

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

March 27, 2024

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, March 27, 2024, at 11:00 a.m. at the Ohio Department of Education Building, 25 S. Front Street, Columbus, Ohio, due written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; Charles See; John Martin, Secretary; Patricia Jackson; John Adams; John Rozic; Willian Elliott and Susan Tate. Absent: Mike Gonsiorowski. Also present were: Kevin Holtsberry of the Ohio Department of Higher Education; Alexander G. Burlingame of Squire Patton Boggs (US) LLP, Bond Counsel to the Commission; 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 welcomed William Elliott to the Commission. Charles See, Deputy Chief of Staff and Vice Chancellor for Strategic Partnerships and Educational Technology, is attending as the designee of the Chancellor for this meeting. Frederick Church will otherwise continue as the Chancellor's designee and Vice Chair of the Commission after this meeting. The Chair welcomed Mr. See.

The Chair noted that the minutes of the Commission meeting of December 13, 2023, were sent to each member prior to this meeting. Upon a motion by Ms. Tate that was seconded by Mr. Rozic, the Commission members present unanimously approved those minutes.

CLEVELAND CLINIC FOUNDATION

The Chair next called on Susan Nobile, Executive Director, Debt Management, to speak to the Commission members regarding the Cleveland Clinic Foundation's financing request. Ms. Nobile thanked the Commission members. The Cleveland Clinic is a nonprofit clinical care provider, with additional emphasis on research and education. The health system saw approximately 15.1 million patients in 2023, over 11 million of whom were in Ohio. The health system has over 2,200 research fellows and residents. It has partnered with the State of Ohio and northeast Ohio institutions of higher education on research projects, including in connection with the Cleveland Innovation District. The health system is one of the largest employers in Ohio. It has worked to mitigate lead related health issues in the Cleveland area and has worked in the area around its main Cleveland campus to provide nutritional meals to area residents. Ms. Nobile continued by noting that notable research programs include those related to cardiac surgery and a

brain study to identify markers for dementia. The health system also is supporting the development of a potential breast cancer vaccine.

Ms. Nobilio continued by noting that inpatient and outpatient activity exceeded expectations in 2023. Operating revenue grew in 2023, in part due to an increase in complex cases which have better reimbursement rates. The Cleveland main campus accounts for approximately 60% of health system revenue. The health system is working with sustainability consultants to use less resources by, among other things, reducing supply chain variation. The health system is seeking to finance only a portion of its capital needs which are \$800 million to \$1 billion annually. The health system is well above its debt covenant relating to its annual maximum debt service coverage ratio. Days cash on hand has declined a little due to increased expenses. However, the debt to capitalization percentage has improved.

The health system currently has approximately \$5 billion in outstanding debt, which includes debt related to its London, Florida and Las Vegas locations. The health system is seeking to finance new projects described in its application letter and to refund bonds. The refunding will include 2023 bonds issued by the Commission, as well as other variable rate bonds as the health system works to reduce variable rate and bank risk. Banks provide credit and/or liquidity support for some variable rate bonds. The request is for up to \$1.1 billion of bonds for these purposes, but the final amount likely will be lower. Projects to be financed include financing for a portion of the costs of the new Neurological Institute and improvements to the Cole Eye Institute. Ms. Nobilio noted that the health system expects to return for final approval at the Commission's May meeting with an anticipated June closing. Kaufman Hall is acting as the health system's financial advisor and Bank of America is expected to be the lead underwriter. Ms. Nobilio then inquired as to whether there were any questions.

In response to a question from Mr. Adams, Ms. Nobilio confirmed that the health system has approximately \$150 million of interest rate swaps. They are not serving as a hedge to existing debt. In response to a question from Mr. Rozic, Ms. Nobilio noted that the health system had reached a new agreement with Cigna Healthcare. Insurance negotiations are harder in Florida where the health system has less leverage. In response to a question from Mr. Needles, Ms. Nobilio confirmed the health system currently is rated Aa2 by Moodys and AA by S&P.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with the Clinic. That agreement and related resolution preliminarily approve the financing transaction.

Mr. Adams moved and Mr. Rozic seconded the motion that Resolution No. 2024-01 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; See; Jackson; Martin; Needles; Rozic; Tate

Nay: None

Abstain: Elliott

The Secretary declared the motion passed and Resolution No. 2024-01 adopted.

