FINAL
Approved on: June 16, 2021

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Special Authority Board Meeting
May 19, 2021

The State of Connecticut Health and Educational Facilities Authority held a special meeting via teleconference at 1:30 p.m. on Wednesday, May 19, 2021.[1]

The special meeting was called to order at 1:30 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, Chairman Michael Angelini, Vice Chair Lawrence Davis Steven L. Elbaum Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden)*[2] Kimberly Kennison (*Designee for Melissa McCaw, OPM Secretary*) Dr. Estela R. Lopez Susan Martin
ABSENT:	Alan Mattamana Mark Varholak
ALSO, PRESENT:	Jeanette W. Weldon, Executive Director Denise Aguilera, General Counsel Debrah Galli, Manager, Administrative Services Daniel Giungi, Communication and Legislative Affairs Specialist Robert Jandreau, Sr. Finance Associate Daniel Kurowski, CHEFA CDC Program Manager Eileen MacDonald, Sr. Transaction Specialist JoAnne N. Mackewicz, Controller Krista Johnson, Compliance Specialist Michael F. Morris, Managing Director, Client Services Cynthia D. Peoples-H., Managing Director, Operations & Finance Kara Stuart, Administrative Services Assistant Betty Sugerman Weintraub, Grant Program Manager of the Connecticut Health and Educational Facilities Authority
GUESTS:	Bruce Chudwick, Esq., Partner, Shipman & Goodwin LLP Marry Jo Kelly, Principal, Hardwick Law Firm, LLC Lucie Lucker, VP for Finance & Administration, University of Saint Joseph Thomas Marrion, Partner, Hinckley Allen Josh Nyikita, Managing Director, Acacia Financial Group, Inc. Erick Russell, Esq., Pullman & Comley LLC Edward Samorajczyk, Jr., Esq., Partner, Robinson + Cole LLP Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc. Tiffany Stevens, Esq., McCarter & English, LLP Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

[1] All attendees participated in the meeting via conference telephone that permitted all parties to hear each other
[2] Mr. Hill joined the teleconference meeting at 1:44 p.m.

APPROVAL OF MINUTES
Mr. Lisi requested a motion to approve the meeting minutes of the April 1, 2021 CHEFA and CHESLA Board of Directors Strategic Planning Retreat meeting. Ms. Kennison moved to approve the minutes and Dr. Lopez seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Steven L. Elbaum		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

APPROVAL OF MINUTES
Mr. Lisi requested a motion to approve the minutes of the April 21, 2021 meeting of the Board of Directors. Ms. Kennison moved to approve the minutes 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
Lawrence Davis		
Steven L. Elbaum		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

APPROVAL OF MINUTES
Mr. Lisi requested a motion to approve the minutes of the May 4, 2021 special meeting of the Board of Directors. Ms. Kennison moved to approve the minutes and Dr. Lopez seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Steven L. Elbaum		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

HIGHER EDUCATION SECTOR REPORT
Mr. Morris provided a presentation on ‘CHEFA Higher Education Sector Analysis’. The following items were included in the report:

- CHEFA portfolio overview of the sector including the ratings and outlooks for each of the rated institutions
- Total bonds issued Since FY 2017, including a breakdown by new money and refunding issues
- Student market demand trends including total applications received, selectivity and matriculation rates for the past five fiscal years
- Liquidity metrics, including spendable cash and investments and monthly days cash on hand
- Net tuition revenue increase comparisons for the past five fiscal years
- Annual operating and cash flow margin ratios
- Debt Service Coverage Ratios
- Capital Spending Ratios
- Moody's outlook for the sector, which was recently upgraded from negative to stable

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

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon stated that there is a new type of financing that CHEFA has been asked to undertake as a conduit issuer in connection with a bond issue to help resolve the crumbling foundations issue in CT. CHEFA would be issuing bonds on behalf of the CT Foundation Solutions Indemnity Company (CFSIC), a captive insurer that was created by the state to help resolve this issue. Having become operational in 2019, CFSIC relies on a revenue stream that includes a $12 assessment on every CT homeowner's insurance policy. This surcharge can be securitized and used to support a bond offering that would make funds readily available to homeowners, rather than over time. Currently there is legislation on the floor of the house. If the bill passes and becomes law, the transaction would be managed by CHEFA staff and brought to the board for the full approval process. This would likely occur sometime in the Fall.

