



OHSU Board of Directors Meeting

Friday, March 27, 2020

11:00am- 12:30pm

Please follow the link below for the OHSU Public Board of Directors meeting

<https://echo360.org/section/f1dda44c-b956-478d-b904-5d6968abbec8/public>

Phone-in link (one-way audio only, public callers will be muted):

Phone Number: 971-262-5000

Meeting ID: 540255#



**OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS MEETING
Public Agenda**

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Live Echo360 link

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11:00 am	Call to Order/ Chairman's Comments President's Comments Approval of Minutes January 31, 2020 (ACTION)	Wayne Monfries Danny Jacobs, MD Wayne Monfries
11:15 am	COVID-19 Modeling	Peter Graven, PhD
11:35 am	COVID-19 Preparation	Renee Edwards, MD
11:55 am	Managing the Financial Impact from COVID-19	Lawrence Furnstahl
12:15 pm	Line of Credit (ACTION)	Lawrence Furnstahl
12:30 pm	Meeting adjourned	

**Oregon Health & Science University
Board of Directors Meeting
January 31, 2020
Robertson Life Sciences Building, Room 3A001**

Following due notice to the public, the regular meeting of the Board of Directors of Oregon Health & Science University (OHSU) was held at 9:00am. in the Robertson Life Sciences Building, 2730 SW Moody Ave., Portland, Oregon 97239, room 3A001.

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

Attendance

Board members in attendance were, Danny Jacobs, Wayne Monfries, Chad Paulson, Lubna Khan, Steve Zika, Stacy Chamberlain, Prashant Dubey, Amy Tykeson and Ruth Beyer. OHSU staff presenting material on the agenda were Lawrence Furnstahl, Danny Jacobs, MD, Greg Moawad, JD, Renee Edwards, MD, David Bangsberg, MD and Connie Seeley, Secretary of the Board. Alice Cuprill-Comas, Assistant Secretary of the Board, was in attendance as well as other OHSU staff members and members of the public.

Call to Order

Wayne Monfries

Mr. Wayne Monfries, Chair of the OHSU Board of Directors, called the public meeting to order at 9:03am and welcomed all those in attendance.

Chairman's Comments

Wayne Monfries

Mr. Monfries opened the meeting by reviewing the meeting agenda. He discussed OHSU's 2019 accomplishments including OHSU's recognition by Vizient as a top performer in healthcare quality, he was also proud to say OHSU was ranked the #1 Oregon hospital by US News and World Report and was named among the world's most innovative universities by Reuters. He spoke of the reactivation of OHSU's heart transplant program, the opening of the Rood Family Pavilion and the CHH2 buildings. He was also pleased to mention the School of Medicine's new PhD program and OHSU's researchers treatment discoveries for heartburn, Parkinson's disease, alcoholism, nervous system disorders and neurologic and blindness syndromes. He touched on the death of Kobe Bryant and how it related to OHSU's role in treating patients and families going through tragedies and difficult times. He proceeded to thank everyone and then turned the meeting over to President Danny Jacobs, MD.

President's Comments

Danny Jacobs, MD

Dr. Danny Jacobs acknowledged the phenomenal past year at OHSU. He highlighted the annual Mark O. Hatfield lecture and the powerful lessons it provided for all. He discussed multiple accomplishments achieved in 2019 including the Faculty Excellence and Innovation award, the approval of a new drug treatment by the FDA for a rare gastrointestinal cancer, OHSU's Dr. Amanda Bruegl's naming as a national fellow in the highly competitive and prestigious Harold Amos Faculty Development Fund and fellow student board member Lubna Khan's induction into the Gold Humanism Honor Society. He congratulated everyone and said they should be very proud. The meeting was turned back over to Chair Monfries for the approval of the October 25, 2019 minutes.

Approval of Minutes

Wayne Monfries

Mr. Monfries asked for approval of the minutes from the October 25, 2019 OHSU Public Board meeting. Upon motion duly made by Stacy Chamberlain and seconded by Ruth Beyer, the minutes were approved by all Board members in attendance.

FY20 December YTD Financial Results

Lawrence Furnstahl

Mr. Monfries recognized Lawrence Furnstahl, Executive Vice President and Chief Financial Officer.

Mr. Furnstahl provided a detailed overview of OHSU's FY19 financial results beginning with the income statement. He mentioned a lower income in the first six months followed by a higher income in the second six months. He covered operating revenues, patient revenues, ambulatory visits and care and the balance sheet.

Board members asked Mr. Furnstahl for additional information on inpatient admissions and the tracking of mission control.

Annual Quality and Safety Report FY19

Renee Edwards, MD

Mr. Monfries recognized Renee Edwards, MD, Urogynecologist, OHSU Center for Women's Health, Associate Professor of Obstetrics and Gynecology, School of Medicine.

Dr. Renee Edwards provided an overview of the FY19 quality and safety report. She discussed their FY19 accomplishments including a top ranking by Vizient's quality and accountability scorecard. She mentioned how the change from Press Ganey to NRC affected the scorecard rating. Also reviewed were the value-based purchasing program and pay-for-performance program. She discussed the importance of mortality and safety in patient care and closed her presentation with a preview of next year's report.

Board members asked Dr. Edwards for additional information regarding efficiency in patient centeredness, the distribution of Oregon hospitals, hospice, mortality, processes for handling coronavirus and key successes they have had in 2019.

FY20 Indicators Report

Greg Moawad, JD

Mr. Monfries recognized Greg Moawad, JD, Interim VP Human Resources.

Mr. Moawad gave an overview of the Q2 FY20 Indicators. He mentioned there were some troubled indicators and some that were exceeding expectations. He discussed the formation of a workplace strategies group designed to monitor telecommute and telework processes. Also covered were OHSU's cash-out program, PTO, unconscious bias, the net promoter score, transfers, grants, publications, clinical trials and education.

Board members asked Mr. Moawad for additional information on telecommuting, ride share programs, and unconscious bias.

OHSU 2025

Connie Seeley

Mr. Monfries recognized Connie Seeley, Executive Vice President, Chief Administrative Officer & Chief of Staff, Office of the President.

She proceeded with an overview of the completion of the OHSU 2025 plan. She also reviewed the performance management platform that will be used to monitor and implement processes.

She also discussed the OHSU 2025 Council and the four mission councils and their responsibilities.

Board members asked Ms. Seeley for additional information on the various mission councils, performance metrics and expectations of the strategic plan strategy.

OHSU School of Public Health

David Bangsberg, MD

Mr. Monfries recognized David Bangsberg, MD, Professor, OHSU-PSU School of Public Health, Founding Dean, OHSU-PSU School of Public Health.

Dr. Bangsberg addressed why OHSU needs the School of Public Health now more than ever. He reviewed the US life expectancy decline and how that has been affected by a failure of social policy not a failure of the healthcare system. He discussed suicide, one of the largest public health challenges Oregon faces. He covered homelessness and the opioid crisis comparing the number of deaths per year in the US to the total number of deaths in the entire Vietnam war and the AIDS epidemic.

Board members asked Dr. Bangsberg for additional information on diet and exercise, funding for missions, healthcare spending, social policy and issues, philanthropy, homelessness, and the healthcare system.

Adjournment

Wayne Monfries

Hearing no further business for discussion, Mr. Monfries thanked all of the Board members and presenters for their participation. The meeting was adjourned at 11:00am.

Respectfully submitted,

Connie Seeley
Secretary of the Board

COVID-19 Modeling

Material will be provided at the board meeting

COVID-19 Preparation

Material will be provided at the board meeting

OREGON HEALTH & SCIENCE UNIVERSITY

March 23, 2020

To: Members, Board of Directors

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

Re: Managing the Financial Impact from COVID-19

As background for Friday's video conference meeting of the Board of Directors, this memorandum discusses the financial impact from the COVID-19 pandemic. Our focus is putting people first, prioritizing COVID-19 response while deferring other spending to preserve cash, reducing balance sheet risk and increasing liquidity. At the meeting I will request approval to put in place two lines of credit from US Bank totaling \$150 million as a backstop to OHSU's own substantial cash position.

Human Resources Actions

On March 13th President Jacobs announced the following commitments to OHSU members, to ease some of the uncertainty and acknowledge all for what they mean to our institution and to Oregon:

- Maintaining a full workforce with full pay and benefits, regardless of how or when operations and schedules are modified, through June 30.
- Providing 14 days of sick leave for those who have exhausted their sick time.
- A \$1 million hardship fund for employees facing extreme fiscal hardship as a result of the pandemic.

