



State of New Hampshire

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

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LINDA M. HODGDON
Commissioner
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May 6, 2014

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Colin Van Ostern with regard to a certain project in participation with University System of New Hampshire, Lee, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Van Ostern has requested that this be placed on the agenda as a regular item for the Wednesday, May 21, 2014 meeting for ratification by the Governor and Council.

Sincerely,

Linda M. Hodgdon
Commissioner

LMH/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

COLIN VAN OSTERN, 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**, Lee, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereinafter referred to as the “Authority”), requested of Governor Maggie Hassan 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 Revised Statutes Annotated 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 New Hampshire Revised Statutes Annotated, by notice posted on May 1, 2014 at the Concord City Hall, Concord City Library, the State of New Hampshire Legislative Office Building, and on the Authority's website, such hearing was held commencing at 8:30 a.m. on Monday, May 5, 2014 in the Karl Jorda Conference Room, Room 283, 2nd Floor of the Intellectual Property Wing of the University of New Hampshire School of Law, 2 White Street, Concord, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows.

Summary of Testimony

The first witness was Erik Gross, the Associate Treasurer of the University System of New Hampshire, who testified in support and provided an explanation of the Project. He stated that the University System, through the University of New Hampshire ("UNH"), Keene State College ("Keene"), Plymouth State University ("Plymouth") and Granite State College ("Granite"), awards associates, bachelors, masters and doctorate degrees in a variety of disciplines.

Mr. Gross stated that the Project is comprised of the refinancing a portion of the Series 2009A Bonds (the "2009A Bonds") issued on the University System's behalf by the Authority. Proceeds of the 2009A Bonds were used to finance 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 UNH campus, as well as the refinancing of the Authority's Series 2006, A-1, A-2, and B-1 Bonds.

Mr. Gross testified that there will be one series of bonds issued by the University System at this time (the "2014 Bonds"), which will not exceed \$25,000,000 in principal

amount, to refinance the 2009A Bonds. He indicated that the University System expects to issue fixed-rate bonds which will fully amortize over a period of ten years. The Bonds are expected to be purchased by JP Morgan Chase Bank, N.A. He noted that the 2014 Bonds will refinance the \$21,605,000 outstanding principal amount of the 2009A Bonds. The 2014 Bond proceeds also may be used to finance costs of issuance relating to the 2014 Bonds.

Mr. Gross 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.

Mr. Gross then testified about the University System's ability to incur and pay for the proposed bond debt. He explained that, under the Act, any financing involving the University System and its components is limited to the issuance of revenue bonds for the acquisition, construction, renovation or refinancing 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. He stated that the 2014 Bonds relate to the refinancing of such facilities.

Mr. Gross 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, he stated that, based upon his position as Associate Treasurer and previously as Interim Treasurer and his review of the University System's financial statements, he was of the opinion that the University System, and its components, constitute a financially responsible institution for higher education. As to the proposed financing, he 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. Mr. Gross stated that the refinancing of indebtedness will assist the University System in lowering the cost of providing education facilities within the State.

Mr. Gross testified that the University System has engaged Public Finance Management, Inc. as its financial advisor with respect to the proposed bond issue. In closing his testimony, Mr. Gross stated his opinion that the facilities and improvements constituting the Project – and to be refinanced by the 2014 Bonds – are essential to the University System continuing to provide its students with an appropriate level of facilities at the lowest cost, that the provision of the Project is in the public interest, and that the University System is a financially responsible institution for higher education.

David C. Bliss was the final witness. He stated that he is the Executive Director of the New Hampshire Health and Education Facilities Authority, charged with administration of the Authority's day-to-day affairs. Mr. Bliss testified that he 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. He 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. Mr. Bliss stated that the Authority approved the proposed financing at its meeting on January 16, 2014.

Mr. Bliss reviewed certain instruments prepared or being prepared for execution in connection with the Project. These include the Bond Indenture to be entered into between the Authority and the Trustee for the current bond issue and the Loan Agreement intended for

execution between the University System and the Authority. Mr. Bliss pointed to language in the Loan Agreement under which the University System undertakes to hold and use the Project for educational purposes so long as the 2014 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.

Mr. Bliss testified that the Act provides that such Bonds are not to be secured by the full faith and credit of the University System or its components. Under the proposed Loan Agreement 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 2014 Bonds.

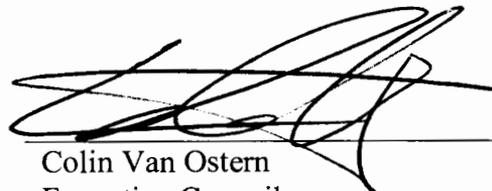
Mr. Bliss concluded his testimony by stating that, based on his familiarity with the statute under which the Authority operates, on his experience as Executive Director of the Authority and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

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, including the portion of 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; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any 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 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 refinancing of existing indebtedness will assist the University System in lowering the cost of providing education facilities within the State.

Dated: May 5, 2014



Colin Van Ostern
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 Colin Van Ostern, 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 May 5, 2014, following public notice posted on May 1, 2014 at the Concord City Hall, Concord City Library, the State of New Hampshire Legislative Office Building, and on the New Hampshire Health and Education Facilities Authority's website, such hearing was held commencing at 8:30 a.m. on Monday, May 5, 2014 in the Karl Jorda Conference Room, Room 283, 2nd Floor of the Intellectual Property Wing of the University of New Hampshire School of Law, 2 White Street, Concord, New Hampshire.

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

Dated: May 21, 2014

Governor and Council:
