FINAL
Approved: June 15, 2022

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Board Meeting
May 18, 2022

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference at 1:30 p.m. on Wednesday, May 18, 2022.[1]

The meeting was called to order at 1:40 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, Chair
Michael Angelini, Vice Chair
Steven L. Elbaum
Darrell V. Hill *(Designee for CT State Treasurer Shawn T. Wooden)*
Susan Martin
Alan Mattamana

ABSENT:
Lawrence Davis
Kimberly Kennison *(Designee for Jeffrey Beckham, OPM Acting Secretary)*
Mark Varholak

ALSO, PRESENT:
Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Dan Giungi, Government Affairs & Communications Specialist
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Dan Kurowski, Manager, Program Development & 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:
Michael Andreana, Esq., Pullman & Comley LLC
Michael Armstrong, Principal, Hamlin Capital Management
Joe Bridy, Partner, Hamlin Capital Management
Shasky Clarke, Associate, Hinckley Allen
Ansley Dee, Director, One Point
Scott Gibson, Executive Director, Oppenheimer & Co. Inc.
Deborah Henry, Principal Attorney, Hardwick Law Firm, LLC
Mary Jo Kelly, Principal, Hardwick Law Firm, LLC
Aaron Levy, Partner, Shipman & Goodwin LLP
Niles Murphy, Associate, Hawkins, Delafield & Wood LLP
Josh Nyikita, Managing Director, Acacia Financial Group, Inc.

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

Edward Samorajczyk, Jr., Esq., Partner, Robinson + Cole LLP
Namita Shah, Esq., Day Pitney LLP
Jacqueline Shanes, Partner, McCarter & English, LLP
Toby Shea, Partner, One Point
Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc.
Jane Warren, Esq., 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 April 20, 2022 meeting of the Board of Directors. Mr. Elbaum moved to approve the minutes and Mr. Lisi seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Steven L. Elbaum		
Darrell V. Hill		
Peter Lisi		
Susan Martin		
Alan Mattamana		

HOSPITAL SECTOR ANALYSIS REPORT

Mr. Morris gave a presentation covering the following topics:

- FY 2021 hospital results
- CHEFA portfolio overview
    - Hospital portfolio outstanding: $2.39 billion
    - Total outstanding: $8.49 billion
- Healthcare bond issues since 2018
    - 13 bond series totaling approximately $1.28 billion
- Connecticut hospital landscape
    - Connecticut in-state hospital systems
    - Acquisitions/mergers
    - Connecticut hospitals in multi-state systems
- Underlying bond ratings; operating performance ratios; liquidity metrics; utilization trends; and capital spending ratios

Mr. Lisi inquired about the relevant ratios used for comparing total debt outstanding to certain utilization metrics and how it relates to underlying ratings. A brief discussion ensued.

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon reported that last week the CHESLA Board approved the issuance of approximately $75 million of SCRF backed bonds by CHESLA. Approximately $62 to $63 million is refunding and the remainder is new money. The bonds will be priced and marketed May 19th.

Client Updates

Mr. Morris provided the following updates:

- There are three new issues on the report, two that will be presented today for the University of Hartford and LiveWell Alliance, and the other is Hopkins School that will be presented to the Board next month.
- There have been two closings since the last meeting, Sacred Heart University and The Frederick Gunn School formerly known as The Gunnery, both closed in April. Ridgefield Academy will be closing tomorrow, May 18th.

Financial Report – March 31, 2022
Ms. Mackewicz reported on the 9 months ending March 31, 2022. Operating revenues exceed operating expenses year-to-date by $2.9 million. After non-operating expenses, which are predominately grants, of $2 million there is a positive change in net position of $875,000. There are no notable items for March.

Interest Rate Report
Ms. Peoples reported on the headlines relating to the federal reserve and the latest movements in the federal funds rate.

Market Updates
Mr. Jandreau reported that currently the municipal market has done an about-face resulting from a higher interest rate environment. The market is experiencing unabating municipal fund outflows, larger new issue concessions, constricting market liquidity and a return of 5% coupons on new issues. As of last week, it was reported that municipal bond funds experienced their 18th consecutive week of outflows totaling approximately $54.8 billion year to date. Mr. Jandreau reported on treasury rates, MMD levels, and their respective basis points.

Mr. Jandreau stated that 58% of new issue volume has been in the form of new money, 25% has been refundings, and 17% has been a combination of both. Mr. Jandreau reported that $367 billion of new supply is projected this year, which is a 6.4% increase from 2021. Mr. Jandreau stated that the market is close to having reached the half way mark of $183.5 billion with $166 billion issued thus far and 6 weeks to go until the end of June.

Mr. Elbaum recused himself from the University of Hartford Issue, Series P as his firm, Robinson+Cole, is involved in the transaction. Mr. Elbaum left the videoconference meeting at 2:09 p.m.

PRELIMINARY STAFF MEMO
University of Hartford. Issue, Series P
Mr. Jandreau reported that the University of Hartford is in the process of assessing the economics of potentially offering up to $25.5 million of publicly offered or privately placed bonds. Proceeds from the transaction will be used to finance the cost of various construction and renovation projects on its campus, including the renovation of The Village Apartments, a 209-unit complex that houses approximately 900 students. The University currently has one outstanding bond issue, 2019 Series N, totaling $131.4 million and rated BBB- with a negative outlook from Standard and Poor's. The University believes that with the issuance of an additional $25.5 million Standard and Poor's will maintain its credit rating for the University.

Mr. Jandreau reported on several concerns when assessing the University's credit profile:

- Falling undergraduate enrollment, weaker selectivity and matriculation rates due in part to COVID, and a lack of qualified full-time undergraduate students in the New England market.

- Net tuition revenue has declined 3.3% over the past 5 years as tuition discounting increased 24.8%.
- Auxiliary activities, being the second largest contributor to total operating revenues, has fallen 28.2% due to enrollment challenges.
- While expense management has been positive as evidenced by a 2.6% decline in operating expenses, it was not enough to offset the 5.2% decline in total operating revenues leading to operating losses over the past five years.

Mr. Jandreau reported that the University is executing an ambitious strategic plan and financial stability plan to transform the University over the next five years and beyond. The strategic plan will be executed in three phases and the financial stability plan aims to achieve a sustainable budget but also focuses on age of plant and deferred maintenance while improving brand. As it relates to the financial stability plan, the University anticipates returning to breakeven or surplus from operations in FY 2024.

Mr. Jandreau reported that the University has already executed, or is in the process of executing, several initiatives aimed at improving the University's brand and offerings in order to boost enrollment and revenues, such as: the opening of a Center for Student Success, the construction of a new addition to the University's Business School, the addition of new nursing and doctoral education programs, new majors in exercise science and occupational therapy, a new online Master's in Engineering program, renovations to two of the University's largest academic buildings, a plan to transition from Division 1 to Division 3 athletics and finally the completed construction of a new 60,000 sq. ft. academic building that supports the Colleges of Education, Nursing, Engineering, Technology and Architecture. Mr. Jandreau noted that the athlete tuition discount is approximately at a 98% discount and as the University transitions to Division 3, this discount rate is expected to normalize amongst the University's overall discount rate.

Mr. Jandreau said that it is important to note that while the University faces some challenges, they have already begun executing change and improvement in many areas to increase the student experience. Mr. Jandreau also noted the potentially positive impact new facilities can have on enrollment.

Mr. Jandreau reported that from a liquidity standpoint, the University has shown some improvement over the past five years but their metrics still fall short of the Moody's medians. Leverage is on the higher side and debt service coverage is relatively weak. The potential impact on debt service reserve fund requirements is to be determined. A fully funded debt service reserve fund could decrease funds available for projects by $2.5 million.

Mr. Jandreau stated that the University is in the process of raising funds to help pay the cost of various capital projects including a portion of the costs to renovate the Village Apartments. Currently, the University has a fundraising goal of $20 million of which $13 million has been raised thus far.

The floor was opened to questions and a discussion ensued. Mr. Lisi suggested inviting University of Hartford representatives to the June Board meeting when the final memo is presented.

Mr. Elbaum returned to the videoconference meeting at 2:24 p.m.

