# OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

## MINUTES OF THE MEETING OF THE COMMISSION

**December 18, 2013**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, December 18, 2013, at 11:00 a.m. on the $19^{th}$ 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; William Elliott of Blue Rose Capital Advisors; Kevin Scott of Key Government Finance; 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 October 16, 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 Mr. Wilson that was seconded by Mr. Wells, all Commission members present approved the minutes of that meeting.

**XAVIER UNIVERSITY**

The Chair next called upon Maribeth Amyot, Chief Financial Officer and Senior Vice President, to speak to the Commission members regarding Xavier University's financing request. Joining Ms. Amyot was Megan Bosco, Assistant Treasurer. Ms. Amyot also introduced William Elliott of Blue Rose Capital Advisors, the University's financial advisor. Ms. Amyot further thanked the Commission members, noting that the proposed financing will provide for the refunding of the University's Series 2000B Bonds issued through the Commission. The 2000B Bonds are variable rate bonds secured by a direct pay letter of credit issued by PNC Bank National Association. In requesting proposals for the proposed refinancing, the University considered structures that provided for the public offering of bonds or a direct placement transaction. The University ultimately decided to pursue a direct placement transaction with The Huntington National Bank that includes a 17-year amortization and a fixed interest rate just under 3%. By pursuing this structure, the University is reducing the risk associated with adjustments of variable interest rates and the need to periodically renew the letter of credit. Letters of credit are increasingly hard to find and are generally more expensive. In the current proposed structure, the University also will be removing the risk associated with the right of holders of variable rate bonds to tender at any time. The University's Board of Trustees approved the transaction at its December 6th Board meeting and desires to close the financing later this week. Ms. Amyot then inquired of the Commission members as to whether they had any questions.

Responding to questions from Dr. Kutina, Ms. Amyot confirmed that the primary reason for this refinancing is to minimize various risks associated with the traditional variable rate bond structure. In the short term, the interest rate would be a little higher. In a direct placement structure the University will save money on certain fees, including fees of a trustee. Issuance costs for a direct placement transaction also are lower as the University will not have to pay for ratings or an offering circular. A fixed interest rate is attractive in a direct placement transaction as the agreed rate is known to the parties at an early stage of the transaction. The University obtained a lower fixed interest rate in the direct placement transaction than it would have expected to receive in a public offering. Enrollment projections are consistent with trends experienced by the University and its goal of transitioning from a smaller mid-size regional university to a university with a national presence, as evidenced by its joining the Big East Athletic Conference. The University recruits students on a national basis. However, graduate-level students are typically more regional. The proposed financing will not increase the overall debt for the University and the University expects no additional debt for several years.

In response to a question from Ms. Tate, Ms. Amyot confirmed that the University enjoys A- or equivalent ratings from all three major rating agencies and that there is no swap associated with this financing. In response to a question from Mr. Wilson, Ms. Amyot noted that there were no plans to change the University's current 4½% spending rate from the endowment. Ms. Bosco noted that the University's endowment has done well, increasing to approximately $144 million with a focus on diversification. In response to questions from Mr. Needles and Mr. Martin, Ms. Amyot confirmed that the University is comfortable with its overall debt level which is consistent with the University's debt policy. The University continues to maintain its high-level ratings. Ms. Amyot further noted that the University does have swaps in place in connection with its other variable rate debt and that it works to maintain level debt service. The University draws upon a diverse set of revenue streams to pay its debt service. Ms. Amyot continued by noting that the University's campus has transformed dramatically over the last five years. She noted the success of prior Commission projects, including the Cintas Center, which has approximately 10,000 seats and regularly sells out, and the 88,000-square-foot Gallagher Center. Other notable improvements include the development of the Hoff Academic Quad and Learning Commons, a factor that contributes to the University's high graduation rate. Also included in recent projects is the University's business school, improvements to the Central Utility Plant and residence hall improvements. The University also has incorporated "green" roofs and enjoys a highly ranked dining program. Ms. Amyot thanked the Commission for helping the University to achieve its goals, including a high graduation rate with 90% of students employed within six months of graduation.

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 Mr. Martin seconded the motion that Resolution No. 2013-23 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. 2013-23 adopted.

Resolution No. 2013-23 is as follows:

**OHIO DOMINICAN UNIVERSITY**

The Chair next called on David Kosanovic, Vice President for Finance and Administration, to speak to the Commission members regarding Ohio Dominican University's financing request. Mr. Kosanovic noted that Mr. Elliott also is acting as financial advisor to the University. Mr. Kosanovic noted that this is his second appearance before the Commission, having last presented in connection with the University's 2007 financing. The University is now requesting the issuance of approximately $39 million of bonds for the purpose of refinancing its 2007 variable rate bonds. The proposed transaction will be structured as a direct placement transaction with The Huntington National Bank and Key Government Finance acting as purchasers. The closing is scheduled for mid-to-late January, with the redemption of the 2007 Bonds scheduled for February. The University was founded in 1911 and is the only Dominican university in central Ohio. It maintains approximately 50 graduate and undergraduate programs, and is particularly known for its Business and Education programs. Mr. Kosanovic noted the outstanding academic achievements of its women's basketball team and the recent successes of its softball and football teams. The football team was featured this fall on a national broadcast of the CBS Sports Network and the men's soccer team has achieved recent success in the Great Lakes Intercollegiate Athletic Conference. The University recently hosted a book launching for the book, The Butler. The University is developing new programs, including its new early admission to physician assistant program, which provides for dual admission to both undergraduate and graduate-level programs. The University also has entered into an arrangement with the Ohio University Osteopathic Medicine Program, in which Ohio University has agreed to admit annually 10 students from the University, provided academic standards are met. The University also has created new programs related to insurance risk management and exercise science and has received approximately 850 applications for its physician assistant program. Mr. Kosanovic thanked the Commission members, noting that the student center financed by the 2007 Bonds transformed the campus. The University enjoys a highly diverse student population, with many students being the first generation in their family to attend college. The University works to address market needs, an example of which includes the development of its insurance risk management program. Mr. Kosanovic then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Mr. Kosanovic noted that the University's student discount rate is at approximately 39% and is something that the University monitors closely. While a precise number cannot be identified, Mr. Kosanovic explained that the portion of University students attending Ohio University's Osteopathic Medicine Program would represent a relatively small percentage of overall program enrollment. In response to questions from Mr. Cannon, Mr. Kosanovic noted that a financing consideration for the University was the swap it has in place in connection with the 2007 Bonds. Key Government Finance has agreed to assume that swap. The University needs to refinance the 2007 Bonds in order to replace the JPMorgan letter of credit that secures them. The University undertook an RFP process and ultimately decided to work with Key Government Finance and The Huntington National Bank on a direct placement transaction. The University does expect to save on fees and to be able to level its debt service schedule. Mr. Elliott noted that letters of credit are harder to come by and that letter of credit banks have been pulling back to some extent in this portion of the market. Direct purchase transactions are advantageous because they also do not include remarketing fees and do not subject the institution to the risk of a bank downgrade. In response to a question from Mr.

Needles, Mr. Kosanovic noted that he works well with the University's President, who understands finance matters generally and has spent time at Marywood University and Catholic 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.

Dr. Kutina moved and Mr. Wells seconded the motion that Resolution No. 2013-24 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; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

Abstain: Carter

The Chair declared the motion passed and Resolution No. 2013-24 adopted.

Resolution No. 2013-24 is as follows:

## LIMA MEMORIAL HOSPITAL

The Chair next called upon Kelly Hefner, Senior Financial Analyst, to speak to the Commission members regarding Lima Memorial Hospital's financing request. Ms. Hefner noted that she last appeared before the Commission approximately one and a half years ago. The current proposed financing is for approximately $10 million of new projects and to refinance certain existing debt. Existing Health System debt includes debts secured by a JPMorgan letter of credit. As part of this refinancing transaction, which will utilize a direct placement structure, the Health System will save and not have to pay higher letter of credit fees. The Health System has utilized the Kaufman Hall firm to act as its financial advisor, and pursuant to an RFP process, received ten quotes from various banks. Three banks were selected by the Health System to participate in the proposed transaction. They are PNC National Bank, FirstMerit and RBS. The refinance component of the transaction will include the refinancing of debt incurred by the Health System in 2000, 2003, 2004 and 2007. The new projects that will be part of the financing include the relocation of the Hospital's intensive care unit. While inpatient volume is down, visits to the ICU have increased. The proposed refinancing will include increasing the size of the ICU from ten beds to 16 beds. The project will also include the improvement and renovation of surgery facilities, including expanding and updating space for outpatient surgery facilities. Ms. Hefner noted that Lima Memorial Hospital is the smaller of two health systems in Lima. Patient volume is down; however, there have been some increases in surgeries and patient observations are up 34%. The Health System's financial statements were impacted somewhat by the pending expiration of the JPMorgan letter of credit and the reclassification of certain debt. The proposed refinancing will help smooth out the Health System's debt service. Ms. Hefner then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Martin and Mr. Shindler, Ms. Hefner noted that the ProMedica Health System does own approximately 50% of the Health System and does have a Board presence. ProMedica does not provide credit support for the financing and maintains several hospital facilities, including facilities located in Toledo, Defiance and lower Michigan. In response to a question from Ms. Tate, Ms. Hefner noted that the Health System's auditors require that it reflect potential asbestos liability in its audit. Mr. Shindler commented that this may be a specific requirement of the Health System's auditing firm. Ms. Hefner further noted that the Hospital's asbestos-related liability is not tied to a specific amount and that it is adjusted annually based on estimated liability. In response to a question from Mr. Cannon, Ms. Hefner confirmed that the reclassification of letter of credit secured debt from long-term to short-term was a result of the anticipated expiration of its JPMorgan letter of credit. In response to questions from Dr. Kutina and Ms. Tate, Ms. Hefner noted that the terms of the proposed refinancing will vary for each bank that is participating in the transaction. The Health System's accrued pension liability is tied to an old defined benefit plan and that liability is in a period of decline from year to year.

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

Mr. Shindler moved and Mr. Wells seconded the motion that Resolution No. 2013-25 be adopted.

Aye: Cannon; Carter; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2013-25 adopted.

Resolution No. 2013-25 is as follows:

## CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on January 16, 2014 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.

Kenneth L Kertoni

Secretary