



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

2B Am

Charles M. Arlinghaus
Commissioner
(603) 271-3201

Joseph B. Bouchard
Assistant Commissioner
(603) 271-3204

October 9, 2017

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Andru Volinsky with regard to a certain project in participation with the University System of New Hampshire, Durham, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Andru Volinsky has requested that this be placed on the agenda as a regular item for the Wednesday, October 25, 2017 meeting for ratification by the Governor and Council.

Sincerely,

Charles M. Arlinghaus
Commissioner

CMA/clb

Attachment

**REPORT
AND
FINDINGS
OF**

ANDRU VOLINSKY, designee of the Governor and Council of the State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with the **University System of New Hampshire**, Concord, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereinafter referred to as the “Authority”), requested of Governor Christopher T. Sununu and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (hereinafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act, on an application submitted to the Authority by the University System of New Hampshire, a body politic and corporate incorporated by the New Hampshire legislature and operated pursuant to Chapter 187-A of the New Hampshire Revised Statutes Annotated (“RSA”) which operates institutions for higher education based in Durham, Keene and Plymouth, New Hampshire, among other locations (hereinafter sometimes collectively referred to as the “University System”). The University System is an institution for post-secondary education or higher education under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the refinancing of certain indebtedness (hereinafter sometimes referred to as the “Project”).

Pursuant to the provisions of RSA 195-D:21 above cited, I held a hearing and made findings in connection with the application.

Following public notice given in accordance with Chapter 91-A of the RSA, by notice published in the New Hampshire Union Leader on Monday, October 2, 2017, such hearing was held commencing at 9:00 a.m. on Thursday, October 5, 2017 in Boardroom 303 of the University System of New Hampshire Administrative Offices, 5 Chenell Drive, Suite 301, Concord, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows.

Summary of Testimony

The first witness was Catherine A. Provencher, the Vice Chancellor for Financial Affairs and Treasurer of the University System of New Hampshire, who testified in support and provided an explanation of the Project. She stated that the University System, through the University of New Hampshire (“UNH”), Keene State College (“Keene”), Plymouth State University (“Plymouth”) and Granite State College, awards associates, bachelors, masters and doctorate degrees in a variety of disciplines.

Ms. Provencher also testified that there is no new money involved in this refinancing and that the Project involves the refinancing of the Authority’s Revenue Bonds, University System of New Hampshire Issue, Series 2007 Bonds (the “2007 Bonds”) and the Authority’s Revenue Bonds, University System of New Hampshire Issue, Series 2009A Bonds (the “2009A Bonds”) issued on the University System’s behalf by the Authority, including the payment of prepayment costs. The proceeds of the 2007 Bonds were used primarily to construct a gas processing plant built at the Turnkey Landfill in Rochester, a 12.6 mile pipeline from the landfill to the Durham campus, and a new electrical generator at the Durham campus. Proceeds of the 2009A Bonds were used to finance and refinance the construction of a new ice arena at the Plymouth campus, renovations to Huntress Hall at the Keene campus, and renovations to

various facilities at the UNH campus, as well as the refinancing of the Authority's Series 2006, A-1, A-2, and B-1 Bonds. The 2017 Bond proceeds will also be used to finance costs of issuance relating to the 2017 Bonds.

Ms. Provencher testified that there will be two or more series of bonds issued by the University System at this time (collectively the "2017 Bonds"), which will not exceed \$110,000,000 in aggregate principal amount. She indicated that the University System expects to issue fixed-rate bonds that will fully amortize over a period of approximately twenty years or less. The 2017 Bonds are expected to be sold in a public offering underwritten by Citigroup Global Markets, Inc.

Ms. Provencher confirmed that, in order to protect the Project's assets, the University System will be required under the agreement with the Authority to provide for appropriate levels of insurance coverage (including self-insurance) on such assets.

Ms. Provencher then testified about the University System's ability to incur and pay for the proposed bond debt. She explained that, under the Act, any financing involving the University System and its components is limited to the issuance of revenue bonds for the financing and refinancing the cost of the acquisition, construction or renovation of structures designed for use as dormitories, other housing facilities, dining facilities, student union facilities, bookstores, recreational facilities, and other revenue generating facilities. Revenue bonds issued by the Authority for these purposes are to be repaid from the revenues generated by these types of facilities. She stated that the 2017 Bonds relate to the refinancing of such facilities.

Ms. Provencher then made certain statements with respect to the general finances of the University System and the proposed financing. With respect to the University System's general

financial position, she stated that, based upon her position as Vice Chancellor for Financial Affairs and Treasurer and her review of the University System's financial statements, she was of the opinion that the University System, and its components, constitute a financially responsible institution for higher education. As to the proposed financing, she testified that the University System could meet its obligations under the proposed bond issue and that adequate provision had been made for the payment of principal and interest on the bonds to be issued by the Authority and for the payment of all costs of operation, maintenance and upkeep of the Project. Ms. Provencher stated that the refinancing of indebtedness will assist the University System in lowering the cost of providing education facilities within the State.

