

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Annual Board Meeting

October 18, 2017

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, October 18, 2017.

The meeting was called to order at 1:30 p.m. by Dr. Peter Lisi, Chairman of the Board of Directors of the Authority. Those present and absent were as follows.

PRESENT: Dr. Peter W. Lisi, Chairman  
John M. Biancamano, Vice Chair  
Elizabeth C. Hammer  
Barbara B. Lindsay, Esq.  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

ABSENT: Robert S. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary)  
Rep. Honorable Denise L. Nappier, State Treasurer

ALSO PRESENT: Jeanette W. Weldon, Executive Director  
Denise Aguilera, General Counsel  
Robert Blake, Network & Data Architect  
Robert Jandreau, Sr. Finance Associate  
Eileen MacDonald, Sr. Transaction Specialist  
Michael F. Morris, Managing Director  
Kathleen Owens, Administrative Assistant  
David Pantaleo, Senior Systems & Data Analyst  
Cynthia D. Peoples, Managing Director  
Jennifer Smyth, Legal Services Specialist  
Betty S. Weintraub, Grant Program Manager  
of the Connecticut Health and Educational Facilities Authority

GUESTS: Michael Andreana, Esq., Pullman & Comley, LLC  
Judith Blank, Esq., Day Pitney LLP  
John Brodsky, Managing Director, Fairmount Capital Advisors, Inc.  
Bruce Chudwick, Esq., Shipman & Goodwin LLP  
Scott Gibson, Executive Director, Oppenheimer & Co., Inc.  
Stella Gittens, Senior Director, PFM Financial Advisors LLC<sup>1</sup>  
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP  
Susan Henebry, Esq., Carmody Torrance Sandak & Hennessey LLP  
Jason Krecho, Engineer, GZA Environmental  
Thomas S. Marrion, Esq., Partner, Hinckley, Allen & Snyder LLP  
Nancy Nicolescu, Director of Education & Communications,  
Office of State Ethics  
Joshua Nyikita, Managing Director, Acacia Financial Group, Inc.<sup>2</sup>  
David Panico., Esq., Robinson + Cole LLP  
Eric Taylor, Esq., Harris Beach PLLC  
Ann H. Zucker, Managing Partner, Carmody Torrance Sandak  
& Hennessey LLP

**MINUTES**

Dr. Lisi requested a motion to approve the minutes of the September 8, 2017 meeting of the Board of Directors, which was included in the meeting materials. Ms. Rubin moved for approval of the minutes, which was seconded by Mr. Varholak.

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez

**NAYS**

None

**ABSTENTIONS**

Barbara Rubin<sup>3</sup>  
Mark Varholak<sup>4</sup>

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<sup>1</sup> Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>2</sup> Mr. Nyikita participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>3</sup> Ms. Rubin abstained from voting as she did not attend the September 8, 2017 Board Meeting.  
<sup>4</sup> Mr. Varholak abstained from voting as he did not attend the September 8, 2017 Board Meeting.

Dr. Lisi requested a motion to approve the minutes of the September 13, 2017 meeting of the Board of Directors, which was included in the meeting materials. Ms. Rubin moved for approval of the minutes, which was seconded by Mr. Varholak.

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

**ETHICS TRAINING**

Dr. Lisi introduced Ms. Nancy Nicolescu, Director of Education & Communications, Office of State Ethics, who provided ethics training, in accordance with the requirements of the Authority's Ethics Statement and Policies.

## **CURRENT AND PENDING BOND ISSUES**

### **Financing Forecast and Summary of Financings**

Mr. Morris reported that there are no new issues shown on the report, but there is a recent addition for the New Canaan YMCA which will be a \$10.5 million private placement with United Bank which will be presented to the Board for approval in November. Bond proceeds will refinance a bank loan with United Bank which provided for capital improvements at the facility.

There are no new closings to report, but there are two upcoming closings for the Ocean Community YMCA Issue, Series A on November 16, and the Harold Leever Regional Cancer Center EasyLoan next week.

### **Interest Rate Update**

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

### **Market Rate Update**

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

**EXECUTIVE DIRECTOR'S REPORT**

Mr. Morris reported that there are two borrowers that are paying off their bond issues. The University of Connecticut Foundation will pay off its 2007 Series B bond issue next week for \$4.5 million with a conventional bank loan with Wells Fargo. Chase Collegiate School is being sold today to a for-profit entity, York Educational Group, and will refund its \$9.0 million 2007 CHEFA bond issue.

**Updates**

- Ms. Weldon stated that Michael Angelini, Vice President and Treasurer at Yale-New Haven Health, has been proposed to the Governor's office to fill the vacant Board position resulting from Patrick Colangelo's Board retirement. Mr. Angelini is very familiar with CHEFA, and traveled to Washington D.C. with Authority staff in April to meet with CHEFA's congressional delegation.
- The State budget approval is still in question, remarked Ms. Weldon, although there is a press conference scheduled for 2:30 today to report on progress toward the budget.
- The Pay for Success ("PFS") Urban Institute grant for technical assistance is in process, reported Ms. Weldon. The services agreement has been received, and a kickoff call was held. When the agreement has been signed, the development of work plan will begin. The work plan involves data gathering and analysis in connection with a feasibility study for the proposed PFS project to reduce excessive use of emergency rooms through the use of Community Care Teams.

- Regarding the Connecticut Student Loan Foundation (“CSLF”), Ms. Weldon stated that a new portfolio administrator, Goal Structured Solutions, has been put in place from an RFP that was conducted, replacing Education Solution Partners. CSLF will see significant savings from the change in portfolio administrator fees.
- Ms. Weldon called Members’ attention to an “op ed” piece published in The Connecticut Mirror that was included in the information distributed for today’s meeting. Ms. Weldon provided this piece for publication as part of an initiative of the advocacy association for state-based student loan agencies, Education Finance Council. The initiative supports continuing availability of tax-exempt bonds to fund qualified student loans made by state related student loan providers. The piece also highlights other CHESLA initiatives, including the financial literacy portal, need based scholarships and the loan refinancing product.

Mr. Biancamano asked if Staff has received word from OPM as to whether CHEFA can proceed with awarding the 2017 non-client grants. Ms. Weldon replied that she will follow up with the OPM representative.

**CHEFA FINANCIAL OPERATIONS**

**August 2017 Financial Statements**

Ms. Peoples reported on the financial statements for the two months ending August 31, 2017. Excess of revenues over expenses before program related expenses were approximately \$741,000 and approximately \$724,000 after program related expenses. Excess of revenues over expenses before program related expenses were approximately \$53,200 over budget and the excess of revenues over expenses after program related expenses was approximately \$62,000 under budget.

Ms. Rubin asked a question about the variance in the salary category, to which Ms. Peoples replied that there has been an open position since July, which is in the process of being filled.

## **AUTHORIZING BOND RESOLUTIONS**

### **Alzheimer's Resource Center of Connecticut, Inc. Issue, Series A**

Mr. Jandreau presented the Alzheimer's Resource Center of Connecticut, Inc. Issue, Series A, for approval of up to \$12 million, which is a private placement with KeyBank. Proceeds will be used to refinance a taxable commercial loan.

Mr. Jandreau provided background information on the borrower. The Series A proceeds will be used to refinance the Center's 2015 taxable loan with KeyBank which proceeds were used to refund the Center's 2007 Connecticut Development Authority bond issue. The Center's 2007 CDA bond issue was used to refund the Center's 1994 bond issue and finance capital expenditures, consisting of interior renovation of nursing areas and roof replacement.

The term for the financing will be eight years, with principal due at maturity. The Series A issue will be structured as a variable rate transaction, with an interest rate swap to a fixed rate. Mr. Jandreau explained the security for the transaction. The purchaser has proposed the following financial covenants: minimum Debt Service Coverage Ratio of 1.20 to 1.00 times; the Borrower must maintain an occupancy level of no less than 90%; and a minimum liquidity covenant of no less than \$1.0 million. In the event the Institution fails to meet any of its covenants, the interest rate on the bonds will increase to equal the contract rate plus 4.0%. The estimated savings from refunding the commercial loan is \$990,000.

A brief discussion ensued.

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Dr. Lisi requested a motion to approve Resolution #2017-17, Alzheimer's Resource Center of Connecticut, Inc. Issue, Series A, which was included in the board meeting materials. Ms. Rubin moved to approve Resolution #2017-17 and Ms. Hammer seconded the motion.

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

**Hoffman SummerWood Issue, Series C**

Mr. Jandreau presented the Hoffman SummerWood Issue, Series C, for approval of up to \$14.5 million, which is a private placement with TD Bank. Proceeds will be used to refinance the 2007 Series B issue, upon which a direct pay letter of credit was drawn following U.S. bankruptcy proceedings involving SummerWood.

Mr. Jandreau gave a background of the independent living facility, which is owned and operated by Hebrew Life Choices. In August 2016, the parent of Hebrew Life Choices, Hebrew Health Care and its affiliates applied for bankruptcy under Chapter 11, from which the entities emerged in August 2017.

