

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

May 15, 2019

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, May 15, 2019.

The meeting was called to order at 1:35 p.m. by Mr. Peter Lisi, Chairman of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: Peter W. Lisi, Chairman
Michael Angelini
Elizabeth C. Hammer
Barbara B. Lindsay, Esq.
Dr. Estela Lopez
Barbara Rubin
Linda Savitsky (*Designee for Shawn T. Wooden, Treasurer*)
Mark Varholak

ABSENT: Anne Foley (*Designee for Melissa McCaw, OPM Secretary*)

ALSO PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Robert Blake, Network & Data Architect
Debrah Galli, Manager of Administrative Services
Robert Jandreau, Sr. Finance Associate
Daniel Kurowski, Financial Analyst
Andrew Kwashnak, Systems and Data Analyst
Eileen MacDonald, Sr. Transaction Specialist
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director
Cynthia Peoples, Managing Director
Kelli Petrone, Administrative Assistant
Jennifer Smyth, Legal Services Specialist
David Wasch, Government Programs Specialist/Legislative Liaison
Betty Weintraub, Grant Program Manager
of the Connecticut Health and Educational Facilities Authority

GUESTS: Michael Adreana, Esq., Pullman & Comley LLC

Jeremy Bass, Managing Director, Pubic Financial Management, Inc.¹
Bruce Chudwick, Esq., Shipman & Goodwin, LLP
Sandy Dawson, Esq., Pullman & Comley LLC
Scott Gibson, Executive Director, Oppenheimer & Co., Inc.
Laurie Hall, Esq., Hawkins, Delafield & Wood, LLP²
Shelby Lobitz, Analyst, Acacia Financial Group, Inc. ³
Thomas Marrion, Partner, Hinckley Allen⁴
Edward Samorajczyk, Jr., Esq., Robinson & Cole LLP
Namita Shah, Esq., Day Pitney LLP
Eric Taylor, Esq., Harris Beach PLLC
Jane Warren, Esq., McCarter & English LLP
Ann Zucker, Esq., Carmody Torrance Sandak & Hennessey LLP

Mr. Lisi introduced Debrah Galli to the Board as the new Manager of Administrative Services for CHEFA.

MINUTES

Mr. Lisi requested a motion to approve the minutes of the April 24, 2019 meeting of the Board of Directors. Ms. Rubin moved for approval of the minutes, which was seconded by Mr. Angelini.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Michael Angelini
Elizabeth Hammer
Barbara Lindsey
Peter Lisi
Estela Lopez
Barbara Rubin
Linda Savitsky

NAYS

None

ABSTENTIONS

Mark Varholak

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

¹ Mr. Bass participated in the meeting via conference telephone that permitted all parties to hear each other.

² Ms. Hall participated in the meeting via conference telephone that permitted all parties to hear each other.

³ Ms. Lobitz participated in the meeting via conference telephone that permitted all parties to hear each other.

⁴ Mr. Marrion participated in the meeting via conference telephone that permitted all parties to hear each other.

Ms. Weldon provided the following updates:

- Ms. Weldon reported that Senate Bill 815 passed through the Senate. She stated that Senate Bill 816 is cross border legislation which would allow CHEFA to provide financing to healthcare entities for out of state projects if the organization is head-quartered in Connecticut, and that there has been some movement, getting support of the Democratic leadership and trying to get Republican leadership backing.
- Ms. Weldon reported that she, Mr. Wasch, and Mr. Hurlock, had a conference call with Senator Maroney and Senator Haskell regarding Senate Bill 72 which allows a tax credit for companies that make payment on CHESLA student loans of their employees. This bill will only apply to CHESLA loans.
- Mr. Wasch provided the following update on Senate Bills:
 - Senate Bill 879 regarding restrictions placed on quasi-publics was not going to move forward.
 - As to Senate Bill 917, the bill that would require CHEFA to have all contracts approved by the AG's office, a strike all amendment was recently added to the bill which essentially makes the bill about something else.
 - Senate Bill 816 should be in the Senate this week. This Senate Bill affects CHESLA with regard to STEM loan support and has been sent back to the Finance, Revenue and Bonding Committee for consideration. CHESLA is working with the Committee to see if it can be moved back into the Senate but there is some resistance on this bill.
- Ms. Weldon reported that CHESLA conducted its annual bond sale and sold \$25.5 million of tax-exempt bonds and \$5 million of taxable bonds. The proceeds of the taxable bonds will be used to fund refinanced loans which at this point don't have the tax

