

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

December 17, 2014

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, December 17, 2014, at 11:00 a.m. on the 19th 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: Thomas Needles, Chair; David Cannon, Vice Chair; Kenneth Kutina, Secretary; Wanda Carter; John Martin; Susan Tate; John Wells; and James Wilson. Absent from the meeting was: James Shindler. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Board of Regents; Robert Selak, counsel to Case Western Reserve University; and Alexander G. Burlingame of Squire Patton Boggs (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the 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 Chair noted that the minutes of the Commission meeting of December 5, 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 Dr. Kutina, all Commission members present approved the minutes of that meeting.

UNIVERSITY OF DAYTON

The Chair called upon Philip Chick, Treasurer, to speak to the Commission members regarding the University of Dayton's financing request. Mr. Chick was joined by Beth Keyes, Vice President for Facilities Management, and other members of the University's finance department. Mr. Chick thanked the Commission members for their past support of the University, noting that the requested bond issue is for a combination of new projects and refinancing. Mr. Chick noted that enrollment remains strong, with 2014 enrollment being over 11,000. University research activities are doing well, with projects being funded through the government and other sponsors at the University of Dayton Research Institute and elsewhere. The University has a meaningful impact on the Dayton area economy, which includes wages paid by the University and approximately \$35 million in capital projects in 2013. Those projects included the science center and library and music department improvements. Library improvements helped to provide an updated facility, including a new roof, windows and upgraded HVAC facilities. In response to questions from Dr. Kutina, Mrs. Carter and Ms. Tate, Ms. Keyes noted that the University library is approximately 100,000 square feet in size and includes a thin brick veneer on the exterior.

Financially, the University is doing well. Enrollment is strong and the University has enjoyed an operating surplus of approximately 8.5%. The University budgets for 1,800 incoming students against 2,000 of actual enrollment. The endowment size is approximately \$730 million and it has achieved an approximately 11.3% return over the last 5 years. The University's long-term debt is at approximately \$324 million, \$290 million of which has been issued through the Commission. The University's investments are generally liquid, with 80% being convertible to cash within six months. The University maintains a rating in the "A" category from both Moody's and Standard & Poor's. The University has experienced improved selectivity with incoming classes and continues to improve both the ethnic and geographic diversity of the student body. The number of applications received continues to increase, and some of that increase is attributable to use of the common application. The University closely monitors campus visits by prospective students, as it sees a direct relation between those visits and deposits. The University is continuing to improve male to female ratios – incoming students have standardized test scores that are above national averages. Mr. Chick noted that the University has continued to implement its price guaranty program, using financial aid to assure tuition does not change for students over a four-year period. In response to a question from Mr. Needles, Mr. Chick stated that he would follow-up to see if the University maintains separate statistics as to ACT averages as to students who come from outside the State. In response to a question from Mr. Wilson, Mr. Chick noted that most graduate students pay full tuition, with some getting outside financial aid. Many, if not most, graduate students are part-time. Consistent with market trends, the law school has experienced declining enrollment, and the University has adjusted its budget accordingly. Responding to questions from Dr. Kutina and Ms. Tate, Mr. Chick noted that the University's board continues to evaluate its discount rate and how it is managed in connection with the University's price guaranty program. A goal of the price guaranty program is to simplify pricing for prospective students and their parents. Mr. Chick confirmed that the University would use financial aid in order to maintain level tuition expenses for students. The University does monitor the level of student debt, with Mr. Chick noting that University students have a low default rate. Responding to a further question from Mr. Needles, Mr. Chick noted that default rates are important not only in respect of government

mandates but also in respect of evaluating the success of various University programs. Engineers are generally able to secure jobs prior to graduation, while the market for education majors and other students is somewhat tougher. New physician assistant programs and doctor of physical therapy programs are both three-year programs and are fully enrolled.

