

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

February 17, 2016

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, February 17, 2016, at 11:00 a.m. in the Board meeting room on the first floor of the Ohio Department of Education Building, 25 S. Front Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; Jim Bennett, Vice Chair; Kenneth Kutina, Secretary; James Shindler; Susan Tate; and John Wells. Absent from the meeting were Wanda Carter; John Martin; and James Wilson. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Department of Higher Education; 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 January 20, 2016 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. Wells that was seconded by Dr. Kutina, all Commission members present approved the minutes of that meeting.

UNIVERSITY OF DAYTON

The Chair next opened the public hearing required by applicable federal tax regulations for a proposed University of Dayton financing. Notice of the hearing was published in *The Columbus Dispatch* and *The Dayton Daily News*. 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 called upon Phillip Chick, Treasurer, to speak to the Commission members regarding the University of Dayton's financing request. Mr. Chick thanked the Commission members, noting that the University was seeking approval for the refinancing of its Series 2011B Bonds issued through the Commission and outstanding in the principal amount of \$28 million. Mr. Chick noted that overall University enrollment is over 11,000 students. While the University is a tuition-dependent institution, research remains a large part of its activities and the University is one of the largest employers in the Dayton area. In recent years, full time undergraduate enrollment has increased from approximately 7.2 thousand to just over 8,000. In response to a question from Mr. Needles, Mr. Chick noted that the University does provide an intensive English program for international students and their families. Many of these students are from China and the Middle East and the University assists these students and their families with enrollment in other University programs. In recent years, the University has experienced increased applications and a lower admissions rate. In response to demographic trends in Ohio, the University has worked to increase the geographic diversity of its student body. Approximately 8% to 10% of each class comes from outside of the United States. The University's guaranteed tuition program, instituted three years ago, continues to perform well. Retention rates have improved and student borrowing has decreased. With the tuition guarantee program, the University is actively managing its discount rate. Mr. Chick did note that graduate program enrollments have decreased, including enrollment in the master of business administration and law school programs. The University has approximately \$412 million of long-term debt, approximately \$320 million of which is represented by bonds issued through the Commission.

In respect of the proposed transaction, the University desires to refund its outstanding Series 2011B Bonds, which financed various new projects at the University. The University has engaged the Yuba Group as its financial advisor for this private placement transaction. Working with the Yuba Group, the University distributed a request for proposals and selected JPMorgan Chase Bank as the proposed purchaser of the refunding bonds. The University anticipates savings of approximately \$125,000 per year and is evaluating possibilities with respect to a Swap it maintains in connection with these bonds. Mr. Chick then inquired of the Commission members as to whether they had any questions.

In response to questions from Ms. Tate with respect to the net tuition guarantee, Mr. Chick noted that fall of 2016 will represent the fourth year of this program. While the University discount rate has increased some over the last few years, the program provides the University with increased flexibility in managing scholarships and avoids the need for having separate price lists for each individual class. Academic performance can impact the level of institutional aid received by the University. In responses to questions from Mr. Shindler and Dr. Kutina, Mr. Chick noted that the University's engineering programs remain strong and are

especially popular with international students. The University does not expect to see its discount rate increase by more than a few percent above existing levels. In response to questions from Mr. Bennett, Mr. Chick noted that the University looks to its peer institutions such as Boston College and Notre Dame when determining tuition rates. Tuition increases and the cost of maintaining the tuition guarantee are designed to be spread across classes so that no one group bears the burden of an increase more than others. The University has seen some increased operating expenditures as enrollment has increased.

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 Ms. Tate seconded the motion that Resolution No. 2016-02 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: Bennett; Kutina; Needles; Shindler; Tate; Wells

Nay: None

The Chair declared the motion passed and Resolution No. 2016-02 adopted.

Resolution No. 2016-02 is as follows:

CLEVELAND CLINIC FOUNDATION

The Chair next called on Anthony Helton, Administrator, Division of Finance to speak to the Commission members regarding The Cleveland Clinic Foundation's financing request. Mr. Helton thanked the Commission members, noting that there were multiple components to the Foundation's request. The Foundation is seeking to refinance debt associated with its combination with Akron General Hospital. The Foundation also is seeking to refinance bonds issued by the Commission in 2008 and 2009 and to finance various new projects. A portion of the financing may be consummated through direct placement transactions with banks selected through a request for proposals process. Portions of the financing relating to the 2008 and 2009 Commission bonds may aggregate to approximately \$950 million and the portion of the financing for new projects may aggregate to approximately \$500 million. At this time, it is anticipated that the refinancing of tax-exempt and taxable debt related to Akron General Hospital will be facilitated through direct placement transaction with initial pricing set for 10 years. In respect of the refinancing of prior Commission bonds, the Foundation expects meaningful net present value savings. There are several new Foundation projects, including projects for cancer facilities and utility improvements. The Foundation also is developing a new health education campus in partnership with Case Western Reserve University, including a dental school that will be housed in a separate building. Other projects include main campus parking facilities, Akron Emergency Department renovations, and improvements to Foundation facilities in Medina, Avon and Lakewood, as well as the improvement and development of several family health centers. It is expected that the Foundation will be returning to the Commission for final approval at its March meeting. Mr. Helton noted that in respect of the Foundation's financial performance and debt structuring, the Foundation has approximately \$3.6 billion of overall debt, the majority of which bears interest at fixed interest rates. Patient volumes and Medicaid receipts have increased. Mr. Helton then inquired of the Commission members as to whether they had any questions.

In response to a question from Mr. Shindler, Mr. Helton noted that the Foundation is careful not to finance unnecessary projects and that it maintains a stringent internal process for project approval. In response to questions from Mr. Needles, Mr. Helton noted that he does not expect the current financing to change the overall mix of variable and fixed-rate debt for the Foundation, although the plan of finance does provide some flexibility in that regard. Ten years ago, the Foundation had much more variable rate debt than it does today. The overall amount of Foundation debt is continually monitored by the Foundation and is also the subject of rating agency discussions. After the proposed financing, the Foundation will have approximately \$4 billion of overall debt. While the Foundation's overall debt level has increased over time so has its days cash on hand.

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

Mr. Wells moved and Ms. Tate seconded the motion that Resolution No. 2016-03 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: Bennett; Needles; Shindler; Tate; Wells

Abstain: Kutina

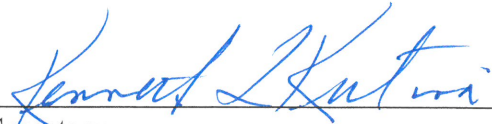
Nay: None

The Chair declared the motion passed and Resolution No. 2016-03 adopted.

Resolution No. 2016-03 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on March 16, 2016 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary

3/16/16