Martinsburg area for its Center for Graduate and Professional Studies.

Further Resolved, That the cost of improvements, furniture, and equipment required for the leased premises shall not exceed \$2.5 million, and the cost of the Center's first three years of operation shall not exceed \$2 million as provided by the Shepherd University Board of Governors.

Further Resolved, That Shepherd University's Facilities Master Plan is revised so that the institution may lease a facility in the greater Martinsburg area to house its Center for Graduate and Professional Studies.

Further Resolved, That Shepherd University shall provide an update on this project to the West Virginia Higher Education Policy Commission at a future meeting after the lease agreement is signed.

STAFF MEMBERS: Richard Donovan and Ed Magee

BACKGROUND:

Shepherd University plans to establish a Center for Graduate and Professional Studies in Martinsburg. The Center will allow the University to effectively serve the adult learner market and grow enrollment with programs still reflective of the Council of Public Liberal Arts Colleges (COPLAC) mission of the Shepherdstown campus. The institution anticipates that the Center will yield an ever-expanding connection to the community by

enhancing the workforce with marketable degrees in the vibrant and growing economic environment in Martinsburg, Berkeley County, and the Eastern Panhandle. At the same time, the new location can provide the Shepherdstown student population with expanded access to internships in business, healthcare, and political science. Successful operation of the Center could expand the bonding capacity of the institution, while creating expansion opportunities on the Shepherdstown campus. Needed facilities such as a parking garage, a student center, and performance spaces may be contingent on the University's ability to expand its budget and debt ceiling.

Initially, following approval from the Commission and the Higher Learning Commission, the following degree programs could be offered at the Center: Regents Bachelor of Arts; Bachelor of Arts in Education with concentrations in early education and pre-school special needs; Master of Business Administration with concentrations in accounting, healthcare administration, public administration, and sports management; and Master of Arts in Curriculum and Instruction with emphasis on special education.

The institution is currently looking at three alternative locations. The final selection of a location and exact terms of a lease will be driven by the direction of negotiations.

In order to move forward with these negotiations, the Shepherd University Board of Governors approved a modification to the Shepherd University Master Plan and its Fiscal Year 2013 Capital Projects Priorities; authorized the University to enter into a lease that could include renovation, equipment, and furnishings expenses of up to \$2.5 million to be invested from existing reserves; approval to allocate \$2 million from reserve funding over the course of the Center's first three years to cover operating expenses; and granted approval to the Audit Committee to act on the Board's behalf in approving the final terms of the prospective lease as time will be of the essence.

The institution is requesting that the Commission also give its approval to move forward with the project based on the parameters outlined above. Once a final site has been selected and a lease agreement is signed, the institution shall update the Commission on the project.

**West Virginia Higher Education Policy Commission
Meeting of November 9, 2012**

ITEM: Approval of a Resolution to Authorize the Issuance of Refunding and Capital Improvement Revenue Bonds

INSTITUTION: West Virginia State University

RECOMMENDED RESOLUTION: *Resolved*, That the West Virginia Higher Education Policy Commission approves the resolution drafted by bond counsel authorizing (i) the refunding of West Virginia State College Student Union Revenue Bonds issued in 2002, and the outstanding note issue by the Board of Directors of the State College System on behalf of West Virginia State College in connection with the Education Direct Loan Mortgage Corporation in 1996, (ii) the design, construction and equipping of certain proposed capital improvement projects, and (iii) the financing of the cost of such refunding and the capital improvement projects through issuance by the West Virginia State University Board of Governors of refunding and capital improvement revenue bonds in an aggregate principal amount not to exceed \$12 million. Approval of the Resolution is subject to thirty days advance notice to the Joint Committee on Government and Finance and authorization by the Governor to sell the bonds pursuant to West Virginia Code §5-1-28.

STAFF MEMBERS: Richard Donovan and Ed Magee

BACKGROUND:

West Virginia State University is requesting that the Commission approve refunding of the following:

- State of West Virginia, Board of Governors of West Virginia State College Student Union Revenue Bonds (James C. Wilson College Union), 2002 Series A, issued in the principal amount of \$5,500,000 and currently outstanding in the principal amount of approximately \$3,380,000. The bonds were issued for the

purpose of renovating and building an addition to the James C. Wilson College Union; and

- Note issued by the Board of Directors of the State College System on behalf of West Virginia State College in 1996 in the principal amount of \$3,300,000 in connection with the Educational Direct Loan Mortgage Corporation, Project Funding Bonds, Series A 1996-1 currently outstanding in the principal amount of approximately \$2,400,000. This note was issued for the purpose of renovating Dawson Hall (a residence hall).

Significant savings can be realized by the refunding. Based on a bond pricing analysis prepared recently, the institution expects to realize an estimated net present value savings of approximately \$1,075,000. Actual savings will depend on market conditions at the time the bonds are priced.

In addition, as part of this transaction, the institution plans to issue revenue bonds to finance the cost of designing, constructing, and equipping of the following capital projects:

• Renovations to Fleming Hall	\$3,000,000
• Upgrades to Lakin Field	700,000
• Wallace Hall Window Replacement	1,600,000
• Storm Water Management	600,000
• Ferguson-Lincoln Second Floor Classroom Addition	<u>2,000,000</u>
	\$7,900,000

The current estimate of bond proceeds for new projects is approximately \$6.7 million, so the institution may need to adjust project priorities based on the bond proceeds available. Again, the actual amount of bond proceeds received will depend on market conditions at the time the bonds are priced.

Two series of bank qualified bonds will be issued, the first in 2012 and the second in 2013. The revenue streams pledged to retire the refunding bonds and new project bonds are the gross operating revenues of Dawson Hall and the Student Union, and Auxiliary Capital Fees charged to students. Total annual debt service payments will remain at their current level through 2037, which is approximately \$695,000 per year.

A bond rating conference call and presentation to Moody's Investor Services, Inc. will be held on November 2, 2012.

A Resolution authorizing the Refunding and Improvement Revenue Bonds has been prepared by Jackson Kelly, PLLC and is presented on the following pages.

STATE OF WEST VIRGINIA
HIGHER EDUCATION POLICY COMMISSION

RESOLUTION AUTHORIZING (I) THE REFUNDING AND REDEMPTION OF THE OUTSTANDING BOARD OF GOVERNORS OF WEST VIRGINIA STATE COLLEGE STUDENT UNION REVENUE BONDS (JAMES C. WILSON COLLEGE UNION PROJECT), 2002 SERIES A, AND THE OUTSTANDING NOTE ISSUED ON BEHALF OF WEST VIRGINIA STATE COLLEGE IN CONNECTION WITH THE EDUCATIONAL DIRECT LOAN MORTGAGE CORPORATION, PROJECT FUNDING BONDS, SERIES A 1996-1 (WEST VIRGINIA STATE COLLEGE PROJECT), (II) THE DESIGN, ACQUISITION, CONSTRUCTION AND EQUIPPING OF PROPOSED CAPITAL IMPROVEMENT PROJECTS FOR WEST VIRGINIA STATE UNIVERSITY, AND (III) THE FINANCING OF THE COSTS OF SUCH REFUNDING AND SUCH PROJECTS THROUGH THE ISSUANCE BY THE WEST VIRGINIA STATE UNIVERSITY BOARD OF GOVERNORS OF REFUNDING AND IMPROVEMENT REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$12,000,000.

WHEREAS, West Virginia State University (formerly, West Virginia State College) (the “**University**”) currently has outstanding obligations in connection with the following two issues: (i) State of West Virginia, Board of Governors of West Virginia State College Student Union Revenue Bonds (James C. Wilson College Union Project), 2002 Series A, issued in the principal amount of \$5,500,000 and currently outstanding in the principal amount of approximately \$3,380,000 (the “**2002 Bonds To Be Refunded**”); and (ii) the Note issued by the Board of Directors of the State College System in the principal amount of \$3,500,000 in connection with the Educational Direct Loan Mortgage Corporation, Project Funding Bonds, Series A 1996-1 (West Virginia State College Project) and currently outstanding in the principal amount of approximately \$2,400,000 (the “**1996 Note To Be Refunded**” and, together with the 2002 Bonds To Be Refunded, the “**Bonds and Note To Be Refunded**”);

WHEREAS, refunding the Bonds and Note To Be Refunded is expected to result in debt service savings and financial benefit to the University and, accordingly, it is in the best interests of the University to refund the Bonds and Note To Be Refunded;

WHEREAS, pursuant to the authority contained in Chapter 18B, Articles 10 and 19 of the Code of West Virginia, 1931, as amended (together, the “**Bond Act**”), and Article 2G, Chapter 13 of the Code of West Virginia 1931, as amended (the “**Refunding Act**”, and together with the Bond Act, the “**Act**”), the University Board of Governors is authorized to

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issue refunding revenue bonds to refund the Bonds and Note To Be Refunded and to finance related expenses, including the costs of issuance of the refunding revenue bonds;

WHEREAS, pursuant to the Bond Act, the University Board of Governors is also authorized to issue revenue bonds to finance the costs of certain capital improvement projects (together, the “**Projects**”), including those for renovation of Fleming Hall and Wallace Hall, upgrades to Lakin Field, other capital improvements listed on Exhibit A attached hereto and incorporated herein by reference, and any other capital improvement projects included or to be included in the West Virginia State University Master Plan, including the campus development plan required by Chapter 18B, Articles 2A and 19, respectively, of the Code of West Virginia, 1931, as amended, as the same may be supplemented and amended from time to time and as approved by this Commission;

WHEREAS, it is in the best interests of the University for the University Board of Governors to issue not to exceed \$12,000,000 in aggregate principal amount of one or more series of Refunding and Improvement Revenue Bonds (the “**Bonds**”) for the purposes of financing (i) the refunding and redemption of the Bonds and Note To Be Refunded; (ii) the costs of design, acquisition, construction and equipping, or any thereof, including capitalized interest, of the Projects; (iii) a debt service reserve fund for the Bonds, if required as set forth in the certificate of determination delivered in connection with the sale of the Bonds (the “**Certificate of Determination**”); and (iv) the costs of issuance of the Bonds and related costs (the issuance of the Bonds and the use of the proceeds for the purposes described above are hereinafter referred to together as the “**Transaction**”);

WHEREAS, the Bond Act requires that the Transaction be approved by this Commission; and

WHEREAS, having made the considerations required by the Bond Act, this Commission deems it desirable and in the best interests of the University to approve and authorize the Transaction.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION, AS FOLLOWS:

Section 1. Approval of the Transaction. The Transaction is hereby approved, including the issuance of the Bonds in one or more series, in an aggregate principal amount not to exceed \$12,000,000, the current refunding and redemption on the earliest practical date of the Bonds and Note To Be Refunded and the design, acquisition, construction and equipping of the Projects. The Bonds are authorized to be issued for the purposes of financing (i) the refunding and redemption of the Bonds and Note To Be Refunded; (ii) the costs of design, acquisition, construction and equipping, or any thereof, including capitalized interest, of the Projects; (iii) a debt service reserve fund for the Bonds, if required as set forth in the Certificate of Determination; and (iv) the costs of the issuance of the Bonds and related costs. This Commission hereby finds and determines that an aggregate principal amount not exceeding \$12,000,000 can be paid as to both principal and interest and, as applicable and necessary, reasonable margins for a reserve therefor from the auxiliary capital fees charged to the University’s students and the fees and revenues derived from the

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University's student union and the residence hall referred to as Dawson Hall (collectively, the "**Pledged Revenues**") and other sources of revenue being pledged thereto by the University Board of Governors and constituting the Trust Estate under the Bond Indenture to be entered by the University Board of Governors in connection with the Bonds (the "**Indenture**"). The payment of principal of and premium, if any, and interest on the Bonds from the Trust Estate is hereby approved. Although the Transaction is anticipated to be substantially as presented to this Commission this day, this Commission recognizes that market conditions, the use of credit enhancement and other factors may affect the amount and terms of such financing.

Section 2. Special Obligations. This Commission recognizes and agrees that all covenants, stipulations, obligations and agreements of the University Board of Governors or the University entered in connection with the Transaction and the Bonds shall be deemed to be the special and limited covenants, stipulations, obligations and agreements of the University Board of Governors and the University to the full extent permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon this Commission, the University Board of Governors and the University, and their respective successors. No covenant, stipulation, obligation or agreement entered in connection with the Transaction or the Bonds shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of this Commission, the University Board of Governors or the University in his or her individual capacity. The Bonds are special obligations of the University Board of Governors and the State, payable from and secured solely by the Trust Estate pledged under the Indenture. Each series of the Bonds, together with the interest thereon, is a special obligation of the State and shall not constitute a debt of the State, and the credit or taxing power of the State shall not be pledged therefor, but the Bonds shall be payable only from the Trust Estate pledged for their payment and otherwise as provided in the Indenture. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon, on this Resolution or on any of the documents executed in connection therewith against any official, member, officer or employee of this Commission, the University Board of Governors, the University or the State or any person executing the Bonds, and neither members of this Commission or the University Board of Governors nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

Section 3. Incidental Action. The Chancellor, the Chairperson, Vice-Chairperson, Secretary and other appropriate members and officers of this Commission are hereby authorized and directed to execute and deliver any documents, certificates, agreements and instruments and take such other actions as may be required or desirable by the University Board of Governors or the University to carry out the purposes of this Resolution.

Section 4. Effective Date. This Resolution shall take effect immediately upon adoption.

ADOPTED this _____ day of _____, 2012.

**WEST VIRGINIA HIGHER
EDUCATION POLICY COMMISSION**

By: _____
Its: _____

EXHIBIT A
PROJECT LIST