In respect of the University's proposed projects, the University's emphasis is on high-quality facilities that are not built at the expense of cost efficiency. All facilities are ADA compliant and built with energy efficiency in mind. The University's philosophy is to renovate facilities first, then build new facilities if renovation is not an option. One project is the renovation of Fitz Hall to provide improved and expanded space for the school of education and the physician assistant program. Some University programs are held in Charminade Hall, which was last renovated over 40 years ago. The physician assistant program is fully enrolled and renovated spaces will include spaces designed to simulate doctors' offices. Mr. Chick further described anticipated science center renovations to provide improved facilities for physical science and math education, and improvements to University common areas to provide a more pedestrian-friendly atmosphere. The University of Dayton Research Institute improvements will include improvements to various research and laboratory facilities, including facilities at the Shroyer Park Center. In response to a questions from Mr. Needles, Mr. Chick noted that the University's cyber security offerings are part of the school of business and science, but are not its own program. With respect to the proposed plan of finance, Mr. Chick confirmed that use of bond proceeds for a combination of new projects and refunding purposes. The University has engaged John Vincent, from Chicago to act as the University's financial advisor. Underwriters for the transaction have not been selected yet. In response to a question from Mr. Needles, Mr. Chick confirmed that Ohio-based underwriters are in the pool of those being considered by the University, and the University has made sure that each of the prospective underwriters has at least some Ohio presence. The proposed bonds may include both taxable and tax-exempt debt, all to be issued through the Commission. On its current schedule, the University contemplates coming back to the Commission in February for final approval and is in the process of working with the rating agencies in respect of the proposed bond issue. Mr. Chick further noted that the University continues its emphasis on energy efficiency and green initiatives, with a goal of divesting itself of all investments in fossil fuel companies. This past summer, the University received a gift from the Hanley Foundation to create a sustainability center. Confirming a further question from Mr. Needles, Mr. Chick noted that this did factor into the University's fossil fuel divestment. The University's president is resigning effective June 2016 and a search for a replacement is underway. Tom Burkhardt is retiring from the University effective January 5th, and a replacement will be named shortly. In response to a question from Dr. Kutina, Mr. Chick noted that he did not think area universities are flooding the market with physician assistant programs. Mr. Chick acknowledged this is a concern for all given the recent difficulties at various law schools, but noted that the University is confident that the demand is there for participants in the physician assistant program. The University will be partnering with area hospitals to provide clinical support for the physician assistant program. The University does not maintain a nursing program, although it did many years ago.

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

Mr. Wells moved and Mr. Wilson seconded the motion that Resolution No. 2014-13 be adopted.

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

Nay: None

Abstain: Carter`

The Chair declared the motion passed and Resolution No. 2014-13 adopted.

Resolution No. 2014-13 is as follows:

CASE WESTERN RESERVE UNIVERSITY

The Chair next called on Twyla Miller, Manager of Treasury Operations, to update the Commission members regarding the University's financing request. Ms. Miller was joined by Allison Heuring. As there was no November meeting, the Commission is considering a preliminary resolution that is supplemental to the preliminary resolution for the University that was adopted in May 2014, as well as the final approval for the proposed financing. Ms. Miller noted that the University is doing well with recent applications doubling while at the same time having improved selectivity. The median SAT score of incoming students is 1,370, improved from 1,335 five years ago. The University maintains geographic diversity, with approximately one-third of undergraduate students coming from Ohio. The University has enjoyed a successful development campaign, having reached its \$1 billion goal approximately 2-1/2 years ahead of schedule. As a result, the University has raised its total campaign goal to \$1.5 billion. The University currently maintains ratings of "A1" and "AA-," respectively by the two major rating agencies. In addition to the proposed residence hall, which was the subject of discussion at the Commission's May meeting, the University is also seeking to refinance debt associated with the Triangle Apartment Complex, as well as provide for other capital improvements, including parking facilities. Ms. Heuring noted that the Triangle Apartments includes a 445-car parking garage, and individual residence towers of 140 units each. Graduate students primarily occupy the towers. Until the new residence hall is completed, there will also be resident undergraduate students. In response to a question from Mr. Needles, Ms. Miller and Ms. Heuring confirmed that the project facilities financed by the Commission associated with Triangle Apartments include a three-tier parking garage. The University's board of trustees has approved the financing, which will likely include a 20 to 25 year amortization. Morgan Stanley has been selected as lead underwriter; however, JPMorgan and Wells Fargo will be part of the underwriting team as well. The University expects to close the transaction late in January. In response to questions from Mr. Cannon, Ms. Miller discussed the impact of the residence hall on University finances, noting that the expectation is that it will be credit neutral.

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

Mr. Wells moved and Ms. Tate seconded the motion that Resolution No. 2014-14 be adopted.

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

Nay: None

Abstain: Kutina

The Chair declared the motion passed and Resolution No. 2014-14 adopted.

Resolution No. 2014-14 is as follows:

Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the issuance of the bonds and matters related to the commercial paper program and related documents.

Mr. Wells moved and Mr. Wilson seconded the motion that Resolution No. 2014-15 be adopted.

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

Nay: None

Abstain: Kutina

The Chair declared the motion passed and Resolution No. 2014-15 adopted.

Resolution No. 2014-15 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

In 2015, the Commission will continue to meet on the third Wednesday of each month at 11:00 a.m. A meeting schedule has been distributed to all Commission Members. It is now expected that the Commission will next meet on January 21, 2015 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary