STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Annual Board Meeting

September 13, 2017

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, September 13, 2017.

The meeting was called to order at 1:41 p.m. by Dr. Peter Lisi, Chairman of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT:	John M. Biancamano, Vice Chair Patrick A. Colangelo Robert S. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary) Elizabeth C. Hammer Barbara B. Lindsay, Esq. Dr. Peter W. Lisi, Chairman Dr. Estela Lopez Barbara Rubin Mark Varholak
ABSENT:	Sarah K. Sanders (Rep. Honorable Denise L. Nappier, State Treasurer)
ALSO PRESENT:	Jeanette W. Weldon, Executive Director Denise Aguilera, General Counsel Robert Blake, Network & Data Architect Daniel Kurowski, Financial Analyst, Arbitrage Andrew Kwashnak, Systems & Data Analyst Eileen MacDonald, Sr. Transaction Specialist JoAnne N. Mackewicz, Controller Michael F. Morris, Managing Director Cynthia D. Peoples, Managing Director Debra M. Pinney, Manager of Administrative Services 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 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[1] Laurie Hall, Esq., Hawkins, Delafield & Wood LLP[2] Susan Henebry, Esq., Carmody Torrance Sandak & Hennessey LLP[3] Thomas S. Marrion, Esq., Partner, Hinckley, Allen & Snyder LLP[4] Joshua Nyikita, Managing Director, Acacia Financial Group, Inc.[5] 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 H. Zucker, Managing Partner, Carmody Torrance Sandak & Hennessey LLP[6]

MINUTES

Dr. Lisi requested a motion to approve the minutes of the July 19, 2017 meeting of the Board of Directors, which was included in the meeting materials. Ms. Hammer moved for approval of the minutes, which was seconded by Mr. Dakers

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

AYES	NAYS	ABSTENTIONS
John Biancamano	None	Patrick Colangelo[7]
Elizabeth Hammer		Robert Dakers
Barbara Lindsay		Dr. Estela Lopez
Dr. Peter Lisi		Barbara Rubin
		Mark Varholak

[1] Ms. Gittens 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. Henebry 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.
[5] Mr. Nyikita participated in the meeting via conference telephone that permitted all parties to hear each other.
[6] Ms. Zucker participated in the meeting via conference telephone that permitted all parties to hear each other.
[7] Mr. Colangelo abstained from voting as he did not attend the July 19, 2017 Board meeting.

Dr. Lisi announced the re-appointment of Dr. Estella Lopez until June 30, 2022 and he congratulated her.

ELECTION OF VICE CHAIR

Dr. Lisi requested a motion to re-elect Mr. John Biancamano as Vice Chair of the Board of Directors. Ms. Rubin moved to re-elect Mr. John Biancamano as Vice Chair and Mr. Colangelo seconded the motion.

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

AYES	NAYS	ABSTENTIONS
John Biancamano	None	None
Patrick Colangelo		
Robert Dakers		
Elizabeth Hammer		
Barbara Lindsay		
Dr. Peter Lisi		
Dr. Estela Lopez		
Barbara Rubin		
Mark Varholak		

CURRENT AND PENDING BOND ISSUES

Financing Forecast and Summary of Financings

Ms. MacDonald reported on three new financings: (1) Alzheimer's Resource Center of CT, Inc. Issue, Series A for approximately $12 million, which is a private placement with Key Bank to refinance their commercial loan, which will be presented in October. (2) Middlesex Hospital Issue, Series Q for approximately $12 million, which is also a private placement with TD Bank to partially refund their 2011 Series N issue, which will also be presented in October. (3) Harold Leever Cancer Center, which is an EasyLoan private placement with a division of Webster Bank for approximately $1.8 million for a PET/CT scanner and buildout. Harold Leever has had two leases with the Authority in the past.

There are no new closings to report.

<u>Interest Rate Update</u>

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

<u>Market Rate Update</u>

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

<u>EXECUTIVE DIRECTOR'S REPORT</u>

Mr. Morris reported that Trinity Health is in the planning stage to issue 12 series of bonds in nine states in 2018. The transaction will total approximately $600 million. This will include a $14.5 million refunding of debt for Mercy Community Health in Connecticut. Given the relatively small size of the Connecticut portion of the transaction, Trinity has requested that those bonds be combined with other series and be issued through the Michigan Authority. CHEFA would still host the TEFRA hearing for this refunding portion because Mercy is a Connecticut facility. Mr. Morris reported that the Authority made it clear that it would expect any new issues going forward to come through CHEFA, but agreed to this exception so that the current transaction could be executed efficiently. Discussion ensued.

