

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY  
Minutes of Authority Board Meeting  
February 16, 2022

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, February 16, 2022.<sup>1</sup>

The meeting was called to order at 1:31 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 Davis  
Steven L. Elbaum  
Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden*)  
Susan Martin  
Alan Mattamana

ABSENT Kimberly Kennison (*Designee for Melissa McCaw, OPM Secretary*)  
Mark Varholak

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 N. 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: Jeremy Bass, Managing Director, Public Financial Management, Inc.  
Bruce Chudwick, Esq., Shipman & Goodwin LLP  
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP  
Deborah Henry, Principal Attorney, Hardwick Law Firm, LLC  
Thomas Marrion, Partner, Hinckley Allen  
Josh Nyikita, Managing Director, Acacia Financial Group, Inc.  
Erick Russell, Esq., Pullman & Comley LLC  
Edward Samorajczyk, Jr., Esq., Partner, Robinson + Cole LLP  
Namita Shah, Esq., Day Pitney LLP

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

<sup>2</sup> Mr. Hill joined the teleconference meeting at 1:33 p.m.

Tiffany Stevens, Esquire, McCarter & English, LLP  
 Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

### **APPROVAL OF MINUTES**

Mr. Lisi requested a motion to approve the minutes of the January 19, 2022 meeting of the Board of Directors. 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  
 Steven L. Elbaum  
 Darrell V. Hill  
 Peter Lisi  
 Susan Martin  
 Alan Mattamana

#### **NAYS**

None

#### **ABSTENTIONS**

None

### **INDEPENDENT SCHOOL SECTOR REPORT – FY ENDING JUNE 30, 2021**

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:
  - COVID-19 and student demand
  - Balance sheet metrics
  - Operating performance
  - Debt issuance
- Review of the independent schools that make up the portfolio, which includes 20 boarding schools and 10 day schools.
- A review of bonds issued for the sector from FY 2018 - YTD FY 2022.
- 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.

### **EXECUTIVE DIRECTOR'S REPORT**

#### **Authority Updates**

Ms. Weldon stated that she would like to propose a modification to the Authority's Legislative Agenda due to some industry developments. Ms. Weldon stated that the Legislative Agenda approved at the Board meeting on November 17, 2021 included a proposal on extraterritorial legislation, giving CHEFA the ability to issue bonds on behalf of healthcare organizations for cross-border projects when there is a Connecticut nexus. Ms. Weldon stated that this proposal mainly pertains to Connecticut hospital systems and some of these systems are coming under increased scrutiny over recent activity and/or planned acquisitions, which could make it difficult for these organizations to focus on supporting the Authority's proposal. Ms. Weldon stated that

inclusion of this proposal has the potential to impact the rest of the Authority's agenda. Ms. Weldon reported that she is seeking a vote to remove the extraterritorial proposal from the Legislative Agenda for this legislative session. Ms. Weldon stated that since the Agenda was previously approved by the Board of Directors, the proposed modification is being presented for a vote.

Mr. Lisi requested a motion to remove the extraterritorial proposal from the Legislative Agenda. Mr. Angelini moved to approve the proposal and Mr. Elbaum seconded the motion.

A brief discussion ensued.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Michael Angelini	None	None
Lawrence Davis		
Steven L. Elbaum		
Darrell V. Hill		
Peter Lisi		
Susan Martin		
Alan Mattamana		

Mr. Giungi reported that Senate Bill 103 was introduced in the Higher Education Committee and contains a bulk of the Authority's Legislative Agenda. Mr. Giungi reported that the Authority met with both co-chairs and ranking members of the Higher Education Committee who have expressed a degree of support for the proposal and the Authority is on track to have a public hearing on February 22, 2022 and will subsequently be working to have the bill voted out of the Committee and onto the Senate Floor. Mr. Giungi reported that Representative Scanlon, co-chair of the Finance, Revenue and Bonding Committee expressed support for the Authority's New Markets Tax Credit proposal but can only commit to screening the bill and will meet with Committee leadership to determine whether action will be taken. Mr. Giungi reported that the Authority has reached out to, and had discussions with, the Vice Chairs who have also expressed a degree of support for the proposal. Mr. Giungi reported that the Authority will be reaching out to rank-and-file members to generate additional interest, and once the bill is introduced in Finance, Revenue and Bonding, the next steps will be to have it scheduled for a public hearing, and voted out of Committee onto either the floor of the House or Senate, depending on which Co-Chair introduces it.

### **Client Updates**

Mr. Morris provided the following updates:

- There are three new bond issues on the financing forecast:
  - Quinnipiac University - \$60 million to construct a new residence hall
  - Sacred Heart University
  - Cheshire Academy – this is their first issue with the Authority
- Connecticut College Issue successfully closed as of February 16, 2022.
- LiveWell, formerly known as Alzheimer's Resource Center of Connecticut, will be paying off their bond issue and have new money projects, but will not be issued through CHEFA and will be issued through The National Finance Authority out of New Hampshire.

### **Financial Report – December 31, 2021**

Ms. Mackewicz reported on the financial statements for period ending December 31, 2021.

- The bond issues closed with YTD total \$417.3 million - \$343 million of those are new money deals YTD, \$142 million over the \$275 million budgeted amount.
- In December, CHEFA closed one revolving loan for \$75,000, bringing the total outstanding to date of \$442,000.
- CHEFA closed one Easy Loan in December for approximately \$5 million.
- YTD change in net position is \$898,000 after operating and non-operating expenses.
- YTD revenues are \$3.8 million, \$46,000 over budget.
- YTD expenses are \$1.9 million, \$57,000 under budget.

### **Interest Rate Report**

Ms. Peoples shared an article from Reuters.com titled “*Readout of January meeting shows Fed not wed to particular pace of rate hikes*”. Ms. Peoples reported that investors are anticipating a .5% increase and that the minutes from their February meeting should be released shortly.

### **Market Updates**

Mr. Jandreau reported on the following updates from recent transactions in the market:

- Yale University remarketing of previously issued transaction, financing of \$400 million with approximately \$1.1 billion of orders, producing an oversubscription rate of 2.65 times.
  - 4 large institutional orders: one \$250 million, 3 in excess of \$100 million each, totaling more than \$620 million.
  - The average order size of the remaining 18 orders was approximately \$24 million.
- Carnegie Mellon shows a benchmark of 70% SOFR + 29 basis points. This benchmark, or lending rate, the Secured Overnight Financing Rate (SOFR), is a volume weighted median derived by tri-party, overnight repo transactions that are collateralized by treasury securities. The Federal Reserve and regulators in the UK, have indicated LIBOR, London Inter-Bank Offered Rate, will be phased out by June 30, 2023, and will be replaced by SOFR; and beginning December 31, 2021, two-month USD LIBOR rates will not be published.

### **STRATEGIC PLAN STATUS REPORT**

Ms. Weldon provided an overview of the CHEFA/CHESLA Strategic Plan Status for FY 2022 – 2024, which was distributed with the meeting materials. Ms. Weldon highlighted initiatives and activities within the last 6 months.

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

### **SALES REPORT**

#### **Connecticut College Issue, Series M**

Mr. Jeremy Bass of PFM Financial Advisors LLC, Inc. gave a presentation on the Connecticut College Issue, Series M. Mr. Bass provided the following transaction overview:

- Par amount was \$60,825,000
- Based on the College's A2 rating with negative outlook, general obligation and structure that went out 30 years with a combination of serial bonds and term bonds, fully tax-exempt
- Primarily to fund new capital plus refinancing existing private placement debt with Citizens Bank
- On February 1, 2022, a pre-marketing call was held to discuss the tenuous tone of the market going into the order period- the week prior saw a massive sell-off in rates, transactions at wider spreads
- Spreads on preliminary pricing wire ranged from 13-129 basis points, with 3%, 4%, and 5% coupons

- Subscription levels were extremely positive, with overall subscription of over 3x.
- As a result of the market reception, spreads were lowered 3-5 basis points across the curve
- NPV savings were \$352,177, or 3% of refunded par. The TIC of the whole transaction was 3.129%

Mr. Elbaum recused himself from the Sacred Heart University Issue, Series L and Fairfield University Issue, Series U agenda items as his firm, Robinson+Cole, is involved in the transactions. Mr. Elbaum left the teleconference meeting at 2:33 p.m.

### **PRELIMINARY STAFF MEMO**

#### **Sacred Heart University, Series L**

Mr. Jandreau reported the following:

- Sacred Heart University intends to seek approval at the March Board Meeting for approximately \$100 million par of unenhanced, 30-year, fixed-rate debt to finance the construction of two new residence halls, an expansion of its health and science center, the renovation of three additional residence halls, and miscellaneous capital projects.
- The University currently has 5 CHEFA issued bonds outstanding totaling \$307 million. The Institution is currently rated A3/A by Moody's and Standard and Poor's respectively, and has meetings scheduled with these agencies at the end of the month to receive updated ratings.
- The University has experienced growth in applications over the past five years which has led to improved undergraduate and graduate full-time enrollment. The University has attributed its growth to new programs instituted and investments on the University's campus.
- The University operates at a high level with a robust operating cash flow margin of 31.7%. For the past five years, revenues have outpaced expenses and return on net assets have grown.
- Liquidity has improved over the past five years, for instance, days cash on hand has improved to 527 days and is more reflective of universities rated at the AA-rated level.
- As growth has been partially fueled by investments made by the University to improve its campus, many of those investments were financed with debt, which has resulted in an increase of leverage at the University. Although leverage levels are elevated compared to the Moody's Medians, the University has a healthy level of pro forma debt service coverage of more than 3 times.
- The University has budgeted \$3 million in provisions for any COVID-19 related expenses or potential enrollment shortfalls. As of Fall 2021, full-time undergraduate enrollment is more than 380 students above the budget and the prior year. The University expects to close the fiscal year 2021-2022 with an operating surplus.
- The University's endowment reflects a high percentage of assets without donor restrictions at 83.45% offering financial flexibility; endowment spending rate is approximately 4%.

