

# OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

## MINUTES OF THE MEETING OF THE COMMISSION

**January 18, 2017**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, January 18, 2017, 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; John Wells, Secretary; Wanda Carter; Susan Tate; James Shindler; and James Wilson. Absent from the meeting was John Martin. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio 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 noted that the minutes of the Commission meeting of December 14, 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. Wells that was seconded by Mr. Wilson, all Commission members present approved the minutes of that meeting.

## UNIVERSITY OF MOUNT UNION

The Chair next called upon Patrick Heddlestone, Vice President for Business Affairs and Treasurer, to speak to the Commission members regarding the University of Mount Union's financing request. Mr. Heddlestone was joined by University President, Dr. W. Richard Merriman, Jr. Mr. Heddlestone thanked the Commission members, noting that he is in his 19<sup>th</sup> year at the University. The University changed its name in 2010 in recognition of its comprehensive academic offerings. New University programs include engineering and nursing, as well as graduate-level programs in healthcare and related fields. Graduate enrollment is currently at approximately 141 students. Over the last ten years, the University has invested approximately \$100 million in facilities, including athletic, performing arts, library and administrative facilities. Most of those improvements were financed by gifts to the University, however, a portion was financed with approximately \$30 million of debt. The University has enjoyed 60 years of surplus budgets and has an incoming class of 699 new undergraduate students this fall. Total enrollment is at approximately 2,280 students, and the University's strategic plan calls for an over-all enrollment of 2,700 students, which would include 500 graduate level students. In respect of the current proposed financing, Mr. Heddlestone noted that the University was seeking to refinance its 2006 Bonds issued through the Commission. Those Bonds were issued to finance student housing and the proposed transaction will result in approximately \$140 thousand of annual savings. This will make available additional University funds for program development. The proposed bond issue will be a private placement with Huntington Bank purchasing the bonds. Mr. Heddlestone then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Needles and Mr. Wilson, Mr. Heddlestone noted that approximately 80% of University students are from Ohio, many from Northeast Ohio. Many students are Pell Grant eligible and the University works with them to meet their financial aid needs. The endowment draw rate has been reduced to 4.8%. The goal is to reduce it further to 4.5%. The average ACT score for an incoming student is 23.4. A high level of students participate in University athletic programs and a significant number are the first in their families to attend college. President Merriman noted that he had previously been President at Southwestern College and also had been at LeMoyne College. With respect to the University's physical therapy program, the University has 30 students per cohort. It's also developing online offerings for University accessibility to nontraditional students. Providing graduate level health care programs is part of the University's effort to meet demand in northeastern Ohio. Programs of that type are not common for smaller schools like the University. In response to questions from Mrs. Carter, Mr. Heddlestone noted that the University's physical therapy program results in students receiving their terminal professional degree. Most students enter the program having obtained an undergraduate degree in a medical field. Other institutions with programs in this area include state universities and the University of Findlay. In order to develop the program, the University had to make investments, including hiring faculty, before final accreditation was received. In response to additional questions from Ms. Tate and Mr. Needles, Mr. Heddlestone noted that the University's early retirement program has been received fairly well by faculty, with the program freeing up resources for newer University programs. The University has Methodist roots and there is a Chaplain on campus; however, the University views itself as a diverse and welcoming institution open to all.

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. 2017-01 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; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2017-01 adopted.

Resolution No. 2017-01 is as follows:

## UNIVERSITY HOSPITALS

The Chair next called upon Tricia Bires, Director, Treasury, to speak to the Commission members regarding University Hospitals Health System's financing request. Ms. Bires noted that the Health System has completed recent acquisitions, including the acquisitions of Robinson Memorial Hospital and Ashland Samaritan Hospital and is working toward full integration by 2020. Integration efforts for Parma Community Hospital and Elyria Memorial Hospital are expected to be completed sooner. The Health System experienced approximately \$73 million of operating income through September and an approximate 3% operating margin for the last calendar year. Patient volumes were slightly down last year, consistent with market trends. The Health System expects approximately \$200 million or more of capital needs over the next few years and will include facilities for the UH Rainbow Babies & Children's Hospital and MacDonald Women's Hospital. Completion of the Rainbow facility is expected in 2018 with financing assistance through the use of new market tax credits. The Health System is requesting preliminary approval for the financing of various components of its capital program, including facilities for radiology and imaging and improvements to Health System facilities in Geauga County and at Ahuja Medical Center. The proposed financing is expected to be a private placement transaction with Union Bank with a variable rate of interest. Ms. Bires then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Needles, Ms. Bires confirmed that the former Robinson Memorial and Ashland Samaritan health systems included one primary hospital for each. Some physicians are being integrated into the Health System while others remain independent. Integration efforts are going well. The Rainbow Babies & Children's program is not a profit center. The Health System's governmental relations team continues to closely monitor proposed health law changes. It is hoped that the development of the new Rainbow and MacDonald Women's Hospital facilities will further the Health System's efforts to improve treatment of patients, including to provide health care options beyond the emergency room. The Health System's need to acquire new health care imaging, radiology and similar equipment is important to replace equipment that has come to the end of its useful life. Responding to questions from Mrs. Carter, Ms. Bires noted that "designated underserved areas" are determined through Census data. Health care law requires the Health System to perform community health needs assessments in order to determine need in the communities it serves. This enables the Health System to respond to the diverse needs of its patient population. This is reported on the Health System's federal tax returns. In response to questions from Ms. Tate and Mr. Wilson, Ms. Bires noted that utilization of the tax credits structure for the Rainbow facilities will result in an approximate \$6 million to \$7 million benefit. It has partnered with PNC Bank in the transaction. The Health System is pursuing a variable rate structure on the proposed bond issue so that it conforms to its desired mix of fixed and variable rate debt. Responding to a question from Mr. Bennett, Ms. Bires confirmed that the Health System does not adjust its budget during the year but rather makes adjustments in operations and otherwise to meet the budget in place as necessary.

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

Mr. Wells moved and Ms. Tate seconded the motion that Resolution No. 2017-02 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; Needles; Shindler; Tate; Wells; Wilson

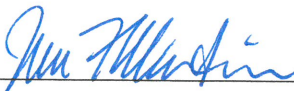
Nay: None

The Chair declared the motion passed and Resolution No. 2017-02 adopted.

Resolution No. 2017-02 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on February 15, 2017 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.

  
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Secretary