FINAL
Approved: April 20, 2022

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Board Meeting
March 23, 2022

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, March 23, 2022.[1]

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
Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden)*2
Kimberly Kennison *(Designee for Jeffrey Beckham, OPM Acting Secretary)*
Susan Martin

ABSENT:
Steven L. Elbaum
Alan Mattamana
Mark Varholak

ALSO, PRESENT:
Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Jessica Bishop, Administrative Services Assistant
Josh Hurlock, Assistant Director, CHESLA
Robert Jandreau, Sr. Finance Associate
Daniel Kurowski, Manager of Program Development and CHEFA CDC
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, Manager of Grant Programs and Philanthropic Outreach of the Connecticut Health and Educational Facilities Authority

GUESTS:
Bruce Chudwick, Esq., Shipman & Goodwin LLP
Shasky Clarke, Associate, Hinckley Allen
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP
Deborah Henry, Principal Attorney, Hardwick Law Firm, LLC
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
Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc.
Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

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

APPROVAL OF MINUTES

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

Mr. Davis noted that the sentence on page 5 of the minutes should read "...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."

Mr. Lisi moved to approve the minutes with the above correction.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	Kimberly Kennison[3]
Lawrence Davis		
Darrell V. Hill		
Peter Lisi		
Susan Martin		

HIGHER EDUCATION SECTOR REPORT

Mr. Morris provided a presentation on 'CHEFA Higher Education Sector Analysis'. The following items were included in the report:

- CHEFA portfolio overview of the sector including the ratings and outlooks for each of the rated institutions
- Total bonds issued since FY 2018, including a breakdown by new money and refunding issues
- Student market demand trends including total applications received, selectivity and matriculation rates for the past five fiscal years
- Liquidity metrics, including total cash and investments and monthly days cash on hand
- Net tuition revenue increase comparisons for the past five fiscal years
- Annual operating and cash flow margin ratios
- Debt Service Coverage Ratios
- Capital Spending Ratios
- Moody's outlook for the sector, which remains stable

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon provided testimony to the Finance, Revenue and Bonding Committee on Senate Bill 382 to establish a Connecticut New Market Tax Credit Program. Ms. Weldon reported that the Authority is working to get the bill voted out of Committee, engaging with Senate Committee Members and the Authority's coalition of interested nonprofits, asking them to reach out to their delegations to urge support of the bill. Ms. Weldon reported that some legislators may be looking to broaden the application of this program to include authority for for-profit entities, similar to the authority previously provided in connection with childcare and nursing home loan programs.

Ms. Weldon reported that Senate Bill 103, the overall remaining legislative package for CHEFA and CHESLA, previously had a public hearing before the Higher Education Committee and was voted out of the Committee on consent with unanimous support. Ms. Weldon reported that the bill

[3] Ms. Kennison abstained from voting as she did not attend the February 16, 2022 Meeting.

is currently in the Legislative Commissioner's Office awaiting a file copy and will be going to the Senate floor in the coming weeks. Ms. Weldon reported that the Authority continues to engage with Higher Education co-chairs and legislative leadership to keep the process moving forward.

Ms. Weldon reported that CHEFA and CHESLA staff have returned to the office in a hybrid model of 3 days working in the office and 2 days working remote and this has been successful to date.

The floor was opened to questions.

Ms. Martin inquired about legislation that would require CHEFA to approve the capital budgets of facilities that have a pending CON application. Ms. Weldon stated that there is a CON-focused bill which provides that the Office of Health Strategy (OHS) will submit recommendations to CHEFA on capital budgets and other CON application related items. Ms. Weldon stated that the wording of the bill indicates that OHS would provide recommendations to CHEFA and the implication is that CHEFA would take those recommendations into consideration as transaction decisions are being made. Ms. Weldon reported that the Authority provided written testimony against the bill to indicate that this is not the Authority's role, as the Authority is focused on credit quality and credit analysis. Ms. Weldon reported that the informal feedback has been that the bill will not gain traction this year.

