

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

April 21, 2021

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, April 21, 2021.¹

The 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*)
Kimberly Kennison (*Designee for Melissa McCaw, OPM Secretary*)
Dr. Estela R. Lopez
Susan Martin
Alan Mattamana
Mark Varholak²

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Robert Blake, Network and Data Architect
Debrah Galli, Manager, Administrative Services
Daniel Giungi, Communication and Legislative Affairs Specialist
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Daniel Kurowski, CHEFA CDC Program Manager
Eileen MacDonald, Sr. Transaction 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: Jeremy Bass, Managing Director, Public Financial Management, Inc.
Bruce Chudwick, Esq., Partner, Shipman & Goodwin LLP
Shasky Clarke, Associate, Hinckley Allen
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP
Marry Jo Kelly, Principal, Hardwick Law Firm, LLC
Shelby Lobitz, Analyst, Acacia Financial Group, Inc.

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

² Mr. Varholak joined the teleconference meeting at 1:33 p.m.

Edward Samorajczyk, Jr., Esq., Partner, Robinson + Cole LLP
Natalia Sieira Millan, Associate, Shipman & Goodwin LLP
Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc.
John Stafstrom, Esq., Pullman & Comley LLC
Tiffany Stevens, Esq., McCarter & English, LLP
Jane Warren, Esq., McCarter & English, LLP
Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the March 17, 2021 meeting of the Board of Directors. Ms. Kennison moved to approve the minutes 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>
Michael Angelini Lawrence Davis Steven L. Elbaum Darrell V. Hill Kimberly Kennison Peter Lisi Dr. Estela Lopez Susan Martin Alan Mattamana Mark Varholak	None	None

Mr. Lisi congratulated Board Member Susan Martin for being a 2021 Women in Business Honoree. The article about Susan Martin can be found in the Hartford Business Journal.

Ms. Aguilera introduced Ms. Natalia Sieira Millan of Shipman & Goodwin LLP.

DIVERSITY, EQUITY, AND INCLUSION PRESENTATION

Ms. Sieira Millan gave a presentation on the importance of diversity and inclusion and on understanding biases and implicit bias.

The floor was open to questions and a discussion ensued.

Mr. Lisi thanked Ms. Sieira Millan for her time and wonderful presentation.

Ms. Sieira Millan left the teleconference meeting at 2:12 p.m.

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon noted that the format of the Board package has been updated based on the feedback and recommendations that came out of the Board strategic planning session on April 1, 2021, and asked the Board to let staff know if there are any other suggestions or comments.

Ms. Weldon turned the floor over to Mr. Giungi for a report on the legislative agenda.

Mr. Giungi reported the following on the bills associated with the legislative agenda:

- S.B. No. 932: Alliance District Teacher Loan Subsidy proposal, this bill is currently awaiting action in the Senate.
- S.B. No. 852: Contains language enabling CHEFA to participate in cross border financings. There are several other administrative provisions contained in this legislation, one of them also enabling CHEFA to transfer funds to subsidiaries, specifically CHESLA. This bill is currently awaiting action in the Senate.
- S.B. No. 1108: New Markets Tax Credit proposal, this bill had a hearing Tuesday in the Finance, Revenue and Bonding Committee and is scheduled to be voted on today.

Mr. Giungi reported on certain bills that could be problematic for CHEFA if they were to pass in their current form:

- S.B. No. 1101: this proposal would establish a new assessment on transactions for CHEFA clients who are participating in transactions at or over \$500,000.
- S.B. No. 716: this bill is concerning the Student Loan Bill of Rights, with a proposal to allow a cosigner release after a period of 12 months.
- S.B. No. 6577, S.B. No. 6194, and S.B. No. 6664: all these proposals are aimed at increasing transparency among quasi-public agencies by implementing several new reporting requirements and approval processes. CHEFA's existing practices already provide for transparency.

Mr. Elbaum inquired about S.B. No. 1101. A discussion ensued.

Client Updates

Mr. Morris provided the following updates:

- Trinity College: \$30 million of new money and are looking to refund approximately \$25 million of their 2017 issue. This will be a public offering. Seeking preliminary approval in May and final approval in June.
- University of Saint Joseph: looking to refund their 2013 issues for a total of \$18 million.

