

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

January 18, 2023

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Wednesday, January 18, 2023.

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

PRESENT: Peter W. Lisi, Chair
Michael Angelini, Vice Chair
Lawrence Davis
Steven L. Elbaum
Susan Martin
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)¹
Mark Varholak²

ABSENT: Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)
Alan Mattamana

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Rob Blake, Manager of Information Technologies & Cybersecurity³
Dan Giungi, Government Relations & Communications Specialist
Rebecca Hrdlicka, Administrative Services Assistant
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Dan Kurowski, Manager, Program Development & CHEFA CDC
Andrew Kwashnak, Senior System & Data Analyst⁴
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Marlene Pagan, Transaction Analyst⁵
Julia Pollano, Operations Reporting Analyst⁶
Kara Stuart, Manager, Administrative Services
Betty Sugerman Weintraub, Manager of Grant Programs and Philanthropic Outreach of Connecticut Health and Educational Facilities Authority

¹ Sarah Sanders participated in the meeting via teleconference that permitted all parties to hear each other.

² Mark Varholak participated in the meeting via teleconference that permitted all parties to hear each other.

³ Rob Blake participated in the meeting via teleconference that permitted all parties to hear each other.

⁴ Andrew Kwashnak participated in the meeting via teleconference that permitted all parties to hear each other.

⁵ Marlene Pagan participated in the meeting via teleconference that permitted all parties to hear each other.

⁶ Julia Pollano participated in the meeting via teleconference that permitted all parties to hear each other.

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the November 16, 2022 meeting of the Board of Directors. Mr. Angelini moved to approve the minutes and Mr. Elbaum seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Peter Lisi
Susan Martin

NAYS

None

ABSTENTIONS

Mark Varholak⁷
Sarah Sanders⁸

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon reported that the Managing Director for Finance and Operations position is currently vacant. Ms. Weldon stated that a request for proposal (RFP) for recruitment services is in-process, and a job posting has been placed on LinkedIn. Ms. Weldon stated that the goal is to fill the position by March/April 2023, and in the interim, the responsibilities of that position have been distributed to various staff members. A brief discussion ensued.

Client Updates

Mr. Morris reported on the two remarketings for Yale University that is schedule to price January 19th, for their 2014 and 2017 bond series, which total over \$510 million.

Mr. Morris stated that Quinnipiac University received zoning approval in November 2022 for the construction of a new dormitory. Mr. Morris reported that the issue can thus move forward, and pricing will be expected next month.

Mr. Morris reported that the fourth advance for LiveWell Alliance closed on January 12th in the amount of \$5 million and a rate of 5.81%. Mr. Morris stated that the advances to date total \$31.1 million of the \$81.6 million authorized.

⁷ Mr. Varholak abstained from voting as he did not attend the November 16, 2022 Board of Directors Meeting.

⁸ Ms. Sanders abstained from voting as she did not attend the November 16, 2022 Board of Directors Meeting.

Mr. Morris stated that Staff is working with a number of institutions to transition from LIBOR to SOFR in the documents, as well as working with two institutions on their tender dates occurring in 2023 for refinancing or extension options.

Mr. Morris reported on the University of Hartford's failure to meet their debt service coverage requirement of 1.1 times for FY 2022. Coverage was reported at 0.38 times. Mr. Morris stated that the University of Hartford has hired Longhouse Capital Advisors as its consultant as required by the bond documents. The consultant's engagement will consist of three phases:

- *Information gathering and assessment*: determines the drivers of the operating performance and failure of the debt service creditors requirement
 - The consultant has received most of the information requested but is waiting on a few more items.
 - The consultant will start conducting interviews by the end of this week.
- *Issue report related to the bond covenant failure*: identifies the causes behind the failure and includes recommendations for meeting the covenant in FY 2023
 - Targeted completion date is set for March 3rd.
- *Monitoring and final report*: produces a final report for the FY 2023 performance and determines compliance or noncompliance, as well as includes ongoing monitoring
 - Targeted completion date is set for December 15th.

Mr. Morris stated that the consultant is currently in the information-gathering phase and the University has been very responsive and forthcoming with information. Mr. Morris also stated that the University hired Disclosure Counsel to assist with their obligation of posting a notice relating to failing the covenant, which was posted today and stated the reasons for the failure.

Mr. Morris reported that no investors have contacted the Underwriter or the University so far. Mr. Morris stated that, in the event that S&P downgrades the University, the University will need to fund the debt service reserve funds on both the 2015 and 2022 bonds, totaling \$9 million. Mr. Morris also stated that the University has \$15 million line of credit.

The floor was opened to questions, and a discussion ensued.

Financial Report

Ms. Mackewicz reported on the four months ending on November 30, 2022. Ms. Mackewicz stated that the year-to-date net operating income was \$1.7 million and \$825,000 after program expenses. Ms. Mackewicz reported that operating revenues were under budget by \$8,000, and operating expenses were under budget by \$107,000. Ms. Mackewicz stated that investment income was over budget by \$73,000.

Ms. Mackewicz reported that the only notable item in November was the approval of the Client Grant Program for \$1 million.

Market Updates

Mr. Jandreau compared the market conditions from last year to this year. Mr. Jandreau stated that the markets last year focused on the situation in Ukraine as well as on inflation resulting in a tightening of monetary policy by the Federal Reserve. Mr. Jandreau stated that the markets this year have seen a moderation of inflation in job creation, wages, and consumer prices. Mr. Jandreau reported a resulting shift in investor sentiment due to changing market conditions, where it is now anticipated that the Federal Reserve may only increase the Federal Funds Rate by 25-basis points at its next meeting in February.

Mr. Jandreau noted on a potential new challenge for the markets will come from the issue of the debt ceiling, which Congress must resolve in order to avoid a default. Mr. Jandreau stated that the Federal Reserve Bank will have to invoke temporary measures if Congress does not act.

Mr. Jandreau reported that the municipal market issuance started the year slowly but is now ramped up despite the holiday shortened week. Mr. Jandreau stated that the market expects approximately \$9.1 billion of issuance in just this week, which is greater than the 5-year average. Of the \$9.1 billion, Mr. Jandreau stated that \$7.2 billion will come in the form of negotiated transactions and approximately \$2 billion will be through competitive transactions.

Mr. Jandreau reported on the recent transactions, which continue to be minimal as December was a slow month for issuance.

The floor was opened to questions, and a brief discussion ensued.

INDEPENDENT SCHOOL SECTOR REPORT

Mr. Morris provided a review of CHEFA's independent school portfolio, which included the following items:

- Overview of significant trends from the prior fiscal year:
 - Student demand
 - Balance sheet metrics
 - Operating performance
 - Debt issuance
- Review of the independent schools that make up the portfolio, which includes 21 boarding schools and 10 day schools.
- A review of bonds issued for the sector from FY 2019 - YTD FY 2023.
- Student demand trends from the prior fiscal year as well as over the past five years for applications received, selectivity and matriculation rates and enrollment.
- Review of financial operating metrics including net tuition revenue growth, operating cash flow margins and the effect on debt service coverage ratios.
- Review of balance sheet and liquidity ratios to include spendable cash and investments to debt, and spendable cash and investments to operations.
- A review on how schools are investing in the facilities as measured by the capital spending ratio.

Following the presentation, a brief discussion ensued.

COMMITTEE REPORT

Grant Committee

Mr. Davis reported that the Grant Committee met earlier today to review grant applications and select award recipients for the FY 2023 Targeted Grant Program. Mr. Davis reported that ten applications were reviewed by the Committee and the cumulative amount requested totaled approximately \$2.2 million; \$1,038,551 was available to award. The ten applications were reviewed individually by the Committee. Mr. Davis noted that some requested amounts were reduced by the committee in order to not exceed the allocated funds for the Targeted Grant Program.

The Committee recommended the following organizations for grant awards:

- Community Health Center Association of Connecticut: \$140,000
- Connecticut Breastfeeding Coalition: \$118,551

Connecticut Children’s Medical Center: \$250,000

Connecticut Council of Family Service Agencies, Inc.: \$140,000

Connecticut Junior Republic: \$140,000

Saint Francis Hospital and Medical Center: \$250,000

Mr. Lisi requested a motion for acceptance of the Grant Committee’s recommendation of the six organizations to be awarded grants for the CHEFA FY 2023 Targeted Grant Program as listed by Mr. Davis. Mr. Lisi moved for approval and Mr. Angelini seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

Mr. Davis also presented the two other agenda items discussed during the Grant Committee meeting. The first item regarded the ongoing discussion of an enterprise capital proposal, and Ms. Weintraub stated that Staff is exploring this new avenue for funding in FY 2024 which could potentially be utilized instead of a Targeted Grant cycle. Ms. Weintraub stated that Staff is in contact with two organizations regarding funds to address statewide health equity, but more information is needed prior to submission of a request. Ms. Weintraub stated that Staff will provide an updated presentation to the Board on this issue at the May 2023 Grant Committee meeting.

Mr. Davis and Ms. Weintraub presented the second agenda item regarding the Nonprofit Forum, which will tentatively be held in April 2023 and focus on pediatric mental health. Mr. Lisi encouraged all Board members to attend the Nonprofit Forum when the details are finalized and distributed.

OTHER BUSINESS

Ms. Aguilera noted that there are two forms provided in the meeting package regarding CHEFA Community Development Corporation’s (CHEFA CDC) ethics and conflict of interest policies. Ms.

Aguilera stated that the Board must complete the two forms, either by mail or electronically, by February 3, 2023.

ADJOURNMENT

There being no further business, Mr. Davis moved to adjourn the meeting and Mr. Angelini seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

The hybrid meeting adjourned at 2:27 p.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director