

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

December 13, 2017

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, December 13, 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; Wanda Carter; Susan Tate; and James Wilson. Absent from the meeting were: John Wells, Secretary; John Martin; and James Shindler. Also present were representatives of the institution appearing before the Commission; Ben Christensen and David Cummins 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, the Vice Chair 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 November 15, 2017 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 Ms. Tate that was seconded by Mr. Wilson, all Commission members present approved the minutes of that meeting.

ALLIANCE COMMUNITY HOSPITAL

The Chair next called upon Stan Jonas, Chief Executive Officer, to speak to the Commission members regarding Alliance Community Hospital's financing request. Mr. Jonas was joined by Dale Wells, Chief Financial Officer of the Hospital. Also present were Mark Wright and Rob Molnar, Chief Financial Officer and Vice President, respectively, of Aultman Health Foundation. Mr. Jonas thanked the Commission members, noting that Alliance Community Hospital is a 116 year old community hospital located in Alliance, Ohio and has worked on a collaborative basis for many years with other community hospitals in the area, including hospitals in Millersburg, Canton and Orrville. Part of the Hospital's work has included collaboration with institutions of higher education, including collaborations with the University of Mount Union and NEOMED in various programs, including nursing and physical therapy. The Hospital is a full service community hospital that had a new main hospital building open in 2006. An area of Hospital focus is the understanding of the various social issues that impact patient needs. Hospital coaches, familiar with area social problems, advise patients on better healthcare options. The Hospital's community health needs assessments identified geriatric psychology and emergency care as areas of continued focus. The Hospital is working on ways to deal with the statewide opioid epidemic. The Hospital's emergency room has approximately 36,000 visits a year.

The proposed financing is for the purpose of refinancing the Hospital's outstanding tax-exempt debt. This will provide a fresh start from a debt perspective, allowing the Hospital to restructure assorted credit arrangements, as well as lowering financing costs. This is being done in connection with the Hospital's planned combination with Aultman Health Foundation. Mr. Wright noted that the proposed combination presents many opportunities for efficiencies and synergies and the refinancing provides increased flexibility in anticipation of the potential adverse consequences of tax reform.

In response to questions from Mr. Wilson and Ms. Tate, Mr. Wells noted that no precise net present value savings figures were available. Long-term funds of the Hospital have been managed by the same party for 10 years. The proposed bonds will be variable rate, and the Hospital does not anticipate any swaps. Mr. Wells also noted that certain expense items in the Hospital audit were related to a purchase of a joint venture for oncology and new physician recruitment. 2017 was challenging year in the healthcare market, and Mr. Jonas noted that 2018 prospects look positive. In response to questions from Mr. Needles, Mr. Jonas noted that the Hospital continues to be focused on issues related to infant mortality, which is at a relatively high rate in the area. Mr. Wright noted that combination synergies are expected to result in cash flow margin improvement over the next three years. In response to questions from Mrs. Carter and Mr. Bennett, it was noted that Medicaid expansion does have the positive benefit of providing broader access to healthcare, although the Hospital's reimbursement rates under Medicaid are limited. If Medicaid expansion was rolled back, access to primary care would be reduced with an expected increase in emergency room visits. Although it won't be known precisely due the variable rate and nature of the debt, the Hospital does expect savings on the new bonds, interest rate on which should be below the approximate 4.7% all-in interest rate on the Hospital's existing tax-exempt debt. At this time, there are no expected changes in management, with savings to come through investing in common infrastructure, including technology. Mr. Molnar noted that the hospital in Orrville, which combined with Aultman

Health Foundation some years ago, has more employees now than when the combination first occurred. Mr. Wright noted that savings may also be achieved through the use of insurance policies that cover the entire health system. Responding to further questions from Mr. Needles, Mr. Wright noted that insurance savings could amount to as much as \$200,000 to \$400,000 per year. The Hospital is committed to addressing the opioid epidemic at the local level as the Hospital is in the best position to understand the needs of those in its community. Aultman and Alliance Community Hospital were two original members of an independent hospital network and share similar cultures. The two hospitals have collaborated on various initiatives for over 20 years. The Chair complimented the Alliance and Aultman teams on their presentation and the prospects of their combination.

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.

Mrs. Carter moved and Ms. Tate seconded the motion that Resolution No. 2017-18 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; Needles; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2017-18 adopted.

Resolution No. 2017-18 is as follows:

UNIVERSITY HOSPITALS

University Hospitals has requested amendments to its Trust Agreement for its 2017A Bonds. Mr. Burlingame noted that the amendments are intended to provide flexibility, given the potential adverse impacts of tax reform. The resolution under consideration approves those amendments and related matters.

Mr. Wilson moved and Mrs. Carter seconded the motion that Resolution No. 2017-19 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; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2017-19 adopted.

Resolution No. 2017-19 is as follows:

OTHER BUSINESS CALL OF NEXT MEETING AND ADJOURNMENT

Commission members discussed the potential impact of tax-reform. Commission members discussed the meeting schedule for 2018, which has been distributed. It is now expected that the Commission will next meet on January 17, 2018 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary