

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

June 20, 2018

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, June 20, 2018, 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; John Adams; John Martin; James Shindler; Susan Tate; and James Wilson. Absent from the meeting were: Jim Bennett, Vice Chair; John Wells, Secretary; and Wanda Carter. Also present were representatives of the institutions 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 Chair welcomed John Adams to his first Commission meeting. Upon motion of the Chair that was seconded by Mr. Wilson, Mr. Martin was appointed Acting Secretary for the day.

The meeting was called to order by the Chair. Upon call of the roll, the 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 noted that the minutes of the Commission meeting of March 21, 2018 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. Adams, all Commission members present approved the minutes of that meeting.

BALDWIN WALLACE UNIVERSITY

The Chair next called upon William M. Reniff, Vice President for Finance and Administration, to update the Commission members regarding Baldwin Wallace University's finance request. Mr. Reniff noted that he was before Commission seeking preliminary approval for the financing last summer; however, due to changes in the plan of finance, the University is just now seeking final approval. The University was founded in 1845 and currently has nine schools offering many degrees. Enrollment is just under 4,000 students, approximately 2,000 of whom are residential. The University's project is a four-story 68,000 square foot building, which will include a combination of student residential and retail facilities. The Commission financing is only in respect of the residential facilities. Housing facilities will include lounges, kitchens and secure resident entrances. Living spaces also will include double and single occupancy accommodations. The City of Berea is fully supportive of the University's project as an improvement to its downtown Front Street area. The project is in its final stages of development, with the expectation of students being able to move in in mid-August. Mr. Reniff then inquired of the Commission members as to whether they had any questions.

In response to questions from Ms. Tate and Mr. Wilson, Mr. Reniff confirmed that the proposed tax-exempt financing would only be in respect of the student housing portion of the building. First floor retail space will not be bond financed. The University will charge a premium for students to live in this new facility. Mr. Reniff further confirmed that the University's endowment draw rate remains at 5%. In response to questions from Mr. Needles, Mr. Reniff confirmed that the University's ratio of commuter versus residential students remains consistent. Freshmen and sophomore students are required to live in campus housing. The University only outsources custodial services. Bookstore and food service facilities are managed in-house with positive feedback from the student community. While the Cleveland Browns have their own training facility, they do on occasion use the University's practice fields and host other programs on campus facilities. The Browns' Chief Operating Officer is on the University's Board.

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. Shindler seconded the motion that Resolution No. 2018-05 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: Adams; Martin; Needles; Shindler; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2018-05 adopted.

Resolution No. 2018-05 is as follows:

JOHN CARROLL UNIVERSITY

The Chair next called upon Dennis F. Hareza, Executive Vice President and Chief Financial Officer, to speak to the Commission members regarding John Carroll University's financing request. Mr. Hareza thanked the Commission members, noting that the University is seeking approval for a refinancing of its 2001 and 2014 Bonds issued through the Commission. The original bonds financed athletic and science facilities on the University campus and Huntington National Bank is the proposed purchaser of the new bonds in a private placement transaction. Combining the two existing bond issues into a single bond issue will provide the University with interest rate certainty going forward. Amortization will remain similar to existing payment schedules, with a final payoff date in approximately ten years. Mr. Hareza is a 1981 graduate of the University and has been in his current position for approximately 18 months. Michael Johnson started as the University's first lay president in May. Nationally, 16 of 28 Jesuit universities have lay presidents. Prior to the joining the University, Mr. Johnson had positions at Babson College, Cornell University and University of Michigan. With increased interest in professional programs and a successful fundraising campaign, the University is expanding its business programs to provide for the Boler College of Business, which will now be its own school within the University. The University is expecting a fall cohort of approximately 850 freshmen this year. This year has also seen application growth and improved yield, as well as improved GPA and standardized test scores for incoming students. The University is pleased to see a meaningful increase in out-of-state students, including students from the Pittsburgh and Chicago areas. The University continues to manage discount rate and compensation costs. Savings has been achieved through retirements and reduced hours. The University continues to focus on fundraising. Mr. Hareza then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Adams and Mr. Wilson, Mr. Hareza confirmed that the proposed bonds will bear interest at a fixed rate and that there will be no swaps. Mr. Hareza also confirmed that the University has not changed its retirement contribution levels and has looked to achieve savings in other areas. Approximately three years ago, the University was found to have some deficiencies by the Higher Learning Commission as part of its program review. Since then, and in response to HLC feedback, the University has worked to improve University academic programs and strategic plans. Mr. Hareza believes this has been a good process for the University to go through. With potential growth, the University continues to consider its options with respect to student residential facilities. The University owns approximately 40 neighborhood houses, as well as area apartment buildings. One option the University is considering is a mixed-use development. In response to questions from Mr. Martin and Ms. Tate, Mr. Hareza confirmed that the University does not have a large number of international students. Those that it does have typically come from church referrals from South America or Africa. The interest rate of the bonds will be fixed throughout their duration. In response to a question from Mr. Needles, Mr. Hareza confirmed that for students within the state of Ohio, the University's primary competitors include Baldwin Wallace University, Ohio State University, University of Dayton and Xavier University.

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.

