



OHSU Board of Directors Meeting

**January 28, 2016
1:00 pm – 2:30 pm**

**Collaborative Life Sciences Building, Rm. 3A002
2730 SW Moody, Portland, OR 97201**



OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS MEETING

January 28, 2016
1:00 pm – 2:30 pm
CLSB, Room 3A002

1:00 p.m.	Call to Order/Chairman's Comments	Jay Waldron
	Approval of Minutes (Action)	Jay Waldron
1:10 p.m.	FY16 First Half Results	Lawrence Furnstahl
	OHSU Debt Structure	Lawrence Furnstahl
	▪ Update on CHH South financing	
	▪ Refunding 2009A Bonds (Action)	
	▪ Restructuring Interest Rate Swap (Action)	
1:45 p.m.	Women's & Children's Update	Cindy Grueber
2:10 p.m.	President's Comments	Joe Robertson, M.D.
2:30 p.m.	Adjourn	Jay Waldron

Oregon Health & Science University
Board of Directors Meeting
October 29, 2015

Following due notice to the public, the regular meeting of the Board of Directors of Oregon Health & Science University (OHSU) was held at 2:00 p.m. in the Collaborative Life Sciences Building, 2730 SW Moody Road, room 3A001, Portland, Oregon.

A transcript of the audio recording was made of these proceedings. The recording and transcript are both available by contacting the OHSU Board Secretary at 3181 SW Sam Jackson Park Road, Mail Code L101, Portland, Oregon 97239. The following written minutes constitute a summary of the proceedings.

Attendance

A quorum of the Board was present. Board members in attendance were Jay Waldron, Chair, presiding; Maria Pope, vice-chair; Ken Allen; Prashant Dubey; Frank Toda; Suzy Funkhouser, Joe Robertson; MardiLyn Saathoff, David Yaden; and Amy Tykeson. Also present were Lawrence Furnstahl, Chief Financial Officer; Connie Seeley, Board Secretary and OHSU Chief of Staff; other OHSU staff members and members of the public.

Call to Order

Jay Waldron called the meeting to order at 9:00 a.m.

Chairman of the Board's Comments

OHSU is opening a new era of healthcare and cancer research. Today we are going to authorize a new clinical building for expanded clinical trial space and a new cancer research building housing the Knight Cancer Institute. We are going to get an annual report from the OHSU Faculty Senate, which is designed to help the board have much more open communication with the faculty and the faculty leadership.

Approval of Minutes

Mr. Waldron asked for approval of the minutes of the September 24, 2015 Board meeting, included in the Board Docket. Upon motion duly made by Frank Toda and seconded by Ken Allen, the minutes were unanimously approved.

President's Comments

Dr. Robertson's comments covered the following topics:

- *Oregon Swing Trip*
On a recent swing trip we visited the following places: Klamath Falls, Medford, Ashland, Grants Pass, Roseburg, Coos Bay, North Bend, Springfield and Eugene. In Klamath Falls we cut the ribbon to open the new OHSU Campus for Rural Health.
- *Next Philanthropy Challenge*
OHSU has an additional challenge in front of us in the next five years. We will succeed in raising a billion dollars, which we will focus towards curing HIV/AIDS, taking down cancer, conquering heart disease, healing children, eliminating preventable blindness and transforming brain health.

- *Accreditation*
Accreditation visit is next week. Northwest Commission on Colleges and Universities (NWCCU) is the accreditation agency. The themes are dynamic learning environment, interprofessional education, clinical and translational research, and health system and health policy leadership.
- *Ads*
Throughout November and December you will begin to see a new brand advertising campaign from OHSU, including print, broadcast and billboard ads.
- *Consolidation in the Healthcare Industry*
Every industry goes through consolidation. This summer the big 5 health insurers became the big 3. Oregon is late to the consolidation trend, but it is coming and fast. OHSU has been looking to build partnerships with third party payers, as evidenced by our relationship with Moda. We want the opportunity to create value through integration and care coordination. OHSU has an investment, not just in Moda, but in healthcare transformation. We will continue to look for opportunities to partner with payers and providers.

Audited Financial Results

Lawrence Furnstahl and Jacque Cabe

Lawrence Furnstahl prefaced the annual report given by KPMG, OHSU's outside auditors, by first discussing OHSU's operating income for 2015; OHSU's \$50 million surplus note with Moda; the impact of the Affordable Care Act on Oregonians and OHSU; the Foundations net income; and first quarter financial results. There being no questions or comments to Mr. Furnstahl's presentation, it was turned over to Jacque Cabe of KPMG.

Ms. Cabe reported on the fiscal year 2015 financial statement audit. She spoke about KPMG's scope of work and walked through some of the key areas of communication that they have with respect to the board in terms of their required communications. She went through prepared slides and covered in some detail the main points about OHSU's annual audit, stressing that they found no material errors, irregularities, or illegal acts. She concluded that in her opinion the audit went well, that there were no significant audit adjustments. She said they did not have any audit adjustments that impacted the bottom line, nor did they have control deficiencies they would identify under their standards as being a significant deficiency or material weakness. So, a really good performance.

Dr. Joe Robertson mentioned that OHSU has forty different academic programs that are basically audited each year, and seventy some residency programs, and each of those are not just educational or programmatic, each of those have elements of financial and regulatory review as well. This is a good opportunity to bring up the fact of how many different sets of eyes there are on operations.

Resolution 2015-10-14 Acceptance of the Financial Statements and Independent Auditors Report

Mr. Waldron asked for a motion for Resolution 2015-10-14. Maria Pope moved to accept. Ken Allen seconded the motion. The motion passed.

CHH South and Cancer Research Building

Brian Newman

Brian Newman presented to the board on two projects: CHH South, and Knight Cancer Research Building. Mr. Newman went through updates on each project. He spoke of future trends they are trying to capture in

these new buildings. He went through some details of the upcoming construction, timeline, cost and features. **Mr. Waldron** inquired about the cost of this construction. Mr. Newman replied it is currently estimated to be \$507 million. Mr. Furnstahl added that the total is closer to \$509 million.

Resolution 2015-10-13 Authorize OHSU Cancer Institute Research Building and CHH South

Mr. Waldron asked for a motion for Resolution 2015-10-13. Amy Tykeson moved to accept. Maria Pope seconded the motion. The motion passed.

Bond Financing

Lawrence Furnstahl

Mr. Furnstahl reported that both S&P and Fitch raised OHSU's credit ratings from A+ to AA- with a stable outlook and Moody's increased their outlook from A1 Stable to A1 Positive. Mr. Furnstahl outlined exactly where all the funding for these two South Waterfront buildings will come from.

Mr. Waldron acknowledged Mr. Furnstahl and the entire management team for the part they played in improving our bond ratings because the amount of money that will be saved in this financing is going to be significant.

Resolution 2015-10-12 Authorize Cancer Institute Project Financing

Mr. Waldron asked for a motion for Resolution 2015-10-12. Ken Allen moved to accept. MardiLyn Saathoff seconded the motion. The motion passed.

