

**Special Meeting of the Board of Trustees
October 27, 2005**

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UNIVERSITY OF CINCINNATI

Official Proceedings of the

Two Hundred and Fifty-Ninth Meeting of the Board of Trustees

(A Special Meeting)

October 27, 2005

The Two Hundred and Fifty-Ninth Session of the Board of Trustees of the University of Cincinnati was convened at 10:47 a.m. on Thursday, October 27, 2005, in Salon A of the Grand Ballroom of the Kingsgate Conference Center on the East Campus of the University of Cincinnati. Notice of this meeting was given in accordance with Section 121.22 of the Ohio Revised Code. The proceedings of the Board, when not otherwise provided for by its bylaws, are governed by *Robert's Rules of Order*.

Phillip R. Cox, Chairperson of the Board of Trustees, presided. Mr. Cox asked that roll be called:

BOARD MEMBERS PRESENT:

Thomas H. Humes, Phillip R. Cox,
Anant R. Bhati, H. C. Buck Niehoff,
Sandra W. Heimann, and Gary Heiman

BOARD MEMBERS ABSENT:

George A. Schaefer, Jr., Jeffrey L. Wyler,
and Candace Kendle

ALSO PRESENT:

Nancy L. Zimpher, President;
Dale L. McGirr, Senior Vice President for
Planning, Finance, and Community
Development;
James R. Tucker, Vice President for
Administrative and Business
Services;
Greg Hand, University of Cincinnati
Spokesperson;

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James Masterson, Graduate Student Trustee;
Stephen Thompson, Alumni Representative;
John Cuppoletti, Faculty Representative;
Robert Faaborg, Faculty Representative;
Andrew Burke, Student Representative;
Virginia L. Steiner, Executive Secretary and
Clerk, Board of Trustees;
and the public

(Prior to the Special Finance Committee meeting and the Special Board Meeting,
Chairperson Phillip R. Cox began the proceedings at approximately 10:35 a.m.)

Mr. Cox:

Welcome, everyone. Candace Kendle, George Schaefer, and Jeff Wyler are unable to be with us today.

We will begin today with the Special Finance Committee. Sandy Heimann has graciously agreed to chair the meeting. There are three items to be considered on that agenda. Mrs. Heimann, would you please convene the Finance Committee meeting.

THE SPECIAL FINANCE COMMITTEE MEETING

[Mrs. Sandra Heimann called the Finance Committee meeting to order at 10:36 a.m., and the meeting concluded at 10:46 a.m. Proceedings of the meeting are contained in the Committee Meeting minutes, which are on file in the Office of the Board of Trustees.]

THE SPECIAL MEETING OF THE BOARD OF TRUSTEES

The Special Meeting of the Board of Trustees was convened at 10:47 a.m. and, as noted on the first page (page 73) of these minutes, roll call was taken.

Approval of the Items Recommended by the Finance Committee

Noted below are the items recommended to the Board of Trustees for approval by the Finance Committee at its meeting held on October 27, 2005, prior to the Special Meeting of the Board of Trustees.

Finance Committee Recommendations

05.10.27.01 Temporary Increase in Community Investment Limit from the Endowment

Synopsis: The current Board rules permit the maximum outstanding principal of a series of community investment loans to be \$75 million. We recommend that this limit be increased for one year to permit two critical projects to proceed on schedule and continue interim use of the endowment as initial capital. Both projects will issue final financing within that period and retire the outstanding endowment loan at that time. The maximum amount of the increased limit request is \$35 million.

Since the beginning of the community investment program eight years ago, the program has served as the initial investment capital for many projects. This capital has been used to acquire land and buildings on key sites, to demolish buildings and prepare sites for construction activity, and to commence construction of new projects. All of these early uses of endowment capital result in meeting critical schedule milestones, and getting projects completed as early as possible. This was the case for both the Stratford Heights and University Park student housing projects. As the initial capital in these projects, the endowment has held a first security position regarding the underlying property or assets of the project.

As projects mature, our community development corporation partners have arranged for primary, and senior, external project financing as soon as possible. When this final capital structure is achieved and issued, the primary financing assumes its share of the funding responsibility for the project as it progresses through final construction and opening. Often, the portion of the endowment loan already issued that will not be used in the final capital structure is retired immediately as the outside financing is finalized and proceeds are available. The amounts to be retired at this point are carefully monitored and tracked as bridge loans that are due upon the completion of the senior financing of each project. Over \$18 million of this type of bridge loan has been issued and retired as described in the last five years. Those transactions, approved as required by the Board rule, occurred when the total amount of outstanding loans was well below the aggregate limit of \$75 million, including any balance from these bridge loans.

As more projects have matured and draw their approved endowment loans, we are approaching the limit of \$75 million in outstanding, long-term loans from the endowment. Therefore, the same type of interim bridge loans as used before now create a temporary increase in the total amount of loans outstanding above the \$75 million long-term limit. The timing of the primary financing for the remaining projects with loans that

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will be retired with the proceeds of their primary financing, in relation to the draw of endowment funds for projects that will hold at least part of their long-term financing with the endowment, has been hard to forecast precisely. But it is now clear that the combination of long-term and bridge loans will temporarily exceed the present limit. This leads to the need for the interim change to that limit that is now recommended to the Board.

The current need for continuing bridge lending involves two projects, both of which have been some of the earliest users of the endowment as seed capital. They are both in the process of issuing primary financing to replace the endowment's interim loan position. They are:

MLK/Highland Office and Retail Building and the Turner Center

The MLK/Highland building is the College of Medicine (COM) swing building that is critical to the progress of the Medical Science Building (MSB) renovation program. The 75,000 sq. ft. of space and related parking spaces which the University will lease in this building will hold COM departments during the several year long renovation of MSB. The first wave of occupants for this building must be able to move into the building in the fall of 2006. The endowment, which funded the initial land purchases and building design costs over the past few years, has continued to support continuing construction activity for this project through a bridge loan. Keeping this project on schedule for occupancy next year is vital to the COM.

The Turner Center is the rehabilitation project at Vine and Daniels, and is the future home of the Niehoff Center and critically needed studios for our School of Architecture that has recently expanded its enrollment. Both of these academic functions need to occupy this space by September of 2006. It is presently under construction in order to meet that schedule. The University will lease this space for these functions.

The MLK/Highland Community Urban Redevelopment Corporation, now that it has been granted the proper federal tax status, is preparing to issue primary bond financing for the entire project cost of both of the above projects. The proceeds of that bond issue will retire the entire endowment loan position at closing. Seasongood and Mayer is underwriting this bond issue for the development corporation, and it is scheduled to be completed within the next several months. The University's lease agreements on both properties will serve as the primary security that permits the issuance of these private, tax exempt and taxable bonds from the redevelopment corporation.

McMillan Park Project

This is the companion project to the new completed University Park project, and is located on the south side of Calhoun St. It is the first of two phases of the project, and it is a combination of retail to match that on the north side plus two towers of condominiums and related parking. Some of the endowment loans to this project for land and other costs date back several years. This has always been the more difficult portion of the Calhoun St. project because of the land acquisition costs that needed to be amortized over the life of the project. This project has been included in the Uptown Consortium's New Markets Tax Credit (NMTC) program as its highest priority for the 2005 NMTC Award won last spring. The project has been allocated \$33 million in NMTC lending, which will combine with senior lending from a bank to fund the \$96 million project. These two components of the final financing package for this project will need several months to mature, at which point the endowments' initial and bridge financing can be retired.

We therefore recommend that the Board approve a temporary increase to the endowment community lending limit of an additional \$35 million for a period that expires on November 3, 2006. Once the bridge loans that cause the need for this temporary increase in the limit are retired, the permanent limit of \$75 million will resume and be fixed at that amount.

05.10.27.02 Joint Use Agreement with City of Cincinnati

Synopsis: Recommendation to approve Joint-Use Agreement with the City of Cincinnati for funding improvements to the Cinergy Convention Center in the amount of \$2,500,000.

The 126th Ohio General Assembly enacted H.B. 16, which includes the appropriation of \$2,500,000 in capital improvement monies to the University of Cincinnati for a project involving improvements to the Cinergy Convention Center. The University desires to participate in the implementation of construction and joint use of modifications and additions to the Convention Center and has concluded that the value of the use of the Convention Center by the University, as provided in the attached* Agreement, is reasonably related to the amount of the appropriations.

As a condition of releasing the \$2,500,000 from the State of Ohio's Capital Improvements Budget, the Ohio Board of Regents requires that the City of Cincinnati and the University enter into an agreement for joint use of the expanded Convention Center. In consideration of the funds the University will contribute toward the funding of construction and renovation costs, the City will make space in and use of the Convention Center available to the University of Cincinnati without charging rental fees for a period of approximately fifteen years. In addition, the University will be reimbursed the actual direct costs of its administrative services connected with the project, which shall not exceed one and one-half percent of the total amount of the appropriation.

We recommend approval of this Agreement. The Joint Use Agreement, which is attached, has been approved by the City of Cincinnati and signed by the appropriate city officials. If approved by the Board of Trustees, the Agreement will be filed for approval with the Ohio Board of Regents.

05.10.27.03 Group Life Insurance Program

It is recommended that the Board of Trustees approve a contract with UnumProvident for the administration of the university's Group Life Insurance Program, effective January 1, 2006. Unicare is the current vendor for the Group Life Insurance Program. This program covers paid basic life insurance and voluntary programs for employee supplemental life, dependent life for spouse and/or children, and accidental dismemberment and disability insurance.

The contract was competitively bid and is for three years with two renewal options of one year each. During the term the vendor may terminate the contract with 150 days written notice and the university may exercise its right to terminate the contract with 60 days written notice.

* Filed with Board Papers

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The current premium paid by the university for basic life coverage is approximately \$760,000/year and the current premium paid by the employees for optional coverage is approximately \$2,265,000/year (total \$3,025,000/year). The proposed contract premium to be paid by the university is estimated at \$645,000/year, and the proposed contract premium to be paid by the employees is estimated at \$1,525,000/year (total \$2,170,000). This results in a total savings of \$855,000/year, a 28% reduction in cost, and represents a reduction of \$2,565,000 over the three-year period.

The proposed rate is guaranteed for the first three years. Using a projected increase in years four and five of 5% per year, the estimated total value of the award recommendation being presented for approval by the Board of Trustees is \$3,320,000.

Action Items

Mr. Cox:

The Board members have been present at the Finance Committee Meeting held today and have received the recommendations of the Committee. The items reviewed and recommended by the Finance Committee are named in the Action Items list in your packet of meeting materials. We would like to vote for all of these items at one time.

May I have a motion for all of the aforementioned items.

Upon motion of Mrs. Heimann, seconded by Mr. Heiman, the Board approved the recommendations for the Temporary Increase in Community Investment Limit from the Endowment, the Joint Use Agreement with the City of Cincinnati, and the Group Life Insurance Program by the following roll call vote:

Recommendation No. 05.10.27.01

AYE: Mr. Cox, Dr. Bhati, Mrs. Heimann, and Mr. Heiman

NAY: None

ABSTAIN: Mr. Humes and Mr. Niehoff

ABSENT: Mr. Schaefer, Mr. Wyler, and Dr. Kendle

Recommendation No. 05.10.27.02

AYE: Mr. Humes, Mr. Cox, Dr. Bhati, Mrs. Heimann,
and Mr. Heiman

NAY: None

ABSTAIN: Mr. Niehoff

ABSENT: Mr. Schaefer, Mr. Wyler, and Dr. Kendle

Recommendation No. 05.10.27.03

AYE: Mr. Humes, Mr. Cox, Dr. Bhati, Mr. Niehoff, Mrs. Heimann,
and Mr. Heiman

NAY: None

ABSTAIN: None

ABSENT: Mr. Schaefer, Mr. Wyler, and Dr. Kendle

Mr. Cox:

Thank you. All three items are approved. That concludes our business today.

Adjournment

There being no further business before the Board, upon motion of Mr. Humes,
seconded by Mrs. Heimann, the meeting adjourned at 10:50 a.m.

PHILLIP R. COX, CHAIRPERSON

ANANT R. BHATI, SECRETARY