Ms. Weldon commented on the extensive efforts made in connection with the CHEFA/CHESLA legislative agenda during this session and turned the floor over to Mr. Giungi for a report.

Mr. Giungi reported the following:

- Meetings have taken place with the Higher Education Co-chairs and Ranking members, Education Co-chairs, Banking Co-chairs, and Republican and Democratic leadership in the House and Senate.
- Outreach has been conducted beyond the legislature including talent officers from Alliance districts to solicit feedback on the Alliance District Teacher Loan Subsidy Program.
- Outreach made to legislative liaisons from the major urban centers including New Haven and Hartford to solicit feedback on our NMTC proposal.
- Update on HB 5610
    - Although the Alliance District Teacher Loan Subsidy bill did not make it past Finance, CHEFA was able to work with the Banking Committee Co-chair to amend HB 5610 to include the proposed Alliance District Loan Subsidy Program language, as well as the expanded definition of "education assistance"
    - HB 5610 passed in the House with strong bipartisan support (148 members-yea/0-nay/3-absent/not voting)
    - HB 5610 is currently awaiting action in the Senate and engagement is underway

- Update on HB 6646
  (bill dealing with crumbling foundations/Representative Jeff Currey is the lead proponent).
    - Staff has sent Representative Currey suggested edits/revisions including the expanded definition of “project” in the CHEFA enabling statutes to provide for increased flexibility in use of bond proceeds that would allow CHEFA to issue bonds to support CFSIC
    - HB 6646 is currently awaiting action in House.

HB 6577, 6194 and 6664 are bills that would be detrimental to CHEFA, impose additional reporting requirements and approval processes that duplicate those already in place at CHEFA. These bills are being monitored.

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

Client Updates
Mr. Morris provided the following updates:

- Trinity College and University of Saint Joseph: two new issues that were added to the Financing Forecast will be presented today
- CCMC will issue $10 million through the tax-exempt equipment program known as EasyLoan
- Yale University: remarketing $300 million for its Series 2015 issue with a mandatory tender date on 7/12/2021
- Bond issues that closed since last Board meeting: CSU System, CIL Community Resources and Indian Mountain School
- Mr. Morris noted there were a number of borrowers paying off their bond issues in the coming months:
    - Norwich Free Academy: 2013 issue which is not callable until 7/1/2023, $10.7 million outstanding
    - Kingswood Oxford: 2002 issue that will be paid off on June 1, $4.5 million outstanding
    - Hopkins School: 2009 issue with $4 million outstanding
    - Middlesex Hospital: 2011 issue that has $5.4 million of debt remaining associated with its assisted living facility that will cease operations on 7/1
- The Jerome Home issue, after being dormant for approximately 2 years, will be restarting the financing process

Financial Report – March 2021
Ms. Mackewicz reported on the nine months ending March 31, 2021. Operating revenues exceed operating expenses by $3 million. Non-operating expenses are also $3 million which results in a decrease in net position of about $4,000. Year over year everything remains the same. Ms. Mackewicz stated that there is a difference in the change in net position due to the timing of the COVID grants. The COVID grants were released in March when typically grants are released in June. Revenues are under budget by $50,000 and expenses are under budget by $189,000. Ms. Mackewicz reported that this is predominantly due to conferences that were not attended and items that staff was unable to do because of COVID.

Interest Rate Report
Ms. Peoples noted the yield curve, stating that as of May 2020 the curve was slightly inverted and rather flat, and today the increase has been approximately 100 basis points across the curve.

Between what was reported in April to today, the yield curve is relatively the same. Ms. Peoples stated that there are inflation pressures happening with the reopening of the economy.

Market Updates
Mr. Jandreau reported that year-to-date, mutual fund inflows total approximately $45.9 billion. Mr. Jandreau stated that according to JP Morgan, it is expected that June to August reinvestment flows will total approximately $122 billion. When combined with record level mutual fund flows, and dealer inventories that are about half of what they typically are, an extremely technical environment emerges where demand far exceeds supply, translating into lower credit spreads, lower all-in yields, and higher valuations.

Mr. Jandreau stated that this month's transaction report is light with regards to the number of transactions, but continues to highlight the sizable amount of taxable issuance. Valuations in the taxable market remain favorable to investors, allowing for the continued amount of issuance.

CHEFA-CHESLA STRATEGIC PLAN
FY 2019-2021 CHEFA-CHESLA Strategic Plan Status Report
Ms. Weldon provided an overview of the FY 2021 CHEFA/CHESLA Strategic Plan Status Report which was distributed with the meeting materials.
Ms. Weldon stated this is the final year for the three-year strategic plan of FY 2019-2021.

FY 2022-2024 CHEFA-CHESLA Strategic Plan – Final Draft
Ms. Weldon presented the final draft of the FY 2022-2024 Strategic Plan. Ms. Weldon said that the process to develop the plan included engagement with staff, virtual breakout rooms, guest speakers, and a combined CHEFA and CHESLA Board of Directors Retreat. A process was developed to incorporate feedback from all participants into the plan.

Ms. Weldon pointed out that for purposes of this presentation, her focus would be the Key Initiatives. The FY 2022-2024 Strategic Plan builds on the existing Vision, Mission, and Value Statements as well as the already established Strategic Pillars from the prior 3-year cycle.

After reviewing the priorities/initiatives to be accomplished over the next fiscal year, Ms. Weldon recommended approval of the final draft of the FY 2022-2024 Strategic Plan.

Mr. Lisi requested a motion for approval of the FY 2022-2024 CHEFA-CHESLA Strategic Plan. Mr. Angelini moved for approval and Mr. Hill seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Steven L. Elbaum		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

Ms. Lucker joined the teleconference meeting at 2:15 p.m.

<u>FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-10)</u>
University of Saint Joseph Issue, Series F
Mr. Jandreau introduced Ms. Lucy Lucker, Vice President for Finance and Administration at University of Saint Joseph.

Mr. Jandreau stated that staff is seeking approval of up to $18 million for the University of Saint Joseph Issue, Series F. Mr. Jandreau reported the following information on the transaction:

- Proceeds from the bank direct placement with Berkshire Bank will be used to refinance the University's outstanding 2013 Series C and D bonds, which are also bank direct placements.
- The University does not carry a credit rating as all of its debt is privately placed and a rating will not be sought for the proposed financing.
- Both outstanding Series C and D bonds have a call date of June 17, 2021 and the refunding will generate roughly $730,000 in savings for the University.
- The proposed structure of the bonds will have a 20-year amortization and 10-year mandatory tender with an indicative fixed rate of 2.5%.
- Berkshire Bank has familiarity with the University, having underwritten a portion of the bonds to be refunded as well as underwriting the University's previous financing in 2018.

Mr. Jandreau reported that the University is still in the process of transforming itself into a co-educational University and has shown progress as evidenced by its growing application pool. Mr. Jandreau stated that staff seeks the Board's approval of the financing based on the anticipated savings achieved, as well as on Berkshire Bank's current intention, understanding, and underwriting of previous financings, which exhibit its confidence in the University to be able to meet its current, and future obligations.

Mr. Lisi requested a motion for approval up to $18 million for the University of Saint Joseph Issue, Series F (Authorizing Resolution #2021-10). Dr. Lopez moved for approval and Mr. Angelini seconded the motion.

Ms. Kennison inquired whether the debt will be extended out longer than the original length. Mr. Jandreau stated that it will not. Ms. Kennison inquired whether there will be any additional funding. Mr. Jandreau stated that there will not be any additional funding.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Steven L. Elbaum		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

Ms. Lucker left the teleconference meeting at 2:49 p.m.

<u>FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-11)</u>
Winston Preparatory School Issue, Series A Reissuance

Mr. Morris reported the following information on the transaction:

- Private placement with Citizens Bank closed in April 2012 with $9.69 million outstanding.
- Issue has a mandatory tender date of April 13, 2022.
- The Bank has agreed to extend the tender date until 2032 and renegotiate the interest rate.
- Current interest rate is 3.25% and as of May 12, 2021, the indicative rate was 2.82%.
- Because the change in yield will be more than 25 basis points, it triggers a reissuance for tax purposes. Therefore, Bond Counsel needs to perform an updated tax analysis.
- Other modifications for the transaction include lowering the debt service coverage ratio requirement, increasing the liquidity ratio requirement, and eliminating the leverage ratio requirement.
- The security requirements will remain the same, consisting of a gross receipts pledge and a mortgage.

Mr. Morris stated that Bond Counsel has recommended that the Board adopt a new resolution for the reissuance. Since the reissuance is considered a deemed exchange of a modified bond for the original bond, staff recommends that the Board adopt the new resolution to allow the Authority to enter into an Amending Loan Agreement and any other documents for the reissuance which will afford the School more favorable terms and opportunity to lower the interest rate on the bonds.

Mr. Lisi requested a motion for approval up to $12 million for the Winston Preparatory School Issue, Series A Reissuance (Authorizing Resolution #2021-11). Mr. Elbaum moved for approval 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
Lawrence Davis		
Steven L. Elbaum		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

Mr. Elbaum recused himself from the Trinity College Issue Series S matter as he is a Partner with Robinson+Cole, who is acting as Bond Counsel on the transaction. Mr. Elbaum left the teleconference meeting at 2:52 p.m.

PRELIMINARY STAFF MEMO

Trinity College Issue, Series S

Mr. Jandreau reported that Trinity College is seeking to finance the cost of approximately $30 million in capital projects and approximately $1 million in capitalized interest costs. In addition, the College intends to partially refund a portion of their outstanding Series Q bonds which has a balloon payment in 2026 of $51 million. The partial refunding will not result in the College benefitting from a NPV savings but will allow the College to de-risk or restructure their debt obligation for the Series Q balloon payment over an additional 25 year period.

Mr. Jandreau reported on Trinity’s strengths:

- Strong reputation and brand awareness: This is highlighted by its acceptance rate of 36%, which compares very strongly against Moody's median of 62.6% and even against the CHEFA median, ranking third behind Yale and Wesleyan. Trinity's strong student quality as measured by SAT scores are also well above the national average. Trinity's matriculation rate is also the third highest in the CHEFA median again, following Yale and Wesleyan.
- Liquidity: In absolute terms, the College's overall level of cash and investments is viewed as a credit strength by the rating agencies. At more than $600 million, the College easily exceeds the Moody's "A" rated median of $410 million. Another positive is the growth in the College's liquidity position that has allowed its days cash on hand to increase by 36.8% in the past five years to 93 days. Although the 93 day measure does not compare favorably with the Moody's median of 382 days, the College is showing modest improvement. Total cash and investments to debt as well as to operating expenses are also amongst the highest ranked versus the CHEFA portfolio.

Mr. Jandreau reported on Trinity's weaknesses:

- Operating performance: Trinity's operating measures more reflective of a BBB-rated institution rather than a single-A rated institution. The College is working to address this issue in a variety of ways. The first is through partnerships such as the one with Infosys. Unfortunately, the partnership was impacted by COVID-19 and resulted in a pause. However, the partnership is expected to ramp back up in the Fall and Spring with the expectation of generating a little more than $500,000 in the upcoming fiscal year. The longer term goal remains that the partnership will move towards netting approximately $1.5 to $1.8 million. Other ways in which the College is trying to address the operational challenges is by improving its career services for students, being more progressive in adjusting its curriculum, and attracting students from outside the Northeast.
- Discounting/net revenue growth: Trinity's increased reliance upon discounting has helped maintain enrollment levels but at the cost of lower net revenues. Staff is working with the College to see what their long term plans are regarding the increased use of discounting. It is likely that Trinity will potentially identify and target students both domestically and internationally that require less financial assistance.
- Highly competitive market coupled with declining regional demographics for graduating high school seniors, however, all competing colleges and universities are faced with the same challenge.
- Stagnant applications and student enrollment: Trinity has communicated that they anticipate near record application levels and enrollment numbers that are above budget.
- Endowment has a high concentration of donor restricted funds: At less than 1% of the overall endowment, unrestricted funds remains extremely low. Trinity is in the quiet phase of a capital campaign which has been hinted to be over $400 million and could potentially help offset some of this risk.

Mr. Jandreau reported that overall, the proposed refunding will help the College from a cash flow perspective and will allow the College to work on necessary capital projects. Trinity is faced with both near and long term challenges, however, staff believes that the benefits of the proposed financing will help by placing the College in a better financial position by addressing the 2026 balloon payment. Mr. Jandreau stated that Trinity will receive updates to its credit ratings by June 15th, and they will be presented at the next Board meeting when staff is seeking final approval.

The floor was open to questions and a discussion ensued.

Mr. Elbaum returned to the teleconference meeting at 3:10 p.m.

COMMITTEE REPORTS

Audit-Finance/Human Resource Committee

Mr. Angelini stated that earlier today there was a combined meeting of the Audit-Finance and Human Resource Committees. The combined committee heard the proposal for the FY 2022 compensation and benefits budget which will become effective on July 1, 2021. The budget covered total compensation benefits, including healthcare, insurance coverages and other various fringe benefits. Highlights of the proposal included a market based merit increase pool of 2.53% subject to allocation according to recently completed performance evaluations, and also included the addition of a new position to assist operations and finance functions. In a proposed budget of $3.1 million, employment cost comprises a significant portion of the total operations budget to be proposed to the Board in June. Mr. Angelini stated that the combined committees voted in favor of the proposed budget, but noted that there was significant discussion regarding the importance of alignment regarding compensation increases for employees across the state, other agencies, and other quasi-agencies.

Grant Committee

Dr. Lopez reported that the Grant Committee met earlier today, and the meeting started with a presentation by guest speaker Elizabeth (Liz) Shapiro, Director of Arts, Preservation and Museums, CT Office of the Arts, Department of Community and Economic Development. Ms. Shapiro discussed the significant impact and economic contribution that the arts give to the state. Ms. Shapiro stated that due to CHEFA's grant, Connecticut Humanities and the CT Office of the Arts were able to form an extremely beneficial partnership.

Dr. Lopez stated that the Committee also reviewed the FY 2019 and FY 2020 Targeted grant results. The recipients met the outcomes they intended, and ultimately contributed significantly to workforce throughout the State of Connecticut.

Dr. Lopez reported that the Committee approved the grant allocation amounts, with the typical amounts of $1 million for each grant cycle: $1 million for Client, $1 million for Non-Client/Nonprofit, and $1 million for Targeted. Dr. Lopez stated that the amounts will depend on the approved budget. The Committee also acknowledged that Targeted grants recipients should be given the opportunity to spend their funding over a two-year period, since typically their programs are difficult to accomplish in one year. Lastly, Dr. Lopez stated that the Committee approved that the Targeted grants for the next cycle continue to focus on workforce with an emphasis on gap funding.

APPOINTMENT OF WILSON LUNA TO THE CHESLA BOARD

Mr. Lisi requested a motion for approval of the appointment of Wilson Luna to the CHESLA Board. Dr. Lopez 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
Lawrence Davis		
Steven L. Elbaum		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		

Susan Martin

ADJOURNMENT
There being no further business, at 3:17 p.m., Mr. Hill moved to adjourn the meeting and Dr. Lopez seconded the motion.

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

AYES	NAYS	ABSTENTIONS
Michael Angelini	None	None
Lawrence Davis		
Steven L. Elbaum		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		

Respectfully submitted,

Jeanette W. Weldon
Executive Director