

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

October 15, 2014

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 15, 2014, at 11:00 a.m. on the 19th 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; John Martin; James Shindler; Susan Tate; John Wells; and James Wilson. Absent was: Wanda Carter. Also present were representatives of the institution appearing before the Commission; William Elliott of Blue Rose Capital Advisors; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Patton Boggs (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 August 20, 2014, 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.

MARIETTA COLLEGE

The Chair next opened the public hearing required by applicable federal tax regulations for the proposed Marietta College financing. Notice of the hearing was published in *The Columbus Dispatch* and *The Marietta Times*. 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.

The Chair next called on Daniel Bryant, Vice President for Administration and Finance, and Daniel Hungerford, Controller, to speak to the Commission members regarding Marietta College's financing request. Mr. Bryant thanked the Commission members, noting that the College is seeking approval for the refinancing of its two Commission bond issues that are secured by a letter of credit issued by JPMorgan Chase Bank. JPMorgan indicated to the College that it is exiting the portion of the market occupied by Marietta College and that it did not intend to renew the letter of credit. The proposed refinancing also includes the restructuring of the College's 2011 bonds, which were issued in a private-placement transaction. With the assistance of Blue Rose Capital Advisors, the College undertook an RFP process pursuant to which FirstMerit Bank was selected to provide the refinancing of the prior letter of credit secured bonds through a direct-purchase transaction. The transaction will be entered into so as to provide parity treatment among the College's various bondholders and will also result in the termination of the College's existing swap agreement. The College expects to achieve some interest savings, as well as the potential to accelerate its current principal payment schedule.

Mr. Bryant next reviewed the location of various Commission-financed facilities that have been constructed on the College campus since 2000. The College's planetarium was financed by donors rather than from bonds. The College is in its 179th year of existence and maintains 44 different programs in 14 departments, including two graduate-level programs. The College is particularly noted for its programs in petroleum engineering, psychology and sports medicine. It is implementing a new land management program, which is tied to the petroleum engineering program and the resurgence of the oil and gas industry in Ohio and Pennsylvania. 85% of the College's students are from the United States and there are approximately 150 students who come from China and international students also come from Saudi Arabia and Kuwait. The College enjoys an 11:1 student/faculty ratio. It maintains an operating budget of approximately \$68 million per year and enjoys endowment value of approximately \$77 million. The College is rated BBB+ with a stable outlook and is located on an approximately 90-acre campus with 30 major buildings. Some of those buildings are over 100 years old and the College maintains a deferred maintenance program for campus upkeep. Campus and student safety are the first priority in categorizing maintenance projects. The College has approximately 389 employees, 153 of which are faculty. In this challenging economic environment for private institutions of higher education, the College is looking critically at its current staffing size. Commission members noted that former president Jean Scott retired after 12 years of service to the College, having been replaced by Joseph Bruno who comes from Wesleyan University in Connecticut. The College also has a new provost, a new vice president for advancement, a new vice president for enrollment management and a new vice president for diversity. The Board of Trustees is actively engaged with College matters and has been focused on succession planning. Strategic areas of emphasis for the College include emphasis on net tuition revenue, right-sizing of enrollment levels and student retention. To this end, the College has engaged the John

Gardner Institute, out of North Carolina, to assist it with its efforts in student engagement and retention. The College's current master plan was put in place in 2008. The College is now developing its strategic plan for the next five years, as well as its Vision Plan extending to 2025. It is expected that the next College campaign will focus predominantly on its endowment. Mr. Bryant then inquired of the Commission members as to whether they had any questions.

Responding to questions from Dr. Kutina, Mr. Bryant confirmed that enrollment has not matched budget expectations and that the number of applications has not translated into enrollment growth. The College had budgeted for 1,450 students, but enrollment last year had come in at 1,360 students. A modified budget assuming 1,360 students was put in place, but now enrollment is at 1,280. The College is forced to critically examine its budget given the fact that it was first put in place with an assumption of 1,450 students. The College's petroleum engineering program has been in existence for decades and is regarded as one of the top five in the country. It's the largest program at the College. As part of its budget analysis, the College is targeting student ratio of approximately 14 or 15:1.

In response to questions from Mr. Cannon, Mr. Bryant confirmed that the College does expect interest savings as part of the refinancing, particularly as a result of the restructuring of the College's 2011 private placement transaction with United Bank. The bonds to be issued to FirstMerit Bank are expected to be issued at an initial fixed rate below 4%. With regard to the 2011 bonds, the College expects \$1.3 million in savings. Mr. Hungerford noted that the College's audit for fiscal year 2014 will show a small loss; however, it will also show an increase in total assets to approximately \$209 million. In response to a question from Ms. Tate, Mr. Bryant confirmed that there will be a termination payment associated with the termination of the existing swap. Part of the plan of finance includes the deferment of principal payments scheduled to be due on December 1st of this year. The money that would have otherwise been applied to those payments will be used to pay the swap termination.

In response to a question from Mr. Martin, Mr. Bryant stated that a student center project, boathouse improvements and fine arts facilities are expected to be the College's top three projects going forward. Given the College's current debt capacity, it is anticipated that those projects will not be debt financed. Freshmen housing facilities also are in need of improvement. In response to a further question from Dr. Kutina, Mr. Bryant noted that the physician assistant program has been very successful, with 72 students currently enrolled. It most recently received 800 applications for 36 available slots. One area of focus for the program in the near term will be maintaining the availability of clinical rotations at area hospitals. In response to a question from Mr. Needles, Mr. Bryant noted that the president's residence is situated on campus and it is approximately a two-minute walk from the campus to the Ohio River.

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 modifications to the 2011 bonds and related documents.

Mr. Wells moved and Ms. Tate seconded the motion that Resolution No. 2014-10 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: Cannon; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2014-10 adopted.

Resolution No. 2014-10 is as follows:

OTHER BUSINESS

Mr. Burlingame next described the resolution regarding Mount St. Joseph University. The Commission issued bonds for the benefit of the University in 2009 as part of a private-placement transaction. Those bonds are subject to optional tender for purchase this coming summer and the banks are required under the documents to give nine months' prior notice of that purchase. The University has experienced challenges and has requested that the Commission approve a shorter notice period for the banks so that they and the University have more time to discuss the financing structure and any changes that might be made to it in anticipation of the 2015 optional tender. In response to a question from Mr. Needles, Mr. Burlingame noted that the resolution was likely not necessary but was prepared as a conservative measure and also to evidence that the University was keeping the Commission aware of ongoing developments regarding its bonds.

The resolution under consideration approves modifications to Mount St. Joseph University's bond documents as described above.

Mr. Wilson moved and Mr. Wells seconded the motion that Resolution No. 2014-11 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: Cannon; Kutina; Martin; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2014-11 adopted.

Resolution No. 2014-11 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

The Chair called a meeting of the Commission for November 18, 2014 in Columbus. Commission Members present indicated their availability for that meeting. On a motion duly made and seconded, the meeting was adjourned.


Secretary