



**RESOLUTION TO APPROVE
A PLEDGE OF STUDENT FEES TO SUPPORT A
BOND ISSUANCE NOT TO EXCEED \$40,000,000 TO
RENOVATE KILCAWLEY STUDENT CENTER**

WHEREAS, the 160,500 square-foot Kilcawley Center first opened in 1965 and has functioned as a cornerstone of campus life and a catalyst for student engagement, community-building and personal growth; and

WHEREAS, Kilcawley Center has not undergone a major renovation since 1979 and has accumulated significant levels of deferred maintenance and, in its current state, is insufficient for the needs and expectations of today's generation of college students; and

WHEREAS, over the past 24 months, the administration has had extensive dialogue with multiple campus constituencies, including students, faculty, alumni and staff concerning the future viability of Kilcawley Center; and

WHEREAS, the university has developed a viable plan to substantially renovate Kilcawley Center through a multifaceted financing strategy that includes an ongoing fundraising campaign, state capital appropriations, and bonded indebtedness.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of Youngstown State University does hereby approve the Kilcawley Center renovation project and financing plan, as outlined in Exhibit A made part hereof; and

BE IT FURTHER RESOLVED, that the Board of Trustees of Youngstown State University does hereby approve a pledge of student fees in support of a bond issuance not to exceed \$40,000,000 to be used to finance the renovation of the Kilcawley Student Center.

**Youngstown State University
Fee Pledge Request - \$40,000,000
January 2025**

I. Project Overview

Youngstown State University requests the authority to pledge fees to secure general receipts bonds in an aggregate amount not to exceed \$40,000,000 for the purposes of renovating YSU's student union, known as Kilcawley Center. The YSU Board of Trustees first approved this project in December 2022. The Board also approved the project financing plan and bond resolution on January 28, 2025.

The university has developed a multi-faceted financing plan that includes private gifts and state capital appropriations, in addition to bond proceeds.

For this transaction, the Ohio Attorney General's office has appointed bond counsel from the Dinsmore law firm; and YSU's banking services partner, PNC, will serve as underwriter. Consideration will be given to both short- and long-term options, both variable and fixed rate instruments, both taxable and tax-exempt, and a variety of public offerings or direct placement options.

Submission: January 2025

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II. Project Costs and Financing Plans

Pending the opening of project bids on February 10, 2025, the University has established a preliminary revised construction budget as follows:

| | |
|---------------------------------|----------------------------|
| Construction | \$44,000,000 |
| Contingency | 4,000,000 |
| Architect & Engineering Fees | 2,914,718 |
| Furniture, Fixtures & Equipment | 2,372,820 |
| Branding | 334,482 |
| Moving and misc. costs | 109,000 |
| % for the Arts | 97,530 |
| Testing | 50,000 |
| Advertising | 23,000 |
| | <u>\$53,901,550</u> |

Youngstown State University requests the authority to pledge fees in support of an issuance of obligations in an amount not to exceed \$40,000,000. Current plans indicate that YSU would need approximately \$37 million in bond proceeds. However, the university is requesting debt authority of up to \$40 million as an added contingency. Project funding sources are summarized as follows:

| | |
|-------------------------------|-----------------------------|
| Bond proceeds | \$37,037,228 |
| State capital appropriations | 13,385,972 |
| Private gifts - cash received | 2,001,544 |
| University funds | 1,476,806 |
| | <u>\$ 53,901,550</u> |

Based on the current interest rate environment, it is estimated that YSU's maximum annual debt service obligation for the proposed debt issuance will be approximately \$2.4 million per year, based on a true interest rate of 4.665% over 30 years.

On November 12, 2024, YSU launched a fundraising campaign to support this renovation project, with the goal of raising \$10 million in private gifts and donations. To date, YSU has raised \$7.8 million in private gifts, including more than \$2 million in cash already received and available for construction, plus \$5.8 million in future pledges that will be used to help service the debt associated with the proposed bond issuance.

Additional financing detail and the debt service schedule appear on the following page.

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| | | FYE (6/30) | Existing D/S | Series 2025 Bonds | | | Aggregate D/S |
|--------------------------|--------------------------|---------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | | | | Principal | Interest | Total D/S | |
| | | 2024 | 4,966,905 | - | - | - | 4,966,905 |
| | | 2025 | 6,851,211 | - | 334,272 | 334,272 | 7,185,483 |
| | | 2026 | 7,347,847 | - | 1,796,088 | 1,796,088 | 9,143,934 |
| | | 2027 | 7,401,848 | - | 1,796,088 | 1,796,088 | 9,197,935 |
| | | 2028 | 7,508,531 | - | 1,796,088 | 1,796,088 | 9,304,618 |
| | Series 2025 Bonds | 2029 | 7,601,043 | - | 1,796,088 | 1,796,088 | 9,397,130 |
| | | 2030 | 7,590,855 | - | 1,796,088 | 1,796,088 | 9,386,943 |
| Par Amount | 34,970,000 | 2031 | 5,590,019 | 665,000 | 1,779,463 | 2,444,463 | 8,034,481 |
| Premium | 2,376,979 | 2032 | 5,582,231 | 700,000 | 1,745,338 | 2,445,338 | 8,027,569 |
| Total Sources | 37,346,979 | 2033 | 5,579,763 | 735,000 | 1,709,463 | 2,444,463 | 8,024,225 |
| | | 2034 | 5,570,566 | 775,000 | 1,671,713 | 2,446,713 | 8,017,278 |
| Project Fund | 37,037,228 | 2035 | 356,400 | 815,000 | 1,631,963 | 2,446,963 | 2,803,363 |
| Cost of Issuance | 150,000 | 2036 | 353,800 | 855,000 | 1,590,213 | 2,445,213 | 2,799,013 |
| Underwriter's Discount | 157,365 | 2037 | 355,700 | 900,000 | 1,546,338 | 2,446,338 | 2,802,038 |
| Additional Proceeds | 2,386 | 2038 | 357,000 | 945,000 | 1,500,213 | 2,445,213 | 2,802,213 |
| Total Uses | 37,346,979 | 2039 | - | 995,000 | 1,451,713 | 2,446,713 | 2,446,713 |
| True Interest Cost (TIC) | 4.665% | 2040 | - | 1,045,000 | 1,400,713 | 2,445,713 | 2,445,713 |
| All-In TIC | 4.697% | 2041 | - | 1,100,000 | 1,347,088 | 2,447,088 | 2,447,088 |
| | | 2042 | - | 1,155,000 | 1,290,713 | 2,445,713 | 2,445,713 |
| Total Debt Service | 72,916,078 | 2043 | - | 1,215,000 | 1,231,463 | 2,446,463 | 2,446,463 |
| Max Annual D/S (MADS) | 2,449,106 | 2044 | - | 1,280,000 | 1,169,088 | 2,449,088 | 2,449,088 |
| | | 2045 | - | 1,345,000 | 1,103,463 | 2,448,463 | 2,448,463 |
| Aggregate Total D/S | 145,929,795 | 2046 | - | 1,410,000 | 1,034,588 | 2,444,588 | 2,444,588 |
| Aggregate MADS | 9,397,130 | 2047 | - | 1,485,000 | 960,356 | 2,445,356 | 2,445,356 |
| | | 2048 | - | 1,565,000 | 880,294 | 2,445,294 | 2,445,294 |
| | | 2049 | - | 1,650,000 | 795,900 | 2,445,900 | 2,445,900 |
| | | 2050 | - | 1,740,000 | 706,913 | 2,446,913 | 2,446,913 |
| | | 2051 | - | 1,835,000 | 613,069 | 2,448,069 | 2,448,069 |
| | | 2052 | - | 1,935,000 | 514,106 | 2,449,106 | 2,449,106 |
| | | 2053 | - | 2,035,000 | 409,894 | 2,444,894 | 2,444,894 |
| | | 2054 | - | 2,145,000 | 300,169 | 2,445,169 | 2,445,169 |
| | | 2055 | - | 2,260,000 | 184,538 | 2,444,538 | 2,444,538 |
| | | 2056 | - | 2,385,000 | 62,606 | 2,447,606 | 2,447,606 |
| | | Total | 73,013,717 | 34,970,000 | 37,946,078 | 72,916,078 | 145,929,795 |