Mr. Morris stated that since the last Board meeting in March, Stamford Hospital, Taft School, and the Pomfret School C1 and C2 issues have all closed.

Financial Report – February 2021

Ms. Peoples noted a few items on the balance sheet. Ms. Peoples reported that total operating revenues are currently under budget by \$62,000 and operating expenses are also under budget by \$163,000. CHEFA's net operating income before program related expenses is \$2.7 million and change in net position after program related expenses is \$655,000.

A brief discussion ensued.

Interest Rate Report

Ms. Peoples reported that the yield curve from the 5 year to the 30 year has dropped by about 8 to 17 basis points. This contrasts with last year at this time when the yield curve was inverted on the short end and that from the 7 year to the 30 year there is an increase in the yield curve from 75 to 113 basis points.

Market Updates

Mr. Jandreau reported that the resilience of the municipal market continues unabated, as municipal mutual fund inflows pour into the market at a record pace. Year to date, \$38 billion of inflows have entered the marketplace for investment. When coupled with current and anticipated strong principal and coupon flows from institutional investors in the summer months, the market will become even more technical as demand will further outweigh supply, leading to both lower yields and credit spreads. Mr. Jandreau stated that much of these mutual fund flows have been invested in long term funds as well as intermediate and high yield funds

Mr. Jandreau reported that new money financings continue to make up the majority of transactions representing 47% and refundings making up 34%. Taxable issuance continues to make up a large share of issuance and remains an attractive alternative for institutions to raise working capital as well as advance refund tax-exempt bonds.

Mr. Jandreau stated that the transaction report continues to show a healthy level of activity. One thing to note is the increased use of non-5% coupons which had been the norm. Much of this motivation to move to lower coupons has been driven by investor demand as the current low yield environment makes 5% coupons expensive to purchase for investors.

BOND SALES REPORT

Connecticut State University System Issue, Series R (Public Financial Management)

Mr. Jeremy Bass of Public Financial Management gave a presentation on the Connecticut State University System Issue, Series R.

Mr. Bass provided the following bond overview:

- Series R-1: \$14.6 million, tax-exempt, to currently refund the outstanding Series I bonds.
- Series R-2: \$85.1 million, taxable, to advance refund a portion of the outstanding Series J, M, and N bonds.
- Strict refunding on a matched maturity basis and a competitive bond sale.

Mr. Bass provided the following on the bond sale:

- Series R-1: received 7 bids, with a winning bid of 1.78% by BNY Mellon.
- Series R-2: received 6 bids, with a winning bid of 2.06% by J.P. Morgan Securities LLC.

Mr. Bass noted that there was a significant amount of savings between the two issues. There was approximately \$1.1 million per year in cash flow savings, and on an aggregate basis, there was \$10 million of present value savings. Mr. Bass stated that overall it was a successful transaction that exceeded expectations with respect to savings and is on pace to close next week.

Mr. Bass left the teleconference meeting at 2:36 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION

Area Cooperative Educational Services Issue, Series A

Mr. Jandreau reported on the Area Cooperative Educational Services Issue, Series A. Due to technical difficulties, Board members moved on to the next Agenda item until Mr. Jandreau returned to the meeting.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-07)

Child Care Facilities Program Issue, Series 2021

Mr. Morris stated that staff is seeking approval of up to \$17 million for the 2021 Child Care Facilities Program Issue to refund the Series 2011 bond issue with \$16 million outstanding for 18 facilities and 16 borrowers.

Mr. Morris provided a brief overview of the program:

- Program created in 1997 pursuant to the School Readiness Act to provide low-cost capital to childcare facilities for the construction and renovation of childcare facilities, to increase the number of childcare slots available, and to provide access to affordable childcare slots.
- Since 1998, there have been 9 different pooled bond issues. The first 7 bond issues were insured by AMBAC, or Assured Guaranty Corp.
- Currently, there are two bond issues outstanding under the program totaling \$43.5 million for a total of 28 facilities and 24 borrowers. The program has provided funding for over 5,100 slots, of which 1,750 were new.
- First unenhanced issue was back in 2011. The treasurer now pays 100% of the debt service directly to the trustee and then partial reimbursement of the State's debt service payments is derived from a portion of the facilities' operating subsidies from OEC, called the Intercept.
- The percentage amount of the contractual revenue intercepts varies per institution based on the types of slots offered. The split is typically 85%/15%.
- Since the payment is conditioned upon annual State appropriations for debt service, ratings are one notch below the State's GO rating. Moody's will be A1 with a stable outlook, and S&P will be A- with a stable outlook.
- The bonds were marketed in 2011 without DSRF and mortgages for Series 2011 and 2015, and both were well received in the market.

