STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

January 18, 2017

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

The meeting was called to order at 1:33 p.m. by Dr. Peter Lisi, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT:

John M. Biancamano[1]
Robert S. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary)
Elizabeth C. Hammer
Barbara B. Lindsay, Esq.
Dr. Peter W. Lisi, Chair
Dr. Estela R. Lopez
Barbara Rubin
Sarah K. Sanders (Rep. Honorable Denise L. Nappier, State Treasurer)
Mark Varholak

ABSENT:

Patrick A. Colangelo

ALSO PRESENT:

Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Robert Blake, Network and Data Architect
Robert Jandreau, Sr. Finance Associate
Daniel Kurowski, Financial Analyst
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
Kate Suydam, Compliance Specialist
David Wasch, Legislative Liaison, ECE Program Specialist
of the Connecticut Health and Educational Facilities Authority

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

GUESTS:	John Brodsky, Managing Director, Fairmount Capital Advisors, Inc.[2] Meghan Burke, Esq., Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.[3] Bruce Chudwick, Esq., Shipman & Goodwin LLP Daniel Connelly, Director, Fairmount Capital Advisors, Inc.[4] Steven Donovan, Esq., Hawkins, Delafield & Wood LLP[5] Scott Gibson, Executive Director, Oppenheimer & Co, Inc. Stella Gittens, Senior Director, PFM Financial Advisors LLC[6] Shelby Lobitz, Analyst, Acacia Financial Group, Inc.[7] Thomas S. Marrion, Esq., Partner, Hinckley, Allen & Snyder LLP Christie Martin, Esq., Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.[8] Erick Russell, Esq., Pullman & Comley LLC Edward Samorajczyk, Jr., Esq., Robinson + Cole LLP Namita Shah, Esq., Day Pitney LLP Tiffany Stevens, Esq., McCarter & English, LLP Eric Taylor, Esq., Harris Beach PLLC John Yarborough, Esq., Carmody Torrance Sandak & Hennessy LLP

MINUTES

Dr. Lisi requested a motion for approval of the minutes of the November 16, 2016 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 Dr. Lopez.

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

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

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Mr. Morris reported that the Griffin Hospital transaction will close on Friday, January 20. There are four new issues on the financing forecast. Western Connecticut Health Network plans to

[2] Mr. Brodsky participated in the meeting via conference telephone that permitted all parties to hear each other.
[3] Ms. Burke participated in the meeting via conference telephone that permitted all parties to hear each other.
[4] Mr. Connelly participated in the meeting via conference telephone that permitted all parties to hear each other.
[5] Mr. Donovan participated in the meeting via conference telephone that permitted all parties to hear each other.
[6] Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.
[7] Ms. Lobitz participated in the meeting via conference telephone that permitted all parties to hear each other.
[8] Ms. Martin participated in the meeting via conference telephone that permitted all parties to hear each other.

refund Danbury Hospital's Series H bonds, which will be a private placement with JP Morgan for approximately $40 million. Odd Fellows Healthcare, Inc. plans to refinance their commercial debt and finance certain capital expenditures, for approximately $19 million. Brass City Charter School plans to acquire property from the Archdiocese of Hartford, which is taking longer than they anticipated; and Marvelwood School plans to refinance their commercial bank loan and some new money for approximately $11 million.

<u>Summary of Financings</u>

Mr. Morris reported that there were no closings since the last Board meeting.

<u>Interest Rate Update</u>

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

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

Ms. Weldon reported that Dr. Lisi's confirmation process is underway. Dr. Lisi testified to the Executive and Legislative Nominations Committee and he received unanimous support from the Committee. The entire process should be wrapped up in a few weeks.

Ms. Weldon stated that the State Auditor is at the Authority currently auditing FY 2014 and 2015 for CHEFA, CHESLA and CSLF.

The Care4kids Program is a subsidy that helps parents pay for after school programs and childcare programs. They were in the news recently because they are a target for some budget cuts that are expected to be proposed by the Governor. This could have an impact on some of CHEFA's childcare providers that have issued bonds through the CHEFA childcare program. Ms. Weldon asked Mr. Wasch to comment on the program.

Mr. Wasch summarized the issue and impact on approximately 5,000 children in the childcare program. The federal rules for the Care4kids Program changed which kept parents in the program longer, and in turn, expanded the expense of the program. The cost of the program rose faster than what originally was budgeted. Now there is a shortage within the program which caused them to close the program to new children. Essentially, this means reduced revenue for the childcare centers. CHEFA's role, for those who have issued bonds through the childcare program, is to monitor the health of these organizations. Mr. Wasch has discussed the various implications of this with members of the Legislature and he will keep the Board apprised with updates on this situation as needed. Ms. Sanders pointed out that the CHEFA bondholders will not be at risk because debt service on these bonds is paid by the State. This issue will not have an impact on the bond ratings. Further discussion ensued.

Ms. Weldon stated that Ms. Fontaine resigned from her grant coordinator position at the Authority and the position has been posted on various websites until the end of January. To date, Ms. Weldon has received approximately 27 resumes and there are potentially five interview candidates. Ms. Weldon stated that interviews will be scheduled in early February and she plans to fill the position by end of February or early March.

Ms. Weldon reported that she met with Senator Beth Bye who is returning to her role as co-chair of the Higher Education Committee.

Ms. Weldon is serving as a Subject Matter Expert with the Municipal Securities Rulemaking Board (MSRB) for a free webinar guiding infrequent issuers on how to issue debt.

FY 2017 Strategic Initiatives Status Report

Mr. Morris and Ms. Peoples reviewed the status of the initiatives on the Status Report for the FY 2017 Strategic Initiatives.

Pay for Success Program Proposal

Ms. Weldon summarized the major points of the proposal previously mailed to the Board. Ms. Weldon stated that she is seeking Board consensus on moving forward with information gathering and assessment of client interest in this type of financing. Pay For Success is a collaborative model engaging the public, private and not-for-profit sectors to develop and implement social service programs. The basic premise of the model is that there is a significant problem that needs to be solved by a governmental entity and the lack of a solution is creating additional costs. An intervention offered by a service provider (typically a 501(c)(3) entity) is identified as a solution, but implementing the intervention requires funding. Socially conscious investors are solicited to fund implementation of the service provider's program, knowing that they will only be repaid if the intervention is successful and creates cost savings. CHEFA's role in a Pay For Success Program would be that of an Intermediary. This is a role that builds on CHEFA's existing skill sets in transaction management and grant assessment. CHEFA would be soliciting funding through an RFP process, but would not be required to provide funding from its own sources. CHEFA's grant program experience will allow CHEFA to evaluate the programs and providers whose services might be suitable for Pay For Success financing. CHEFA's compensation for its services would be a cost of issuance for the transaction.

Ms. Weldon stated that beyond the current strategic plan, developing a Pay For Success program at CHEFA is consistent with the organization's Mission and Vision. Management proposes to host a client information session on Pay For Success to which board members will be invited. This outreach to our clients will provide an opportunity to educate them on this potential funding source, as well as a chance for CHEFA to learn about the level of demand for this financing structure. After that session and appropriate follow-up, if a potential project is identified, management will return to the CHEFA board with a project specific proposal.

Ms. Weldon proposed that the Authority staff continue its research on the Pay For Success model.

A discussion ensued.

The Board provided a consensus for Authority staff to continue to research on the Pay For Success model and present the Board with a pilot program proposal in the next few months.

CHESLA UPDATE

Ms. Weldon reported that CHESLA has approximately $121 million in student loans outstanding for the traditional in-school product and approximately $137 million in bonds outstanding. The average loan size for the in-school loan product is $10,000 and the fixed rate is 4.95%. Most of the bond proceeds from the bonds issued last spring have been used with approximately $2 million in equity available at the 4.95% loan rate. CHESLA is expected to issue another bond deal in the spring in conjunction with approximately a $15 million refunding. Ms. Weldon stated that in the bond market, rates are expected to increase which could potentially result in a higher loan rate.

On the refinance side, CHESLA's $5.5 million pilot program is underway to refinance existing student loans that are already in repayment. Since last July, CHESLA has loaned approximately $1.6 million. The average loan size is approximately $50,000.

CHESLA has established a working group to create a financial literacy portal. A demonstration will be made to the Treasurer's Office on Friday, January 20, 2017. The plan is to have a press conference on February 2, 2017.

AUTHORIZING BOND RESOLUTIONS

Hopkins School Issue, Series D

Mr. Jandreau recommended for approval the Hopkins School Issue, Series D a private placement with TD Bank, N.A. for up to approximately $14.5 million.

Mr. Jandreau reported that Hopkins is a nonprofit, tax-exempt coeducational college-preparatory day school located in New Haven. It is the oldest educational institution in Connecticut and the third oldest independent school in the United States. For academic year 2016-17, they had 714 students enrolled in grades seven through twelve. Hopkins has two bond issues outstanding totaling approximately $13.5 million. The School's original intent was to refund both Series B and C, but after further analysis, they will not refund Series C. As a result, the School will be issuing approximately $8.52 million of new bonds out of the $14.5 million. The Series B bond issue will be callable on July 1, 2018.

Mr. Jandreau explained the financing structure and financial covenants and added that the security for the Series D bonds will include a pledge of gross receipts and a negative pledge on the School's campus. The School will achieve approximately $1 million in net present value savings on this transaction.

Dr. Lisi introduced Resolution #2017-01, Hopkins School Issue, Series D, authorizing, which resolution was included in the Board mailing. Ms. Rubin moved for adoption of Resolution #2017-01. Dr. Lopez 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 Sarah Sanders Mark Varholak	None	None

Loomis Chaffee School Issue, Series I

Mr. Morris recommended for approval the Loomis Chaffee School Issue, Series I, a private placement offering for approximately up to $25 million with Farmington Bank, and the Savings Institute Bank and Trust Company, the participant, through the purchase of participation interest (up to 39% of total).

Mr. Morris stated that the School is seeking to advance refund their 2008 Series G bond issue, which is callable July 1, 2018.

Mr. Morris explained the financing structure financial covenant provisions and security requirement which will consist of a gross receipts pledge.

Dr. Lisi introduced Resolution #2017-02, Loomis Chaffee School Issue, Series I, authorizing, which resolution was included in the Board mailing. Dr. Lopez moved for adoption of Resolution #2017-02. Ms. Hammer 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 Sarah Sanders Mark Varholak	None	None

Trinity College Issue, Series P – Amended

Mr. Morris reported that the Board approved Trinity’s Series P issue in November in the amount not to exceed $23 million. The bank direct purchase with Citizens Bank closed in December and the proceeds were to be used to finance all or a portion of a number of various capital improvement projects. The College decided to repurpose one of the proposed projects which their Board approved in October. This project was not identified in the original TEFRA notice. Bond Counsel determined that a new TEFRA Hearing and approval was needed and the TEFRA Hearing took place on December 14, 2016 with no members of the public attending.

Mr. Morris recommended approval of the amended resolution for the Series P project.

Dr. Lisi introduced Resolution #2017-03, Trinity College Issue, Series P, authorizing, which resolution was included in the Board mailing. Ms. Rubin moved for adoption of Resolution #2017-03. Dr. Lopez 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 Sarah Sanders Mark Varholak	None	None

ANNUAL COMPLIANCE REPORT

Ms. Suydam, the Authority's Compliance Specialist, provided an update on borrower compliance reporting results for FYE June 30, 2016 and an update on the period ending September 30, 2016.

GRANT COMMITTEE REPORT

Dr. Lisi reported that the Grant Committee met before the Board meeting and nominated and unanimously approved Dr. Estela Lopez as Chair of the Grant Committee.

Dr. Lisi turned the floor over to Mr. Wasch to explain staff's recommendation for the Targeted Grant Program. Staff recommended a specific area of focus for the Targeted Grant Program this year, which is improving access to treatment services for opioid addiction. The Authority is seeking to solicit an application from the United Way of Connecticut in this regard. Mr. Wasch stated that the Authority is seeking to obtain an application from the United Way by March for a presentation to the Grant Committee. The Board will then consider whether to approve the $250,000 award of the targeted grant. If the application is not approved, the funds could be rolled into the Nonprofit Grant Program.

Ms. Rubin left the meeting at 2:37 p.m.

Dr. Lisi thanked Mr. Wasch for his report.

CHEFA FINANCIAL OPERATIONS

November 2016 Financial Statements

Ms. Mackewicz provided the Board with a copy of the revised balance sheet and explained the revisions.

She reported on the financial statements for the five months ending November 30, 2016. Excess revenues over expenses before program related expenses were approximately $1.8 million and approximately $1 million after program related expenses.

Revenues were over budget year-to-date by approximately $124,000 and expenses were under budget year-to-date by approximately $95,000.

ADJOURNMENT

There being no further business, at 2:40 p.m., Ms. Lindsay moved to adjourn the meeting and Dr. Lopez seconded his motion.

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

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

Respectfully submitted,

Jeanette W. Weldon
Executive Director