PRELIMINARY STAFF MEMO

LiveWell Alliance. Issue, Series B

Mr. Jandreau stated that LiveWell, formerly the Alzheimer's Resource Center of CT, is in its 30th year of business and has one CHEFA issued bond outstanding; a variable rate, private placement purchased by Key Bank totaling $9.3 million. LiveWell intends to issue approximately $84 million to finance the renovation and conversion of its existing skilled nursing units to assisted living units, based on the current and forecasted decline in skilled nursing units compared to the current and forecasted increased demand for dementia based assisted living units. Additionally, LiveWell plans to finance the construction of a Center for Resilient Living and plans to refinance its outstanding 2017 Series A bonds.

Mr. Jandreau reported that the Series B bonds will be sold as a limited public offering but to only one investor, Hamlin Capital Management. This transaction is being proposed as a limited public offering due to the requirement of Hamlin Capital Management that the proposed transaction have CUSIP which is an identifier with the CUSIP Bureau under the Committee in Uniform Securities Identification Procedures and helps an investment's overall liquidity in the market place.

Mr. Jandreau noted that the proposed transaction was initially proposed to be issued through the National Finance Authority with Zeigler acting as the underwriter and Barclays Bank as the purchaser, but did not move forward. LiveWell is now seeking approval through CHEFA with Hamlin Capital Management acting as the purchaser. Mr. Jandreau noted that as part of the previously proposed financing, a draft feasibility study was conducted and Dixon Hughes Goodman found that the underlying assumptions were reasonable and supported, and the financial forecasts were sufficient to meet operating expenses, working capital, other financial requirements and debt service.

Mr. Jandreau reported the following:

- The financing is a 4.5 year bullet maturity and LiveWell plans to seek permanent financing in the future.
- LiveWell has been successful in increasing net and total revenues while managing expenses. They have consistently produced surplus from operations which have grown on a percentage basis successfully over the past five fiscal years.
- Liquidity compares somewhat unfavorably versus the medians but LiveWell has increased their position over the past five years with days cash on hand improving from 139 days to 221 days.
- The five year occupancy averages for both skilled nursing and assisted living are favorable.

Mr. Morris provided a brief background on Hamlin Capital Management. Mr. Morris turned the floor over to Mr. Joe Bridy, Partner at Hamlin Capital Management. Mr. Bridy stated that Hamlin is coming to the CHEFA Board asking for $25,000 bond denominations for its clients, which have a $2 million minimum account and they work diligently to limit these positions for client accounts from 2% to 2.5% positions. Mr. Toby Shea, Partner at One Point reiterated the significance of this transaction to LiveWell's success. A brief discussion ensued.

Mr. Armstrong, Mr. Shea, and Ms. Dee left the videoconference at 2:38 p.m.

Mr. Elbaum recused himself from The Village for Families and Children, Inc. Issue, Series D as his firm, Robinson+Cole, is involved in the transaction. Mr. Elbaum left the videoconference meeting at 2:38 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2022-08)
The Village for Families and Children, Inc. Issue, Series D
Mr. Jandreau reported that The Village for Families and Children, Inc. is seeking up to $16 million of tax-exempt bonds to be sold to Salisbury Bank. Proceeds from the sale are intended to finance the purchase and renovation of a three-story building in downtown Hartford that will be used for clinical

services; finance the installation of a perimeter fence at the Institution's existing campus; and to refinance the Village's outstanding 2013 C bonds which were also purchased by Salisbury Bank.

Mr. Jandreau stated that the proposed financing has a 20 year term and amortization, a fixed rate of 2.74%, and has the standard security and covenants. Because this is a private placement staff did not prepare a credit review.

Mr. Lisi requested a motion for approval up to $16 million for The Village for Families and Children, Inc. Issue, Series D (Authorizing Resolution #2022-08). Mr. Angelini moved for approval and Mr. Lisi seconded the motion.

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

AYES	NAYS	ABSTENTIONS	RECUSALS
Michael Angelini	None	None	Steven L. Elbaum
Darrell V. Hill			
Peter Lisi			
Susan Martin			
Alan Mattamana			

Mr. Elbaum returned to the videoconference meeting at 2:41 p.m.

MODIFICATION OF CHEFA UNDERWRITING GUIDELINES

Mr. Morris reported that the Authority is seeking to amend their underwriting guidelines to allow for unrated public issuances. The underwriting guidelines were last amended in 2015 to allow BBB- credits to issue in $5,000 denominations, which was a change from $100,000 denominations, and also to allow below investment grade credits with a minimum rating of BB or higher to be issued on a limited public offering basis in $100,000 denominations with an investor letter. To date, the Authority has issued four limited public offerings.

Mr. Morris stated that he is recommending the Authority further expand its financing options to allow issuance of unrated public debt as it has become more acceptable in the industry. Staff would still require that debt would only be sold to a qualified institutional buyer and/or accredited investors and would require an investor letter. The need to revise CHEFA's underwriting guidelines is driven by the need to provide clients with a full array of financing options.

Mr. Morris stated that CHEFA has historically considered its role in protecting investors when approving transactions, and staff believes this goal can still be achieved with proper disclosure and a well-structured review and diligence process by the transaction professionals. Management believes that investors, and accredited investors in particular, are well positioned to make their own investment decisions.

Mr. Morris stated that staff is seeking the Board's approval to permit below investment grade credits or unrated credits to be issued as limited public offerings with a preferred minimum of $100,000 denominations on a case by case basis. Bonds may only be sold to a qualified institutional buyer and/or accredited investors and will require an investor letter.

Mr. Lisi requested a motion to modify the CHEFA underwriting guidelines as recommended. Mr. Angelini moved for approval and Ms. Martin seconded the motion.

Mr. Morris highlighted the other Authority's that use a similar approach, stating that overall based on a survey of the statewide Authority's there are 13 that permit unrated public debt.

The floor was opened to questions and a discussion ensued.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Steven L. Elbaum		
Darrell V. Hill		
Peter Lisi		
Susan Martin		
Alan Mattamana		

COMMITTEE REPORTS

Audit-Finance Committee

Ms. Martin stated that the Audit-Finance Committee met earlier today covering three agenda items. The first item was an update from management on the implementation on some of the findings and recommendations that were made by BerryDunn as an internal audit function. The second item was an information technology strategic plan, in which management put together a robust plan based on business objectives and taking initiatives that were identified primarily through the engagement with Crowe, who was hired to do a review of the IT systems, as well as some recommendations from BerryDunn from previous internal audit work. A roadmap was provided containing 24 items, several that were in progress and a few that were complete. The roadmap went through 2024 and contained initiatives and their stages of completion on a quarter-by-quarter basis. The plan also included hiring additional resources where necessary which will be included in the budget that will be presented in June. The third item involved reviewing the scope of services that will be included in the internal audit services RFP. The committee approved the scope and the RFP is expected to be published at the beginning of June.

Grant Committee

Mr. Lisi stated that the Grant Committee met earlier today and he chaired the meeting since Mr. Lawrence Davis, Grant Committee Chair, could not be present. Mr. Lisi reported that the Grant Committee had a robust discussion on the FY 2022 Nonprofit grants. For this grant cycle there is $1,008,090 of funding available to be awarded. The grant applications were presented in three sections, highest rated, middle rated, and lowest rated, and the Committee primarily focused on the highest and middle rated applications. Mr. Lisi stated that the Committee approved the highest rated applications and then focused on the middle rated applications. Since the Committee could not fully agree in the time permitted on which grants to fund in order to fully utilize the $1,008,090 capped amount, the Committee voted to authorize management to determine the final award amounts by taking the highest and selected middle rated applications and then reducing certain grants by an amount that will result in a total within the limit of available funds.

Ms. Weldon stated that for the middle-rated group, an informal raised hand vote amongst Grant Committee members was made on each grant to gather a consensus, and only grant applications receiving support from at least 3 out of 4 Committee members would be awarded grants. Ms. Weldon noted that only program grants above $50,000 will have funding reduced in order to stay within reach of the $1,008,090 capped amount.

Mr. Lisi requested a motion to accept the Grant Committee's recommendation to approve the FY 2022 nonprofit grants as presented. Mr. Elbaum 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
Steven L. Elbaum		
Darrell V. Hill		
Peter Lisi		
Susan Martin		
Alan Mattamana		

ADJOURNMENT

There being no further business, at 3:11 p.m., 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:

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Steven L. Elbaum		
Darrell V. Hill		
Peter Lisi		
Susan Martin		
Alan Mattamana		

Respectfully submitted,

Jeanette W. Weldon
Executive Director