On Monday, March 16th OHSU began mandatory telework for those that are able and so equipped, as the first step before modified operations is implemented.

On Monday, March 23rd "modified operations" begin for all OHSU. All non-critical function employees will be prohibited from working at OHSU locations. Those whose positions allow for telecommuting will already be working remotely. Individuals in positions where telecommuting is not an option, will not work.

OHSU's Financial Position Pre-COVID-19

OHSU's financial condition is strong. We have \$3.5 billion of revenue and \$3.7 billion of net worth. OHSU holds \$1 billion of cash & investments directly, with over \$200 million immediately available. There is an equivalent amount of endowment, gift and reserve funds held at the OHSU Foundation.

The \$1 billion of OHSU-held funds are conservatively invested 92% in cash & fixed income and 8% in equities. Last December, we refinanced and repositioned OHSU's \$1 billion debt portfolio from 80% fixed rate / 20% variable rate to 100% fixed rate, with the shortest maturity debt being 3 year put bonds. Moody's, S&P and Fitch rate OHSU Aa3 / AA- / AA- with Stable outlooks. The reason we maintain AA- credit ratings and the financial strength they represent is exactly for times like these.

Through the first 8 months of FY20, OHSU operating income is \$91.4 million, still \$19.7 million above budget on 10% year-over-year revenue growth. (Note that the budget is spread by month following the historical seasonal trend of back-loaded earnings.) Although the current operating income run-rate at \$11.4 million per month is close to the full year's budget target of \$12.1 million per month, there are underlying shortfalls that we have been working to address.

The core financial dynamic, pre-COVID-19, for OHSU and other academic health centers nationally is an ongoing gap between payment rate growth and unit cost inflation. In general, payment rates rise by 2% per year and unit costs by 3.5%. This -1.5% gap on a \$3.5 billion budget base would reduce resources available for investment by over \$50 million each year.

Our strategy has been thoughtful and efficient growth: increasing OHSU's volume of activities and services by an average of 5% per year while holding variable costs to 70% of total costs. This would spread the 30% of costs held fixed over a larger base. Doing so would result, over time, in balanced 7% growth in total revenues and total spending, although this requires constant focus and adjustment.

On average we have achieved this goal since FY11. More recently, in FY18 revenues and expenses each grew by 6%, slightly below target but in balance. FY19 was an especially strong year, with 9% revenue growth and 8% expense growth, a positive one-percentage point difference on over \$3 billion. Revenue growth has accelerated into FY20, but it is now outpaced by spending: through February revenues are up 10% with expenses up 13%.

FY20 February YTD Variance from Budget by Operating Area (millions)

\$ (8.7)	OHSU Hospital
(4.2)	Hillsboro Medical Center + Adventist Health Portland
<hr/>	
(12.9)	OHSU Health
(5.4)	School of Medicine
<hr/>	
(18.3)	OHSU Health + School of Medicine
+2.5	All other schools, centers, institutes & administrative areas
<hr/>	
(15.8)	OHSU operating units
<hr/>	
+6.0	Restricted funds
+29.5	Institutional funds
<hr/>	
\$19.7	Total OHSU

There are year-to-date shortfalls from budget in the two largest units of the University: OHSU Health and the School of Medicine, where \$64 million more revenue than budgeted is more than offset by \$82 million more expense (excluding interest, depreciation and allocated overhead).

So far, this budget gap has been made up in restricted grants (including a \$3 million electron microscope purchase) and institutional funds, where we have deferred spending on OHSU 2025 initiatives and other strategic investments in faculty recruitment and programs, reversed all accruals for the incentive compensation programs, and applied budgeted contingencies and one-time gains from liability insurance and the phase-in of paid time off for non-represented employees. However, these are mostly temporary deferrals of expense or one-time items that may not repeat.

We had already put in place an OHSU Position Management Committee to review all new positions. More recently we expanded this to cover replacement positions and instituted a Back-to-Budget Task Force for OHSU Health and the School of Medicine. Hiring priority is given to direct patient care, essential operations and positions fully funded by grants. As part of the continuing Accelerate OHSU effort, Huron has been working with OHSU managers on administrative and business support services, faculty effort and research funding, while Vizient has advised on hospital supply chain.

We are now giving a two-pronged message: every hire and expenditure required for COVID-19 response must go forward, while every hire and expenditure not required for COVID-19 should be deferred.

Cash & Investments Held at OHSU and the Foundation

OHSU currently holds \$1 billion in cash & investments, of which \$221 million is immediately available in US Bank accounts, including \$50 million just transferred from fixed income. The US Bank funds are protected through Oregon's Public Funds Collateralization Program (ORS 295). As an approved "qualified depository" under this program, US Bank has pledged a sufficient amount of collateral based on its financial health.

The remaining \$825 million of OHSU-held funds are invested in readily liquid fixed income securities and the Vanguard Balanced Index Fund that is 60% stocks / 40% bonds. Investment return for this \$1 billion portfolio so far in March was -3.6%, with the loss mostly last week as credit spreads widened.

<u>Account</u>	<u>Manager / Custodian</u>	<u>(millions)</u>
General Account (ORS 295)	US Bank	\$221
Intermediate Maturity Portfolio	JP Morgan / MUFG Union	615
INSCO Self Insurance Portfolio	Wells Fargo	75
Vanguard Balanced Fund	Vanguard / JP Morgan	135
Total OHSU-held funds		\$1,046

The OHSU Foundation financial staff and their endowment investment manager report the following:

- As of February 29th, the preliminary fiscal YTD return for the endowment was 1.9% vs Global Portfolio benchmark of 1.0%. The market value of the portfolio stood at \$1.033 billion. The

Foundation has another \$111 million in current funds (largely unspent gifts and operating reserves) held in fixed income investments managed by JP Morgan plus \$10 million at Wells Fargo Bank.

- Over the last few quarters, the endowment portfolio has been reducing US equity exposure as markets continued their strong rise. At the same time, it was increasing exposure to fixed income investments as well as relative value and event-driven managers. In February, these were the asset classes that performed the best and provided the portfolio with some downside protection vs the public equity markets.
- The endowment also has a considerable amount of liquidity should the Foundation need to make any withdrawals over the next few months.

Proposed Line of Credit

We have solicited proposals from four banking partners for lines of credit to supplement OHSU's own liquidity. Although we do not now expect to draw on a line of credit, current instability in credit markets combined with global recession suggest it is prudent for OHSU to secure one now. Of three responses in hand, the best terms were from US Bank. They are rated Aa2 / AA- / AA- long-term and P-1/A-1+/F1+ short-term, with Stable outlooks. US Bank is already our main treasury bank, simplifying operations, and they stood with OHSU during the financial crisis of 2008 – 2009.

I propose two 364-day revolving lines of credit, one for \$100 million and a second for \$50 million. The combined facility fees on unused balances are \$175,000 per year. Fees and interest rates on draws (based on one-month LIBOR) increase if OHSU's credit rating is downgraded.

The lines of credit are secured under OHSU's Master Trust Indenture with a pledge of gross revenues. Prior to last December's debt refinancing, OHSU had a US Bank letter of credit backing variable rate demand bonds. Under OHSU's bond documents, we can borrow the full \$150 million as long as we bring the balance to less than 3% of prior year's revenues, or approximately \$93 million, for at least 20 consecutive days during the fiscal year.

Global Financial Conditions

We are also following economic and market updates, especially from OHSU's lead investment banking partners, Goldman Sachs (GS) and JP Morgan (JPM).

GS economists revised their US growth projections down further on Friday, now projecting (6)% real GDP in 2020 Q1 and (24)% in Q2. This would be the most severe contraction on record in the US, with unemployment projected to peak in coming quarters at 9%. JPM forecasts real GDP at (4)% in Q1 and (14)% in Q2 with 6.3% unemployment: "Outlook unknowable, but certainly bad."

Last week brought back the 2008 liquidity crisis in the money markets but in a much more compressed timeframe. The Federal Reserve announced a wide range of measures to inject liquidity, including buying more than \$500 billion in US Treasuries and more than \$200 billion in mortgage backed securities; lowering the Discount Window rate by 1.5% to 0.25% and extending the term to 90 days; and encouraging banks to use capital buffers for lending.

US equities fell to a three-year low following the worst week since the 2008 financial crisis. The most widely used measure of stock market volatility, the VIX, breached 85 last week, the highest level ever. Volatility in the Treasury and municipal bond markets exceeded by three times its prior height in the 2008 – 2009 financial crisis.

GS summarized the following themes in the not-for-profit healthcare landscape:

- Healthcare organizations are preparing to care for large inflows of COVID-19 patients
- Linear scaling of resources vs. a virus that is scaling exponentially
- Financial implications are unknown, but many are considering the impact of:
 - Reduction in elective surgery / non-essential procedures
 - Medicare-oriented volumes
 - Cost of scarce resources (e.g., masks, drugs) and labor
 - Organizations are assessing their access to liquidity and ability to sustain a multi-month cash flow drain
- Moody's revised its outlook on NFP healthcare to negative
- Planned financings have been delayed
- Virtually no access to the tax-exempt market last week
- Pressure on the short-term market has driven variable rate demand bond resets higher, from ~1.25% to 5-8% (OHSU refinanced variable rate debt to fixed in December).

FY20 Financial Impact from COVID19

Let me begin this section with a disclaimer. It is not possible at this time to reliably project the financial impact of the COVID-19 outbreak, or a related global recession, on OHSU's revenues and expenses. Key factors include the duration and extent of the outbreak and its impact on the economy. These are dependent on the success of government-imposed emergency measures together with fiscal and monetary policy.

However, based on assumptions outlined below, most of which cannot be validated at this time, and assuming no government relief compensation or insurance recoveries, we have provided a rough estimate of possible losses due to COVID-19 for the rest of this fiscal year. Tables at the end of this memorandum provide more detail on this calculation.

During the third week of March, gross patient revenues (or gross charges, a good measure of OHSU Hospital activity) were -18% below the average of the first two weeks of March. This decline reflects efforts to free capacity and increase social distancing, prior to a significant inflow of COVID-19 patients.

Key assumptions:

Starting point is the monthly run-rate of revenues and expenses through the first 8 months of FY20.

Inpatient activity is -10% lower on a gross charge basis.

Outpatient activity is -25% lower.

The weighted average reduction in patient activity is -18%.

Payer mix shifts 10% points toward government.

Patient revenue outside the hospitals, clinics and School of Medicine is -75% lower.

These assumptions result in a -25% reduction in net patient revenue across OHSU.

Grant activity and indirect cost recovery are -28% lower: -10% reduction to 55% of direct spending that is on compensation plus -50% reduction to 45% of direct spending that is on supplies & services. Gifts applied to operations are -14% lower, 50% of the grant/research reduction.

Tuition is -10% lower to reflect possible impact of restricted clinical rotations.
IGT funds for research & education and State appropriations are not reduced.
Hospital other revenue is -12% lower, 50% of patient revenue reductions with shift to home infusion.
University other revenue is -50% lower due to modified operations.

All these result in a -23% reduction in total OHSU revenues, or \$(68)m per month less revenue.

Salaries & benefits continue to be paid at current levels without reduction.

Pharmaceuticals & medical supplies are -9% lower, 50% of the -18% reduction in patient activity.

Other services & supplies are -33% lower, representing the -50% reduction for 30% of this spending that is from grants (matching revenue assumption above), plus a -25% reduction for the 50% of this spending that is in the hospital and the 20% of this spending that is in other university areas.

Depreciation & interest continue flat, since they are set based on existing plant and debt.

All these result in a -7% reduction in total OHSU expenses, or \$(19)m per month less expense.

Operating income is thus \$(49)m per month lower than the prior run-rate, or a monthly operating loss of \$(38)m instead of an operating gain of +\$11m.

Capital spending is reduced by -5% from the prior run-rate of \$13.2m per month, to \$12.5m per month, eliminating the usual year-end increase in capital, completing near-finished projects, and replacing critical equipment.

Cash flow from operations (equal to operating income adding back depreciation and subtracting capital expenditures) is \$(35)m per month or a loss of more than \$(1)m per day.

If continued at this pace from March 15th through June 30th, this would use \$(124)m in cash for 3.5 months, or 12% of the \$1 billion in total cash held at OHSU, excluding the Foundations. Operating income for FY20 could be approximately \$(34)m, compared to +\$145m budgeted.

New York Presbyterian Estimate of Loss

On March 18th, New York Presbyterian Hospital (NYPH) made a voluntary disclosure to the bond market of impact from COVID-19. While noting that it is not possible at this time to reliably project the financial impact of the outbreak, they estimate a reduction to operating income for calendar year 2020 of \$350 million to \$700 million. Their budgeted operating income for this year is \$246 million, so they could have an operating loss for the full calendar year between \$104 million and \$454 million. They also note they have 311 days cash on hand and are seeking an increased line of credit of \$350 million.

NYPH has revenues of \$8.5 billion, so they are approximately 2.5x the scale of OHSU. OHSU's current estimate of financial impact from COVID-19 is a \$132 million reduction to operating income through 6/30/20, which would scale up to \$330 million, multiplying by 2.5x.

Deferring Initiatives, Processes & Spending to Focus on COVID-19

After protecting the safety of OHSU members, caring for our patients, and advancing critical research in light of COVID-19, we need to preserve cash so we can continue to put people first and provide Oregon with a world-class health sciences university. Given our current understanding of the COVID-19 epidemic and related impacts on the global economy, we will defer at least the following initiatives and processes for 3 – 4 months. By doing so we preserve the bandwidth of the University and its leadership to focus on the immediate challenge.

1. Defer the FY21 budget process by one quarter, substituting an analytically rolled-forward budget for July – September and starting the new detailed budget on October 1st.
2. Defer Accelerate OHSU initiatives by one quarter, especially since Huron consultants can't travel. Continue preparatory work in the background for a warm-restart in July.
3. Defer OHSU 2025 objectives, including the process of reprioritizing objectives to lower funding levels, by one quarter.
4. Defer OHSU Hospital Expansion Project (OHEP) approval, bond issue and start of construction from the June Board meeting to the September Board meeting. Liquidity in the tax-exempt bond market has deteriorated significantly for the first time since the financial crisis in 2008.
5. Continue the current partnership structure with Adventist Health to run AH Portland, if necessary doubling the loss sharing cap from \$5 million to \$10 million for CY20. Pause the EPIC project and other major capital investments at AHP.
6. Defer budgeted capital projects and other spending wherever possible, to put people first, to preserve cash, and to reduce distraction of staff and disruption to operations.
7. We have created an accounting "program" code to capture COVID-19 expenditures, to be used with the approval of financial officers and their designated deputies for each area of OHSU.

The depth and length of the recession—as well as its impact on OHSU and Oregon more generally—will depend on the course of the pandemic and the effectiveness of monetary and fiscal policy responses. Each element has a great degree of uncertainty, so putting people and COVID-19 response first, while being extremely prudent in all other expenditures, is especially important now.

Please let me know if you have any questions before Friday's meeting.

[For current or potential investors in OHSU bonds who may read this memorandum: Certain statements herein are not historical facts but are in the nature of forecasts and forward-looking statements. Thus, no statement herein should be construed as a prediction or representation about our future financial performance.]

Updated 3/20/20 9 AM (000)	FY20 Feb YTD	Monthly Average	Adjustment to Run Rate	Adjusted Average	3/15-6/30 3.5 Months	FY20 Full Year
Net patient revenue	1,588,659	198,582	-25%	149,386	522,850	2,210,800
Medical contracts	78,580	9,823	-25%	7,389	25,862	109,353
Grants & contracts - direct	240,711	30,089	-28%	21,664	75,824	331,579
Indirect cost recovery	69,134	8,642	-28%	6,222	21,777	95,232
Gifts applied to operations	66,827	8,353	-14%	7,184	25,144	96,147
Tuition & fees	54,584	6,823	-10%	6,141	21,492	79,488
State appropriations	26,387	3,298	0%	3,298	11,544	39,581
IGT funding	90,000	11,250	0%	11,250	39,375	135,000
Hospital other revenue	97,938	12,242	-12%	10,726	37,540	141,599
Other University other revenue	40,440	5,055	-50%	2,528	8,846	51,814
Total revenue	2,353,260	294,158	-23%	225,787	790,255	3,290,593
Salaries & benefits	1,369,404	171,176	0%	171,176	599,114	2,054,106
Drug & medical supplies	377,537	47,192	-9%	42,933	150,265	551,398
Other services & supplies	371,995	46,499	-33%	31,387	109,855	505,099
Depreciation	117,293	14,662	0%	14,662	51,316	175,940
Interest	25,638	3,205	0%	3,205	11,217	38,457
Total expense	2,261,867	282,733	-7%	263,362	921,766	3,325,000
Operating income	91,393	11,424	-429%	(37,575)	(131,512)	(34,407)
Add back: depreciation	117,293	14,662	0%	14,662	51,316	175,940
Take out: capital spending	(105,342)	(13,168)	-5%	(12,509)	(43,783)	(155,709)
Take out: principal payment	(27,890)					(27,890)
Cash flow from operations	75,454	12,918	-374%	(35,423)	(123,979)	(42,066)

Updated 3/20/20 9 AM	3/15-6/30 3.5 Months
Feb YTD monthly average (000):	
Operating income	11,424
Add back: depreciation	14,662
Take out: capital spending	(13,168)
Monthly cash flow from operations	12,918
Months from March 15th to June 30th:	3.5
Cash flow at prior monthly rate	45,213
Impact of key assumptions:	
-10% inpatient volume	(31,147)
-25% outpatient volume	(88,148)
-75% other patient revenue	(3,147)
10% payer mix shift to government	(48,664)
-28% research grants / -14% gifts	(17,637)
-10% tuition	(2,388)
-50% non-hospital other revenues	(8,846)
-25% other supplies & services	28,481
-5% capital spending	2,304
Net impact for 3.5 months	(169,192)
Negative cash flow for 3.5 months	(123,979)



**RESOLUTION NO. 2020-03-01
OF THE BOARD OF DIRECTORS OF
OREGON HEALTH AND SCIENCE UNIVERSITY
(Approval for Line of Credit)**

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, 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 (collectively, 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.

WHEREAS, based upon existing market conditions, it may be appropriate for and advantageous to the University, on a tax-exempt or federally taxable basis, to enter into, issue, sell and deliver one or more lines of credit, bonds, notes or other debt obligations and/or enter into one or more line of credit, bond purchase or other debt transactions to finance or refinance the matters and purposes described above in one or more transactions (collectively, the "Financing").

WHEREAS, representatives of the University have conferred with Melio & Company (financial advisors), Orrick, Herrington & Sutcliffe LLP (in its capacity as bond counsel to the University) and others to discuss the Financing.

WHEREAS, management of the University recommends that the University pursue the Financing, 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 "Financing Summary").

WHEREAS, the Board of Directors finds it benefits and is in the best interests of the University to pursue the Financing and to authorize and direct that certain actions be taken to implement the Financing.

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

Section 1. Implementation of Financing. 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 the Financing, in one transaction or in a combination of transactions, at one or multiple points in time, as may in the judgment of either of the Authorized Representatives be in the best interests of the University, in a manner materially consistent with the Financing Summary and in furtherance of the purposes of this Resolution.

Section 2. Authorization of Financing. The Board of Directors hereby authorizes and approves, if deemed in furtherance of the Financing by either of the Authorized Representatives, the University's entrance into, issuance, sale and delivery of any line of credit facility, bonds, direct purchase bonds, notes, term loans and/or other obligations related to the Financing, and/or the University's execution and delivery of one or more line of credit agreements, bond indentures, bond purchase agreements, bond insurance, letters of credit, reimbursement agreements, interest rate swap agreements, continuing covenants agreements, bondholder agreements, security agreements, supplements to the Master Trust Indenture and/or similar agreements related to the Financing (collectively, the "Obligations"), provided that the Obligations not exceed \$150,000,000 in aggregate principal amount outstanding plus the notional amount of any related swap, and subject to the following:

- a. Any Obligations 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 at fixed, variable or adjustable rates, be subject to redemption, bear the terms, and be issued and sold by the University as determined by either of the Authorized Representatives.
- b. The Obligations may be issued as taxable or tax-exempt obligations of the University, in one or more series.
- c. The Obligations may be sold at a private negotiated sale, by public offering or by another competitive bidding process.
- d. The Obligations may be issued on a parity, subordinated or unsecured basis.
- e. The execution and delivery of one or more Credit Agreements, 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 Obligations.
- f. The Board of Directors appoints Orrick, Herrington & Sutcliffe LLP as bond and disclosure counsel to the University in connection with any Obligations

which are bonds and as special counsel in connection with any other Obligations.

