

**OHIO HIGHER EDUCATIONAL FACILITY COMMISSION**  
**MINUTES OF THE MEETING OF THE COMMISSION**

**March 21, 2012**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, March 21, 2012, at 11:00 a.m. on the 36<sup>th</sup> Floor of the Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: David Cannon, Vice Chair, Kenneth Kutina, Secretary; Wanda Carter; Lynnda Davis; Thomas Needles; James Shindler; and Susan Tate. John R. Wells, Chair was absent. Also present were representatives of the institutions appearing before the Commission; Katie Kleinfelder of RBC Capital Markets; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Sanders (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the Vice Chair. Upon call of the roll, the Secretary declared that a quorum was present. He also stated that the notice of this meeting had been given to all media, organizations or other persons who requested that information in accordance, and in full compliance, with Section 121.22 of the Revised Code.

The Vice Chair noted that the minutes of the Commission meeting of February 15, 2012, were sent to each member prior to this meeting; those minutes are also included in the meeting books for each member. Upon a motion by Mrs. Carter that was seconded by Dr. Kutina, all Commission members present approved the minutes of that meeting.

## DENISON UNIVERSITY

The Vice Chair next called on Seth Patton, Vice President for Finance and Management, to update the Commission members regarding Denison University's financing request. Joining Mr. Patton was Joshua Beitzel, Manager of Investments. Mr. Patton thanked the Commission members, noting that he had been before Commission at its February meeting for preliminary approval of the proposed financing. The University still desires to proceed with the financing of facilities, including a new athletic center and various academic and housing projects. The University also desires to proceed with the advance refunding of portions of its 2001 and 2004 bond issues, assuming favorable market conditions.

Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the bond issue and related bond documents and authorizes the issuance of the bonds.

Mr. Needles moved and Mrs. Carter seconded the motion that Resolution No. 2012-02 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Carter; Davis; Kutina; Needles; Tate

Nay: None

Abstain: Shindler

The Vice Chair declared the motion passed and Resolution No. 2012-02 adopted.

Resolution No. 2012-02 is as follows:

## UNIVERSITY HOSPITALS

The Vice Chair next called upon Bradley Bond, Vice President – Treasury, to speak to the Commission members regarding University Hospitals Health System’s financing request. The Health System is seeking final approval for the refinancing of its Series 2009A Bonds. Mr. Bond thanked the Commission members for their past support of the Health System, noting that the Health System’s Vision 2010 Project has been a success. The Ahuja Medical Center in Beachwood, Ohio was completed in February 2011. It opened on time and on budget. To date there have been approximately 4,000 discharges and 3,000 procedures conducted at the Medical Center. 108 out of the total 144 beds at the Medical Center are open. The \$274 million Seidman Cancer Center opened in June 2011, with 120 out of 150 beds currently in service. There have been approximately 2,500 discharges. The opening of the Cancer Center also proceeded consistent with Health System plans. The Health System’s new Emergency Department on the Main Campus opened in July 2011 and accommodated approximately 62,000 patient visits in the second half of that year alone. The new Emergency Department is extremely busy and has become an area focal point for emergency room treatments. Overall, Health System is doing well. Patient volume is up approximately 6%, however, total surgery levels are down approximately 2%. This is consistent with area market trends. The Health System has reported approximately \$47 million positive revenue margin and 125 days “cash-on-hand.” It also enjoys an “A” rating level from the major rating agencies.

The Health System is seeking final approval for the refinancing of certain of its 2009 bonds issued through the Commission. They were issued with interest rates as high as 7% and are callable for early redemption in January of 2015. Interest rates have fallen dramatically, enabling the Health System to achieve significant savings through a refinance transaction. The bond issue would provide for bond proceeds to be put in an escrow account until the January 2015 redemption date. Through the refinancing, the Health System anticipates as much as \$500,000 to \$800,000 per year in savings. Mr. Bond then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Mr. Bond noted that the proposed bond issue will utilize a traditional underwritten structure with fixed-rate bonds. There are other potential refunding options that the Health System is exploring that may use a private placement structure. Approximately 85% of all Health System debt currently bears interest at fixed rates, which is higher than its ideal mix of fixed and variable rate debt. Mr. Bond indicated that he would follow-up with Commission members with cost per square foot information for various projects. In response to a question from Mrs. Carter, Mr. Bond noted that the Internal Revenue Service defines community benefit for the Health System. Last year, the Health System’s community benefit exceeded \$200 million. In respect of charity care, the Health System must first assess whether to classify unpaid balances as bad debt or charity care. Bad debt exists when a patient is unwilling to pay. This is in contrast to charity care, which exists when a patient is unable to pay. Charity care alone exceeded \$70 million. The Health System also provided community benefit through training and education of physicians and \$45 million to \$60 million in unfunded research. Part of the Health System’s compensation program is designed to give credit for community benefit contributions by physicians. Mr. Bond noted that the Health System’s Emergency Department was not a profitable enterprise. It is a high expense item; it requires a full and highly trained staff. It is not an effective way to deliver care for relatively

minor medical issues; however, it does function as an effective “front door” to patients who do not receive regular medical care. Mr. Bond further noted that as a result of efforts of Senator Grassley, the Health System is required to record its community benefit on its IRS Form 990. The Form provides a 5% target for community benefit; the Health System is at 11%. Currently, the Internal Revenue Service does not require a certain percentage of community benefit in order to be a 501(c)(3) organization, but government policy may be headed in that direction.

