STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

June 19, 2019

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, June 19, 2019.

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

PRESENT:	Peter W. Lisi, Chairman Michael Angelini Anne Foley *(Designee for Melissa McCaw, OPM Secretary)* Elizabeth C. Hammer Barbara B. Lindsay, Esq. Dr. Estela Lopez Barbara Rubin
ABSENT:	Mark Varholak Linda Savitsky
ALSO PRESENT:	Jeanette W. Weldon, Executive Director Denise Aguilera, General Counsel Debrah Galli, Manager of Administrative Services Robert Jandreau, Sr. Finance Associate Daniel Kurowski, Financial Analyst Eileen MacDonald, Sr. Transaction Specialist JoAnne N. Mackewicz, Controller Michael F. Morris, Managing Director Cynthia Peoples, Managing Director Kelli Petrone, Administrative Assistant Jennifer Smyth, Legal Services Specialist David Wasch, Government Programs Specialist/Legislative Liaison Betty Weintraub, Grant Program Manager of the Connecticut Health and Educational Facilities Authority
GUESTS:	Judith Blank, Esq., Day Pitney LLP Bruce Chudwick, Esq., Shipman & Goodwin, LLP Steve Donovan, Esq., Hawkins, Delafield & Wood, LLP Shelby Lobitz, Analyst, Acacia Financial Group, Inc.[1] Antonio Martini, Partner, Hinckley Allen[2] David Panico, Esq., Robinson & Cole LLP Anne Peters, Esq., Carmody Torrance Sandak & Hennessey LLP Eric Taylor, Esq., Harris Beach PLLC

[1] Ms. Lobitz joined the meeting via conference telephone so that all parties were able to hear.

[2] Mr. Martini joined the meeting via conference telephone so that all parties were able to hear

MINUTES

Mr. Lisi requested a motion to approve the minutes of the May 15, 2019 meeting of the Board of Directors. Ms. Lopez moved for approval of the minutes, which was seconded by Ms. Hammer.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	Anne Foley[3]
Elizabeth Hammer		
Barbara Lindsay		
Peter Lisi		
Estela Lopez		
Barbara Rubin		

Mr. Lisi stated that he met with a potential board member, Lawrence Davis from Webster Bank. Mr. Lisi informed the Board that his name will be put into consideration for nomination to the CHEFA Board by the Governor’s office.

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon provided the following updates:

- During the month of May, CHESLA had a bond sale for $30.5 million of which $5 million was taxable bonds and the remainder was tax-exempt. The bonds sold on May 8th and closed on May 22, 2019. She reported that a new trust was created for CHESLA which adds some additional flexibility. She also stated that the tax-exempt TIC is 3.31% and the taxable is 4.41%. The loan rate for the In School Program is at 5.15%.
- There is a revised version of the CHESLA scholarship program which is a need-based scholarship program. It is funded at $500,000 and is administered directly by CHESLA as opposed to having the schools administer the program. CHESLA received 360 applications and is awarding 171 scholarships. A scholarship event is being planned for early August for the awarded students and their parents.
- CHEFA has developed a program and will be hosting it on the 26th - the CHEFA Nonprofit Forum, ***America’s Economic Divide – Implications for Connecticut’s Nonprofit Community.*** This program’s concept was developed by Betty Weintraub and it is an educational forum for CHEFA grant awardees and applicants. The keynote speaker is Jeffrey Fuhrer, Executive Vice President & Senior Policy Advisor of the Federal Reserve Bank of Boston. The Q&A portion of the event is moderated by Dan Haar, Columnist & Associate Editor of Hearst Connecticut Media Group .

[3] Ms. Foley abstained from voting because she did not attend the May 15, 2019 Board meeting.

- This year's legislative session gave CHEFA/CHESLA staff a chance to build and establish relationships, particularly with regard to some CHESLA initiatives. Ms. Weldon stated that the tax credit bill passed which allows for an employer to pay down CHESLA loans on behalf of their employees. This law is particularity noteworthy because it was the initiative of three senators, Senator Haskell, Senator Bergstein and Senator Maroney. The Senators sought the input of CHESLA regarding the program's structure.. The program will only apply to CHESLA loans.

Legislative Updates

Mr. Wasch reported on the following legislative updates:

- Several bills/amendments that would have had a negative impact on CHEFA operations were not passed.
- CHEFA staff built several relationships in the Governor's office, at OPM, and in the legislature.
- Senate Bill 72 – This bill establishes a tax credit for employers that make payment on their employees' CHESLA loans. This law will not be effective until 2021.
- Senate Bill 815 – This bill revises requirements regarding surety bonds for Directors and Officers coverage.
- Senate Bill 1048 – This creates some additional reporting standards that CHESLA and CHEFA will have to meet.
- Mr. Wasch explained that there were some bills that did not make it through this session due to timing. Senate Bill 816 regarding cross border legislation will be picked up next year. It was stopped due to timing of the bill and language in the bill's fiscal note. CHEFA will try to clarify the impact and recommend the bill again next year with client support. Senate Bill 865 was for creation of the STEM loan. This bill stalled in the Finance Committee and staff hopes to develop strategies to get it passed in next year's legislative session.

Client Updates

Mr. Morris provided the following client updates:

- Bristol Hospital closed last Friday which was a private placement with Fidelity for $35 million with an All-In-Cost of 4.43%. They also had a taxable issue that was done through the Public Finance Authority debt of approximately $26 million at a rate of 6.47%.
- There were two new remarketing's for Yale University that were well received and oversubscribed and the yield was able to be reduced from the initial yield of 1.50% to 1.45%.
- There were two separate remarketings for Yale New Haven Health, one was a five-year put for $168 million, that was also well received and with the initial yield was reduced 5 basis points to 180. The other transaction was the series of variable rate debt that was remarketed with self-liquidity. The weekly rate bonds were initially set at 1.95% with the goal to attract as many investors as possible.
- Our Piece of the Pie, who lost their charter license in Windham, CT, met with creditors from Webster Bank and CHEFA Staff approximately two weeks ago. They provided an update which was not encouraging, stating that the leased facility to the town of Windham will not be renewed, and that they are looking to lease or sell the facility. Their

line of credit with Bank of America will not be renewed. Mr. Morris stated that he will follow up with Webster Bank and give an update at next month's meeting.

Interest Rate and Market Update

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

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

Financial Report – April 2019

Ms. Mackewicz reported that there were no notable items in the financial statements for the period ending April 2019.

HOSPITAL SECTOR REPORT

Mr. Morris reported on the FY 2018 Hospital Sector. He stated that there has been improvement in operating performance, cash flow margins and debt service coverage. Liquidity (cash on hand) remains weak. Total outstanding debt in the healthcare portfolio is roughly $2.49 million with Yale New Haven Hospital and Hartford Healthcare accounting for over 29% of the debt.

Mr. Morris stated that the hospital landscape has not changed too much this year. Milford Hospital has now become part of Yale New Haven Health System and that is reflected in the total number of beds. The Hartford Healthcare acquisition of St. Vincent's Hospital is still pending. He reported that the state will now have three hospitals with multi-state health care systems with the addition of Western Connecticut merging with Health Quest. Mr. Morris stated that there are no rating changes from last year.

Mr. Morris reported that there has been improvement in operating performance with revenue growth outpacing expense growth. The operating margin median increased to 1.4% in FY 2018 from 0.4% in FY 2017 which is slightly below Moody's median. The cash flow margin increased from the prior year which is comparable to Moody's overall median. The favorable cash flow margins resulted in very strong debt coverage with a 34% increase in the median from the prior year. Mr. Morris reported that Day Kimball hospital debt service coverage ratio at 1.2x is very impressive and had a strong turnaround over FY 2017.

Mr. Morris stated that liquidity remains weak. Although there was a slight improvement in the days cash on hand median form the prior year, it is 23% lower since FYE 2014 and falls well below Moody's overall median. Cash to debt median for FY 2018 is also significantly below Moody's overall median.

Mr. Morris reported that utilization trends continued on the same course. Total discharges were down 0.6% from FY 2017 and 1.8% lower than five years ago, while the median has relatively stayed at the same level over the past five years. Total patient days have declined 1.1% over the past five years although the median has declined over 9% while the average length of stay increased. Ambulatory surgeries are down slightly from prior year but at its second highest level over the past five years. Emergency room visits are up slightly from the prior year and down from five years ago.

Mr. Morris stated that capital spending total for 2018 was $644 million down 6.4% from FY 2017 70% of which is accounted for by Hartford Healthcare and Yale New Haven Hospital. .

Mr. Morris reported due to favorable investment returns, the total pension liability decreased 26% from $992 million to $635 million. The median decreased over the past three years, with a few institutions have terminated their pension plans. Mr. Morris noted that both Fitch and Standard & Poor's have a stable outlook for the industry for 2019, while Moody's is negative. Mr. Morris reviewed some of the challenges facing the industry for the current year as noted by all three rating agencies.

A discussion ensued.

PRELIMINARY STAFF MEMO: NUVANCE HEALTH ISSUE, SERIES 2019A

Mr. Jandreau reported that in April of this year Health Quest Systems and Western Connecticut Health Network affiliated under a new tax-exempt parent corporation, Nuvance Health. The new system will serve approximately 1.5 million residents and include seven hospitals, more than 260 physicians and 12,000 employees. The projected annual revenues of the system are $2.4 billion. Mr. Jandreau stated that Nuvance intends to issue two publically offered bonds; $133.805 million par through CHEFA and $133 million par through Dutchess County Local Development Corporation. Proceeds from the CHEFA issued Bonds will be used to refund WCHN's outstanding 2011 Series M and N Bonds and will also be used finance the construction of a new patient tower at Norwalk Hospital. Proceeds from the Dutchess County Local Development Corporation will be used to refund outstanding debt as well as to fund construction of a medical school with Marist College.

Mr. Jandreau stated that the 2019 bonds are expected to be rated by Moody's and S&P. It is still to be determined if a rating will be solicited from Fitch. Standard & Poor's conducted a site visit on May 28, 2019. A meeting has been tentatively scheduled with Moody's for June 24, 2019. He stated that final ratings should be available prior to the July 17, 2019 Board meeting.

Mr. Jandreau stated the structure for the both bonds will have a fixed rate, have a 2049 final maturity and will be callable in 2020 at par. He explained that WCHN's market share in is its primary service area is approximately 75.1%. They payer mix for WCHN has remained relatively constant over the past five years.

Mr. Jandreau stated that the operating results were impacted by several significant non-recurring transactions. The most significant of these came as a result of the successful implementation of new financial and clinical systems across the organization. WCHN has also seen its past performance negatively impacted by the State of Connecticut hospital provider tax. WCHN's FY 2018 operating margin of -2.3% compares unfavorably versus the Moody's median of 1.7%. For the six months ended March 31, 2019, WCHN's operating margin was much more favorable 1.8%.

Mr. Jandreau stated that WCHN's unrestricted cash and investments decreased from $504 million to $387 million from FY 2014 to FY 2018. As of March 31, 2019, WCHNs' unrestricted cash and investments decreased to $362 million. Day's cash on hand has trended lower over the past five fiscal years falling from a high of 203.5 days in FY 2014 to 123.4 days in FY 2018. As of March 31, 2019, this measurement weakened further to 121.1 days and compares unfavorably to Moody's median of 220.6 days

Mr. Jandreau reported that Health Quest (HQ) is the leading provider of primary and secondary tertiary services in the Hudson Valley with approximately 44% market share in the primary services area. Their financial results have been very favorable for the last five years driven primarily by increased volumes and expense control. HQ's operating margin for 2018 was6.9% which compares very favorably to Moody's median of 2.8%. Liquidly for the system has grown very favorably; unrestricted cash and investments grew from $276 million in FY 2014 to $422.9 million. Despite the strong growth, unrestricted cash and investments falls short of the Moody's median of $687.2 million. Day's cash on hand have held steady over the past five fiscal years, averaging 145.5 days. Mr. Jandreau reported the HealthQuest has two pension plans. Vassar Brothers Medical Center and Putnam Hospital were funded at the 59.2% and 76.5%, respectively.

The newly formed Nuvance Health anticipates generating $2.4 billion in operating revenue with a 3.1% operating rating margin which compares favorably to Moody's "A" rated median of 2%. Days cash on hand are anticipated to be 135 days, and unrestricted cash and investments of approximately $845 million is well above Moody's "A" rated median. Nuvance's pro forma capital structure including the two proposed offerings will total $933.11 million, with an estimated cost of capital of 3.91% and a maximum annual debt service of approximately $59.9 million. Staff believes that Nuvance combines two well managed systems that have leading market share positions and attractive and growing service areas which will put them in a position to deliver strong and improving results.

A discussion ensued.

FINAL STAFF MEMO

Greenwich Academy Issue, Series F

Mr. Jandreau presented the Greenwich Academy Issue Series F. He stated that Staff intends to recommend approval of up to $35 million for the Greenwich Academy Issue, Series F at the June 19, 2019 Board Meeting. The Series F bonds will be issued in two tranches and sold to First Republic Bank ("First Republic" or the "Bank") as a direct purchase. First Republic is an American bank and wealth management company that was founded in 1985 and is headquartered in San Francisco.

