

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY  
Minutes of Authority Board Meeting  
March 22, 2023

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Wednesday, March 22, 2023.

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  
Steven L. Elbaum  
Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)<sup>1</sup>  
Susan Martin<sup>2</sup>  
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)  
Mark Varholak<sup>3</sup>

ABSENT: Alan Mattamana

ALSO, PRESENT: Jeanette W. Weldon, Executive Director  
Denise Aguilera, General Counsel  
Rob Blake, Manager of Information Technologies & Cybersecurity<sup>4</sup>  
Dan Giungi, Government Relations & Communications Specialist  
Rebecca Hrdlicka, Administrative Services Assistant  
Robert Jandreau, Sr. Finance Associate  
Krista Johnson, Compliance Specialist<sup>5</sup>  
Dan Kurowski, Manager, Program Development & CHEFA CDC  
Andrew Kwashnak, Senior System & Data Analyst<sup>6</sup>  
Carlee Levin, Senior Accountant<sup>7</sup>  
JoAnne N. Mackewicz, Controller  
Michael F. Morris, Managing Director, Client Services  
Julia Pollano, Operations Reporting Analyst<sup>8</sup>  
Kara Stuart, Manager, Administrative Services  
Betty Sugerman Weintraub, Manager of Grant Programs and Philanthropic Outreach of Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Jeremy Bass, Managing Director, PFM Financial Advisors LLC  
Rochelle Powell, Managing Director, Hilltop Securities  
TJ Sheehy, Senior Vice President, Hilltop Securities  
Colin Walsh, Senior Vice President, Hilltop Securities

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<sup>1</sup> Kimberly Kennison participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>2</sup> Susan Martin participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>3</sup> Mark Varholak participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>4</sup> Rob Blake participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>5</sup> Krista Johnson participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>6</sup> Andrew Kwashnak participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>7</sup> Carlee Levin participated in the meeting via teleconference that permitted all parties to hear each other.

<sup>8</sup> Julia Pollano participated in the meeting via teleconference that permitted all parties to hear each other.

**APPROVAL OF MINUTES**

Mr. Lisi requested a motion to approve the minutes of the February 15, 2023 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  
Steven L. Elbaum  
Kimberly Kennison  
Peter Lisi  
Susan Martin  
Sarah Sanders  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

**HIGHER EDUCATION SECTOR REPORT**

Mr. Morris gave a presentation on ‘CHEFA Higher Education Sector Analysis’, which provided an overview on the following topics:

- CHEFA portfolio overview of the sector including financing trends over the past five years
- 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
- Annual operating and cash flow margin ratios
- Debt Service Coverage Ratios
- Capital Spending Ratios

Mr. Morris also reported on the economic impact study conducted for the Connecticut Conference of Independent Colleges (CCIC). The study was conducted by a professor of economics at Quinnipiac University to investigate the economic impact of independent colleges and universities of Connecticut. Mr. Morris stated that the economic impact for fiscal year 2021 was found to be \$16.5 billion, creating/retaining over 127,000 jobs in Connecticut and supporting over 227,000 alumni living in Connecticut. Mr. Morris stated that a breakdown of each university is also provided with the report.

Mr. Lisi inquired about the distribution of the economic impact report. Mr. Kurowski stated that the report was distributed by CCIC to key legislators, issued as a formal press release, and highlighted through multiple press articles.

Mr. Morris thanked Ms. Krista Johnson for her hard work on the Higher Education Sector Report.

**BOARD PRESENTATION: EDUCATION SECTOR COMMENTARY**

Mr. Morris introduced Ms. Rochelle Powell, Mr. TJ Sheehy, and Mr. Colin Walsh, representatives from Hilltop Securities. Ms. Powell gave a summary on the expanding Hilltop Securities’ Public Finance Team prior to the presentation.

