

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Annual Board Meeting
September 20, 2023

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference on Wednesday, September 20, 2023.¹

The annual videoconference meeting was called to order at 1:32 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
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)
Susan Martin
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)
Mark Varholak

ABSENT: Michael Angelini, Vice Chair
Alan Mattamana

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Charles Bodie, Managing Director of Finance and Operations
Dan Giungi, Government Relations & Communications Specialist
Rebecca Hrdlicka, Administrative Services Assistant
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Dan Kurowski, Manager of Program Development & CHEFA CDC
Andrew Kwashnak, Senior Systems & Data Analyst
Carlee Levin, Senior Accountant
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Kara Stuart, Manager, Administrative Services
Betty Sugerman Weintraub, Manager of Grant Programs and Philanthropic Outreach of Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Tom Goldfuss, CPA, Partner, Whittlesey

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the August 29, 2023 special meeting of the Board of Directors. Ms. Martin moved to approve the minutes and Mr. Elbaum seconded the motion.

Ms. Kennison joined the videoconference meeting at 1:35 p.m.

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

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders

NAYS

None

ABSTENTIONS

Mark Varholak²

ELECTION OF VICE CHAIRPERSON

Mr. Lisi reported that he previously spoke with Mr. Angelini about continuing to serve as Vice Chair and Mr. Angelini has accepted the nomination.

Mr. Lisi requested a motion to accept Mr. Angelini as the Vice Chairperson of the Board of Directors. Mr. Lisi moved for approval and Ms. Kennison seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon stated that management received the draft lease from the Gold Building last week and are in the process of reviewing it. The Authority is on track with the current lease expiration date of December 31, 2023.

Ms. Weldon turned the floor over to Mr. Giungi to report on a new approach staff is pursuing to gain exposure for bond financings. Mr. Giungi stated that the Authority partnered with the American School for the Deaf to host a site visit on their campus and invited members of the West Hartford delegation to attend. Three out of the five delegation members attended, including Senator Slap, Representative Gilcrest, and Representative Sanchez, and the event was well-received. Mr. Giungi stated that moving forward, this event could serve to create a model that will likely become an integrated part of staff’s efforts to raise awareness for CHEFA in the community, as well as the projects CHEFA is supporting and the impact they have throughout the State. Mr. Giungi stated that as these events are scheduled in the future, he encourages Board members to attend.

Ms. Weldon highlighted another CHEFA exposure opportunity in which she and Ms. Betty Weintraub attended a press conference regarding the targeted grant for *Screening CT Youth*. This targeted grant was to increase availability and awareness of free behavioral health services for children throughout the state. The press conference was hosted at Klingberg Family Centers, Inc. and the

² Mr. Varholak abstained from voting as he did not attend the special Board of Directors meeting held on August 29, 2023.

keynote speaker was Senator Richard Blumenthal. Ms. Weldon noted that she and Ms. Weintraub took a photo with Senator Blumenthal which was posted on the Authority's social media outlets.

Ms. Weldon noted that staff is getting ready for the next strategic planning cycle. The current cycle ends June 30, 2024, therefore July 1, 2024 will begin a new 3-year cycle. There will be Staff and Board aspects of developing the next strategic plan, and the Board aspect will occur in January 2024. The expectation is that January will be a combined meeting of the CHEFA and CHESLA Boards, and staff will update the Board as the schedule is finalized.

Client Updates

Mr. Morris reported the following:

- Hotchkiss School: \$55 million transaction; refund 2000 issue which has \$35 million outstanding, and \$20 million of new money for dining hall renovations. The transaction will be a private placement with TD Bank as the purchaser.
- Loomis Chaffee School: \$30 million transaction; looking to finance a new dormitory and campus renovations. The financing structure hasn't been decided yet, whether it will be a public offering or private placement, but they will decide by the end of next week.
- Goodwin University: Preliminary conversation regarding a new financing to refinance current outstanding debt of approximately \$45 million, and finance deferred maintenance at University of Bridgeport and Goodwin Campuses.
- Brunswick School: Posted preliminary offering statement on Friday September 15th, and is in the marketing period and the bonds are expected to price Tuesday September 26th. The underwriter said it has been well-received in the market so far.

Mr. Morris stated that Yale University closed on its \$112.1 million 2017 remarketing offering on July 3rd. LiveWell closed on its 8th advance of \$3.3 million on September 14th, total advances are just over \$32 million of the total \$81.6 million that was authorized.

Mr. Morris reported the following on loan payoffs:

- Yale New Haven Health will be paying off its Lawrence & Memorial 2013 issue on its mandatory tender date of October 2nd. This is a private placement with Bank of America as the purchaser and has approximately \$21.7 million outstanding.
- Saint Joseph Living Center will be paying off its 2013 issue on its maturity date of September 29th, there is approximately \$2.2 million outstanding and Key Bank (originally First Niagara) is the purchaser. They were struggling to meet their financing covenants recently and Key Bank was not willing to refinance or extend the maturity, but Saint Joseph Living Center was fortunate to retain Chelsea Jewish Lifecare, who had been consulting for the center, to refinance the loan to payoff Key Bank.

Mr. Morris reported on the following issues staff is monitoring for financial covenant violations:

- Mary Wade: Senior living facility located in New Haven. Its Series A bonds were issued in 2019 to construct 84 assisted living units (including 20 memory care units) and refinance existing debt outstanding. At the end of June, Fitch downgraded the Series A issue from BB to B, with a negative outlook on the \$45.4 million outstanding. Fitch cites the key rating drivers for the downgrade as weak demand and very limited pricing flexibility. As of March 31, occupancy was at 40% for the 64 new assisted living units and 85% for the new memory care units. The fill-up was much slower than anticipated due to a delay in obtaining ALSA certification and the pandemic. Fitch noted in their report that they believe the market is saturated with there being 2 new assisted living facilities within a 10-minute drive of Mary Wade. Also noted was that they significantly rely on government payors for the skilled nursing

facility at 90%. Staff received a copy of the notice from the institution that they will likely fail their September 30th debt service coverage ratio (DSCR) test, which will be below 1.0 times and will trigger a consultant hiring. They have hired a consultant, RKL Senior Living Services Consulting Group out of Pennsylvania, who provides operational, financial, and clinical consulting services for the senior living industry. Staff has requested a meeting with the CFO and/or Executive Director to discuss the timetable and process with the consultant.

- CSCU: Staff was informed by the Treasurer's office of a Special Finance Committee meeting held on August 23rd for an update on the spending and deficit mitigation plan for each campus. The plan was required by the Board of Regents at the June 28, 2023 Board meeting. The FY 2024 budget was approved showing deficits of \$13.7 million in FY 2024, \$140.2 million in FY 2025, and \$194.7 million in FY 2026 with the majority of losses at the CT Community College. The reduction in enrollment is the primary driver for the deficits and each institution is required to submit their final deficit mitigation plan by November 1st. Staff is in the process of setting up a meeting with their new interim CFO and the Treasurer's office. At the time of the 2021 refinancings, the system provided a projection showing a balance of approximately \$82 million in the reserve fund that's available to pay debt service, so staff has asked for an updated current balance. Ms. Sanders noted that CSU bonds are different than the other bonds CHEFA issues given that the State guarantees the CSU bonds with a special capital reserve fund.
- Bristol Hospital: Struggling with meeting its days cash on hand covenant. The bond issue is a private placement with Fidelity, who restructured the master trust indenture to allow for a lower level of days cash on hand of 15 days, but at the end of July they were only at 14 days. They were required to hire a consultant. The consultant chosen was ToneyKorf Partners who was approved by Fidelity as the bondholder. As of June 30th, Bristol Hospital has a \$5.3 million loss, but they are still meeting their debt service coverage ratio and are still making their debt service payments.

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.

STRATEGIC PLAN STATUS REPORT UPDATE

Ms. Weldon acknowledged the hard work of all Staff for moving the strategic initiatives forward.

Ms. Weldon presented a status report pertaining to the 3-year CHEFA strategic plan. Ms. Weldon highlighted several notable achievements pertaining to collaboration; the broadening, assessment, and communication of impact; technology; and organizational identity, culture, and sustainability.

BOARD EDUCATION: PROTON THERAPY FINANCING OVERVIEW

Mr. Kurowski gave a presentation on Board Education: Proton Therapy Center Financing, which included details on the following topics:

- Proton Therapy and Proton Therapy Centers Overview
- Construction Costs, Development, and Use of Tax-Exempt Debt for Proton Therapy Centers
- Risk Factors

The floor was opened to questions, and a discussion ensued regarding risk mitigation, patient center feasibility studies, actual patient volume and patient referrals, proton therapy patient cost compared to construction costs, and payor mix.

Mr. Lisi and Mr. Elbaum requested an additional risk factor analysis if this financing is to be pursued by staff.

Mr. Elbaum recused himself as his firm, Robinson+Cole, represents Nuvance Health. Mr. Elbaum left the videoconference meeting at 2:15 p.m.

