

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

A public meeting of the Maryland Health and Higher Educational Facilities Authority was convened at 10:00 a.m., Tuesday, May 5, 2020, with Mr. Arnold Williams, Chairman, presiding. The meeting was conducted remotely via an open conference line available to the public.

Present:

- Arnold Williams, Chairman
- Sheila K. Riggs, Vice Chairman
- Treasurer Nancy K. Kopp, Ex officio
- James P. Daly, Jr., Member
- Frederick W. Meier, Jr., Member
- Mamie Johns Perkins, Member
- John Phelps, Member
- Bonnie Phipps, Member
- W. Daniel White, Member
- Bernadette Benik, Chief Deputy Treasurer, Designee of Treasurer
- Bart Savidge, Executive Director
- Lynn Gorman-Lepson, Chief Financial Officer
- John Bennett, Accounting & Compliance Officer
- Elizabeth A. McKennon, Bond Counsel
- David W. Gregory, Bond Counsel
- William Taylor IV, Bond Counsel
- Errol Brick, Financial Advisor
- Alford Evans, Financial Advisor

Absent: None

Special Guests: See attached.

Mr. Williams convened the meeting. Mr. Savidge announced the names of the Members, staff, counsel and advisors in attendance.

APPROVAL OF MINUTES

The minutes of the April 7, 2020 regular meeting of the Authority were approved.

ST. JOHN'S COLLEGE

Mr. Michael Duran, Chief Financial Officer of St. John's College (SJC), provided an update on the operations of the college. May 1, 2020 was the deadline for application deposits for the Fall Semester. The Annapolis campus received 135 deposits, which was very close to their goal, and the Santa Fee campus met their goal of receiving 105 deposits. Summer classes will be offered online. While SJC is preparing contingency plans, the college expects to be in full operation for in-person classes in the Fall, barring a few accommodations that may be needed for international students.

Mr. Duran described the various funding sources that SJC recently received due to the COVID-19 pandemic. SJC received \$4.6 million in Paycheck Protection Program funding for small businesses from the federal government. This funding offset the revenue loss resulting from refunding a portion of student room and board for the spring semester and has allowed SJC to continue to maintain full employment of faculty and staff. SJC expects this \$4.6 million loan to be fully forgiven. SJC also received \$867,000 in funding from the CARES Act. Half of this funding was used for direct grants to students impacted by COVID-19 for living expenses, course materials and travel expenses. The other half of the funding was used by the college for extraordinary expenses that were incurred due to the pandemic, such as additional IT equipment, increased security and costs related to cleaning the buildings and the campus grounds. Mr. Duran stated that SJC's deficit this year will be less than what was expected and that he anticipates that the college will have a balanced budget by next year.

Mr. Duran reported that SJC's capital campaign has raised over \$220 million to date and the college is in line to meet its goal of \$300 million. Mr. Duran also informed the Members that SJC made a presentation to S&P on April 24 and expects to receive information relating to the college's rating the week of May 11.

Mr. Duran concluded his remarks by recommending Stifel Nicolas as the sole underwriter of the proposed SJC bond issue.

Mr. Savidge asked the Members to consider a resolution authorizing the issuance from time to time of the Authority's revenue bonds in a principal amount not exceeding \$10,000,000 and delegating to any one Member of the Authority the power to approve the principal amount of the bonds, the interest rate and other terms of the bonds and other matters in connection with the issuance, sale and delivery of such bonds.

Following discussion, the Authority, on motion by Mr. Daly, seconded by Mr. White, adopted the following resolution (Affirmative – Williams, Riggs, Kopp, Daly, Meier, Perkins, Phelps, Phipps and White; Negative – none; Abstain – none).

ST. JOHN'S COLLEGE BOND AUTHORIZING RESOLUTION

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") OF ITS REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT (DETERMINED AS PROVIDED HEREIN) NOT EXCEEDING \$10,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO ST. JOHN'S COLLEGE (THE "INSTITUTION"), FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS OF THE INSTITUTION AND REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING REVENUE BONDS ISSUED FOR THE BENEFIT OF THE INSTITUTION; AUTHORIZING ANY MEMBER OF THE AUTHORITY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS AND PROCEDURES PERTAINING TO THE AUTHORIZATION, SALE, ISSUANCE, DELIVERY AND PAYMENT OF AND FOR SUCH REVENUE BONDS; AND

PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

RECITALS

At its meeting on April 7, 2020, Maryland Health and Higher Educational Facilities Authority (the "Authority") accepted an application from St. John's College, a nonprofit corporation formed under the laws of the State of Maryland (the "Institution"), for the financing and refinancing of certain capital projects of the Institution (collectively, the "2020 Project") and refunding all or a portion of the City of Annapolis, Maryland Economic Development Revenue Bonds (St. John's College Facility) Series 2007A and 2007B (collectively, the "2007 Bonds") pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356 of the Economic Development Article of the Annotated Code of Maryland (the "Act").