The Greenwich Academy, Inc., founded in 1827, is a nonprofit, all girls college preparatory day school. Located on a 39-acre campus in Greenwich, CT, the school serves students from grades pre-k through 12. Opening enrollment for the 2018-19 academic year consisted of 820 students. The School has one bond issue outstanding, 2007 Series E fixed-rate bonds totaling $22.71 million, which is non-callable. Moody's upgraded the School's outlook from "Stable" to "Positive" and affirmed the long-term ratings of "A2." The Series F proceeds will be used to reimburse the School or provide funds for the construction of a new lower school building and renovations to other buildings. Total cost of the project is approximately $57.4 million and is expected to be completed in the next five years. The School will use proceeds from its capital campaign to fund the balance of the project. Thus far, Greenwich Academy has received $48 million of its $75 million capital campaign goal; $19 million of which has been received in cash.

The deal will be structured in two tranches, a 5 year and 7 year tranche. There will be a 36 month interest only period and there will be no prepayment penalties. Bonds will be issued on a parity basis with the school's Series E bonds. Based on the school's long history and its ability to generate consistently favorable operating results, as well as building strong financial reserves, in combination with favorable financing terms, staff asks that the Board approve the funding of the Greenwich Academy Issue, Series F.

A discussion ensued.

AUTHORIZING BOND RESOLUTION

Greenwich Academy Issue, Series F

Mr. Lisi requested a motion to approve Resolution #2019-12, Greenwich Academy Series F. Ms. Rubin moved for approval of Resolution #2019-12 which was seconded by Mr. Angelini.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Anne Foley		
Elizabeth Hammer		
Barbara Lindsay		
Peter Lisi		
Estela Lopez		
Barbara Rubin		

CHEFA Community Development Corporation - Authorization to Spend on Behalf of CHEFA Community Development Corporation Resolution

Mr. Morris stated that the Federal government has delayed the timing for opening the application process for New Markets Tax Credits. He stated that as a result, no revenues for CHEFA CDC are projected in FY 2020. Staff is requesting an additional $70,000 to cover cost of the program in the interim. The additional funds will be used to pay for services from outside vendors. Staff will also be asking to update the Memorandum of Agreement (MOA) to reflect the additional funds.

Ms. Foley asked if the additional requested funds would be used for marketing and a discussion ensued on the use of the funds.

Mr. Lisi requested a motion to approve Resolution 2019-13 - Authorization to Spend on Behalf of CHEFA CDC Resolution. Ms. Rubin moved for approval of Resolution 2019-13, which was seconded by Ms. Foley.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Anne Foley		
Elizabeth Hammer		
Barbara Lindsay		
Peter Lisi		
Estela Lopez		
Barbara Rubin		

New Markets Tax Credit Loan Fund

Mr. Kurowski gave a presentation on New Markets Tax Credit Loan Funds. Mr. Kurowski explained that to improve the quality of CHEFA CDC's application with the CDFI, staff is seeking to identify innovative uses of New Markets Tax Credits, including using the credits in loan funds. He explained that a NMTC Loan fund allows community funders to utilize the tax credits to capitalize a loan fund, in order to provide loans to multiple organizations at a below market rate.

Mr. Kurowski stated that staff has begun having discussions with Capital for Change and Hartford Foundation for Public Giving, to see if there is interest in developing such a fund. Both have expressed interest in investing in a NMTC Loan Fund with CHEFA CDC. The purpose of sharing the NMTC Loan Fund program with the CHEFA Board is to present an alternative product that CHEFA could use to provide additional financial assistance to Connecticut's nonprofits. Staff considers this program complementary to the Grant Program and a useful tool. Any investment in the loan fund would not happen until 2021, although it would be beneficial in CHEFA CDC's application to indicate CHEFA's interest in investing by including a non-binding letter in the application package. The Board concurred.

HUMAN RESOURCE COMMITTEE REPORT

Mr. Lisi requested a motion to for the Board to go into Executive Session. Mr. Angelini moved for approval, which was seconded by Ms. Rubin.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Anne Foley		
Elizabeth Hammer		
Barbara Lindsay		
Peter Lisi		
Dr. Estela Lopez		
Barbara Rubin		

All parties, except Board members, left the room at 2:45 p.m.

All parties rejoined the meeting at 2:59 p.m.

Mr. Lisi requested a motion to accept the recommendation of the Human Resource Committee. Ms. Foley moved for approval, which was seconded by Ms. Hammer.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini Anne Foley Elizabeth Hammer Barbara Lindsay Peter Lisi Dr. Estela Lopez Barbara Rubin	None	None

ADJOURNMENT

There being no further business, at 3:02 p.m., Mr. Lisi moved to adjourn the meeting and Mr. Angelini seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini Anne Foley Elizabeth Hammer Barbara Lindsay Peter Lisi Estela Lopez Barbara Rubin	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director