- g. The Board of Directors authorizes and directs each of the Authorized Representatives to select and appoint one or more parties as underwriters in connection with any Obligations which are bonds if deemed by either of the Authorized Representatives to be in the best interests of OHSU.
- h. Any of the Obligations shall be entered into pursuant to credit agreements, bond purchase agreements, direct note purchase agreements, letter of credit reimbursement agreements, bondholder's agreements, continuing covenant agreements, loan agreements, security agreements or other agreements with such parties and setting forth such terms and provisions as shall in the judgment of either of the Authorized Representatives further the Financing and the purposes of this Resolution.

Section 3. Security. The Board of Directors hereby authorizes and directs each of the Authorized Representatives to determine whether a security agreement, pledge of assets or other collateral arrangement is required by the lender(s) or other credit parties in connection with the Financing, and if such action is necessary, desirable or appropriate in the opinion of either of the Authorized Representatives to complete the transactions contemplated by this Resolution, then either Authorized Representative may execute and deliver such security agreement, pledge or other collateral arrangement and any related agreements and documents. Such security agreement, pledge or other collateral arrangement may secure the Obligations on a parity or subordinated basis, as determined by either of the Authorized Representatives.

Section 4. 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 Financing and all contracts, agreements, amendments, supplements, terminations, instruments, certificates, security agreements, financing statements and any other documents related thereto, including but not limited to credit agreements, grant agreements, bond indentures, bond purchase agreements, standby bond purchase agreements, forward delivery bond purchase agreements, remarketing agreements, direct note purchase agreements, escrow agreements, bond insurance, letters of credit, other credit enhancement agreements, reimbursement agreements, bondholder's agreements, continuing covenant agreements, loan agreements, security agreements, pledge agreements, other collateral 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, 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, wraps or supplements to prior Official Statements, other offering or disclosure documents, notices of redemption and/or conversion, directions, confirmations, terminations, 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 Financing and to complete the transactions contemplated by this Resolution.

Section 5. Distribution of Disclosure Documentation. The Board of Directors hereby approves the use and distribution to the public of Preliminary and Final Official Statements, amendments or supplements to prior Official Statements for any of the Obligations which are 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 such bonds or the other Obligations, 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 6. 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 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 Obligations or the Financing or 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 State Treasurer or any other party, (ii) funding any debt service reserve fund, (iii) making draws on or otherwise utilizing the Obligations, (iv) making draws on or otherwise utilizing one or more interim lines of credit, other credit facilities or other sources of funds, and (v) 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 Obligations, the Financing or other 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 OHSU 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 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 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 Obligations shall be liable personally on any 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 27th day of March, 2020, effective on March 27, 2020.

_____ Yeas

_____ Nays

_____ Abstentions

Signed by the Secretary of the Board of Directors this _____ day of March, 2020.

Connie Seeley
Board Secretary

Proposed Lines of Credit at US Bank

OHSU solicited proposal from four banking partners for lines of credit to supplement OHSU's own liquidity. Of the three responses in hand, the best terms were from US Bank. They are rated Aa2 / AA- / AA- long-term and P-1/A-1+/F1+ short-term, with Stable outlooks. US Bank is already our main treasury bank, simplifying operations, and they stood with OHSU during the financial crisis of 2008 – 2009.

We propose two 364-day revolving lines of credit: the first \$100 million line has a facility fee on the unused balance of 0.10%, or \$100,000 per year, and an interest rate for draws of 1 month LIBOR + 0.35%. The second \$50 million line has a facility fee of 0.15% or \$75,000 per year, and an interest rate of 1 month LIBOR + 0.50% (LIBOR is currently 0.93%, with a 52-week high of 2.5% and low of 0.6%). Fees and interest rates increase if OHSU credit rating is downgraded.

The lines of credit are secured under OHSU's Master Trust Indenture with a pledge of gross revenues. Prior to last December's debt refinancing, OHSU had a US Bank letter of credit backing variable rate demand bonds. Under OHSU's bond documents, we can borrow the full \$150 million as long as we bring the balance to less than 3% of prior year's revenues, or approximately \$93 million, for at least 20 consecutive days during the fiscal year.