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III. Fee Impact

The proposed debt issuance will have no direct impact on student tuition and fees. While Youngstown State University may use unrestricted student fee revenue to support the debt service related to this request, the tuition and fees that are covered by the legislatively controlled cap are not expected to increase as a direct result of this action.

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IV. Project Description

The proposed debt issuance would provide funding for a single project that represents Youngstown State University's number one capital priority: Renovations to Kilcawley Student Center.

Youngstown State is planning to make major renovations to its student union facility, known as Kilcawley Center. This 160,500 square-foot facility first opened in 1965 and has functioned as a cornerstone of campus life and a catalyst for student engagement, community building and personal growth. However, Kilcawley Center has not undergone a major renovation since 1979 and, consequently, has become outdated and insufficient for the needs and expectations of YSU's 12,164 students. Moreover, the building's mechanical systems have accumulated a deferred maintenance backlog that would cost more than \$20 million to fully address. This renovation project would remediate these issues and preserve this mission-critical facility for generations of YSU students to come.

Renovations are slated to begin in May 2025 with completion targeted for September 2027. This \$54 million project will completely redesign and reconfigure this centerpiece of student life on YSU's campus. The renovated center will modernize and enhance the student experience, creating a vibrant hub where innovation, collaboration and community will flourish.

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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 Youngstown State University performed when these measures are applied to its FY 2021, FY 2022, FY 2023 and FY 2024 audited financial statements—the most up-to-date financial data available.

*NOTE: The FY 2024 data shown in *italics* reflect the ratios and composite score when \$34,970,000 in debt and \$2.4 million in maximum annual debt services expenses are added to the FY 2024 calculations. Also, related debt service expenses have been added to the calculations. Other factors not considered 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. Youngstown State University's viability ratios for FY 2021, FY 2022, FY 2023 and FY 2024 are as follows:

| <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2024*</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| 127.0% | 121.7% | 105.9% | 116.6% | 76.4% |

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 this analysis, a ratio of 10% or greater is considered good, while a ratio below 5% would be a cause for concern. Youngstown State University's primary reserve ratios for FY 2021, FY 2022, FY 2023 and FY 2024 are as follows:

| <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2024*</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| 44.3% | 33.8% | 34.4% | 38.9% | 38.5% |

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. Youngstown State University's net income ratios for FY 2021, FY 2022, FY 2023 and FY 2024 are as follows:

| <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2024*</u> |
|----------------|----------------|----------------|----------------|-----------------|
| 18.2% | -0.04% | -0.01% | 2.3% | 1.1% |

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

| <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2024*</u> |
|----------------|----------------|----------------|----------------|-----------------|
| 4.2 | 3.4 | 3.4 | 3.8 | 3.5 |

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VI. Financial Outlook and Bond Rating

According to its FY 2024 audited financial report, Youngstown State's financial position remains strong, having reported total assets of \$352,935,947 and liabilities of \$215,528,438. Net assets, which represent the value of the university's assets after liabilities are deducted, increased by \$7,596,114 in FY 2024 to \$149,587,707 or 2.2% of total assets. This year looks even better, with student enrollment up by 10.7% this semester, and first quarter revenues up by nearly 8%.

The University's existing debt has received high marks from independent bond-rating agencies. Moody's rating for the University is A2 with a stable outlook. Standard & Poor's rating of the University is an A+ with a stable outlook.

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 |
| 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). |

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VII. Institutional Plant Debt

Youngstown State has a demonstrated history of responsibly managing its debt obligations. Over the past five years, YSU's plant debt *decreased* by \$10.9 million (-14%).