Client Updates
Mr. Morris provided the following updates:

- Fairfield University's Series U bond issue closed last week; a sales report from Mr. Josh Nyikita of Acacia Financial Group, Inc. to follow later in the meeting
- New issue on the report for The Frederick Gunn School, formerly known as The Gunnery School, to refund some existing CHEFA debt
- New issue not on the report for Ridgefield Academy, to refund 2015 issue of approximately $9 million
- UConn Foundation paying off 2013 bond issue, with equity, of approximately $5 million

Mr. Morris introduced Mr. Kurowski to report on Annual Funding Cycle 2022A for the Revolving Loan Fund Program.

Mr. Kurowski reported the following:

- The funding cycle closed on December 31, 2021.
- Staff has received and approved eight loan applications totaling $600,000.
- The clients, located across the state, are from a wide range of sectors; Child Care, Education, Healthcare, and Senior Living/Long Term Care
- The loans were used to finance equipment purchases and infrastructure improvements. Such projects include IT infrastructure purchases, medical equipment, roof replacements, and vehicle purchases.
- The projects will impact over 3,500 people annually, of which 2,000 are deemed low-income and 900 are BIPOC.

Mr. Kurowski reported that staff will reach out to clients and other stakeholders to identify financing needs and loan parameters for a future funding cycle notice. Mr. Kurowski reported that the Authority anticipates that $400,000 will be available for a future funding cycle and will be presented to the Board at a future meeting.

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

Financial Report – January 31, 2022
Ms. Mackewicz reported on the month ending January 31, 2022. Operating revenues exceed operating expenses by $2.3 million. Non-operating expenses exceed revenues by $2 million, which are the grants, resulting in a change in net assets of $221,000. Ms. Mackewicz reported that there were no bond issues closed, so they remain the same at $417 million, and the Authority approved $1 million for Client Grants, which were paid in March. Ms. Mackewicz reported that two revolving loans were closed in January for $150,000 in total, and $750,000 since inception.

Ms. Mackewicz reported that the Fixed Asset Module in the Multiview software, in which staff used to do straight-line, half year in the first year and half year in the second year, going forward will be strictly straight line. Ms. Mackewicz reported that all the half years are now amortized over the life of the asset which increased depreciation expense slightly on a monthly basis and will also be over budget.

Interest Rate Report
Ms. Peoples shared an economic calendar including market movements and changes in the yield curve. Ms. Peoples also shared an article from Bloomberg titled "*Stocks Halt Rally as Bonds Stem Record Losses: Markets Wrap*" that discusses the drop in Treasury yield based on anticipated increases by the Fed in May, and economic/global unrest.

Market Updates
Mr. Jandreau reported that geopolitical risks and market volatility have led to higher credit spreads and interest rates, causing investor interest to wane over the past four weeks, resulting in lower levels of activity. Mr. Jandreau reported that mutual fund flows have been mostly negative (outflows) because of global tensions and defensive posturing by investors. Year to date, outflows have totaled more than $18.3 billion and according to JP Morgan, 10 and 30-year credit spreads for single-A rated issuers are at their widest levels since March or 2018. Mr. Jandreau reported that this widening in credit spreads and increase in interest rates has caused the investment performance for the Bloomberg Barclays Municipal Market Index to post a negative 4.96% YTD return. Mr. Jandreau reported that for 2022, new money issuance totals approximately 55% of supply compared to 50% in 2021 and 52% in 2020. Mr. Jandreau reported that refundings are largely unchanged from 2021 and are down approximately 33% from 2020.

CHESLA Update
Mr. Hurlock provided a brief update on the following items:
- CHESLA In-School loan volume decline
- COVID pandemic industry impact
- Marketing efforts and impact indicators

Mr. Hurlock then provided an update on CHESLA's Refi CT program:
- Large dip in FY 2021 due to the pandemic, strong recovery in Q2 of FY 2022
- Historical high Q2 refinance loan volume in FY 2022

Mr. Hurlock reported the following for CHESLA marketing highlights:
- Super Bowl Sunday spot
- Demographic and behavioral targeted emails
- Continued outreach and promotion of all CHESLA programs through TV, Radio, Digital and Social Media

Mr. Hurlock reported the following on Outreach Program efforts:

- CHESLA contacted over 150 high schools in Connecticut
- CHESLA has hosted 5 virtual presentations in 2022 for Greenwich High School, Brookfield High School, Plainfield High School, CREC Magnet Schools, and Cheshire High School

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

<u>SALES REPORT</u>

Fairfield University Issue, Series U (Acacia Financial Group, Inc.)

