

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY  
Minutes of Authority Board Meeting  
April 19, 2023

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Wednesday, April 19, 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<sup>1</sup>  
Susan Martin  
Alan Mattamana<sup>2</sup>  
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)<sup>3</sup>  
Mark Varholak<sup>4</sup>

ABSENT: Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)

ALSO, PRESENT: Jeanette W. Weldon, Executive Director  
Denise Aguilera, General Counsel  
Rob Blake, Manager of Information Technologies & Cybersecurity<sup>5</sup>  
Dan Giungi, Government Relations & Communications Specialist  
Rebecca Hrdlicka, Administrative Services Assistant  
Josh Hurlock, Assistant Director, CHESLA  
Robert Jandreau, Sr. Finance Associate  
Krista Johnson, Compliance Specialist<sup>6</sup>  
Andrew Kwashnak, Senior System & Data Analyst<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: Sonal Base, Vice President, Goldman Sachs  
Bridgett Feagin, EVP & Chief Financial Officer, Connecticut Children's Medical Center

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

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

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

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

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

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

<sup>7</sup> Andrew Kwashnak 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 March 22, 2023 meeting of the Board of Directors. Mr. Angelini moved to approve the minutes and Mr. Davis seconded the motion.

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

#### **AYES**

Michael Angelini  
Lawrence Davis  
Steven L. Elbaum  
Peter Lisi  
Susan Martin  
Sarah Sanders  
Mark Varholak

#### **NAYS**

None

#### **ABSTENTIONS**

Alan Mattamana<sup>9</sup>

### **EXECUTIVE DIRECTOR’S REPORT**

#### **Authority Updates**

Ms. Weldon provided an update on the executive search for the vacant Managing Director position. Staff has been working with Korn Ferry as the search consultant, and six candidates have been interviewed thus far. Ms. Weldon stated that the position is expected to be filled by the end of the fiscal year (i.e., June 2023).

#### **Client Updates**

Mr. Morris stated that there were no new financings to report. Mr. Morris reported that the closings for King School and American School for the Deaf are set to occur next week.

Mr. Morris reported on the Consultant’s report released on March 30<sup>th</sup> for the University of Hartford, which detailed the causes of the debt service coverage ratio (DSCR) failure and improvements made in fiscal year (FY) 2023. Mr. Morris stated the Consultant’s belief that the University will meet its 1.10 times coverage for FY 2023 is conditioned upon the ability to recognize 100% of a \$5.5 million contribution from a vendor as revenue in FY 2023, as well as the willingness of the Board to commit to a higher spend rate on its endowment. Mr. Morris reported that an investor call is scheduled for May 10<sup>th</sup> after the University’s FY 2024 budget is adopted on May 5<sup>th</sup>, which will be posted on EMMA.

Mr. Lisi inquired about the vendor contribution to the University as well as sustainable improvements, and a brief discussion ensued.

Mr. Morris reported on Bristol Hospital’s covenant failure of its days cash-on-hand (DCOH) test, which came in at 39 days for FYE 2022, which falls below the minimum 45 days requirement. Mr. Morris reported that Bristol Hospital met the DSCR test of 1.20 on an unaudited basis and has approximately \$55 million of debt outstanding. The Bristol Hospital 2019 limited public offering included two series, a tax-exempt bond series with Fidelity as the direct purchaser and a taxable bond series, which was issued through the Public Finance Authority with Silvercrest as the purchaser. Mr. Morris stated that Fidelity is leading negotiations with the hospital with regard to the tax-exempt offering. According to the bond documents, Bristol Hospital is required to hire a consultant, which they have. In lieu of a waiver for the failed covenant, the purchaser is instead seeking the following:

- Amendment to the Master Trust Indenture to reduce the DCOH test from 45 days to 30 days for FY 2022, and to 15 days for FY 2023.

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<sup>9</sup> Mr. Mattamana abstained from voting as he did not attend the Board of Directors Meeting held on March 22, 2023.



- Sale of non-core assets that will not disrupt operations; the net proceeds from the sale would be split 50% to the debt service reserve fund and 50% to the Hospital
- Quarterly DCOH test, which may trigger some tax issues and must be reviewed by Bond Counsel
- Extended completion of their FY 2022 audit until June 30 2023.

Mr. Davis inquired about the depletion of cash on hand, and a brief discussion ensued.

Ms. Weldon commented that, since Fidelity is the sole bond holder, Fidelity can determine covenants for the Bristol Hospital tax-exempt bond series.

### **Financial Report**

Ms. Mackewicz reported on the eight months ending on February 28, 2023. Ms. Mackewicz reported that the operating revenues exceeded operating expenses by \$2.7 million, and net non-operating expenses are \$1.7 million. Ms. Mackewicz stated that the change in net position year-to-date is \$925,000. Revenues remain under budget by \$65,000, expenses remain under budget by \$158,000, and investment income is over budget at \$178,000. Ms. Mackewicz also reported that a February notable event was the release of the targeted grants, approved in January.

