

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

February 7, 2024

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Wednesday, February 7, 2024.

The hybrid meeting was called to order at 1:30 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
Susan Martin
Alan Mattamana
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)¹
Mark Varholak

ABSENT: Steve L. Elbaum
Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Charles Bodie, Managing Director of Finance and Operations
Rebecca Hrdlicka, Administrative Services Assistant
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Dan Kurowski, Manager of Program Development & CHEFA CDC
Andrew Kwashnak, Senior Systems & Data Analyst²
Carlee Levin, Senior Accountant³
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Marlene Pagan, Transaction Analyst⁴
Julia Pollano, Operations Reporting Analyst⁵
Kara Stuart, Manager of Administrative Services
Betty Sugerman Weintraub, Manager of Grant Programs & Philanthropic Outreach⁶ 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 Andrew Kwashnak participated in the meeting via teleconference that permitted all parties to hear each other.

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

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

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

⁶ Betty Sugerman Weintraub participated in the meeting via teleconference that permitted all parties to hear each other.

INVITED GUESTS: Elizabeth Kim, Vice President for Public Finance, Loop Capital Markets LLC⁷
Peter Carbone, Senior Vice President for Facility Development, Proton
International⁸
Chris Chandler, CEO, Proton International⁹
Dave Handler, Partner, Hawkins, Delafield, & Wood LLP¹⁰
Kenny Lackey, Director/Healthcare Advisory Services, Forvis¹¹
Sharone Levy, Counsel, Nixon Peabody LLP¹²
Sergio Palomino, Analyst, Loop Capital Markets LLC¹³
Prakash Ramani, Managing Director of Investment Banking Division & Head
of Healthcare, Loop Capital Markets LLC¹⁴
Julie Seymour, Partner, Nixon Peabody LLP¹⁵
Richard Stys, Senior Vice President of Finance & Treasurer, Hartford
Healthcare¹⁶
Charles Yoo, Vice President of Finance & Operations, Proton International¹⁷

⁷ Elizabeth Kim participated in the meeting via teleconference that permitted all parties to hear each other.

⁸ Peter Carbone participated in the meeting via teleconference that permitted all parties to hear each other.

⁹ Chris Chandler participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁰ Dave Handler participated in the meeting via teleconference that permitted all parties to hear each other.

¹¹ Kenny Lackey participated in the meeting via teleconference that permitted all parties to hear each other.

¹² Sharone Levy participated in the meeting via teleconference that permitted all parties to hear each other.

¹³ Sergio Palomino participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁴ Prakash Ramani participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁵ Julie Seymour participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁶ Richard Stys participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁷ Charles Yoo participated in the meeting via teleconference that permitted all parties to hear each other.

APPROVAL OF MINUTES: CHEFA BOARD OF DIRECTORS MEETING

Mr. Lisi requested a motion to approve the minutes of the January 16, 2024 special meeting of the Board of Directors. Mr. Davis 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
Peter W. Lisi
Susan Martin
Mark Varholak

NAYS

None

ABSTENTIONS

Alan Mattamana¹⁸
Sarah Sanders¹⁹

APPROVAL OF MINUTES: CHEFA/CHESLA BOARD STRATEGIC PLANNING SESSION

Mr. Lisi requested a motion to approve the minutes of the January 25, 2024 special CHEFA/CHESLA Board Strategic Planning Session. Mr. Davis moved to approve the minutes and Ms. Martin seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Peter W. Lisi
Susan Martin
Alan Mattamana
Sarah Sanders

NAYS

None

ABSTENTIONS

Mark Varholak²⁰

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon reported on the proposed tax credit program as part of the legislative agenda for CHEFA CDC. Ms. Weldon stated that the proposed program will be broadened to include funding for both working capital and capital for property plant and equipment based on feedback received.

¹⁸ Mr. Mattamana abstained from voting as he did not attend the Special Board of Directors meeting held on January 16, 2024.

¹⁹ Ms. Sanders abstained from voting as she did not attend the Special Board of Directors meeting held on January 16, 2024.

²⁰ Mr. Varholak abstained from voting as he did not attend the Special CHEFA/CHESLA Board Strategic Planning Session held on January 25, 2024.

Ms. Weldon reported on the status of the office re-location and that the Authority will be fully operational in the Gold Building (i.e., the new office location) as of February 26, 2024. Ms. Weldon noted that the next Board meeting scheduled for March 19th will be held at the Gold Building and more information will be distributed closer to the meeting.

Ms. Weldon then presented a fiscal year to date status report pertaining to the 3-year (FY2022-2024) CHEFA strategic plan. Ms. Weldon highlighted several notable achievements pertaining to collaboration; the broadening, assessment, and communication of impact; technology; and organizational identity, culture, and sustainability.

Mr. Lisi encouraged all Board members to attend site visits when the opportunities arise.

Client Updates

Mr. Morris reported on the new financing for Yale New Haven Health; the closing for Yale University two re-marketing scheduled for February 9th ; and the closing for Boys & Girls Club of Greenwich scheduled for the upcoming weeks.

Mr. Morris stated that no changes have occurred for the non-compliant issues that were presented by Ms. Johnson at the previous Board meeting.

Market Updates

Mr. Jandreau reported on the conditions of the municipal market, headlines relating to the Federal Reserve, and changes for the federal funds rate.

Mr. Jandreau noted the two re-marketing for Yale University on the transaction report. Mr. Jandreau reported that the Series 2010A bonds, which are 3-year put bonds, were nearly 5x oversubscribed and allowed the underwriters (i.e., JP Morgan and Barclays) to lower the yields by 5 basis points. Mr. Jandreau also reported that the Series X-2 bonds, which have a 2037 final maturity, were met with less demand and needed a 7-basis point adjustment increase to complete the deal. Mr. Jandreau stated that 21 institutional investors participated in the transaction, and the 5 largest investors (ranked largest to smallest) were Fidelity, Goldman Sachs Asset Management, Capital Research, Brown Brothers, and Nuveen. These investors placed orders ranging from \$50 to \$150 million.

Mr. Davis inquired about the expected number of interest rate cuts by the Federal Reserve and Mr. Jandreau reported that the expectation remains for 4 to 5 interest rate cuts but the timing has been pushed out.

Financial Report

Ms. Mackewicz reported on the second quarter of fiscal year 2024 ending on December 31, 2023. Ms. Mackewicz reported that operating revenues exceed operating expenses by \$1.8 million, with a net non-operating expense of \$0.6 million and a change in net position of \$1.2 million. Revenues have decreased in a year-to-year comparison by \$33,000, which is correlated to administrative fees, support services decrease regarding CSLF and a prior-year revenue recovery. Ms. Mackewicz stated that operating expenses increased by \$220,000 year-over-year mainly due to the 3% COLA salary adjustment and cloud-based service fees. Ms. Mackewicz also reported that non-operating income increased by \$209,000 year-over-year due to favorable interest rates.

Ms. Mackewicz reported on notable items on the balance sheet, which included an overview of the current and noncurrent assets, current and noncurrent liabilities, and items in the unrestricted reserve fund. 4 new bond issues closed during the 2nd quarter totaling \$135 million of which 68.3% was new money. The right of use asset is fully amortized as of December 31, 2023 and the lease liability is also zero. CHEFA's net position at December 31, 2023 is \$17.6 million, an increase of \$1.8 million over prior year.

Mr. Bodie affirmed the frequency of a quarterly presentation of financials due to the stability of the balance sheet and reported activities.

INDEPENDENT SCHOOL SECTOR REPORT

Ms. Johnson 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
- Review of the independent schools that make up the portfolio, which includes 22 boarding schools and 11 day schools.
- A review of bonds issued for the sector from FY 2020 - YTD FY 2024.

- Student demand trends from the prior fiscal year as well as over the past five years for applications received, selectivity, matriculation rates and enrollment.
- Review of financial balance sheet metrics including total cash and investments to debt, total cash and investments to operations, total debt to capitalization, endowment per student, and net tuition revenue growth.
- Review of financial operating metrics including EBIDA margins, debt service coverage ratios, debt service to operations, and capital spending ratios.

Following the presentation, a brief discussion ensued.

Several Board members commented on the status of the Independent School sector compared to the headlines and outlook of the Higher Education sector. Ms. Johnson stated that the Higher Education sector report will be presented at the next Board meeting, and a comparison between the two sectors can be provided during the presentation.

Mr. Lisi thanked Ms. Johnson for the informative presentation.

Mr. Angelini recused himself from discussion regarding the Yale New Haven Health bond issue and from discussion and vote regarding the Connecticut Proton Therapy Center bond issue, as Yale New Haven Health is his employer. Mr. Angelini left the hybrid meeting at 2:12 p.m.

PRELIMINARY STAFF MEMO

Yale New Haven Health Issue, Series 2024A, 2024B, and 2024C

Mr. Jandreau reported that Yale New Haven Health will be seeking approval at the next Board meeting for up to \$700 million. The proposed transaction will be structured into three series and utilized as follows:

- 2024A series will finance the refunding of the 2014A, 2014E, and 2013N bonds.
- 2024B series will finance the acquisition of the medical office building and neuroscience tower project.
- 2024C series will finance the refunding of the 2014B mandatory tender on July 1, 2024.

Mr. Jandreau reported that the proposed series of bonds will be issued on a parity basis with the outstanding bond issues and contain a gross receipts pledge and a negative pledge on assets.

Mr. Jandreau reported on the credit rating for Yale New Haven Health, which is rated at A-1 by Moody's and A+ by Fitch. This rating represents a downgrade from both agencies in 2023, citing Yale New Haven Health's weak operating performance as the primary reason. However, Mr. Jandreau reported that both credit agencies have assigned a stable outlook to Yale New Haven Health, and meetings are scheduled with Moody's and Fitch in the coming weeks. Mr. Jandreau stated that a rating will not be sought by S&P.

Mr. Jandreau reported that Yale New Haven Health is Connecticut's largest healthcare system and includes hospitals, physicians, and related health services in New York and Rhode Island. Mr. Jandreau then presented a detailed overview on the financing metrics and status of Yale New Haven Health, including operating performance, revenues and expenses, proforma debt service coverage, unrestricted cash and investments, and patient demand and other operating pressures.

Mr. Lisi inquired about Moody's medians, and a brief discussion ensued.

At 2:20 p.m., public members involved in the Connecticut Proton Therapy Center Issue joined the hybrid meeting, and some of these members participated in the discussion of this issue.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (#2024-02)

Connecticut Proton Therapy Center Issue, Series 2024A and 2024B

Mr. Kurowski reported that Connecticut Proton Therapy Center, LLC is seeking approval of up to \$40 million. Mr. Kurowski outlined the concerns and mitigating factors for the proposed transaction, which included the following breakdown:

- Concerns
 - Number of eligible patients
 - Unpredictable patient revenue
 - Potential competing center in Danbury, Connecticut
- Mitigating Factors
 - Bonds sold only to investors who understand and can bear the risk
 - Member Loans demonstrate commitment by two of the most comprehensive hospital systems in the state
 - Provides Connecticut residents access to this new form of cancer treatment

Mr. Kurowski then presented a detailed overview of the borrowers, financing structure, project summary, service area and competition, stabilization and optimal capacity, payer mix, and project revenues. Mr. Kurowski stated that the senior Series 2024A tax-exempt bonds will be \$31 million with a final maturity on October 1, 2033, and the subordinate Series 2024B federally taxable bonds will be \$5 million with a final maturity on October 1, 2053. Mr. Kurowski reported that the bonds will be sold as a limited public offering and that the financing of the Connecticut Proton Therapy Center also includes Members Loans to the Borrower, funded by Hartford Healthcare and Yale New Haven Health in the amount of \$34 million each.

Mr. Mattamana left the hybrid meeting at 2:35 p.m.

After the presentation by Mr. Kurowski, a discussion ensued.

Mr. Lisi requested a motion for approval of up to \$40 million for the Connecticut Proton Therapy Center Issue, Series 2024A and 2024B (Resolution #2024-02). Ms. Martin moved for approval and Mr. Lisi seconded the motion.

Mr. Varholak inquired about amending the motion to condition the approval upon the receipt of the final feasibility study. A discussion ensued.

Upon a roll call vote, the votes and abstentions were as follows:

AYES

Peter W. Lisi
Susan Martin
Sarah Sanders

NAYS

Lawrence Davis
Mark Varholak

ABSTENTIONS

None

RECUSALS

Michael Angelini

COMMITTEE REPORT

Audit-Finance Committee

Ms. Martin reported that the Audit-Finance Committee met earlier today to review the internal audit reports from BerryDunn and provided a brief overview of the results and recommendations.

OTHER BUSINESS

Mr. Kurowski commented that ethics and conflict of interest statements for CHEFA CDC were distributed to Board members for completion by February 16, 2024.

ADJOURNMENT

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

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

AYES

Lawrence Davis
Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

The hybrid meeting adjourned at 3:28 p.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director