Ms. Martin inquired if travel restrictions due to Covid has impacted growth at the University. Mr. Jandreau stated that while domestic versus international enrollment has not been addressed specifically, the University has introduced new modalities and added online education and are experiencing growth from all avenues. Mr. Hill inquired if there is a ceiling the University is looking at in terms of enrollment the campus can support. Mr. Jandreau reported that the University does have some leased properties used to address over-enrollment, but more space is needed overall.

Mr. Hill inquired if, with the present rating assessment process, it is expected that the University will stay where they are. Mr. Jandreau stated that it is expected that the rating will stay the same. Mr. Jandreau reported that the University is in the silent phase of a capital campaign that has been going on for approximately 3 years and has raised about \$51 million thus far. Mr. Jandreau stated that he will provide more detail in the final memo.

### **FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2022-02)**

#### **Fairfield University Issue, Series U**

Mr. Jandreau reported the following:

- Fairfield University has been executing on its strategic plan to grow the University with such a strong focus that it has produced 12 successive years of record applicant growth, and favorable enrollment trends that have led to increases in both undergraduate and graduate enrollment.
- Financial performance and liquidity have not only been impacted by enrollment growth, they've also been influenced by management's expertise in plan execution, leading to strong improvement trends in these two areas.
- However, the cost of growth has come at a cost, with the additional \$30 million the University is seeking looking for approval for, the total par amount outstanding for the University will increase to \$289 million which is manageable for the University, but it also maintains its leverage metrics to be more in line with institutions that are lower rated.
- Staff's overall assessment is favorable and the amount of debt the University is seeking approval on is manageable for the University; the proposed project addresses its need for more residence halls and fits well within the University's strategic plan and improves the student experience at the University.

Mr. Lisi requested a motion for approval of up to \$35 million for the Fairfield University Issue, Series U (Authorizing Resolution #2022-02). Ms. Martin 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  
Darrell V. Hill  
Peter Lisi  
Susan Martin  
Alan Mattamana

#### **NAYS**

None

#### **ABSTENTIONS**

None

#### **RECUSALS**

Steven L. Elbaum

Mr. Elbaum returned to the teleconference meeting at 2:48 p.m.

### **COMMITTEE REPORT**

#### **Audit-Finance Committee**

Ms. Martin reported that the Audit-Finance Committee met earlier today, and the first item of business was electing her as the Acting Committee Chair. The Committee then heard from representatives from BerryDunn who were engaged to perform a review of internal controls over the accounting functions. BerryDunn gave a presentation and in their report, they noted 5 findings and recommendations. Each finding was rated between a high, medium, or low risk category. Of the 5 findings, 2 rated as medium risk and 3 rated as low risk. The Committee reviewed each finding in detail and heard the response from management. Upon conclusion, the Committee

voted to unanimously approve the internal auditor engagement report from BerryDunn and management's responses as presented.

Ms. Martin stated that the remainder of the meeting was spent interviewing 2 audit firms as a result of an RFP for Independent Audit Services issued by the Authority a few months prior. The Authority received 4 responses, and after management did the initial review, they brought forth the 2 firms that interviewed today. The 2 firms were Whittlesey and CliftonLarsonAllen (CLA). Ms. Martin stated that the Committee heard a presentation from each firm and had the opportunity to ask questions. After the interviews, there was further discussion amongst management and the Committee members. As a result, the Committee voted to recommend that the full Board move approval to engage Whittlesey for a term of 3 years to perform the annual audit and the form 990. Ms. Martin noted that it is a 3-year term, but each year is independent, so the commitment is for 1 year.

Ms. Martin requested a motion to approve the Audit-Finance Committee's recommendation to approve Whittlesey as Independent Auditor. Mr. Lisi moved for approval which was seconded by Mr. Angelini.

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  
Susan Martin  
Alan Mattamana

**NAYS**

None

**ABSTENTIONS**

None

**ADJOURNMENT**

There being no further business, at 2:53 p.m., Mr. Lisi requested a motion to adjourn the meeting. Mr. Davis moved to adjourn the meeting and Mr. Hill 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  
Susan Martin  
Alan Mattamana

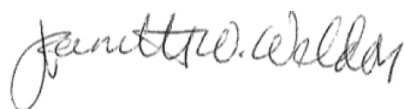
**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted,



Jeanette W. Weldon  
Executive Director