Mr. Jandreau explained the financing structure and security for the transaction. The term for the loan will be 30-year amortization and a 7-year mandatory tender. Security provisions include a first mortgage on the SummerWood campus, collateral assignment of leases and rents, all reserve accounts will be moved to TD Bank to serve as collateral, and there will be a limited guarantee from the Hebrew Healthcare Foundation, limited to \$1.0 million.

The Bank has will not require a debt service reserve fund for the Series C issue, but has proposed two financial covenants, a minimum debt service coverage ratio of 1.25 times and a minimum debt service coverage ratio post-distributions of 1.10 times, and a maximum loan to value of 75% to be tested upon a default or material adverse change.

Dr. Lisi requested a motion to approve Resolution #2017-18, Hoffman SummerWood Issue, Series A, which was included in the board meeting materials. Dr. Lopez moved to approve Resolution #2017-18 and Ms. Rubin seconded the motion.

A discussion ensued.

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

**Middlesex Hospital Issue, Series Q**

Mr. Jandreau presented the Middlesex Hospital Issue, Series Q, for approval of up to \$12 million, which is a private placement with TD Bank. The Obligated Group will consist of Middlesex Health System, Middlesex Hospital and Middlesex Health Services. The Hospital is currently rated “A3” from Moody’s with a Stable Outlook (downgraded June 2016 from “A2”), and has three outstanding bond issues totaling \$52.7 million. The proceeds of the bonds will be used to advance refund a portion of the Hospital’s 2011 Series N Issue with a call date of July 1, 2021. The net present value savings is expected to be approximately \$611,000.

Mr. Jandreau explained the security and financing structure of the transaction. A minimum debt service coverage ratio of 1.10 times will be required for the Series Q issue for the annual financial covenant under the Master Trust Indenture. In the event the Hospital fails to meet any of its covenants, the interest rate on the bonds will increase to equal the contract rate plus 4.0%.

Dr. Lisi requested a motion to approve Resolution #2017-19, Middlesex Hospital Issue, Series Q, which was included in the board meeting materials. Ms. Rubin moved to approve Resolution #2017-19 and Mr. Varholak seconded the motion,

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

**Sacred Heart University Issue, Series I & J**

Mr. Morris presented the Sacred Heart University Issue, for up approval of to \$195 million for the Series I and up to \$65 million for the Series J. The Series I offering will be sold as a public bond issue (with both tax-exempt and taxable sub-issues) and the Series J offering will be a direct placement with People's United Mini Finance Corp. a subsidiary of People's United Bank. Series I proceeds will finance all the new money projects, and the refunding of the University's 2012 Series H bonds. The direct placement (also with tax-exempt and taxable portions) will include a 15-year optional tender by the bank and a 24-year amortization. Series J proceeds will refund the 2003 Series F and 2011 Series G bond issues.

Mr. Morris explained both portions of the Series J issue will be structured as a variable rate both with a swap to a fixed rate, based on the LIBOR index. He noted a potential tax issue with the interest rate swap in matching the term and interest rate of the advance refunding. Mr. Taylor explained that for a variable rate advance refunding, the index used on the bonds must match the index used in connection with the swap for the entire escrow period. However, use of the LIBOR rate index will expire in 2021, and the term on the escrow extends to 2022. Other structures are being considered to avoid using the LIBOR index, such as a different rate index,

or reallocating portions of the new money proceeds from tax-exempt to taxable, to the private placement series. Staff is amending its recommendation and authorizing resolutions to allow for the reallocation of the project schedules regarding the interest rate index matter, if necessary. There will be no change to the TEFRA notice, because there is no change in the projects being financed, just the potential reallocation between the two bond issues.

Mr. Morris reported that ratings for the Series I issue are expected tomorrow, with no change in the University's rating anticipated. Sacred Heart is rated A- by Standard & Poor's and A3 by Moody's.

Mr. Morris reviewed the updates to the memo presented last month, which included the most recent enrollment data for undergraduate and graduate students, and final FYE 2017 endowment figures.

A brief discussion ensued.

Dr. Lisi requested a motion to approve Resolution #2017-20, Sacred Heart University Issue, Series I & J, which was included in the board meeting materials. Ms. Rubin moved to approve Resolution #2017-20 and Resolution #2017-21, and Dr. Lopez seconded the motion.

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

Ms. Rubin asked if the Board meeting dates for 2018 have been sent to Members. Ms. Weldon replied that the 2018 schedule would be distributed at the November meeting. Mr. Biancamano asked if the schedule could be sent out sooner than the November meeting.

**ADJOURNMENT**

There being no further business, at 2:28 p.m., Dr. Lopez moved to adjourn the meeting and Ms. Rubin seconded the motion.

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

**AYES**

John Biancamano  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

Respectfully submitted,

Jeanette W. Weldon  
Executive Director

October 18, 2017