Resolution No. 2024-01 is as follows:

OBERLIN COLLEGE

The Chair next called on Julienne Melvin, Associate Vice President for Finance, to discuss Oberlin College's financing request. The College is doing well, with approximately 9,700 applications for this coming fall. The College is performing ahead of budget with a budget surplus. The endowment was valued at approximately \$1.23 billion in January. New programs at the College include Recording Arts & Production, Communications Studies and Finance. The College is in the final phase of its sustainability infrastructure project, including geothermal conversion. Over 600 wells already have been installed. The College is requesting approval to finance the final phase of the project. TD Bank will purchase the bond which will be prepayable three years after issuance. Additional project funding sources include tax credits and Inflation Reduction Act funds. Ms. Melvin then inquired as to whether there were any questions.

In response to questions from Mr. Adams and Mr. Needles, Ms. Melvin noted that the tax credits were direct pay and available to nonprofit institutions like the College. They operate like a grant. In response to questions from Mr. Rozic and Ms. Tate, Ms. Melvin noted that the geothermal conversion was part of the College's goal of achieving carbon neutrality. The cost to the College will not be greater than if had updated its steam system. Financed facilities will have a longer useful life.

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. Adams seconded the motion that Resolution No. 2024-02 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: Adams; See; Jackson; Martin; Needles; Rozic; Elliott; Tate

Nay: None

The Secretary declared the motion passed and Resolution No. 2024-02 adopted.

Resolution No. 2024-02 is as follows:

CHILDREN'S HOSPITAL MEDICAL CENTER OF AKRON

The Chair next called on Alicia LaMancusa, Vice President of Finance, to speak to the Commission members regarding Children's Hospital Medical Center of Akron's financing request. Ms. LaMancusa has been with the hospital for twenty-five years. Ms. LaMancusa discussed the hospital's Mission, Vision and Promises which include an emphasis on patient care, education, advocacy, community service and outreach. The hospital intends to treat every child as if it were its own and not to turn away any child for any reason. The hospital has two campuses and over 40 primary care, specialty care and NICU locations. It maintains a regional burn center for children and has approximately seven thousand employees. The hospital is magnet certified for nursing, and patient levels have returned to pre-pandemic levels. The hospital is rated Aa3 by Moody's and AA- by Fitch Ratings. Financial ratios, including debt service coverage and days cash on hand, improved from 2022 to 2023. The hospital is working to increase its academic profile and provide high quality low cost pediatric treatment. The projects described in the application and resolution are in multiple hospital locations. The hospital is seeking to return for final approval in April with a May closing. Ms. LaMancusa then inquired as to whether there were any questions.

In response to a question from Ms. Jackson, Ms. LaMancusa noted that some medical claims were down as a result State action on pharmacy claims. Pharmacy expenses are down. In response to questions from Mr. Adams and Mr. Elliott, Ms. LaMancusa noted that the aggregate amount of debt shown in the hospital's materials did not include the proposed bond issue. An estimated all -in interest rate of 4.62% only is for the proposed bonds. The bond are expected to be issued at fixed or medium term rates. In response to questions from Mr. Rozic and Mr. Needles, Ms. LaMancusa confirmed that approximately 53% of reimbursements are Medicaid. There is a Ronald McDonald House at the hospital's main Akron campus.

Mr. Burlingame noted that this portion of the agenda includes the public hearing for the proposed financing for the hospital required by federal tax rules. Notice of the public hearing was posted in accordance with those rules. The Commission did not receive questions or comments in the mail or by email prior to the hearing. There being no further questions or comments, the hearing was closed.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with the hospital. That agreement and related resolution preliminarily approve the financing transaction.

Mr. Martin moved and Ms. Jackson seconded the motion that Resolution No. 2024-03 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: Adams; See; Jackson; Martin; Needles; Rozic; Elliott; Tate


Nay: None

The Secretary declared the motion passed and Resolution No. 2024-03 adopted.

Resolution No. 2024-03 is as follows:

BUSINESS AND CALL OF NEXT MEETING AND ADJOURNMENT

The Commission discussed the pending closure of Notre Dame College. It had succumbed to many of the same challenges, including demographic challenges, that are impacting colleges throughout the Midwest. It is now expected that the Commission will next meet on April 17, 2024, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.



Secretary