Updates

- Ms. Weldon reported that loan originations from the CHESLA 2017 bond proceeds are strong.
- CHESLA hired a part-time student intern.
- A Request for Proposal was issued for the Connecticut Student Loan Foundation's Portfolio Administrator and that process will be concluding at the next CSLF board meeting.

FY 2018 STRATEGIC PLAN INITIATIVES

Ms. Weldon provided an overview of the FY 2018 Strategic Plan Initiatives, focusing on four themes

- *Broadening the use of the website.*
- *Broadening CHEFA's product array and client base*.
- *Engaging CHEFA at the State and the Federal Level*.
- *Maintaining organizational health*.

The specific initiatives were included in the Board mailing.

Ms. Weldon stated that she will be preparing for the next three year cycle of the Strategic Plan for FY 2019-2021. CHEFA will kick off the planning session with a staff retreat.

With regard to an initiative to compare CHEFA fees and services with other authorities, Ms. Rubin asked if this initiative should be reconsidered in the context of the state's sweep of funds as a result of the budget crisis. She also inquired as to the implications for the grant program. Ms. Weldon stated that CHEFA fees and the future of the grant program will be a part of the strategic planning process that the Authority is about to embark on for FY 2019 to 2021.

Ms. Rubin recommended reviewing the underwriting guidelines more frequently, such as not less than every three years moving forward. Ms. Weldon agreed.

PRELIMINARY STAFF MEMO

Sacred Heart University Issue, Series I & J

Mr. Morris presented the Sacred Heart University Issue, Series I & J for approximately $221 million. They have a variety of new money projects and are refunding all their CHEFA debt and refunding their line of credit that they have outstanding with Bank of America. This transaction will be issued in multiple series, public offerings and private placements, with possibly two banks, both on a tax-exempt and taxable basis.

Mr. Morris provided some background information on the University. Recently in March, the University signed a Management Agreement with Saint Vincent's College for a possible future consolidation to combine new clinical opportunities in nursing and radiology. Sacred Heart currently has three issues outstanding totaling approximately $89 million. The University was upgraded to an "A" rating from a "BBB+" rating by Standard and Poor's in December 2016 with a Stable Outlook. In June 2017, Moody's upgraded the University to an "A3" rating from a "Baa1" rating with a Stable Outlook.

The Series I bonds will be issued to finance the new money project and to refund the outstanding Series H bonds. The Series J proceeds will be used to refund the Series F and G bonds and the Chapel Construction Loan.

The new money project consists of the following:

- $29.8 million Martire Business and Communications Center
- $25.1 million Bergoglio Hall
- $45 million Center for Healthcare Education
- $8 million Toussaint Hall
- $15 million Athletic Building
- $5 million Radio Station / Public Safety Building & other projects
- $13.1 million Residence Hall project (phase 2) – Upper Quad

Mr. Morris explained that with the refunding, the University will generate approximately $459,000 per year, although one of the issues, the 2012 Series H, will not produce any savings, but the University wants to refund it because the issue is with Assured Guaranty and the University wants to refund all their debt. Mr. Morris reported that the reason for the taxable issues on the financing structure is because the 2011 Series G issue and the 2012 Series H issue, based on their history, each one had an advanced refunding and they only can have one advanced refunding. Both will be refunded on a taxable basis and 95% of the Series G issue will be done on a tax-exempt basis and only 30% of Series H issue will be on a tax-exempt basis.

Mr. Morris reviewed the University's credit and student demand. The University's enrollment has been growing on the undergraduate and graduate levels. Moody's cites that this enrollment is very favorable considering the competitive Northeast environment. The University is looking to open three new recruitment offices to focus on full-time undergraduate enrollment.

Mr. Morris stated that the University's key credit strength is their financial performance although they heavily rely on their tuition and auxiliary revenues. Their operating performance has been very favorable with strong double digit operating margins. Sacred Heart's operating cash flow is very favorable and they have a very favorable debt service coverage ratio. Mr. Morris reported that liquidity is not as strong as Moody's A median metrics, as well as their peers.

The University, recently, successfully completed a $30 million capital campaign. Annual gift revenue has increased over the past five years, although the alumni participation has declined.

More information will be presented at the October 18 Board meeting when the issue is presented for approval.

A discussion ensued.

