

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Board Meeting
October 19, 2022

The State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person at 1:30 p.m. on Wednesday, October 19, 2022.

The hybrid meeting was called to order at 1:30 p.m. by Mr. Michael Angelini, Vice Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: Michael Angelini, Vice Chair¹
Lawrence Davis²
Steven L. Elbaum³
Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden*)
Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Acting Secretary*)⁴
Susan Martin
Alan Mattamana
Mark Varholak⁵

ABSENT: Peter W. Lisi, Chair

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel⁶
Rob Blake, Network Architect⁷
Dan Giungi, Government Affairs & Communications Specialist
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist⁸
Dan Kurowski, Manager, Program Development & CHEFA CDC
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Marlene Pagan, Transaction Analyst⁹
Cynthia D. Peoples-H., Managing Director, Operations & Finance¹⁰
Julia Pollano, Operations Reporting Analyst¹¹
Kara Stuart, Manager, Administrative Services
of the Connecticut Health and Educational Facilities Authority

APPROVAL OF MINUTES

Mr. Angelini requested a motion to approve the minutes of the September 21, 2022 annual meeting of the Board of Directors. Ms. Martin moved to approve the minutes and Mr. Hill seconded the motion.

¹ Michael Angelini participated in the meeting via teleconference that permitted all parties to hear each other.

² Lawrence Davis participated in the meeting via teleconference that permitted all parties to hear each other.

³ Steven Elbaum participated in the meeting via teleconference that permitted all parties to hear each other.

⁴ Kimberly Kennison participated in the meeting via teleconference that permitted all parties to hear each other. Ms. Kennison joined the meeting at 1:34 p.m.

⁵ Mark Varholak participated in the meeting via teleconference that permitted all parties to hear each other.

⁶ Denise Aguilera participated in the meeting via teleconference that permitted all parties to hear each other.

⁷ Rob Blake participated in the meeting via teleconference that permitted all parties to hear each other.

⁸ Krista Johnson participated in the meeting via teleconference that permitted all parties to hear each other.

⁹ Marlene Pagan participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁰ Cynthia D. Peoples-H. participated in the meeting via teleconference that permitted all parties to hear each other.

¹¹ Julia Pollano participated in the meeting via teleconference that permitted all parties to hear each other.

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

AYES

Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison
Susan Martin

NAYS

None

ABSTENTIONS

Michael Angelini¹²
Alan Mattamana¹³
Mark Varholak¹⁴

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon stated that staff is preparing for the upcoming legislative session and will bring forth a proposed legislative agenda for Board approval at the November Board meeting. After the Board’s review of the proposed legislative agenda, staff will begin outreach to key legislators to set up meetings.

Ms. Weldon reported that last month she shared via email an economic impact analysis that was conducted by CCM Economics, LLC on behalf of CHESLA. The analysis covers CHESLA loans and grants from 2015 to 2021 and shows significant impact. Ms. Weldon reported that CHESLA programs in that timeframe helped to create 597 jobs, increase wage income in the state by more than \$72 million, and increase state Gross Domestic Product by \$74 million. Ms. Weldon stated that long-term impact will be even more significant depending on how many graduates stay and work in-state, ultimately resulting in increased state tax revenue. Ms. Weldon noted that she is working with Mr. Giungi, Government Affairs & Communications Specialist, on publicizing and distributing the analysis, reaching out to various media outlets for coverage, and providing it to all legislators. The analysis has also been posted on the CHEFA and CHESLA websites.

Ms. Weldon reported that staff supported a proposal submitted to the Office of Early Childhood by LISC (Local Initiative Support Corporation) as the lender under the childcare guarantee loan program. Ms. Weldon stated that by being included in their proposal, if they receive the award it is hopeful that it will generate some additional volume for the guarantee loan fund for the childcare program.

Ms. Weldon stated that staff participated in a staff service project on Friday, October 14th at a Salvation Army sponsored childcare center called ‘The Right Place’ in Hartford. The service project included yardwork, painting, and clean-up of areas throughout the center. Staff enjoyed the project and the organization was appreciative of the help.

Client Updates

Mr. Morris reported that there are 2 new issues; American School for the Deaf which will be presented next month, and Eagle Hill School which will be presented today. There were no closings from last month.

Mr. Morris reported that UCONN Foundation paid off their 2013 Series C issue of \$2.5 million which was set to mature in April 2023. Mr. Morris reported that LiveWell Alliance is receiving its third advance on November 10th for \$4.68 million, bringing the total to \$26.03 million of \$82.2 million.

¹² Mr. Angelini abstained from voting as he did not attend the September 21, 2022 Annual Board of Directors Meeting.

¹³ Mr. Mattamana abstained from voting as he did not attend the September 21, 2022 Annual Board of Directors Meeting.

¹⁴ Mr. Varholak abstained from voting as he did not attend the September 21, 2022 Annual Board of Directors Meeting.

Mr. Morris stated that he and Ms. Weldon have been meeting with several hospital clients and some of the common themes include: increasing volume but not near pre-pandemic levels, increase in supply chain cost, continued shortage of nursing and significant increases in wages, all of which is resulting in very thin operating margins or negative margins for FY 2022. Mr. Morris noted that most likely there will be no financing needs in the near future.

Mr. Morris reported that Trinity Health is issuing up to \$900 million as part of a multi-state composite issuance, which includes \$15 million to refinance commercial paper in which funds were used for new money projects at St. Mary's, Johnson Memorial and St. Francis. Trinity is issuing through the Michigan Finance Authority and is requesting that CHEFA host the TEFRA on their behalf.

Mr. Morris turned the floor over to Mr. Kurowski to comment on the upcoming client conference. Mr. Kurowski stated that on October 6th CHEFA announced their 2022 client conference which will be held on December 8th at the Hartford Foundation for Public Giving conference room. The topic will cover climate risk and ESG factors and how they are impacting investors and rating agencies decision making in their risk management. There will be presentations and a discussion panel including an investor, a rating agency, and a professor from Yale University on the topic. More information will be provided throughout the next few weeks.

Financial Report

Ms. Mackewicz reported on the 2 months ending August 31, 2022. Operating revenues exceed operating expenses by \$793,000. After investment income the change in net position is \$828,000. Revenues are level with the budget and expenses are under budget by \$50,000.

Ms. Mackewicz referenced a few notable items on the balance sheet, Unrestricted Assets includes the right of use assets and the Non-Current Liabilities includes lease liability which will continue to decrease through the end of the lease in December 2023. Ms. Mackewicz noted the unrestricted reserve reflects the program designated-focused reserve of \$3 million for grants and the operating reserve has been adjusted, per the boards approved calculation several years prior. It reflects an average of the prior fiscal year's operating expenses and the current fiscal year's budgeted expenses.

Budget Modification Request

Ms. Peoples stated that last month the Audit-Finance Committee interviewed two firms and reappointed BerryDunn McNeil & Parker, LLC (BerryDunn) to serve as the Authority's internal auditor. Based on prior experience with BerryDunn, management budgeted \$25,000 for this engagement for 2023. The engagement has a proposed fee of \$49,500, so staff is requesting a budget modification of an increase of \$24,500 to meet this obligation. Ms. Peoples stated that staff is seeking Board approval to modify the budget by increasing this line item to \$49,500.

Mr. Angelini requested a motion for approval of the Budget Modification Request. Ms. Kennison moved for approval and Mr. Elbaum seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison

NAYS

None

ABSTENTIONS

None

Susan Martin
Alan Mattamana
Mark Varholak

Interest Rate Report

Ms. Peoples reported on the headlines relating to the latest movements in the federal funds rate and the yield curve.

Market Updates

Mr. Jandreau reported that the transaction report continues to reflect a new issue market that has been mostly muted due to the impact of higher interest rates. This rate environment has negatively impacted the economics for potential issuers to issue debt both on a taxable and tax-exempt basis. Given the current market expectations for a possibly higher rate environment, in addition to the upcoming holiday season, it's likely that we may continue to see lower levels of new issue activity heading into the end of the year.

Mr. Jandreau referenced how few transactions are included on the transaction report, noting the number of transactions below \$100 million in size, the higher majority of 5% coupons now being used, and the virtual absence of taxable financings.

Mr. Elbaum recused himself from the Eagle Hill School Issue, Series C as his firm, Robinson+Cole, is involved in the transaction. Mr. Elbaum left the hybrid meeting at 1:48 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (AUTHORIZING RESOLUTION 2022-15)**Eagle Hill School Issue, Series C**

Mr. Jandreau stated that Eagle Hill School is a Greenwich based independent school that focuses on teaching children with learning disabilities. For the current fiscal year, the school has 265 students (14 Boarding and 251 day) and is set up to house as many as 25 boarding students. The School hopes to fill the vacancies in the upcoming years with the addition of a newly hired Dorm staff person who will assist the Director of the Dorm Program to increase boarding enrollment. Currently, the School's day school program operates at full capacity and has a waiting list. Mr. Jandreau noted that this is a positive aspect because it highlights the reputation of the School and bodes well for future enrollment.

