



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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Concord, New Hampshire 03301

3A *dm*

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April 13, 2016

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

REQUESTED ACTION

Approval of the Report and Findings of Councilor Christopher Pappas with regard to a certain project in participation with Southern New Hampshire University, Manchester, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Pappas has requested that this be placed on the agenda as a regular item for the Wednesday, May 4, 2016 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

VVQ/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

CHRISTOPHER C. PAPPAS, designee of the Governor and Council of The State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with **SOUTHERN NEW HAMPSHIRE UNIVERSITY** of Manchester, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”) requested of Governor Maggie Hassan and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (hereafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by Southern New Hampshire University, a not-for-profit, voluntary corporation formed under New Hampshire law and located in Manchester, New Hampshire (hereafter referred to as the “University”) which is a participating educational institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in financing the construction and equipping of certain facilities of the University (hereafter referred to as the “Project”).

Pursuant to RSA 195-D:21, the Governor and Council designated me to hold a hearing and make findings in connection with the application. Following Public Notice given in accordance with Chapter 91-A of the New Hampshire Revised Statutes Annotated, by notice published in the New Hampshire Union Leader on April 4, 2016, the hearing was held commencing at 3:00 p.m. on April 11, 2016 in the Birch Conference Room of the Southern New Hampshire University offices, 1230 Elm Street, 5th Floor, Manchester, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Joseph A. Sergi, the Executive Vice President, Finance & Administration/Chief Financial Officer of the University, was the first witness. He stated that Southern New Hampshire University is an educational institution providing undergraduate, graduate and doctoral level programs, primarily in the area of business education. The University has its main campus in Manchester and maintains continuing education locations in certain other communities. The University awards bachelors and graduate degrees as well as Ph.D. and D.B.A. degrees. In addition to its business focus, Southern New Hampshire University has a hotel/restaurant management/culinary arts program. The University also has expanding online programs.

Mr. Sergi testified that the Project to be funded by the Series 2016 Bonds (the "Bonds") at the approximate cost of \$36 million will include: (i) the construction, furnishing and equipping of a new residence hall that will replace existing campus housing which is reaching the end of its life expectancy; (ii) the financing of miscellaneous construction, renovation and equipping of the University's educational facilities; (iii) the possible funding of capitalized interest with respect to the 2016 Bonds; and (iv) payment of the costs of issuing the Bonds and incidental costs related to the Bonds.

Mr. Sergi stated that the principal amount of the Bonds to be issued will not exceed \$40 million and that the exact amount is to be determined at the time of sale of the Bonds. The Bonds are expected to be sold in a public issue and are expected to mature in approximately 30 years. He testified that, under the Loan Agreement with the Authority, the University will be required to continue to carry blanket fire and extended coverage as well as general liability insurance.

Mr. Sergi testified that, as the Executive Vice President, Finance & Administration/Chief Financial Officer of Southern New Hampshire University, it was his opinion that the University would be able to meet its financial obligations under the proposed bond issue and that the University is currently operating in a financially responsible manner. He concluded his testimony by stating that the Project would be of public use and benefit and would permit the University to continue to render an appropriate level of service to its current and future students.

The next witness was Peter Scoliard, a Director of Public Financial Management, the financial advisor to the University, who testified by telephone. He stated that the plan of financing is to issue the Bonds at fixed rates in a public offering. The Bonds are expected to have a final maturity in 2046. He stated that, as part of his work in connection with the proposed bond issue, he had reviewed the University's financial statements and enrollment statistics. He testified that, on the basis of such review, as well as based upon his discussions with members of the working group and the University's management, he was of the view that the University would be able to meet its financial obligations under the proposed bond issue and that he was of the opinion that the University is operating as a fiscally responsible educational institution.

David C. Bliss was the final witness. He stated that he is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director he has become acquainted with the Project and the details of its financing, having worked closely with the University's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. He stated that the Authority has voted to issue its bonds for the Project, subject to compliance being had with all laws bearing upon such issue and the advice of counsel, including Bond Counsel. He testified that the Authority adopted a resolution on March 17, 2016 approving issuance of bonds for Southern New Hampshire University.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including a Bond Indenture to be entered into between the Authority and the Trustee for the bond issue and a Loan Agreement intended for execution between the University and the Authority. He stated that there is a provision in the Loan Agreement under which the University is obligated to hold and use the Project for educational purposes so long as the Bonds are outstanding. He testified to the language in the Bond Indenture which requires that each bond issued by the Authority for Southern New Hampshire University bear on its face the following provision:

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

Mr. Bliss testified that the bond documents will make adequate provision for the payment of principal and interest on the bonds, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

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

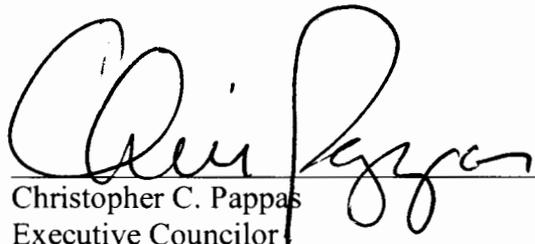
Findings

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

- (1) The construction and acquisition of the Project, as the same is described in such testimony, will enable and assist Southern New Hampshire University (herein called the "University"), a not-for-profit educational institution located in Manchester, New Hampshire, to provide education within the State of New Hampshire (herein called the "State"); and
- (2) The facilities being financed as part of the Project will be leased to, or owned by, the University, which is a financially responsible participating institution within the State; and
- (3) Adequate provision has been, or will be, made for the payment of the cost of the construction and acquisition of the Project to be undertaken and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued to finance such construction and acquisition; and
- (4) Adequate provision has been, or will be, made in any lease or mortgage or financing of the Project to be undertaken or any property leased or mortgaged or financed in connection with the issuance of bonds or notes for the payment of all costs of operation, maintenance and upkeep of the Project by the University so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and

- (5) Adequate provision has been made to obligate the University to hold and use the Project and the facilities being financed by the Project for educational purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (herein called the "Authority") to finance the cost of the Project, including any refunding bonds issued to refund and refinance such bonds, have not been fully paid and retired and all other conditions of the resolution or trust agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust agreement has not been released in accordance with the provisions thereof; and
- (6) The construction and acquisition of the Project will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and
- (7) The construction and acquisition of the Project serves a need presently not fulfilled in providing education within the State and is of public use and benefit.

Dated: April 11, 2016



Christopher C. Pappas
Executive Councilor
Designee of the Governor
and Council

RATIFICATION AND GOVERNOR'S APPROVAL

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Christopher C. Pappas, the Designee of the Governor and Council to hold a hearing and make findings pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an application submitted to the New Hampshire Health and Education Facilities Authority by Southern New Hampshire University, a not-for-profit participating educational institution which is located in Manchester, New Hampshire. The hearing was held on April 11, 2016, following public notice, in the Birch Conference Room of the Southern New Hampshire University, 1230 Elm Street, 5th Floor, Manchester, New Hampshire, at 3:00 p.m.

The Governor's signature constitutes her approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein and in the hearing held by the Authority on April 21, 2016 as described in the Notices of Public Hearing, published on April 4, 2016 and April 7, 2016.

Dated: May 4, 2016

Governor and Council:

