

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

October 16, 2019

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 16, 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; Frederick Church, Vice Chair, John Adams; Wanda Carter; James Shindler; Susan Tate; and James Wilson. Absent was: John Martin, Secretary. 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 Thompson Hine; and representatives of the institutions appearing before the Commission.

The meeting was called to order by the Chair. Upon call of the roll, the Vice Chair 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 September 18, 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. Adams that was seconded by Ms. Tate, all Commission members present approved the minutes of that meeting.

CASE WESTERN RESERVE UNIVERSITY

The Chair next called upon Michael Lee, Treasurer, to speak to the Commission regarding Case Western Reserve University's financing request. Mr. Lee thanked the Commission members, noting that he had been before the Commission earlier this year with a previous University financing. The University is doing well. Its health education campus and dental clinic projects are on time and on budget. The University's rating outlook from Moody's was recently changed to positive. Application levels continue to rise and the University is evaluating whether to increase its target class size.

In response to a question from Mr. Needles, Mr. Lee indicated that the University views its peer group as being other Association of American Universities (AAU) schools, as well as other schools that have a similar emphasis on STEM and medical related programs. Geographic enrollment remains diverse and stable; however, there has been some decline in international students. The University is currently ahead of budget and endowment spending has increased as a result of market performance. The University continues to pay-down its debt, having paid down approximately \$100 million over the last few years. In connection with the proposed plan of finance, the University seeks to finance dining hall and performing arts improvements, as well as to refinance a portion of its Series 2015A Bonds issued through the Commission. Mr. Lee then inquired as to whether there were any questions.

In response to a question from Mr. Adams, Mr. Lee noted that the proposed bonds would be tax-exempt. Bond projects will be financed through a combination of bond proceeds, University funds and gifts and will include prepayment features that provide for the retirement of debt as pledges are received.

In response to questions from Mr. Adams and Mr. Wilson, Mr. Lee noted that the 2015 Bonds become subject to redemption this coming December 1. The University's endowment spending formula was changed in 2018 to provide for a five-year look back period; however, the percentage spending rate did not change. In response to questions from Mrs. Carter and Mr. Adams, Mr. Lee noted that one reason application numbers have increased is due to the fact that the University does not charge a fee for its application. Tuition costs are in the mid \$40,000 to \$50,000 range, exclusive of housing and dining costs. Those figures do not reflect discount. Significant sources of the international student population include China and the Middle East, notably including Saudi Arabia. There is typically less discounting for international students. An enrollment limitation is University housing capacity. In response to questions from Mr. Needles and Ms. Tate, the University's outstanding debt level will increase as a result of the financing given the new money component of the plan of finance; however, a portion of the financing effectively is gap financing that will be paid down as gift receipts are received. The University does maintain a line of credit so as to meet the operational needs of the University in-between money inflows.

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

Mr. Shindler moved and Mr. Wilson seconded the motion that Resolution No. 2019-17 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: Adams, Carter; Church; Needles; Shindler; Tate; Wilson

Nay: None

The Secretary declared the motion passed and Resolution No. 2019-17 adopted.

Resolution No. 2019-17 is as follows:

CLEVELAND CLINIC FOUNDATION

The Chair next called upon Susan Nobileo, Executive Director, Debt Management, to speak to the Commission members regarding the Cleveland Clinic Foundation's financing request. Ms. Nobileo thanked the Commission members noting that the health system completed a financing earlier this year that included bond issues in both Ohio and Florida. The Florida financing was issued to finance acquisitions of health systems in that state. Integration efforts are proceeding well and the health system is enjoying solid operating revenues.

Given the current interest rate environment, the health system may be able to achieve interest rate savings by refinancing certain of its bonds issued through the Commission. Those refinancings cannot be done on a tax-exempt basis. When initially evaluating a proposed refinance transaction, the health system has a 10% net present value savings threshold and it will not ultimately execute a refinancing without 5% savings. The health system is using the Commission as issuer for this financing so as to provide more flexibility in structuring its amortization. Approximately \$29 million net present value savings is hoped to be achieved. Citi, Barclays and UBS will be underwriters on the financing. The health system's second quarter financial statements will be used in the marketing and sale of the bonds. Ms. Nobileo then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Martin and Mr. Needles, Ms. Nobileo agreed that the 10% savings level for refinance transactions was a high target, but is at that level in acknowledgement at the effort it takes to put together a bond financing. Florida locations include Westin and Fort Pierce. Nationally, health care combinations are being performed at all levels involving combinations of the very largest health systems, as well as acquisitions of smaller hospitals. The health system will own its hospital in London; however, other international facilities are set-up on a consultant basis.

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. Adams moved and Mrs. Carter seconded the motion that Resolution No. 2019-18 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: Adams, Carter; Church; Needles; Shindler; Tate; Wilson

Nay: None

The Secretary declared the motion passed and Resolution No. 2019-18 adopted.

Resolution No. 2019-18 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on November 13, 2019 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.



Secretary