Mr. Jandreau reported that the School intends to refinance its existing 2016 Series B bonds with the proposed issuance via a direct purchase to First Republic Bank, a San Francisco based, publicly traded financial institution. The Series B bonds have a \$10.66 million balloon payment due in 2026 which the School would like to spread out over 30 years. The combination of the extension of the debt coupled with a slightly higher interest rate of the newly issued bonds results in a negative present value saving of approximately \$385,000, however, it makes substantial capital available that would have otherwise been paid out in 4 years to pay off the debt.

Mr. Jandreau stated that since the proposed transaction allows the School greater financial flexibility by spreading out the \$10.66 million liability over a longer period, it is also beneficial in the short run as yearly debt service through the 2026 balloon date is reduced, saving the School nearly \$136,000 annually through 2026. Mr. Jandreau stated that additionally, because this is a direct purchase with First Republic, and because the School serves a special and very specific niche within the independent school arena, staff would like to request the Board's approval for this transaction

Approved: November 16, 2022

Mr. Angelini requested a motion for approval up to \$12.5 million for the Eagle Hill School Issue, Series C (Authorizing Resolution #2022-15). Mr. Mattamana moved for approval and Mr. Varholak seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>	<u>RECUSALS</u>
Michael Angelini	None	None	Steven L. Elbaum
Lawrence Davis			
Darrell V. Hill			
Kimberly Kennison			
Susan Martin			
Alan Mattamana			
Mark Varholak			

Mr. Elbaum returned to the hybrid meeting at 1:53 p.m.

COMMITTEE REPORT

Consultant Committee

Mr. Hill reported that the Consultant Committee met earlier today to review the recommendations by staff for Bond Counsel and Underwriter. Both were the culmination of RFP/RFQ processes that began over the summer. Mr. Hill reported that staff received 8 responses to the RFP for Bond Counsel and recommended retaining the 6 firms that are currently approved to serve as bond counsel, all of who are listed in the memo. Mr. Hill stated that the Consultant Committee voted to accept staff’s recommendations.

Mr. Elbaum recused himself from the appointment of bond counsel as his firm, Robinson+Cole, submitted a response to the RFQ.

Mr. Hill reported that staff received 35 total responses to the RFQ for Underwriter. Of the 34 responses, staff recommends the appointment of 25 firms to serve as senior managing or co-managing underwriters and 9 firms to serve as co-managing underwriters. Mr. Hill noted the two new firms’ staff is recommending are Raymond James & Associates (Senior Manager) and R. Sealus (Co-Manager). Mr. Hill stated that the Consultant Committee voted to accept staff’s recommendations. A brief discussion ensued.

Mr. Angelini requested a motion for acceptance of the Consultant Committee’s recommendation of appointment of Bond Counsel as described by Mr. Hill. Mr. Davis moved for approval and Mr. Hill seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>	<u>RECUSALS</u>
Michael Angelini	None	None	Steven L. Elbaum ¹⁵
Lawrence Davis			
Darrell V. Hill			
Kimberly Kennison			
Susan Martin			
Alan Mattamana			
Mark Varholak			

¹⁵ Mr. Elbaum recused himself as his employer Robinson+Cole LLP submitted an RFQ response.

Mr. Angelini requested a motion for acceptance of the Consultant Committee's recommendation of appointment of Underwriter as described by Mr. Hill. Mr. Davis moved for approval and Mr. Hill seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison
Susan Martin
Alan Mattamana
Mark Varholak

NAYS

None

ABSTENTIONS

None

OTHER BUSINESS

Mr. Angelini stated that there is a change in the leadership of the Audit-Finance Committee. Mr. Varholak no longer wishes to serve as Committee Chair. Mr. Angelini thanked Mr. Varholak for his years of significant leadership and service to CHEFA in his role as Chair of the Audit-Finance Committee, and stated that Ms. Martin, currently serving as Interim Chair, is willing to serve as the new Chair of the Committee.

Mr. Angelini requested a motion for the appointment of Susan Martin as Chair of the Audit-Finance Committee. Ms. Kennison moved for approval and Mr. Hill seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison
Alan Mattamana
Mark Varholak

NAYS

None

ABSTENTIONS

Susan Martin

ADJOURNMENT

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

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

AYES

Michael Angelini
Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison
Susan Martin

NAYS

None

ABSTENTIONS

None

Approved: November 16, 2022

Alan Mattamana
Mark Varholak

The meeting adjourned at 2:03 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jeanette W. Weldon", is written over the printed name.

Jeanette W. Weldon
Executive Director