Mr. Morris reported that the structure for the financing will be fixed rate, \$5,000 denominations, with a final maturity of 7/1/2030. All bond issues in the refinancing have been outstanding for at least twenty years, with maturities ranking from 28 to 30.

Mr. Morris stated that the net present value savings are favorable at \$2.17 million, or 13.59% of the refunded bonds, and the average annual savings is approximately \$233,000. Mr. Morris reported that the approval is subject to finalizing the savings between the State and the borrowers,

and two borrowers passing board resolutions. Mr. Morris said that overall the program has been successful.

Mr. Lisi requested a motion for approval up to \$17 million for the Child Care Facilities Program Issue, Series 2021 (Authorizing Resolution #2021-07). Mr. Davis moved for approval and Dr. Lopez seconded the motion.

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

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

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

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION

Area Cooperative Educational Services Issue, Series A

Mr. Jandreau reported that Area Cooperative Educational Services (ACES) is seeking up to \$10 million to finance the purchase of the Chase Collegiate School or, refinance the acquisition of the Chase Collegiate School and finance various improvements and capital projects on the Chase Collegiate Campus. The proposed financing will be sold as a direct purchase to Key Government Finance (Key Bank).

Mr. Jandreau stated that Chase Collegiate School is in Waterbury Connecticut, and is a private, pre-Kindergarten through 12th grade day school. Chase closed in August 2020 due to the impact of COVID-19 and other conditions not conducive to operating in a financially sustainable manner. Mr. Jandreau stated that ACES intends to re-open Chase in the upcoming year and anticipates enrollment of approximately 650 students, having already received 367 applications, many of whom are returning students.

Mr. Jandreau reported the following information about ACES:

- ACES has no outstanding CHEFA issued debt and has not received a bond rating.
- The ACES organization is both a non-profit service organization and a school district, serving more than 2,000 students in three magnet schools (about 1,515 students) and eight special education schools (about 623 students).
- Services include transportation, professional development, school improvement services, technology, translation, international, security, and occupational and physical therapy.
- ACES operates the Open and Magnet School Parent Choice programs for New Haven County, provides recruitment programs aimed at diversifying the educator work force, has a federally funded Early Head Start Program, and a vocational and life skills program for developmentally and physically disabled adults ages 21 and older.
- Revenues for the organization are paid by the local districts as well as derived from state and federal funds and private grants.
- The deal will be structured with a 10-year mandatory tender and a 20-year amortization and maturity, with an indicative fixed-rate of 2.686%.
- ACES did seek and receive COVID related aid from the Elementary and Secondary School Emergency Relief Fund in 2020, and applied for \$1.4 million for the current fiscal year just this week. These funds are received in the form of a grant.

Mr. Jandreau stated that staff would like to request the Board's approval for up to \$10 million for the ACES Issue, Series A, based on its mission of enhancing and transforming lives through education, innovation and leadership with more than 50-years of experience, and based on the belief that the Chase Collegiate School will be an excellent addition to the ACES portfolio.

Mr. Lisi requested a motion for approval up to \$10 million for the Area Cooperative Educational Services Issue, Series A. Mr. Davis moved for approval and Mr. Angelini seconded the motion.

The floor was open to questions and a discussion ensued.

After discussion amongst all Board members, a consensus was made that more information was needed before approval of the \$10 million for the Area Cooperative Educational Services Issue, Series A. Staff will schedule a follow-up board meeting and will provide information in response to the following questions:

- Are there liabilities associated with Chase Collegiate School that will be assumed by ACES as part of the acquisition? If so, what are those liabilities and how much do each of these liabilities total?
- Is ACES purchasing the entire scope of Chase Collegiate School facilities? If not, what specifically will ACES be acquiring of the Chase Collegiate School?
- What is the appraised value of the Chase Collegiate School that ACES is seeking to purchase?
- With regard to the Chase Collegiate School Foundation, can you provide their MOU or MOA with regard to their relationship with Chase Collegiate and what that relationship will be after the transaction is complete? Could you also provide information regarding the value and portfolio assets of the Foundation?
- Is the acquisition of Chase in any way, contingent upon the resolution of the litigation between York and the Foundation?

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-08)

Indian Mountain School Issue, Series A

Mr. Jandreau reported that Indian Mountain School is seeking \$13 million to refinance an outstanding loan with Salisbury Bank and Trust Company, as well as to finance the construction of a new field house and renovations to various halls and classrooms on campus. The transaction will be sold to ConnectOne Bank as a direct purchase. Mr. Jandreau stated that the School has no outstanding CHEFA issued debt and has not been rated.

Mr. Jandreau reported that Indian Mountain School is offering hybrid learning to its students and has experienced minimal financial impact as a result of the pandemic. Mr. Jandreau stated that, in fact, the School has benefitted from the pandemic as enrollment, day school applications, and discounting all improved in the current fiscal year. The School attributes the increase to families relocating, particularly from New York City.

Mr. Jandreau stated that staff seeks the Board's approval of up to \$13 million for the Indian Mountain School Issue, Series A based on the School's steady and growing enrollment, long history, and improving financial performance.

Mr. Lisi requested a motion for approval up to \$13 million for the Indian Mountain School Issue, Series A (Authorizing Resolution #2021-08). Dr. Lopez moved for approval and Mr. Elbaum seconded the motion.

Mr. Davis inquired about the increase in enrollment due to families relocating from New York City. A brief discussion ensued.

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

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

Regarding the Area Cooperative Educational Services, Series A Issue, Mr. Lisi noted that a motion to table the Resolution to a future date was needed. Mr. Lisi requested a motion to table the Area Cooperative Educational Services Issue, Series A. Mr. Hill moved for table the matter and Ms. Kennison seconded the motion.

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

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

COMMITTEE REPORT

Audit-Finance Committee

Mr. Varholak reported that the Audit-Finance Committee met earlier, and while there were no action items it was a very informative meeting. Mr. Varholak stated that when the Audit-Finance Committee met in January, BLX gave a report regarding internal control recommendations. The Committee asked management to bring forth a plan to the April meeting that would address recommendations for CHESLA and CHEFA to address over the next 6 to 12 months.

Mr. Varholak reported that staff presented a very thorough plan for both CHESLA and CHEFA. For CHESLA, changes to the calculations in the policies and procedures will be implemented and will be utilized over the next 6 months. BLX can do follow up testing after the 6 months. For CHEFA, management is still in process of updating and formally documenting the policies and procedures. Once they are complete, BLX can do follow up testing after 6 months.

Mr. Varholak stated that over the last 3 years, the Authority commenced an internal control review project with BerryDunn. The project is nearly complete with just the accounting function needing to be tested. Staff will be following up on this area at the May Committee meeting. Mr. Varholak reported that over the 3 year engagement, BerryDunn had a total of 30 recommendations ranked into low, medium, and high risk categories. There were no recommendations in the high risk category. Mr. Varholak reported that management has taken care of 14 of the 30 recommendations with 16 pending. Ms. Peoples and Mr. Blake gave a presentation on the 16 remaining items, addressing timing and deliverable dates.

OTHER BUSINESS

Mr. Lisi noted that the 2020 Statements of Financial Interest must be filed with the Office of State Ethics on or before Monday, May 3, 2021.

ADJOURNMENT

There being no further business, at 3:29 p.m., Mr. Lisi requested a motion to adjourn the meeting. Mr. Hill moved to adjourn the meeting and Ms. Kennison seconded the motion.

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

AYES

Michael Angelini

NAYS

None

ABSTENTIONS

None

Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison
Peter Lisi
Dr. Estela Lopez
Susan Martin
Alan Mattamana
Mark Varholak

Respectfully submitted,

Jeanette W. Weldon
Executive Director