STAFF MEMOS AND AUTHORIZING BOND RESOLUTIONS

Nuvance Health Issue, Series 2019 Amending Bond Resolution (Resolution #2023-09)

Mr. Morris reported on the 2019 issuance for Nuvance Health, totaling \$340.1 million included approximately \$48 million of new money. Mr. Morris stated that the proceeds were originally targeted for renovations, improvements, and equipment at its hospitals located in Norwalk, Danbury, and New Milford. However, there has been a change in scope to these projects primarily due to the impact of the COVID-19 pandemic, and as a result approximately \$37.9 million of the total new money has been utilized. Mr. Morris reported that Nuvance intends to reallocate the remaining \$12 million construction fund proceeds to alternative projects that are provided in the Board package.

Mr. Morris reported on the Moody's rating of Nuvance Health, which was downgraded from Baa2 to Baa3 with a negative outlook on its \$1.0 billion of debt outstanding. Mr. Morris reported that \$316 million of this \$1.0 billion consists of CHEFA debt, and Nuvance is expected to fail the September 30th DSCR of 1.10x. Mr. Morris stated that this will not cause an event of default since there is a two-year test period for the DSCR but does require the hiring of a consultant, which Nuvance has done. Mr. Morris also stated that the rating downgrade was due to weakening operating performance and reduced liquidity primarily due to labor challenges and low volume levels.

Mr. Morris reported that staff has met with the Chief Financial Officer of Nuvance Health, who has outlined some initiatives to improve operations, which include recruitment and retention of nurses to reduce agency and overtime costs, revenue cycle improvement, and increasing brand recognition for more ambulatory access.

Staff recommended the reallocation of remaining construction funds to the selected projects proposed by Nuvance Health.

Mr. Lisi requested a motion for approval of the reallocation of funds for Nuvance Health (Resolution #2023-09). Ms. Martin moved for approval and Mr. Lisi seconded the motion.

A discussion ensued regarding the changing projects by Nuvance Health, the amendment process for tax-exempt financing, the impact of COVID-19 in the timeline of capital expenditure projects, and the potential redemption of the bonds.

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

AYES

Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

Lawrence Davis
Kimberly Kennison

RECUSALS

Steven L. Elbaum

Mr. Elbaum returned to the videoconference meeting at 2:32 p.m.

Pierce Memorial Baptist Home Issue, Series B Reissuance (Resolution #2023-10)

Mr. Morris reported on the reissuance of Pierce Memorial Baptist Home Issue, Series B. Mr. Morris stated that Pierce Memorial Baptist Home merged into Connecticut Baptist Homes, Inc. earlier this year and is a nursing and independent facility located in Brooklyn, Connecticut. Mr. Morris reported that the original 2013 Series B bonds were originally purchased by People's Bank, who has since been acquired by M&T Bank and 233 Genesee Street Corporation (i.e., a subsidiary of M&T Bank) is the current holder.

Mr. Morris stated that there is a mandatory tender date of October 1, 2023, but that the bank has agreed to extend the tender date to October 1, 2024 with the following terms:

- Increase the interest rate from 3.465% to 6.66%
- Modify the calculation dates of the DSCR requirement test to six months and then every three months subsequently
- Fund a Debt Service Reserve Fund equivalent to one year of debt service (currently estimated at \$800,000)
- Charge a 0.25% commitment/extension fee

Mr. Morris stated that, under federal tax law, a change in yield of more than 25 basis points is considered a significant modification and triggers a reissuance. A reissuance of a tax-exempt bond requires retesting of all the various federal tax requirements that apply to a new issue, which has been completed by Bond Counsel. Mr. Morris reported that the security requirements will remain the same.

Therefore, Staff recommended that the Board adopt a new authorizing resolution to allow the Authority to enter into an Amending Loan Agreement and any other documents due to the reissuance, which will allow Pierce Memorial Baptist Home to extend the mandatory tender date for one year as it seeks to refinance the bonds.

Mr. Lisi requested a motion for approval of the reissuance for Pierce Memorial Baptist Home (Resolution #2023-10). Mr. Davis moved for approval and Ms. Martin seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

COMMITTEE REPORTS

Grant Committee

Mr. Davis noted that the Grant Committee met on September 15, 2023 and reported on the panelist discussion regarding best practices for grant review. Mr. Davis stated the key takeaways from the discussion are: (i) grant review process is both an art and a science, (ii) impact can be measured beyond quantitative data, and (iii) the possibility of short-term grants being delivered on short-term goodwill.

Mr. Davis reported on the update regarding Enterprise Capital, where staff is in communication with All Our Kin and Freedom Reads after the June 6th Enterprise Capital meeting to explore funding possibilities. Mr. Davis noted that further information will be presented by staff in upcoming meetings.