Ms. Powell, Mr. Sheehy, and Mr. Walsh provided a commentary on the environment within the Higher Education Sector, which included the following topics:

- The impact of COVID-19



- Inflationary pressures on expense and cost management
- Enrollment and demographic pressures
- Financial market volatility
- Declining endowments
- Impending enrollment cliff
- Increasing prevalence of strategic transaction activity
- Navigating of financial and institutional stability for smaller entities

Ms. Powell, Mr. Sheehy, and Mr. Walsh gave a presentation on Higher Education Sector in Review, which included an overview on the following topics:

- Rating Agency Outlook on the Higher Education Sector
- Rating Agency Hot Topics
- 2012 – 2021 Tuition Discount Range, Return on Net Assets, Balance Sheet Leverage, and Endowment per FTE as Peer Benchmarking
- Analytics and Quantitative System Platform

The floor was opened to questions and a discussion ensued about the business models of Higher Education institutions.

Ms. Powell, Mr. Sheehy, and Mr. Walsh left the videoconference meeting at 2:19 p.m.

Mr. Lisi thanked Mr. Morris and Ms. Weldon for coordinating this informative presentation.

## **EXECUTIVE DIRECTOR'S REPORT**

### **Authority Updates**

Ms. Weldon reported on the review of CHEFA's portfolio given the recent turmoil in the banking sector. Ms. Weldon stated that some CHEFA transactions were done as direct placements with First Republic Bank or Silicon Valley Bank (SVB), while UMB serves as trustee on some transactions. Staff has started outreach efforts to clients with the direct placements, and Ms. Weldon turned the floor over to Mr. Kurowski for more details on these efforts.

Mr. Kurowski reported on the single outstanding issue that is held by SVB. Mr. Kurowski stated that Miss Porter's School Issue, Series E was issued in 2020 with Boston Private Bank. However, Boston Private Bank was acquired in 2021 by SVB and the School was required to maintain its primary bank accounts with the bank. Staff has contacted the CFO of Miss Porter's School, who has had boiler plate communications from the Bank and significant conversations with the Underwriter and their Counsel regarding their options.

Mr. Kurowski reported on the four outstanding issues with First Republic Bank: Eagle Hill School Issue, Series C; Pomfret School Issue, Series C; Westport Weston YMCA Issue, Series A; and Westminster School Issue, Series L. Mr. Kurowski stated that all of these transactions required that the borrower maintain their primary depository accounts with the Bank. Mr. Kurowski provided an overview of feedback from each of these entities. Ms. Weldon stated that client outreach will continue, and Staff will monitor the situation.

### **Client Updates**

Mr. Morris reported on Covenant Health pulling out of a previously in-process deal to affiliate with Day Kimball Hospital. Mr. Morris also reported that Quinnipiac University issue closed last week, and further details will be presented in the sales report by Mr. Jeremy Bass of PFM. Finally, Mr. Morris



stated that the King School transaction was added and will be presented for approval by Mr. Jandreau.

**Financial Report**

Ms. Mackewicz reported on the seven months ending on January 31, 2023. Ms. Mackewicz reported that the operating revenues exceeded operating expenses by \$2.3 million, and net non-operating expenses are \$1.8 million. Ms. Mackewicz stated that the change in net position year-to-date is \$515,000. Revenues remain under budget by \$41,000 and expenses were under budget by \$107,000. Ms. Mackewicz also stated that a notable event in January occurred through the approval of the targeted grants by the Board, which were paid out in February.

**Market Updates**

Mr. Jandreau reported on the headlines relating to the Federal Reserve, the latest movement in the federal funds rate and the yield curve.

Mr. Jandreau reported on the recent trends in the municipal market. Mr. Jandreau stated that, prior to the announcement of the bank failures, municipalities had their largest week of issuance since April 2022, having priced \$13.3 billion of new issuance. Mr. Jandreau stated that transactions were well received, and many deals were reported to have oversubscriptions, resulting in the readjustment of interest rates lower for those transactions. Mr. Jandreau reported that issuance in the municipal market during the last two weeks have slowed because of the interest rate volatility and the pending FOMC decision.

Mr. Jandreau reported on the transaction report, stating that the details of the recent Quinnipiac University transaction will be provided in the presented sales report.

Mr. Lisi inquired about the SIFMA and SOFR indices on the market updates report, which Mr. Jandreau stated that these indices were created to replace LIBOR.