COMMITTEE REPORT

Audit-Finance Committee Report

Mr. Biancamano reported that the BerryDunn consultants presented their audit on three areas this past year: CHEFA Wire Transfer Process, CHEFA Child Care Loan Programs and the CSLF Bond Redemptions. The audits were rated adequate or satisfactory by the consultants, satisfactory being the highest rating an organization can obtain. The independent auditors, CohnReznick presented a preliminary draft audit of the FY 2017 Financial Statements as of June 30, 2017. There were no comments on internal controls and everything went well pertaining to the audit.

Mr. Biancamano reported that the Committee unanimously approved both sets of reports and he requested a motion for the Board to accept both reports. Dr. Lopez moved to accept both reports and Ms. Rubin seconded her motion.

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

AYES	NAYS	ABSTENTIONS
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

Mr. Biancamano stated that the revenue portion of the budget was reviewed for FY 2018 and he requested a motion to approve the revenue piece of the budget, along with the child care program expenses, which would leave program related expenses for the grant program as the only item open for approval at a later date. The non-program related expense portion of the budget was approved at the July board meeting.

Ms. Rubin moved to approve the FY 2018 revenue budget along with the child care program expenses and Ms. Hammer seconded her motion.

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

AYES	NAYS	ABSTENTIONS
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

Mr. Biancamano also reported that the Committee reviewed the revisions to the investment policy and also recommended that the investment policy apply to CHESLA and CSLF's operating accounts. The Committee approved the revisions to the investment policy and also approved the investment policy for CHESLA and CSLF's operating accounts.

GRANT PROGRAM PROPOSED POLICY CHANGES

Dr. Lopez reported that on September 8, 2017 the Board met for a half day retreat to discuss strategic planning initiatives for the Grant Programs. The following policy changes were discussed:

- Grants will be made to align with the four sectors of CHEFA's focus: Education, Healthcare, Childcare, and Cultural. Grant applicant organization's mission must fall within those sectors, not their project or program.
- Grant Requests for Proposal (RFP) applications will be revised to contain the language "subject to funding availability". This will be effective immediately with the FY 2018 Client Grant cycle RFP that will be posted in September.
- CHEFA will continue to fund Client and Nonprofit Grant cycles based on funding availability.
- A "three years on and one off" policy for grant recipients, which will replace the "two years on and one off" previous policy.
- There will no longer be a 10% investment requirement for Client Grant applicants to provide to their project/program. No such requirement exists for the Nonprofit Grant Program.

- Grants will be made for both capital projects and programs for both Client and Nonprofit applicants.
- The Targeted Grant Program dollars will be directed to the Pay for Success (PFS) Program. If there is not a PFS expenditure for the year, these funds will be split up between the Client and Nonprofit Grant programs.

A discussion ensued.

Dr. Lopez moved to approve the Grant Program policy changes as noted above and Dr. Lisi seconded her motion.

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

AYES	**NAYS**	**ABSTENTIONS**
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

Dr. Lisi inquired as to CHEFA's role in the current Pay For Success (PFS) proposed project in relation to the Targeted Grant Program. He had the understanding that the Authority had an advisory role as opposed to providing funding. Ms. Weldon replied that his assumptions were correct but going forward, the Targeted Grant Program funds could be used to support a Pay for

Success project if the board chose to do so, or could instead be directed toward the client or non-client grant programs.

A discussion ensued. Dr. Lisi recommended changing the last bullet as noted above to read as follows: "The Targeted Grant Program dollars *can* be directed…" from "The Targeted Grant Program dollars *will* be directed…" The Board members agreed with Dr. Lisi's recommendation.

CHEFA FINANCIAL OPERATIONS

July 2017 Financial Statements

Ms. Mackewicz reported on the financial statements for the one month ending July 31, 2017. Excess revenues over expenses before program related expenses were approximately $369,000 and approximately $362,000 after program related expenses. There were no new issuances in July. One notable item is that we redistributed the operating reserves. The Student Loans for Credit Unions has been reduced which reflects 20% of what was outstanding in December 2016. Revenues remained consistent and the State transfers have been removed from the graph.

OTHER BUSINESS

Dr. Lisi thanked and congratulated Mr. Patrick Colangelo for his 20 years of service to the Board of Directors and wished him well in his retirement. Dr. Lisi presented Mr. Colangelo with a small token of appreciation. Mr. Colangelo thanked the Board for the gift.

ADJOURNMENT

There being no further business, at 2:37 p.m., Mr. Biancamano moved to adjourn the meeting and Mr. Varholak seconded the motion.

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

AYES	NAYS	ABSTENTIONS
John Biancamano Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director