The 2020 Project consists of (i) financing and refinancing certain capital projects on the Institution's Annapolis Campus, including (without limitation): (a) improvements in HVAC, fire suppression and alarm systems, electrical systems, structural repairs, equipment, elevators, roofing, exterior paint and brickwork; (b) interior renovations and dormitory renovations; and (c) renovations to the Annapolis Campus' dining service area.

At the request of the Institution, the Authority has determined to authorize the issuance of revenue bonds under the Act for the purpose of financing and refinancing the 2020 Project and refunding all or a portion of the 2007 Bonds.

NOW, THEREFORE, BE IT RESOLVED BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY THAT:

SECTION 1. The Authority is hereby authorized to issue, sell and deliver its revenue bonds (the "Series 2020 Bonds") in an aggregate principal amount not to exceed \$10,000,000. The Series 2020 Bonds shall be issued pursuant to an Indenture of Trust (the "Indenture") by and between the Authority and a trustee, which Indenture shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (hereinafter defined). In determining the principal amount of Series 2020 Bonds issued pursuant to this resolution, each Series 2020 Bond issued at a discount from the stated principal amount thereof due at maturity shall be deemed to be issued in a principal amount equal to the gross proceeds realized from the sale of such Series 2020 Bond. Accordingly, it is expressly contemplated that the face amount of the Series 2020 Bonds may exceed the maximum aggregate principal amount of the Series 2020 Bonds authorized hereby.

The proceeds of the Series 2020 Bonds shall be loaned to the Institution pursuant to a Loan Agreement by and between the Authority and the Institution, for the public purpose of financing and refinancing the 2020 Project and refunding all or a portion of the 2007 Bonds in order to enable the Institution to provide, and to finance and refinance at the least cost to the users thereof, the 2020 Project and the facilities financed with proceeds of the 2007 Bonds (together with the 2020 Project, the "Project), for the benefit of the people of the State of Maryland, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions.

SECTION 2. As permitted by the Act, the Series 2020 Bonds shall be sold at private (negotiated) sale to Stifel, Nicolaus & Company (the “Underwriter”), at a price or prices at, above or below par and upon such terms as the Authorized Member deems to be in the best interest of the Authority.

SECTION 3. Any Member of the Authority (the “Authorized Member”) is hereby authorized to specify, prescribe, determine, provide for or approve, all within the limitations of this resolution and the Act, all matters, details, forms, documents and procedures pertaining to the sale, security, issuance, delivery and payment of or for the Series 2020 Bonds, including (without limitation):

(a) the principal amount of Series 2020 Bonds issued at any one time or from time to time;

(b) the purchase price or prices to be paid to the Authority for Series 2020 Bonds issued at any one time or from time to time;

(c) the rate or rates of interest payable on the Series 2020 Bonds, or the method of determining the same;

(d) with respect to Series 2020 Bonds issued at any one time or from time to time that are offered to the public at a premium or discount from their stated principal amount due at maturity, the price or prices at which such Series 2020 Bonds are offered initially to the public;

(e) the date or dates of maturity of the Series 2020 Bonds issued at any one time or from time to time, the payment provisions therefor, the optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for such Series 2020 Bonds, the designation or designations of the Series 2020 Bonds and the date of issuance thereof;

(f) the form, tenor, terms and conditions of the Series 2020 Bonds, and provisions for the registration and transfer of the Series 2020 Bonds;

(g) the form and contents of, and provisions for the execution and delivery of, such documents as the Authorized Member shall deem necessary or desirable to evidence, secure or effectuate the issuance, sale and delivery of the Series 2020 Bonds issued at any one time or from time to time, the loan of the proceeds of such Series 2020 Bonds to the Institution, and the financing and refinancing of the Project, including (without limitation) the Indenture, the Loan Agreement and any deed of trust, security agreements, escrow deposit agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the Series 2020 Bonds, financing agreements and other similar agreements;

(h) provision for the administration of the Series 2020 Bonds, including (without limitation) the appointment of a trustee under the Indenture and any

remarketing agents, paying agents, registrars, escrow agents or other agents as the Authorized Member shall deem necessary or desirable to effectuate the transactions authorized hereby;

(i) the preparation and distribution, in conjunction with representatives of the Institution and the Underwriter, of a final Official Statement in connection with the sale of the Series 2020 Bonds;

(j) the form and contents of, and provisions for the execution and delivery of, a contract or contracts for the purchase and sale of the Series 2020 Bonds;

(k) procedures for the approval of change orders and substitutions for the construction, renovation, equipping and other improvements included within the Project by an authorized officer on behalf of the Authority;

(l) the creation of security for the Series 2020 Bonds, which may include (without limitation) provisions for securing any indebtedness or other obligations incurred in connection with the issuance of the Series 2020 Bonds, including (without limitation) any interest rate swap agreement, on parity with outstanding revenue bonds previously issued by the Authority pursuant to any resolution or trust agreement executed and delivered by the Authority, the execution and delivery by an Authorized Member of any supplemental resolution or trust agreement providing therefor to constitute conclusive evidence of the determination by the Authority that all of the conditions to the issuance of parity debt under such resolution or trust agreement have been met to the satisfaction of the Authority; and

(m) such other matters in connection with the authorization, issuance, execution, sale, delivery and payment of the Series 2020 Bonds and the security for the Series 2020 Bonds and the consummation of the transactions contemplated by this resolution as may be deemed appropriate and approved by the Authorized Member, including (without limitation) the establishment of procedures for the execution, acknowledgment, sealing and delivery of such other and further agreements, documents and instruments as are or may be necessary or appropriate to consummate the transactions contemplated by this resolution in accordance with the Act and this resolution.

SECTION 4. The Authorized Member and the Executive Director of the Authority are hereby authorized from time to time after the issuance of the Series 2020 Bonds to take any action required or permitted to be taken by or on behalf of the Authority under the Act, the Indenture, the Loan Agreement or other document or instrument executed and delivered in connection therewith, including (without limitation) providing any consent, approval or direction required or permitted thereunder, entering into any amendment of or supplement to any of the foregoing and entering into any agreement providing for the replacement of, substitution for or addition of (as the case may be) any credit or liquidity facility, remarketing agent, escrow agent, trustee or other agent, subject to the requirements of the Act and any other agreement by which the Authority is bound.

SECTION 5. This resolution shall take effect immediately.

HEALTH SERVICES COST REVIEW COMMISSION (HSCRC)

Mr. Savidge stated that the authorization of a bond issuance relating to an emergency hospital funding program proposed by HSCRC in response to the impact of the COVID-19 pandemic is not being sought at this time. Fortunately, the need for this program is now anticipated to be less than previously expected. It was originally anticipated that up to \$300 million would be needed, but to date there have only been \$60 million in emergency certificates of need in the State of Maryland. Mr. Savidge said that the Authority does have draft agreements, a plan of finance and RFP ready to go in the event that this need changes.

Mr. Savidge reported that \$30 billion has been advanced under the \$100 billion CARES Act and that hospitals are also evaluating a \$25 billion FEMA program. For liquidity, hospitals have also been reviewing the Medicare Advance Payment Program and arranging lines of credit. MHHEFA staff will continue to dialogue with the HSCRC.

APPROVAL OF ADMINISTRATIVE FEE WAIVER FOR FY 2021 – REVIEW OF FY 2021 OPERATING AND CAPITAL BUDGETS

Mr. Meier reported that the FY 2021 Operating Budget was reviewed in detail at the Audit Committee meeting held prior to this meeting. He stated that there were no major issues and that the budget was reasonable and realistic. Mr. Meier reported that the committee thanked Mr. Savidge and Mr. Bennett for the detail and clarity that it provides, and he is now submitting it to the Members for consideration and approval.

Mr. Savidge reported that the Authority is seeking approval of a 70% annual administrative fee waiver for financings after July 1, 2007. This results in an administrative fee of 3 basis points (bps) (0.03%), which has been the fee since 2007. Mr. Savidge believes that this is a prudent level to set the fee.

Several questions were raised by the Members relating to the 3 bp administrative fee, including how the fee compares to the Authority's peer organizations. Mr. Savidge responded that the administrative fee the Authority is charging is generally lower than that of other Maryland issuers. Mr. Savidge and Ms. Anselmi also indicated to the Board that this fee is charged to the borrower over the life of the transaction as opposed to a large upfront fee that many issuers charge. He highlighted the various value-added services that the Authority provides to its borrowers, including diligently monitoring monthly rates that banks are charging, interacting with credit providers, providing financial insights on transactions and anticipating any future issues that may arise.

Following discussion, the Authority, on motion by Mr. Meier, seconded by Ms. Phipps, adopted the FY 2021 General Operating Fund Budget as presented by Mr. Meier and approved the 70% annual administrative fee waiver (Affirmative – Williams, Riggs, Kopp, Daly, Meier, Perkins, Phelps, Phipps and White; Negative – none; Abstain – none).

FINANCIAL ADVISOR'S REPORT

Mr. Evans reported on the current overall economic condition, including a global outlook, details on the significant economic impact of the COVID-19 pandemic and the overall impact these conditions have on interest rates. Mr. Evans reported that these conditions have led to a sharp decline in consumer confidence, sharp declines in US Treasuries and an overall volatile market. Mr. Evans reported that these factors have resulted in a disconnect between taxable and tax-exempt indices.

Mr. Brick reported on the sale results of the UPMC and Peninsula Regional Health System (PRHS) financings. Mr. Brick reported that after a long period of waiting, UPMC entered a difficult market but was able to secure a good transaction that was well priced. The MHHEFA sale had lower yields than a UPMC transaction that priced simultaneously through Pennsylvania Economic Development Financing Agency. Mr. Brick reported that PRHS also entered the market during a very difficult time but was able to obtain a well-priced transaction. Mr. Brick stated that MHHEFA proved its value to the borrowers in these transactions.

EXECUTIVE DIRECTOR'S REPORT

Mr. Savidge provided updates on transactions in process/closed; the implementation of CITRIX technology to enhance the Authority's remote work capabilities; and outreach activities with continuing care retirement communities (CCRCs or Life Plan Communities). Mr. Savidge indicated that staff is closely watching CCRC's and how they are planning to position themselves in the future.

Ms. Kopp asked Mr. Savidge how the CCRC's that the Authority has financed are doing in the midst of the pandemic. Mr. Savidge responded that most of the CCRC's have fortunately had less COVID-19 cases than stand-alone skilled nursing facilities. Mr. Savidge did indicate that occupancy and demand may be a challenge as individuals that were once interested in CCRC's may opt for other alternatives such as in-home care. Mr. Savidge also reported to the Members that Roland Park Place has pre-sold 65% of the units that it has under construction. The management of Roland Park is trying innovative ways to stay connected and engaged with prospective residents to ensure the sale of these units.

EXECUTIVE SESSION

Upon motion by Ms. Kopp, seconded by Mrs. Riggs, the Authority voted unanimously to close the meeting pursuant to Section 3-305(b)(6) of the General Provisions Article of the Annotated Code of Maryland for the purpose of discussing the marketing of public securities (Affirmative – Williams, Riggs, Kopp, Daly, Meier, Perkins, Phelps, Phipps and White; Negative – none; Abstain – none).

Subsequently, Mr. Williams resumed the public meeting of the Authority.

ST. JOHN'S COLLEGE -- APPOINTMENT OF UNDERWRITER


Following discussion, the Authority, on motion by Mr. Daly, seconded by Ms. Perkins, appointed Stifel Nicolas as the sole underwriter for the proposed SJC bond issue. (Affirmative – Williams, Riggs, Kopp, Daly, Meier, Perkins, Phelps, Phipps and White; Negative – none; Abstain – none).

With no further business, on motion by Mr. White, seconded by Mr. Phelps, the meeting was adjourned at approximately 11:35 a.m. (Affirmative – Williams, Riggs, Kopp, Daly, Meier, Perkins, Phelps, Phipps and White; Negative – none; Abstain – none).

The next meeting of the Authority is scheduled for June 2, 2020.


Barlow T. Savidge
Executive Director

Approved:


Arnold Williams
Chairman
June 2, 2020

May 5, 2020 Authority Meeting
Guests participating remotely via conference line

St. John's College

Ally Gontang-Highfield, Treasurer

Michael Duran, Treasurer/CFO

Community Outreach Consultant

Annette Anselmi