

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

May 18, 2005

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, May 18, 2005, at 11:00 a.m. at the offices of the Ohio Board of Regents, 36th Floor, State Office Building, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chairman, Richard Petrick, Vice Chairman, John Wells, Secretary, Kenneth Kutina, Deputy Secretary, Wanda Carter, Ronald E. Cosey, Henry Kasson and Tahlman Krumm. Douglas McMarlin was absent. Also present and assisting in presenting information to the Commission were Eric Bower, Comptroller of the Cleveland Institute of Music, and Francis Barry Keefe of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission.

The meeting was called to order by the Chairman. Upon call of the roll, Mr. Wells, 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 Chairman noted that the minutes of the Commission meeting of April 20, 2005, were sent to each member and are included in the meeting books for each member. Upon review, the Commission approved the minutes of that meeting as submitted.

Mr. Needles noted that the Governor has appointed a new member of the Commission, Wanda Carter. The Chairman was joined by the other Commission members in welcoming Ms. Carter to the Commission.

CLEVELAND INSTITUTE OF MUSIC

The Chairman invited Eric Bower to discuss the Institute's proposed financing. Mr. Bower briefly reviewed the Institute's project to renovate its existing facility and to construct a new recital hall. Work will start in June and the project should be completed by the summer of 2007. Construction bids have come in on budget and the contingency amount included in the budget has been increased. The bond documents and letter of credit documents have been completed. The bond issue is scheduled to close on June 3, 2005.

In response to several questions from Dr. Krumm, Mr. Bower noted that the contingency fund has been increased from \$600,000 to \$800,000 and would be reviewed periodically. He also discussed the construction consultant retained by the Institute to guide it through the project. The consultant is a specialist in performing arts facilities and has been retained on a fee basis (rather than on a percentage of construction costs).

Mr. Keefe mentioned that he had visited the Institute recently and saw the drawings and model for the new recital hall, which will be spectacular when completed. He also noted that the bond documents are substantially completed and are presented to the Commission. The resolution approves these documents and authorizes the issuance of the bonds for the Institute.

Mr. Petrick moved and Dr. Krumm seconded the motion that Resolution No. 2005-07 be adopted.

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

Aye: Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2005-07 adopted.

Resolution No. 2005-07 is as follows:

OTHER BUSINESS

Hospital Financings by the Commission

At the request of the Chairman, Mr. Keefe briefly reviewed the new statutory legislation that authorizes the Commission to issue bonds to fund hospital improvements. His letter discussing the background on this new authority is attached to the April 20 minutes as Exhibit A.

The Chairman reminded the members that at the last meeting, Mr. Keefe and Mr. Wilhelm of RBC Dain Rauscher both offered to arrange for experts on hospital financing to meet with the Commission and provide information concerning this type of financing. Mr. Wilhelm introduced Mr. Peter Bruton of RBC Dain Rauscher, who has served as underwriter for numerous hospital bond issues. Mr. Bruton presented a booklet (which is attached to these minutes as Exhibit A) with charts and tables describing the issuance of health care facility debt, the credit characteristics of health care borrowers (hospitals, nursing homes, etc.) and certain market data, including interest rates over the years. The Commission members discussed various aspects of this information with Mr. Bruton. For example, variable rate debt has increased in recent years. This type of debt, coupled with interest rate swaps, accounted for 75% of the hospital financings last year. In response to questions from Mr. Needles and Dr. Kutina, Mr. Bruton explained that "auction-rate" debt was very similar to variable rate debt except that a letter of credit bank is not used to provide liquidity. In Ohio, about 90% of the hospitals use tax-exempt financing for capital projects. About half of the hospitals are rated by a bond rating service. Mr. Kasson estimated that, with credit enhancement by bond insurance or a letter of credit, approximately 80% of all hospital bond issues would have a bond rating.

Mr. Keefe introduced his partner, Bruce Gabriel, to discuss the legal structure of these bond issues. (Attached as Exhibit B is a flow-chart outlining the bond structure.) Mr. Gabriel explained that the new legislation authorizes the Commission to issue bonds for hospital agencies under Chapter 140 of the Revised Code. This is the same authority under which cities and counties can issue hospital improvement bonds. The legal structure is very similar to that used by the Commission for college financings, involving a base lease and a lease from the Commission to the hospital to support the bond payments. There was considerable discussion by the members and Mr. Bruton, Mr. Gabriel and Mr. Keefe about how many and what kind of hospitals might apply to the Commission for financings.

Mr. Keefe recalled that when the Commission originally had authority to issue bonds for hospitals in the early 1980's, it did three pooled bond issues for equipment for a number of hospitals. That may be one advantage of having a state-wide issuer for hospitals. Mr. Gabriel pointed out that the Ohio Director of Development can also issue bonds for hospital projects.

The members agreed that there was a lot more to learn about hospital financing but that would wait until there was an actual financing proposed for the Commission to consider.

New Officers

The Chairman proposed the election of Commission officers for the year. Mr. Cosey moved that the following be elected officers:

Richard Petrick – Vice Chairman

John Wells – Secretary

Kenneth Kutina – Deputy Secretary (new title approved by members)

Mr. Kasson seconded the motion. All members voted to approve the motion and elect those officers.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

Secretary