Responding to questions from Mr. Shindler and Ms. Tate, Mr. Bond noted that the Health System’s community benefit and charity care have increased year over year since 2008. In respect of unpaid balances, the Health System initially treats them as bad debt. It is only after further review that a bad debt may be reclassified as charity care. Unpaid expenses that are treated as bad debt are classified as an expense and charity care is treated as a deduction from gross revenue. Responding to further questions from Dr. Kutina, Mr. Bond commented on the impact of the affordable care act on emergency rooms. The Health System is focused on more efficiently treating minor medical issues that currently come through the Emergency Department. The Health System is establishing a new clinic designed for these more minor medical procedures so that the Emergency Department can focus on more serious cases. The Health System also is looking to create separate children’s areas in the Emergency Department so that they are not directly exposed to the more serious trauma cases.

In response to questions from Mr. Needles, Mr. Bond confirmed that the goal of the Health System’s electronic medical records system is to make it easier to share information among facilities. The Health System was very pleased to announce recently the \$50 million gift from the Harrington Family Foundation. It, with other funds, provide the Health System with moneys to help support important physician research initiatives that otherwise may not have been funded from traditional governmental or private sector sources. Mr. Bond commented that he has been pleased with his experience with the Commission over the last five years and that the Health System has saved a significant amount of money by pursuing financings through the Commission. By refinancing the Health System’s 2009 Bonds, they will be legally defeased.

Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the bond issue and related bond documents and authorizes the issuance of the bonds.

Mr. Needles moved and Mrs. Davis seconded the motion that Resolution No. 2012-03 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Carter; Davis; Kutina; Needles; Shindler; Tate

Nay: None

The Vice Chair declared the motion passed and Resolution No. 2012-03 adopted.

Resolution No. 2012-03 is as follows:

## THE COLLEGE OF WOOSTER

The Vice Chair next called on Lori Stickelmaier, Vice President for Finance and Business, to speak to the Commission members regarding The College of Wooster's financing request. Joining Ms. Stickelmaier, were Jackie Middleton, Director of Administration and Auxiliary Services, and Peggy DeBartolo, Controller. Ms. Stickelmaier thanked the Commission members, noting that the College is doing very well. The College has a new Provost, as well as a new Vice President for Development and a new Vice President for Marketing and Enrollment. The College's enrollment is stable and this year and it has received a record of nearly 5,200 applications for Fall 2012. The College's enrollment target is for 550 to 580 incoming freshmen. 575 freshmen are expected for this coming fall. There are approximately 1,900 students on campus in total. The College is a member of the Great Lakes Colleges Association, and maintains tuition rates consistent with those of its peers. Tuition increases are part of the College's budget, however, it expects to keep those below 4%. Ms. Stickelmaier continued by describing important College projects that the Commission has assisted with since 2005. The Beall Avenue Streetscape Project has been a great success and Commission members are invited to come see it. The College's new Collaborative Research Environment Center has also been a tremendous success and is a popular gathering place for students. The new Scot Student Athletic Center, financed in part by the College's 2010 bond issue, also has been a big success. The Center opened this past January. On its second day over 1,000 students used the fitness center and in its first full weekend of operation its indoor track was used for a tournament. The Center was financed with a combination of bond proceeds and gifts to the College, with the largest source of funds being gifts from members of the College's Board of Trustees.

Ms. Stickelmaier noted that purpose of the proposed bond issue includes providing for a conversion of the College's coal power plant to natural gas, various energy savings and infrastructure projects and the refinancing of the College's 2003 bond issue. The power plant conversion will result in significant energy and financial savings to the College each year and will require fewer staff to operate. In addition, expected environmental regulations would drive the cost of maintaining a coal power plant higher. The various energy savings projects will be situated at various buildings across campus and will also include lighting and HVAC upgrades, as well as improvements to the College's electrical distribution system. The 2003 Bonds currently bear interest at rates over 5%. Through a refinancing those rates could be lower than 2½%. Due to the savings achieved through the refinancing and other projects, the College does not anticipate an increase in overall debt service costs. Ms. Stickelmaier then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Cannon and Dr. Kutina, Ms. Stickelmaier noted that reduced interest rates by refinancing the 2003 Bonds is achieved in part through the relative near term maturity dates of the new bond issue. The current coal power plant serves approximately 90% of campus buildings. It was built in 1939 and is increasingly expensive to maintain. Responding to further questions from Mr. Cannon and Mr. Needles, Ms. Stickelmaier noted that the College has enjoyed a historic connection to Scotland. College athletic teams are known as the "Fighting Scots." In response to a further question from Dr. Kutina, Ms. Stickelmaier confirmed that the College will be earmarking savings from these projects.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with The College of Wooster. That agreement and related resolution preliminarily approve the financing transaction and are in their usual form.