THE CLEVELAND INSTITUTE OF ART

The Chair next called upon Grafton Nunes, President, and Almut Zvosec, Senior Vice President, Business Affairs and CFO, to speak to the Commission members regarding The Cleveland Institute of Art's financing request. Tim Kelly and Kate Biggar of KeyBanc Capital Markets were present. Mr. Nunes thanked the Commission members, noting that the Institute was founded in 1882 and provides education for careers in the area of art and design. The Institute provides a means for economic freedom to its students, many of whom have been the first in their family to attend college. Its graduates contribute to the economy and include those that have designed automobiles, including the Ford Mustang. Heads of Corvettes and Dodge trucks have been Institute graduates, as well as developers of Ninja appliances. Traditionally, many of the Institute students have been commuters, living within 35 miles of campus. Demographic trends in the Midwest have made apparent the Institute's need for increased geographic diversity. Currently, Institute students come from 35 states and 6 countries. Two-thirds of current enrollment consists of students from Ohio. The current proposed project is to purchase a residence hall that will house second, and possibly third and fourth year students. While the Institute focuses on the humanities, it has achieved a high level of success in placement for career related fields at or within six months of graduation.

Ms. Zvosec noted that Institute enrollment is currently at 625 students and has capacity for 700 to 725. The Institute has completed a successful \$75 million campaign in order to unify its locations in the University Circle area of Cleveland. In respect of the Institute's proposed financing, it has been in discussions with Standard & Poor's, highlights of which include discussions of enrollment and recruitment trends. The Institute has a new Vice President for Enrollment Management, with the goal of increasing overall enrollment and increased emphasis on high school outreach at the sophomore and junior levels. Applications have increased with the expected fall class size, accounting for so-called "summer melt," to achieve Institute goals. The Institute enjoys a 9 to 1 student-teacher ratio and has budgeted for approximately 3% tuition increases over the coming years. Case Western Reserve University allows Institute students to participate in its meal plans. With the assistance of outside investment advisors with respect to its endowment, the Institute maintains a 5% endowment draw rate with a three-year rolling average. The Institute has a history of satisfying all debt related requirements and currently maintains no long-term debt. Mr. Nunes continued by noting that Institute students are actively engaged and hardworking. Academic buildings are open until 2:00 a.m., with the Institute emphasizing a "no excuses" message to its students. It is expected that the Institute's proposed acquisition of the new housing facilities will help it attract students from outside the state of Ohio. Mr. Nunes then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Shindler and Ms. Tate, Mr. Nunes noted that while the Institute maintains external partnerships with the Cleveland Museum of Art and the Cleveland Museum of Natural History, the Institute does not maintain any joint programs with the Toledo Museum of Art. Ms. Zvosec noted that the project may run at a deficit in initial phases and the Institute has not completed its rating review with Standard & Poor's. In response to a question from Mr. Needles, Ms. Zvosec noted that Case Western Reserve University bought an old Institute's building at the time of its campus unification. The new residential facility will be across the street from existing Institute facilities.

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

Mr. Wilson moved and Mr. Adams seconded the motion that Resolution No. 2018-07 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: Adams; Martin; Needles; Shindler; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2018-07 adopted.

Resolution No. 2018-07 is as follows:

UNIVERSITY HOSPITALS HEALTH SYSTEM

The Chair next called upon Bradley Bond, Vice President – Treasury, to speak to Commission members regarding University Hospitals’ financing request. Mr. Bond thanked the Commission members, noting that the Health System was seeking preliminary approval for the financing of new projects, as well as for the refinance of existing tax-exempt debt. This will be part of a plan of finance that will include the retirement of both taxable and tax-exempt obligations through the issuance of refunding bonds or retirement of obligations with cash. There will be approximately \$130 million of new project costs, mostly for smaller items spread throughout the Health Systems’ facilities. The Health System will be retiring taxable obligations with the intent of not increasing the Health System’s overall outstanding amount of debt. A portion of the refinancing component may include the retirement of privately-placed bank debt, which has seen rates increase as a result of tax reform and the increased corporate tax rates. 2017 was a strong year for the Health System, having achieved a 3.7% margin. So far this year, the Health System is approximately \$8 million ahead of budget. Mr. Bond also discussed the Health System’s new Rainbow Center for Women & Children in Cleveland which was financed with a new market tax credit transaction and philanthropic support. The Rainbow project is situated in an area of high need, where life expectancy is among lowest in the Cleveland area. The Rainbow facility is built with families of the greatest need in mind in a historically underserved area. There is no profit motive, rather this is intended to be in furtherance of the Health System’s overall mission. Mr. Bond then inquired of Commission members as to whether they had any questions.

In response to questions from Mr. Martin, Mr. Bond confirmed that the new Rainbow facility, which is not bond financed, is situated at East 53rd and Carnegie in Cleveland. A high percentage of its patients will rely on government support to cover healthcare related expenses. In connection with the proposed financing, the Health System expects to maintain its “A” category ratings. The Health System’s days cash on hand has improved and its strategic plan calls for the expansion of healthcare and academic facilities over the next five years. In response to questions from Mr. Needles and Ms. Tate, Mr. Bond noted past Commission financings of the Seidman Cancer Center, Ahuja Hospital and new emergency room facilities. The Health System has entered into a joint venture with Nationwide Children’s Hospital in order to provide better healthcare services for children. The new Rainbow facility will be staffed by doctors and other professionals that split time among several UH facilities, as well as by those resident in that facility. The great majority of the Health System’s debt bears interest at fixed interest rates, achieved either through conventional debt offerings or through swaps.

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. Wilson moved and Ms. Tate seconded the motion that Resolution No. 2018-08 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: Adams; Martin; Needles; Shindler; Tate; Wilson


Nay: None

The Chair declared the motion passed and Resolution No. 2018-08 adopted.

Resolution No. 2018-08 is as follows:

OTHER BUSINESS CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on July 18, 2018 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.



Secretary