Mr. Josh Nyikita of Acacia Financial Group, Inc. provided a presentation on the Fairfield University Issue, Series U. Mr. Nyikita reported that the Fairfield University Issue priced on March 3, 2022 with $28,390,000 of bonds. Proceeds will be used to finance new construction, renovations, equipment acquisition and other capital expenditures.

Mr. Nyikita reported that the bonds were rated A2 by Moody's and A- by S&P; are single term bonds maturing in 2052; structured to wrap around existing debt; all-in TIC of 3.60%; and closing took place on March 17, 2022.

Mr. Nyikita reported on the following pricing summary details:

- MMD was weaker on both 3/2 and 3/3 with cuts of 3 and 5 basis points, respectively, on the long end of the curve.
- Supply the week of the pricing was expected to be light at about $7 billion, comprised of $44.7 billion in negotiated deals and $2.3 billion in competitive deals.
- During the week ending March 2, 2022 the market recorded $2.82 billion of net outflows, following net outflows of $1.15 billion the previous week. This marked 7 straight weeks of outflows.
- Following the order period there were only $9.045 million in going away orders so JPM recommended increasing spreads by another 10 basis points. With that adjustment, five different accounts submitted orders with Alliance Bernstein and Standish, Ayer & Wood Inc., the top two highest being $10 million and $9.345 million.

<u>PRELIMINARY STAFF MEMO</u>

Quinnipiac University, Issue, Series N

Mr. Jandreau reported the following:

- Quinnipiac intends to seek approval at the April Board Meeting of up to $60 million to finance the construction of a new 417-bed residence hall as part of its $244 million Master Facilities Plan. The residence hall is expected to improve the quality and type of housing units across campus by including more first year housing types and more single rooms, increasing the student experience and attracting new students. The residence hall is expected to open in 2024.
- Quinnipiac has four outstanding CHEFA issues totaling approximately $382 million and is rated A3/A- with stable outlooks by both. Rating agency meetings are being scheduled for April 26th and 27th.
- The University has a solid operating performance highlighted by strong operating and EBIDA margins that are well above the Moody's medians.
- The University's liquidity as measured by total cash and investments to operating expenses as well as, monthly days cash on hand well above the Moody's medians.
- The challenging aspects of the University are two-fold, first are leverage levels, with pro forma debt to cap of 26% and a pro forma debt service burden to operations of 11.3% which compare unfavorably to the Moody's medians of 21.6% and 5.12% respectively.

- More importantly, within its market profile, there have been declines in applications, enrollment, matriculation and selectivity rates that compare unfavorably to the Moody's medians.

Mr. Jandreau stated that it would be most important to focus on the University's challenges and offered to have a representative from the University available to attend the April Board Meeting. Mr. Jandreau reported that staff has solicited the University for their input regarding the decline in applications and enrollment, which they attributed to 4 items; transition from a third-party recruitment partner to being managed internally, turnover within enrollment management and financial aid roles, reduced enrollment targets based on findings from its 2020 Facilities Master Plan and finally, the largest graduating class in Quinnipiac history.