Mr. Davis reported on the FY 2022 Targeted Grant cycle final reporting for Junior Achievement of Southern New England and the Connecticut Boys & Girls Club. Mr. Davis stated that both organizations received \$250,000 and had strong positive outcomes related to the funds utilized.

Mr. Davis reported that the allocation of grant funds was voted by the Grant Committee as \$1 million per grant cycle.

Mr. Davis stated that the \$1 million typically allocated to the Targeted grant cycle would be utilized as seed money for the Enterprise Capital initiative.

Mr. Lisi requested a motion to accept the Grant Committee's recommendation and approve grant funding as \$1 million per grant cycle (i.e., Client, Targeted, and Nonprofit grant cycles). Mr. Lisi moved for approval and Mr. Davis seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

Ms. Weldon thanked Ms. Weintraub for her efforts with the informative panel discussion at the Grant Committee annual meeting.

Audit-Finance Committee

Ms. Martin noted that the Audit-Finance met earlier today to review the Independent Audit presented by Whittlesey. Mr. Goldfuss, a representative from Whittlesey who originally presented the findings, reported that the Independent Audit was successful and is ready to be finalized upon approval. Mr. Goldfuss stated that the audit is clean with no qualifications and staff was very supportive and facilitated the audit process.

Mr. Lisi requested a motion to accept the Audit-Finance Committee's recommendation to approve the FY 2023 Independent Audit as presented by Whittlesey. Ms. Martin moved for approval and Ms. Kennison seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders

NAYS

None

ABSTENTIONS

None

Mark Varholak

Ms. Martin reported on the bi-annual review of the CHEFA Investment Policy and presented on the following changes:

- Changes to provide consistency within the policy itself and between entity policies
- Language changes to clearly state that investments are driven by indentures
- Removal of investment options from the general fund to decrease risk
- Language changes to clearly state Mr. Bodie's role as the responsible owner of the policy

Ms. Martin reported that the Audit-Finance Committee recommends approval of the CHEFA Investment Policy.

Mr. Lisi requested a motion to accept the Audit-Finance Committee's recommendation and approval of the CHEFA Investment Policy (Authorizing Resolution #2023-11) as presented by Mr. Bodie. Ms. Martin moved for approval and Mr. Davis seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

Ms. Martin reported on the expected \$24,000 increase in the capital budget due to vendor engagement efforts in improving the accounting financial system, as well as on the other IT tasks to strengthen the IT infrastructure.

APPOINTMENT OF CHEFA COMMUNITY DEVELOPMENT CORPORATION BOARD OF DIRECTORS (AUTHORIZING RESOLUTION 2023-12)

Mr. Kurowski presented the resolution to appoint the CHEFA Community Development Corporation (CDC) Board of Directors. Mr. Kurowski stated that CHEFA has the right to appoint members to the CHEFA CDC Board of Directors, which occurs annually. Mr. Kurowski stated that ten members are being appointed, nine of which are members of the current CHEFA Board of Directors, and one position is currently vacant.

Mr. Kurowski reported on the requirement of the sole designee to present and adopt the resolution at the annual CHEFA CDC member meeting.

Ms. Sanders inquired about the CHEFA Board of Directors appointment in the CHEFA CDC Board of Directors. Mr. Kurowski stated that the only difference in the appointment is that the designees for the CHEFA Board of Directors are appointed directly to the CHEFA CDC Board of Directors.

Mr. Lisi requested a motion for approval of the Appointment of the CHEFA Community Development Corporation Board of Directors (Authorizing Resolution #2023-12). Mr. Lisi moved for approval and Ms. Kennison seconded the motion.

Ms. Kennison inquired about the vacancy for the CHEFA CDC Board of Directors. Mr. Kurowski clarified that the tenth appointment to the CHEFA CDC Board of Directors would coincide with the appointment for the vacant position on the CHEFA Board of Directors.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

ADJOURNMENT

There being no further business, Ms. Kennison moved to adjourn the videoconference meeting and Ms. Martin seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Steven L. Elbaum
Kimberly Kennison
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

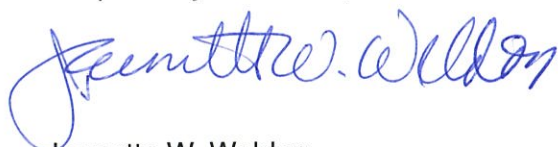
None

ABSTENTIONS

None

The annual videoconference meeting adjourned at 2:51 p.m.

Respectfully submitted,



Jeanette W. Weldon
Executive Director

