

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

February 20, 2019

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, February 20, 2019, at 11:00 a.m. at 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; David Cummins, Vice Chair, John Martin, Secretary; James Shindler; Susan Tate; and James Wilson. Absent were: Wanda Carter and John Adams. Also present were: Ben Christensen of the Ohio Department of Higher Education; Alexander G. Burlingame of Squire Patton Boggs (US) LLP, Bond Counsel to the Commission; Robert Selak of the Thompson Hine law firm; and representatives of the Institutions appearing before 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 17, 2019 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. Martin that was seconded by Ms. Tate, all Commission members present approved the minutes of that meeting.

CASE WESTERN RESERVE UNIVERSITY

The Chair next opened the public hearing required by applicable federal tax regulations related to Case Western Reserve University. Notice of the hearing was published in *The Columbus Dispatch* and the *Cleveland 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.

The Chair next called upon Michael Lee, Treasurer, to speak to the Commission members regarding Case Western Reserve University's financing request. Mr. Lee thanked the Commission members, noting that the University was seeking approval for a refinancing of its 2014 direct-placement bonds issued through the Commission. The University anticipates the issuance of floating rate bonds, with the alternative possibility of bonds that bear interest at fixed rates that adjust periodically. Market conditions will dictate which option is pursued. The University is experiencing application growth and enjoys its largest first-year class of approximately 1,390 students. The University is performing well with both domestic and international students. It has started to charge an application fee, however, that has not had an adverse impact on the number of applications received. A ten-year campaign was recently closed, with gifts over \$300 million ahead of goal. The University currently is working with the Cleveland Clinic Foundation on the development of a new health education campus.

In response to a question from Mr. Needles, Mr. Lee noted that the new campus will be approximately one half mile to the west of the University's main campus and will include buildings for health education and dental facilities. All University costs associated with the health education campus project are expected to be paid for through fundraising; however, the University's liability for any cost is capped at \$50 million in the event of any fundraising shortfall. Fiscal year 2020 projections anticipate another year of enrollment and application growth. The proposed bonds will be structured with the University's overall debt obligations in mind, with a view toward leveling out debt service and better aligning debt obligations with related interest rate swaps. The University's endowment has recovered to levels that existed prior to market decreases in late 2018. Mr. Lee then inquired as to whether there were any questions.

In response to questions from Mr. Needles and Mr. Wilson, Mr. Lee noted that the new application fee was \$70 and that portions of the health education campus could come online as early as the second quarter of next year. In 2016, the University did provide expanded housing for upper class students. First year students are required to live on campus and the University is developing plans to accommodate future housing needs given enrollment growth. In response to a question from Ms. Tate, Mr. Lee noted that given the current existence of University interest rate swaps and the proposed floating rate structure, the University may enter into reverse swaps as an offset. In response to a further question from Mr. Needles, Mr. Lee noted that University finance and board level approvals are expected in the next ten days.

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.

Ms. Tate moved and Mr. Wilson seconded the motion that Resolution No. 2019-03 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: Cummins; Martin; Needles; Shindler; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2019-03 adopted.

Resolution No. 2019-03 is as follows:

FRANKLIN UNIVERSITY

The Chair next called upon Marv Briskey, Chief Financial Officer, to speak to the Commission members regarding Franklin University's financing request. Mr. Briskey was joined by Sean Hunter, University Controller. Mr. Briskey noted that the University was seeking approval for refinancing of existing debt, as well as to provide for the financing of Fisher Hall, HVAC and Board Room improvements as well as improvements on the University's Urbana campus. Enrollment at the Urbana campus is at 400 to 500 currently, with a goal of growing that number to 1,000. Desired improvements at the Urbana campus include improvements to athletic facilities. The University is currently undertaking a review of its strategic plan. Historically, it had done that in five-year cycles, but now it is doing that on an annual basis to more accurately capture University needs and market trends. The University offers a diverse set of course offerings providing 40 undergraduate, 12 masters and four doctoral level programs. The University prides itself in partnering with other institutions. For example, the University enjoys partnerships with both Ohio Health and Nationwide in furtherance of its health-related programs. The University is an active participant in the State's college credit plus program and is a strong supporter of students with veteran status or military backgrounds. Mr. Briskey then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Shindler and Mr. Wilson, Mr. Briskey noted that undergraduate enrollment was in the 4,000 to 5,000 range, with the University enjoying strong enrollment at graduate-level programs with students from all over the United States. Undergraduate enrollment numbers include part-time students. Most students take 16 to 22 credit hours' worth of courses in a year. Recent investment pool growth has been able to offset cash shortfalls. Initially, the Urbana campus was maintained as a separate institution for accreditation purposes, but now has become part of the broader University. In response to questions from Mr. Needles and Mr. Shindler, Mr. Briskey commented that University partnerships further University academic programs, such as its healthcare programs. Other partnerships include partnerships where the University assists other institutions in area of course development. The University has a partnership with the City of Columbus in connection with the development of cyber security. The University's relationship with Urbana initially began at the provost level. Its four doctoral level programs are in health administration, business administration, professional studies and education. Many of the University's partnering relationships will result in a degree or a completion certificate.

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. Shindler moved and Mr. Wilson seconded the motion that Resolution No. 2019-04 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: Cummins; Martin; Needles; Shindler; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2019-04 adopted.

Resolution No. 2019-04 is as follows:

CLEVELAND CLINIC FOUNDATION

The Chair next called upon Susan Nobilio to speak to the Commission members regarding The Cleveland Clinic Foundation's financing request. Prior to joining the health system, Ms. Nobilio was a banker at PNC Capital Markets for many years. She holds the position formerly held by Tony Helton, who has undertaken new responsibilities within the health system. The plan of finance includes the refinancing of approximately \$250 million of debt that was originally issued in off-balance sheet structures. There also will be approximately \$575 million of new money for assorted projects. Bonds will be issued at both fixed and variable rates. For the proposed variable rate bonds, the Health System is evaluating both "floating rate notes" and bonds secured by letters of credit. The unwind of the former off-balance sheet structures will bring those financings into the health system's obligated group and save on administrative costs associated with entities established under that structure and related separate reporting requirements. The health system has adopted reimbursement resolutions in respect of previously incurred costs for which bond proceeds will be used for reimbursement purposes. It is anticipated that the proposed health education campus will be paid for through fundraising. The medical school will come online first, with dental facilities to follow. Projects costs include costs for improvements at many health system locations, including the Taussig Cancer Center, children's health facilities, employee parking facilities and health system facilities in Lakewood, Akron, Medina and Avon, including facilities at the former Akron General Hospital. In Florida, the health system will be undertaking a separate transaction in connection with its acquisition of Martin Health. The anticipated underwriters for the financing include Citi and Barclays, with the hope that an offering document can be posted during the first week of April. The health system enjoys strong balance sheet statistics, including strong cash-to-debt ratios and operating margins. Mr. Nobilio then inquired as to whether there were any questions.

In response to questions from Mr. Shindler and Mr. Wilson, Ms. Nobilio noted that the former off-balance sheet structures were entered into over a decade ago and that the supporting entity was only used to facilitate that type of financing transaction. The health system is always evaluating possible expansion opportunities. In 2018 it acquired Union Hospital in Dover, Ohio. In response to a question from Mr. Needles, Ms. Nobilio noted that the health system does not have its own nursing program but hopes to use Case Western Reserve's program as a feeder.

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

Mr. Wilson moved and Mr. Cummins seconded the motion that Resolution No. 2019-05 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: Cummins; Martin; Needles; Shindler; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2019-05 adopted.

Resolution No. 2019-05 is as follows:

OTHER BUSINESS CALL OF NEXT MEETING AND ADJOURNMENT

The Commission members discussed the possibility of moving the April meeting date. It is now expected that the Commission will next meet on March 20, 2019 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.



Secretary