Mrs. Carter moved and Mr. Needles seconded the motion that Resolution No. 2012-04 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Carter; Davis; Kutina; Needles; Shindler; Tate

Nay: None

The Vice Chair declared the motion passed and Resolution No. 2012-04 adopted.

Resolution No. 2012-04 is as follows:

## CLEVELAND CLINIC FOUNDATION

The Vice Chair next called upon Anthony Helton, Administrator-Division of Finance, to speak to the Commission members regarding the Cleveland Clinic Foundation's financing request. Joining Mr. Helton was Timothy Longville, Assistant Controller. In respect of the Clinic's plan of finance, there are new projects and refinancing of prior bonds. Of the \$300 million of new projects, approximately \$200 million will be used to reimburse the Clinic for costs directly paid by it over recent months. The remaining \$100 million will be deposited in a project fund and spent over time. The refunding component of the proposed financing would include refunding of certain 2003 bonds and certain 2009 bonds, resulting in a potential estimated present value savings in the millions of dollars. The new projects to be financed with the Bonds, include improvements to the Clinic's Brecksville Data Center and will include approximately 40,000 square feet of conditioned space on a ten acre site in Brecksville, Ohio. Other projects include renovation of pathology and laboratory facilities on the Clinic's Main Cleveland Campus, including technology upgrades, acquiring laboratory equipment and expanding clinical spaces. Also included are improvements to the Clinic's F and G Buildings on the Main Campus, including improving radiology facilities. The Clinic's Emergency Room facilities will be renovated, and the current offices of the Clinic's Board of Governors will be relocated to the Lerner Research Building in order to make more room for patient spaces. Other components of the project include Fairview Hospital Emergency Room improvements, renovation and placement of medical treatment facilities at Marymount Hospital, renovation of cancer treatment facilities in Medina and the improvement of maternity, emergency and other facilities at Hillcrest Hospital. Bond proceeds may also be used for the improvement of the Clinic's family health centers. System-wide projects include technology upgrades, including facilities for electronic billing and medical records and the improvement of building supports systems, including roofs, parking improvements and emergency power facilities. Mr. Helton further reviewed the Clinic's Series 2011 Bond issue, confirming that it was issued as a combination of both taxable and tax-exempt debt.

Mr. Longville proceeded to discuss certain aspects of the Clinic's balance sheet, noting that total operating revenues have increased over the last three years. In 2011, there were special charges relating to the closure of Huron Hospital in East Cleveland, Ohio. The Clinic expects to incur further costs in connection with the demolition of that facility in 2012. Clinic assets also have increased over the last three year period. The Clinic's financial statements are internally certified, consistent with Sarbanes-Oxley Guidelines, even though they do not apply to the Clinic. Mr. Helton then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Shindler and Mr. Cannon, Mr. Longville noted that while there is an expected decrease in operating income, it is offset by several factors, including inflation and depreciation. The 2012 budget has held up through the month of February, and patient volumes are exceeding plan. Responding to questions from Dr. Kutina and Mr. Needles, Mr. Helton and Mr. Longville noted that the Clinic had approximately \$511 million of community benefit and within that approximately \$145 million was charity care. The former Huron Hospital will be demolished, with the former hospital site to be donated to the City of East Cleveland. The Clinic is building a family health center in East Cleveland with the focus on the treatment of chronic diseases. There is another hospital emergency department within three

miles of the former Huron Hospital. The Clinic will still provide shuttle services from East Cleveland to other Clinic facilities.

Mr. Helton confirmed that approximately \$200 million of bond proceeds would be used to reimburse the Clinic for money that initially paid directly out of its own fund for project costs. Responding to further questions from Dr. Kutina and Mr. Cannon, Mr. Helton confirmed that the Clinic has placed great value on the importance of maintaining unified electronic medical record and billing systems on a system-wide basis. The Clinic's final project budget may provide for some change in the amount of bonds issued for new projects.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with Cleveland Clinic Foundation. That agreement and related resolution preliminarily approve the financing transaction and are in their usual form.

Mr. Needles moved and Dr. Kutina seconded the motion that Resolution No. 2012-05 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Carter; Davis; Kutina; Needles; Shindler; Tate

Nay: None

The Vice Chair declared the motion passed and Resolution No. 2012-05 adopted.

Resolution No. 2012-05 is as follows:



## OTHER BUSINESS

Dr. Kutina was recently reappointed to the Commission. Dr. Kutina indicated that he was willing to continue to serve as Secretary.

There being no further discussion, Mr. Needles moved and Mrs. Davis seconded the motion that Resolution 2012-06 be adopted providing for the election of Kenneth Kutina as Secretary of the Commission, to serve until his resignation, until a successor is duly elected or until such time as he is no longer a member of the Commission.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Carter; Davis; Kutina; Needles; Shindler; Tate

Nay: None

The Vice Chair declared the motion passed and Resolution 2012-06 adopted and Dr. Kutina was thereby elected Secretary of the Commission.

**CALL OF NEXT MEETING AND ADJOURNMENT**

It is now expected that the Commission will next meet on May 18, 2012, if necessary, or upon the call of the Vice Chair. On a motion duly made and seconded, the meeting was adjourned.

  
Secretary