**SALES REPORT: QUINNIPIAC UNIVERSITY ISSUE, SERIES N**

Mr. Jeremy Bass of PFM provided a transaction and pricing overview for the Quinnipiac University Issue, Series N that closed last week and priced on March 1, 2023. Mr. Bass reported that the sales were negotiated with an "A3" positive outlook from Moody's. Mr. Bass stated that the transaction was structured with a gross revenue pledge and a mortgage but has the ability to be removed as the prior debt is retired. Mr. Bass reported on the market demand and lack of competition, as well as on preliminary pricing of the coupon. Mr. Bass noted the positive subscription levels, with 2.0x subscription on the 2048 maturity and 1.4x subscription on the 2053 maturity. Ms. Bass reported that the University received over \$90 million in order from eleven accounts.

**PRELIMINARY STAFF MEMO****Connecticut Children's Medical Center Issue, Series E**

Mr. Jandreau stated that Connecticut Children's Medical Center (CCMC) will be seeking approval for up to \$150 million to finance a portion of the \$344.6 million project. Mr. Jandreau reported that the proposed financing is still being finalized and may include the possible refinancing of the Institution's outstanding debt or a portion thereof, which are held through Bank of America.

Mr. Jandreau stated that the obligated group will comprise of the Foundation, the Medical Center, and Specialty Group for CCMC. Mr. Jandreau reported that the primary focus of the project will be for the construction of an eight-story tower to be located on the main campus, which will include two floors of NICU services, an advanced cellular gene therapy unit, operating rooms, and a pharmacy. The project also includes other construction, renovations, and three years of capitalized interest. Mr.



Jandreau stated that CCMC intends to increase its total number of licensed beds from 187 to 258 with expected completion of the project in July 2025. Mr. Jandreau reported that a mortgage will be included, as well as a pledge of gross revenues, to provide security for the financing.

Mr. Jandreau reported that CCMC is one of only two independent children's health systems in the tri-state area, and its largest competitor in the state is Yale New Haven Health. Mr. Jandreau stated that the reach of CCMC is broadened through its partnerships with 14 hospitals or health systems in both Connecticut and eastern New York.

Mr. Jandreau reported that operating ratios for the Hospital compare favorably versus the Moody's medians, and income from operations for the previous two years have been positive with an expected surplus projected for the current fiscal year. Mr. Jandreau reported that the maximum annual debt service moves from \$4.2 million to \$10.3 million with the issuance of additional debt; however, pro forma MADS coverage of 5.1 times for fiscal year 2022 is favorable. Mr. Jandreau stated that the unrestricted cash and investments for CCMC have been increasing but, when compared to Moody's medians, are much lower compared to other institutions. Mr. Jandreau reported that CCMC maintains a \$15 million unused line of credit through Bank of America and holds \$9.6 million in cash.

Mr. Jandreau stated that the utilization trends have overall been positive and are returning to pre-pandemic levels, according to CCMC. Mr. Jandreau reported that one area of growth has been in the establishment of urgent care centers, where visits have exponentially increased from 2020 to 2022.

Mr. Jandreau stated that CCMC is intending to finance a portion of the project via philanthropic avenues. Mr. Jandreau reported on the first major comprehensive campaign, which has a goal of raising \$150 million and has currently raised more than \$17 million. The start and end date of the campaign is to be determined. Staff provided to the Board a number of documents containing projections which CCMC has supplied to the rating agencies for their consideration.

The floor was opened to questions and a brief discussion ensued regarding the \$150 million campaign and cash flow.

Mr. Lisi inquired about the operating projections and Ms. Kennison inquired about the income statements, which Mr. Jandreau will follow up on. Mr. Lisi requested that CCMC Senior Management be invited to attend the CHEFA board meeting where final approval of the transaction will be sought. Mr. Elbaum and Mr. Davis further inquired about the capital campaign, and Mr. Jandreau stated that he will follow up with CCMC.

Mr. Elbaum recused himself from the King School agenda item and University of Hartford Executive Session agenda item as his firm, Robinson+Cole, serves as counsel in connection with the King School Issue, Series C, and the University of Hartford Issue, Series P. Mr. Elbaum left the hybrid meeting at 2:49 p.m.

#### **FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2023-02)** **King School Issue, Series C**

Mr. Jandreau stated that the King School is seeking approval for up to \$5.615 million to refinance their existing 2013 Series B bonds, which is a fixed-rate direct purchase with TD Bank. Mr. Jandreau reported that the Series B bonds have approximately \$5.5 million outstanding of an original \$10 million and includes a mandatory put on May 1<sup>st</sup>. Mr. Jandreau stated that the School will reengage TD Bank with the refinancing and anticipates the deal to close on April 27<sup>th</sup>.



Mr. Jandreau reported that the School intends to combine the requested financing with a new money capital project in the next two to three years, which will coincide with a Facilities Master Plan that the School is in the process of completing. Mr. Jandreau reported that the Master Plan is anticipated to cost approximately \$30 million, of which two-thirds of the cost will be raised by the School and one-third of the cost will be borrowed to complete the cost of construction. Mr. Jandreau reported that the Master Plan construction and renovation will put the King School in a more competitive position in the early childhood niche.

Mr. Jandreau stated that the requested financing is a direct purchase and therefore a credit analysis was not prepared. However, two items were reported by Mr. Jandreau for consideration by the Board. Firstly, King School works on a balanced budget model and attributes much of the increase in the last fiscal year in its expenses to a return of in-person activities, which have experienced increased costs due to inflation. Secondly, King School has communicated that, for the current fiscal year, they anticipate a surplus of approximately \$350,000 and are currently tracking ahead of expectations for enrollment in FY 2024.

Staff views the School as having the ability to continue implementing best practices to promote stable enrollment and financial responsibility. Staff is seeking Board approval.

Mr. Lisi requested a motion for approval up to \$5.6 million for the King School Issue, Series C (Authorizing Resolution #2023-02). Mr. Angelini moved for approval and Ms. Sanders seconded the motion.

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

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

<u><b>AYES</b></u>	<u><b>NAYS</b></u>	<u><b>ABSTENTIONS</b></u>	<u><b>RECUSALS</b></u>
Michael Angelini	None	None	Steven L. Elbaum
Lawrence Davis			
Kimberly Kennison			
Peter W. Lisi			
Susan Martin			
Sarah Sanders			
Mark Varholak			

#### **EXECUTIVE SESSION: ATTORNEY-CLIENT PRIVILEGED COMMUNICATION – UNIVERSITY OF HARTFORD, SERIES P**

Mr. Lisi requested a motion to go into Executive Session at 2:55 p.m. to discuss the attorney-client privileged communication regarding the University of Hartford Issue, Series P. Mr. Davis moved to go into Executive Session and Mr. Angelini seconded the motion.

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

<u><b>AYES</b></u>	<u><b>NAYS</b></u>	<u><b>ABSTENTIONS</b></u>	<u><b>RECUSALS</b></u>
Michael Angelini	None	None	Steven L. Elbaum
Lawrence Davis			
Kimberly Kennison			
Peter W. Lisi			
Susan Martin			
Sarah Sanders			

Mark Varholak

At 2:56 p.m., all Staff members and meeting attendees left the hybrid meeting so that all Board members, Ms. Aguilera, Mr. Jandreau, Mr. Morris, and Ms. Weldon could attend the Executive Session via a separate videoconference or in-person meeting room.

All Staff and meeting attendees returned to the hybrid meeting at 3:31 p.m. Mr. Lisi stated that there were no votes taken during Executive Session.

**OTHER BUSINESS**

Ms. Weldon encouraged Board members to register for the Nonprofit Forum to be held on April 26<sup>th</sup> focusing on child and adolescent mental health.

Ms. Lisi noted that the Statements of Financial Interests filing with the Office of State Ethics are due on May 1, 2023.

**ADJOURNMENT**

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

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

**AYES**

Michael Angelini  
Lawrence Davis  
Kimberly Kennison  
Peter Lisi  
Susan Martin  
Sarah Sanders  
Mark Varholak

**NAYS**

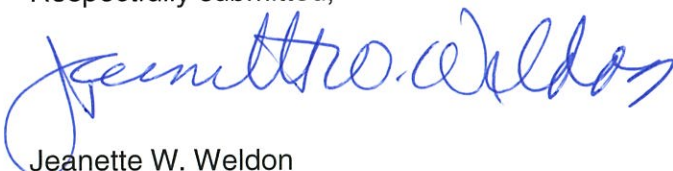
None

**ABSTENTIONS**

None

The hybrid meeting adjourned at 3:33 p.m.

Respectfully submitted,



Jeanette W. Weldon  
Executive Director