

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

July 18, 2018

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, July 18, 2018.

The meeting was called to order at 1:31 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
Michael Angelini
John M. Biancamano, Vice Chair
Robert S. Dakers (Designee for Benjamin B. Barnes, OPM Secretary)
Elizabeth C. Hammer¹
Barbara B. Lindsay, Esq.²
Dr. Estela Lopez
Christopher P. Martin (Designee for Denise Nappier, Treasurer)
Barbara Rubin³
Mark Varholak

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 Peoples, Managing Director
Debra M. Pinney, Manager, Administrative Services
Jennifer Smyth, Legal Services Specialist
David Wasch, Government Programs Specialist/Legislative Liaison
Betty S. Weintraub, Grant Manager

of the Connecticut Health and Educational Facilities Authority
GUESTS: Bruce Chudwick, Esq., Shipman & Goodwin LLP
Catherine Dangremond, Director, Clinical Integration & Population Health,
Yale New Haven Health
D. Scott Gibson, Executive Director, Oppenheimer & Co., Inc.

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

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

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

Stella Gittens, Senior Director, PFM Financial Advisors LLC⁴
 Laurie Hall, Esq., Hawkins, Delafield & Wood LLP⁵
 Joshua Hurlock, Assistant Director, CHESLA
 Jessica Kennedy, Esq., Pullman & Comley LLC
 Shelby Lobitz, Analyst, Acacia Financial Group, Inc.⁶
 Thomas Marrion, Partner, Hinckley Allen
 Glenn Rybacki, Esq., Robinson + Cole
 Edward Samorajczyk, Jr., Esq., Robinson + Cole LLP
 Eric Taylor, Esq., Harris Beach PLLC
 Jane Warren, Esq., McCarter & English, LLP
 Ann Zucker, Esq., Carmody Torrance Sandak & Hennessey LLP⁷

MINUTES

Dr. Lisi requested a motion to approve the minutes of the June 20, 2018 meeting of the Board of Directors. Mr. Varholak moved for approval of the minutes, which was seconded by Dr. Lopez.

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

| <u>AYES</u> | <u>NAYS</u> | <u>ABSTENTIONS</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------|
| Michael Angelini John Biancamano Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Christopher Martin Barbara Rubin Mark Varholak | None | Robert Dakers |

PRESENTATION: POPULATION HEALTH MANAGEMENT

(Catherine Dangremond, Director, Clinical Integration & Population Health, Yale New Haven Health)

Mr. Morris introduced Ms. Dangremond. Ms. Dangremond provided key background information on population health management; value-based care in Connecticut and key trends.

Dr. Lisi thanked Ms. Dangremond for her presentation and she left the meeting at 2:05 p.m.

⁴ Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.
⁵ Ms. Hall participated in the meeting via conference telephone that permitted all parties to hear each other.
⁶ Ms. Lobitz participated in the meeting via conference telephone that permitted all parties to hear each other.
⁷ Ms. Zucker participated in the meeting via conference telephone that permitted all parties to hear each other.

CURRENT AND PENDING BOND ISSUES

Financing Forecast and Summary of Financings

Mr. Jandreau reported that there were no new issues on the financing forecast this month. He provided the following updates:

- Concerning the Community Health Center, CHEFA is working with the borrower to coordinate the transaction.
- Cornell Scott-Hill Health Corporation and the University of New Haven will be seeking reauthorizations of previously expired bond resolutions.
- The underwriter is still working with the borrower, Mary Wade Home, on the economics of the transaction.
- The Brass City Charter School transaction was delayed because of certifications and permits and is expected to close on July 24, 2018.
- Taft School issue, Series K, will be presented today.

Mr. Jandreau reported that one transaction closed since the last Board meeting: Yale University, Series 2018A, which was a remarking issue for the University's Series 2015A, which closed on July 2, 2018.

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.

REVIEW OF THE FY 2018 STRATEGIC PLAN INITIATIVES

Ms. Weldon provided a brief overview of the FY 2018 strategic plan initiative accomplishments as of June 30, 2018, which was distributed with the meeting materials.