### **Market Updates**

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

Mr. Jandreau stated that there is nothing significant to report for the transaction report.

### **CHESLA Updates**

Mr. Hurlock reported that the CHESLA In-School Loan Program has disbursed \$9.6 million through the second quarter of FY 2023, which represents an increase of \$1.7 million compared to FY 2022 through the second quarter.

Mr. Hurlock reported that CHESLA's refinance loan program disbursed \$2.3 million through the second quarter of FY 2023, representing an increase of \$1.4 million compared to FY 2022 through the second quarter. Mr. Hurlock reported on the spike in loan volume of Refi CT loans due to the marketability of the 3.75% - 4.99% fixed interest rates. As the Federal Reserve began rate tightening and market rates increased, CHESLA kept the same low rates. This led to a large volume spike for the refinance loan program, which resulted in closing Refi CT applications on March 7, 2023. Mr. Hurlock stated that the Refi CT loan applications are expected to re-open in mid-May with new interest rates reflective of the market.

Mr. Hurlock also provided an update on CHESLA's scholarship program:

- Scholarships for students pursuing an undergraduate degree:
  - The CHESLA Board met in January and approved a \$465,000 allocation for FY 2024
  - Applications opened on March 1<sup>st</sup> and will close on May 1<sup>st</sup>
- Scholarships for students pursuing a healthcare or manufacturing certificate program:
  - FY 2023 disbursed 24 certificate scholarships totaling \$30,000, which was the entire allocation
  - The CHESLA Board met in January and approved a \$35,000 allocation for FY 2024
  - Applications will open on July 1<sup>st</sup> on a first-come, first-serve basis



Mr. Hurlock reported on the expanded marketing and outreach that CHESLA has recently conducted, including attending or hosting financial aid nights and conferences, boosted social media posts, targeted email campaigns, geofencing advertising near key universities, and sports marketing.

Finally, Mr. Hurlock reported on the CHESLA 2023 Series B bond issue approximately \$25.925 million for CHESLA. Mr. Hurlock stated that the Senior Manager is Bank of America Securities and the Co-Manager is Blaylock Van, LLC. The expected pricing date is April 26<sup>th</sup> with an expected closing date of May 16<sup>th</sup>.

### **FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2023-03)**

#### **Connecticut Children's Medical Center Issue, Series E**

Mr. Jandreau introduced Ms. Bridgett Feagin, EVP & Chief Financial Officer of Connecticut Children's Medical Center (CCMC); Ms. Sonal Bose, Vice President of Goldman Sachs; and Mr. Thomas Marrion, Partner of Hinckley Allen in attendance to represent key parties in the transaction.

Staff is seeking the approval today of up to \$150 million for the CCMC Issue, Series E. Mr. Jandreau reported that, although approximately \$114 million will be issued, a contingency was put into place in case a refinancing of CCMC's existing debt was required. Mr. Jandreau stated that Goldman Sachs will be the lead book running Manager for the proposed transaction and Loop Capital Markets will act as a Co-Manager.

Mr. Jandreau reported that ratings were selected from Fitch and Moody's, who rated the transaction "A+" with a stable outlook and "A-" with a stable outlook, respectively. Mr. Jandreau stated that the ratings agencies provided similar credit strengths and challenges to Staff's assessment and reported the following:

- Fitch-specific citations
  - Strengths cited include CCMC's excellent market share in its primary service area and growing market share in its secondary service area and additional revenues garnered
  - from the new tower and other strategic growth initiatives in the secondary service area
  - Factors that could negatively impact CCMC's rating and outlook include a weakening in cash flow such that EBITDA margins are consistently below 6%, cash to adjusted debt stabilizing below 100%, and major project delays or cost overruns
  - Factors that could positively impact CCMC's rating and outlook include operating EBITDA margins at or above 9% coupled with growth in unrestricted liquidity
- Moody-specific citations
  - Strengths cited include CCMC's strong historical revenue growth, new Medicaid supplemental funding, manageable debt, partnerships and the new tower alleviating capacity constraints while allowing CCMC to grow certain service lines
  - Challenges cited include potential for cash to decline to modest levels to fund the project and the risk that market volatility and timing of gifts could result in lower than expected cash levels
  - Factors that could positively impact CCMC's rating and outlook include a sustained increase in days cash on hand, an improved balance sheet, and operating cashflow margin
  - Factors that could negatively impact CCMC's rating include a sustained decline in DCOH below expectations, an overspend or material delays in the projects, an inability to produce cash flow margins close to 7-8% during the construction period, and an increase in leverage or weakening debt metrics.



Mr. Jandreau reported that the proposed financing poses an excellent opportunity for CCMC to expand its growth opportunities and its ability to provide quality care to the community.

Mr. Jandreau turned the floor over to Ms. Feagin, who provided a brief overview of the capital campaign as a follow-up to concerns and questions raised in the previous Board meeting.

