

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

February 15, 2017

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, February 15, 2017, 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: Jim Bennett, Vice Chair; Wanda Carter; John Martin; Susan Tate; James Shindler; and James Wilson. Absent from the meeting were: Thomas Needles; and John Wells. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Department of Higher Education; Katie Kleinfelder of RBC Capital Markets; Robert Selak of Thompson Hine; and Alexander G. Burlingame of Squire Patton Boggs (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the Vice Chair. Upon call of the roll, the Acting 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. Upon a motion by Mrs. Carter that was seconded by Mr. Wilson, all Commission members approved Mr. Martin as the Acting Secretary for this meeting.

The Vice Chair noted that the minutes of the Commission meeting of January 18, 2017 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. Shindler that was seconded by Ms. Tate, all Commission members present approved the minutes of that meeting.

UNIVERSITY HOSPITALS

The Vice Chair next called upon Bradley Bond, Vice President, Treasury, to update the Commission members regarding University Hospitals Health System's financing request. Mr. Bond noted that this was a follow-up to the Health System's presentation at the Commission's January meeting regarding its request for the financing of new hospital facilities. The proposed facilities to be financed will generally have shorter asset lives and include building renovations and hospital equipment. The Health System's Rainbow and Children's project is proceeding with the use of a new markets tax credit structure. Anticipated opening is in 2018. This will not be a money-making project for the Health System; however, it regards it as an important part of the Health System's mission to the community and assisting under-insured women and children. The Health System is in the process of completing its audit process. Patient volumes experienced some decline in 2016, which was consistent with market trends. Year-over-year finances were helped somewhat by recent hospital acquisitions. The Health System also continues to keep a close eye on proposed health care law changes and how they may impact its finances and operations. Mr. Bond then inquired of the Commission members as to whether they had any questions.

Responding to questions from Mrs. Carter, Mr. Bond confirmed that the new Rainbow facility will likely lose money from an operating standpoint; however, it will create some jobs. The Health System's community needs assessment is performed every three years and is reported as part of its tax returns. The Rainbow facility will help address community needs that were identified in the Health System's assessment. The requirement for the community needs assessment came as a result of perceived abuses by institutions of their non-profit status. Uncertainty regarding proposed health care reform includes whether changes will include appropriate off-sets as to both costs and revenues associated with the delivery of health care. In response questions from Mr. Shindler, Mr. Wilson and Mr. Bennett, Mr. Bond confirmed that the Rainbow facility will be in an underserved area and is being undertaken with the support of both the city and county. The Health System is investing approximately \$14 million of its own funds in the project. The proposed bonds will be variable rate, issued in direct-purchase transactions with Union Bank and JPMorgan. The amount of refinance transactions in the market should decline as interest rates are not expected to go below current levels.

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. 2017-03 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Bennett; Carter; Martin; Shindler; Tate; Wilson

Nay: None

The Vice Chair declared the motion passed and Resolution No. 2017-03 adopted.

Resolution No. 2017-03 is as follows:

OBERLIN COLLEGE

The Vice Chair next called upon Michael Frandsen, Vice President for Finance and Administration, and Mary Joe Diekman, Director of Financial Planning & Analysis, to speak to the Commission members regarding Oberlin College's financing request. Mr. Frandsen confirmed that the proposed projects to be financed remain unchanged since the College's December 2016 presentation. Morgan Stanley will be the lead underwriter for the proposed bond issue, with U.S. Bank acting as trustee. The bonds are expected to be issued sometime in April. Mr. Frandsen then inquired of the Commission members as to whether they had any questions.

In response to a question from Mr. Bennett, Mr. Frandsen confirmed that there had been no other changes in respect of the proposed financing or the projects. However, he did note that he would be leaving the College at the end of June to become president of Wittenberg University in Springfield, Ohio.

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 Ms. Tate seconded the motion that Resolution No. 2017-04 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Bennett; Carter; Martin; Shindler; Tate; Wilson

Nay: None

The Vice Chair declared the motion passed and Resolution No. 2017-04 adopted.

Resolution No. 2017-04 is as follows:

DENISON UNIVERSITY

The Vice Chair next called upon David English, Vice President for Finance and Management, to speak to the Commission members regarding Denison University's financing request. Joining Mr. English was Joshua Beitzel, Director of University Investments. Mr. English thanked the Commission, noting that he succeeds Seth Patton, who has retired after long and valuable service to the University. The University is seeking preliminary approval for an approximate \$65 million financing of new projects and a refinancing of 2007 Bonds. The larger component of the new projects includes a performing arts center. The University's endowment was at approximately \$750 million at the end of the last calendar year. Another record year for applications is expected. Early decision applications have increased, with approximately 30% of each incoming class coming out of the early decision pool. That increase provides the University with increased flexibility in placing and distributing student aid and furthers its goal of decreasing discount rate. Mr. English then inquired of the Commission members as to whether they had any questions.

In response to questions from Ms. Tate and Mr. Wilson, Mr. English noted that the discount rate has decreased by approximately 7% over the last five years. All of the University's outstanding debt bears interest at fixed rates. There are no University plans to increase the size of the student body from current levels and it only would do so if it made sense from a capacity standpoint and is consistent with the University's mission. The University's draw rate from endowment remains unchanged and is based on periodic market valuations. The draw rate includes a formula that provides for adjustments based on inflation. Responding to questions from Mr. Shindler and Mrs. Carter, Mr. English confirmed that the University has acquired the Granville Inn, which is much improved. The University is working to increase the exposure of its performing arts program, which is very strong, but within which there is room for growth. Prior to coming to the University, Mr. English was the Chief Finance Officer at Augustana College. In response to questions from Mr. Bennett, Mr. English confirmed that the University's trend of reducing discount rates runs against trends in higher education. The University is in the silent phase of a campaign and already has achieved over 50% of its fundraising goal. New programs at the University include data analytics, global communications and sports science. While it's difficult to define when a major may or may not be considered part of the "liberal arts," Mr. English views a liberal arts program as one that includes a focus on the connection of critical thinking to real-world problems.

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

Mr. Wilson moved and Mrs. Carter seconded the motion that Resolution No. 2017-05 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Bennett; Carter; Martin; Shindler; Tate; Wilson

Nay: None

The Vice Chair declared the motion passed and Resolution No. 2017-05 adopted.

Resolution No. 2017-05 is as follows:

NOTRE DAME COLLEGE

The Vice Chair next opened the public hearing required by applicable federal tax regulations related to Notre Dame College. Notice of the hearing was published in *The Columbus Dispatch* and the *Cleveland Plain Dealer*. The Vice 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 Vice Chair closed the public hearing.

Mr. Burlingame noted that the College is seeking an extension of an interest rate period for its current financing with Bank of America. This is not a new bond issue and there aren't any new projects, however, the change will result in re-issuance of the bonds for federal tax purposes.

Mr. Burlingame stated that the resolution approves a supplemental indenture and related documents and matters.

Mr. Shindler moved and Ms. Tate seconded the motion that Resolution No. 2017-06 be adopted.

There being no further discussion, the Vice Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Bennett; Carter; Martin; Shindler; Tate; Wilson

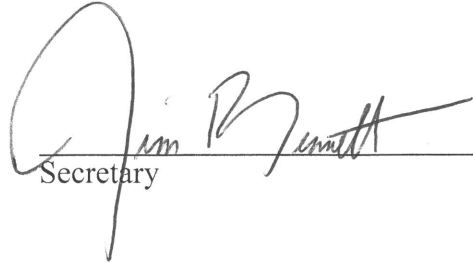
Nay: None

The Vice Chair declared the motion passed and Resolution No. 2017-06 adopted.

Resolution No. 2017-06 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on March 15, 2017 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary