FINAL

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

January 15, 2020

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, January 15, 2020.

The meeting was called to order at 1:37 p.m. by Peter W. Lisi, Chairman of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: Peter W. Lisi, Chairman
Michael Angelini, Vice Chair[1]
Lawrence Davis
Anne Foley (*Designee for Melissa McCaw, OPM Secretary*)
Barbara B. Lindsay, Esq.
Dr. Estela R. Lopez
Sheree Mailhot (*Designee for CT State Treasurer Shawn T. Wooden)*
Susan Martin
Barbara Rubin[2]

ABSENT: Mark Varholak

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Debrah Galli, Manager, Administrative Services
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Daniel Kurowski, CHEFA CDC Program Manager
Eileen MacDonald, Sr. Transaction Specialist
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director
Cynthia D. Peoples-H., Managing Director
Kara Stuart, Administrative Services Assistant
Betty Sugerman Weintraub, Grant Program Manager
of the Connecticut Health and Educational Facilities Authority

GUESTS: Bruce Chudwick, Esq., Shipman & Goodwin LLP
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP[3]
Jessica Grossarth Kennedy, Partner, Pullman & Comley LLC
Megan Krementowski, Intern, OPM, Guest of Anne Foley
Joshua Nyikita, Managing Director, Acacia Financial Group, Inc.
Thomas Marrion, Esq., Partner, Hinckley Allen

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[1] Mr. Angelini participated in the meeting via conference telephone that permitted all parties to hear each other.
[2] Ms. Rubin participated in the meeting via conference telephone that permitted all parties to hear each other.
[3] Ms. Hall participated in the meeting via conference telephone that permitted all parties to hear each other.

David Orise, Relationship Manager, Vice President, TD Bank N.A.
Edward Samorajczyk, Jr., Esq., Robinson + Cole LLP
Tiffany Stevens, Esquire, McCarter & English, LLP[4]
Eric Taylor, Esquire, Harris Beach PLLC
Andy Webster, Vice President, Sr. Relationship Manager, TD Bank N.A.
Ann Zucker, Managing Partner, Carmody Torrance Sandak & Hennessey[5]

MINUTES

Mr. Lisi requested a motion to approve the minutes of the December 18, 2019 meeting of the Board of Directors. Dr. Lopez moved for approval of the minutes, which was seconded by Ms. Rubin.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	Anne Foley
Barbara B. Lindsay, Esq.		Lawrence Davis
Peter W. Lisi		Susan Martin
Dr. Estela Lopez		
Sheree Mailhot		
Barbara Rubin		

Mr. Lisi introduced and welcomed two new CHEFA Board members, Susan Martin, CFO and Treasurer, Middlesex Health System and Lawrence Davis, Senior Vice President, Client Manager for Middle Markets, Webster Bank.

Mr. Lisi stated that Elizabeth Hammer's term had expired upon the appointment of the new board members.

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon stated that various legislative meetings continue to be scheduled in advance of the upcoming legislative session. A meeting was held on Tuesday, January 16th with State Representative Brandon McGee to present on CHEFA Community Development Corporation. A meeting is also being sought with Senator John Fonfara on the same subject. Paul Mounds suggested that meetings be set up with these two elected officials in particular to discuss the New Markets Tax Credits program as they would have particular interest for their districts.

Ms. Weldon said that a meeting is also scheduled for Tuesday, January 21st with Senator Tony Hwang. The Senator is the ranking member on the Higher Education and Employment Advancement Committee. There is also a meeting being planned with the co-chairs of the Higher Education Committee which should be finalized in the next week.

[4] Ms. Stevens participated in the meeting via conference telephone that permitted all parties to hear each other.
[5] Ms. Zucker participated in the meeting via conference telephone that permitted all parties to hear each other.

Ms. Weldon stated that CHEFA would be submitting proposed legislation for the upcoming session in the next few weeks. A preliminary meeting was held with OPM to review the proposals:

CHEFA's Proposed Legislative Agenda includes the following

- The topic of cross-border financing is something that will be revisited this session. The last proposal stated that an organization would have to be headquartered in CT in order to finance a facility out of state. Recently there was a situation with WCHN merging with a NY system, HealthQuest, headquartered in NY. Language would be created to address this and other possible scenarios.
- The board composition, according to CHEFA's statute does not provide for a representative from an independent school. Current composition rule is 2 members from healthcare, and 3 members from higher education. Language could be created to add a board member from an independent school as an option, in lieu of one of the higher education members.

CHESLA Proposed Legislative Agenda includes the following:

- Possible increase in bonds outstanding to increase the current cap of $300 million. CHESLA's outstanding bonds are currently $170 million. A cap of $500 million could provide future flexibility.
- Allowing for funding the SCRF with a letter of credit, rather than bond proceeds. Further discussion to be had with the Treasurer's Office.
- Clean up to the enabling legislation that has a limited definition of education assistance to provide more flexibility.
- STEM or other targeted loan product with reduced interest rate as a mechanism to incentivize recent graduates to work in CT. This would require state funding of the interest rate reduction.

Mr. Lisi asked what percentage of our business comprises independent schools. Mr. Morris said there are 33 independent schools out of the 108 current clients.

Ms. Weldon said that she and Josh Hurlock met with the Commissioner of the Department of Education, Dr. Miguel Cardona and Deputy Commissioner Charlene Russell-Tucker last week. Dr. Estela Lopez made the referral for this meeting. Ms. Weldon stated that the Commissioner and Deputy Commissioner are very eager to work with CHESLA to assist in building awareness of all of CHESLA's programs. There will be follow-up meetings scheduled to continue the discussion.

Ms. Weldon stated that an employment search for a new Legislative Liaison is currently underway. An outside placement agency is being used and several applicants are being reviewed at this time.

Client Updates

Mr. Morris reported:

- There are new applications in the financing forecast: Choate Rosemary Hall, which will be presented for approval today and Hamden Hall.
- There are two remarketing's for Yale University totaling $375 million, which are seeking to price next week.
- South Kent School redeemed their bonds with a JP Morgan Bank loan in December.

- The Griffin Hospital Issue closed on January 8th. Thee "BB+" credit was well received in the market on the day of pricing resulting in a favorable rate of under 4%.
- Hartford Healthcare will be pricing on January 16th.

Mr. Morris noted that the University of Bridgeport continues to struggle with enrollment, which caused the University to fail all three of its financial covenants for FY 2019. The University has $58.2 million in debt outstanding, all privately placed with Citizen's Bank.. The University has entered into a conditional waiver and modification agreement with the Bank, in which the bank will waive the defaults for FY 2019 and the the debt service coverage requirement for FY 2020. The leverage and liquidity requirement were also modified, and theBank is requiring the University to hire a consultant. They will also be required to provide monthly cash flow updates. Mr. Morris noted that the University is in the process of implementing a number of strategies to reduce expenses and increase enrollment.

Financial Report – October & November 2019
Ms. Mackewicz reported on the November 2019 Financials. She stated that the liabilities on page 4 of the packet includes $1.025 million for Grants. The unrestricted focused reserve was decreased and moved into the liabilities section. Net income is $1.7 million year-to-date before program related expenses. After non-operating income the change in net assets is $826,000. The current year variance to budget remains positive at $52,000.

Mr. Lisi asked what the CUL means under Student Loan section unrestricted. Ms. Mackewicz said that is for the credit union loan program.

Market Update
Mr. Jandreau provided an update on recent health and education issues brought to market. Mr. Jandreau reported that 2019 was a strong year in terms of supply and investment performance for the municipal market. Strong technicals led by more buyers than sellers drove investment performance while a low rate environment drove supply.

Mr. Jandreau stated that mutual fund flows recorded their highest ever inflows totaling $93.6 billion compared to the previous record of $78.6 billion in 2009. 2019 also marked the first calendar year where inflows were reported over all 52 weeks.

Mr. Jandreau said that the low interest environment sparked a taxable refunding boom in the Fall of last year which caused taxable issuance to more than double to $75 billion. Of that amount approximately 55% ($41 billion) were refundings, many of which took out tax-exempt debt. This strategy allowed issuers to circumvent the prohibition on tax-exempt advance refundings by using taxable proceeds. Lastly, of the $75 billion of taxable issuance, 90% of that supply occurred in the last 4 months of the year.

Mr. Jandreau said that looking at the transaction report, you can see the magnitude of taxable issuance that was brought to market in the last two months. $4.4 billion of the roughly $7 billion listed came in the form of taxable supply.

Mr. Davis asked if there is a trend in completing advance refunding's by using taxable proceeds. Mr. Jandreau said that there was a trend.

SALES REPORT

University of Hartford Issue, Series N & O

Mr. Lisi introduced Joshua Nyikita, Managing Director, Acacia Financial Group, Inc. who would be providing a Sales Report on University of Hartford.

