

21 Jm



State of New Hampshire

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

VICKI V. QUIRAM
Commissioner
(603) 271-3201

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

December 3, 2015

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 Christopher T. Sununu with regard to a certain project in participation with the Phillips Exeter Academy, Exeter, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Sununu has requested that this be placed on the agenda as a regular item for the Wednesday, December 16, 2015 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

VVQ/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

CHRISTOPHER T. SUNUNU, 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 PHILLIPS EXETER ACADEMY of Exeter, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter 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 (hereafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by Phillips Exeter Academy, a not-for-profit corporation formed under New Hampshire law and located in Exeter, New Hampshire (hereafter referred to as “Exeter” or the “Academy”) which is a participating educational institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the financing of certain construction and improvements to the Academy’s plant and facilities, the purchase of certain equipment in connection therewith and the refinancing of certain existing indebtedness (hereafter referred to as the “Project”).

Pursuant to RSA 195-D:21 above cited, the Governor and Council designated me to hold a hearing and make 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

published in the Union Leader on November 25, 2015, the hearing was held commencing at 10:00 a.m. on Thursday, December 3, 2015, in conference room 220 on the second floor of the J. Smith Building of Phillips Exeter Academy, 20 Main Street, Exeter, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

David W. Hanson, the Chief Financial Officer of the Academy, was the first witness. He stated that Exeter is a coeducational, four year, private secondary school located in Exeter which awards diplomas to graduating seniors, most of whom attend college thereafter. The Academy has an enrollment of approximately 1,065 students for the 2015-2016 school year, approximately 80% of whom are residing on campus.

Exeter is accredited by the New England Association of Schools and Colleges. Exeter is a member of the Association of Independent Schools of New England and the National Association of Independent Schools.

Mr. Hanson testified that the Project would consist of the financing of a variety of construction and renovation projects, the purchase of certain capital equipment and the refinancing of certain existing indebtedness.

Mr. Hanson stated that Project improvements to be funded by the Bonds include the construction of an approximately 10,500 square foot Music Building, an approximately 56,000 square foot Center for Theater and Dance, and an approximately 73,000 square foot Field House Complex, together with associated projects including the relocation of an existing tennis court complex, the construction, equipping, and furnishing of an underground parking structure, and the restructuring of a street. Also to be financed will be a portion of the Academy's ongoing maintenance and renewal projects totaling over \$15 million annually over the next three years.

Mr. Hanson testified the Academy may refinance its existing indebtedness, which is represented by the bonds issued by the Authority on behalf of the Academy in 2007 and which are outstanding in the amount of \$50 million. The 2007 Bonds were used to refinance the Authority's Series 2003 Bonds issued for the benefit of the Academy and to fund numerous construction and renovation projects, including the Library, Amen Hall, Phillips Church and Peabody, and the acquisition of certain capital equipment.

Mr. Hanson stated that the total cost of the improvements planned over the next three years is approximately \$80 million, of which not in excess of \$50 million (not including the costs of refinancing the 2007 bonds) will be funded from bond proceeds. He explained that bond proceeds from the present issue may also be used for related costs such as costs of issuance. Including the refinancing, the Academy expects to issue not in excess of \$100 million of Bonds.

Mr. Hanson testified that under the Loan Agreement(s) with the Authority, the Academy will be required to continue to carry fire and extended coverage as well as general liability insurance.

Mr. Hanson explained that, in his view, the Project would be of public use and benefit and would permit the Academy to continue to render an appropriate level of service to its current and future students. He also testified that the refinancing of existing indebtedness will be done in connection with the Project and will assist the Academy in lowering the cost of providing educational facilities. Finally, and based upon his position as Chief Financial Officer, he stated his opinions that the Academy would be able to meet its financial obligations under the proposed bond issue and that Exeter is currently operating in a financially responsible manner.

The next witness was Dev Talvadkar, a First Vice President with George K. Baum & Company, the Academy's investment banker, who testified by telephone. Mr. Talvadkar testified

that the bonds will be sold through a private placement, in a public offering based on Exeter's own credit, which is currently rated Aaa/AAA by Moody's and Standard and Poor's, or through a combination of these two financing methods.

Mr. Talvadkar stated that the Bonds are expected to be issued as either fixed or variable rate bonds (or a combination thereof) and to mature in no more than forty (40) years. Mr. Talvadkar testified that he has become familiar with the Academy's finances as a result of his involvement with the Bond issue and that, based upon such familiarity, he is of the opinion that Phillips Exeter Academy is a financially responsible educational institution.

David C. Bliss was the final witness. He stated that he is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director he has become acquainted with the Project and the details of its financing, having worked closely with the Academy's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. He stated that the Authority has voted to issue 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, at its meeting held on November 19, 2015.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including the Loan Agreement(s) intended for execution between the Academy and the Authority. He stated that there is a provision in the Loan Agreement(s) under which the Academy is obligated to hold and use the Project for educational purposes so long as the Bonds are outstanding. He testified that each bond issued by the Authority for Phillips Exeter Academy is required to bear on its 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 bond documents will make adequate provision for the payment of principal and interest on the bonds, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

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 construction and acquisition of the Project, and the refinancing of existing indebtedness, as the same is described in such testimony, will enable and assist Phillips Exeter Academy (the "Academy"), a not-for-profit private secondary school located in Exeter, New Hampshire, to provide education within the State of New Hampshire (herein called the "State"); and
- (2) The Project will be leased to, or owned by, the Academy, 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 construction and acquisition of the Project and the refinancing of existing indebtedness related thereto; 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 to finance such construction and acquisition or to provide 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 of the Project to be undertaken or any property leased or mortgaged 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 Academy 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 Academy 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 (herein called 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 construction and acquisition of the Project will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and
- (7) The construction and acquisition of 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 Academy in lowering the cost of providing education within the State and is being done in connection with the Project.

Dated: December 3, 2015



Christopher T. Sununu
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 Christopher T. Sununu, 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 Phillips Exeter Academy, a not-for-profit secondary school located in Exeter, New Hampshire. The hearing was held at 10:00 a.m. on Thursday, December 3, 2015, in conference room 220 on the second floor of the J. Smith Building of Phillips Exeter Academy, 20 Main Street, Exeter, New Hampshire.

The Governor's signature constitutes her approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein and in the hearing conducted by the Authority on December 1, 2015, as described in the Notices of Public Hearing published on November 17, 2015 and on November 25, 2015.

Dated: December 16, 2015

Governor and Council:

