

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

May 17, 2023

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Wednesday, May 17, 2023.

The hybrid meeting was called to order at 1:42 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
Steven L. Elbaum
Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)¹
Susan Martin
Alan Mattamana
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)²
Mark Varholak³

ABSENT: Lawrence Davis

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Rebecca Hrdlicka, Administrative Services Assistant
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Dan Kurowski, Manager of Program Development & CHEFA CDC⁴
Andrew Kwashnak, Senior System & Data Analyst⁵
Carlee Levin, Senior Accountant⁶
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Marlene Pagan, Transaction Analyst⁷
Kara Stuart, Manager, Administrative Services
Betty Sugerman Weintraub, Manager of Grant Programs and Philanthropic Outreach of Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Erik Swanson, Senior Vice President, KaufmanHall
Gary Schless, Real Estate Broker, CBRE

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

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

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

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

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

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

⁷ Marlene Pagan 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 April 19, 2023 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
Steven L. Elbaum
Peter Lisi
Susan Martin
Alan Mattamana
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

Kimberly Kennison⁸

HOSPITAL SECTOR ANALYSIS

Before the presentation, Mr. Morris noted that Bristol Hospital and Day Kimball Hospital are not included in the report as their audits have not been released yet.

Mr. Morris gave a presentation on the FY 2022 Hospital Sector Review, which included an overview on the following topics:

- FY 2022 Hospital Results
- CHEFA Portfolio Overview
 - Hospital portfolio outstanding: \$2.33 billion
 - Total outstanding: \$8.55 billion
- Connecticut hospital landscape
 - Connecticut stand-alone hospitals
 - In-state and multi-state hospital systems
 - Potential acquisitions/mergers
- Operating performance ratios; liquidity metrics; utilization trends; and capital spending ratios

The floor was opened to questions, and a brief discussion ensued regarding hospital discharges, patients classified as observations, and billing status.

⁸ Ms. Kennison abstained from voting as she did not attend the Board of Directors Meeting held on April 19, 2023.

BOARD PRESENTATION: THE FINANCIAL IMPACT OF THE COVID-19 PANDEMIC ON CONNECTICUT HOSPITALS

Mr. Morris introduced Mr. Erik Swanson, Senior Vice President from KaufmanHall. Mr. Swanson gave a presentation on 'The Financial Impact of the COVID-19 Pandemic on Connecticut Hospitals', which included an overview on the following topics:

- Connecticut Hospital Finances: The Financial Impact of the COVID-19 Pandemic
- Connecticut Hospital Profitability Overview
- Connecticut Hospital Expenses Overview
- Connecticut Hospital Volumes Overview

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

Mr. Lisi thanked Mr. Swanson for his time and informative presentation. Mr. Swanson left the hybrid meeting at 2:18 p.m.

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon reported on the status of the executive search for the open Managing Director position, which is in its final round of interviews. Ms. Weldon stated that a decision is expected in the next several weeks and highlighted the efforts of KornFerry throughout the process.

Ms. Weldon reported on the status of legislative proposals impacting CHEFA and CHESLA. Ms. Weldon stated that, regarding CHESLA, there are a number of bills proposing certain incentive structures for specific professions via subsidized rates on CHESLA loans. Ms. Weldon also reported on the Senate approval of Bill 1104, regarding CHEFA, for expanding the definition of projects and cleaning up outdated language.

Client Updates

Mr. Morris reported on the closings for American School for the Deaf, King School, and Connecticut Children's Medical Center (CCMC).

Mr. Morris reported on the new issue for Brunswick School, which will be presented on a preliminary basis by Mr. Jandreau. Mr. Morris also reported on the remarketing with Yale University regarding its

2017 bond issue for \$112.1 million and stated that the mandatory tender date for this issue is July 3, 2023.

Mr. Morris reported that the University of Hartford held an investor call last week and presented a projected \$12.4 million deficit for FY 2023. Mr. Morris stated that the \$5.5 million vendor contribution as discussed last month cannot be recognized as revenue for this year but rather amortized over 17 years. However, an \$8 million vendor contribution was received in cash. In order to meet the debt service coverage ratio, the University of Hartford will need an additional \$15.6 million draw from their endowment investment income. Mr. Morris stated that the University of Hartford met with S&P on Monday, and S&P will potentially form a committee in early June. Staff is scheduled to meet with University of Hartford on May 25, 2023 to discuss the University's FY 2024 budget.

Mr. Lisi inquired about the endowment investment draws, and a brief discussion ensued.

Mr. Morris provided an update for Bristol Hospital, as the Hospital had failed their days cash-on-hand (DCOH) test. Mr. Morris reported that Bristol Hospital came to an agreement with Fidelity as the majority bondholder regarding the amendment of the bond documents. Mr. Morris stated that the DCOH covenant will be amended from the 45-day requirement to 30 days for FY 2022 and 15 days in FY 2023. Mr. Morris reported that the reduction in DCOH was the result of operating losses in the past two years coupled with the recoupment of Medicare advances and investment market declines. Mr. Morris stated that the Hospital's action plan includes maximizing the efficiency of the operating room to increase cases, reducing the workforce, suspending 403(b) matches, and decreasing executive pay.

Mr. Morris provided an update for Day Kimball Hospital, as the Hospital failed their DCOH test for FY 2022. Mr. Morris reported that Day Kimball's DCOH was 40 days, which did not meet the 60-day requirement. Mr. Morris stated that Day Kimball is working with Silvercrest, the purchaser of the bonds on a forbearance agreement and has extended their audit deadline to May 31, 2023.

Financial Report

Ms. Mackewicz reported on the nine months ending on March 31, 2023. Ms. Mackewicz reported that the net operating income totaled \$2.9 million and non-operating expenses totaled \$1.7 million for a change in net position of \$1.2 million. Revenues remain under budget by \$81,000, expenses remain under budget by \$176,000, and investment income is over budget at \$219,000.

Market Updates

Mr. Jandreau reported on the conditions of the municipal market, headlines relating to the Federal Reserve and the banking crisis, and the latest movement in the federal funds rate.

Mr. Jandreau reported on the transaction report, highlighting the Connecticut Children's Medical Center (CCMC) transaction that closed this morning. Mr. Jandreau stated that CCMC priced \$112.385 million par of bonds in the public market via Goldman Sachs and Loop Capital, who acted as co-manager. Mr. Jandreau reported that there were more than 40 institutional investors with orders, resulting in an oversubscription of approximately 12.3 times. Due to the significant demand, Mr. Jandreau reported that the underwriters were able to tighten spreads, which reduced the overall all-in cost of the financing by approximately \$4.3 million in total debt service over the life of the bonds.

Mr. Elbaum recused himself from consideration of the Brunswick School Issue, Series E as his firm, Robinson+Cole, is involved in the transaction.

PRELIMINARY STAFF MEMO

Brunswick School Issue, Series E

Mr. Jandreau stated that Brunswick School is seeking a proposal of up to \$30 million to finance the acquisition of a 16.5-acre parcel of land that once served as Carmel Academy in Greenwich, Connecticut. Mr. Jandreau reported on the advantages of this land for Brunswick School, as it is proximal to Greenwich and Brunswick School's Upper School Campus. Mr. Jandreau also reported on the intent of the land, involving a move of its pre-school, establishment of a new day care, and staff and faculty housing. Mr. Jandreau stated that total cost of the project is approximately \$32.1 million and is expected to be completed in 2025.

Mr. Jandreau reported on the current outstanding Brunswick School Issue, Series D bonds totaling \$27.5 million as a fixed-rate direct purchase with a subsidiary of JP Morgan Chase. Mr. Jandreau stated that the School was rated A+ by S&P and A1 stable by Moody's in 2021. The school will only seek an updated credit rating from S&P, but the solo rating is not expected to have a negative impact on the sale or marketability of the proposed financing due to the School's strong credit quality. Mr. Jandreau reported that the proposed debt will rank pari passu with the outstanding indebtedness, as the security and covenants of the Series D debt will remain in place while that debt remains outstanding.

Mr. Jandreau continued with an overview on the market profile, operating performance, liquidity, leverage, endowment portfolio, and fundraising capabilities of Brunswick School. Mr. Jandreau reported on the recent announcement of a \$150 million capital campaign by Brunswick School, where \$22.4 million has already been received in cash and \$33.1 million has already been pledged. Mr. Jandreau stated that the capital campaign is intended to be allocated towards health and wellness (15%), financial aid (25%), faculty and community (15%), and campus expansion (45%).

Mr. Jandreau stated that Brunswick School is a high credit quality school with a strong reputation, and that the School is experiencing strong student demand trends, strengthening market position, and growing net tuition revenues.

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

Mr. Lisi requested that the endowment per student be reported by Mr. Jandreau for future bond issue presentations, which Mr. Jandreau agreed.

Staff will seek approval of this proposed financing at the next Board meeting.

COMMITTEE REPORT

Grant Committee

Mr. Lisi reported that the Grant Committee met earlier today to review grant applications and select award recipients for the FY 2023 Nonprofit Grant Program. Mr. Lisi also reported on the decision of the Grant Committee to allocate \$100,000 to the cultural sector at the annual Grant Committee meeting held in September 2022. Mr. Lisi stated that the Grant Committee made this decision based on the limited amount of funds awarded to the cultural sector through our grant programs.

Mr. Lisi reported that 39 applications were completed, and 26 applications that received 2 or more high ratings by the internal review committee (IRC) were presented to the Grant Committee for further review. Mr. Lisi stated that the total requested amount from the 26 applications presented was approximately \$1.5 million and the total amount of allocated funds to award was approximately \$1 million.

The Grant Committee recommended the following organizations for grant awards:

Family & Children's Aid, Inc.: \$52,453
Goodwin University: \$75,000
Hartford Promise: \$75,000
Health Education Center: \$75,000
Jumpstart for Young Children, Inc.: \$35,000
Leadership, Education and Athletics in Partnership (LEAP): \$75,000
Literacy Volunteers of Central CT: \$10,000
Literacy Volunteers of Greater Hartford: \$15,000
Make the Road States, Inc., DBA Make the Road CT: \$75,000
NAF: \$75,000
Neighborhood Studios of Fairfield County: \$50,000
New Haven Promise: \$75,000
Our Piece of the Pie, Inc.: \$75,000
Sea Research Foundation, Inc. DBA Mystic Aquarium: \$25,000
Silvermine Guild of Artists, Inc.: \$25,000
Solar Youth, Inc.: \$45,000
The Child and Family Guidance Center: \$75,000
United Way of Western Connecticut: \$75,000

The total recommended awarded amount for the FY 2023 Nonprofit Grant program is \$1,007,453.

Mr. Lisi requested a motion for acceptance of the Grant Committee's recommendation of the 18 organizations to be awarded grants for the CHEFA FY 2023 Nonprofit Grant Program as listed above. Mr. Elbaum moved for approval and Mr. Mattamana seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Steven L. Elbaum		
Kimberly Kennison		
Peter W. Lisi		
Susan Martin		
Alan Mattamana		
Sarah Sanders		
Mark Varholak		

EXECUTIVE SESSION: DISCUSSION REGARDING LEASE OF OFFICE SPACE

Mr. Lisi requested a motion to go into Executive Session at 2:45 p.m. to discuss the lease of office space. Mr. Angelini moved to go into Executive Session and Ms. Martin seconded the motion. In addition to all Board Members, Ms. Weldon, Ms. Aguilera, Mr. Morris, and Ms. Mackewicz were invited to stay for the Executive Session along with Mr. Gary Schless, real estate broker for CHEFA.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Steven L. Elbaum		
Kimberly Kennison		
Peter W. Lisi		
Susan Martin		
Alan Mattamana		
Sarah Sanders		
Mark Varholak		

At 2:45 p.m., all other Staff members and meeting attendees left the hybrid meeting so that only those invited to the Executive Session were present in the hybrid meeting.

All Staff and meeting attendees returned to the hybrid meeting at 3:04 p.m. No votes were taken during Executive Session.

Mr. Schless left the hybrid meeting at 3:04 p.m.

OFFICE SPACE LEASE AND AUTHORIZING RESOLUTION (2023-04)

Ms. Aguilera reported that the resolution presented to the Board will give Ms. Weldon authority to negotiate and execute a lease with Constitution Plaza Holdings LLC for office space located at 1 Constitution Plaza, Hartford, Connecticut.

Mr. Lisi requested a motion to approve the resolution (Authorizing Resolution #2023-04) authorizing Staff to negotiate and execute an office lease for office space at Constitution Plaza. Mr. Lisi moved for approval and Mr. Angelini seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Steven L. Elbaum		

Kimberly Kennison
Peter W. Lisi
Susan Martin
Alan Mattamana
Sarah Sanders
Mark Varholak

ADJOURNMENT

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

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

AYES

Michael Angelini
Steven L. Elbaum
Kimberly Kennison
Peter Lisi
Susan Martin
Alan Mattamana
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

The hybrid meeting adjourned at 3:06 p.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director