

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

September 21, 2016

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, September 21, 2016, at 11:00 a.m. in the Board meeting room on the first floor 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; 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 Ohio Department of Higher Education; 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, John Wells, Acting 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 acknowledged the passing of long-time Commission member, Kenneth Kutina. The Chair remarked on Dr. Kutina's dedicated service and his standing as a valued colleague and friend. He will be greatly missed.

The Chair noted that the minutes of the Commission meeting of July 20, 2016 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. Wilson that was seconded by Mr. Wells, all Commission members present approved the minutes of that meeting.

CASE WESTERN RESERVE UNIVERSITY

The Chair next opened the public hearing required by applicable federal tax regulations for a proposed Case Western Reserve University financing. Notice of the hearing was published in *The Columbus Dispatch* and the *Plain Dealer*. The Chair inquired as to whether there were any comments. No comments having been made and the Commission having received none in the mail or otherwise prior to the hearing, the Chair closed the public hearing.

The Chair called upon Robert C. Brown, Treasurer, to speak to the Commission members regarding the Case Western Reserve University's financing request. Mr. Brown thanked the Commission members, noting that he had been at the University for approximately 10 years now. Mr. Brown further remarked that he viewed Dr. Kutina as a valued resource in the University community. The University is requesting approval for an approximate \$180 million refinance transaction, with the combined goals of achieving interest rate savings and reducing the amount of the University's variable interest rate exposure. Most aspects of the financing were approved by the University Board this past June, with final Board approval expected in early October. Overall, the University is doing well, with enrollment goals of 1,250 per class. International and out-of-state student demand has increased and the University maintains its emphasis on being a major research institution. Fundraising continues to go well, with \$1.3 billion having been achieved in the current campaign and with a view to increasing the campaign goal given its success. The University's audit is in process and will be available later this fall. Positive operating results are expected. Current University projects include the development of its health education campus, with a desired opening in 2019. This will be the home of University medical, dental and nursing education programs. However, research will remain on the University's main campus. Mr. Brown then inquired of the Commission members as to whether they had any questions.

In response to questions from Ms. Tate and Mr. Wilson with respect to budget and related matters, certain programs within the University have been under pressure in recent years, including the law school. Things appear to have stabilized. In response to further questions from Mr. Bennett and Mrs. Carter, Mr. Brown indicated that the University targets an annual 5% spending rate from its endowment, however, that percentage can change slightly as a result of year-end valuations. The University maintains numerous accounts within its investment pool, which includes a combination of restricted and unrestricted funds. Mr. Brown confirmed that the final component of the University board approval is expected on October 8th.

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 related documents.

Mr. Wells moved and Mrs. Carter seconded the motion that Resolution No. 2016-06 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; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2016-06 adopted.

Resolution No. 2016-06 is as follows:

OTTERBEIN UNIVERSITY

The Chair next called upon Rebecca Vazquez-Skillings, Vice President for Business Affairs, to speak to Commission members regarding Otterbein University's financing request. Ms. Skillings thanked the Commission members, noting that the University is requesting final approval for the refinancing of the University's 2007 and 2008A bonds issued through the Commission. Those Bonds financed assorted University facilities, including equine, student housing and science facilities. The University has a freshman class of 645 students and it is focused on student retention. The University has partnered with private entities to develop its STEAM innovation center, with an emphasis on economic development and entrepreneurialism. The University has maintained focus on its zoology, conservation and equine programs, the popularity of which helps maintain geographic diversity among the student body. It has also developed a dual degree program with Columbus State University in engineering. With respect to fundraising, the University has achieved \$30 million in gifts toward a \$50 million goal for its current campaign. It is hoped that goal will be achieved ahead of schedule. The University further desires to increase the size of its endowment, which currently is valued at just under \$100 million. Ms. Skillings further noted that all but two beds in the University's student housing are filled. The campus Master Plan includes focus on health, sports and music programs, including performing arts spaces. The University intends to finance projects with gifts and other sources of revenue. Ms. Skillings then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Bennett, Ms. Skillings noted that approximately 65% to 70% of University students come from within the state of Ohio. The University has no current plans for the commercializing intellectual property rights and maintains its focus on student life and curriculum. The University may be returning to the Commission as early as next month for approval of the refinance of its 2008B Bonds. The Chair raised the possibility of the Commission holding its next meeting on the University's campus. The plans for that will be discussed with the University and communicated to Commission members.

