FINAL
Approved on: April 21, 2021

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting
March 17, 2021

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, March 17, 2021.[1]

The meeting was called to order at 1:32 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*)[2]
Dr. Estela R. Lopez
Susan Martin
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
Krista Johnson, Compliance Specialist
Daniel Kurowski, CHEFA CDC Program Manager
Eileen MacDonald, Sr. Transaction Specialist
JoAnne N. Mackewicz, Controller
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:
Benjamin B. Barnes, CFO, Connecticut State Colleges and Universities[3]
Jeremy Bass, Managing Director, Public Financial Management, Inc.[4]
Bruce Chudwick, Esq., Partner, Shipman & Goodwin LLP
Kristie Flynn, Esq., Partner, Hawkins, Delafield & Wood LLP
Deborah Henry, Principal Attorney, Hardwick Law Firm, LLC
Thomas Marrion, Partner, Hinckley Allen
Josh Nyikita, Managing Director, Acacia Financial Group, Inc.
David Panico, Esq., Partner, Robinson + Cole LLP
Erick Russell, Esq., Pullman & Comley LLC
Namita Shah, Esq., Day Pitney LLP

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[1] All attendees participated in the meeting via conference telephone that permitted all parties to hear each other
[2] Ms. Kennison joined the teleconference meeting at 1:35 p.m.
[3] Mr. Barnes joined the teleconference meeting at 1:54 p.m.
[4] Mr. Bass joined the teleconference meeting at 2:03 p.m.

Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc.
Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the February 17, 2021 meeting of the Board of Directors. Mr. Davis 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		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		
Alan Mattamana		
Mark Varholak		

INDEPENDENT SCHOOL SECTOR REPORT – FY ENDING JUNE 30, 2020

Mr. Morris provided a review of CHEFA's independent school portfolio, which included the following items:

- Overview of significant trends from the prior fiscal year:
    - COVID-19 and student demand
    - Balance sheet metrics
    - Operating performance
    - Debt issuance
- Review of the independent schools that make up the portfolio, which includes 19 boarding schools and 12 day schools.
- A review of bonds issued for the sector from FY 2017 - YTD FY 2021.
- Student demand trends from the prior fiscal year as well as over the past five years for applications received, selectivity and matriculation rates and enrollment.
- Review of financial operating metrics including net tuition revenue growth, operating cash flow margins and the effect on debt service coverage ratios.
- Review of balance sheet and liquidity ratios to include spendable cash and investments to debt, and spendable cash and investments to operations.
- A review on how schools are investing in the facilities as measured by the capital spending ratio.

Following the presentation, a brief discussion ensued.

EXECUTIVE DIRECTOR'S REPORT

Authority Updates

Ms. Weldon reported that the Authority testified at two public hearings held by the Higher Education and Employment Advancement Committee. The first, CHESLA's minority teacher recruitment proposal (S.B. No. 932), is an Act Concerning An Alliance District Teacher Loan Rate Subsidy Program. Ms. Weldon said that the bill will give CHESLA the opportunity to offer a loan rate subsidy to teachers, including teachers of color, who commit to teaching in a Connecticut alliance district school. The bill will require CHESLA to work with the State Department of

Education to establish eligibility criteria and administrative guidelines. Ms. Weldon stated that the testimony was well received and generally supported.

Ms. Weldon reported that the second public hearing (S.B. No. 852), covers a variety of CHEFA and CHESLA items. For CHEFA, the bill covers the CHEFA cross-border financing proposal, as well as expanding the definition of project'. The bill also clarifies an existing provision in the statute pertaining to CHEFA's ability to make transfers to its subsidiaries. For CHESLA, the bill expands the definition of 'education assistance' so that other products, besides grants and loans, can be considered CHESLA education assistance products. Ms. Weldon stated that the testimony also seemed to be well received and generally supported.

Mr. Giungi stated that since both S.B. No. 852 and S.B. No. 932 have had a public hearing; the next step is to schedule them for a vote, and once they are voted out of the committee, they will go to the Senate floor. Mr. Giungi said that there were some suggested language changes that have been forwarded to the committee co-chairs. Mr. Giungi stated that he has been in contact with the Higher Ed committee Co-Chair Josh Elliott and was informed that when the committee does act, the bills will also be voted out with joint favorable substitute language.

Mr. Giungi reported on the CT New Markets Tax Credit (NMTC) proposal, stating that there was an administrative issue in getting the bill scheduled in time for a public hearing. As a result, the Authority is working with the Majority Leader's Staff to identify a vehicle to have this bill reintroduced. Staff is currently awaiting a new bill number on the proposal from the Finance, Revenue and Bonding Committee. Staff is also awaiting further clarification as to whether or not the new bill will have a public hearing.

Ms. Weldon thanked Mr. Giungi for his many outreach activities and meetings with key individuals. Ms. Weldon mentioned the CHEFA and CHESLA Board strategic planning retreat session that will be held on Thursday, April 1, 2021 from 8:30 a.m. to 12:00 p.m. This session will provide an opportunity for the CHEFA and CHESLA Board to interact and staff is looking forward to the session.

A brief discussion ensued.

Client Updates
Mr. Morris noted that Lutheran Home, which was on last month's financing forecast, will not be financing through CHEFA but will be issuing through the National Finance Authority in New Hampshire. Since Lutheran is affiliated with Ascentria Care Alliance headquartered in Wooster[5], Massachusetts and will have another project in Massachusetts, they wanted to do both financings at the same time through one issuer. Mr. Morris stated that Taft School was priced last week and Trina Smith of Public Financial Management, Inc. will be providing a sales report.

Financial Report – January 2021
Ms. Mackewicz reported on the financial statements for the seven months ending January 31, 2021. Operating revenues exceed operating expenses by $2.4 million. After non-operating expenses, which are predominantly grant expenses, CHEFA's change in net position is $312,000. Revenues are slightly under budget by $58,000 and expenses are also under budget by $131,000. Ms. Mackewicz stated that all in all, everything remains level year over year for both expenses and revenues.

[5] Note: the term "Wooster" is misspelled and should be spelled "Worcester".

Interest Rate and Market Updates
Ms. Peoples noted the benchmark rates and yield curves on the presented slide. Ms. Peoples stated that the FED is currently concluding it's two-day meeting, and Chair Powell should be providing a press release on the results of the reporting. Regarding the federal rate, as of right now, there is no indication that it will go up during this year. Ms. Peoples noted the blue and yellow yield curves, showcasing that there has been an increase of almost 25 basis points.

Mr. Jandreau reported the following:

- Despite the recent rise in Treasury rates, municipals have held up very well. The reason for this has been due to three factors: strong mutual fund inflows, high amounts of investable cash held by institutions, and a very manageable new issue calendar.
- Year-to-date, total tax-exempt issuance is approximately $56 billion, which is approximately 15% below the pace seen in 2020. JP Morgan forecasts approximately $335 billion of issuance for 2021, compared to $295 billion in 2020.
- Mutual fund flows are running at a record pace, slightly above the pace scene in 2020, and total $29.3 billion year-to-date.
- New money financings make up approximately 49% of total issuance while refundings make up approximately 33%.

CHESLA Update
Mr. Hurlock provided a brief update on the following items:

- In-School Loan Program fiscal year loan volume and fiscal year comparison.
- Refi CT fiscal year loan volume and fiscal year comparison.

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

- Scholarships for students pursuing an undergraduate degree:
  - Applications for 2021-2022 awards opened on March 1st and closes on May 1st.
  - Awards are $3,000 for a full-time student and $1,500 for a half-time student.
- Scholarships for students pursuing a healthcare or manufacturing certificate program:
  - FY 2021 has disbursed 7 certificate scholarships totaling $8,750.
  - Plan to propose removal of EFC component for certificate scholarships at the next CHESLA Board Meeting.

Mr. Hurlock mentioned that marketing of the certificate program scholarships continues through state workforce boards and job centers. Mr. Hurlock thanked Ms. Sugerman-Weintraub for her continued support in coordinating these efforts.

Mr. Hurlock stated the following about the CHESLA's outreach program:

- CHESLA has continued its outreach program virtually connecting with students and families.
- Ms. Shannon Reynolds and Ms. Natalia Rozio did a presentation at Cheshire High School on March 8th. Over 80 parents and students participated in the Q&A session.
- More presentations will occur in the Spring.

Mr. Hurlock referred to the marketing highlights slide of the presentation. Mr. Hurlock noted that these marketing efforts are done at a low cost, and show how CHESLA can market its programs at various important events. Mr. Hurlock mentioned that CHESLA will have a television ad running during the upcoming March Madness UCONN men's basketball game on Saturday, March 20th at 7:00 PM.

Ms. Sugerman-Weintraub left the teleconference meeting at 2:19 p.m.

SALES REPORT

Taft School Issue, Series L (Public Financial Management)

Ms. Trina Smith of Public Financial Management provided a presentation on the Taft School Issue, Series L. Ms. Smith reported that the Taft School Issue priced a couple of weeks ago with $14,735,000 of bonds. The transaction was used to fund multiple new money projects as well as refund one outstanding series of debt. The transaction was negotiated, tax-exempt, and had a Moody's Aa3 rating.
Ms. Smith provided some details about the pricing:

- Pricing was accelerated due to earlier than expected approval from the state and significant rate increases.
- Subscription levels were positive, with overall subscription of approximately 5x. A few maturities in the middle did not have significant interest due to their small size.
- Overall, the deal was well subscribed and spreads were tightened even further.
- The School was able to get about 2.70% NPV savings, which is a bit lower than what most people do, however, the primary purpose of this transaction was to restructure the School's debt and provide new money for projects.

Ms. Smith referenced the slide showing comparable transactions, stating that compared to these the School did well. Ms. Smith referenced the last slide showing market conditions at the time of the sale. Ms. Smith stated that even with the rise in rates, rates were still significantly less than they have been over the last ten years.

A brief discussion ensued.

Mr. Davis left the teleconference meeting at 2:31 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-04)

Connecticut State University System, Series R

Mr. Morris introduced Mr. Ben Barnes, CFO at Connecticut State Colleges and Universities. Mr. Morris stated that staff would like to recommend for approval amount not to exceed $107 million for the Connecticut State University System, Series R bonds. Mr. Morris reported that there would be two series of bonds, one tax-exempt issue for $14.8 million for its current refunding of 2007 Series I bonds, and one taxable issue for $81.1 million to advance refund portions of three issues (one in 2011 and two in 2013). Refundings will be on a matched maturity basis, with NPV savings in aggregate of $5.8 million or 6.52%. Mr. Morris stated that consistent with all previous CSU transactions, this will be a competitive bond sale, and it will be conducted by PFM. Currently there is $313.8 million of CHEFA debt outstanding.

Mr. Morris reported the following on the security of the bonds:

- The security provisions for the Series R bonds will be on parity with the outstanding bond issues, which include general obligation of the System secured by a pledge of revenues consisting of:
  - University fee receipts – fee charged to all full-time students enrolled at any one of the four campuses
  - Parking fee receipts on existing parking garages
  - Housing fee receipts
  - Special Capital Reserve Fund – DSRF that is pledged to pay debt service if CSU fails to make a principal and interest payment

Mr. Morris stated that ratings on the bonds are expected to be the same as the State's based on the SCRF Guarantee, "A1" by Moody's and "A" by Standard & Poor's. Both rating agencies affirmed their ratings in November 2020, both with a stable outlook. Since bonds are backed by the SCRF, there is no risk to the bondholders, because in the event of a draw on the SCRF, the replenishment of the SCRF is deemed appropriated from the State's general fund.

Mr. Morris said that in order for the System to issue bonds with the SCRF Guarantee, CSUS must demonstrate it has sufficient revenues to pay its actual annual debt service payments and any projected future debt service payments of future issues contemplated to ensure that there will not be a draw on the SCRF. Final approval from OPM and the State Treasurer's Office is required prior to issuing the bonds.

Mr. Morris stated that the System's methodology of repayment of debt service, consists of the following:

- New residence halls and parking garages – 80% funded by housing fee revenues and student parking fee revenues and 20% provided from the System's university fee revenues, respectively.
- Auxiliary service facilities – 100% funded with the System's university fee revenues.

Mr. Morris referenced the following slides of the presentation:

- University fee analysis assumptions
- Debt service schedule and university fee projection 2021-2034
- CSUS total pledged revenue: coverage of current and future debt service

A brief discussion ensued.

Mr. Morris reported the following on student demand:

- Total applications decreased by 2.2% from FY 2019 to FY 2020, and 4.7% in FY 2021.
- Over the past three years, selectivity median increased from 67.5% to 74.9% due to the decrease in the number of applications.
- All four institutions reported declines in matriculation as well as headcount.

Mr. Morris reported the following on financial results for 2020:

- Operating revenues decreased by $19.2 million, or 4.4%, due to room and board refunds tied to the closure of university campuses during the pandemic.
- Operating expenses increased $135.9 million, or 15.2%, from FY 2019 due to an increase in fringe benefits, including OPEB and wages and salaries. This resulted in an operating loss of $612.3 million compared to a $457.3 million loss in FY 2019. Including non-operating income consisting State appropriations, Pell grant revenue and federal assistance grant revenue the change in net assets resulted in a $185.6 million decrease.
- The System received $20.9 million in federal emergency grant money in FY 2020 in response to COVID-19. Of this amount approximately half went directly to students and the other half covered a portion of lost room and board revenue.
- CSUS's largest revenue source consists of State appropriations, which was $351 million, $283.9 million was allotted for operating purposes and $67.1 million allotted for capital. The allotments for operating and capital purposes were 0.6% above and 25.9% below the prior year levels, respectively.

Mr. Morris stated that despite the operating losses and decrease in net asset position, Staff is recommending approval based on the financial projections demonstrating self-sufficiency, the favorable NPV savings, the refundings results, and the reduction in SCRF requirement

The floor was open to questions and a discussion ensued.

Ms. Kennison inquired about the decline in enrollment over the last five years. Mr. Barnes reported that there has been a gradual declining trend in the number of high school graduates in Connecticut. A discussion ensued.

Ms. Kennison referenced page 57 of the board package, inquiring about the unrestricted portion of the balance sheet. A discussion ensued.

Mr. Lisi requested a motion for approval up to $107 million for the Connecticut State University System, Series R (Authorizing Resolution #2021-04). Dr. Lopez moved for approval and Mr. Varholak seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
Steven L. Elbaum		
Darrell V. Hill		
Kimberly Kennison		
Peter Lisi		
Dr. Estela Lopez		
Susan Martin		
Alan Mattamana		
Mark Varholak		

Mr. Ben Barnes, Mr. Jeremy Bass, and Ms. Trina Smith left the teleconference meeting at 3:00 p.m.

Mr. Elbaum recused himself from discussion and vote on the CIL Community Resources Inc. Issue and the Pomfret School Issue as he is a partner at Robinson+Cole, the firm serving as counsel on the transactions. Mr. Elbaum left the teleconference meeting at 3:00 p.m.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-05)

CIL Community Resources, Inc. Issue, Series B

Mr. Jandreau reported that CIL is a relatively small transaction consisting of both tax-exempt and taxable bonds. The bonds will be sold as a direct purchase to Key Bank, who will be conducting the due diligence and credit review.

Mr. Jandreau stated that when looking at the past three years of results, there is some variability. CIL management has attributed some of the variability to non-cash accrual accounting items that have impacted the cost of sales of their properties. In addition, their depreciation has been impacted due to the inclusion of some properties that they have not previously owned, in the numbers. Mr. Jandreau said that most of their outstanding debt is fixed rate, but they do have one variable rate issue which they chose to fix by using an interest rate swap. Mr. Jandreau referred to the slide highlighting the $483,000 to reflect the interest rate swap valuation.

Mr. Jandreau reported that regarding the non-operating activities, CIL had some abandoned project costs. The for-profit entity involved in managing a couple of different properties, specifically condos in Kensington and Coventry Connecticut, were abandoned. Mr. Jandreau stated that one of the projects was originally a 70-unit condo development, however, they only developed 50 units. When they sold the property, because the cost was split up over the initial 70 units, the costs were much lower, but because they had only sold 50 units, the number which they had to write off was much higher. Mr. Jandreau said that for the most part, CIL has closed the for-profit entity since the condos that they were involved with did not fit with what they were looking to do.

Mr. Jandreau stated that, lastly, grants and fundraising activities were discussed. There has been a decline over the last five years in this area. Mr. Jandreau said that within the last six months, some grants that were previously approved will be received, ultimately improving the grants and fundraising numbers going forward.

Mr. Jandreau reported that proceeds from the tax-exempt issued bonds will be used to refund the currently outstanding, CHEFA issued, 2011 Series A Bonds, a variable rate, letter of credit, transaction done with HSBC, totaling $7.575 million. In addition, approximately $1.5 million of tax-exempt proceeds will be used to refinance a commercial line of credit which was used for the acquisition, construction, renovation, development, and equipping of facilities in New London and Vernon Connecticut, which is being used as office space. A small taxable amount of $115,000 will be issued for the purpose of paying cost of issuance above the 2% Federal limitation.

Mr. Jandreau said that both series of bonds will be issued as fixed-rate bonds with monthly principal and interest payments. The tax-exempt bonds will have a 28-year amortization and a 10-year mandatory tender. The small taxable series will have a maturity in 2024.

Mr. Jandreau reported that Whole Life, a non-profit organization based in New London, Connecticut, will be leasing the two office properties. Whole Life was established in 1987 and provides support to individuals with developmental disabilities. Whole Life derives its income from its contracts with the Department of Developmental Services and the Department of Mental Health and Addiction Services.

Mr. Jandreau said that the COVID-19 pandemic has had little impact on the operations of CIL. CIL applied and qualified for the first round of the PPP (Paycheck Protection Program), receiving $429,235. The organization is applying for forgiveness of the loan which it expects to receive. Mr. Jandreau said that CIL does not anticipate filing for any additional COVID relief.

Mr. Jandreau stated that staff would like to recommend for approval of up to $10 million for the CIL Community Resources, Inc. Issue, Series B bonds.

Mr. Lisi inquired about the grants and fundraising activities and a brief discussion ensued.

Mr. Lisi requested a motion for approval up to $10 million for the CIL Community Resources, Inc. Issue, Series B (Authorizing Resolution #2021-05). Mr. Angelini moved for approval and Dr. Lopez seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**	**RECUSALS**

Michael Angelini	None	None	Steven L. Elbaum[6]
Darrell V. Hill			
Kimberly Kennison			
Peter Lisi			
Dr. Estela Lopez			
Susan Martin			
Alan Mattamana			
Mark Varholak			

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-06)
Pomfret School Issue, Series C
Mr. Jandreau reported that Pomfret School is seeking financing for up to $27 million for the refunding of its outstanding 2012 Series B-2 bonds and to finance various new money projects on its campus, including renovations to its auditorium and hockey rink, the new construction of faculty housing and a major roof replacement on a main academic building. The two series of bonds will be issued with a refunding portion and a new money portion. Both series of bonds will be sold as a direct purchase to First Republic Bank.

Mr. Jandreau stated that Pomfret School's credit rating was last affirmed in January 2021 by Standard and Poor's, with an "A-" rating and a stable outlook. Given that this transaction will be privately placed directly with First Republic Bank an update to the rating will not be required or necessary.

Mr. Jandreau said that in addition to the refunding of the 2012 Series B-2 bonds, the School will also be refunding with its own equity contribution from the outstanding Series B-1 taxable bonds for approximately $1.8 million. The resulting net present value savings of the refunding equals approximately 6.7% or $966,581. The newly issued bonds will have a fixed rate of 2.6%, a draw down structure, and a maturity of no longer than 30 years.

Mr. Jandreau reported that similar to the other independent schools the Board has recently approved, Pomfret has had to adopt a hybrid model of educating because of the COVID-19 pandemic, with both in-person and remote learning options made available to students. The financial impact has been very limited and offset by variable cost savings of not having students on campus. Mr. Jandreau said that Pomfret applied for, and received, $2.1 million in PPP loans, which it expects to be forgiven and is awaiting its response from the SBA. Pomfret wanted to highlight the fact that their endowment increased from $50 million in March 2020 to as much as $66 million, or 32%, just recently.

Mr. Jandreau stated that staff would like to recommend approval for up to $27 million for the Pomfret School Issue, Series C. The School has been in operation for more than 127 years, has a steady enrollment, and carries a solid credit rating.

Mr. Lisi requested a motion for approval up to $27 million for the Pomfret School Issue, Series C (Authorizing Resolution #2021-06). Ms. Kennison moved for approval and Ms. Martin seconded the motion.

[6] Mr. Elbaum recused from voting as he is a Partner with Robinson+Cole, who is acting as Bond Counsel on the CIL Community Resources, Inc. transaction.

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

AYES	**NAYS**	**ABSTENTIONS**	**RECUSALS**
Michael Angelini	None	None	Steven L. Elbaum[7]
Darrell V. Hill			
Kimberly Kennison			
Peter Lisi			
Dr. Estela Lopez			
Susan Martin			
Alan Mattamana			
Mark Varholak			

Mr. Elbaum returned to the teleconference meeting at 3:16 p.m.

OTHER BUSINESS

Mr. Lisi noted the upcoming CHEFA and CHESLA Strategic Planning Session on April 1, 2021.

ADJOURNMENT

There being no further business, at 3:16 p.m., Mr. Lisi requested a motion to adjourn the meeting. Dr. Lopez moved to adjourn the meeting and Ms. Kennison seconded the motion.

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

AYES	**NAYS**	**ABSTENTIONS**
Michael Angelini	None	None
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

[7] Mr. Elbaum recused from voting as he is a Partner with Robinson+Cole, who is acting as Borrower’s Counsel on the Pomfret School transaction.