Faculty Senate

Kristin Lutz

Dr. Jeanette Mladenovic, OHSU's Provost, introduced Kristin Lutz, president of OHSU's Faculty Senate.

Dr. Lutz provided the inaugural annual report to the board for the Faculty Senate. She provided background and an overview of what the Faculty Senate is and what its mission and purpose is. She also discussed challenges the senate is facing as well as diversity goals, strengths, future goals and plans.

Mr. Waldron thanked Dr. Lutz, and expressed that over the years the board has felt it didn't have enough communication with the faculty, and this presentation is very welcome. He said the board is aware that OHSU's reputation as one of the country's finest academic medical centers is 110% due to the faculty and its quality. He said the board wanted the senate to know that they are impressed with the faculty's ability to pivot as Washington has decreased research funding. The faculty has been able to find private sources. He said the board is appreciative of how much money the faculty has brought in from private sources, just in the last few years alone. Since OHSU has done very well financially the last three or four years, and the board is happy to use that financing to have the finest faculty we can afford.

Ms. Saathoff asked how does each senator obtain information from those they represent? Is it a formal or an informal process? When they come to the senate, are you getting a broad-based view on issues? Dr. Lutz answered that it varies. The school of medicine is very large and complex, compared to the school of nursing or the school of dentistry or some of the institutes. What we generally try to do though is work very hard to communicate in some way or form. In the school of nursing that takes the form of doing a report at our monthly faculty meetings. In the school of medicine, they do some reports. They also email as necessary. In the school of dentistry, they also do reports. But we try very much

to communicate clearly. Depending on the business at hand, we may send out a blanket email if it is something that we feel is strong, is a major development or something that will affect all of the faculty. But it is something that we continue to work on because it can be a challenge.

Mr. Dubey asked what decision rights the senators have, or is principally discourse and debate? And, how is the effectiveness of the senate measured? Dr. Lutz stated that their mission statement calls on them to do a variety of things. We provide feedback, we provide advisement and commentary. We may make public statements. We do not have any veto rights in the governance structure of the university. That being said, I think that the leadership works very hard to take our advice, our comments into consideration when we are making decisions. As to how we measure or effectiveness, I think that part of measuring our effectiveness has been seeing how visible the senate has become over the past several years. Since this is my second term on the senate and so when I think about when I first came on, people really weren't even sure that we had a senate or what the senate did. Whereas now we are giving regular reports, we are seeing regular publications. We don't have a budget, we don't fund anything, so we aren't able to measure that extent, but what I am seeing is more engagement from the faculty, more communication with faculty to senators about issues or questions that they might have. And so right now those are some of the gauges that we are using.

Dr. Robertson commented that although he wears an administrative hat, he wears a faculty hat, too. And toward the faculty, I would just like to take this opportunity both to thank the faculty for their work, but to remind them, and as I think all the board will attest, that I ask the board to measure me and our executive team at least as much by what they hear about the faculty and the state of the faculty as much as by the financial and other matters, because it is the strength of the faculty that drives the institution. And to the board, I would like to hear as a faculty member, I could not have written what I think is a more precise report. I think this is absolutely spot on. It is actually what I feel as I walk the halls. If the faculty were not desirous and public desirous of more resources, they would not be the faculty that we want. Okay, I want to be absolutely, perfectly clear and that is, that is their role to advocate that and they are doing that well and doing it effectively. If I were to comment on one specific slide, it would be in the sense that your strengths and weaknesses are often the same. And that would be with regard to the area of the junior faculty. The junior faculty are a challenge, because to launch those people into their career the way that you want to and to have the success that they need, they take tremendous resources. On the other hand, the abundance of those faculty is a great prognostic indicator with regard to our future. Because I look at those faculty and I look at the faculty that we have been able to recruit, and you are so excited about what they are doing, so it's a great sign for the future. So, our job is to go get them the resources they need.

Ms. Saathoff asked if the 60% junior faculty statistic is common or is it unusual in an academic university situation? Dr. Lutz answered that from what she has seen it is a bit high and it may be a bit higher than OHSU has been historically. But it may not be uncommon, since we have a generation of faculty who are retiring so there has to be new people coming in.

Dr. Robertson stated he thinks there are two reasons you will find that proportion much higher at an academic health center. And this university is different from other universities, because we are so health science focused. I want to make sure, that we have had this generational change and we are recruiting new people, but if we were a broader-based university those percentages would be different. An example of that is many of our fellows and post-graduate trainees who are here for only a short period of time actually have junior faculty appointments. So, we do have an abundance

because of who we are, at the same time it is an area where we still need to direct additional resources.

Dr. Toda asked a question about the upcoming accreditation visit. Are you involved in an assessment process of faculty? And NWCCU also likes to know is what is your process for course and program improvement? Does the Faculty Senate get involved with that here at OHSU? Dr. Lutz replied regarding the involvement with that, yes. She said she serves on the assessment council. And so we are looking at student learning outcomes and how those are being evaluated across all of the programs. We have our educational policy committee, which reviews new and revised programs and provides the feedback, not only to the programs themselves, but also to the leadership, which may include comments about adequacy or inadequacy of resources, about space, faculty, etc. And we have a number of similar programs, or similar committees that we're involved in. For example, reviewing all of the programs every five years and providing feedback on those, and we have two senate representatives on that committee as well. Also, each of those committee representatives brings that information back to the senate and then the senate as a whole votes on the recommendations of the committee. So, then there is a full recommendation from the senate itself.

Suzy Funkhouser asked, with regard to the challenges Dr. Lutz described in the research, clinical and education missions, where is the senate spending most of their time in terms of these challenges in the next year or two? And are there areas in the future that Dr. Lutz sees the board being able to help with those challenges? Dr. Lutz replied that the resource issue is always an issue, and for many of the challenges like faculty development and support around investment and technology, educational technology that is state of the art. Right now our primary, or one of our major focuses has been on the faculty first initiative with the provost. Because we feel it is a really important initiative to have greater transparency and equity and understanding across the faculty bodies. Because, to be honest, it is pretty easy to get siloed, and so we have had differences across the schools and the institutes and academic rank and progression. Sometimes they are clear and transparent, and sometimes they are less so. And so to be able to have a system that is very clear, so that faculty know what is expected of them and they know what they need to do to advance in their career and so that they feel supported and rewarded for their work. We feel that that has been a really important thing. The other thing that we have been focusing on is the process improvement and monitoring of all of our programs. And we do have a lot, so it ends up taking a fair amount of our time.

Adjournment

Hearing no further business, Mr. Waldron adjourned the meeting at 10:23 a.m.

Respectfully submitted,

Connie Seeley

Board Secretary



FY16 First Half Financial Results

**OHSU Board of Directors
January 28, 2016**

FY16 December YTD Financial Results

- Operating income for the first six months of FY16 is \$56 million, \$(4) million off budget but \$18 million higher than last year, on 9% revenue growth and 8% expense growth (results on a pre-GASB 68 basis).
- Aggregate patient activity is on target and 6% above FY15 levels, with year-over-year growth in admissions, case mix and ambulatory care.
- Higher revenues and income from treatment of complex disease (such as cancer and hemophilia) with specialty drugs, together with lower spending in administrative and support units, are offset by budget overages in the School of Medicine and other hospital services, as well as slow spending on grant awards during the first half.
- Second half is usually stronger, with ongoing focus on budget management across the University plus booking the second year of Oregon's Hospital Transformation Performance Pool (part of Medicaid Transformation), expected in April.
- OHSU cash & investments are up \$80 million since June 30th, reflecting July's \$100 million taxable bond issue offset by several timing issues: payment of most debt service in the first half, three biweekly payrolls falling in December, and account payable settlements from capital spending in the last quarter of FY15.

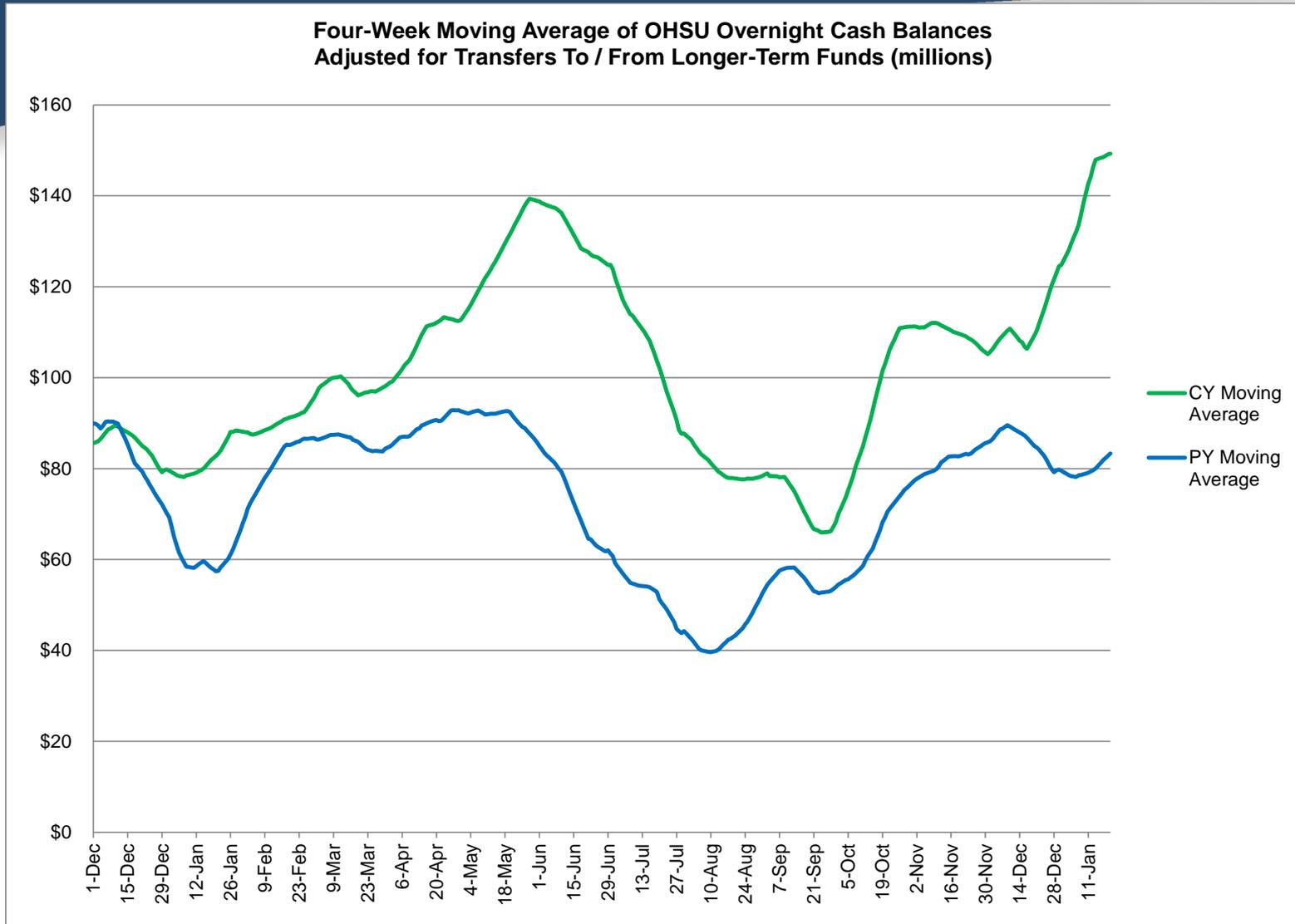
Income Up from FY15 but Slightly Off Budget

December YTD (6 Months) (millions)	FY15 Actual	FY16 Budget	FY16 Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$879	\$951	\$963	\$12	10%
Grants & contracts	180	190	183	(7)	2%
Gifts applied to operations	35	53	48	(5)	37%
Tuition & fees	32	33	34	1	5%
State appropriations	17	18	18	(0)	6%
Other revenue	47	54	54	0	15%
Operating revenues	1,190	1,298	1,299	1	9%
Salaries & benefits	698	745	751	6	8%
Services & supplies	339	366	364	(2)	7%
Medicaid provider tax	38	44	44	1	15%
Depreciation	63	66	67	1	6%
Interest	14	16	16	(0)	17%
Operating expenses	1,152	1,237	1,243	5	8%
Oper. income pre-GASB 68	\$38	\$61	\$56	\$(4)	49%

6% Patient Activity Growth H1-Over-H1

December YTD (6 months)	FY15 Actual	FY16 Budget	FY16 Actual	Actual / Budget	Actual / Last Year
Inpatient admissions	14,376	14,609	14,613	0%	2%
Average length of stay	5.90	5.76	5.90	2%	0%
Average daily census	446	451	459	2%	3%
Day/observation patients	17,904	19,437	18,748	-4%	5%
Emergency visits	23,322	23,054	24,021	4%	3%
Ambulatory visits	401,563	432,757	418,545	-3%	4%
Surgical cases	15,835	17,071	16,523	-3%	4%
Casemix index	1.98	2.00	2.02	1%	2%
Outpatient share of activity	46.6%	47.6%	47.7%	0%	2%
CMI/OP adjusted admissions	53,313	55,789	56,490	1%	6%

Daily Cash Balances Follow Seasonal Pattern





RESOLUTION NO. 2016-01-01
OF THE BOARD OF DIRECTORS OF
OREGON HEALTH AND SCIENCE UNIVERSITY
Bond Refunding Resolution

WHEREAS, Oregon Health and Science University, a public corporation of the State of Oregon ("OHSU" or "University"), is authorized by Oregon Revised Statutes ("ORS") 353.340 to 353.370, and applicable provisions of ORS Chapter 287A (collectively, the "Act"), to issue revenue bonds, refunding revenue bonds, revenue notes and other obligations to finance or refinance capital assets acquired, constructed, equipped, improved or otherwise used for educational, health care, research, public health and related lawful public purposes, to finance or refinance other capital assets or expenses, to finance or refinance non-capital expenses, or to finance or refinance general public corporation or other public purposes.

WHEREAS, pursuant to the Act, the University has previously issued Oregon Health Sciences University Revenue Bonds, Series 2009A (the "2009A Bonds"), originally issued in the aggregate principal amount of \$158,505,000 with an outstanding aggregate principal amount on December 31, 2015 of \$158,505,000, and redeemable by the University on or after July 1, 2019.

WHEREAS, the University has entered into an Amended and Restated Master Trust Indenture dated as of May 1, 2012 between the University on behalf of itself and as a member of the Obligated Group, and as Obligated Group Representative, and The Bank of New York Mellon Trust Company, N.A., as Master Trustee (as currently amended and supplemented the "Master Trust Indenture"), under which the University has issued Master Indenture Obligations (as defined in the Master Trust Indenture) to provide security for various University obligations, including the 2009A Bonds.

WHEREAS, based upon existing market conditions, potential interest cost savings, the fixed interest rate applicable to the 2009A Bonds, and the interest rates and maturities applicable to all of the University's then-outstanding bonds, it may be advantageous to the University to issue, sell and deliver bonds or other debt obligations and/or enter into one or more bond purchase or other debt transactions to refund some or all of the 2009A bonds in one or more transactions between now and July 2019 (collectively, the "2009A Bond Refunding").

WHEREAS, representatives of the University have conferred with Melio & Company (financial advisors), Orrick, Herrington & Sutcliffe LLP (bond counsel) and others to discuss options for the 2009A Bond Refunding.

WHEREAS, management of the University recommends that the University pursue one or more of the 2009A bond refunding options (collectively, the 2009A Bond Refunding Options"), materially consistent with the terms described to the Board of Directors in the description by the Chief Financial Officer attached as Exhibit A to this Resolution (the "2009A Bond Refunding Summary").

WHEREAS, the Board of Directors finds it benefits and is in the best interests of the University to pursue one or more of the 2009A Bond Refunding Options and to authorize and direct that certain actions be taken to implement one or more of the 2009A Bond Refunding Options.

NOW THEREFORE, be it resolved by the Board of Directors of the Oregon Health and Science University as follows:

Section 1. Implementation of 2009A Bond Refunding Options. The Board of Directors hereby authorizes and directs the President or the Chief Financial Officer (each an “Authorized Representative” and collectively, the “Authorized Representatives”) to evaluate, negotiate the terms of, enter into, execute, deliver and otherwise implement one or more of the 2009A Bond Refunding Options, individually or in combination (the “Selected 2009A Bond Refunding Options”), as may in the judgment of such Authorized Representative be in the best interests of the University, in a manner materially consistent with the 2009A Bond Refunding Summary and in furtherance of the purposes of this Resolution.

Section 2. Authorization of 2009A Refunding Bonds. The Board of Directors hereby authorizes and approves, if deemed in furtherance of the Selected 2009A Bond Refunding Options by the Authorized Representative, the University’s issuance, sale and delivery of any bonds, direct purchase bonds, notes, term loans and/or other obligations related to the 2009A Bond Refunding (collectively, the “2009A Refunding Bonds”), acquisition of one or more letters of credit, and/or the University’s execution and delivery of one or more letter of credit reimbursement agreements, bondholder’s agreements, continuing covenant agreements, loan agreements, and/or similar agreements related to the 2009A Bond Refunding (collectively, the “2009A Refunding Obligations”), provided that the 2009A Refunding Bonds not exceed \$200,000,000 in aggregate principal amount outstanding, and subject to the following:

- a. Any 2009A Refunding Bonds issued in the form of bonds shall be issued as fully registered bonds and dated as provided in the related bond indenture or similar instrument, and shall mature, bear interest, be subject to redemption, tender, bear the terms, and be issued and sold by the University as determined by one or more of the Authorized Representatives.
- b. The 2009A Refunding Bonds may be issued as taxable or tax-exempt obligations of the University, in one or more series.
- c. The 2009A Refunding Bonds may be sold at a private negotiated sale or by public offering.
- d. The execution and delivery of one or more Bond Purchase Agreements or Forward Delivery Bond Purchase Agreements by an Authorized Representative of the University shall constitute the University’s approval of the purchase prices for the applicable 2009A Refunding Bonds.
- e. The Board of Directors appoints Orrick, Herrington & Sutcliffe LLP as bond and disclosure counsel to the University in connection with any 2009A Refunding Bonds and as special counsel in connection with any other 2009A Refunding Obligations.

f. Any of the 2009A Refunding Obligations (other than the 2009A Refunding Bonds) shall be entered into pursuant to bond purchase agreements, direct note purchase agreements, letter of credit reimbursement agreements, bondholder's agreements, continuing covenant agreements, loan agreements or other agreements with such parties and setting forth such terms and provisions as shall in the judgment of the Authorized Representative further the Selected 2009A Bond Refunding Options and the purposes of this Resolution.

Section 3. Preparation, Execution and Delivery of Documents. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to negotiate the terms of, prepare, execute and deliver, on behalf of the University, the Selected 2009A Bond Refunding Options and all contracts, agreements, amendments, supplements, terminations, instruments, certificates, security agreements, financing statements and any other documents related thereto, including but not limited to bond indentures, bond purchase agreements, standby bond purchase agreements, forward delivery bond purchase agreements, remarketing agreements, direct note purchase agreements, escrow agreements, bond insurance, direct-pay letters of credit, other letters of credit, other credit or liquidity enhancement agreements, reimbursement agreements, bondholder's agreements, continuing covenant agreements, loan agreements, master trust indentures, supplemental master trust indentures, amended and restated master trust indentures, master trust indenture obligations, trust agreements, tax certificates and agreements, interest rate swap agreements, interest rate exchange agreements, grant agreements, amendments, supplements, bond indentures, trust agreements, continuing disclosure certificates, closing certificates, notices, disclosures, directions, termination documents, investment agreements, one or more Preliminary and Final Official Statements, amendments or supplements to prior Official Statements, wraps with respect to prior Official Statements, other offering or disclosure documents, any agreements to effect the tender or purchase of any of the 2009A Bonds, notices of redemption and/or conversion, directions, confirmations, terminations, security agreements, interim lines of credit, other credit facilities or other credit enhancement agreements, and any necessary amendments, supplements to, restatements or terminations of the University's existing bond indentures, Master Trust Indenture, interest rate exchange agreements, enhancement agreements, or similar agreements, as may be necessary, desirable or appropriate in the opinion of either of the Authorized Representatives to pursue the Selected 2009A Bond Refunding Options and to complete the transactions contemplated by this Resolution.

Section 4. Distribution of Disclosure Documentation. The Board of Directors hereby approves the use and distribution of Preliminary and Final Official Statements, amendments or supplements to prior Official Statements for the 2009A Bonds, wraps with respect to such prior Official Statements, or other applicable disclosure documents, if any, to be prepared and approved by the members of the University's financing team in connection with the 2009A Refunding Bonds, the other 2009A Refunding Obligations or in connection with the tender or purchase of the 2009A Bonds, if any, to the public, and authorizes each of the Authorized Representatives to deem any such disclosure document final as of its date pursuant to SEC Rule 15c2-12, if applicable. The Board of Directors also authorizes the University and its agents to make all disclosures that are advisable or otherwise required by law.