Mr. Jandreau reported that plans to strengthen applications, enrollment, selectivity and matriculation are expected to come from the recent hiring of the Dean of Admissions, the transition of recruiting to in-house and, the development of Enrollment Marketing and Enrollment Management teams that are showing early signs of success with Fall 2022 New First Time Undergraduate applications being up 18%, admits being up 15.8% and deposits up 19.3% vs 2021 year-to-date, transfer students for Fall 2022 applications are up 18%, admits up 43.6% and deposits up 116% vs 2021 year-to-date. Mr. Jandreau reported that the University is in the midst of developing business partnerships in engineering, business and communications, modeled after its Hartford HealthCare partnership. Mr. Jandreau reported that the HHC partnership is a keystone, enhancing the learning opportunities across the healthcare field by providing hiring for all Quinnipiac students upon successful graduation and passing of licensure exams. Mr. Jandreau reported that new academic offerings are also planned, including acute care nursing, environmental science and a Master of Public Health.

Mr. Jandreau reported that the University is implementing a new and first-ever, national brand campaign that is being deployed across multiple channels, including digital and social media, traditional television and out of home advertising. Mr. Jandreau stated that staff will have more information available regarding COVID, endowment, and fundraising for the April Board meeting.

Mr. Lisi inquired about whether the planned dormitory construction would be additional housing. Mr. Jandreau confirmed that it is going to be additional and that it is intended to eliminate triples and quads, so all rooms will be single and double occupancy. Mr. Lisi confirmed that the Board would like to have a representative from Quinnipiac in attendance at the April Board meeting.

Mr. Davis referenced page 50 of the Board package regarding leverage and inquired whether the improvement of total cash and investments to pro forma debt was due to unrealized gains in the investment portfolio. Mr. Jandreau confirmed that was most likely the case. A discussion ensued.

Ms. Martin left the teleconference meeting at 2:33 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2022-03)
Cheshire Academy Issue, Series A
Mr. Jandreau reported on the following:

- Cheshire Academy is seeking the Board's approval of its direct purchase to Salisbury Bank and Trust Company for up to $34.05 million, from which the proceeds will be used to finance the design and construction of a new field house, turf field, the renovation of an existing turf field, the construction of three new tennis courts, finance capitalized interest and other miscellaneous capital projects.

- Cheshire Academy does not maintain a credit rating nor will they be required to obtain one as a requisite for this financing; they do not have any existing CHEFA issued debt outstanding.
- The transaction will be structured with two sub series of tax-exempt bonds; one series will finance the majority of the capital projects while the second, will act as a bridge facility for the Academy's capital campaign for the new field house. The campaign is currently in its quiet phase with a set goal of $20 million in pledges and gifts. More than $13 million has been raised to date.

Mr. Jandreau provided the following observations:

- Total enrollment of 304 students falls just shy of the CHEFA median of 337. Other measures such as applications are 444 versus 547 for the median, the acceptance rate is 71.4% versus 46.7% and Matriculation is 38.2% versus 50.9%, all measures compare less favorably to the CHEFA medians
- The Academy attributes the decline in total enrollment for 2021-2022 and 2020-2021 fiscal year to COVID. Enrollment is expected to fall back in line with historic averages with implementation of a strategic plan in combination with a new tuition reset strategy.
- Enrollment peaked in 2018 at 403 students however, Cheshire Academy sought to reduce enrollment from this level as it was in excess of the Academy's ideal capacity.

Mr. Jandreau reported that the Academy has a capacity for 225 boarding students and believes its ideal total enrollment is the range of 360-375. Mr. Jandreau reported that the Academy has also taken other initiatives such as reducing the number of post graduate students from 41 in FY 2018 to 16 in the current and past three years, these post-graduate students were typically athletic recruits and received high levels of financial aid. Mr. Jandreau reported that the Academy's additional initiative to reduce international Chinese students is intended to ensure that no one language base makes up more than 10-12% of the population, ensuring that the community remains cohesive while also creating additional room for domestic boarding enrollment, which has increased from 57 students in FY 2019 to 111 in the current academic year.

Mr. Jandreau reported that Cheshire Academy's new tuition reset strategy will reduce Cheshire's day tuition to better align with the income levels of more families within the regional area and domestic boarding tuition will be reduced with the goal of growing enrollment. Mr. Jandreau reported that the NAIS Market view indicates 7-17% of families within a 60-minute drive of the Academy will be able to afford the newer price, more than doubling the 3-7% of families who can afford the current price. Mr. Jandreau reported that domestic boarding enrollment has been bolstered by the impact of the pandemic and the tuition reset strategy aims to grow net tuition revenue from these students by reducing financial aid.

Mr. Jandreau reported that staff is seeking approval given the Academy's long history as the 11th oldest operating boarding school in the nation, the attractive terms and rates of the transaction, the benefits the Academy stands to gain as a result of the project and the Academy's ability to service the newly added debt to its balance sheet with debt service to operations representing less than 1% of operations.

Mr. Lisi requested a motion for approval up to $34.05 million for the Cheshire Academy Issue, Series A (Authorizing Resolution #2022-03). Mr. Davis moved for approval and Mr. Angelini seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2022-04)
The Frederick Gunn School Issue, Series C
Mr. Jandreau reported the following:

- Frederick Gunn is seeking approval for its $11 million direct purchase with ConnectOne Bank (a publicly traded, New Jersey based bank, formerly known as Center Bancorp). Proceeds from the offering will be used to refund the School's $6.4 million Series B bonds as well as refinance an existing $4.2 million construction note payable. Frederick Gunn, in addition to refinancing their existing debt, is also executing a separate taxable financing with ConnectOne Bank to bridge finance a $24 million capital campaign being used to support the construction of a new Center of Innovation and Active Citizenship. The School's Campaign is currently in its silent phase, has a goal of $75 million, and has thus far raised in excess of $52 million. Of this amount, more than $7 million has been received in cash.
- The School intends to use funds from the campaign to fund capital projects, increase unrestricted funds and grow the endowment. Frederick Gunn has fully fundraised the cost of the project with $29.4 million in documented pledges.
- Terms of the proposed financing are attractive with an initial 20-year rate of 2.75% versus Cheshire Academy at 2.99% for 10-years. Frederick Gunn has experienced growth in enrollment, improvement in its acceptance and matriculation rates, growth in its endowment and strong fundraising abilities.
- From an operations perspective the School has seen improvement in its operating and EBIDA margins and has strong debt service coverage.

Mr. Lisi requested a motion for approval up to $11 million for the Frederick Gunn School Issue, Series C (Authorizing Resolution #2022-04). Mr. Lisi moved for approval and Mr. Davis seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2022-05)
Sacred Heart University Issue, Series L
Mr. Jandreau reported the following:

- Sacred Heart is seeking approval of up to $100 million to finance a portion of its more than $200 million of capital project costs. Proceeds from the proposed sale will be used to finance construction of two new residence halls, finance the construction of a major addition to its health and science center as well as finance renovations on three other residence halls and fund miscellaneous other expenditures.

- Since the February Board meeting, the University has received an updated rating from Moody's. The rating agency affirmed its A3 rating and stable outlook, citing "very good brand recognition and strategic positioning, consistently excellent operating performance and solid liquidity." Moody's also highlighted the elevated debt burden; however, they did convey the University's ability for prudent financial management and planning which would help the University to maintain 2 times debt service coverage. In all, Moody's comments correspond with staff's own assessment.
- Staff's expectation is that Standard and Poor's will follow suit with affirmation of its rating this week. It is expected that S&P will likely also focus on the University's enrollment growth, selectivity, matriculation and strong operating performance being somewhat offset by the University's high debt burden.
- Staff believes the University operates at a high level within its rating category as evidenced by its operational results and is following through with its strategy to enhance the student experience while growing enrollment.

Mr. Lisi requested a motion for approval up to $100 million for the Sacred Heart University Issue, Series L (Authorizing Resolution #2022-05). Mr. Davis moved for approval and Mr. Angelini seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		

OTHER BUSINESS

Mr. Lisi noted that the filing of the Connecticut Statement of Financial Interests is due by May 2, 2022.

ADJOURNMENT

There being no further business, at 2:55 p.m., Mr. Hill moved to adjourn the meeting and Ms. Kennison seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		

Respectfully submitted,

Jeanette W. Weldon

Jeanette W. Weldon
Executive Director