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 related documents.

Ms. Tate moved and Mr. Wells seconded the motion that Resolution No. 2016-07 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; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Carter

The Chair declared the motion passed and Resolution No. 2016-07 adopted.

Resolution No. 2016-07 is as follows:

KENYON COLLEGE

The Chair next called upon Todd Burson, Vice President for Finance, to speak to the Commission members regarding Kenyon College's financing request. Mr. Burson noted that the College is requesting final approval for the refunding of bonds issued by the Commission in 2006 and 2010. Initially, the College only sought to refinance the 2006 Bonds, which would have achieved approximately \$1 million in net present value savings. However, it was presented with an opportunity to refinance the 2010 bonds, which could achieve an additional \$6 million of net present value savings. Overall, this will result in approximately \$500,000 of annual savings to the College. The debt committee of the College approved the proposed transaction, with approval from the College's executive committee expected later this week. The College's auditors are Maloney and Novotny. The College expects an operating surplus. The College's entering class goal is 485 students and the current entering class size is 487 students. It actively recruits students from outside the state of Ohio, including students from New York and California. The College uses Cornerstone for its investment advice, including investment management, which used to be an in-house function. Mr. Burson further noted that the College is a destination location for the Pelotonia bicycle fundraiser. Mr. Burson then inquired of the Commission members as to whether they had any questions.

Responding to questions from Mr. Bennett and Mr. Wells, Mr. Burson noted that discrepancies in cash and investment characterizations in the University's audit are a function of timing and not of any underlying issues. The College intends to pay for current College projects through its own money, including fundraising, as it is at its debt capacity in the eyes of the rating agencies.

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 related documents.

Mr. Wells moved and Mr. Wilson seconded the motion that Resolution No. 2016-08 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; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2016-08 adopted.

Resolution No. 2016-08 is as follows:

OTHER BUSINESS

With the passing of Dr. Kutina, Secretary, it is appropriate to elect officers. Historically, the Chancellor's designee has served as Vice Chair of the Commission. Mr. Needles moved and Mrs. Tate seconded that Mr. Bennett be elected to continue to service as Vice Chair of the Commission (to be known as Resolution 2016-09).

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; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Bennett

The Chair declared the motion passed and Resolution No. 2016-09 adopted.

Mr. Needles next moved and Mr. Shindler seconded that John Wells be elected as Secretary of the Commission (to be known as Resolution 2016-10).

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

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

Nay: None

Abstain: Wells


The Chair declared the motion passed and Resolution No. 2016-10 adopted.

The Chair next introduced a resolution honoring long-time Commission member Kenneth Kutina. Dr. Kutina was a dedicated, thoughtful and highly-valued member of the Commission, having served as Commission officer for most of the time since his initial appointment in 1997. All Commission members present unanimously approved that resolution.

Mr. Bennett then remarked on recent audit and budget activity for the Commission. The Commission recently received its audit letter from the State in which there were no deficiencies found. Mr. Bennett further noted that he has been working on the Commission's budget. There was some discussion among Mr. Needles and Mr. Bennett regarding past budget requests, with the understanding that the current budget request would be for \$50,000. This money helps provide for Department of Higher Education administrative time and Commission membership in the National Association of Higher Educational and Healthcare Facilities Authorities. Ultimately, Commission expenses are provided by issuance fees received in connection with bond issues.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on October 19, 2016 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary