MINUTES

OF THE BOARD OF REGENTS

WESTERN KENTUCKY UNIVERSITY

June 29, 2001

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, a special meeting of the Board of Regents of Western Kentucky University was held in the Regents Room of the Wetherby Administration Building on the Western campus. The meeting was called to order by Chair Bale at approximately 9 a.m., CDT, for the specific purposes outlined in agenda items 4.1, 4.2, and 4.3.

AGENDA ITEM 2 - Invocation

The invocation was provided by Dr. Luther Hughes, Associate Vice President for Enrollment Management.

AGENDA ITEM 3 - Roll Call

Mr. Howard E. Bailey
Ms. Kristen T. Bale
Mr. Robert Earl Fischer
Ms. Lois W. Gray
Ms. Peggy W. Loafman
Ms. Cassie F. Martin
Mr. Cornelius A. Martin
Professor Mary Ellen Miller
Mr. James B. Tennill, Jr.
Ms. Beverly H. Wathen

Mr. Ronald G. Sheffer was absent. In addition, incoming student regent Leslie Bedo was present.

Others in attendance included President Gary A. Ransdell; Ms. Liz Esters, Secretary; Dr. Barbara Burch, Provost and Vice President for Academic Affairs; Mr. Fred Hensley, Chief Public Affairs Officer; Mr. Tom Hiles, Vice President for Development and Alumni Affairs; Dr. Richard Kirchmeyer, Vice President for Information Technology; Ms. Ann Mead, Chief Financial Officer; Mr. John Osborne, Associate Vice President for Campus Services; Dr. Wood Selig, Athletics Director; Dr. Gene Tice, Vice President for Student Affairs and Campus Services; Ms. Deborah Wilkins, General Counsel; and Dr. Luther Hughes, Associate Vice President for

Enrollment Management.

AGENDA ITEM 4- President's Report

4.1 Recommendation for approval and endorsement of the Tuition and Fees Policy, effective Fall 2002 semester.

Tuition & Fees Policy Recommendations

1. Consolidate tuition and mandatory fees. The University should continue to
account for mandatory fees through line item budgeting. Units should receive increases at least equal to the HEPI level when tuition is increased by at least that amount. Programs needing new or additional funding should make their case before the Budget Council. The Budget Council will make recommendations to the Administrative Council; the Administrative Council to the President; and the President to the Board of Regents. If adjustments are recommended and approved, the combined tuition and fees rate should include consideration of the needed funds.

2. Maintain flat rate tuition structure for undergraduate and BGCC students taking 12 or more credit hours per semester and for graduate students taking 9 or more credit hours per semester.

3. Use the full-time resident undergraduate rate for combined tuition and fees as the key element in setting future rates. In establishing a new year's rate structure, first determine the amount of increase for the full-time resident undergraduate students.

4. Set full-time nonresident undergraduate and BGCC rates for combined tuition and fees as 2.75 times the corresponding full-time resident rates in 2002 and 2.5 times after 2002. The University should use scholarships to recruit highly qualified nonresident undergraduate students.

5. The University could set full-time graduate rates for all nonresident students as 1.2 times the full-time resident graduate rates. As an alternative, the University should use fellowships to reduce the net cost for nonresident graduate students to a rate equivalent to 1.2 times the full-time resident graduate rates. Nonresident graduate assistants should continue to receive fellowships equal to the difference between resident and nonresident graduate students.

6. Tuition Incentive Program (TIP) rates should become 1.25 times the corresponding full-time resident rates.

7. Set full-time BGCC rates for combined tuition and fees as .90 times the corresponding full-time resident undergraduate rates. This rate needs to be monitored for competitiveness with the KCTCS tuition rate and space availability.

8. Set full-time resident graduate rates for combined tuition and fees as 1.10 times the corresponding full-time resident undergraduate rates.

9. Part-time students would pay an hourly rate calculated by dividing the full-time rate for combined tuition and mandatory fees by 12 for undergraduate and BGCC students and by 9 for graduate students.

10. Extended campus fees should be abolished as a separate fee. Any units receiving current allocations from extended campus fees should continue to do so through allocation of combined tuition and fee dollars.

11. Course fees should remain separated from tuition and fee calculations. Approved course fees should be listed in the schedule bulletins, collected and allocated as in the past.

12. The University should consider establishing a separate combined tuition and fees rate for individual programs such as the University's MBA program. These special rates should only be approved on a very limited basis.

13. The University should seek to increase the overall quality and diversity of its student body by using scholarships or fellowships as appropriate or by extension of the Tuition Incentive Program. These efforts should not be used just to attract more nonresident students.

14. The University should review its tuition refund and drop/add policies. These policies should be changed to guard against the inefficient use of resources caused by "course shopping" by students.

15. Considering that the recommendations above involve some changes to current practices, the University should consider phasing in any approved rate structure by establishing a maximum amount of increase any student would pay from one year to another if they maintained similar classification, residency, and full or part-time status.

Motion for approval of the Tuition and Fees Policy Recommendations, effective for Fall 2002 semester, was made by Mr. Tennill and seconded by Ms. Martin.

Professor Miller expressed two reservations:

1) the question of whether or not this will actually accomplish its intended purpose; and

2) concern about how the monies formally designated "mandatory fees" will be allocated--exactly what system will be used to determine how the fees will be allocated.

In responding to Professor Miller's concerns, President Ransdell indicated that the Chief Financial Officer will bring the proposed budget for the 2002-2003 fiscal year to the Board for approval. That budget will outline the unrestricted and the restricted uses of revenues from tuition. *"When this budget is presented,"* Dr. Ransdell stated, *"you will have the opportunity to discuss and at some point approve the budget for that fiscal year, beginning July 2002."* That budget will indicate the restricted accounts of revenue from tuition and all other sources. The previous mandatory student fees will simply be restricted accounts. The policy of rising at a rate equal to the HEPI will be calculated into those restricted accounts. Any future restricted uses of those revenues, the Board will approve in the normal budgeting process."

Mr. Tennill's motion carried unanimously.

4.2 REQUEST: The President requests authorization to enter into a contract to purchase the Bowling Green Mall property to house the Innovation and Commercialization Center ("ICC").

BACKGROUND: On April 27, 2001, the Board authorized the President to negotiate and, if feasible, enter into a contract to purchase the Bowling Green Mall property. A portion of the Mall property will be utilized to house the Innovation and Commercialization Center. ("ICC").

As previously noted, there are currently five paying tenants in the mall and the University is in the process of identifying the length of their leases and revenue from those leases. There is approximately 190,000 square feet of vacant space, which could be used to house applied research, commercialization, and new business start-ups. Acquisition of this property will allow the Knicely Institute for Economic Development to dramatically expand its influence and capacity.
On March 28, 2001, the Kentucky Economic Development Finance Authority (KEDFA) approved the Innovation and Commercialization Center (ICC) for $4 million from the High Tech Construction Pool. The General Assembly's authorization for this came in House Bill 502 as the South Campus Building.

> **<u>Secretary's Note:</u>** A copy of the proposed contract follows in the next seventeen pages.

In a lengthy discussion that followed the presentation of the proposal to purchase the Bowling Green Mall, Board members asked questions and expressed their views and concerns related to the proposal.

President Ransdell commented, "You've already approved authorizing me to negotiate this contract, but the contract that you reviewed previously has changed, ... it might be prudent to go on and take action given that this contract is slightly different than the one that you authorized me to sign previously.**"**

Mr. Martin pointed out that Board authorization was "to negotiate the contract but not to purchase it", and the document on the table is actually a purchase agreement."

In responding President Ransdell noted, ***"The next step would be state approval and actual closing, so I would ask for your approval to consummate the closing."***

Mr. Martin asked if the contract changes from the one before the Board, it would be brought back to the Board for review, and Dr. Ransdell affirmed.

Motion to authorize the President to enter into a contract (included in the previous seventeen pages) to purchase the Bowling Green Mall property to house the Innovation and Commercialization Center ("ICC") was made by Ms. Loafman and seconded by Mr. Fischer. The motion carried unanimously.

4.3 Recommendation for authorization and approval of the exchange of real estate located at the intersection of Highway 249 and Hilltopper Way in Barren County, Kentucky, for property owned by David W. and Betty Bailey.

<u>Background:</u>

On February 25, 2000, David W. and Betty Bailey gifted certain property located in Barren County, Kentucky, to Western Kentucky University. This property is adjacent to the Glasgow Postsecondary Education Center. Since that date, the Commonwealth of Kentucky Department of Transportation has initiated certain construction and improvements to the road in the area, which has necessitated the taking of the property conveyed to the University. The road improvements will benefit the University, Barren County and the Postsecondary Education Center.

However, the improvements will reduce the amount of land that was conveyed to the University by the Baileys. As such, the Baileys have proposed, and the University is agreeable to, a swap of this property for other property owned by the Baileys which is also adjacent to the Postsecondary Education Center.

This exchange is for no consideration and will result in no monetary expense to the University.

Motion to approve and authorize the exchange of certain real property located in Barren County, Kentucky; specifically, the University's transfer of tract 2-A and 3-A, as shown in Plat Book 15, Page 445, in the Barren County Court Clerk's Office, in exchange for the transfer of property owned by David W. and Betty Bailey to the University, described as tract 2-C and 3-C, as shown on Bailey Plat II, to be recorded in the Barren County Court Clerk's Office was made by Mr. Martin, seconded by Ms. Loafman. The motion carried unanimously.

Updates:

4.4 Diddle Arena Renovation

Dr. Ransdell noted the Arena renovation project is moving along. The administration is working very closely with the Finance and Administration Secretary and his staff, the State Auditor, the Council on Postsecondary Education and everyone involved in the transaction as new policy activity is created with the Commonwealth. There's not a long track record of state agencies or institutions conveying property to municipalities. Once again Western is creating models to efficiently improve the quality of life on campus--in this case, the athletic arena. The next meeting with the State is July 2 with all the appropriate officials from the State; moving toward the July 17 meeting of the Capital Projects and Bond Oversight Committee for the proper State description and proto calls and approvals. There is nothing for the Board to approve at this point, rather an update on how the project is moving forward and what it entails so that the Board is aware as to how State process progresses. *Final document approval will not be sought until after the State has approved all the documents. Board approval will be the final act before actually conveying the deed.*

Wood Selig, Athletic Director, and Kirby Ramsey, Chief Financial Officer for the City of Bowling Green, presented an update on the bond transaction process. Dr. Selig provided a three-page color layout of Diddle Arena. Page one is the ground floor level; page two is the second level, and page three is the upper level. Dr. Selig provided a description of the proposed changes to each level in the renovation process. He and Mr. Ramsey responded to questions from the Board.

