STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

November 15, 2017

The State of Connecticut Health and Educational Facilities Authority met at 1:36 p.m. on Wednesday, November 15, 2017.

The meeting was called to order at 1:36 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
John M. Biancamano, Vice Chair
Robert S. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary)
Elizabeth C. Hammer
Barbara B. Lindsay, Esq.
Sheree J. Mailhot, (Rep. Honorable Denise L. Nappier, State Treasurer)
Dr. Estela Lopez
Barbara Rubin

ABSENT:
Mark Varholak

ALSO PRESENT:
Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Robert Jandreau, Sr. Finance Associate
Daniel Kurowski, Financial Analyst – Arbitrage
Eileen MacDonald, Sr. Transaction Specialist
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director
Kathleen Owens, Administrative Assistant
Cynthia D. Peoples, Managing Director
Jennifer Smyth, Legal Services Specialist
David Wasch, Legislative Liaison/ECE Program Specialist
Betty S. Weintraub, Grant Program Manager
of the Connecticut Health and Educational Facilities Authority

GUESTS:	Michael Andreana, Esq., Pullman & Comley, LLC Jessica Grossarth Kennedy, Esq., Pullman & Comley, LLC Judith Blank, Esq., Day Pitney LLP John Brodsky, Managing Director, Fairmount Capital Advisors, Inc. Bruce Chudwick, Esq., Shipman & Goodwin LLP John L. Cordani, Jr., Esq., Carmody Torrance Sandak & Hennessey LLP Scott Gibson, Executive Director, Oppenheimer & Co., Inc. Stella Gittens, Senior Director, PFM Financial Advisors LLC [1] Laurie Hall, Esq., Hawkins, Delafield & Wood LLP [2] David Orise, Vice President, Century Bank Edward Samorajczyk, Jr., Esq., Robinson + Cole LLP Ann H. Zucker, Managing Partner, Carmody Torrance Sandak & Hennessey LLP

MINUTES

Dr. Lisi requested a motion to approve the minutes of the October 18, 2017 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 Ms. Hammer.

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

AYES	**NAYS**	**ABSTENTIONS**
John Biancamano	None	Sheree Mailhot [3]
Robert Dakers		
Elizabeth Hammer		
Barbara Lindsay		
Dr. Peter Lisi		
Dr. Estela Lopez		
Barbara Rubin		

[1] Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.
[2] Ms. Hall participated in the meeting via conference telephone that permitted all parties to hear each other.
[3] Ms. Mailhot abstained from voting as she did not attend the October 18, 2017 Board meeting.

CURRENT AND PENDING BOND ISSUES

Financing Forecast and Summary of Financings

Mr. Morris reported that there are two new issues shown on the report, for Fairfield University and the New Canaan YMCA. The Fairfield University Series R issue will refund the University's 2008 through 2010 Series M, N, O and P issues, and will include $40 million in new money projects. The Series R refundings may include a taxable component, as Series N and Series O had been previously advance refunded. A preliminary memo will be presented today for the Series R transaction. The $10.5 million private placement for the New Canaan YMCA will be presented to the Board for approval today.

Mr. Morris reviewed the status of the transactions on the forward calendar, noting which issues that may close by tear-end.

The LiveWell Alliance Series A issue (formerly the Alzheimer's Resource Center) closed on November 1, which was a private placement with KeyBank. The $11.6 million variable rate issue was structured with an 8-year term with principal due at maturity. The net interest cost for the Series A issue was $2.58%.

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.

SALES REPORT

Mr. Brodsky presented the sales report for the Sacred Heart University Issue, Series I-1 and I-2, which financed the refunding of the University's 2012 Series H bond issue, a refinancing of a commercial loan and also funded new money projects. He discussed market conditions at the time of the sale on November 7. The $134.8 million Series I-1 was structured with serial bonds in years one through 2042, and one 25-year term bond in 2042, with a 5 percent coupon rate. The initial spread to the MMD rate ranged from fifteen to seventy basis points. Over $2 billion in orders were place, with the bonds being initially twenty-five times oversubscribed with seventy participants, which allowed for substantial yield reductions. The net interest cost on the Series I-1 transaction was 3.54%, with a 53 basis point spread to the MMD rate. There were over seventy groups participating in the sale, with many submitting orders for an entire maturity. The $25 million taxable Series I-2 issue was structured with fully amortizing 10-year serials. The I-2 bonds were 7 times oversubscribed, also allowing for yield reductions. The net interest cost on the Series I-2 transaction was 3.07%.

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon reported on the federal tax reform efforts, which if they became law would become effective January 1, 2018. The House bill proposes to eliminate Private Activity Bonds ("PABs"), which include CHEFA and CHESLA financings. The Senate Finance Committee has proposed its version of a tax bill that does not eliminate the PABs. Ms. Weldon stated that there is a full advocacy effort toward retaining the tax-exempt financing for PABs by industry organizations such as the American Hospital Association, the Association of American Colleges of Universities, the National Association of Health and Educational Facilities Finance Authorities ("NAHEFFA"), and the Education Finance Council ("EFC"). Both proposed bills have a feature to eliminate advance refundings. Ms. Weldon stated that this is not the first time that restrictions have been placed on advance refundings.

CHEFA has sent emails to key members of our Congressional delegation, and has sent email alerts to its clients with contact information for legislative representatives to contact regarding these bills. The proposed tax legislation has created an impact on CHEFA's forward calendar.

Mr. Morris noted that CHEFA has received inquiries about financings to be completed by December 31, 2017, before the proposed tax reform would take effect. Inquiries include Cornell Scott-Hill Health Corporation, Trinity College, Yale University (advance refunding of fixed rate issues), Yale New Haven Health, and Western Connecticut Health Network, and possibly others.

Ms. Weldon stated that because these additional transactions will have to close by December 31, there will need to be a special meeting of the CHEFA Board of Directors sometime before December 5. She noted that any Board approvals for the new transactions would be subject to TEFRA approval. The TEFRA hearings would be held after the Board meeting due to time constraints with publishing the public notice for the hearings.

A brief discussion ensued. A special telephonic meeting of CHEFA's Board of Directors is to be scheduled for December 5 at 10:00 a.m. Information for the meeting will be sent to all Members.

Ms. Weldon also reported that CHESLA is planning another bond issue to close by December 31, at the direction of its Board.

CHEFA FINANCIAL OPERATIONS

September 2017 Financial Statements

Ms. Mackewicz reported on the financial statements for the first quarter ending September 30, 2017. Excess of revenues over expenses before program related expenses were approximately $1.1 million. Total revenues are over budget by $83,000, and operating expenses are under budget by $55,000. Notable items include $75,500 for the recovery of two grants and $91,500 was received from a derivatives settlement, for which funds will be returned to clients affected by that derivative.

Ms. Aguilera explained that the derivative settlement stems from a class action suit related to alleged bid rigging of derivatives such as Guaranteed Investment Contracts ("GICs"). CHEFA filed proof of claims for the benefit of its affected clients who will receive the proceeds of the settlement. Mr. Morris continued, stating that in the 1990s there were often GICs related to Debt Service Reserve fund and Debt Service fund accounts.

A brief discussion ensued.

PRELIMINARY STAFF MEMORANDUM

Fairfield University Issue, Series R

Mr. Morris presented the $210 million Fairfield University Issue, Series R, which will be an unenhanced public offering, for which Staff had notified Board Members by email and the memo was included in handouts for today's meeting. The Series R issue will provide for the refunding of possibly four bond issues, and a new money component. Since the 2008 Series M and N, and the 2010 Series P transactions had previously been advance refunded, it is not known at this time of they will be included in the new issue. The $40 million in new money will finance the renovation of residence halls, construction of a 125-bed residence hall, reconfiguration of the library, refurbish laboratories in the science center, and other renovation and improvement projects.

Fairfield University's ("Fairfield" or the "University") is currently rated A– and A3 by Standard and Poor's and Moody's, respectively, and the University expects that the rating will not change with the new money component. The financing structure has not been finalized. Mr. Morris reviewed the security for the Series R issue that will be the same as for Fairfield's outstanding issues, stating that no mortgage and no debt service reserve fund are being contemplated.

Student demand is strong, with Fairfield reporting its largest applicant pool in its history for Fall 2017, while selectivity improved in each of the past five years; however, matriculation remains low. The University continues to grow its enrollment, which is slightly below its target of 4,000 FTEs.

Operating performance is with tuition discounting remaining relatively stable over the past five years, and their operating cash flow margins have been very good providing favorable debt service coverage.

The University has experienced a very strong investment return last year, as well as total contribution revenue from its current capital campaign. Liquidity is good compared to its peers, with total spendable cash and investments increased 50% over past five years. Fairfield has a monthly days cash on hand ratio compares very favorably to Moody's "A" median.

Mr. Morris noted that with the additional $40 million of new money, the University will be slightly leveraged when compared to total investments to debt with a high annual debt service burden; however, pro forma debt service coverage is sufficient. Staff will seek approval for the Fairfield transaction at the special December meeting.

Dr. Lisi questioned whether the new dormitory will replace an older building, to which Mr. Morris replied that the new dorm is in addition to existing residences, to meet student housing demand. The University has historically had a large off-campus housing population.

AUTHORIZING BOND RESOLUTIONS

New Canaan YMCA Issue, Series A

Mr. Jandreau presented the New Canaan YMCA Issue, Series A, for approval of up to $10.5 million, which is a private placement with United Bank. Bond proceeds will be used to finance the renovation and expansion of the New Canaan Community YMCA ("New Canaan" or the "YMCA"). Staff's request for approval is subject to final approval by the bank.

Mr. Jandreau provided background information on the borrower, including its service area of southwestern Connecticut as well as Pound Ridge and South Salem, NY communities. The Series A proceeds will be used to refinance $10.1 million for YMCA's construction and mortgage loans with United Bank which were used to finance improvements and renovations to the existing Campus. The construction project will increase the YMCA's overall footprint by 1,600 square feet, to a total of 108,500 square feet, and includes a new aquatic center, locker rooms, a patio, and a family activity center. The $300,000 new money proceeds will be used to complete minor improvements and renovations to the existing Campus building.

The term for the financing will be twenty years, with a 25-year amortization. The Series A issue will be structured as a fixed rate for the first ten years equal to the 10-year FHLB Classic Advance Rate plus 1.50%. Beginning in year 11 the loan will re-price to the then 5-year FHLB Classic Advance Rate plus 1.50% for years eleven through sixteen. The current 10-year FHLB Classic Advance Rate is 3.06%.

Mr. Jandreau explained the security for the transaction, which will include a first lien on gross receipts; and a first mortgage on the YMCA's campus. The purchaser has proposed the following financial covenants: minimum Debt Service Coverage Ratio of 1.15 to 1.00 times; and a combined loan to value which ratio shall not, at any time, exceed 50% of the as-is value of the property. In the event of default, the interest rate on the outstanding principal will increase by 3.0% annually above the stated interest rate.

Construction on the expansion commenced in 2015, and coincided with a drop in membership, negatively impacting New Canaan's revenues. Now that the construction and renovation projects are nearly complete, the YMCA board and management conservatively expects a return to 2014 enrollment levels for its programs. The YMCA expects to increase its program fees by 2% and its membership fees by 5%, beginning in August 2018.

Dr. Lisi questioned whether New Canaan's revenue projections are based on an increased membership or the increase in fees. Mr. Jandreau replied that the projections were based on both the fee increases for both memberships and programs. He cited a national YMCAs survey which shows that membership enrollment increases significantly after a renovation, plateaus, then gradually declines. The membership increase can last for twenty to thirty years. New Canaan's last renovation was in 2003, which experienced this increase, plateau and decline.

A brief discussion ensued.

Dr. Lisi requested a motion to approve Resolution #2017-22, New Canaan YMCA Issue, Series A, which was included in the board meeting materials. Mr. Biancamano moved to approve Resolution #2017-22 and Dr. Lopez seconded the 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		
Sheree J. Mailhot		
Barbara Rubin		

COMMITTEE REPORT

Grant Committee Report

Dr. Lopez reported on the Grant Committee which met earlier today, which reviewed Staff's recommendations for funding the 2017 Nonprofit Grant awards. This approval had been postponed from the May 2017 meeting. Staff had initially proposed fully funding eleven grants, and a partial award for a twelfth applicant. Staff had recently contacted all the proposed grant award recipients, and none of the applicants had started the projects for which they had requested a CHEFA grant. The Grant Committee recommends Board approval to fully fund the twelve grant applications as shown on the report sent to the Committee, and avoid any partial funding.

Dr. Lisi moved for Board approval of the Grant Committee's recommendation to fully fund twelve grants as outlined in the materials. Ms. Rubin 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 Sheree J. Mailhot Barbara Rubin	None	None

EXECUTIVE SESSION

At 2:14 p.m., Dr. Lisi requested a motion to move into Executive Session to discuss a personnel matter and Trade Secrets.

Mr. Biancamano moved that the Board move into Executive Session for such purposes, and 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 Sheree J. Mailhot Barbara Rubin	None	None

At 3:23 p.m. the Board returned from Executive Session, where there was no action taken.

Mr. Dakers and Ms. Mailhot left the meeting at this time.

COMMITTEE REPORTS

Human Resources Committee Report

Mr. Biancamano reported on the Human Resources Committee, which met earlier today. He moved for Board approval of the Human Resources Committee's recommendations regarding the review and merit increase for the Executive Director. Ms. Rubin seconded the motion.

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

AYES	NAYS	ABSTENTIONS
John Biancamano Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin	None	None

Grant Committee Report

Mr. Biancamano reported that the Grant Committee recommended approval of $787,835 in awards for the 2017 Nonprofit Grant Program.

Ms. Rubin moved that the Board approve the awards to the FY 2017 Nonprofit Grant Program as recommended by the Grant Committee. Dr. Lisi seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
John Biancamano Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin	None	None

OPERATING BUDGET FOR PROGRAM RELATED EXPENSES

The Board agreed to defer this item to the special board meeting in December.

ADJOURNMENT

There being no further business, at 3:25 p.m., Ms. Rubin moved to adjourn the meeting and Ms. Hammer seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
John Biancamano Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin	None	

Respectfully submitted,

Jeanette W. Weldon
Executive Director