STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting
July 22, 2020

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, July 22, 2020.[1]

The meeting was called to order at 1:31 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 Lawrence Davis Anne Foley (*Designee for Melissa McCaw, OPM Secretary*) Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden)* Barbara B. Lindsay, Esq. Dr. Estela R. Lopez Susan Martin Mark Varholak
ALSO, PRESENT:	Jeanette W. Weldon, Executive Director Denise Aguilera, General Counsel Debrah Galli, Manager, Administrative Services Daniel Giungi, Communications and Government Affairs Specialist 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 David Pantaleo, Sr. Systems and Data Analyst Cynthia D. Peoples-H., Managing Director, Operations & Finance Kara Stuart, Administrative Services Assistant Betty Sugarman Weintraub, Grant Program Manager of the Connecticut Health and Educational Facilities Authority
GUESTS:	Bruce Chudwick, Esq., Shipman & Goodwin LLP Kristie Flynn, Partner, Hawkins, Delafield & Wood LLP Mary Jo Kelly, Principal, Hardwick Law Firm, LLC Thomas Marrion, Esq., Partner, Hinckley Allen Josh Nyikita, Managing Director, Acacia Financial Group, Inc. David Panico, Esq., Partner, Robinson + Cole LLP Erick Russell, Esq., Pullman & Comley LLC Namita Shah, Esq., Day Pitney LLP Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc. Jane Warren, Esq., McCarter & English, LLP Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

[1] All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the June 17, 2020 meeting of the Board of Directors.

Ms. Stuart stated the minutes had an error showing “Anne Zucker, Pullman & Comley LLC” which should be corrected to “Ann Zucker, Carmody Torrance Sandak & Hennessey LLP.”

Dr. Lopez moved to approve the minutes with the above correction and Ms. Foley seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	Mark Varholak[2]
Lawrence Davis		
Anne Foley		
Darrell V. Hill		
Barbara Lindsay		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon stated that she had sent an email to the Board of Directors regarding the CHEFA CDC New Markets Tax Credit (NMTC) allocation awards for CY 2019 that were announced by CDFI Fund last week. Ms. Weldon acknowledged the hard work that was put into the project by Michael Morris, Denise Aguilera, and Dan Kurowski.

Ms. Weldon said that CHEFA’s application for $70 million in tax credits was not successful. 206 applications were received and 76 CDE’s were awarded. Ms. Weldon spoke to the competitive nature of the application process.

Following the announcement, staff had a conference call with CHEFA’s consultant, Affirmative Investments, who had assisted in the application process. It was determined that the next application would be made stronger by focusing on the following items:

1. Increasing data collection efforts;
2. Undertaking more direct investments

Ms. Weldon said that a decision will be made regarding the timing of the next application, and it will be determined whether to apply in CY 2020 or wait until CY 2021.

Dr. Lopez asked if there was a list of organizations that received awards. Ms. Weldon said that the Board would be provided with the list of applicants that received allocations.

Dr. Lopez asked about the NMTC review process. Ms. Weldon stated that the review process consists of individual teams of two independent reviewers for each application and that the reviewers are not CDFI employees.

---

[2] Mr. Varholak abstained from voting as he did not attend the June 17, 2020 meeting.

Ms. Weldon said that Dan Kurowski would provide additional detail on this topic and turned the update over to Mr. Kurowski.

CHEFA CDC Updates
Mr. Kurowski reported that staff has been reaching out to pipeline projects informing them of the news. Mr. Kurowski said many of these projects have begun construction and the lack of the award should not impact the ability to complete these projects. Staff will continue to assist these organizations in any way possible, including helping them to identify CDE's who may have available tax credits.

Mr. Kurowski said staff still views the NMTC program as a vital resource for Connecticut nonprofits and will continue to seek to make it more broadly available. CHEFA CDC continues to be an important tool to broaden CHEFA's impact. Mr. Kurowski stated staff will continue its outreach efforts, educating state officials and the legislature on the impact of NMTC and the potential of a state NMTC program. In addition, staff will pursue efforts to promote economic development in low-income communities including opportunities to provide direct investment.

Mr. Kurowski reported staff's efforts have opened doors for the possibility of collaboration among many organizations across the state, many of whom are represented on the CHEFA CDC Advisory Board. Mr. Kurowski stated staff plans on meeting with the Advisory Board in September.

Authority Updates - Continued
Ms. Weldon reported on the Childcare Guaranteed Loan Fund, stating that it was created in 1999 but hasn't originated a new loan in the last nine years, as most of the participating banks at that time dropped out of the program. The original concept was that there was a group of banks, and CHEFA provided a loan loss reserve with ranges from 20% to 40%. Ms. Weldon said that when the fund was most active there was approximately $16 million of loans outstanding. The Fund is now down to 6 loans with approximately $4 to $5 million of loans outstanding. The Authority is taking a look at restructuring the loan loss reserve. Ms. Weldon stated that when facts are gathered and assessments are completed, any action the Authority seeks to take will be brought to the Board for approval.

Ms. Weldon said there are no further updates regarding staff's returning to the office. The Authority will assess again in September.

Client Updates
Mr. Morris provided the following updates:

- Trinity College Series R issue closed at the end of June as a public offering.
- Miss Porter's School issue closed as a private placement with Boston Private Bank.
- The McLean transaction was priced on Tuesday, July 21, 2020.
- University of Bridgeport paid off all their CHEFA private placement debt with Citizens Bank at the end of June with a taxable loan with Citizen's, which agreed to restructure their debt totaling approximately $55 million after going into payment default in May.
- Working with both the Westminster School and Hotchkiss School for possible refundings.

Financial Report – May 31, 2020
Ms. Mackewicz reported for the 11 months ending May 31st, operating revenues exceeded expenses by $2.5 million and a net decrease in net position of $1.5 million after non-operating expenses. Operating revenues were under budget by $1.5 million and operating expenses were under budget by $1.2 million.

Ms. Mackewicz referred to the graph in the board package outlining the budget versus actual for 2020. The graph includes the waived fees of $1,254,769 with an adjustment to reflect the negative revenues.

Interest Rate and Market Updates
Ms. Peoples referred to the yield curve graph in the Board handouts and discussed the movement in the various yield curves compared to last year and over the last 60 days.

Mr. Jandreau reported that market conditions continue to improve in the municipal market across the ratings spectrum. Technicals remain positive with solid demand and manageable supply. Mr. Jandreau stated the new issue market is functioning efficiently with increased demand resulting from consistent positive inflows into municipal bond funds. The transaction report continues to reflect large amounts of taxable issuance relative to tax-exempt.

<u>FINANCING SALES REPORT</u>
Trinity College Issue, Series R
Ms. Trina Smith of Public Financial Management, Inc. (PFM) gave a transaction overview including the following information:

- Trinity sold approximately $49 million of bonds in mid-June.
- They are rated in the mid-A category of A- to A+.
- The purpose of the transaction was to refund several series of bonds, to de-risk their portfolio, and restructure their debt service.
- The deal started with spreads of 80 to 100 basis points. After pre-marketing, spreads were lowered by 12 to 13 basis points, and at the end of the order period there was an overall subscription level of nearly 6 times.
- Trinity priced very favorably compared to similarly rated institutions.

McLean Issue, Series 2020 (Acacia Financial Group)
Mr. Josh Nyikita of Acacia Financial Group, Inc. gave a transaction overview including the following information:

- The Authority sold $64,865,000 in tax-exempt revenue bonds on behalf of McLean Affiliates, Incorporated on July 21.
- Proceeds from this transaction were used to finance the expansion of McLean's existing community, including the construction of 55 new independent living units and related parking, along with other improvements, all located on the current main campus.
- In addition, proceeds were used to fund a Debt Service Reserve Fund and 29 months of capitalized interest on the bonds.
- The transaction was rated BB+ by Fitch, just below investment grade.
- The bonds were structured with level annual debt service following a 29-month capitalized interest period and the repayment of two short term series ($14.025 million) priced to mature in 2026 and 2027 but expected to be prepaid earlier with Project Entrance Fees.
- The transaction was very well received by investors.
- Closing is scheduled for July 30th.

<u>PRELIMINARY STAFF MEMO</u>
Sacred Heart University Issue, Series K

Mr. Jandreau stated that Sacred Heart University intends to issue approximately $125 million par amount to refinance its outstanding construction lines of credit, reimburse the University for various capital projects, or otherwise use the funds to complete capital projects.

Mr. Jandreau reported the following:

- More than 9,100 students attend the University with its largest draw coming from Connecticut, New York, New Jersey and Massachusetts.
- The University has approximately $199.4 million in CHEFA debt outstanding comprised of both taxable, tax-exempt, publicly offered and bank direct purchases.
- The University was last rated A3 by Moody's in 2017 and A by S&P in 2016, with both rating agencies upgrading the University from Baa1 and BBB+ respectively.
- It is expected the ratings will remain the same with the issuance of the Series K bonds as the University had communicated to the ratings agencies its plan for further issuance at the time of the upgrades.

Mr. Jandreau stated that last month, the University announced that it will be working with Goodwin University and Paier College of Art to create a new model for higher education. resulting in a "university park" concept housed at the University of Bridgeport.
Mr. Jandreau reported the following:

- Sacred Heart intends to acquire a minimal amount of the assets and academic programs controlled by the University of Bridgeport.
- The assets will be acquired are over a 12 and 18-month period.
- The project will strengthen Sacred Heart's academic offerings in the areas of engineering, health professions and education. Specifically, the University will add two doctorates to its engineering program, a doctorate in chiropractic, a graduate program in nutrition, certificates in education, including a new program in counselor education.
- It is expected the assets will quickly pay for themselves and the impact to the Sacred Heart's bottom line will be positive.

Mr. Jandreau said that this project is very similar to Sacred Heart's successful integration of St. Vincent's College which has already contributed more than $5 million of gross tuition and fee revenue in FY 2019 after its second year. None of the "university park" plans are part of the current bond financing.

Mr. Jandreau stated the proposed financing will be an unenhanced public offering with a fixed rate, a 25-year amortization, and will be brought to market by Bank of America and Oppenheimer. Of the anticipated proceeds, which will include approximately $23 million in premium, about $50 million will be used to refinance construction lines and $100 million will be used for reimbursement of various capital projects (listed in the memo).

Mr. Jandreau reported the University has seen strong growth in applications as well as growth in undergraduate FTE's, and this coupled with new programs and investments on the University's campus, Sacred Heart has had record breaking freshman classes in each of the past five fiscal years.

Mr. Jandreau stated that operationally, the University continues to post very strong results with steady revenue growth, consistently strong operating margins and strong growth in net assets. Mr. Jandreau said Sacred Heart's operating ratios are well above Moody's "A" rated medians. However, slightly offsetting these strengths are the University's liquidity and leverage measures. The University's 2020-2021 operating budget, which was approved in May, provides for a balanced budget and an expected surplus. Mr. Jandreau said that additionally, the approved budget includes an additional $6 million in reserves due to COVID-19 concerns. The University's spending rate from endowed assets is approximately 4% which is slightly better than the rating agency's medians.

Mr. Jandreau reported the following information on University students:

- The University anticipates students returning in the Fall and will be offering both virtual and on-site programs.
- The University does not expect to see a material impact to revenues should international travel restrictions prevent students from returning to campus. Over the past five fiscal years, the University has reduced its exposure of international students from over 800 to less than 400.
- As of May 2020, the University is running 150 students above budget.

Mr. Jandreau said management does not foresee COVID-19 posing a negative impact on demand for housing going forward as freshman and sophomore students are required to live on campus. Additionally, even with the construction of 3 additional resident halls containing 475 beds, the University will only be at 65% of its potential capacity and will continue to have 3 leased dormitories with more than 400 beds. Mr. Jandreau said these leased dormitories have contracts ranging between two and seven years with staggered renewal dates to provide the University flexibility to further respond to changes in student housing needs should they arise.

Mr. Jandreau opened the floor to questions and a discussion ensued. Mr. Jandreau stated he will provide additional information on the Final Memo at the Board of Directors Special meeting in August.

FINAL STAFF MEMO AND RE-AUTHORIZATION

Fairfield University Issue, Series T

Mr. Jandreau reported that Fairfield University, which was previously approved in March 2020, was placed on hold primarily because of weak market conditions for municipal issuance as well as the delays in the project due to COVID-19's impact on construction companies' ability to get workers onsite.

Mr. Jandreau stated that as market conditions have improved and the re-opening of the State has continued, the University has decided to re-enter the marketplace. The University has requested the CHEFA Board to amend its previous Board Resolution, to include within the financing the following items:

1. Construction of an 85,000 square foot, 3,500-seat convocation center on its main campus
2. The renovation of an academic facility in the University's quad

This convocation center, or Arena, will house the University's athletic programs, including men and women's basketball, volleyball and prep sports. It will also serve as a backup for the University's commencement ceremonies which are typically held outdoors.

Mr. Jandreau stated the University would also like to include within the financing, language to allow for the possible issuance of CHEFA taxable bonds should the economics of issuing taxable debt become more favorable at financing. However, at this time it is expected the deal will be 100% tax exempt. Mr. Jandreau said the expanded language of the project and the allowance of taxable issuance is meant to provide the University with maximum flexibility to reimburse or pay for capital projects in addition to potentially lowering financing costs should the issuance of taxable debt become more economic.

Mr. Jandreau said that regarding students returning in the Fall, the University anticipates students to return with both on-campus and online options available. At this point, the University has determined that less than 30 students do not anticipate returning to campus and will be afforded the online option.

Mr. Jandreau reported ratings for the transaction are expected later this month and it's expected the University will be market ready in early August.

Mr. Lisi requested a motion to approve the amended and restated Resolution #2020-12 of Fairfield University Issue, Series T. Ms. Lindsay moved for approval and Mr. Angelini seconded the motion.

Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Darrell V. Hill		
Barbara Lindsay		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		
Mark Varholak		

REVOLVING LOAN FUND PROGRAM AMENDMENT

Mr. Kurowski said staff would like to present a resolution to amend the Annual Funding Cycle Notices for the CHEFA Revolving Loan Program.

Mr. Kurowski stated in the initial outreach, clients responded with an immediate need for financial assistance, however, this outreach was prior to the passing of the Federal CARES Act. The initial notices addressed that need, with a short application window. Mr. Kurowski said that during the application window staff received additional feedback from clients. Clients said that their needs have changed, and they were now reluctant to take on debt at this time. They also wanted to wait and see if the crisis was going to worsen. Mr. Kurowski reported that staff also received additional feedback from some larger clients stating that the maximum loan amount of $50,000 was insufficient.

Mr. Kurowski stated, as a result, staff is seeking the Board's approval to amend both Funding Cycle Notices to extend the application window until May 1, 2021, and to change the award process to a rolling first-come, first-served basis. Mr. Kurowski said by extending the application window until May, it would give our clients the flexibility to access the funds when needed. Mr. Kurowski said in addition, staff is seeking amendment of the 2020A notice to include CHEFA clients who have less than $50 million in CHEFA Debt Outstanding, an increase from the original $25 million, and to increase the maximum loan amount to $100,000. The 2020B notice will continue to have maximum loan amount of $25,000 for childcare clients.

Mr. Lisi requested a motion to approve Resolution #2020-13 Revolving Loan Fund Program amendment. Mr. Davis moved for approval of the Resolution and Ms. Foley seconded the motion.

Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES	**NAYS**	**ABSTENTIONS**

Michael Angelini Lawrence Davis Anne Foley Darrell V. Hill Barbara Lindsay Peter Lisi Dr. Estela Lopez Susan Martin Mark Varholak	None	None

RESOLUTION CHEFA CDC BOARD MEMBER APPOINTMENT
Mr. Kurowski stated staff is presenting a resolution for the Board's approval to determine that the CHEFA CDC Board is made up of ten members and to appoint Darrell V. Hill to serve as a member of the CHEFA CDC Board of Director's. Upon approval of the resolution, a special meeting of the CHEFA CDC Member will be held to adopt the resolution.

Mr. Lisi requested a motion to approve Resolution #2020-14. Mr. Varholak moved for approval and Ms. Martin seconded the motion.

Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES	NAYS	ABSTENTIONS
Michael Angelini Lawrence Davis Anne Foley Barbara Lindsay Peter Lisi Dr. Estela Lopez Susan Martin Mark Varholak	None	Darrell V. Hill

COMMITTEE REPORTS
Audit Finance Committee
Mr. Varholak reported the Audit Finance Committee met earlier to get an update on the RFP for internal audit services for the Authority's arbitrage rebate functions. The Authority received three responses and the Committee is recommending awarding the engagement to BLX Group LLC.

Mr. Lisi requested a motion to approve the Audit Finance Committee's recommendation of BLX Group LLC for the arbitrage rebate internal audit firm. Mr. Davis moved for approval and Mr. Varholak seconded the motion.

Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

AYES	NAYS	ABSTENTIONS
Michael Angelini Lawrence Davis Anne Foley Darrell V. Hill Barbara Lindsay Peter Lisi Dr. Estela Lopez	None	None

Susan Martin
Mark Varholak

OTHER BUSINESS
Mr. Lisi proposed a Board of Directors Special Meeting on Wednesday August 19, 2020 at 1:30 p.m. All Board Members agreed that this date and time was acceptable.

ADJOURNMENT
There being no further business, at 2:40 p.m., Mr. Lisi requested a motion to adjourn the meeting. Ms. Foley moved to adjourn the meeting and Ms. Martin seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Anne Foley		
Darrell V. Hill		
Barbara Lindsay		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		
Mark Varholak		

Respectfully submitted,

Jeanette W. Weldon
Executive Director