Ms. Provencher testified that the University System has engaged Public Finance Management, Inc. as its financial advisor with respect to the proposed bond issue. In closing her testimony, Ms. Provencher stated her opinion that the facilities being refinanced by the 2017 Bonds are essential to the University System continuing to provide its students with an appropriate level of facilities at the lowest cost and that the provision of the Project is in the public interest.

Bonnie S. Payette was the final witness called. She stated that she is the Director of Operations and Finance of the New Hampshire Health and Education Facilities Authority, and is familiar with the administration of the Authority's day-to-day affairs. Ms. Payette testified that she had become acquainted with the Project and the details of its financing, having worked closely with the University System's officers and its financial advisor in developing the financial arrangements to be reflected in the bonds proposed to be issued. She stated that the Authority has authorized issuing its bonds for the Project, subject to compliance being had with

all laws bearing upon such issue and the advice of counsel, including Bond Counsel. Ms. Payette stated that the Authority approved the proposed financing at its meeting on August 17, 2017.

Ms. Payette reviewed certain instruments prepared or being prepared for execution in connection with the Project. These include the Bond Indenture(s) to be entered into between the Authority and the Trustee for the current bond issue and the Loan Agreement(s) intended for execution between the University System and the Authority. Ms. Payette pointed to language in the Loan Agreement(s) under which the University System undertakes to hold and use the Project for educational purposes so long as the 2017 Bonds are outstanding and to language in the Bond Indenture which requires that the bonds to be issued for the University System of New Hampshire bear on their face the following provision:

Neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on this bond, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any political subdivision thereof is pledged to the payment of the principal of or interest on this bond.

Ms. Payette testified that the Act provides that the 2017 Bonds are not to be secured by the full faith and credit of the University System or its components. Under the proposed Loan Agreement(s), the University System will pledge all revenues generated by Project facilities and revenues generated by existing revenue-producing student residential, dining, union, and recreational facilities to the repayment of the 2017 Bonds.

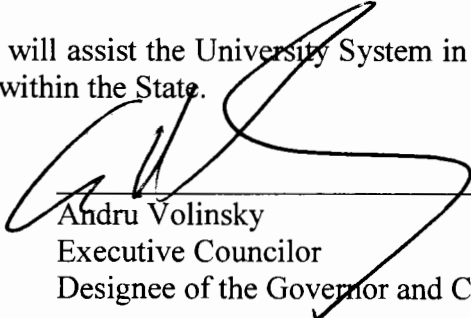
Ms. Payette concluded her testimony by stating that, based on her familiarity with the statute under which the Authority operates, on her experience as Director of Operations and Finance of the Authority and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

Findings

Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The refinancing of existing indebtedness, as the same is described in such testimony, will enable and assist The University System of New Hampshire, and its components, which constitute a public institution for higher education (the "University System") to provide education within the State of New Hampshire (the "State"); and
- (2) The Project to which the refinancing of existing indebtedness relates, will be leased to, or owned by, the University System, which is a financially responsible participating institution within the State; and
- (3) Adequate provision has been, or will be, made for the payment of the cost of the refinancing of existing indebtedness related to the Project; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued for the refinancing of existing indebtedness, or obligations to which such refinancing of existing indebtedness relates; and
- (4) Adequate provision has been, or will be, made in any lease or mortgage or financing of the Project to be undertaken or any property leased or mortgaged or financed in connection with the issuance of bonds or notes for the payment of all costs of operation, maintenance and upkeep of the Project by the University System so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and
- (5) Adequate provision has been made to obligate the University System to hold and use the Project and the facilities being financed as part of the Project for educational purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (the "Authority") to finance the cost of the Project, including any refunding bonds issued to refund and refinance such bonds, have not been fully paid and retired and all other conditions of the resolution or trust agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust agreement has not been released in accordance with the provisions thereof; and
- (6) The refinancing of existing indebtedness will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and
- (7) The Project serves a need presently not fulfilled in providing education within the State and is of public use and benefit; and
- (8) The refinancing of existing indebtedness will assist the University System in lowering the cost of providing education facilities within the State.

Dated: October 5, 2017



Andru Volinsky
Executive Councilor
Designee of the Governor and Council

RATIFICATION AND GOVERNOR'S APPROVAL

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Andru Volinsky, the Designee of the Governor and Council to hold a hearing and make findings pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an application submitted to the New Hampshire Health and Education Facilities Authority by The University System of New Hampshire, a public institution for higher education which provides education within the State of New Hampshire. The hearing was held on October 5, 2017 following public notice published in the New Hampshire Union Leader on Monday, October 2, 2017, such hearing was held commencing at 9:00 a.m. on Thursday, October 5, 2017 in Boardroom 303 of the University System of New Hampshire Administrative Offices, 5 Chenell Drive, Suite 301, Concord, New Hampshire.

The Governor's signature constitutes his approval of the Project as required by RSA 195-D:5, XVIII.

Dated: October 25, 2017

Governor and Council:

