

**OHIO HIGHER EDUCATIONAL FACILITY COMMISSION**

**MINUTES OF THE MEETING OF THE COMMISSION**

**October 16, 2013**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 16, 2013, at 11:00 a.m. on the 19<sup>th</sup> Floor, Room 1932, 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; David Cannon, Vice Chair; Kenneth Kutina, Secretary; Wanda Carter; John Martin; James Shindler; Susan Tate; John Wells; and James Wilson. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Board of Regents; 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 September 18, 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. Wells, all Commission members present approved the minutes of that meeting.

## UNIVERSITY HOSPITALS

The Chair next called upon Tricia L. Bires, Director, Treasury, to speak to the Commission members in respect of University Hospitals Health System's financing request. Ms. Bires noted that the Health System's Vision 2010 Projects have done very well, including the Seidman Cancer Center and the Ahuja Medical Center in Beachwood, Ohio. The Ahuja Medical Center has been successful and is opening an additional forty-four beds to meet demand. While patient volumes have remained level, Health System departments remain nationally recognized and the Health System maintained a \$41,000,000 budget margin through June of this year. As the year-end approaches, revenue will be impacted by patients who participate in high deductible health plans. As has been noted, the Health System has entered into letters of intent for the acquisition of Parma Community Hospital and Elyria Memorial Health System. If the transactions are consummated as anticipated, the Health System will gain an additional four thousand employees and related increase in patient volumes. The Health System produced a community benefit of \$273 million in 2012 and its Board is meeting today to consider current and future plans of finance.

The Health System is looking to refund the remaining outstanding 2008 bonds issued by the Commission. The 2008 bonds were issued to finance Vision 2010 Projects and to refund certain previously issued bonds. The refunding bonds are expected to be issued in two series. The first series in the amount of approximately \$105,000,000 will bear interest at fixed rates and the second series in the amount of approximately \$20,000,000 will bear interest at a variable rate that resets weekly. The Health System also will be issuing its own taxable debt in anticipation of future pension and ERISA requirements. Ms. Bires then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Ms. Bires noted that the taxable bonds would not be issued through the Commission due to State law restrictions. Under State law, the Commission bonds could not be issued for the proposed purposes of the taxable debt. The budget surplus enjoyed by the Health System is something it works hard for and is appreciated by the rating agencies. The proposed Health System acquisitions may have some short-term impact on the budget that will smooth-out over time. The variable rate refunding bonds will not be supported by a bank letter of credit and the Health System expects that the fixed rate bonds will bear interest in the range of 3 to 5.5% per year. In response to questions from Mr. Wilson and Mr. Cannon, Ms. Bires noted she wasn't sure of the exact combined number of employees that will be added to the Health System as a result of its acquisitions, but that the number would be in the thousands. She understood that the transactions will be styled as acquisitions and that the other health systems do have outstanding debt which may be the subject of future refinancings through the Commission. Proceeds of the acquisition price will be applied toward capital facilities of the health systems being acquired and other expenses so as to provide better services. Benefits include increased availability of specialists and administrative improvements. Responding to questions from Mrs. Carter and Mr. Needles, Ms. Bires noted that the Health System's relationship with Kaiser will result in approximately three thousand additional discharges a year and that capital investments ultimately help budget margins.

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 Mr. Wells seconded the motion that Resolution No. 2013-21 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: Cannon; Carter; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2013-21 adopted.

Resolution No. 2013-21 is as follows:

## CASE WESTERN RESERVE UNIVERSITY

The Chair next called on Robert C. Brown, Treasurer, to speak to the Commission members regarding Case Western Reserve University's financing request. Mr. Brown noted that a year ago the University enjoyed an incoming class of 1,300 students and that it had an incoming class of 1,270 this fall. The University has a goal of 1,250 students for each incoming class going forward, with a model undergraduate student body size of 5,000 students. Academic credentials of students are improving, as evidenced by higher SAT scores for incoming students. Recent application levels have increased substantially, due in part to the University's hire of an enrollment director approximately four years ago that came from the California Institute of Technology. The University recruits students from both the United States and overseas, with a substantial percentage of the student body coming from Ohio. The University is working to decrease that percentage in light of demographic trends and the decreasing number of high school graduates in the State. One of the benefits of international students is that they typically pay full tuition with little or no discount. The University has achieved approximately 90% of pledges toward its one billion dollar campaign goal which concludes in 2016. The University has enjoyed its fifth consecutive year of improved operating performance and enjoys an "A" category rating from Moody's and an "AA" category rating from S&P. The purpose of the proposed bonds is to refund the University's remaining 2004 bonds issued by the Commission. A portion of the 2004 bonds were refunded last year and the University wants to be prepared to move forward with this refinancing given the volatile market environment. The transaction will be a current refunding for tax purposes and the University expects to achieve a minimum of 3% of net present value savings. The University may be returning to the Commission in early 2014 for approval of various projects, including a student residence facility. University students are required to live in campus housing for their first two years and many stay for a third. Rating agencies are typically fine with residence hall projects as they are self supporting. Mr. Brown then inquired of the Commission members as to whether they had any questions. In response to a question from Mr. Wilson, Mr. Brown noted that the higher cost per bed for the proposed residence facility is reflective of the high level of competition among universities for students and their expectations for high-quality housing facilities.

The Chair next opened the public hearing required by applicable federal tax regulations for the proposed Case Western Reserve University financing. Notice of the hearing was published in *The Columbus Dispatch* and *Plain Dealer*. The Chair inquired as to whether there were any comments. No comments having been made and the Commission having received none in the mail or otherwise prior to the hearing, the Chair closed the public hearing.

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. 2013-22 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: Cannon; Carter; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Kutina

The Chair declared the motion passed and Resolution No. 2013-22 adopted.

Resolution No. 2013-22 is as follows:

**CALL OF NEXT MEETING AND ADJOURNMENT**

It is now expected that the Commission will next meet on November 20, 2013 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.

  
Secretary