Section 5. Appointment of New Master Trustee. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to take any action related to the appointment of a new Master Trustee under the Master Trust Indenture if either of the Authorized Representatives determines that such action is necessary, desirable or appropriate in the opinion of such Authorized Representative to complete the transactions contemplated by this Resolution.

Section 6. Advance Refunding Plan. To the extent required by law, the Board of Directors hereby authorizes the preparation of an advance refunding plan for all or any portion of the 2009A Bonds to be advance refunded by the 2009A Refunding Bonds and the submission of such plan to the Oregon State Treasurer's office.

Section 7. Further Actions. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to take or direct to be taken all such further actions as may be necessary, desirable or appropriate in the opinion of either of the Authorized Representatives in connection with the 2009A Refunding Bonds or the Selected 2009A Bond Refunding Options, the transactions contemplated by this Resolution, or to carry out the purposes of this Resolution, including, but not limited to, (i) filing any notices with or obtaining any consents, approvals or authorizations from, the Oregon State Treasurer or any other party, (ii) taking or directing to be taken all actions necessary in connection with the public or private tender offer for any of the 2009A Bonds, (iii) funding any debt service reserve fund, (iv) utilizing one or more interim lines of credit, other credit facilities or other sources of funds to temporarily refund some or all of the 2009A Bonds, (v) using University cash to fund in part the 2009A Bond Refunding in a manner materially consistent with the 2009A Bond Refunding Summary, and (vi) paying any costs, fees and expenses.

Section 8. Ratification of Actions. All actions previously taken or that will be taken by any director, officer, official, employee or agent of the University in connection with or related to the matters set forth in or reasonably contemplated by this Resolution are, and each of them hereby is, adopted, ratified, confirmed and approved in all respects as the acts and deeds of the University.

Section 9. Liability for 2009A Refunding Obligations. Neither the State of Oregon nor any agency thereof, or any political subdivision or body corporate and politic nor any municipality within the State of Oregon, other than the University, shall in any event be liable for the payment of the principal of, premium, if any, or interest on any 2009A Refunding Obligations or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the University. No breach of any such pledge, mortgage, obligation or agreement shall impose any pecuniary liability upon the State of Oregon or any charge upon its general credit or against its taxing power. The issuance or entering into of any 2009A Refunding Obligations shall not, directly or indirectly or contingently, obligate the State of Oregon, or any other political subdivision of the State of Oregon, nor empower the University, to levy or collect any form of taxes therefor or to create any indebtedness out of taxes. Neither the Board of Directors of the University nor any person executing any 2009A Refunding Obligations shall be liable personally on any 2009A Refunding Obligations or be subject to personal liability or accountability by reason of the issue thereof or by the execution or delivery of any document authorized by this Resolution.

Section 10. Invalidity or Unenforceability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

This Resolution is adopted this 28th day of January, 2016, effective on January 28, 2016.

Yeas _____

Nays_____

Signed by the Secretary of the Board of Directors this ____ day of January, 2016.

Connie Seeley
Board Secretary

EXHIBIT A
2009A BOND REFUNDING SUMMARY

See attached

Exhibit A

OREGON HEALTH & SCIENCE UNIVERSITY

January 20, 2016

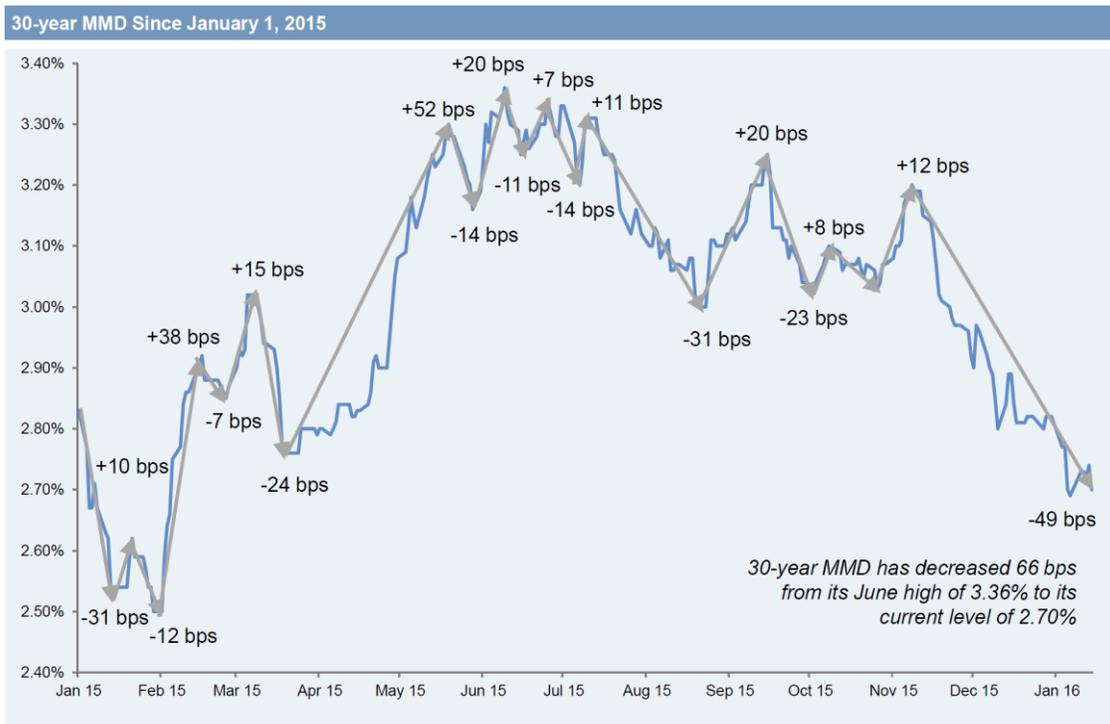
To: Members, OHSU Board of Directors

From: Lawrence J. Furnstahl
Executive Vice President & Chief Financial Officer

Re: 2009A Bond Refunding Summary

I request approval of the attached resolution, authorizing OHSU to refinance \$158 million of 2009A bonds to take advantage of low long-term interest rates now available, as well as to release OHSU's last remaining debt service reserve fund. With current market conditions, this would secure approximately \$22 million of present value savings.

As the Federal Reserve has begun to raise short-term interest rates, long-term rates have fallen, likely due to lower inflation expectations and a cooling global economy. Long-term tax-exempt rates were quite volatile in 2015, and have fallen significantly as well, as shown below. (OHSU's credit would trade above this MMD index, but track its movements up and down.)



During the financial crisis, OHSU issued long-term fixed rate bonds with an average coupon of 5.76%, of which \$158 million remain outstanding. These bonds can be called at par in 10 years, or 2019. They have a \$15 million debt service reserve fund requirement, on which we earn very little. It is now possible to advance refund most of this debt, by borrowing at today's much lower rates, investing the funds in an escrow until 2019, and then retiring the bonds. This also allows elimination of the debt service reserve fund.

We had planned this refunding for January 2017, but the recent decline in long-term rates (combined with higher taxable short-term rates that increase earnings on the escrow fund until the bonds are called in three years), significantly improve the economics.

One complication is that about 8% of the 2009A bonds had previously been refinanced, and cannot be advanced refunded through tax-exempt debt again. Therefore OHSU would have to put approximately \$13 million of existing cash balances into the escrow to cover that component of debt. We could fund this by using part of the remaining proceeds from the taxable debt borrowed in July 2015.

Despite this complication, I propose proceeding with refinancing the 2009A bonds now, as part of the February 2016 new money bond issue for the CHH-South / Knight Cancer Institute research facilities project authorized in October, in order to lock in today's rates and secure approximately \$22 million of net present value savings, inclusive of the cash contribution. If we waited until 2017, the present value savings would increase by another \$3 million at current interest rates (due to a year less negative arbitrage on the escrow), but this increment would disappear if long-term rates rise by 0.34%. Given the rate volatility shown by the chart above, I recommend taking the savings now, as market conditions allow.

Taken together, refinancing the 2009A bonds, the interest rate swap extension proposed in an accompanying resolution, and the plan of finance for the CHH-South and Knight Cancer Institute research facilities approved at October's Board meeting, should secure an aggregate 4% effective interest rate for OHSU's \$1 billion debt portfolio, about 0.5% below today's structure. We have developed this plan with significant analysis and input from our independent financial advisor (Melio & Co.) and our investment banking team, led by JP Morgan and Wells Fargo, and including Barclays and Loop Capital.



RESOLUTION NO. 2016-01-02
OF THE BOARD OF DIRECTORS OF
OREGON HEALTH AND SCIENCE UNIVERSITY
Swap Novation Resolution

WHEREAS, Oregon Health and Science University, a public corporation of the State of Oregon (“OHSU” or “University”), is authorized by Oregon Revised Statutes (“ORS”) 353.340 to 353.370, and applicable provisions of ORS Chapter 287A (collectively, the “Act”), to issue revenue bonds, refunding revenue bonds, revenue notes and other obligations to finance or refinance capital assets acquired, constructed, equipped, improved or otherwise used for educational, health care, research, public health and related lawful public purposes, to finance or refinance other capital assets or expenses, to finance or refinance non-capital expenses, or to finance or refinance general public corporation or other public purposes.

WHEREAS, pursuant to the Act, the University has previously issued its Variable Rate Revenue Bonds, Series 2012B-3 originally issued in the aggregate principal amount of \$28,525,000 (the “2012B-3 Bonds”) and Variable Rate Revenue Refunding Bonds, Series 2015A originally issued in the aggregate principal amount of \$57,050,000 (the “2015A Bonds,” and collectively with the 2012B-3 Bonds, the “Bonds”).

WHEREAS, the University previously entered into an Amended and Restated Master Trust Indenture dated as of May 1, 2012 between the University on behalf of itself and as a member of the Obligated Group and as Obligated Group Representative, and The Bank of New York Mellon Trust Company, N.A., as master trustee (as currently amended and supplemented, the “Master Trust Indenture”), under which the University has issued Master Indenture Obligations (the “Obligations”) to provide security for various University obligations, including the Bonds.

WHEREAS, to manage its interest rate exposure on certain of the University’s variable rate revenue bonds, in 2005 the University entered into interest rate exchange agreements with UBS AG (“UBS”); which interest rate exchange agreements were amended by the University and UBS effective April 1, 2009, were later novated to replace UBS with U.S. Bank National Association (“US Bank”), were amended and restated as of March 28, 2013, and were later identified to the Bonds (as amended, the “US Bank Interest Rate Swaps”).

WHEREAS, the current term of the US Bank Interest Rate Swaps ends on July 1, 2028.

WHEREAS, under current market conditions and in light of projections for future market interest rates, the University may have the opportunity to enter into one or more amended or new interest rate exchange agreements which extend the term of the US Bank Interest Rate Swaps to a term potentially as long as the term of the Bonds and/or reduce the fixed interest rate paid by the University under such interest rate swaps.

WHEREAS, representatives of the University have conferred with financial advisors, bond counsel and others to discuss options for novating, modifying and/or terminating the US Bank Interest Rate Swaps and/or entering into one or more new interest rate exchange

agreements and/or other financial products with one or more counterparties, which would extend the term of the University's existing interest rate swaps, reduce the fixed interest rate paid by the University under such interest rate swaps, and/or result in more favorable interest rate exposure management, and may otherwise benefit the University.

WHEREAS, after conducting a request for proposals process and reviewing proposals from various bankers and financial institutions, management of the University recommends that the University pursue, with US Bank and/or one or more other counterparties, one or more of the swap restructuring options (collectively, the "Swap Restructuring Options"), materially consistent with the terms described to the Board of Directors in the description by the Chief Financial Officer attached as Exhibit A to this Resolution (the "Swap Restructuring Summary").

WHEREAS, the Board of Directors finds it benefits and is in the best interest of the University to pursue one or more of the Swap Restructuring Options and to authorize and direct that certain actions be taken to implement one or more of the Swap Restructuring Options.

NOW THEREFORE, be it resolved by the Board of Directors of the Oregon Health and Science University as follows:

Section 1. Implementation of Swap Restructuring Options. The Board of Directors hereby authorizes and directs the President or the Chief Financial Officer (each an "Authorized Representative" and collectively, the "Authorized Representatives") of the University to evaluate, negotiate, enter into, execute, deliver and otherwise implement one or more of the Swap Restructuring Options, individually or in combination (the "Selected Swap Restructuring Options"), as may in the judgment of such Authorized Representative be in the best interest of the University, in a manner materially consistent with the Swap Restructuring Summary, in compliance with the Debt Risk Management Policy of the University, and in furtherance of the purposes of this Resolution. The Authorized Representatives may appoint an independent swap advisor to advise the University in connection with any Selected Swap Restructuring Options. Each of the Authorized Representatives may assign and/or identify any new and/or modified interest rate swaps or other financial products as part of the Selected Swap Restructuring Options to the Bonds and/or other outstanding indebtedness of the University for federal tax purposes, for purposes of the Master Trust Indenture and/or for purposes of the Debt Risk Management Policy of the University. Each of the Authorized Representatives is authorized to make the findings required by ORS 287A.335 and the findings, designations and filings required by the applicable Oregon Administrative Rules and to otherwise take any actions with respect to the Selected Swap Restructuring Options that may be required by applicable State law.

Section 2. Preparation, Execution and Delivery of Documents. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to negotiate, prepare, execute and deliver, on behalf of the University, one or more new interest rate exchange agreements and credit support annexes and other agreements and documents with one or more qualified counterparties and/or amendments and/or supplements to and/or novations and/or terminations of the US Bank Interest Rate Swaps and any other agreements, amendments, supplements, terminations, novations, instruments, certificates, security agreements, financing statements or other documents as may be necessary, desirable or appropriate in the opinion of the Authorized Representatives to complete the transactions contemplated by this Resolution.

Section 3. Further Actions. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to take or direct to be taken all such further actions as may be necessary or appropriate in the opinion of either of the Authorized Representatives in connection with pursuance of one or more of the Selected Swap Restructuring Options and completion of the transactions contemplated by this Resolution, including without limitation, execution and delivery of such further instruments and documents in the name and on behalf of the University in connection with the novation of the US Bank Interest Rate Swaps; entrance into one or more new interest rate exchange agreements and/or other financial product agreements; execution and delivery of any Related Supplement to the Master Trust Indenture; execution and delivery of any new Obligation under the Master Trust Indenture to US Bank and/or any new qualified counterparty or other party; the execution and delivery of tax certificates and agreements, amendments, supplements, trust agreements, closing certificates, notices, disclosures, directions, novations, termination documents, escrow agreements and investment agreements; filing of any notices with or obtaining of any consents, approvals or authorizations from the Oregon State Treasurer or any other party; and payment of all such costs, fees and expenses shall be necessary or advisable to fully implement the Selected Swap Restructuring Options and carry out the purposes of this Resolution.

Section 4. Ratification of Actions. All actions previously taken by any director, officer, official, employee or agent of the University in connection with or related to the matters set forth in or reasonably contemplated by this Resolution are, and each of them hereby is, adopted, ratified, confirmed and approved in all respects as the acts and deeds of the University.

Section 5. Liability for the Selected Swap Restructuring Options. Neither the State of Oregon nor any agency thereof, or any political subdivision or body corporate and politic nor any municipality within the State of Oregon, other than the University, shall in any event be liable for payment with respect to the Selected Swap Restructuring Options or any related bonds issued by the University which is identified to any interest rate swap or other financial product part of the Selected Swap Restructuring Options (the "Identified Bonds") of the University or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the University. No breach of any such pledge, mortgage, obligation or agreement shall impose any pecuniary liability upon the State of Oregon or any charge upon its general credit or against its taxing power. The issuance of the obligations related to the Selected Swap Restructuring Options or any related Identified Bonds shall not, directly, indirectly or contingently, obligate the State of Oregon, or any other political subdivision of the State of Oregon, nor empower the University, to levy or collect any form of taxes therefor or to create any indebtedness out of taxes. Neither the Board of Directors or the University nor any person executing the Selected Swap Restructuring Options shall be liable personally on any obligations related to the Selected Swap Restructuring Options or any related Identified Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

Section 6. Invalidity or Unenforceability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

This Resolution is adopted this 28th day of January, 2016, effective on January 28, 2016.

Yeas _____

Nays _____

Signed by the Secretary of the Board of Directors this ___ day of January, 2016.

Connie Seeley
Board Secretary

EXHIBIT A
SWAP RESTRUCTURING SUMMARY

See attached

Exhibit A

OREGON HEALTH & SCIENCE UNIVERSITY

January 20, 2016

To: Members, OHSU Board of Directors

From: Lawrence J. Furnstahl
Executive Vice President & Chief Financial Officer

Re: Swap Restructuring Summary

I request approval of the attached resolution, authorizing OHSU to restructure its existing \$70 million interest rate swap, extending the final maturity from 2028 to approximately 2042, in order to better match the maturity of underlying variable rate debt while lowering the fixed payment rate.

The original Center for Health & Healing was financed in part through variable rate debt hedged through an interest rate swap, originally with UBS and now with US Bank. Essentially, the swap was insurance against interest rates rising; instead they have fallen, so the swap now has a negative “mark to market” value of \$(14) million. Of course, this is the nature of insurance: there is a net cost when the risk being hedged does not occur.

The current swap hedges interest rate risk for \$70 million of OHSU floating rate debt today; this notional amount declines to zero by 2028, even though the underlying floating rate debt does not. Under the current swap, OHSU pays a fixed rate of 3.459% and receives a floating rate of 62.67% of LIBOR plus 0.177%, for a net payment of \$2.3 million per year at today’s 1 month LIBOR.

Existing variable rate debt extends through 2042, however, and in general we would like to hedge more against higher rates further out into the future. Based on current conditions, we can extend the swap at the \$70 million level through 2042, paying a lower fixed rate of about 2.62%, and receiving an exact match to the underlying variable rate indexed to 70% of LIBOR, for a net payment of \$1.8 million. This is \$500,000 less in year one than currently. Using 20 year average LIBOR rates instead of today’s historically low rates, the first year cash flow savings would be somewhat higher.

The market to mark on the swap would increase from approximately \$14 million to \$16.4 million, representing the cost for the transaction, which is imbedded within the fixed payment rate. In addition, because the swap extends further into the future, the mark to market becomes more sensitive to changes in interest rates, with the liability increasing faster when rates fall and decreasing faster when rates rise.

The exact terms of the swap restructuring, including the cost, and which bank would be the counter party, would be determined through a competitive bidding process this spring. Extending the swap maturity to better match the underlying variable rate debt is in essence fixing a new long term rate for \$70 million of OHSU’s debt, and thus the fixed rate reduction is subject to market movement.



Doernbecher
Children's
Hospital

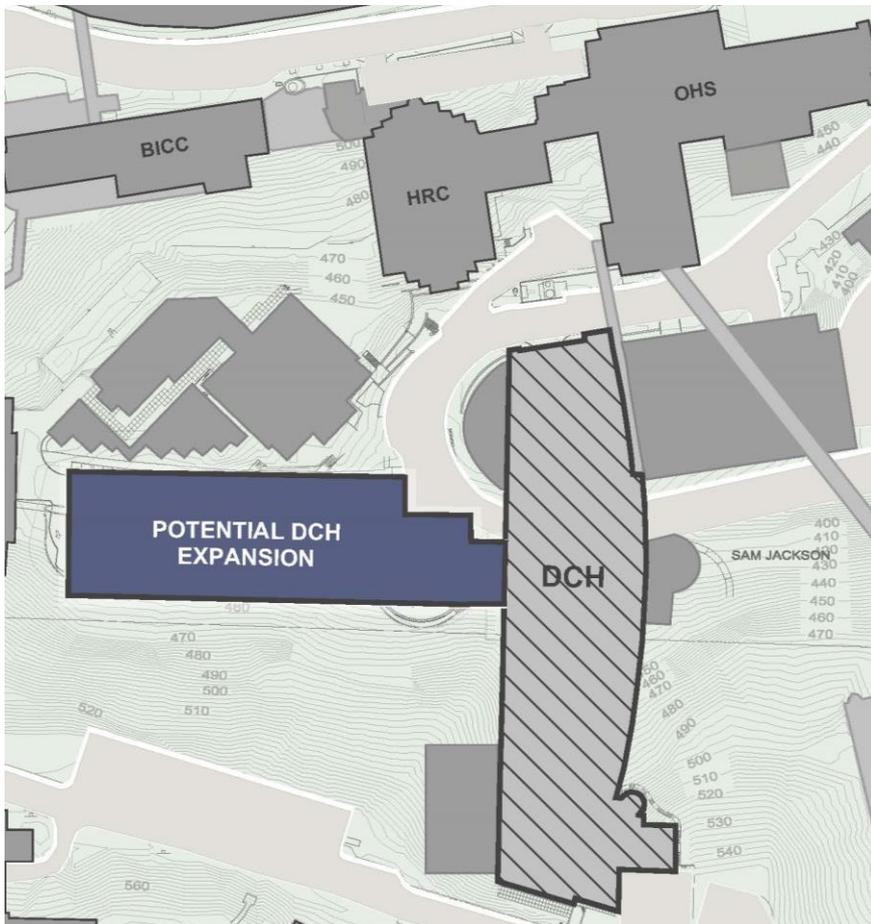
Women's & Children's Hospital Expansion

OHSU Board of Directors

DATE: January 28, 2016 PRESENTED BY: Cynthia M. Grueber

Vision for Project

To create the first children’s hospital in the Pacific Northwest—and one of the few in the country—to offer comprehensive obstetric, neonatal and developmental medicine services in one location, and to provide care exclusively focused on delivering the strongest possible start for expecting parents and their babies.



Proposed Patient Bed Summary			
Women’s and Children’s Facility			
DEPARTMENT	EXISTING STATE	FUTURE STATE	NET CHANGE
NICU	40	50	+10 Beds
Antepartum	0	7	+7 Beds
LDR	12	12	+0 Beds
MBU	27	32	+5 Beds
Subtotal	79	101	+22 Beds
Adult Med/Surg Backfill			
DEPARTMENT	EXISTING STATE	FUTURE STATE	NET CHANGE
Various	302	374	+72 Beds
Total	381	475	+94 Beds



Key Program Leaders

Dana A. Braner, MD, FAAP, FCCM

The Alice K. Fax Professor of
Pediatric Critical Care and Interim Chair
Department of Pediatrics
Physician-in-Chief
Doernbecher Children's Hospital

Aaron B. Caughey, MD, PhD, MPP, MPH

Professor and Chair
Department of Obstetrics & Gynecology
Associate Dean for Women's Health Research & Policy



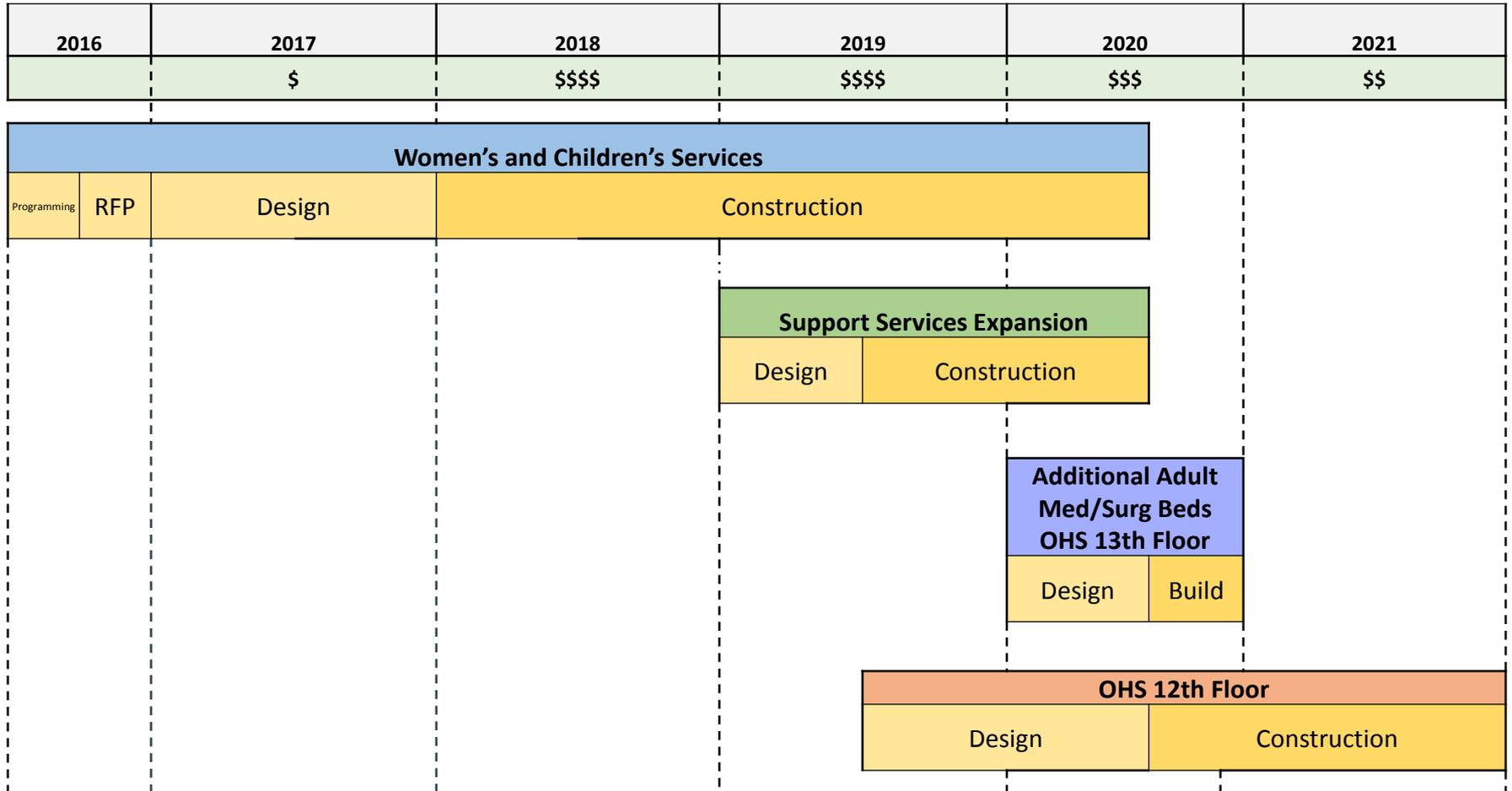
OHSU and Doernbecher Children's Hospital Leading in Maternal Fetal Medicine and Neonatal Care

- A team of maternal fetal medicine specialists, neonatologists, and hospital team, together, create a system of care
- Multi-disciplinary Fetal Diagnosis and Therapy Program
- Four out of five of the Maternal Fetal Specialists/Geneticists in the Pacific Northwest are on the cutting edge research that spans the spectrum of research:
 - Placenta basic research
 - Prediction and management of preeclampsia
 - Prediction and management of preterm labor
 - Prenatal diagnosis (recent NEJM paper)
 - Safety and simulation in obstetric care (recent NEJM paper)
 - Impact of policy on obstetric outcomes at an individual and societal level

A State-Wide Integrator

- OHSU faculty formed the Oregon Perinatal and Neonatal Network and organized its conferences – a twice monthly video conference which includes the majority of neonatology and MFM specialists around the state
- Created the Oregon Perinatal Collaborative which has led quality and safety improvement initiatives across Oregon
- OHSU Program serves as the tertiary and quaternary perinatal referral center within the OHSU Partners system

Potential Project Timeline: 2016-2022



Summary

- Exciting project that is consistent with OHSU's mission to improve the health and well being of all Oregonians
- Addresses multiple facility needs for upgrade and long-term bed expansion
- Look forward to coming back in the future to report on progress as our management team and faculty completes the pre-programming planning process



Thank You