On December 5, 2019 CHEFA issued $132 million Revenue Bonds, University of Hartford Issue, Series N and $1.65 million Revenue Bonds, University of Hartford Issue, Series O. The proceeds of the Series N Bonds will be used to:

1. Refund and redeem the outstanding amount of the Authority's Revenue Bonds, University of Hartford Issues, Series H, Series I, Series J, Series K, Series L and Series M.
2. Refund and redeem all of the outstanding amounts of a loan made by the Authority to the Institution under its Easy Loan Program on July 21, 2011 and March 31, 2014.
3. Finance the costs of constructing an approximately 30,000 square foot academic building with the existing Academic Quad of the Institution and certain additions, renovations and capital improvements to the Institution's properties and facilities.
4. Finance the cost of miscellaneous other construction, renovation, improvements, equipment acquisition and installation, and other capital expenditures at the Institution.
5. Pay certain costs of issuance of the Series N Bonds.

The proceeds of the Series O Bonds will be used to:

1. Pay swap termination fees from the Institution in connection with termination of existing interest rate swaps entered into connection with the Series H, J and L Bonds.
2. Pay certain costs of issuance of the Series O Bonds.

Mr. Nyikita stated that the Series N Bonds maturing on or after July 1, 2030 are callable on July 1, 2029 and the Series O Bonds are not subject to optional redemption.

Mr. Nyikita said that the Bonds were sold on Thursday, November 21, 2019. He stated that the calendar during the pre-Thanksgiving week of pricing was extremely heavy with $13.9 billion of supply coming to market. A summary of the transaction was provided by Mr. Nyikita:

1. Of note was a transaction of a $91 million Revenue and Refunding Bonds, Series 2019 transaction from the Oklahoma Development Finance Authority which sold on Wednesday, November 20, 2019. This transaction was direct competition as it was also rated BBB- and had similar structure.
2. Oppenheimer had initially proposed relatively aggressive pre-marketing spreads.
3. After the Oklahoma transaction encountered some difficulty in the market, the final credit spreads were widened.
4. The working group agreed to widen spreads by 1-10 basis points for the premarketing period.
5. On November 21, 2019, the day of the pricing the market opened with a stronger economy and Jobless Claims were higher than anticipated.
6. Oppenheimer stated that they were receiving strong interest from investors including Fidelity, T. Rowe Price and Massachusetts Financial Services Company, who was interested in the entire loan.
7. Due to the positive investor feedback, Oppenheimer suggested going out into the order period at slightly lower yields than they had shown prior to pricing with spreads to the AAA Municipal Market Data index of 52 to 141 on the 2049 term bond.
8. The group accepted Oppenheimer's recommendation.

9. The goal for the order period was to develop a solid book of business and hopefully lower yields even more at the end of the order period based on favorable subscription levels.

Mr. Nyikita went on to say that by the end of the order period, the overall subscription level of the Bonds was 10.1x. The 2021 maturity had 1.3x subscription. The 2022 through 2023 maturities had a 6-7x subscription. The 2033 through 2049 maturities, with the majority of the bonds, had the strongest levels of subscription with 10-14x. There was a significant interest in buyers that was more than expected.

The largest investors included Alliance Bernstein, BlackRock Bond Funds, build capital, Goldman Sachs Asset Management, Hartford Investment Management Company, Lord Abbett, MacKay Shields, Massachusetts Financial Services Company, T. Rowe Price, US Trust, Bank of America and Wellington Management Group.

Mr. Nyikita said that based on the levels of oversubscription, Oppenheimer recommended leaving the spread unchanged on the 2021 maturity and reducing the spreads on the 2022 through 2032 maturities by 5 basis points on the 2033 through 2049 maturities. Based on these changes, Oppenheimer received the verbal award from the Authority and Institution. The final spreads on the transaction were 34+ basis points lower on the long end of the curve compared to the Oklahoma transaction and also compared favorably versus other similarly rated transactions that sold recently. The transaction resulted in an all-in TIC of 3.544%.

Mr. Nyikita stated that the investor comments were also very positive. The University's user base and client base played a major role in driving the deal. The investor road show and investor calls also helped drive the pricing. Mr. Nyikita said that the University of Hartford is a satisfied client.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION

Canterbury School Issue, Series E

Mr. Jandreau stated that staff would like to recommend for approval up to $20.25 million for the Canterbury School Issue, Series E, a bank direct placement with Salisbury Bank. It is anticipated there will be participating banks and Salisbury is currently in discussion with Windsor Federal, People's Bank, and Liberty Bank. Windsor Federal, FNB of Suffield and Simsbury Bank were all previously participating banks.

Mr. Jandreau said that the proceeds will be used for the following:

- Refund two existing series of bonds: 2012 Series C and 2015 Series D;
- Provide bridge financing for the construction of a new 22,000 sq. ft student center; and
- Finance the purchase of a residential home to be used for faculty housing.

Mr. Jandreau said that the transaction will be structured with a 10-year final maturity and 20-year amortization at an indicative fixed rate of 2.65% and outlined these points:

- Security will be a gross receipt pledge as well as a negative pledge on fixed assets;
- The Bank will not require a debt service reserve fund;
- Covenants include a minimum DSCR of 1.25x and an unrestricted net asset to funded debt test which ramps from .9 to 1 to 1 to 1;
- The default rate for the transaction is 3.00% above the stated rate;

- The outstanding 2012 Series C comes due in 2020 and carries an interest rate of 2.66%; and
- The outstanding 2015 Series D comes due in 2035 and carries an interest rate of 3.99%.

Mr. Jandreau stated that the cost of the new Student Center, which is already under construction, will create a central gathering space for the entire school and contain academic and lab space, a café and school store. The cost of the project is approximately $17 million of which the school will be looking to bridge approximately $1.5 million of donations anticipated to come in over the next 3 years.

Mr. Jandreau said that the refunding portion of the proposed financing intends to help the school with its cash flow needs for the upcoming maturity of Series C while generating savings for the school on the Series D bonds as its interest rate will move from 3.99% to 2.65%.

Mr. Jandreau stated that Staff asks for the Board's approval of the Canterbury School Issue, Series E given the benefits of the new Student Center and the benefits gained from the refinancing of the existing bonds.

Mr. Lisi asked how Canterbury School feels about their business model. Mr. Jandreau said that it appears that the school has some issues generating income, but they have had success with enrollment. A conversation ensued.

Mr. Lisi requested a motion to approve Resolution # 2020-01, Canterbury School Issue, Series E. Dr. Lopez moved to approve the resolution and Ms. Foley seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay, Esq.		
Peter W. Lisi		
Dr. Estela Lopez		
Sheree Mailhot		
Susan Martin		
Barbara Rubin		

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION

Choate Rosemary School Issue, Series F

Mr. Jandreau stated that staff would like to recommend for approval up to $40 million for the Choate Rosemary School Issue, Series F, a fixed-rate unenhanced public offering which staff believes will be affirmed at the Aa2 credit rating by Moody's. The rating agency meeting is scheduled for January 22, 2020. Since this transaction is purely a refunding of the outstanding Series E bonds coupled with the very strong credit ratings of the School, Staff will be seeking final approval at today's meeting.

Mr. Jandreau stated that:

- The Underwriter for the transaction will be Oppenheimer, who intends to price the bonds on February 13th and close the transaction on February 27;

- In addition to refunding the outstanding Series E bonds, proceeds of the new issue will also be used to finance swap termination costs of approximately $6.93 million;
- Due to the extension of the final maturity from 2037 to 2044, and financing of the swap termination, the School will not realize any net present value savings from the transaction. However, the primary goal of the financing is to eliminate bank renewal risk of the series E private placement bonds that have a mandatory tender date of March 2, 2020 and to eliminate derivatives exposure;
- Choate's student demand performance over the past five years has been impressive with application levels, selectivity and matriculation ratios all at their strongest levels in five years;
- Operating margin and cashflow margin are above the Moody's medians and generate a very strong proforma debt service coverage ratio of more than 8 times;
- Annual giving and capital fund pledges have also been very strong. The School has been able to raise more than $90 million alone in capital fund pledges over the past five years that have been used to fund four capital projects without the issuance of additional debt;
- The School operates in a very competitive independent school environment that is also faced with a declining population of high school students and is required to make ongoing capital investments in order to maintain its elite quality of academic programs, facilities, athletics and extracurricular activities;
- Although cash and investments have grown to more than $437 million over the past 5 years, DCOH at 362 days falls well below the Moody's median of 662 days; and
- Security for the Series F bonds will be a pledge of gross receipts and a DSRF will not be required.

Staff requests the Board's final approval based on the School's high credit quality, its strong performance and on the basis of eliminating bank renewal risk and derivatives exposure for the School.

Mr. Lisi asked about the Day's Cash on Hand and a discussion ensued.

Mr. Lisi requested a motion to approve Resolution # 2020-02, Choate Rosemary School Issue, Series F. Dr. Lopez moved to approve the resolution and Ms. Foley seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay, Esq.		
Peter W. Lisi		
Dr. Estela Lopez		
Sheree Mailhot		
Susan Martin		
Barbara Rubin		

COMMITTEE REPORTS

Grant Committee

Dr. Lopez reported that the Grant Committee met today at 12:30 p.m. The purpose of the meeting was to review and recommend awards to the Board of Directors for the Fiscal Year 2020 Targeted Grant Program. The four grants that were reviewed were:

1. STRIVE Program
2. Working Cities Challenge
3. Workforce Development Council - First-Time Employment for Opportunity Youth (ages 16-24)
4. Workforce Development Council - Scale up Evidence-Based, Demand-Driven Job Training Models Statewide, an expansion of a FY 2019 Targeted Grant

Dr. Lopez said the committee voted that each organization will receive a CHEFA Grant of $250,000 for a total of $1 million being awarded.

Mr. Davis asked about the follow up on the success and tracking of the participants of the Workforce Development Council First-Time Employment for Opportunity Youth. Ms. Weintraub stated that the numbers are fluid with the training programs averaging 2-9 months. The numbers are expected to improve based on where the individuals fall in the program. A final report will be provided in May.

Ms. Foley moved to accept the Committee's recommendations for the FY 2020 CHEFA Targeted Grant Program recipients and Mr. Lisi seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay, Esq.		
Peter W. Lisi		
Dr. Estela Lopez		
Sheree Mailhot		
Susan Martin		
Barbara Rubin		

Audit-Finance Committee

In the absence of Mr. Varholak, Audit Finance Committee Chair, Mr. Lisi reported that the Audit-Finance Committee met today at 11:30 a.m. to review of the internal audit reports provided by BerryDunn; the firm contracted by CHEFA to conduct internal audits. The three reports included:

1. Information Technology Controls
2. Wire Transfers
3. Construction Fund Disbursements

Mr. Lisi reported recommendations were made by the auditors requesting additional documentation be developed for certain policies and procedures. Mr. Lisi stated that the Authority was viewed as adequate in each of the three areas.

Ms. Peoples stated that Multiview Financial has been selected as the new accounting and financial management software for the Authority. There were three finalists in the selection process and Multiview was chosen based on the available modules and ability to provide the reporting required.

RESOLUTION TO APPOINT CHEFA CDC BOARD MEMBERS
Mr. Kurowski stated that staff would like to present the resolution to appoint members of the Board of Directors for the CHEFA Community Development Corporation, where there is currently two vacant positions. Approval is being sought to appoint Lawrence Davis and Susan Martin to the CHEFA CDC Board of Directors and to direct the member designee to attend the Special Meeting of Member and to vote to adopt the resolution.

Mr. Lisi moved to approve Resolution 2020-03, Resolution to Appoint CHEFA Community Development Corporation Board Members Lawrence Davis and Susan Martin, each to serve the unexpired term of the vacant position or until his or her successor is appointed. Dr. Lopez seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay, Esq.		
Peter W. Lisi		
Dr. Estela Lopez		
Sheree Mailhot		
Susan Martin		
Barbara Rubin		

CO-MANAGER APPOINTMENT
Wells Fargo
Mr. Morris stated that he would like to clarify the motion to appoint Wells Fargo as a Co-Managing Underwriter for the Choate Rosemary Hall bond issue that was voted on at the Special Board Meeting held on December 18, 2019.

The current motion appears in the 12-18-2019 Board Minutes as such:
Dr. Lopez moved to accept Staff's recommendations for the appointment of Wells Fargo as Senior and Co-Senior Managing Underwriters for a period not to exceed three years subject to the restoration of their CRA status. The motion was seconded by Ms. Lindsay.

Mr. Morris said that the new motion will be consistent with the Treasurer's office standards and should be worded accordingly to reflect the correction. Ms. Mailhot confirmed that the wording is consistent with the Treasurer's office standards:

Motion to accept the revised wording for Staff's recommendations for the appointment of Wells Fargo as Co-Managing Underwriter for a period not to exceed three years.

Ms. Rubin moved the motion and. Ms. Lindsay seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay, Esq.		
Peter W. Lisi		
Dr. Estela Lopez		
Sheree Mailhot		
Susan Martin		
Barbara Rubin		

ADJOURNMENT

There being no further business, at 2:19 p.m., Dr. Lopez moved to adjourn the meeting and Ms. Foley seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Barbara B. Lindsay, Esq.		
Peter W. Lisi		
Dr. Estela Lopez		
Sheree Mailhot		
Susan Martin		
Barbara Rubin		

Respectfully submitted,

Jeanette W. Weldon
Executive Director