Ms. Feagin reported the CCMC Board of Directors is in full support of the \$150 million capital. Ms. Feagin stated that, while a feasibility study was not conducted prior to the campaign, a consultant was hired when planning the campaign. Ms. Feagin reported on the change in leadership for the campaign that has resulted in increased outreach efforts and increased number of gifts received.

Mr. Lisi inquired about the gifts, which Ms. Feagin confirmed are in the form of pledges but that two of the pledges are being paid upfront instead of across the 5-year period. Ms. Feagin reported that the contingency plan for not meeting the full \$150 million includes pulling from the cash reserve and utilizing unrestricted dollars, pulling from CCMC's portfolio, and scaling back identified areas of the project.

Mr. Elbaum inquired about the comparison to the current capital campaign from historical charitable raises as well as the debt service increase. A discussion ensued.

Mr. Davis inquired about the competitiveness and capacity in CCMC's servicing area. Ms. Feagin reported that CCMC is the only independent, free-standing children's hospital in Connecticut and that waiting lists exist for most of their specialties. Ms. Feagin stated that CCMC services span the tri-state area, and the growing fetal medicine program is expected to have demand nationwide.

Mr. Davis inquired about Medicaid reimbursement and capacity, and a brief discussion ensued.

Mr. Lisi inquired about the decrease in 'supplies and other' line item in the financial statements. Mr. Jandreau and Ms. Feagin both reported on the clerical error in reporting.

Mr. Elbaum inquired about the contingency plan for the philanthropic targets, which Ms. Feagin confirmed that the contingency plan does include identifiable areas that can be phased or delayed.

Mr. Lisi requested a motion for approval up to \$150 million for the Connecticut Children's Medical Center Issue, Series E (Authorizing Resolution #2023-03). Mr. Davis moved for approval and Mr. Angelini seconded the motion.

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

**AYES**

Michael Angelini  
Lawrence Davis  
Steven L. Elbaum  
Peter Lisi  
Susan Martin  
Alan Mattamana  
Sarah Sanders  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

Ms. Feagin and Ms. Bose left the hybrid meeting at 2:14 p.m.

**COMMITTEE REPORTS****Audit-Finance/Human Resources Committee**

Mr. Angelini stated that the Audit-Finance and Human Resources Committees met earlier today in a combined meeting to review the proposed FY 2024 total compensation budget. Mr. Angelini stated that this budget comprises approximately 45% of the total operating budget, and the compensation budget presented to the Board today will be incorporated into the total operating budget for Board approval in June 2023.

Mr. Angelini reported that the \$2.46 million budget covered total compensation benefits, including healthcare, insurance coverages and other various fringe benefits. The percent change in budgeted base salaries for FY 2024 over budgeted FY 2023 base salaries is 3.86%, which reflects projected total merit increases for current staff for FY 2024. Mr. Angelini also reported on the proposed one-time inflation relief payment of 3% to staff based on their current FY 2023 salaries. Mr. Angelini noted that, while combining the FY 2024 merit increases with the one-time relief payment seems high, the market research and discussion that was presented to the Committee was reasonable and justified these percentages.

Mr. Lisi thanked Ms. Weldon and Ms. Mackewicz for the thoroughness of the presented budget.

Ms. Martin and Mr. Lisi commented that the one-time relief payment will not be incorporated into any base salaries and is therefore not compoundable or pensionable.

Mr. Elbaum inquired about how the 3% percentage for the inflation payment was determined. Ms. Weldon reported that the percentage was determined based on balancing the transitory nature of the inflation rates and the need to address recent high inflation rates for staff.

Mr. Lisi requested a motion for acceptance of the Audit-Finance/Human Resources Committee recommendation and approval of the proposed FY 2024 human resources budget to be included in the FY 2024 total operating budget. Mr. Davis moved for approval and Mr. Mattamana seconded the motion.

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

**AYES**

Michael Angelini  
Lawrence Davis  
Steven L. Elbaum  
Peter Lisi  
Susan Martin  
Alan Mattamana  
Sarah Sanders  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

**OTHER BUSINESS**

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

Ms. Betty Sugerman Weintraub noted on the Nonprofit Forum to be held on April 26<sup>th</sup> focusing on child and adolescent mental health, which will feature Dr. Jeff Vanderploeg as the keynote speaker and four other panelists for discussion. Attendance is currently maximized at 100 people, and the



event is co-hosted with the Connecticut Council for Philanthropy. Mr. Davis also encouraged Board members to attend the Nonprofit Forum and participate in the informative discussion.

**ADJOURNMENT**

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

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

**AYES**

Michael Angelini  
Lawrence Davis  
Steven L. Elbaum  
Peter Lisi  
Susan Martin  
Alan Mattamana  
Sarah Sanders  
Mark Varholak

**NAYS**

None

**ABSTENTIONS**

None

The hybrid meeting adjourned at 2:25 p.m.

Respectfully submitted,



Jeanette W. Weldon  
Executive Director