guidance in place to issue on a tax-exempt basis. The combined TIC was 3.41%. The taxable was 4.11% and the tax exempt piece was at 3.31%. The loan rate that is resulting is 5.15% for the In-School program which previously had been 4.95%. She stated that on the refinanced loans, the loan rate had ranged from 4.75% – 6.80% and now they will range from 4.75% to 6.90%.

Mr. Lisi asked Mr. Wasch what the resistance was to Senate Bill 816. Mr. Wasch explained that Ms. Weldon and he have met with the General Obligation Bond Sub Committee of the Finance Committee where they debate these bills. He explained one of the differences of opinion is whether the STEM loans should be the sole focus of the Bill or if it should be a broader subject, but would mainly have a low income focus. A discussion ensued.

Client Updates

Mr. Morris reported on the following:

- Western Connecticut Health Network is looking to refinance all of their outstanding debt as a result of the merger with Healthquest. The new entity is called Nuvance Health. Western Connecticut has around \$332 million of debt outstanding with approximately 75% of private placement debt. They may seek consent from the purchasers to create a new obligated group in lieu of refunding. They may also issue approximately \$75 million of new money. Healthquest will also refinance its existing debt along with Western Connecticut, which will be issued through the Duchess County Local Development Corporation. Healthquest is rated “A-” while Western Connecticut is rated “A”. Staff anticipates presenting the issue on a preliminary basis in June and seeks final approval in July.

- CHEFA has a meeting with the University of Hartford next month to meet with their new Treasurer and talk about a new Health Science Center and also refinancing two bond issues.

CHEFA CDC Updates

Mr. Kurowski provided the following updates:

- The application to become a certified CDE was submitted on April 29th which according to the CDFI fund, CHEFA CDC should expect to hear back in 90 days on the status of that application. In regards to the 501(c)(3) application, we have been working with special counsel and the application should be submitted by the end of May or early June. The NMTC Coalition, a national advocacy group for New Markets Tax Credits, is telling its members that the 2018 awards should be going out very soon. Following those notifications, they expect the window for the 2019 application will open. Once it is open, CHEFA CDC has seven to eight weeks to submit the application. During that time, CHEFA CDC will need to schedule an Advisory Board meeting and a Board meeting to present the project pipeline and to seek approval to submit the application. The project pipeline is still in progress. Next week CHEFA CDC will be meeting Fairhaven Community Health Center to discuss financing options for a potential project.
- At the June CHEFA Board meeting, staff will be presenting a financing product that will utilize NMTC committed by CHEFA CDC. Staff is working on developing a loan fund to try to fund projects that are \$1 million or less to nonprofits in low income communities. The loan fund will allow for smaller transactions to share the NMTC transaction costs, while the use of the Investor's equity will allow CHEFA CDC to offer a below market interest rate. A discussion ensued.

Interest Rate and Market Update

Ms. Peoples reported on recent market activity, money market rates, economic indices and yield curve trends.

Mr. Jandreau provided an update on recent health and education issues brought to market.

Financial Report – March 2019

Ms. Mackewicz reported that there were no notable items in the financial statements for the period ending March 2019.

SALES REPORT: CONNECTICUT STATE UNIVERSITY SYSTEM ISSUE, SERIES Q

Mr. Jeremy Bass of Public Financial Management (PFM) provided an overview of the sales of the Connecticut State University System Issue, Series Q. He reported that the bid was competitive and the sale was broken into Quarter 1 and Quarter 2 sales. He discussed market conditions at the time of the sale on May 1, 2019. He reported that all transactions went very well. The TIC being 2.90% for Q-1 and 2.45% for Q2 with combined TIC of 2.84%. The Q-1 bond sold electronically and received 10 bids on May 1st. The Quarter 2 refunding transactions received 8 bids.

PRELIMINARY STAFF MEMO: MARY WADE HOME ISSUE, SERIES A

Mr. Morris explained that after two years the Mary Wade Home Issue, Series A was moving forward. They are looking to issue approximately \$45.8 million. The proceeds from the offering

will be used to finance the construction of a new healthcare building consisting of 84 assisted living units, including 20 memory care units. In addition, proceeds will be used to renovate the existing Skilled Nursing Center to refinance existing bank debt in the amount of \$10.1 million, fund capitalized interest, and a debt service reserve fund.

Mr. Morris stated that a taxable bond series of approximately \$2.6 million will be included as part of the offering to finance the ineligible costs of the existing debt to be refinanced and to cover the cost of issuance above the 2% limitation.

Mr. Morris reported that The Obligated Group will consist of M.W. Healthcare (the parent); The Mary Wade Home, Inc. which operates the Skilled Nursing Center which has 94 beds, 45 Residential Care Home and an Adult Day Medical Health Center; the Mary Wade Residence, a proposed new 501(c)(3) corporation, which upon completion of the project will operate the Assisted Living Facility and Memory Care Center.

Mr. Morris stated that The Obligated Group currently does not have a rating and the expected rating will be below investment grade of a "BB" or "BB+". A final rating will be required prior to seeking final Board approval. Since the issue will be below investment grade, it will be a limited public offering sold in \$100,000 denominations, with each investor required to sign an investment letter. The security requirements for the Series A bonds will consist of a first mortgage and security interest, gross revenue pledge and debt service reserve fund. The debt service coverage ratio is 1.20 times beginning the first full fiscal year following completion of the project. The liquidity covenant has not been finalized yet.

Mr. Morris reported that on financial operations, the occupancy levels at both the Skilled Nursing and the Resident Care Home were strong, with the exception of FY 2018, although they did

rebound the first half of 2019. Operating revenue declined over 11% of the past three fiscal years due to the decline in occupancy, a less favorable payer mix and higher Medicaid population while expenses remained constant. For the first six months of 2019 Mary Wade's operating performance improved with an operating loss of -1% compared to a loss of -6.1% for the same period the prior year.

Mr. Morris explained that liquidity is very strong at the Home, with cash on hand equaling 569 days as of the end of the last fiscal year days which compares favorably to Fitch's "BBB" median. As of March 31, 2019 there was a slight decline to 558 days. Despite the decline, they still have a sizeable cushion to meet its covenant requirement.

Mr. Morris reported with regards to the capital structure, total debt will equal approximately \$45.8 million with annual debt service of an estimated \$2.9 million, which equates to 21% of total revenue for FY 2018 which is above Fitch's "Below Investment Grade" median. The balance sheet will be 60% leveraged because of the debt.

Mr. Morris reviewed the results of the draft market study that was prepared by Brecht Associates of New Jersey. The report covered the towns in the targeted market area for age and income appropriate households and competition of existing and proposed facilities in the market area for both assisted living and memory care facilities. Based upon the market analysis, the market area has the potential for up to 212 Assisted Living units by 2022 with the market penetration viewed as favorable.

A discussion ensued.

FINAL STAFF MEMO

Bristol HOSPITAL SERIES ISSUE, SERIES C

Mr. Jandreau presented the Bristol Hospital Series Issue, Series C for approval of up to \$40.0 million. The Series C issue will be directly placed with Fidelity Investments. Proceeds from the Series C bonds will be used to refinance the outstanding 2002 Bristol Hospital Issue, Series B bonds and finance the renovation and expansion of the Hospital's existing Emergency Center.

In conjunction with the Series C offering, the Hospital intends to issue a taxable bond offering in the amount of \$25.0 million through the Public Finance Authority to fund the Hospital's pension fund obligation. CHEFA's enabling act does not allow for the issuance of taxable debt for working capital purposes. The taxable debt will be placed with Silvercrest Asset Management, based in New York City.

Mr. Jandreau reported the transaction was marketed to 18 banks purchasers as well as 12 institutional investors. Cain Brothers, acting as placement agent, is owned by Key Bank, received proposals back from three of the 18 banks and four of the 12 institutional investors. The security for the Series C financing will consist of a gross receipts pledge and mortgage on the obligated group's properties.

A discussion ensued.

AUTHORIZING BOND RESOLUTION

Bristol Hospital Series Issue, Series C

Mr. Lisi asked what the change was to the Authorizing Bond Resolution for the Bristol Hospital Series Issue, Series C. Mr. Andreanna stated that the change to the resolution is the borrowers

listed under the loan agreement. He stated that there are six members to the Obligated Group, there are four not-for-profit entities and two for-profit entities. He stated, for tax purposes, the not-for profit entities were the only ones on the loan agreement but all six members are still obligated.

Mr. Lisi requested a motion to approve Resolution 2019-10 Bristol Hospital Series Issue, Series C. Ms. Rubin moved for approval of Resolution 2019-10, which was seconded by Ms. Lopez.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Michael Angelini
Elizabeth Hammer
Barbara Lindsay
Peter Lisi
Estela Lopez
Barbara Rubin
Linda Savitsky
Mark Varholak

NAYS

None

ABSTENTIONS

None

FINAL STAFF MEMO

Yale New Haven Health Services

Mr. Morris reported that Yale New Haven proposed to terminate its letter of credit on each of the four variable rate demand bond issues and remarket the bonds supported by self-liquidity. Three of the four bond issues allowed for self-liquidity at the time of issuance with the exception of Greenwich Hospital. Staff is seeking an amending resolution to allow Greenwich Hospital bond issues to be remarketed based on the liquidity support from the Obligated Group.

The Obligated Group's long term ratings are expected to remain the same with the remarketing. The Obligated Group has yet to receive its short-term liquidity ratings, but based on the credit strength of the Obligated Group both are expected to be high. Staff's recommendation for approval is contingent on the Obligated Group receiving a short-term rating in one of the two highest rating categories by at least two rating agencies.

AUTHORIZING BOND RESOLUTION

Yale New Haven Health Services

Mr. Angelini recused himself from participation in the matter.

Mr. Lisi requested a motion to approve Resolution 2019-11, Yale New Haven Health Services.

Ms. Savitsky moved for approval of Resolution 2019-11, which was seconded by Ms. Hammer.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES

Elizabeth Hammer
Barbara Lindsay
Peter Lisi
Estela Lopez
Barbara Rubin
Linda Savitsky
Mark Varholak

NAYS

None

ABSTENTIONS

None

COMMITTEE REPORTS

Audit-Finance Committee

Mr. Varholak stated that the Audit-Finance Committee has met twice over the last couple of months and once in a combined meeting with the HR Committee. The HR Committee approved the compensation plan to be sent to the Audit-Finance Committee for approval with the overall budget. The Audit-Finance Committee approved to move the overall budget over to the Board today.

Ms. Peoples reviewed the overall budget prior to the vote.

Mr. Lisi requested a motion to accept the recommendation of the Audit-Finance Committee to approve FY 2020 Budget. Ms. Lopez moved for approval, which was seconded by Ms. Hammer.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Elizabeth Hammer		
Barbara Lindsay		
Peter Lisi		
Dr. Estela Lopez		
Barbara Rubin		
Linda Savitsky		
Mark Varholak		

Grant Committee

Ms. Lopez stated that the committee reviewed the staff’s recommendations to approve 19 grants out of a total of 51 applicants for the nonprofit grant opportunity. She stated there was a vigorous discussion on the scoring process and the Committee is excited at the representation

of six out of 8 counties. She stated only two of the 19 grants were not recommended at the full funding amounts and that was due to the limits of funds.

Mr. Lisi requested a motion to accept the recommendation of the Grant Committee to approve the funding of the nonprofit grants in the amount of \$1,121,153. Ms. Rubin moved for approval, which was seconded by Mr. Angelini.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Anne Foley Elizabeth Hammer Barbara Lindsay Peter Lisi Barbara Rubin Linda Savitsky	None	Estela Lopez

ADJOURNMENT

There being no further business, at 2:21 p.m., Mr. Varholak moved to adjourn the meeting and Ms. Savitsky seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Elizabeth Hammer Barbara Lindsay Peter Lisi Estela Lopez Barbara Rubin Linda Savitsky Mark Varholak	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director