EXECUTIVE DIRECTOR'S REPORT

Client Updates

Mr. Morris provided the following client updates:

- Southfield Children's Center – The Center hired a consultant and he is conducting his fieldwork. CHEFA should receive his report by mid-August. The Office of Early Childhood is also assisting the facility.
- Path Academy Charter School – The School surrendered its charter. CHEFA is scheduled to meet with Our Piece of the Pie, the Obligor, and Webster Bank, who is the purchaser, next week to review the plans to occupy the site for other educational purposes.
- Yale New Haven Health – At the end of June, Lawrence + Memorial Hospital became an official member of the Yale New Haven Health Obligated Group. In doing so, they defeased two of their bond issues and left one bond issue outstanding. Greenwich Hospital is in the process of becoming a member of the Obligated Group, which be finalized this summer.
- New issues – The University of Saint Joseph is looking to move forward with their athletic center expansion and renovation of some residence halls, along with capital expenditures. They are anticipating a public offering and timing will be some time in the fall. The Covenant Village of Cromwell is seeking to finance approximately \$52 million to expand its facility. This will be part of a multi-state offering for approximately \$125 million with other affiliates of Covenant Retirement Communities. The financing will be presented to the Board in September on a preliminary basis. Mr. Morris reported that he, Ms. Weldon and Mr. Jandreau will be meeting with the Shubert Theater on Monday.

CHESLA Updates

Mr. Hurlock provided an update on the following CHESLA programs: In-school Loan Program; Refi CT Loan Program and the Need-based Scholarship Program.

Ms. Lindsay and Mr. Biancamano left the meeting at 2:30 p.m.

Other Updates

Ms. Weldon stated that last month, CHEFA held a very successful FY 2018 Nonprofit grant award presentation and she turned the floor over to Ms. Weintraub. Ms. Weintraub reported on the grant check award presentation breakfast held on June 27, 2018 and displayed a video clip of some of pictures taken at the breakfast. Ms. Weintraub thanked Mr. Rob Blake and Mr. David Wasch for their assistance in the video clip and still photography.

Dr. Lisi stated that the presentation breakfast was a great event and encouraged other board members to attend in the future. Dr. Lopez commented that the organizations were very thankful that CHEFA funds equipment and the organizations were very moved to hear what the other nonprofit organizations are doing.

Ms. Weldon reported that CHEFA is researching the feasibility of creating a New Markets Tax Credit Program, which encourages investments in certain projects by a provision of a federal tax

credit. The Massachusetts Authority has such a program, which has been successful for approximately 15 years. Often times it has been used in conjunction with tax-exempt bonds.

Ms. Weldon stated that there will be some additional Board education, starting in September.

LEGISLATIVE REVIEW

Mr. Wasch provided an update on key legislative issues in FY 2018 and expectations for FY 2019.

CHEFA FINANCIAL OPERATIONS

May 2018 Financial Statements

Ms. Mackewicz reported on the financial statements for the eleven months ending May 31, 2018. Excess revenues over expenses before program related expenses were approximately \$4.4 million and approximately \$1.6 million after program related expenses. Ms. Mackewicz stated that she booked the grant expenses that were approved in May. Total revenues were approximately \$290,000 over budget and expenses were approximately \$284,000 under budget.

AUTHORIZING BOND RESOLUTIONS

Cornell Scott-Hill Health Corporation Issue, Series A

Mr. Jandreau presented the reauthorization of the December 5, 2017 Bond Resolution for Cornell Scott-Hill Health Corporation Issue, Series A, which expired on May 31, 2018. This issue is a private placement with Capital One Bank, not to exceed \$10 million, to refinance existing debt and new money. The Center has completed all of its environmental remediation requested by the Bank.

Mr. Jandreau provided some background information on the Center. Proceeds will be used to refinance the existing City of New Haven, Connecticut Facility Revenue Bonds, Series 2006; renovate and additions to properties owned or operated by the Center.

Mr. Jandreau explained the financing structure and security for the transaction. The financial covenants proposed by the Bank are a minimum debt service coverage ratio of 1.25 times to be tested on a rolling 12-month basis and minimum days cash on hand equal to 35 days to be tested semi-annually on a rolling 12-month basis.

Dr. Lisi requested a motion to approve the reauthorization of the December 5, 2017 Bond Resolution, Resolution #2018-07, Cornell Scott-Hill Health Corporation Issue, Series A. Mr. Varholak moved to approve Resolution #2018-07 and Dr. Lopez 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 Robert Dakers Dr. Peter Lisi Dr. Estela Lopez Christopher Martin Barbara Rubin Mark Varholak | None | None |

Taft School Issue, Series K

Mr. Jandreau presented the Taft School Issue, Series K, for up to \$23.5 million, an unenhanced public offering to refund their 2000 Series E and 2015 Series J variable rate bonds. The fixed-rate Series K bonds will be unenhanced and issued based on the School’s underlying credit rating.

Taft School maintains ratings of “AA-“ and “Aa3” by Standard & Poor’s and Moody’s, with Stable Outlooks anticipated from both agencies. The School has a very strong applicant pool and selectivity is favorable while matriculation rates have been steady. For the upcoming FY 2018/19 fiscal year, the School is expecting to enroll a record 605 students. Day student enrollment has fallen due to socio-economic demographics.

Mr. Jandreau reported that total financial resources are strong and expendable resources provide adequate cushion for debt and operations. The School has had a favorable operating performance over the past five years with operating surpluses, while maintaining the endowment spending rate at or below the industry standard. Operating cash flow provides adequate pro forma debt service coverage and annual giving has been consistently strong. One slight concern is that the School’s maximum annual debt service burden is high at 7.3% for FY 2017 operations, based on what Moody’s has cited in the past. However, issues that came to market in 2012 and 2015 with Series I and J transactions, this metric stood at 11.5% and 10% respectively. This metric has improved over time. Moody’s would like to see this level below 5%.

Mr. Jandreau stated that Taft has approximately \$37 million in debt outstanding. With the issuance of the Series K bonds, it is the intent of the School to secure a fixed rate on their variable rate debt that is outstanding. In doing so, the School will eliminate the risk of variable rate bonds and also eliminate put risk that is associated with the direct purchase transaction. The Series K bonds will be issued on a parity basis with existing bond issues and will include provisions such as a general obligation pledge, a lien on gross receipts and a springing debt service coverage ratio of 1.25 times, if the School is rated below its current level. A debt service fund will not be required. The Series K will be a fixed rate with a 19-year amortization, with an interest only period through July 2022, with a final maturity in 2037. Given their strong reputation

and consistent operating performance results, Mr. Jandreau requested approval of this transaction.

Dr. Lisi requested a motion to approve Resolution #2018-08, Taft School Issue, Series K. Mr. Martin moved to approve Resolution #2018-08 and Ms. Rubin 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 Robert Dakers Dr. Peter Lisi Dr. Estela Lopez Christopher Martin Barbara Rubin Mark Varholak | None | None |

University of New Haven Issue, Series K

Mr. Morris presented the reauthorization of the February 21, 2018 Bond Resolution, which expires on August 31, 2018, for the University of New Haven Issue, Series K, Proceeds will be used for the construction of the new academic building. The total project is estimated at \$45 million and the University will be contributing \$20 million from cash and capital campaign funds. The University is expecting to pay down \$10 million of the Series K issue after five years. Mr. Morris stated that demand metrics look good for the Fall of 2019 and based on preliminary results, the University will have a positive operating surplus for this year. Mr. Morris added that the terms and representations in the memo as presented in February remain the same.

Dr. Lisi requested a motion to approve the reauthorization of the February 21, 2018 Bond Resolution, Resolution #2018-09, University of New Haven Issue, Series K. Dr. Lopez moved to approve Resolution #2018-09 and Mr. Martin seconded the motion.

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

AYES

Michael Angelini
Elizabeth Hammer
Robert Dakers
Dr. Peter Lisi
Dr. Estela Lopez
Christopher Martin
Barbara Rubin
Mark Varholak

NAYS

None

ABSTENTIONS

None

ADJOURNMENT

There being no further business, at 3:05 p.m., Dr. Lopez moved to adjourn the meeting and Mr. Angelini seconded the motion.

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

AYES

Michael Angelini
Elizabeth Hammer
Robert Dakers
Dr. Peter Lisi
Dr. Estela Lopez
Christopher Martin
Barbara Rubin
Mark Varholak

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director