

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

**June 18, 2014**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, June 18, 2014, at 11:00 a.m. on the 19<sup>th</sup> Floor, Room 1932, of the Riffe Center, 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; John Martin; Susan Tate; John Wells; and James Wilson. Absent from the meeting were: Thomas Needles and James Shindler. Also present was a representative of the institution appearing before the Commission; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Patton Boggs (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 May 21, 2014 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 Mr. Wells that was seconded by Ms. Tate, all Commission members present approved the minutes of that meeting.

## UNIVERSITY HOSPITALS HEALTH SYSTEM

The Vice Chair next called upon, Tricia Bires, Director, Treasury, to speak to the Commission members regarding University Hospitals Health System's financing request.

Ms. Bires thanked the Commission members for their past support of the Health System. Overall, the Health System is doing very well and last year had exceeded budget expectations. For 2014, the Health System was initially behind budget, due in part to decreased volumes. That has been offset to some extent by expense management and classifications of certain bad debt and Medicaid expenses. As of this past January, the Health System acquired Parma Community Hospital in Parma, Ohio and EMH Healthcare in Elyria, Ohio. EMH Healthcare includes over 2,100 employees and furthers the Health System's growth strategy west of Cleveland. EMH includes a 387-bed facility and had over 13,000 discharges in fiscal year 2013. There is an outpatient facility in Avon, Ohio, as well as medical office and emergency facilities in Sheffield and Amherst, respectively. Parma Community Hospital includes approximately 332 beds and is located in Parma, Ohio. Parma, with a population of approximately 80,000, is one of the larger cities in the State. It had over 12,500 discharges in fiscal year 2013. The Health System expects to make capital investments in these acquired facilities, including a new medical office building in Parma, as well as emergency and outpatient facilities. The established foundations in respect of each of the facilities are being supported by the Health System. The Health System also has entered into a letter of intent in respect of the proposed acquisition of Robinson Memorial Hospital. Ms. Bires then inquired of the Commission members as to whether they had any questions.

In response to a question from Dr. Kutina, Ms. Bires noted that the acquisitions of Parma Community Hospital and EMH Healthcare were accomplished through member substitutions in each health system's governing documents, thereby facilitating the acquisition of their assets by University Hospitals Health System. Those assets will be revalued by the Health System's outside auditors. Admissions this year are down in part due to the increasing use of high deductible health plans, resulting in many patients deferring treatment to the end of the year. The Health System's bad debt expense is impacted as some patients cannot afford co-pays or deductibles; however, under new health care laws some can qualify for Medicaid support. In response to a question from Mr. Wilson, Ms. Bires noted that each of Parma Community Hospital and EMH Healthcare were running operating deficits prior to their acquisition by University Hospitals. Through the acquisition, those facilities may be maintained and run on a more efficient basis, taking advantage of the Health System's contracting arrangements and administrative support. These acquisitions are part of national healthcare trend in which small, independent hospitals are harder to maintain on a cost-effective basis. Some efficiency will be gained through the consolidation of administrative functions. In response to an additional question from Dr. Kutina, Ms. Bires noted that the Health System was unsure as to whether there would be a teaching component to the Parma and Elyria facilities. In response to questions from Mr. Cannon, Ms. Bires noted that the capital investment by the Health System in the acquired facilities would include some renovation work and the acquisition of medical equipment, as well as a new proposed medical office building. The proposed financing, which includes the refinancing of Parma and Elyria debt, will result in cost-savings as the Health System's credit is much better than that of Parma Community Hospital and EMH Healthcare. The proposed financing will include the restructuring of debt associated with Parma Community and EMH

Healthcare, the refinance of certain 2007 and 2009 bonds issued by the Commission for the Health System, as well as \$10 million of new money to be applied toward hospital facilities. Ms. Bires noted that the prior bonds to be refunded by the Commission include bonds that financed Vision 2010 Projects, including the Health System's new emergency department, neo-natal facilities and cancer center. It's expected that the proposed bond issue or bond issues will not exceed an aggregate of \$220 million and will include a combination of fixed and variable rate debt. The variable rate debt will likely be issued in a direct-placement transaction, so as to avoid bank and tender risk associated with letters of credit. Fixed interest rates are expected to be below 5%. Ms. Bires noted that the Health System also expects that the entities associated with Parma Community Hospital and EMH Healthcare will become part of the University Hospital's obligated group under its financing documents. Responding to further questions from Dr. Kutina and Mr. Cannon, Ms. Bires noted that, at the moment, the Health System expects the same number of beds at the various facilities with the possible addition of beds at Case Medical Center. The rating agencies are aware of the acquisitions. The Health System maintains ratings of "A2" and "A" by Moody's and S&P's, respectively, although new ratings may be issued in connection with the proposed bonds.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with University Hospitals Health System. That agreement and related resolution preliminarily approve the financing transaction and are in their usual form.

Mr. Wells moved and Mrs. Carter seconded the motion that Resolution No. 2014-05 be adopted.

Aye: Cannon; Carter; Kutina; Martin; Tate; Wells; Wilson


Nay: None

The Chair declared the motion passed and Resolution No. 2014-05 adopted.

Resolution No. 2014-05 is as follows:

**CALL OF NEXT MEETING AND ADJOURNMENT**

It is now expected that the Commission will next meet on July 16, 2014 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.

  
Secretary

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7/16/2014