Dr. Selig also distributed a map showing the proposed property to be transferred to the City.

(Secretary's note:) A copy of the three-page document (Diddle Arena) and the map (which reflects proposed property to be included in the transfer) are filed in the Board's official files along with a tape of Dr. Selig's and Mr. Ramsey's presentation.

4.5 Southern Kentucky Performing Arts Center (SKyPAC) Update

Dr. Ransdell commented, "We expected, following the decision to locate SKyPAC on land that the University would provide, to have some documents to consider for a land procedure, and we don't yet know whether we're going to transfer title, do long-term lease, or a combination of both. The SKyPAC Board has not reached that stage yet."

Mr. John Osborne, Associate Vice President for Campus Services, reported that the piece of property that was under contract with the University was assignable to SKyPAC; and they did exercise the option to purchase the property at the corner of 14th and Kentucky Street occupied by Domino's Pizza. The University is committed to provide the land for the Arts Center, but SKyPAC is not far enough along in their decision-making process to bring a recommendation forth to the Board for approval at this time.

Mr. Martin asked if the University's only obligation is the property currently owned or if the agreement is subject to the purchase of additional property? President Ransdell responded that any further property acquisition will be the responsibility of SKyPAC.

AGENDA ITEM 5 - Oath of office to Leslie R. Bedo and Robert Earl Fischer

The Constitutional Oath of Office was administered by Ms. Liz Esters, Secretary to the Board of Regents and Notary Public, Commonwealth at Large, to incoming Student Regent Leslie R. Bedo, a Bowling Green Senior, and to Mr. Robert Earl Fischer of Dallas, Texas. Mr. Fischer was reappointed to a third term by Governor Paul E. Patton. The six-year term will expire June 30, 2007.

Ms. Bedo was presented a Regent's lapel pin by President Ransdell.

AGENDA ITEM 6 - Resolution of appreciation for Ms. Cassie F. Martin

Ms. Bedo read the following resolution of appreciation:

RESOLUTION

WHEREAS, Ms. Cassie F. Martin, Glasgow, Kentucky, has served as a member of the Board of Regents of Western

Kentucky University from July 2000, to July 2001; and

WHEREAS,	her term of office was characterized by able leadership, faithful service, and dedication to her responsibilities; and
WHEREAS,	her loyal service and leadership have made significant and lasting contributions to the University; and
WHEREAS,	such leadership and dedicated efforts are deserving of special recognition; Therefore, be it
RESOLVED,	that the Board of Regents of Western Kentucky University in a meeting on June 29, 2001, does hereby express its appreciation to Ms. Cassie F. Martin for her contributions and extends best personal wishes for continued success in all her endeavors; be it
FURTHER RESOLVED,	that this resolution be spread upon the minutes and that a copy thereof be presented to Ms. Martin as an expression of the esteem in which she is held by the members of this Board.

Ordered at Bowling Green, Kentucky, this 29th day of June in the year of our Lord two thousand and one.

Kristen T. Bale Chair Board of Regents	Gary A. Ransdell President Western Kentucky University

Motion for approval was made by Ms. Bedo, seconded by Mr. Martin, and carried unanimously.

AGENDA ITEM 7 - Appointment of a nominating committee

Chair Bale appointed the following members of the Board to serve as a nominating committee for the upcoming election of officers of the Board: Ms. Loafman, Chair; Mr. Bailey; and Mr. Tennill.

AGENDA ITEM 8 - Executive Session

Ms. Gray moved the Board go into Executive Session for deliberations and discussions related to future acquisition or sale of real property by the University, pursuant to KRS.61.810(1)(b). The reason for the closed session is that public discussion and publicity of proposed real property acquisitions or sales would likely affect the value of the specific property to be acquired or sold. The motion was seconded by Mr. Tennill. The Board, accompanied by President Ransdell, Ms. Esters, and members of the Administrative Council, went into closed session at approximately 11:30

a.m.

Returning from Executive Session at approximately 12:30 p.m., Ms. Gray stated, “The Board is now returning to open session. The subject of the discussions and deliberations during closed session were restricted to those in the motion and no formal action was taken by the Board in closed session.”

AGENDA ITEM 9 - Third Quarterly Meeting

The third quarterly meeting of the Board will be rescheduled from July to August 17, and tuition of the 2002-2003 and 2003-2004 years will be discussed at that time.

The October meeting is being planned for the new Glasgow facility, and the possibility of having the January meeting in Frankfort is being explored with the idea of doing something with the Legislature.

With the completion of the agenda items for the special meeting, motion to adjourn was made by Mr. Fischer, seconded by Mr. Tennill. The meeting adjourned at approximately 12:35 p.m.

CERTIFICATION OF SECRETARY

I hereby certify that the minutes herein above set forth an accurate record of votes and actions taken by the Board of Regents of Western Kentucky University in the special meeting held June 29, 2001, in the Regents Conference Room of the Wetherby Administration Building on the campus of Western Kentucky University, and further certify that the meeting was held in compliance with KRS 61.810, 61.815, 61.820, and 61.825 (enacted as Sections 2, 3, 4 and 5 of House Bill 100, 1974 Regular Session, General Assembly).

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Elizabeth W. Esters
Secretary

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Kristen T. Bale
Chair
August 17, 2001

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Elizabeth W. Esters
Secretary
August 17, 2001

Transcript of discussion pertaining to the purchase of the Bowling Green Mall June 29, 2001

Wilkins: The document presented to you last night represents the proposed contract between the seller/donor and the University. Kevin Brooks is here to answer any question you might have about the details of it. This proposal was brought to the Board in April. You all authorized the President at that time to negotiate and enter into a contract if it was feasible to do so; and the University has determined that it is feasible. Of course, it is contingent on several items that need to take place between now and the date of closing; but if those contingencies are met, then the University will proceed with the gift and the purchase of the property.

Ransdell: We are working hand in hand with the Finance and Administration Secretary in this transaction and also with the Economic Development Cabinet, and the Commissioner of the New Economy Bill Brundage. This will be one of five, excuse me, six innovation and commercialization centers across the State. This one is designed to serve about a twenty-six county area in this region of the State, and we are excited to be the lead institution to serve a rather large area of the State when compared to the other five innovation and commercialization centers in their geographic service areas. The first step in creating the innovation and commercialization center is to transact the real estate to acquire the square footage into which the center will be located.

Mead: Let me give you just a little information about the center because it is a new concept at least in Kentucky. It's part of the Kentucky Innovation Act which is a multi-part commitment on the part of the State to in simple terms talk about going from the old economy to the new economy to move, not to underestimate the importance of manufacturing, but to redirect some of our efforts into what is intellectual capital--our scientists, our applied research, IT, various areas that everyone knows are our future and our growth. So the innovation and commercialization center is one component of the innovation act to try to change Kentucky's economy.

The first thrust for Western as it relates to the innovation center will be about 60,000 square feet for us to retrofit it for the Applied Physics Institute, the Materials Characterization Lab and the Fluidized Bed Combustion Project. What is important about all three of these is, they represent the premiere scientists that Western has where our region can make a difference in the new economy. These will be part of the innovation and commercialism center because in their own way they already have initiatives under way that parallel why the act was necessary. We already are a jump ahead of others. Our only setback was not having adequate facilities to do this, so we will take, some of you have been through the Materials Characterization Lab, which is a wonderful center, they will be able to expand the services that they provide and create greater opportunities for patenting. That will be our first priority for the facilities side.

From the programmatic side, we will be searching for an innovation and commercialization center director. What will make this center successful--WKU technical assistance, primarily from the faculty; access to the state-of-the-art technology; fast Internet access. We are optimistic that BGMU will be able to run fiber to the mall and allow us to have a center that will be state of the art. We don't recruit high tech industries unless you can provide a high tech environment. The last very important component is access to venture capital. Several of these funds are anticipated to be created by the state, and others will be partnerships with the private sector, but you have to go through the innovation commercialization process before you have something that you can take to the market as investment-great.

The President indicated the innovation center will be one of six regional centers, and there will be coordination from one entity, which is the **Kentucky Science and Technology Corporation, which has been asked to oversee the entire state program**. The reason that they will be overseeing the program is that they want a linkage among each of the six that our success will be partially dependent on how it relates to the other centers. That is very important as it relates to basic research at the doctoral institutions and then understanding how that may relate to basic research and applied research being conducted in each of the comprehensive universities. The network headquarters with Kentucky Science and Technology Center will be providing additional marketing research services, technical evaluation services, and capitalization plan evaluation. So, no center is an island; we are hoping that through a coordinated statewide approach, we will ensure that this regional center will be successful. Lastly, it is not just Bowling Green's innovation and commercialization center, it is our central region's. Initially, we will have to create a program that may seem more narrow in focus, but the long-range intent is that you reach communities. We have to figure out how to have satellite operations that reach Glasgow, reach Owensboro; we have to find out how what we do here spends off into benefit the entire region. When we go looking for an ICC Director, it's going to be a very exciting and challenging position.

Ransdell: Let me summarize quickly the pertinent, most important elements. Kevin, approximately 300,000 square feet under roof in the mall on twenty seven acres of land; approximately 190,000 square feet is currently vacant space. That is the space to which we will focus our immediate efforts. The remaining space is currently leased, and we intend to sustain those leases; and when they leave--a lease expires or tenant moves, we will replace that tenant with another paying tenant so that the fifteen year life of the payout is covered with revenue from leases in the non-ICC part of the mall. After the first 60,000 square feet is occupied by our own applied research initiatives, we will seek to fill the remaining space with corporate partnerships, and we are negotiating with major corporations to create a business incubator and other corporations to locate in that space for start-up businesses or expanded existing businesses. We are very encouraged that we will find an ICC Director who has experience in these endeavors and can help move this project forward and it will be in direct partnership with the Knicely Institute for Economic Development. So, we are very encouraged.

The original plan, as you may recall, was to take the appropriation from the State, which is approximately $4 million and build a free-standing building, but that would have been a very small building. We have multiplied our space capacity many times over by acquiring the mall property not the lease of which is the consideration for the 27 acres in the highly desirable location in Bowling Green.. Of the $4 million, $2.3 will be down; $1.7 will be put into the building for improvements, and the $2.7 remainder of the $5 million purchase price will be paid over a fifteen-year period to the seller. So that, basically, is the crux of the transaction.

Kevin Brooks has been the attorney that has represented the University in the transaction, and he has spent his time working with the seller and the State to cover both the real estate details and all deed-related actions and to <u>be sure we are square with the State given the State's partnering in the project.</u>

Brooks: I will summarize from a legal standpoint. I believe you have seen the contract. It has been tweaked quite a bit since you saw it last time. I think it is appropriate for approval; <u>actually, I think the President is authorized to sign the contract</u>, but it has evolved a good bit, so I think it is appropriate to come back to you before it is signed. <u>It is still subject to a variety of typical contingencies in any commercialization transaction; most of which we have already worked through as if we had a signed contract.</u> **<u>A couple of significant remaining contingencies actually are approval by a couple of other bodies including the Foundation Board and by our friends in Frankfort.</u>** The later approval is the one that we probably struggle the most with; we think we're pretty close now. When I was here last time, I think what we were discussing was that the most fundamental issue was actually how we would structure the transaction between, if you will, the public and the private part, and that has been a big concern of Frankfort's. I think we have worked through that, and the way this contract now address that is by conveying a percentage interests of the overall property which would remain that way for the entire fifteen duration of the payout.

Ransdell: Percentage between the University and the University's Foundation.

Martin: Is that going to be immediately transferred to the Foundation, or would it be a transfer after fifteen years?

Brooks: No, that was a concern that we had last time, and that was a real concern of mine--that we not have to look for someone to sign a deed after fifteen years. We will not need anything else after we close. We will have a deed in trust and a deed to the University.

Martin: Who is going to own the 54% for fifteen years? You have a deed in escrow, but

Brooks: The Foundation for the benefit of the University, and then the Foundation--this is a concern of the seller, as well. The Foundation will be obligated--will have really a fiduciary duty to transfer the remainder over to Western at the end of fifteen years. I'm real comfortable that we're protected on that.

Loafman: Closing on this is supposed to be in thirty days. When do we start renovations, or what are the plans there?

Ransdell: When do you project closing at this point?

Brooks: Sixty days from when you sign to work through the rest of our contingencies and then 30 days to close. I would suspect the big caveat being what answers we get from Frankfort that we would be in a position to close fairly promptly, like within the next thirty days. There is no reason legally that we couldn't do that.

Ransdell: We would begin moving the Materials Characterization Lab and the Applied Physics Institute in promptly, and we would hope that it would be a matter of four to six months to make that transition. I would hope that we would have those two applied science programs relocated by early to mid-spring.

Bale: Any renovation in that area?

Ransdell: There will be some, but that's the $1.7 million we will use diligently to address roofing circumstances; there will be some modest renovation; at least one of the two applied science areas, the Applied Physics Institute has partnership-patent agreements that will participate in the relocation so those are the kinds of things that will have to be worked out. As to what will be money coming out of that $1.7, or money coming from partnering corporate interests, either through patent relationships or private enterprises.

Loafman: Heleig-Myers has moved out?

Ransdell: Heleig-Myers is filing bankruptcy; it's yet to be determined how long their leased revenue stream will continue. That will be up to the bankruptcy court I would presume. So that could be a matter of another or two, or another year or two. We re tracking that closely, and we're beginning to investigate the market for new tenants as well.

Loafman: What type signage will we have out there when we own the property and start---what are we planning on?

Randsell: Hadn't been determined yet. Don't know. This is very new for the State, so we don't know to what extent the State New Economy will want to play a role in brand-name value, if you will, the Knicely Institute would be a factor in that consideration; the University; our region---that hasn't been explored yet and we probably won't spend money on signage until we feel like we get the interior like we need it and want it, so I would think it would be a year or two before we're turning out attention to exterior.

Loafman: But it would have Western's name on it?

Ransdell: Absolutely. This will in effect be an extension of our South campus.

Bailey: With Heilig-Myers being in bankruptcy, I'm looking at Exhibit C, what do we have in terms of rent from the other leases of the existing tenants?

Brooks: Ann might be able to answer that better than me. They run over I think anywhere from 18 months to about five or six years.

Mead: One significant lease, they just exercised a five-year option and agreed to another five, so we have one major tenant that has a contract that will span ten years. What we need to do on each of them is, after we have ownership, approach them on a new lease agreement and one that secures it as long as feasible. We are trying to match up as closely as we can with the revenue stream in fifteen years to pay the trust. There isn't enough without Heileg-Meyers, but replacing Heileg-Meyers, there is more than enough lease income to pay the trust.

Bailey: So the existing leases run from eighteen months to five years?

Mead: Ten years.

Bailey: Ten years.

Brooks: There a handful of small month-to-month tenants out there that can move out tomorrow; although I don't think we've had any indication that they will. Heileg-Meyers, I should say, even though they are in bankruptcy and they are vacant, they are obligated to pay rent until they make a decision on that. I think they think they have a hunter-market rent, so they are kindly hanging on to that thinking they might sell the lease.

Ransdell: There are a total of five leases: Heileg-Meyers, Big Lots, Dollar General, a barber shop and a bingo establishment, and we want them all to stay.

Bale: I think we all have a great deal of concerns.

Fischer: I'm certainly in favor of this; but just clarification questions on the Helieg-Myers lease. Of course, they may be obligated to pay it; but if they are under bankruptcy, they may not have to pay it.

Brooks: In shorthand, they have the ability to walk away from the lease whenever they want to, but as long as they don't do that, the Court will make them pay.

Fischer: What kind of negative cash flow do we have if Heileg-Myers goes away? And is any of that covered by these government agencies that are doing part of this---there are some real innovative things going on. It's a pretty well funded---

Ransdell: One of the things that is important in this mix is $150,000 appropriation to each of these centers for staffing, but it has to be matched by us, by the University most engaged in that facility; in this case, it would be us, and we're looking at options as to how we will match that through investments from others in the ICC or some things we might do internally that are already budgeted items, so we're exploring how we will achieve that match which means that would be about a $300,000 budget for staffing and operations. We are looking--and I want you to know, *this is not risk-free---as much as we want to protect the E & G budget of the institution, that is not a guarantee, but the initiative is as important as many of the things we are doing with our E & G budget, if not more important than much. It is simply incumbent upon us to participate in the State's New Economy initiative, but don't think that this is without risk. It is not, but the payoff for economic development for this State is paramount.*

Fischer: This isn't only participation, this is getting out on the cutting edge, and that is what this University is about.

Ransdell: We intend to have the first ICC up and running.

Mead: The four tenants excluding Helieg-Myers generate $183,200; the anticipated payment in the first year on the trust is $165,000; so yes, without Helieg-Myers, we are $18,000 to the good which is close. It is imperative that we either have Heileg-Myers paying or we find a suitable tenant to replace them.

Fischer: But that's closer than I thought. You said, and I'm not sure what--you named several government agencies--the one that you referred to as having oversight, what does that entail?

Mead: The State has contracted with Kentucky Science and Technology Corporation, a non-profit organization that has existed for several years, was called EPSCORP, a program to increase our competiveness in getting federal grants to Kentucky. The Kentucky Science and Technology Corporation has been very actively in EPSCOR, seeking federal funds for EPSCOR; now their role has been expanded to include in many different ways, implementation of the Kentucky Innovation Act. They are under contract from the Office of the New Economy--they are under contract with the Council on Postsecondary Education.

Fischer: OK, but what is their impact on us operating the center, directing the development of the center, day-to-day operations?

Mead: It's very new, and we're going to work out a partnership. For example, we indicated we want to start the search for a Center Director; their only request was that they be able to give us a position description for us to consider, and they wanted someone from their office to participate on the search committee. So we're going to have to develop a working relationship. They don't want, I know already, they are not going to be burdensome--they want to be able to provide additional resources beyond what the University can provide. They've already talked to private sector, retired individuals, that they think they can create another reserve of individuals that can come to any one center upon request and help.   So all they want to do is to be able to mobilize resources that we may not have, plus facilitate us understanding, among each of the centers, what we're doing to build on each others successes.

Fischer: If it came down to locking horns, they got the money that we have to go in their direction?

Mead: In our first year, the Office of New Economy has given us $150,000 to be matched, not Kentucky Science and Technology.

Fischer: How much--the $1.7 million--how much of that is--does that cover bringing that building up to standards?   How much do we have to do on top of that $1.7?

Mead: We are still assessing the physical requirements. The first call is whatever we need to do pertaining to the roof. We've already assessed that that would need to be addressed, but we're also toying with another option that may mean we might not have to spend the money there.   So, yes you know it's an old facility, and we're going to have to aggressively seek other parties to help.   I think it is fair to say that we are working with TVA in hopes of establishing a business incubator in that site, and TVA's interest is not operating, it is putting money into capital. We would hope that if this works and the partnership is funded, that a significant portion of the mall, perhaps upwards in the $30,000 to $40,000 range, that it could possibly run to retrofit that space could be borne by TVA. We're going to have to develop a game plan as to what we can address first.

Fischer: OK, in that answer, someway we've took a look at it several months ago--we've got facilities people that are experts in their field--does anybody have a wild guess that it needs $5 more million dollars on top of the $1.7, or is it a break even?

Osborne: I think our investigation mostly has been centered on what elements of the building have exceeded their life cycle to the extent that we gotta get in their right now, and thus far, the two things we've looked at the most are the roof and the HVA system.   It appears that the HVA system is adequate for the building, but needs some work; but the roof is the greatest concern, and it's hard to put a figure on what it's going to take at the moment to get the roof to where we want to get it.   Also, the other question is, we're assuming we have to get the entire roof in proper condition--even the areas that may be occupied by a tenant--because in traditional circumstances, the landlord has borne that responsibility.   It's a lot of roof, and no, we've not had enough time to complete it; but it's possible that, of the $1.7 million, a vast majority of it could go to just addressing the exterior components and elements to get the building where we can manage it as a proper landlord and then have very little to put into the interior renovation of the building. So we will be needing investors for the interior of the building.

Mead: With the twenty-seven acres, there are many possibilities. There's road frontage that is desirable. I think as you develop a long-range plan, there will have to be some consideration about the acreage and how it may be utilized in a way that can help support retrofitting and creating the ICC.

Fischer: The signage--do you think it would be possible to get the new logo up there so the Regents could drive by and see it?

Bailey: The background material indicates this will allow the economic development an opportunity for expansion. Is that indicating it would relocate to that facility, or expand its operations to that area?

Ransdell: No, the Knicely Institute will stay where it's currently located in terms of its administration, but the Knicely Institute for Economic Development is about economic development, and this whole initiative is about economic development, so the two have to be married in some appropriate way. It may mean a rather dramatic shift in what the Knicely Institute has heretofore been engaged in, but that's OK too. This initiative is about conversion to a high tech economy and jobs; and in my opinion that is the heart of what our economic development initiatives need to be about--utilizing our faculty intellect and capacity to raise our technological capability as and economy and to create high jobs and other jobs. We will be transitioning Knicely Institute in that regard.

Miller: I think the economics of it are a little bit scary, but I think the academic potential is very exciting. So far, we've just talked about the economic potential. I'd like to hear some words about the academic potential which I think is the most interesting angle on this.

Ransdell: Well, start with the applied science initiatives that will move there immediately--the Applied Physics Institute has a couple of major patents in the works right now, they're working on several more. They have four or five initiatives that have global capacity--global potential for impact; the Materials Characteriz-ation Lab partners with hundreds of businesses and industries across our area of the State involving our faculty, our undergraduate and graduate students in those material analysis procedures. The Fluidized Bed Combustion Unit is all about burning coal more efficiently, using thermal analysis techniques to more efficiently burn coal and analyze the properties of coal--very important to our State's economy. All of this is driven by our faculty. You look at the potential for involvement of our business faculty in consulting with business and industries to bring their technological capacity up to contemporary standards, an initiative that is currently underway to create a not-for-profit corporation involving faculty in our computer information systems department. The whole key, the whole ability for this thing to succeed rests on our faculty and the intellect they bring to the workplace to drive an economy in this part of the State. This initiative has no value without our faculty. Our faculty are the reason that this University is engaged in the project in the first place. It is mainly faculty in the sciences and in business, but there will be initiatives for perhaps the humanities and education, faculty are engaged as well.

Miller: I understood that. I just thought we needed to get that into the record, and that's very nice to say. I noticed Dr. Ferrill is in the audience, and I've been very impressed with his quotes in the paper, and I've been very impressed with him overall.

Mead: One computer company that we think will locate there, said that the reason is the employability of the computer science current students and graduates. That is serving as a magnet for them there in IT. They are looking for a well trained labor force so that they can expand their operation.

Miller: I haven't thought about this, but don't we have some kind of archeological land---

Burch: In the Rock House.

Miller: I know, but is there any chance that our bone collection could move out to this place? Wouldn't that be an appropriate place for that collection? She's looking doubtful.

Ransdell: We'll make that note, Mary Ellen, and we'll follow up on that.

Bale: Aside from all of this, I think the property--the location of the property is excellent. That whole area there is being renovated.

Ransdell: Breathes new life into an important Bowling Green commercial property.

Bale: Yeah, yeah, so that's somewhat of a secure feeling as well.

Martin: You want to be very careful on both sides of the fence here, the balance between public money and private money when you're dealing with that many people. You really don't want to alienate people, and I've had a couple of comments about that, that you really don't want to alienate the private sector because they have investments there. We have public money, which no one at this table has their own personal money in this project; and when you go there and you compete against the private sector with public money, sometimes that can be a pretty tough battle or image to overcome. So you want to be very careful when you're selling property off or when you're trying to compete against another entity who is trying to lease the same amount of space, you now are leasing it with public money in which you have no investment; whereas in private money, the person has their life and sole in it. My point is, you have to be very careful when you're doing these projects, in my opinion, when you have public money and you're dealing with the private sector. We're flirting with the private sector here, which, I don't know if the University wants that on their plate long term. After all, it will make Tom Hiles' job pretty tough. I'm saying, you've got to be very, very careful about that.

The only other question I had is, and I don't quite understand it, is under the title insurance in the contract, if you're getting title insurance on this, which I highly recommend since it's such a complex deal---who is paying for the title insurance? You have it listed in here as a cup to sale but it doesn't say that in here though.

Brooks: I'll look and see if it's in there.

Martin: You list it one time in the contract, but I definitely think you're going to have to have--I mean I would highly recommend that you---on this piece of property, because of the nature of it, title insurance. In fact you haven't prepared a closing statement, so we don't know what--

Brooks: I have not, but I'm fairly confident that that's buyer's obligation. I'll look and see if it's in the contract, but the other two things is that is traditionally a buyer's obligation and my dealings with this seller lead me to believe that that is the only way it's going to get purchased. But I'll look, Mr. Martin, and see.

Martin: OK, and the other thing we talked about is we talked about the cost of the building for the renovation of the building, but we haven't talked about the long-term revenue that we need to generate to actually maintain the building on the day-to-day operation of it. I know, I've been there, with these buildings, there's always a problem.

Ransdell: We had the University Auditor run an analysis of long-term operations, and it is probably something in the half million dollars a year range to operate the mall with expenses, utilities, traditional maintenance, staffing and the like, so we know the measure of the challenge that we have to generate on an annual basis to operate the facility.

Martin: Do you have an idea where those funds are going to come from today?

Ransdell: Well, it will come from a combination of revenue from existing commercial leases, revenue from other properties in the facility. It's going to have to be, to the extent possible, generated from both the private and the public side of the operation. Three hundred thousand will come from the manner in which we described earlier--$150,000 from the State to be matched with $150,000 which we will generate.

Martin: I assume that by transferring it to the Trust, there will be no property tax on it. Have you looked into that? That's going to be another key item. The University would not owe property tax on 46% of it?

Brooks: That is correct.

Martin: But, by transferring 54% to the Trust, that's why it is important--who is going to own the property at that time? In my opinion, someone will have to be responsible for property tax for fifteen years. If it goes in a Trust, it may not...

Brooks: Well, I think the WKU Foundation probably would be required to pay property tax.

Martin: Are they tax exempt?

Brooks: Probably not for property tax. That's really also a question for the Property Evaluation Administrator. I suspect that he might not.

Martin: He might not accept the property at all. Well, he probably won't accept the property at all because I'm fighting this on another issue, if you rent it to a private entity, they look at it totally different, though it's owned by the public. If you are getting revenue off it from a private entity, you also have to pay the property tax.

Brooks: The other thing that I probably should say is that--I don't want to say for sure, but I'm fairly confident that all of these numbers the University has run has been based on the property tax configuration that's been paid all along. So, if we get out of property tax---in other words, there's of the major tenants, there's a commons area maintenance feel that includes, I think in most--

Martin: But she's running that into her retirement of the debt revenue--

Brooks: I think they've looked at the overall expense of the operation, and that includes taxes, insurance, and so forth, so that the numbers that Ann gave you are assumes paying property tax and still having that slightly positive cash flow. I don't know that for sure.

Miller: Does that number include staffing?

Mead: Yes.

Brooks: The numbers that we've gotten from the seller, of course, have included what they've been paying for property tax. I do know for sure that in the major leases there, the common area maintenance fee where they are paying their pro-rata portion. If we are fortunate enough to not have to pay any, we won't collect that money.

Martin: I would prefer meeting with the Property Evaluation Office now and get it done now--would be easier than later on down the road.

Fischer: Ann, in your opinion, is it in there or not?

Mead: I don't think we've counted any taxes.

Martin: It's probably not going to be tax exempt if you are generating revenue from private enterprises even though you own it.

Loafman: Did you count insurance?

Mead: Insurance is in, but I don't believe taxes were factored in.

Brooks: I don’t think, in fact, I’m confident that the local property evaluation office has never looked at something like this. If we could get him to segregate the public portion of it and exempt it from tax, that helps a whole lot.

Martin: That is why I made my statement earlier. It is somewhat unique, and you have to be very careful about how you market this--you don’t want to market it against the Greenwood Mall or any other entity that may be influenced. They can really make it pretty tough on the University.

Gray: The contract state, “The buyer has made arrangements and commitment to owner’s policy for title insurance and shall be responsible for any title insurance premium. So, it is in this contract.

Transcript of Discussion
Pertaining to the Transfer of Diddle Arena
and other related properties
to the City of Bowling Green
Board of Regents - June 29, 2001

Ransdell: As you know the Arena Renovation Project is moving along; we are working very closely with the Finance and Administration Secretary and his statff, the State Auditor, the Council on Post Secondary Education, and everyone involved in this transaction as we create some new policy activity with the Commonwealth. There is not a long track record of State agencies or institutions conveying property to municipalities. So we, once again, Western is helping to create new models to efficiently improve our quality of life on campus, this case, our athletic arena. I would like for Wood Selig to come forward. Our next meeting with State is July 2 with all the appropriate officials from the State, and then we are moving toward the July 17 meeting with the Capital Projects and Bond Oversight Committee or the proper state description, proto calls, and approvals. There's not anything to approve at this point, I simply wanted you to be aware of where the Arena project is at this point; how it is moving forward; what it entails so that you are aware as we go forward with the State. We will not come back to you for final document approval until after the State has approved all those documents, and your approval will be the last approval before actually conveying the deed.

I would also like to introduce Kirby Ramsey. Kirby, if you will come forward, please. Kirby is Treasurer of the City of Bowling Green and handles all financial administration for our community and obviously is very close to this transaction and is the individual that we look to for financial action in the transfer and who will preside over the financial administration for the life of the debt. I'm sure he will be working for the City of Bowling Green for the next thirty years, so we're pleased about that.

Wood, why don't you explain what currently we are headed toward physically and then, Kirby, any thoughts you'd like to share from the financial prospective would be appreciated.

Selig: Alright, you have a three-page color layout of Diddle Arena. Page one is the ground floor level; page two is the second level; and page three is the upper level. What I'll do is I'll start on the ground floor level of Diddle Arena and, to give you the bearings, you can see as you look at the map in front of you on your left will be Big Red Way. I don't really want to get into talking about the Alumni Center. That has gotten some recent discussion; and in the event that we were able to get an Alumni Center, the architects have shown how it could be positioned in front of Diddle Arena, and contiguous to the Arena and how the two would work together. But I really want to talk about Diddle Areata itself.

Starting, if you would look at say 9 o'clock, you see the Hall of Champions. That area is located where the current swimming pool is located in the basement of Diddle Arena. The swimming pool would disappear, and half of the swimming pool would be utilized for a Hall of Champions. That would be a display area for all of our athletic programs with highlights of each of our programs here at Western, and we would have an interactive area where we would take the current floor, which is the original floor of Diddle, and we would take the free-throw lane and carve it out, and put the original free-throw lane in the Hall of Champions, so we would have a way to preserve some of the history of Diddle Arena. So that would be a real impressive area that would be the destination point for folks coming to any event in Diddle Arena.

Moving around the clock up towards 10 o'clock, the other half of the pool would be used for administrative offices, a recruiting conference room, press room, and then our academic study center for all our student athletes--computer lab, and a place where our student athletes can spend some time after they work out or before practice taking care of their academic needs.

The areas that are in color are areas that we currently have the funding to make the renovations. The areas that are in the white are areas that are not funded, but they also might not need that much renovation because they are already in pretty good shape.

Moving around the outside about twelve o'clock, that is where currently sports information is located. We would move all of our marketing, ticketing, and our business office to that area; and as such, the intention would be to create a drive-through window very similar to a bank where folks can come through and drive through our ticket office window, purchase tickets, pick up tickets, drop off an HAF donation, and then just keep going. As anyone who's tried to purchase tickets for any event in Diddle Arena can tell you, you can't find a place to park Monday through Friday from about 7:30 until 4 p.m. so it's really frustrating to try to conduct a business transaction for an event in Diddle Arena. This way we can eliminate the need for further parking to purchase tickets with that drive-through accessibility. So that would be where those offices would be, and there's a natural relationship between tickets, fund raising, and marketing; and they would all be housed together; they are currently not.

The two main entrance ways would become the lower-level of Diddle Arena--to the left of Marketing and to the right of the Marketing Offices. Those would be the primary access points for Diddle Arena for the future, so no longer coming up the ramp; no longer on the second level--the primary entrance would be on the ground floor where those two doorways currently exist. We would spruce that area up, as soon as you walk in, we're talking about possibly taking the side of the floor where it says E.A. Diddle Arena and again carving that out and preserving that in a hallway right when you walk in, it would say E.A. Diddle Arena. We would have a plaque of all the highlights and the history that has taken place previously in Diddle Arena.

Moving along toward 1 o'clock, you can see the future pedway as we talk about parking across the railroad track and having accessibility to the Arena and to other events, we really want to try and put a pedway about where you see it illustrated on the map. That would go into the parking lot across from Diddle Arena about the mid point of that parking lot which would be a great location to have that walk-over with elevator access from both sides of the street.   So you would park your car, get in an elevator, go up thirty or forty feet; hit the pedway and walk across the railroad track and walk across University Boulevard, and then there's an elevator access down to the ground-floor level once you get right next to Diddle Arena. So you can either take the elevator down and go into Diddle or take the elevator down and walk across to the Downing Center or wherever you are headed on campus; that will be important connector right there.

We will add a training; conditioning and weight room which is the purple area at the 1 o'clock point.   Then moving around, the big new design is the auxiliary gym, you see two full length basketball floors. The can be sectioned off so both the men and women can practice at the same time or a basketball team and a volleyball team can practice at the same time; so that's going to be a thirty-thousand square foot addition that would be a major impact for what we are trying to do. The auxiliary gym as it is currently, which is about five feet below the floor level, the concept would have that being split among men's and women's basketball, and that becomes their locker room, their offices, and we access it from the side and you walk down a ramp, and we take, again, another one of the free-throw lanes and move that over to that area and preserve that other free-throw lane as you enter both men's and women's baseball offices and locker rooms. So that would be where the current auxiliary gym is now. That's pretty much----for the most part, you've got some locker room space that is now vacated that will be used for visiting teams; and if we have tournaments, we have plenty of locker room space to have four teams to dress before and after games and not have them running into each other.

On the outside of the basement level about where 5 o'clock would be, you see "tv-media"--we want to be cable-ready, so when we have televised games with Hilltopper Sports Satellite Network, we will be able to have a tv truck just come in and plug in literally like you plug a tv in; they plug all their cables in from the outside, and then they beam it up on the satellite, so it will be very convenient for us to televise games in the future.

Moving around the bottom of the clock around 7 o'clock, that would be a loading dock on the outside with an elevator--that red box is a second elevator right outside the Hall of Champions--that's the elevator that has access to the luxury suites. It's more of a service area for food and other needs of the second and third level. The level beside the future pedway is the primary patron elevator that will access the luxury suites and the other levels.   We'll create two very large concessions areas on the basement level so we make sure that we can service the needs of any person who might be at an event and looking to approach the concessions.

So that is pretty much the ground floor of this project.   Moving up to the second floor, the 12 o'clock; 6 o'clock--those are where the restrooms are currently. We'll some office space and some meeting space adjacent to those restrooms and eliminate that and expand both restrooms--the big change there will be where the Stansbury Concourse is--with is 9 o'clock on this map--the yellow concessions area--that is where all of our administrative offices are currently--that will become a major food court; a major concessions area that will service a large number of people during the game and be the primary concessions for that main area of Diddle Arena. Physical Education and other offices around the other side of the building --

Martin: Cornelius What will happen--five or so years, that area was named after Stansbury--would that remain?

Selig: That will remain the Stansbury Concourse. We talked to COL Stansbury about that, and he feels very good about that. That would remain as is; and actually, become even more attractive during events with the concessions going on. We would keep the Diddle Statute up, and it will be a real nice congregating area for folks coming in.

The finances dictate that we don't have a whole lot to enhance our classrooms and ROTC. The major enhancement there is air conditioning. We're going to have a nice air-conditioned building where the air conditioning actually works; and it will be a major plus for the students and individuals working in that building.

If you look at 3 o'clock, when we build the auxiliary gym and convert the old auxiliary gym into basketball locker rooms, there's a way that we might create some glass atrium-type space that would let natural light into the locker rooms and offices for basketball which would probably create a real showcase for the basketball offices when they bring in recruits and people come to visit. So that is a possibility that is being discussed.

Then you go up to the third level and you'll see, basically, the third level is the luxury suites--eight on each side--for a total of sixteen, and then the restroom areas on the ends of each suite. What is marked "concessions" now, we've already discussed with the architects will be eliminated, and we would put some small portable concessions on the third floor. That's really going to be focused on the luxury-suite holders and the traffic for the luxury suites and a not a whole lot of fans will be up there except for maybe Toppertown and a few interactives. We've kept a two-lane running track around the perimeter of the third floor. That gets a lot of use by student athletes and general public. You can walk up there in the afternoon during the winter, and there are a lot of people running and working out, so we'll keep a two-lane track open for use internally as well as for the general public where we can have workouts and running.

We'll also have the video boards on the end zones, probably on the 1 o'clock; 7 o'clock access. We'll have two instant replay video boards to be added as a part of the renovation. This is where we are headed with the renovation and the use of space for Diddle Arena. There will also be some modest improvements to softball, soccer, baseball, football in the practice field. We don't really have the detailed plans for those.

President Ransdell is passing out a map that illustrates the areas of transfer--that we would be transferring to the City, and I'll wait until those maps go around, so everyone can see what we're proposing here.

Martin: Cassie Is the green space here--what is that going to be?

Selig: That's grass.

Martin: So how many parking spaces would that take out right there?

Selig: We've counted it; it's about I think 60-70.

Martin: And when are you all starting--I know the staging takes away--staging for t renovation will be in the Diddle Arena Parking Lot--is that right?

Selig: We haven't determined that. We don't want to take any more spaces in Diddle than is actually necessary, and right now the way the layout, everything is on the mid-floor access to the auxiliary gym, for the pool renovation; if there's a way we can move some things off that access and take up fewer parking spaces, we will do that. This is just a drawing for the sake of simplicity right now.

Ransdell: We'll create a parking configuration on the other side of the street before we start taking spaces away in the Diddle Lot; so the trade off across the street will be far greater number of spaces.

Selig: *I think everyone has the map of the Athletic Complex starting with the Diddle Arena. You'll note the green highlighted areas--the transfer of the City would be Diddle Arena, including Smith Stadium, including Feix Field, including the Track where the tennis courts are currently. You'll notice that with the baseball field, we've stopped the line on the right field line and circle it back to--we do not include the playing field of baseball--we bring it back around. That would be the primary complex that would be deeded to the City. It is important to include our revenue-producing areas in the transfer so that we can access the private funds generated from the sale of tickets to make sure that we can pay the City the annual debt service. That's why we have included the complexes that we have. Moving down you will see that the Egypt parking lot is not included. The Title IX fields, we have added softball and soccer; we've included the complex, so we can access the ticket revenue from them, but we have not included the fields per se. Those green-shaded areas are not going to be included in any transfer to the City, just the surrounding grounds from those fields; and then across the street, the proposed parking area--that would also be included in the transfer to the City so that we can make any necessary improvements and enhancements to that parking area. So that is what is being discussed with the City as far as the transfer of property; and that's also the update on where we are architecturally with the use of the reprogrammed space with Diddle Arena.*

The other good news is we've been awarded the 2003-2004 Sun Belt Conference Tournament Championship for both men and women, so that's two years of events. We're also going to be the host for the Girl's Sweet Sixteen High School Basketball Tournament for six years through 2006. We'll have a volleyball Sun Belt Conference Tournament the first year of the renovated Diddle Arena, and we're trying to get involved with Conference USA's Basketball Tournament for Diddle and bring Conference USA here as well as other conference tournaments that we can get involved in. We are really going to try and maximize the use, talking about the economic development potential for the Bowling Green Shopping Mall, we feel like the renovation of Diddle Arena has a tremendous economic impact and benefit for this region as well.

Gray,L: I notice, for example, the football area is not colored in, nor is Diddle; so economically, we can still benefit from the sales, but you've been careful not to in the baseball and soccer fields, so is there a different kind of agreement?

Selig: What's included is everything within the green, so Diddle, the Football Stadium, the Football field---

Ransdell: To answer your question, Lois, the reason that the football field is not shaded is because there will actually be improvements to that field. We have to put a synthetic surface on the football field in order to free the area across the street up for parking. This is where the football team currently practices, so there will be improvements made through the sale of these bonds, as a part of the project to improve those surfaces to allow game and practice time to be on the same surface; and there will also be a reconfiguration of the area between the football field and the baseball field. Anywhere there's work to be done as part of this project or anywhere that there are seating areas that produce revenue to fund the debt service on the project will be included in the transfer.

Bale: And the tennis courts will still be existing?

Ransdell: No, we're probably going to take those out.

Selig: That's why that area was included, because there will need to be a lot of site work to eliminate the tennis courts. We plan to add a batting cage for our baseball field where some of the tennis courts are as well as create more surface for practice and other use for the students where some of those tennis courts are now.

Bale: So, there will be no more tennis courts?

Selig: That is correct.

Tennill: Wood, with including the parking lot, the parking area, will some of the parking fees that students pay--will that be part of the revenue that we will net to pay--?

Selig: The money to improve and acquire parking will all be paid from the Diddle Arena revenues, and it won't be necessary to take parking and transportation fees to enhance those areas. It's all been provided for in the Diddle Project.

Ransdell: Of the budget for the entire project, approximate $26 million budget for the entire project; $20 million is dedicated to the arena itself; and the balance is to do parking and other improvements.

Martin Cassie Will there be a different kind of pass required to park in that parking area since it will be owned by the City?

Ransdell: No, it will be under the management agreement that the University signs with the City. We will have full responsibility to manage and administer all properties. Kirby Ramsey, as I suggested earlier, is the City Treasurer; Kirby is very close to this project and is largely responsible for this terrific partnership that we have with the City in this endeavor. Kirby, in the financial transaction, any thoughts regarding the bond issue or anything with the management agreement with the University in that regard that you would like to share?

Ramsey: Like the University, we are awaiting the actual agreements that are being drafted now that will spell out the City's ownership, Western's possession rights and management rights and control of the properties that are being given to us. The Mayor and City Commissioners have already gone on record acknowledging their willingness to issue general obligation bonds to finance this project and their willingness to accept the property as a gift from Western to bring the project to fruition. So we're excited about the project. We view it as a partnership with the University in terms of giving back to you all in a way to similar things we do with the private sector in terms of incentive programs to attract jobs to this area. We do get a lot of industrial improvements from business coming to Bowling Green because the University is here; and we've never partnered with you before. As a '69 graduate of this University, I look forward to doing that. We have high expectations that it will be a very successful project. I am more than willing to answer any specific questions that you might have.

Miller: This is not a specific question just for you, and I appreciate you saying the City is excited. I'm depressed about it. I has nothing to do with your presentation, but I've said from the start that the giving away of one of the most important, significant and sentimental buildings on campus, except maybe Cherry Hall, is something that I could not possibly vote for; and I appreciate all of the explanations; and we've had more elaborate explanations from Wood about the revenues and projected revenues, which I thought were too ambitious, to tell you the truth, but even if I didn't, even if I thought it was economically feasible, I oppose it on principle; and I oppose it on behalf of the alumni and the faculty and the former professors who have called me and said "Don't give away Western's property no matter what the reason is." That is not addressed to you, that is just my comment on it, and I would add, even without that concern, major, major financial concerns. And to tell you the truth, I'm surprised that all of the agencies this has to go through and still has to go through, I'm surprised we're getting approval to give away State property. I'm not even sure that we're absolutely going to. I don't think we are finished with that yet.

Bale I know there's been a general concern about thirty years from now and the situation of -- we deed you our property, what happens then, and any foresight, any secure feeling that you can give us?

Ramsey: We're setting a precedent by doing this in the first place, and I can speak for elected officials yet to be elected 30 years from now. The City's intent in entering into this project is to be a partner, and I cannot believe that in 30 years, if all the debt is paid in full, that the City would be reluctant to return full title and ownership to the University as a completion of this transaction. I would think the City would clear its books and deed the property back to the University as is.

Fischer: Is that possible to record that? Well like you say, you can't obligate...

Ramsey: The opinions that I have received are that the bonding document may not include language to that extent, so it is good-faith venture for the University and the City.

Fischer: The bonding documents may not or could not?

Ramsey: May not. I'm pretty sure they may not deal with reverting the property at the end of the term.

Ransdell: That's some things we're working with the State. We'll serve at the pleasure of the State in that regard, Earl.

Bailey: One of the question that I have---I'm sorry, go ahead.

Miller: I just want to say that I approve of good-faith ventures; and I think good-faith ventures are a good things between honorable people, and I think we are dealing with honorable people; but I think 30 years from now, the only person who is going to be here at this table is me and all the rest of you will be gone and the City Government will be different, and the President will be different, and...

Bailey: I plan on being here with you. My question is not of Ramsey, but I'm still not sure, and I talked with Ann about this yesterday, not sure that I clearly understand the impact this is going to have on our State appropriation with removing these buildings from our equation in terms of state dollars that come from the CPE, how is it going to impact that?

Ransdell: It will have no impact whatsoever. We have a state appropriation based on enrollment.

Bailey: There won't be anything based on the use of these facilities?

Ransdell: No, there is no calculation whatsoever based on square footage of facilities, it is based on enrollment. We do seek state appropriation when a new building comes on line, but it is not calculated, there is no backtrack calculation of what square footage is used for what purpose, as regards to that appropriation.

Bailey: CPE won't be in a position to decide, as we get appropriations for new buildings, let's say for Glasgow--what keeps them from reversing that process and eliminating dollars based on buildings that will not be under our ownership.

Ransdell: There's no precedent for that in State financial transactions, so I guess laws can be passed, but there is no precedent for that in Kentucky. Universities receive and distribute properties with some regularity. There is no precedent.

Bailey: I was just being sure --

Ransdell: We're aware of that, and we communicated with CPE in that regard. This is not something that is a concern.

Wathen: I'm still troubled by -- I can understand doing something with Diddle Arena, I just cannot understand why we have to give everything else away. I just feel like we're throwing the bath out with the baby--you know.

Selig: Most importantly, it's to make sure it works financially. We have to capture the revenues of ticket sales from football, baseball, soccer, softball, and that's the reason why the transfer of those areas where the ticket sales windows and the revenue is generated is being deeded but also as we look to enhance and improve some of these facilities as well, underneath this bond issuance, we have to make that transfer also; otherwise, we can't make any improvement to those areas of our athletic complex.

Martin, Cornelius You're capturing that revenue to retire the bond?

Selig: That is correct.

Martin: The question I have is if you capture that revenue to retire the bond, where is the revenue going to come from for the operation of the facilities? If that revenue goes straight to the bonds--which you currently have revenue now from a lot of different things that you can deavy up to where you want. If the future revenue will go to bond retirement, you gotta have revenue to run the facilities, where will that revenue come from if it doesn't come from ticket sales?

Selig: It comes from--well, it all becomes a net zero gain, and every penny that athletics earns through private resources, through NCAA tournament revenue, through the State-University support, we operate our entire athletic budget based off what we have to pay annually to the City, and then what we have to use to pay the operational costs; salaries of our coaches; the salaries of our administration--we've looked at the numbers; we've done them over 30 years. We've projected very conservatively, and we've put in an operational cost in there.

Martin: Today, where does those athletic ticket sales, where does it go to?

Ransdell: It goes to operations, Cornelius. *The whole key to this is the student fee that passed. That's the off-setting revenue. That is State dollars coming in that can only be used for state budgets; ie, the operations of the Athletic Department*. The ticket revenue, heretofore, that has supported operations now is being devoted to debt service; and it will be private money coming into a private entity through this transaction. So the ticket revenues, suite-lease rentals; naming rights; concessions; parking--those revenues will be captured to cover the debt and create a reserve for future improvements; and any time that reserve grows, there's always the opportunity for some of that reserve to come back to the University for operations, if needed. But the budget will be balanced largely through the fees that exist and other revenues generated by the department.

Martin: OK, other than the renovation of these other facilities other than Diddle Arena, it looks like you could also, through an agreement, capture those revenues, whatever revenues you wanted, you wouldn't have to own the facility in order to capture the revenue. The revenues could be captured through an agreement that "x" amount or whatever amount of ticket sales would be funded to the project to retire the bonds. I don't know why you have to own it to capture the revenue. That's the reason why you own it. I can understand why you have to own it to do a major capital improvement; but to capture the revenues--

Ransdell: Well, but they have to own it to do the capital improvement--

Martin: Well, but that's not what you're saying--you say they have to own it and also capture the revenues--

Ransdell: But those revenues cannot be State money; those revenues never become State money or they cannot be devoted to the project; so both for the capital purposes and the revenue purposes, this has to be done through the City or some other entity, again, that would be created; and the City is the other public entity that is the much better partner in this project.

Martin: But, is ticket sales State money?

Ransdell: No.

Martin: So, I'm saying, if you capture revenue---

Ransdell: No, they are now, but when this entity is created, they'll be created through Properties owned by the City; and therefore, they will never be State money from that point forward.

Martin: I agree if they--I understand what you're saying, but I'm still saying there has to be a better to capture, if the purpose of deeding the property is to capture revenue, then we can capture revenue through other means. Now if you have to own property to do capital improvements, I have a little better--I can kindly go along with it.

Ransdell: The only other option would be to do a model like the Student Life Foundation, and the State prefers this model---

Martin: So it can be done, that's my point.

Ransdell: The only other option would be to create a 501C3 - non-affiliated foundation, but the State would prefer to work with the City, and they have so stated that.

Miller: We couldn't have transferred this to the Foundation already in existence.

Ransdell: Naw--well, legally, yes; but again the State would prefer to work with another public entity.

Martin: Explain again the soccer field--

Ransdell: Well, we're including everything but the shaded areas--inside the line, but the shaded areas represent the actual playing surfaces which are not transferred.

Martin: To some President that comes here after you leave here, Gary, they are going to be as confused as Hell--

Fischer: You own the field, but you don't own the--

Martin: I'm just telling you--

Ransdell: The management agreement gives the University full and complete control in the operations of every square inch of the property.

Martin: Yeah, well, but we don't own it, and I'm just looking down the road. I won't be alive, and I won't be on this Board - trust me; after today, I might not be on it, but I'm saying - if you're gone, and we're all gone, say ten years from now, you're hiring a President, --Gary, you're now President of the United States--and you say, now we own the seating around the field, but we don't own the field; and he's going to say "What kind of a Board of the University was that that made that kind of decision?"

Ransdell: The Board that put $25 million into improving the arena, and it will not be done otherwise.

Martin: And I'm going to say, why did you give the building away; why didn't you just do the renovating? It's like buying the car and renting the tires--

Ransdell: You may be on to something.

Ramsey: Let me point out, as a reference, that the City of Bowling Green owns the General Motors property and has since they arrived in Bowling Green in 1980's; that property will not revert back to them for full ownership until their industrial revenue bonds are paid in full. It's a similar process. If a recruit wants to look at Bowling Green and they want us to issue industrial revenue bonds for them and put the property in our name for tax exemption reasons, we're more than willing to work with them; and they do not get full title until the bonds are paid in full. Very similar process. We give up all rights of access, control, maintenance, management of whatever we take title to, and we do so in those legal documents that are prepared. This will be similar. There will be a lot of agreements for you all to review that clearly set forth the controls of the possession and use from these properties even though the title happens to be in the name of the City.

Fischer: And I participated with Kirby in getting all of that together at that time, and I can assure you it went very well--nobody ever questions who owns it. How many times have we all driven by the Corvette Plant and thought Corvette owned it, and it didn't make any difference whether they did or not. In that agreement, though, I think you just said that they don't take full title to it until bonds are retired; so, in that case, it is set up in advance that they will own it at the end of the thirty-year bonding period.

Ramsey: I'm not familiar with the exact wording, but I'd defer to the Bond Counsel to make sure whatever wording is needed to satisfy all the parties, we'll get that in these agreements to the extent possible.

Fischer: I think that would bring a lot of security to this Board. I don't know if we're asking for approval today, but..

Ransdell: No, no we're not.

Fischer: If not, I think I hear the Board saying very specifically--

Ransdell: Again, we have to serve at the pleasure of the State. The State has to dictate exactly what that Bond language will be with Bond Counsel, and we have our next meeting coming up next week, and we go for final approvals on the 17th, so, I simply have to defer to the State, we are a State agency, and I rely heavily on State staff to make that determination.

Martin: I guess my problem is not--I'm OK with Diddle Arena--even if we take a chance and don't get it back, I don't know if I feel comfortable with giving it all--everything--not knowing 30 years from now what will happen.

Miller: Diddle Arena is sort of the center piece of this, you know, it's the one with the sentimental attachments and associations with Coach Diddle.

Martin: And I understand that, it's a unit that needs to be fixed; this is maybe the only way to fix it. I'm not sure we need to fix the brand new soccer field and baseball field.

Ransdell: Well, but--

Martin: I understand what you're trying to accomplish, but I'm not sure that you need to give that away. No one's convinced me that that has to be done in order to do this deal.

Selig: One thing that we want to do--we ran out of money--when we were building the soccer and softball complex, we had planned to have locker rooms and space available for the teams and participants. We were not able to build that facility, so this will enable us to go ahead and complete the Title IX complex the way it was originally drawn up.

Martin: Another thing, I'm looking at your project here; and I think it's a beautiful project, don't get me wrong; and I'm not an architect, but I understand a little bit about the cost to renovate and so forth -- $25 million, in my opinion, just looking at this; this is an aggressive project for $25 million; especially now you keep adding -- now you're down here putting in locker rooms in this facility; and it just keeps getting larger and larger, and we don't have but $25 million bond issue.

Ransdell: Keep in mind when I said $26 million bond, $20 million is for the Diddle Project, the rest is for parking and other elements of the entire project.

Martin: Are you capping it at the $26 million?

Selig: Yes, and this is a first stab, and we're going to take a look at all of the costs; and if we have to drop things out--

Martin: Would you drop something out of Diddle Arena, or would you drop the improvements down at the new softball field?

Selig: We have $21 million allocated, and we're going to make whatever we do in Diddle fit into $21 million.

Cassie: It seems to me like it should be Diddle Arena parking and then whatever is left over, work for the softball fields, because we didn't discuss anything of that nature in the Board. That should be the last thing on the list.

Ransdell: You have the right priority.

Cassie: Something else--what type of revenue do softball and soccer games bring in ticket sales wise?

Selig: About $10,000 to $15,000 a year.

Cassie: OK, and then my other question is; after 30 years, cause this wasn't in the original agreement that we talked about, and I understand that now the student fee is going to be used for the athletic budget; and that will be what you will operate on became you can't use ticket sales anymore to give scholarships and that kind of thing, so it will come from student fees; and after the 30 years, will the student fee hen be freed up and we'll be able to use State money -- that's a long time into the future -- but if we become the owner again of Diddle Arena and everything else-- will that free up that student fee to be used in other places where we said before. Because after you renovate Diddle, there's really--you don't need to keep that fee.

Ransdell: I can't obligate that 30 years from now. My hunch is the cost of operations--

Cassie: Well the fee's going up too because we -

Ransdell: The other side of it, kindly like the residence halls, we're building in a reserve fund to keep our residence halls well maintained well into the future. This project does not have that reserve fund capacity; although the revenues from all the ticket sales should create a reserve that will allow us to improve other facilities. Diddle Arena is 38 years old now, and you know how desperate it is in need of renovation. Thirty more years, what you see on this sheet is likely to need improvements again. So, I would think that revenues would be well placed then as they are now.

Tennill: Can I speak just for a moment to what we're talking about as far as giving away more property than just Diddle Arena, because the rest of my week in my normal employment, I'm on the other side and I am in marketing bonds to people. Actually, the people who are going to buy these bonds are actually providing the money. I don't see any problem with us doing this; it's really more or less a safety factor. When bonds are issued, they are always looking for coverage, and that's really what we're talking about here--to cover where the money is going to come to pay the bonds back--The more coverage we can provide, then the easier it will be to market the bonds. That's really all we're talking about. And as Cassie asked, $10,000 - $15,000 a year income is really not a lot of revenue, but it sounds good from the bond assurer's point of view.

Martin: But the City is guaranteeing the bonds; because the have the capacity to guarantee the bonds. I agree with what you're saying, but I'm not for sure that the revenue that this generates--$10,000---is going to make the difference of whether the people who push the bonds--it's going to make a difference, there's not that much revenue there.

Tennill: It still just helps, though, Cornelius.

Martin: Well, but the City has the bonding capacity and the ratings to do that; they do pretty good with their bonds; this is not a small entity going out and selling bonds, this is the City of Bowling Green.

Tennill: I agree with that, but they still have to, anytime they go out to sell a bond, they have to describe where the revenue will come from; etc.

Martin: I understand, but when we, the Student Life Foundation sold bonds for their property, they didn't go out and annex other properties that they didn't use; they didn't annex any other facility.

Ransdell: Sure we did. There was a good bit of property around--

Martin: But no revenue-generating property, I mean they didn't go out and annex any other revenue-generating property. They didn't go up and annex the Ag Center or any other revenue-generating property. My point--and they borrowed $50 million. I just don't think ---you can sell bonds every day, but it's a little different than getting a loan--they ask for everything--

Ransdell: Don't forget the two-prong purpose -- generate revenue; secure the bonds, and improve the facilities. And the way to improve the facilities is to through this bond issue, and we can't use proceeds from the bond issue to improve the facilities unless those facilities are included.

Martin: But you tell me, Gary, that $25 million is the cap, so you may not have enough money to even improve the facility, but yet you're giving it away.

Ransdell: No, we're going to improve the facilities; and what Wood told you was, the cap is on Diddle Arena.

Martin: No, the cap--I just asked--is on $26 million.

Ransdell: $26 million, but Diddle budget is the finite. We're going to do the other projects. The yet-to-be, this is the first draft, Wood got this yesterday, so now we start whittling away at this to make sure that this is in budget.

Martin: But if it isn't in budget, it's still going to be $26 million; we're going to scale it back, so we're not going to have enough money to do that. The numbers just don't jive - I've got dealings with numbers, it don't work in terms of what you're trying to accomplish. I keep hear you tell me two or three different things as to why we're doing this; every time we ask a question, something else becomes the reason why we're doing this. I don't believe that it's required--the seller's of the bonds--require that. I may be totally wrong, but, because there's no money there. For $10,000 for this area right here, for $10,000 a year, we're giving them--we're deeding to the City to retire the debt--

Ransdell: When you factor in softball, soccer, baseball and football into the mix, it amounts to a couple of hundred thousand, and that's a big difference in the margin on a performa.

Martin: In revenue-generating?

Ransdell: Yes.

Martin: You've got a lot more revenue than you talked about before when you no had no money. $200,000 revenue generating in that area, that's a -- when we talked about this before, no didn't have that kind of numbers.

Gray: I guess we could look at the value of the real estate-that could support the bonds?

Martin: But they've never said the reason they did it was because of the value of the real estate.

Gray: I would think it would be important to me if I'm valuing something--whatever I'm holding--with what will be owed.

Ramsey: I'll go back to my opening comments. Our intention are to issue general obligation bonds by the City of Bowling Green; that is a contrast to revenue bonds. Good faith here is two-fold, the good faith on Western's part that the City will be an active and viable partner willing to return the property at the end of the bond issue; the good faith from the City's point of view is that Western can generate revenues from within its organization free and clear of any State control that can be brought forth semi-annually or annually to help pay those bonds because we're on the line for them. It's the City's general obligation. We're looking to you for the revenue stream; and that's a good-faith because we're--the bond holders cannot come back and touch your revenue. The bondholders only have recourse to the City of Bowling Green. It is us who is having the good faith put forth saying, yes, those numbers that Western reports to us that we do have reviewed by an outside party are viable; they're reasonable, and the expectations are that they will be there when we need them; so, we're not looking for the land to ever be obligated, mortgaged, or indebted to any bondholder. No one can take the land from us; no one can take Western's-

Martin: No one can take --that the City that goes on the line?

Ramsey: They can't touch--those are general obligation bonds; they will not go--

Martin: So the actual value of the land gives no value to the project?

Ramsey: That is correct, from the bond holder's perspective. They are looking at the City of Bowling Green, as a municipal entity, created under Statute that has taxing authority and ability and the agreements between us are between us. The comfort level has to be between us, more so than the bondholder--the bondholder is going to look at those numbers, yes, and say yes, Bowling Green is turning around and producing a revenue stream; but should that revenue stream not materialize, the City of Bowling Green is the one that is one the line. And that's what the Mayor and Commission are going to be asked to do for you eventually when the bonds are actually issued.

Martin: So the way that I understand it is that the bondholders are really not looking at Western, they are looking at the City of Bowling Green for the money. The numbers that Western give you could be whatever, they could be good numbers, but the City of Bowling Green is the one responsible. The City wants the revenue from the University.

Ramsey: We do not want to spend taxpayers money on this project, as a rule; so we have to feel comfortable that the numbers are realistically achievable and that they are free and clear of any outside source, but the President and the Board of Regents has to probe over those monies not a state official. That's kind of our viewpoint. I think that is what Western is trying to do.

Bailey: Let me ask a question. Down the road, Smith Stadium is not a lot --it was built in the same era as Diddle Arena--a few years later, same decade. Whose responsibility is it when we need to renovate the Stadium, where do those dollars come from? Since the City has taken ownership of it, and it needs the same type renovation--say we need Sky Boxes in Smith Stadium, five years down the road, who is going to handle that? If you already own it, we can't give it to you again.

Ramsey: But the path is free and clear for future renovations based on Western's ability to generate revenue to help us pay for it.

Ransdell: That's the only way it will be improved, Howard, is to include it in the transaction; otherwise, we'd have to recreate the entire process again to make improvements to the Stadium or any of the other facilities. But by being included in the transaction, the path is clear to improve it once the margin on the revenues is sufficient to do so. When we have the revenue, we do it.

Bailey: Well, but I'm listening to Jim talk about security on the bonds as the bond purchasers liking the idea of it's a good investment, so if the City needs to sell bonds again to renovate Smith Stadium, then if that principal is good today, I don't claim to understand a whole lot about bonds, but if that principle is good today, what do you put up the next time?

Ransdell: If your margin of revenue over debt service becomes great enough, then you have revenue to devote to the Stadium;

Bailey: Yeah, I understand that---winning seasons, and things of that nature;

Ransdell: Right-

Bailey: But I'm looking at it as football stays pretty much where it is a decade from now--

Ransdell: Well it's for sure we won't have resources to renovate it any other way, it's going to have to come from revenue generated by the program itself as we're doing with Diddle Arena--

Bailey: But will the City have any obligations in terms of that renovation?

Ransdell: To improve the facility?

Bailey: That's right.

Ransdell: No, they would have no obligation to do that.

Bailey: Even though they owned it.

Ransdell Even though they own it. Now we may ask for help down the road, but that's another circumstance and another revenue-driven prospective.

Miller: I think it is as reasonable to project revenue losses as it is to project revenue increases, and if revenue losses were projected here, I think we would be in pretty serious trouble.

Selig: We've been very conservative.

Miller: Well, you know what I've said before, I felt the naming rights projections were very ambitious, and I don't know a lot about naming rights, but it seems to me that projecting that twenty years ahead on the schedule you gave us was awfully ambitious. What is going to happen when our revenues and our expenses don't match, and we're going in the red? Where are we going to go then?

Ransdell: Every budget of the university has the same dilemma.

Miller: But every budget of the university does not project 30 years down the road--expenses for that 30-year period.

Ransdell: But every budget is not revenue dependent. Revenue dependent budgets better be looking down the road--our residence halls certainly are--our auxiliaries certainly are. We just spent $40 million putting into the residence halls -- that's a 30-year projection.

Miller: Well, don't think I'm not nervous about that. We're not out of that one either. I think those projections had stronger foundation under them. In thirty years, we may not even have a football program. In 30 years, we may not have a number of these things--in 20 years; 15 years; 10 years. To project over a 30 year period of time that our revenue and our expenses are going to match, I think it is awfully optimistic.

Fischer: 30 years from now it may produce three time that revenue, I mean you do the best you can -- It's kind of like buying a house, when you're twenty-five years old and getting married for the very first time, you have to have something to project--I mean a first-time house not a first-time wife--

Cassie: Not for any athletic events, but if we were going to bring in a concert or if we were going to bring in wrestling or anything of that nature, with the City owning it, is there a possibility for alcohol sales with concessions--that seems like that might bring in more money. Would that be available to pay towards the bonds?

Selig: That would be something that we could talk to the City about.

Cassie: Cause I think that could bring in a lot more revenue. When the feasibility study was done, one of the main student concerns was that they kept voicing was that they want alcohol in the facility---that was pretty adamant with the students that were there, but some people on this campus don't want any type of alcohol anywhere on campus.

Tennill: Mary Ellen, to kind of address your revenue questions. I think if we don't do anything to the facilities, our revenues certainly won't increase; but if, using the Corvette Plant as an example, thank goodness Earl and I had ties to Western or we wouldn't have had a room to sleep in last night, there's so many people in Bowling Green this weekend because of the Corvette facility being here and those people migrating back here, I think you have to from time to time go out on a limb, and say "we're going to build it, and they're going to come." I think that is what you have to do.

Miller: Well, I think you do too in business, but we're not a business; we're a University.

Ransdell: Or the alternative is, it'll fall down around us.

Miller: Well, see you have said that throughout, and I am not certain of that. I've gone down there and walked around the place; there's been some pretty severe storms of late, as a matter of fact; and I don't know why we can't air condition it and ---I don't see it as in desperate shape as I keep hearing it is. I know it needs to be air conditioned, but we can do that for a million plus dollars. The University has existed for almost a hundred years, lean years and fat years, and we have done it without giving stuff away and by delay and prioritizing all kinds of renovation of projects that may have needed something earlier than it got. I just can't see that we're suddenly desperately we've got this need to do something, and it's as extreme as giving it to the City. The City can do whatever it pleases with it.

Ransdell: No, the City can't do whatever it pleases with it. We are in complete control. That's the object of the management agreement.

Mary Ellen, let me--the driving motivation behind the residence hall project and this project is to protect the E & G budget of the University for academic priorities and to protect our pursuit of State funding for academic priorities. We have a science building to renovate; we have so many needs that fit our core function that I cannot justify putting effort and energy into improving facilities that are revenue-generated that can be done in some other way by draining resources from our university's academic priorities to improve these kind of facilities. We've got to save our state pursuit and our primary E&G budget for what we exist for as a University, and at the same time, we can't ignore these other facilities because they, by deteriorating, will detract from our ability to act--to recruit students and to fulfill our responsibility as a public institution, teaching, research, and public service. A lot of these facilities have to do with the quality of life on campus; and we've got to keep those trends going up--recruiting students, improving the quality of life; unless we address them, they won't be addressed. My resolve is to address them in a manner that protects the academic budget of the institution.

Miller: Well, we don't agree on what is protecting the academic--I understand the principle behind it, and I think it's a very laudable one, that if the purpose is to see, that for the first time in my memory the athletic budget doesn't run a deficit, if this really works than that will achieve that. But if it works, it achieves it at a price that I can't bear the thought of making.

Loafman: To use part of the funds for those particular purposes, to update or renovate any of the property, they have to be included in the transfer?

Ransdell: That is correct.

Martin: Why couldn't you do Diddle and the parking and come back two years from now; and if the need is there---cause I'm not for sure that $25 million dollars is going to do everything you want to do here--and redo another, go through the same process again on Smith Stadium if it works. Rather than give it all way at once, do each project one at a time?

Loafman: Is that an option Kirby? How does that flow as far as the City's abilities to sell the bonds? Can you come back and do---

Ramsey: Whatever the Bond money is issued for to improve, that's the property that needs to be involved. If you removed one of those improvements, the the land would not have to be gifted. I think that is a fair statement. I guess it is what you need to accomplish, with the need to address Smith Stadium--

Loafman: Well, that's true

Fischer: It's tied very closely.

Loafman: But if you didn't do all of that right now, you just did Smith Stadium and parking in Diddle and did not include the other, then could you come back in say five years, and; if the bond is already out there, issue additional bonds?

Ramsey: You could--you would simply start this whole process over again with the State. You would have to, again, go through the process of having them approve--

Miller: Well let me ask a bond issue, what guarantee do we have that these bonds are sellable?

Ramsey: The City of Bowling Green currently has a AA-3 rating; just last year issued $17 million in bonds successfully. We're assuming that our credit rating is sufficient to insure a very reasonable interest rate on the bond issue. Our total bonded indebtedness for the City is approximately $40 million, so this would be another $25,000 plus, depending on related fees for bonding expense. They would be marketable under our name. If they don't sell, the project doesn't go forward.

Fischer: It is certainly a major commitment on behalf of Bowling Green.

Miller: And if they don't sell, at what point do you acknowledge that?

Ramsey: This is a public sale. There will be bid opening date; all brokers will have an opportunity to submit their rates. If we receive absolutely no bids for the interest rates quoted; we're in excess of what we though we could afford, you simply stop at that venture and backtrack; and decide what route you want to take--revise our work estimates or don't do the project, or something. Everybody's actively involved all the way through this.

Ransdell: The financial institutions are very anxious to get in and compete for this bond issue; and they are numerous, and actually the City staff, Kirby, particularly have been very helpful in fielding those inquiries from financial institutions who would like to be the seller of these bonds, and there are going to be some that are going to be disappointed that they will not be selected, and that will be a process that Kirby will manage--to select the financial institutions.

Miller: OK, what kind of cap does the City have on its ability to issue these kinds of bonds.

Ramsey: We are allowed under State Statute to issue debt up to 10 % of the assessed value of the property in the City. That figures is well over $200 million, so from the capacity perspective, it's not an issue; from the payment perspective---that's why we're here talking about pledging revenues, and the City's credit worthiness in terms of guaranteeing the bonds.

Miller: And in that year when Western cannot pay the debt service of $1,547,000, what happens?

Ramsey: The answer would be obvious; if the money is not there--the University cannot produce it--the City of Bowling Green has to. That the Mayor and Commissioners know going into this partnership. We hope that never happens; we do not envision it--

Miller: That is in the contract, then?

Ramsey: That will be in all of the documents. It's there when we issue any other bonds; the City's taxing authority and its ability--and while we are partnering with you, and I use the reference of General Motors,--unlike General Motors, the City is not obligated because we're dealing with a private entity. In fact, we just recently approved the issuance of more revenue bonds on that facility so we can modify it and produce the new Cadillac vehicle--

Miller: Were those bonds just for the property or for the --

Ramsey: Property and building, and those bonds will be paid off again, that's going to stretch that term out on General Motors getting tied up for some additional period of time.

Bale: OK, I think we've had a good intense update. Thanks to Wood and to Mr. Ramsey for your comments. We still have more thought to put forward to this, and we'll be in touch. Thank you.