

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

October 21, 2015

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 21, 2015, at 11:00 a.m., Room B-001 of the Ohio Department of Education Building, 25 S. Front Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; Jim Bennett, Vice Chair; Kenneth Kutina, Secretary; Wanda Carter; John Martin; James Shindler; Susan Tate; John Wells; and James Wilson. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Department of Higher Education; William Elliott of Blue Rose Capital Advisors; 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 welcomed and introduced Jim Bennett who was recently appointed to the Commission.

The Chair noted that the minutes of the Commission meeting of June 17, 2015 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

The Chair next called upon Tricia Bires, Director, Treasury, of University Hospitals Health System, Inc. to speak to the Commission members regarding the Health System's financing requests. Ms. Bires thanked the Commission members, noting that the Health System was seeking preliminary approval for three components of their plan of finance. The first component is a proposed refunding of the Health System's 2007A Bonds issued through the Commission to finance its Vision 2010 projects. The Health System is hoping to achieve \$7 million to \$10 million in net present savings through the proposed refinancing, and possibly extend amortization. The second part of the Health System's plan of finance includes the acquisition of St. John's Medical Center, in Westlake, Ohio, which would include the refinancing of bonds issued in 2011 to finance improvements at the hospital and would also include the acquisition of the membership interest in St. John Medical Center owned by The Sisters of Charity of St. Augustine Health System, Inc. Completing that acquisition and refunding, among other things, will help create synergies between St. John Medical Center and the Health System's Elyria and other Northeast Ohio facilities. This component of the plan of finance will include an approximate \$82 million direct-placement bond issue with an anticipated closing date sometime in December. The third component of the Health System's plan of finance is in connection with the acquisition of Samaritan Regional Health System in Ashland, Ohio. The proposed acquisition expands the Health System's footprint and increases market share and has been approved by the Ohio Attorney General. This component of the plan of finance will include the refunding and restructuring of existing debt associated with Samaritan Regional Health System and will include a privately-placed bond issue in the approximate amount of \$12 million.

In implementing the Health System's plan of finance, St. John Medical Center will likely be added to the Health System's obligated group. With respect to the Health System generally, Ms. Bires noted that the Health System enjoyed approximately \$47 million in net operating income through June and that it is expecting an approximate 3.3% operating margin for the year. The Health System's market share remains substantially unchanged; however, Ahuja Medical Center is operating at full capacity. Ms. Bires then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Ms. Bires noted that the Health System has looked to acquire the St. John Medical Center for some time and that Sisters of Charity appears to be scaling back its interest in the health care space. Ms. Bires further explained that an obligated group is a group of affiliated entities that are jointly obligated with respect to debt so as to achieve improved credit terms. The Health System has used its financial advisor, Ponder & Co., for approximately ten years. Among other services, Ponder provides the Health System with market and pricing analysis. Ponder is Nashville based, but operates across the country. In response to a question from Mr. Needles, Ms. Bires noted that Samaritan Health System includes a hospital, physician groups and an affiliated foundation. Samaritan's facilities are at or near the point furthest south from Cleveland at which the Health System would extend its operations. The acquisition will give Samaritan patients continued access to local care while at the same time providing access to Health System's specialists in Cleveland and other locations. Responding to a further question from Mr. Needles, Ms. Bires noted that the Health System is no longer involved with St. Vincent Hospital in Cleveland and that the Health System took a much more active role in the operation of St. John Medical Center in 2010. Recent improvements at St. John Medical Center include new and renovated lobby and radiology facilities. Responding to a

question from Dr. Kutina, Ms. Bires noted that the term “providers” in the Health System’s investor report includes licensed professionals, including doctors and nurse practitioners. In response to questions from Mr. Bennett, Ms. Bires confirmed that interest rates on the 2007 Bonds may be reduced from approximately 4½% and 4¼% to approximately 4.1% to 4.0%, so that the Health System can achieve approximately \$6 million to \$15 million of net present value savings. Amortization may be extended too. The refunding of the 2007A Bonds would take the form of a long-term underwritten fixed-rate transaction.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with the 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. 2015-16 be adopted.

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

Aye: Bennett; Carter; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2015-16 adopted.

Resolution No. 2015-16 is as follows:

FRANKLIN UNIVERSITY

The Chair next called upon Marv Briskey, Chief Financial Officer, to speak to the Commission regarding Franklin University's financing request. Mr. Briskey thanked the Commission members, noting that the University's request had two components: refinancing; and new projects. The University seeks to refinance its 2010 Bonds. It is still negotiating the terms of that refinancing, but expects a fixed interest rate of approximately 2% to 2.5%. In 2014, the University purchased the assets of Urbana University, a 1,800 student institution situated in Urbana, Ohio. In response to a question from Mr. Shindler, Mr. Briskey explained that the University's "expansion partners" or those that have facilities in other locations where the University maintains its own space within or uses the space of others for its programs. Owens Technical College is an example of where the University is assisting students in transitioning from a two-year associate degree program to a bachelor's/four-year degree track. In response to a question from Mr. Wilson, Mr. Briskey noted that the University is working to generate consolidating financial statements with Urbana. University fees have decreased some of the last several years; however, graduate fee levels have been stable. Responding to a question from Mrs. Carter, Mr. Briskey noted that the organization and structure of Urbana University is maintained separately from that of Franklin University. This is largely driven by the accrediting agencies, notably including the Higher Learning Commission. As a result, each University has its own separate Board and operational leadership. Urbana University has a new president, George Lucas. Urbana's former chief financial officer retired last year, but most of its old leadership remains in place.

Responding to a question from Mr. Wilson, Mr. Briskey noted that while there are some shared services between the two universities, Urbana University performs many functions separately, including payroll. The immediate goal is to increase enrollment at Urbana University. Responding to a further question from Mrs. Carter, Mr. Briskey noted Franklin is a more attractive institution to nontraditional students who participate in evening, weekend and online programs, while Urbana University is more attractive to students seeking a traditional four-year residential experience. Responding to questions from Mr. Bennett with respect to community colleges and locations where the University co-locates with other institutions, Mr. Briskey noted that the students are diverse and that while many prefer a face-to-face classroom experience, others pursue coursework online. Students targeted by University marketing efforts include those who have expressed an interest in areas such as Business, Accounting and Healthcare. The University does use recruiters in its marketing efforts. Responding to further questions from Dr. Kutina and Mr. Needles, Mr. Briskey noted that the University is working to match the asset lives of facilities it would like to finance with the amortization of its bonds. Urbana University is located in Champaign County, north of Springfield, Ohio. Approximately 60% to 70% of the Franklin University students are online, with that percentage increasing during the winter. Urbana University was unable to continue operating on its own due to many factors, the most notable of which was low undergraduate demand. Mr. Briskey noted that network connectivity and computer network facilities are a priority for the University. Mr. Bennett noted that technology improvements and network connectivity are priorities for the State's public institutions as well. Currently, the University does not charge a technology fee, but that is something it is looking at. The University charges different credit hour fees depending on the program and method of delivery. The University has nine graduate level programs, including programs in Accounting and Communications, and is considering the development of doctorate level programs.

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. Wilson moved and Mr. Wells seconded the motion that Resolution No. 2015-17 be adopted.

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

Aye: Bennett; Carter; Kutina; Martin; Needles; Shindler; Wells; Wilson

Nay: None

Abstain: Tate

The Chair declared the motion passed and Resolution No. 2015-17 adopted.

Resolution No. 2015-17 is as follows:

CLEVELAND INSTITUTE OF MUSIC

The Cleveland Institute of Music is converting its 2010 Bonds issued through the Commission to a new interest period as provided in the Trust Agreement for those bonds. In connection with the conversion, there will be a tender of the bonds which will then be purchased by a new bank. The resolution under consideration approves any action by the Commission needed to implement the conversion.

Mr. Wells moved and Dr. Kutina seconded the motion that Resolution No. 2015-18 be adopted.

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

Aye: Bennett; Carter; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2015-18 adopted.

Resolution No. 2015-18 is as follows:

OTHER BUSINESS

Historically, the Chancellor's designee has served as Vice Chair of the Commission. With Jim Bennett's appointment and designation by the Chancellor of Higher Education, Mr. Needles moved and Mr. Wells seconded that Mr. Bennett be elected as Vice Chair of the Commission (to be known as Resolution 2015-19).

There being no further discussion, the Chair called for the roll and, pursuant to the roll call, the following votes were cast to elect Jim Bennett as Vice Chair.

Aye: Carter; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Bennett

The Chair declared the motion passed and Resolution No. 2015-19 adopted.

Following Mr. Bennet's election as Vice Chair, the Commission confirmed Dr. Kutina's continued service as Secretary. Mr. Needles moved and Mr. Wells seconded that Kenneth Kutina be re-elected as Secretary of the Commission (to be known as Resolution 2015-20).

There being no further discussion, the Chair called for the roll and, pursuant to the roll call, the following votes were cast to elect Kenneth Kutina as Secretary.

Aye: Bennett; Carter; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Kutina

The Chair declared the motion passed and Resolution No. 2015-20 adopted.

The Commission has been working with the Department of Higher Education to update its meeting rules. Draft rules will be submitted for consideration prior to the next meeting.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on November 18, 2015 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary