

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

February 15, 2017

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, February 15, 2017.

The meeting was called to order at 1:36 p.m. by Dr. Peter Lisi, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT:                John M. Biancamano  
                              Patrick A. Colangelo<sup>1</sup>  
                              Robert S. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary)  
                              Elizabeth C. Hammer  
                              Barbara B. Lindsay, Esq.<sup>2</sup>  
                              Dr. Peter W. Lisi, Chair  
                              Dr. Estela R. Lopez  
                              Barbara Rubin  
                              Mark Varholak<sup>3</sup>

ABSENT:                Sarah K. Sanders (Rep. Honorable Denise L. Nappier, State Treasurer)

ALSO PRESENT:        Jeanette W. Weldon, Executive Director  
                              Denise Aguilera, General Counsel  
                              Robert Blake, Network and Data Architect  
                              Robert Jandreau, Sr. Finance Associate  
                              Eileen MacDonald, Sr. Transaction Specialist  
                              JoAnne N. Mackewicz, Controller  
                              Michael F. Morris, Managing Director  
                              Cynthia D. Peoples, Managing Director  
                              Debra M. Pinney, Manager of Administrative Services  
                              Jennifer Smyth, Legal Services Specialist  
                              David Wasch, Legislative Liaison, ECE Program Specialist  
                                  of the Connecticut Health and Educational Facilities Authority

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<sup>1</sup> Mr. Colangelo participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>2</sup> Ms. Lindsay participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>3</sup> Mr. Varholak participated in the meeting via conference telephone that permitted all parties to hear each other.

GUESTS: Michael Andreana, Esq., Pullman & Comley LLC  
 Meghan Burke, Esq., Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.<sup>4</sup>  
 Bruce Chudwick, Esq., Shipman & Goodwin LLP  
 Steven Donovan, Esq., Hawkins, Delafield & Wood LLP<sup>5</sup>  
 Stella Gittens, Senior Director, PFM Financial Advisors LLC<sup>6</sup>  
 Thomas S. Marrion, Esq., Partner, Hinckley, Allen & Snyder LLP  
 David Orise, Vice President, Century Bank  
 Edward Samorajczyk, Jr., Esq., Robinson + Cole LLP  
 Namita Shah, Esq., Day Pitney LLP  
 Eric Taylor, Esq., Harris Beach PLLC  
 Jane Warren, Esq., McCarter U English, LLP  
 John Yarborough, Esq., Carmody Torrance Sandak & Hennessy LLP

**MINUTES**

Dr. Lisi requested a motion for approval of the minutes of the January 18, 2017 meeting of the Board of Directors, which was included in the meeting materials. Dr. Lopez moved for approval of the minutes, which was seconded by Ms. Hammer.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano	None	Patrick Colangelo
Robert Dakers		
Elizabeth Hammer		
Barbara Lindsay		
Dr. Peter Lisi		
Dr. Estela Lopez		
Barbara Rubin		
Mark Varholak		

**CURRENT AND PENDING BOND ISSUES**

**Financing Forecast**

Ms. MacDonald reported that there are two new issues on the financing forecast. Mary Wade Home, Series A, is an unenhanced issue for approximately \$35 million, which will be presented preliminarily at the March Board meeting. Mary Wade is a senior living center and they are planning to refinance their commercial debt and construct a new care building. Also, to be presented in March is Trinity College, Series Q, who is planning to refund their 2007 Series J Issue for approximately \$50 million, which will be a private placement with Citizens Bank. Yale University is planning to refund four of its issues for approximately \$450 million.

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<sup>4</sup> Ms. Burke participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>5</sup> Mr. Donovan participated in the meeting via conference telephone that permitted all parties to hear each other.  
<sup>6</sup> Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.

## **Summary of Financings**

Ms. MacDonald reported that Griffin Hospital Issue, Series E and F closed on January 20, 2017. The Hospital refunded their Series B, C and D issues along with financing minor capital expenses. This was a private placement with M & T Bank and approximately \$40.6 million was tax-exempt variable rate at a NIC of 1.46% and approximately \$7.9 million was taxable at a NIC of 1.72%. This transaction has a five year maturity date.

## **Interest Rate Update**

Ms. Peoples reported on recent market activity, money market rates, economic indices and yield curve trends.

## **Market Rate Update**

Mr. Morris provided an update on recent health and education issues brought to market.

## **MANAGEMENT REVIEW OF RISK AREAS**

Ms. Peoples presented management's review of risk areas for the Authority. She identified the high and medium risk areas along with the dates of prior internal reviews completed for each of areas, including the 2013 and 2015 rankings.

Ms. Peoples pointed out that Management has determined that the focus areas for review in 2017 will be construction funds/wire transfers and the childcare programs - guaranteed loan funds, small direct loans and credit union league student loans. Ms. Peoples stated that Management decided that arbitrage calculations will be reviewed in FY 2018.

Ms. Peoples reported that the Authority will be working with the firm BerryDunn from Manchester, New Hampshire and she provided some background information on the firm.

Mr. Biancamano inquired as to the relationship of the Internal Auditor to the Board. Ms. Peoples stated that if the Board prefers the auditing firm to report directly to the Board, this requirement can be included in the consultant agreement. Mr. Biancamano stated that it is important the firm know that they are responsible for reporting to the Board.

Mr. Biancamano inquired if CHESLA would be included in the audit. Ms. Peoples stated that at this point in time, Management has not identified any specific areas to be audited for CHESLA and CSLF. Mr. Biancamano added that he would like the two entities to be audited in high risk areas. The remaining Board members concurred. A discussion ensued.

Mr. Biancamano stated that he would prefer the Authority audit CHESLA, wire transfers and arbitrage calculations in 2017. Further discussion ensued.

## **EXECUTIVE DIRECTOR'S REPORT**

Ms. Weldon reported on the following updates:

- Dr. Peter Lisi has been officially appointed as Board Chair and confirmed by the legislature and she congratulated him.
- The State Auditor is concluding the audit of FY 2014-15 for CHEFA/CHESLA and CSLF.
- The Grant Coordinator position was advertised through the month of January and over 30 resumes were received. Ms. Weldon selected two candidates to be interviewed and one candidate has been asked to come back to meet with the officers.
- Deb Pinney and David Wasch have been moving forward in facilitating the Nonprofit Grant and Targeted Grant processes. The Authority received approximately 107 Statements of Interest for the Nonprofit Grant Program and the Internal Review Committee met and decided to invite 44 organizations to submit full proposals for the Nonprofit Grant Program, five of which are in the food category.
- Ms. Weldon stated that CHEFA received a request from the Office of Policy and Management (OPM) to increase the Authority's grant funding for a grant to the Connecticut State Colleges and Universities for LPN course development and that the item would be discussed later in the meeting.
- There are a number of legislative proposed bills that have been submitted that could potentially affect CHEFA, including:
  - A bill to make all construction contracts funded by quasi-public agencies subject to prevailing wage requirements making them State contracts. Ms. Weldon asked Mr. Wasch to elaborate on the topic.

Mr. Wasch stated that prevailing wage is different from living wage and could have an impact on increasing labor related costs on construction projects.

Ms. Rubin asked if any other states that have the capacity of doing business in Connecticut require the use of prevailing wages. Mr. Wasch stated he would look into that issue. Ms. Weldon added that she plans to discuss this issue further with Representative Lessor who is the sponsor of the bill.

- A proposed bill to make employees of quasi-public agencies part of the State compensation system.

- A proposed bill for quasi-public agencies to submit employment, consulting and separation agreements to the Attorney General's office and if the agreements are over \$100,000, have them reviewed by their committee of cognizance.
- A placeholder on a CHESLA proposed bill described as a student loan bill of rights. Ms. Weldon plans to meet with Representative Lessor, the sponsor, on the proposed bill.
- A Governor's proposed bill which modifies CHEFA's enabling legislation to provide for CHEFA to issue bonds on behalf of participating municipalities to help towns who want to help their residents rebuild crumbling foundations.
- A proposed bill which implements all the recommendations of the CON Task Force which has some strategic plan implications in terms of the Authority's cross-border initiatives.

Ms. Weldon also mentioned that the State budget proposes making hospitals subject to local property tax. She also noted that Senator Looney's office made an inquiry about using the SCRF for community hospitals.

Further discussion ensued.

Ms. Weldon reported that the Authority is working with NAHEFFA, the national trade association, to meet with members of the Congressional delegation in Washington on tax reform.

CHESLA will be holding a press conference on Thursday, February 16 at 11:00 a.m. to announce the launch of CT Dollars & Sense, the Financial Literacy Portal. Dr. Lopez inquired if the portal is in Spanish. Ms. Weldon stated that it is not currently in Spanish.

### **FY 2017 Strategic Initiatives Status Report**

Ms. Weldon reported that the Authority has done a post-closing survey with Griffin Hospital and the New Business area received great reviews. As the Authority receives more feedback from clients, staff will run some metrics on the results.

The staff is continuing to meet with the Authority's larger clients. Mr. Morris took a team to Hartford Healthcare to review several issues.

Ms. Weldon indicated that staff has had follow up discussions with the Kennedy School Government Performance Lab staff, with regard to the Pay For Success initiative, and Management is anticipating that they will provide a presentation to the Board in March.

Ms. Weldon stated staff is continuing to assess client interest in a micro-grid initiative and is working with the Connecticut Green Bank and DEEP.

Ms. Weldon stated that with regard to a sustainable organization initiative, Ms. Peoples worked on updating the Personnel Policy and Procedure Manual and did a presentation for staff a few weeks ago. Ms. Peoples is also in the process of identifying a new payroll processor.

Ms. Weldon mentioned that the Internal Audit initiative is also a part of the 2017 strategic planning initiatives.

### **Overview – State Certificate of Need Task Force Final Report**

Ms. Weldon provided some background information of the CON Task Force and an overview of its Final Report. She stated that this pertains to the Authority’s strategic initiative regarding cross-border legislation.

Ms. Weldon stated that based on the outcome of the conclusions of the Task Force, Management believes that now is not the time to pursue legislation regarding cross-border financing authority.

### **AUTHORIZED OFFICERS RESOLUTION**

Ms. Weldon presented the Authorized Officers Resolution which appoints Executive Director, General Counsel and Managing Directors and their successors in office, as Authorized Officers of the Authority, rather than referencing individuals by name.

Dr. Lisi introduced Resolution #2017-04, Authorized Officers Resolution and Ms. Rubin moved for adoption of Resolution #2017-04. Dr. Lisi seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

**APPROVAL OF GRANT COMMITTEE ACTIONS -- NOVEMBER 28, 2016**  
**(FY 2017 Client Grants)**

Ms. Weldon reported that on November 16, 2016, the Grant Committee met to review the Internal Review Committee recommendations for the FY 2017 Client Grant Program awards. The recommendation was for 14 awards to be made. There were concerns raised about one of the proposed awards and the Grant Committee decided to approve Items 2 through 14 and leave Item 1 as unapproved with instruction to staff to gather additional information.

Ms. Weldon stated that the Grant Committee met telephonically on November 28, 2016 as follow-up to the November 16 meeting and decided to recommend to the full Board that an award be made to the CSCU for \$30,000 instead of the requested \$75,000. The Grant Committee decided that the remaining \$16,945 should go to the last grant recipient that qualified for funding to round out their full grant request to \$75,000 and that the remaining \$28,055 to be reallocated to the Nonprofit Grant Program. Ms. Weldon stated that the Grant Committee's recommendation is being presented to the full Board for their vote. Ms. Weldon stated that she recently received a request from OPM to consider increasing the amount of the award to be made to CSCU.

Dr. Lisi opened the floor for discussion of the program and advised the Board to be respectful of the process that has been followed in the past in determining grant awards. A discussion ensued.

Mr. Dakers stated that the CSCU program itself was highly rated internally and there is an interest in the program going forward. The issue is whether it can go forward with \$30,000 and he asked the Board to consider allocating additional funds to increase the award to CSCU since the Board has not designated the \$28,055 to another grant at this time.

Dr. Lopez responded that the Grant Committee reviewed the budget for the program and believed that a \$30,000 award would achieve the objectives.

Dr. Lisi reiterated that a motion was made to accept the recommendation of the Grant Committee to award CSCU with an award of \$30,000. In addition, he moved to provide Jerome Home with an additional award of \$16,945 to bring their total award to \$75,000 and reallocate the \$28,055 in the Client Grant Program funds to the Nonprofit Grant Program. Ms. Rubin seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

**AYES**

John Biancamano  
Patrick Colangelo  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Peter Lisi  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

**NAYS**

Robert Dakers

**ABSTENTIONS**

None

## **AUTHORIZING BOND RESOLUTIONS**

### **Odd Fellows Healthcare Inc. Issue, Series A**

Mr. Jandreau presented the Odd Fellows Healthcare Inc. Issue, Series A, for approximately \$22 million, which will be a direct purchase sold to an affiliate of M & T Bank, known as 233 Genesee Street.

Mr. Jandreau provided background information on Odd Fellows Healthcare and stated that the proceeds will be used to refinance mortgage debt and seeking to get reimbursed for capital expenditures on construction projects on campus, as well as payment of cost of issuance.

Dr. Lisi stepped out of the meeting at this time.

Mr. Jandreau explained the financing structure and security provisions of the transaction. There are two financial covenants with a minimum debt service coverage ratio of 1.25 times and the borrower must maintain unrestricted cash and marketable securities in an amount no less than \$4 million. Mr. Jandreau stated that the Institution will save approximately \$150,000 to \$200,000 annually in debt service.

Mr. Biancamano, Vice Chair, introduced Resolution #2017-05, Odd Fellows Healthcare Inc. Issue, Series A and Ms. Rubin moved for adoption of Resolution #2017-05. Ms. Hammer seconded the motion.

Upon roll call, the "Ayes," "Nays" and "Abstentions" were as follows:

#### **AYES**

John Biancamano  
Patrick Colangelo  
Robert Dakers  
Elizabeth Hammer  
Barbara Lindsay  
Dr. Estela Lopez  
Barbara Rubin  
Mark Varholak

#### **NAYS**

None

#### **ABSTENTIONS**

None

### **Western Connecticut Health Network Issue, Series P**

Mr. Morris presented Western Connecticut Health Network Issue, Series P and recommended approval for up to \$41 million. The transaction is a private placement with DNT Asset Trust, a subsidiary with JP Morgan Chase Bank as the purchaser. The Obligated Group contains seven members within the health system. Proceeds will be used to refund Danbury Hospital's 2006 Series H bond issue which is currently callable.

Security will be gross receipts, a negative pledge and a debt service reserve fund will not be required by the Purchaser.

Dr. Lisi returned to the meeting at this time.

Mr. Morris explained the financing structure and he stated that pricing will be adjusted if the rating is downgraded. The financial covenants consist of a debt service coverage ratio of 1.25 times, tested semi-annually, and days cash on hand requirement of at least 65 days, tested semi-annually.

Dr. Lisi introduced Resolution #2017-06, Western CT Health Network Issue, Series P, authorizing, which resolution was included in the Board mailing. Ms. Rubin moved for adoption of Resolution #2017-06. Mr. Biancamano seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

Ms. Lindsay left the meeting at this time.

### **Westover School Issue, Series C and D**

Mr. Jandreau presented the Westover School Issue, Series C and D and recommended approval of the transaction up to \$21.33 million. This transaction will be a direct purchase and will be sold to Bridge Funding Group, Inc., an affiliate of BankUnited, N.A. which is a Florida based-bank.

Series C will be used to refinance the outstanding Series B bond issue and Series D will be used to fund renovations to the Main Building and construction of a new student center. Mr. Jandreau explained the financing structure for each series and stated that security will include a first position lien on tuition receipts and first position mortgage on existing properties.

Mr. Jandreau stated that the financial covenants consist of a minimum debt service coverage ratio of 1.0 times to be tested annually, increasing to 1.10 times in FY 2021, a liquidity covenant requiring the Institution to maintain unrestricted cash and marketable securities in an amount no less than \$10 million, and the Institution shall be prohibited from creating or incurring any additional debt. The anticipated savings from this transaction will amount to \$275,000.

Dr. Lisi introduced Resolution #2017-07, Westover School Issue, Series C and D, authorizing, which resolution was included in the Board mailing. Mr. Biancamano moved for adoption of Resolution #2017-07. Ms. Rubin seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

**APPROVAL OF UNDERWRITING FIRM – RAYMOND JAMES & ASSOCIATES, INC.**

Mr. Morris stated that Raymond James requested to be added to the Authority’s Senior Managing Underwriters approved list. When the RFP was issued last year, the person that the RFP was sent to was no longer with the firm. Mr. Morris pointed out that the Authority has a practice of allowing firms to be added to the approved list in between RFP cycles.

Mr. Morris recommended Raymond James be added to the Authority’s approved Senior Underwriter list based on the firms seasoned senior management team and proven track record, strong distribution capabilities and is well capitalized, which provides for sufficient underwriting liability.

Ms. Rubin moved to add Raymond James & Associates, Inc. to the Authority’s Senior Manager Underwriters list. Dr. Lopez seconded the motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Dr. Peter Lisi Dr. Estela Lopez Barbara Rubin Mark Varholak	None	None

**CHEFA FINANCIAL OPERATIONS**

**December 2016 Financial Statements**

Ms. Mackewicz reported on the financial statements for the six months ending December 31, 2016. Excess revenues over expenses before program related expenses were approximately

\$2.2 million and approximately \$1.4 million after program related expenses, which is a slight increase year after year over 2015. There were no issues that closed in December.

Revenues were over budget year-to-date by approximately \$145,000 and expenses were under budget year-to-date by approximately \$90,000.

Dr. Lisi reminded the Board that the next Board meeting is scheduled for Thursday, March 16, 2017 and there will be a presentation by the Kennedy School Government Performance Lab and he encouraged all Board members to attend that meeting. If all Board members are not available on that date, the Board will look to reschedule the presentation on another date.

**ADJOURNMENT**

There being no further business, at 2:56 p.m., Ms. Rubin moved to adjourn the meeting and Dr. Lopez seconded his motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
John Biancamano Patrick Colangelo Robert Dakers Elizabeth Hammer Barbara Lindsay Dr. Peter Lisi Dr. Estela Lopez Mark Varholak	None	None

Respectfully submitted,

Jeanette W. Weldon  
Executive Director