

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

April 17, 2013

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, April 17, 2013, at 11:00 a.m. on the 19th Floor, Room 1972, of the Riffe Center, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; Kenneth Kutina, Secretary; Wanda Carter; James Shindler; Susan Tate; John Wells; and James Wilson. Absent from the meeting was: David Cannon, Vice Chair. Also present were: representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Board of Regents; Kevin Scott of Key Government Finance; William Elliott of PNC Capital Markets; and Alexander G. Burlingame of Squire Sanders (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 March 20, 2013, 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 Dr. Kutina that was seconded by Mr. Wilson, all Commission members present approved the minutes of that meeting.

CAPITAL UNIVERSITY

The Chair next called upon Lori McKirnan, Associate Vice President, Business and Finance, to speak to Commission members regarding Capital University's financing request. Ms. McKirnan was joined by Toni Streit, University Controller and Richard Ashbrook, Provost. Ms. McKirnan confirmed that the University will be pursuing the financing on the same terms as were described to the Commission at its March 20, 2013 meeting. The proposed bonds will refinance a taxable loan from U.S. Bank that was used to acquire and upgrade the Capital University Apartments. Bond proceeds will be used to pay off the loan, which comes due on May 1st. The new bond will bear interest at a fixed interest rate for an initial ten-year period. Ms. McKirnan then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Wilson and Dr. Kutina, Ms. McKirnan noted that the University does charge different rates for the apartments as compared to rates for traditional campus residence facilities. The University evaluated all possible financing structures, including whether to utilize a private placement transaction or an underwritten transaction. PNC Bank's proposal for the purchase of the bonds, including an initial ten-year fixed interest rate of approximately 2.1%, was determined to be most advantageous to the University. The Commission is considering two resolutions: the first in respect of the preliminary agreement; and the second for final approval.

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

Mr. Wells moved and Mr. Wilson seconded the motion that Resolution No. 2013-07 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: Kutina; Needles; Shindler; Wells; Wilson

Nay: None

Abstain: Carter; Tate

The Chair declared the motion passed and Resolution No. 2013-07 adopted.

Resolution No. 2013-07 is as follows:

In respect of the final approval for Capital 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.

Mr. Shindler moved and Mr. Wells seconded the motion that Resolution No. 2013-08 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: Kutina; Needles; Shindler; Wells; Wilson

Nay: None

Abstain: Carter; Tate

The Chair declared the motion passed and Resolution No. 2013-08 adopted.

Resolution No. 2013-08 is as follows:

CLEVELAND CLINIC FOUNDATION

The Chair next called upon Anthony Helton, Director of Finance, to speak to the Commission members regarding the Cleveland Clinic's financing request. Joining Mr. Helton was Timothy Longville, Assistant Controller. Mr. Helton thanked the Commission members, stating that the Clinic's plan of finance includes the refunding of certain 2003 bonds originally issued by Cuyahoga County, which would result in approximately \$12 million of net present value savings. The plan of finance also includes a proposed refunding of certain 2004 bonds, as well as money for new projects on the Clinic's main campus and other facilities. The bonds may be issued in a combination of both fixed and variable rate debt. The Clinic has scheduled meetings with rating agencies and is hoping to price and then close the financing in middle to late May. Mr. Helton then inquired of the Commission members as to whether they had any questions.

In response to questions from Mrs. Carter and Dr. Kutina, Mr. Helton noted that in pursuing all its financings through the Commission, the health system is achieving consistency in that all of its outstanding bonds will have been issued by one entity. Cost savings and efficiency of process are also considerations. In respect of the portion of the bond issue applied to new projects, those funds are expected to be applied to reimbursement for costs of projects already in place. Mr. Helton also confirmed that the Clinic has increased reserves for items such as co-pays and deductibles. Those costs are on the rise and are typically harder to collect. Mr. Helton also confirmed that with many patients a first step is for them to meet with finance counselors to evaluate aid eligibility, with pricing frequently offered at discounted levels. Mr. Burlingame noted that Commission officers are authorized to sign so-called MSRB G-17 acknowledgements.

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. Wilson moved and Mrs. Carter seconded the motion that Resolution No. 2013-09 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: Carter; Kutina; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2013-09 adopted.

Resolution No. 2013-09 is as follows:

OBERLIN COLLEGE

The Chair next called upon Ronald Watts, Vice President for Finance, to speak to the Commission members regarding Oberlin College's financing request. Mr. Watts thanked the Commission, noting that he is in his 36th year with the College. Mr. Watts noted that the College's financing request includes three components. The first component is the refinancing of the College's 2003 bonds that were issued through the Commission. They are callable for redemption starting October 1st of this year and it is anticipated that the College will enjoy approximately \$8 million of net present value savings through the refunding. The second component of the proposed financing includes the refunding of the College's 2008 bonds. Those bonds were issued as variable rate bonds with liquidity support provided by U.S. Bank. By refunding these bonds, the College is looking to move away from weekly interest rate re-sets, as well as risks associated with the Bank's credit. The College is currently evaluating a possible direct placement transaction in order to refund the 2008 bonds. The third component of the proposed financing is to provide funds for various College projects. These projects include improvements that are part of the College's athletic master plan, including providing for a health and wellness center, swimming facilities, ADA improvements and women's locker facilities. The College anticipates pledge support for the project that will also include community spaces and food service facilities. The College also is looking to upgrade its central heating plant. The current heating plant was constructed in the 1940s and is coal powered. The proposed project will include converting the College's central heating plant to natural gas without an interruption in service. Possible projects also include the College's Gateway Project, which includes the replacement of the Oberlin Inn. Renovating the existing Inn was determined not to be an option and the existing facility has outlived its useful life. The College is seeking to construct an energy-efficient facility, which includes water retention and solar arrays, with spaces for the Admissions and Development Departments. This project includes private donations and a new markets tax credit structure. Mr. Watts noted that the operation of the Inn is consistent with the College's charitable purposes and that the nearest comparable lodgings for the College community are 15 to 20 miles away. This portion of the project may be done on a taxable basis given tax law requirements. Mr. Watts then inquired of the Commission members as to whether they had any questions.

In response to a question from Ms. Tate, Mr. Watts noted that an initial proposed pledge for the project includes a \$5 million donation plus the cost of any incremental cost increases required or suggested by the donor in connection with the project. The College has formed a separate entity for purposes of its participation in the new markets tax credit transaction and any portion of the bonds issued for the Gateway Project will likely be done on a taxable basis. Mr. Watts noted that taxable and tax-exempt interest rates currently are not far apart. In response to questions from Mrs. Carter and Mr. Wilson, Mr. Watts noted that the College's participation in the Clinton Climate Initiative was in furtherance of the College's sustainability program and its goal of carbon neutrality. This is not a financial partnership, but a program that encourages collaboration between the City and local institutions such as the College. Mr. Watts noted that, in economic terms, solar projects can be difficult in Ohio as the State already enjoys relatively low electric rates. The College's solar arrays will be used during times of peak electric use, typically in the warm summer months. Distribution costs for electricity are measured at peak times, and the provision of solar power during the summer months can result in significant savings for the College. The College's solar array covers the space of 11 acres and was built at

the cost of approximately \$7 million. A little less than one-third of that cost was supported by the federal government. The College does not own the solar facilities; however, it does own the electric power generated for a period of 25 years. The College cooperates with the City of Oberlin. While some in the community view it as a wealthy institution, many are interested in College programs including its support of carbon neutrality. Responding to a question from Dr. Kutina, Mr. Watts noted that which projects are ultimately financed depends somewhat on gift levels. The Gateway Project may be part of the financing, but given tax rules and that part of the facility will be financed through a new markets tax credit transaction, the project may be financed through a traditional financing that does not include bonds. The heating plant portion of the project does not include geo-thermal facilities, which will be the subject of future phases of College development to be put in place only after the current proposed conversion of the existing central heating plant to natural gas. Responding to questions from Mr. Needles and Mr. Shindler, Mr. Watts noted that the College is the largest employer in the City of Oberlin and that one College professor is on City Council. Current College enrollment of 2,930 students is a little over its established goal of 2,850 students. By maintaining that goal, the College preserves its future ability to increase class size without decreasing student quality. The total value of the endowment as of February was valued at approximately \$703 million. The current all-in cost-per-student is approximately \$50,000; however, the College maintains an approximate 43% discount rate (excepting the Conservatory which has an approximate 55% discount rate). In response to questions from Mrs. Carter and Dr. Kutina, Mr. Watts noted that the Conservatory maintains a 5-year degree program. Lower planned enrollment levels for the College do not adversely impact diversity; the College has increased flexibility with the discount they can offer within that smaller class. There are approximately 550 students enrolled in the Conservatory, which maintains over 212 Steinway pianos, the largest concentration of Steinway pianos outside of the manufacturer.

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

Mr. Wells moved and Mrs. Carter seconded the motion that Resolution No. 2013-10 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: Carter; Kutina; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2013-10 adopted.

Resolution No. 2013-10 is as follows:

CEDARVILLE UNIVERSITY

The Chair next called upon Christopher Sohn, Chief Financial Officer, to speak to the Commission members regarding Cedarville University's financing request. Joining Mr. Sohn was Philip Grafton, Associate Vice President for Finance. Mr. Sohn thanked the Commission members, noting that he has been with the University for approximately nine months and that Mr. Grafton has been with the University for approximately 20 years. The University is located 30 minutes to the east of Dayton, with a total enrollment of approximately 3,500 students per year and offering 100 different programs. University enrollment is growing, due in part to the recent addition of a Doctor of Pharmacy Program. The University maintains approximately \$15 million of long-term debt, all of which was issued by the Commission. The University has enjoyed over 30 years of budget surpluses. The University's financing request has two components. The first component consists of the refunding of the University's 2004 bonds, issued through the Commission. Those bonds currently bear interest at variable interest rates and are secured by a KeyBank Letter of Credit. The University does have an existing swap with respect to those bonds. The bonds issued for the purpose of refunding the 2004 bonds would be issued in a direct placement transaction with Key Government Finance, with the expected result of reducing interest rates and more closely aligning the bonds with the University's swap. The second component of the University's financing request includes the financing of various student residence facilities, including an addition to an existing residence facility, a new townhouse and upgrades to HVAC systems. Construction of the townhouse is in process and requests to live in the new housing are high. The addition to existing residence facilities will provide 72 beds. It will provide the University with added flexibility as the institution does not have co-ed dorms, and the added space can be used for male or female housing as needs change. This portion of the financing will similarly be financed through a direct placement transaction with Key Government Finance. There is no capital campaign in respect of this project. Mr. Sohn then inquired of the Commission members as to whether they had any questions.

In response to Dr. Kutina and Mr. Shindler, Mr. Sohn noted that the University maintains an approximately 51% to 49% female to male ratio and that current enrollment was at approximately 3,500 students. One of the primary benefits of the refinancing portion of the transaction is that the University will no longer have bank risk associated with a letter of credit and it will no longer have to pay letter of credit fees. There also will be approximately \$500,000 of net value present savings; however, the existing swap will stay in place. Responding to questions from Mr. Wilson and Ms. Tate, Mr. Sohn noted that enrollment growth has primarily come through the University's graduate programs, including its pharmacy, master's of business administration and education programs. Moderate undergraduate enrollment growth is expected for the upcoming academic year. The University enjoys overall enrollment of just under 3,500 students, 3,100 of which are undergraduate students. The Doctor of Pharmacy Program is a seven-year program. Incoming students are granted acceptance for the entire seven-year program. The first three years within the program are considered its undergraduate portion. There may be transfers into the program in the future, but there are none yet given its newness.

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

Mr. Wilson moved and Mr. Wells seconded the motion that Resolution No. 2013-11 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: Kutina; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Carter

The Chair declared the motion passed and Resolution No. 2013-11 adopted.

Resolution No. 2013-11 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

Commission members further discussed recent ethics disclosure requirements and the possibility of holding a Commission meeting at Oberlin College in June. It is now expected that the Commission will next meet on May 15, 2013, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary