

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

November 17, 2021

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, November 17, 2021.¹

The meeting was called to order at 1:30 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 Davis²
Steven L. Elbaum
Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden*)
Dr. Estela R. Lopez
Susan Martin
Mark Varholak

ABSENT: Kimberly Kennison (*Designee for Melissa McCaw, OPM Secretary*)
Alan Mattamana

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Jessica Bishop, Administrative Services Assistant
Daniel Giungi, Communication and Legislative Affairs Specialist
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Daniel Kurowski, CHEFA CDC Program Manager
Carlee Levin, Senior Accountant
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Marlene Pagan, Transaction Analyst
Cynthia D. Peoples-H., Managing Director, Operations & Finance
Julia Pollano, Operations Reporting Analyst
Kara Stuart, Manager, Administrative Services
Betty Sugerman Weintraub, Grant Program Manager of the Connecticut Health and Educational Facilities Authority

GUESTS: Bruce Chudwick, Esq., Partner, Shipman & Goodwin LLP
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP
Deborah Henry, Principal, Hardwick Law Firm, LLC

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

² Mr. Davis joined the teleconference meeting at 1:38 p.m.

Thomas Marrion, Partner, Hinckley Allen
Nancy Nicolescu, Director of Education & Communications, Office of State Ethics
Josh Nyikita, Managing Director, Acacia Financial Group, Inc.
Erick Russell, Esq., Pullman & Comley LLC
Namita Shah, Esq., Day Pitney LLP
Ed Samorajczyk, Esq., Robinson + Cole LLP
Liz Schramek, Director, Oppenheimer & Co., Inc.
Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc.
Ann Zucker, Esq., Partner, Carmody Torrance Sandak & Hennessey LLP

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the meeting minutes of the October 20, 2021 Board of Directors meeting. Mr. Hill moved to approve the minutes 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
Darrell V. Hill
Peter Lisi
Dr. Estela R. Lopez
Susan Martin
Mark Varholak

NAYS

None

ABSTENTIONS

None

ETHICS TRAINING

Ms. Nicolescu, Director of Education and Communications at the Office of State Ethics provided ethics training, in accordance with the requirements of the Authority’s Ethics Statement and Policies. Ms. Nicolescu encouraged the Board members to contact the Office of State Ethics if they had any additional questions.

Mr. Lisi thanked Ms. Nicolescu for her time and informative presentation. Ms. Nicolescu left the teleconference meeting at 1:54 p.m.

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon reported that as of November 1st staff had returned to the office in a hybrid model consisting of three days in the office and two days working remotely. The hybrid schedule has been successful, and the Authority will proceed with this schedule.

Ms. Weldon noted that CHEFA launched their new website. This was part of a rebranding initiative that started over a year ago and was carried into the new website. Ms. Weldon referenced the CHEFA homepage highlighting the sections showing information about all CHEFA programs, links to CHEFA current events, recent bond closings, information on CHEFA CDC, and the link to the CHESLA website. Ms. Weldon noted the tabs across the top of the website that will bring visitors to more detailed information on all of CHEFA's programs. Ms. Weldon encouraged everyone to explore the new website, stating that the format is user-friendly and appealing. Staff's intention with presenting the information in an appealing format was to engage more users and provide additional timely information.

Client Updates

Mr. Morris reported the following:

- There is a new bond issue for Connecticut College for a refunding, and a new money issue that will be discussed on a preliminary basis today.
- Yale University is in the process of remarketing 3 of its bonds totally \$400 million, and all 3 are expected to price in January.
- After appearing on the financing forecast since July 2019, The Jerome Home is expected to close on Thursday, November 18, 2021. Ms. Smith from PFM will be providing a sales report.

Financial Report – September 30, 2021

Ms. Mackewicz reported that for the first quarter ending September 30, 2021, operating revenues exceed operating expenses by \$1 million, and \$1 million after investment income and program expenses. Revenues are over budget by \$18,000 and expenses are under budget by \$52,000. Ms. Mackewicz stated that in September, two new revolving loans closed totaling \$150,000, with a program total of \$300,000.

Interest Rate Report

Ms. Peoples reported on movement in the stock market and yield curve over the last month and day, along with information about current FOMC activities.

Market Updates

Mr. Jandreau reported that the overall tone of the municipal market continues to be positive and favorable for issuers. One of the primary contributors has been mutual fund inflows that have come into the market to be invested. Municipal bond funds have experienced inflows in 77 of the past 78 weeks totaling a record \$156.2 billion, while the current YTD inflow of \$94.7 billion is the highest since the inception of the data in 1992.

Mr. Jandreau stated that staff is continuing to see the same observations made in the past about an increased use of taxable issuance.

OVERVIEW OF PROPOSED LEGISLATIVE AGENDA

Ms. Weldon reported that management has given thought to a proposed legislative agenda, which is included in the board package, and is based on what the Authority hopes to achieve in the next legislative session. Ms. Weldon turned the floor over to Dan Giungi to report on what is included in the Agenda.

Mr. Giungi reported that the upcoming legislative session will be short, convening on February 9th and adjourning on May 4th. Mr. Giungi reported that in the last session the Authority was aggressive with outreach and lobbying efforts and the plan is to continue reaching out to key legislators on the Higher Education and Banking committees, as well as legislative leadership.

Mr. Giungi noted, prior to his presentation, that the CHESLA legislative agenda items were already approved by the CHESLA Board and proceeded with a presentation of the following Legislative Agenda items:

- Extraterritorial Financing Proposal - enabling CHEFA to issue bonds for cross-border projects that have a Connecticut nexus. Projects under this proposal would not be SCRF backed.
- Proposal expanding the definition of “project” in CHEFA’s enabling statutes to include general corporate purposes, providing CHEFA with the flexibility needed to address the changing needs of its clients moving into the out years.
- CHEFA currently has one subsidiary that it formed, CHEFA Community Development Corporation, and two subsidiaries that were statutorily constituted as CHEFA subsidiaries – CHESLA and the Connecticut Student Loan Foundation. All the subsidiaries are quasi-public agencies. Existing statute only provides for CHEFA to transfer funds or make loans to subsidiaries that it formed. This will give CHEFA the

ability to transfer or loan funds to any of its subsidiaries regardless of whether they were created by CHEFA or statutorily constituted.

- The Connecticut Student Loan Foundation can currently transfer funds to CHEFA for purposes of funding loans, scholarships, grants or financial literacy initiatives associated with the pursuit of higher education from a non-profit, accredited educational institution. This proposal would allow for funds to be transferred from CSLF to CHEFA and/or its subsidiaries to provide financial assistance to students for any costs associated with pursuing a postsecondary education.
- Financial assistance for post-secondary education programs - this will give CHESLA the ability to provide financial assistance to students attending post-secondary education programs. Current legislative authority is limited to attendance at nonprofit degree granting institutions for higher education.
- CHEFA CDC proposal to establish the Connecticut New Markets Tax Credit Program incentivizing private investment in low-income communities.

The floor was opened to questions and a discussion ensued.

Mr. Lisi requested a motion for approval of the proposed legislative agenda. Dr. Lopez 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 Lawrence Davis Steven L. Elbaum Darrell V. Hill Peter Lisi Dr. Estela R. Lopez Susan Martin Mark Varholak	None	None

SALES REPORT

Jerome Home Issue, Series E

Ms. Trina Smith of PFM Financial Advisors LLC, Inc. gave a presentation on the Jerome Home Issue, Series E. Ms. Smith provided the following transaction overview:

- Par amount of \$14,860,000 and a pricing date of October 28, 2021.
- It was a negotiated sale, BBB rated, tax-exempt fixed rate bonds.
- Spreads were 96-135 basis points with 4% coupons.
- Subscription levels were extremely positive, with an overall subscription of approximately 6x. As a result, spreads were lowered 2-8 basis points across the curve.
- NPV savings were \$3.5 million, or 43% of refunded par. The TIC of the whole transaction was 3.375%

Ms. Smith reported that overall, Jerome Home priced favorably to other transactions in the market.

PRELIMINARY STAFF MEMO

Connecticut College Issue, Series M

Mr. Jandreau stated that Connecticut College is seeking to refund its existing outstanding Series J and K bonds, as well as finance various capital projects and fund capitalized interest.

Mr. Jandreau provided the following report:

- The Series J & K bonds total approximately \$11.8 million, or roughly 20%, of the outstanding \$60.2 million in bonds. The net present value savings resulting from the refunding are estimated to be approximately \$845,000 or 7.23%. A determination of capital projects will be provided in January.
- Various renovation projects are currently being considered in both residential and academic buildings, along with a potential off campus upper-class housing parcel acquisition, upgrades to building mechanicals and other infrastructure improvements.
- Connecticut College is rated “A2” by Moody’s rating and was affirmed last August with a stable outlook. Moody’s highlights the College’s favorable brand, strong wealth and liquidity. Additionally, the College’s prudent management of expenses and strong donor support provide for further financial reserve accumulation and capital needs.
- Challenges cited, by Moody’s, are the College’s pressured revenue conditions and the College’s high age of plant.
- From an enrollment perspective, Connecticut College is the smallest of all the schools in CHEFA’s portfolio and the third smallest in terms of applications. However, the College has exhibited good application growth and steady enrollment over the last 5 years.
- From a financial performance perspective, the College produces slightly below break-even results and has margins that compare unfavorably to the Moody’s “A” rated medians. Net tuition revenue growth has been negative over the past five years, declining more than

16% from FY 2017 to FY 2021 due to a large increase in tuition discounting of approximately 44% over the same period.

- Part of the increase in the discounting is because Connecticut College has a policy of meeting demonstrated needs of all eligible, admitted students. Eligibility is determined by a thorough review of the family's financial information. The College does not award aid based on academics or athletic criteria
- Like Moody's perspective, staff's view of the College's wealth and liquidity are offsetting factors to these challenges of increased discounting and decline in net tuition. Cash and Investments have growth more than 52% over the past five years, from \$318 million in 2017 to \$486 million in 2021. Cash and investments to operating expenses improved from 2.74 times to 4.9 times, exceeding the Moody's "A" rated median of 1.97 times. Cash to pro forma debt equals 4.25 times comparing favorably to the Moody's "A" rated median of 2.8 times. Days cash on hand equaled 432 days in FY 2021 topping the "A" rated median of 382 days and is more in line with the "AA"-rated median of 435 days.

Mr. Jandreau reported that Connecticut College has strong brand awareness which has led to increased applications. The College also has strong wealth and liquidity attributes however, a strong focus on the management of expenses will be needed in order to maintain near breakeven results going forward.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-23)

Avon Old Farms Issue, Series D

Mr. Jandreau reported that staff is seeking approval of up to \$40 million for the Avon Old Farms School Issue, Series D. Mr. Jandreau stated at last month's Board Meeting, staff presented its preliminary memo and credit analysis, and additional supporting information has been provided on page 2, based on some inquiries that were made.

Mr. Jandreau reported that Moody's has completed its review of Avon Old Farms and assigned an initial "A3" rating with a stable outlook for the proposed Series D bonds. Mr. Jandreau reported that similar to the strengths and credit challenges staff provided in its memo today, Moody's cited the following credit strengths: good brand recognition, stable enrollment, consistently excellent operating performance, strong liquid reserves, and healthy gift support. In terms of credit challenges, Moody's cited: a competitive student market, small scale of operations, and age of plant. Mr. Jandreau stated that based on staff's assessment of Avon Old Farms and similarly

positive Moody's evaluation, staff would like to ask the Board's approval of the proposed Series D financing.

Mr. Lisi requested a motion for approval of up to \$40 million for the Avon Old Farms Issue, Series D (Authorizing Resolution #2021-23). Mr. Elbaum moved for approval and Dr. Lopez 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 Lawrence Davis Steven L. Elbaum Darrell V. Hill Peter Lisi Dr. Estela R. Lopez Susan Martin Mark Varholak	None	None

Mr. Elbaum recused himself from The Rectory School Issue, Series C as his firm, Robinson+Cole, is involved in the transaction. Mr. Elbaum left the teleconference meeting at 2:26 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-24)

The Rectory School Issue, Series C 1:44

Mr. Jandreau reported that The Rectory School is seeking to refund its outstanding 2012 Series B variable rate bonds including financing swap termination costs, and finance approximately \$3.8 million in various capital improvements, which include the construction of a 10,249 square foot girls dormitory and the construction of a gymnasium.

Mr. Jandreau reported that the proposed financing will be sold to CSB Colts, Inc. as a direct purchase and that CSB is a wholly owned subsidiary of Westfield Bank whose headquarters are in Westfield, Massachusetts.

Mr. Jandreau reported that the proposed financing will have two series: Series C-1, totaling approximately \$6.2 million will be used for the refunding and Series C-2, totaling approximately \$3.8 million will be used for new money and that security for the financing will be a gross receipts pledge and mortgage.

Mr. Jandreau stated that staff has not identified any items that would cause concern and given that this is a bank direct purchase where the credit review rests with Westfield Bank, staff would like to request the Board's approval of this financing.

Mr. Lisi requested a motion for approval of up to \$10 million for The Rectory School Issue, Series C (Authorizing Resolution #2021-24). Mr. Angelini moved for approval and Mr. Davis seconded the motion.

Mr. Lisi opened the floor to questions and a discussion ensued.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>	<u>RECUSALS</u>
Michael Angelini Lawrence Davis Darrell V. Hill Peter Lisi Dr. Estela R. Lopez Susan Martin Mark Varholak	None	None	Steven L. Elbaum

Mr. Elbaum returned to the teleconference meeting at 2:31 p.m.

COMMITTEE REPORTS

Special Audit-Finance Committee

Mr. Varholak reported that the Special Audit-Finance Committee took place on Monday and there were two information items to discuss. The first item related to IT risk assessment. CHEFA is currently undergoing a 3-year rotational risk assessment with BerryDunn, who did a high-level review of IT internal controls. There were some findings, so management decided to engage with an external consultant. Mr. Varholak stated that the external consultant was at the Committee meeting and reported on their findings. There were 12 findings, consisting of 2 high risk and 10 moderate risk items. Mr. Varholak reported that management has already started addressing the 2 high risk items along with some additional work to fully complete them. The remaining 10 items will be addressed over the next 1 to 1.5 years and management is proposing to document a full

IT strategic plan to address the risks diligently. The external consultants agreed that the strategic plan was a reasonable approach.

Mr. Varholak reported that the second item included a presentation from management about continuity planning in the accounting area. Due to limited staff in accounting and finance, the Committee wanted to ensure that all areas were covered should an individual not be available to perform their usual duties. The presentation outlined higher risk areas that the group deals with, and a chart of primary, secondary and backup responsibilities. Mr. Varholak stated that the Committee was satisfied by the continuity planning.

Ms. Peoples noted that with regard to the IT strategic plan, although it won't be presented to the Audit-Finance Committee until May 2022, staff is continuing to implement necessary changes along the way.

Special Consultant Committee

Mr. Hill reported that the Consultant Committee met earlier today to review the recommendations by staff for Financial Advisor and Special Counsel. Both were the culmination of the RFP process sent out in September 2021. Mr. Hill reported that staff received 4 responses to the RFP for Financial Advisor and staff recommended appointing Acacia Financial Group, Inc. and PFM Financial Advisors LLC as Financial Advisors for the next 3 years. Mr. Hill stated that the Consultant Committee voted to accept staff's recommendations.

Mr. Hill stated that there were 3 responses to the RFP for Special Counsel, and they were all from current providers. Staff recommended appointing Carmody Torrance Sandak & Hennessey LLP, McCarter & English LLP, and Shipman & Goodwin LLP. as Special Counsel for the next 3 years and the Consultant Committee voted to accept staff's recommendations.

Mr. Lisi requested a motion for approval of the Consultant Committee's recommendations of appointment of Financial Advisor and Special Counsel as described by Mr. Hill. Mr. Hill moved for approval and Dr. Lopez 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

Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Peter Lisi
Dr. Estela R. Lopez
Susan Martin
Mark Varholak

Mr. Angelini recused himself as his employer Yale New Haven Health submitted a grant application.³ Ms. Martin recused herself as her employer Middlesex Hospital submitted a grant application.⁴ Mr. Angelini and Ms. Martin left the teleconference meeting at 2:41 pm

Grant Committee

Dr. Lopez reported that the Grant Committee met earlier today to review staff/Internal Review Committee recommendations to fund sixteen grant applications; fifteen in full and one partially for a total of \$1,050,056 in grant awards.

Mr. Lisi requested a motion for approval of the recommendation for the FY 2022 Client Grant Program. Dr. Lopez moved for approval and Mr. Davis seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>	<u>RECUSALS</u>
None	None	None	Michael Angelini
Lawrence Davis			Susan Martin
Steven L. Elbaum			
Darrell V. Hill			
Peter Lisi			
Dr. Estela R. Lopez			
Mark Varholak			

Mr. Angelini and Ms. Martin returned to the teleconference meeting at 2:44 p.m.

PROPOSED MEETING DATES – CY 2022

Mr. Lisi requested a motion to approve the 2022 meeting schedule. Mr. Davis moved for approval and Dr. Lopez 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 Lawrence Davis Steven L. Elbaum Darrell V. Hill Peter Lisi Dr. Estela R. Lopez Susan Martin Mark Varholak	None	None

OTHER BUSINESS

Mr. Lisi spoke about Dr. Estela Lopez who would be retiring from the CHEFA Board, and that today would be Dr. Lopez’s last Board meeting. Mr. Lisi thanked Dr. Lopez for her service to the CHEFA Board and for her tremendous leadership of the Grant Committee. Ms. Weldon and Ms. Sugerman Weintraub provided additional comments and thanked and congratulated to Dr. Lopez.

ADJOURNMENT

With there being no further business at 2:50 p.m., Mr. Lisi requested a motion to adjourn the meeting. Mr. Hill moved to adjourn the meeting and Ms. Martin 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 Lawrence Davis Steven L. Elbaum Darrell V. Hill Peter Lisi Dr. Estela R. Lopez Susan Martin Mark Varholak	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director