

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY  
Minutes of Authority Board Meeting – October 18, 2011

The State of Connecticut Health and Educational Facilities Authority met at 1:00 p.m. on Tuesday, October 18, 2011.

The meeting was called to order at 1:02 p.m. by Patrick Colangelo, Vice Chair of the Board of Directors of the Authority. Those present were as follows:

PRESENT:\* Benson Cohn  
Patrick Colangelo, Vice Chair  
Robert Dakers (Rep. Ben Barnes)  
Peter Lisi  
Dr. Estela Lopez  
Paul Mutone<sup>1</sup>  
Bryan Pollard, Esq.  
Sarah Sanders (Rep. Honorable Denise Nappier)

\*All Board members listed above participated via phone.

ABSENT: John Biancamano  
Barbara Rubin, Chair

ALSO PRESENT: Jeffrey A. Asher, Executive Director  
Paula Herman, General Counsel  
Tara Keating, Project Coordinator  
Eileen MacDonald, Senior Transaction Specialist  
JoAnne Mackewicz, Controller  
Michael Morris, Assistant Director  
Cynthia Peoples, Assistant Director  
Debra Pinney, Manager of Administrative Services  
Norberto Ramirez, Compliance/Internal Auditor  
Jennifer Smyth, Legal Services Specialist  
David Wasch, Legislative Liaison/ECE Program Specialist  
Jeanette Weldon, Managing Director  
of the Connecticut Health and Educational Facilities Authority

GUESTS: Michael Andreana, Esq., Pullman & Comley LLC  
Coleman Casey, Esq., Shipman & Goodwin  
Stephen Donovan, Esq., Hawkins, Delafield & Wood LLP  
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP  
Elizabeth Schramek, Vice President, RBC Capital Markets

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<sup>1</sup> Paul Mutone entered the meeting at 1:18 p.m.

Eric Taylor, Esq., Harris Beach PLLC  
 Christopher Valentino, VP, Lamont Financial Services Corp.  
 Noreen White, Co-President, Acacia Financial Group, Inc  
 John Yarbrough, Esq., Carmody & Torrance LLP

## **MINUTES**

Mr. Colangelo requested a motion for approval of the draft minutes of the September 13, 2011 Board of Directors meeting. Dr. Lopez moved for approval of the minutes, which was seconded by Mr. Cohn.

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>
Benson Cohn	None	None
Patrick Colangelo		
Robert Dakers		
Peter Lisi		
Estela Lopez		
Bryan Pollard		
Sarah Sanders		

## **CURRENT AND PENDING BOND ISSUES**

### **Financing Forecast**

Ms. MacDonald reported that there is one new issue, Western Connecticut Health Network Issue, Series N, for \$42 million being presented for approval today.

### **Summary of Financings**

There were two closings after the September 2011 Board meeting. Lawrence and Memorial Hospital Issue, Series F closed on September 15, 2011 and the Hartford Healthcare Issue, Series A & B closed on September 29, 2011. Series A was a fixed-rate at 4.9% net interest cost, and Series B was a variable rate.

There is one upcoming closing, Connecticut Children’s Medical Center Easyloan scheduled to close today, October 18, 2011.

### **Interest Rate and Market Update**

Ms. Peoples reported recent stock market activity, economic indices and yield curve trends.

**Municipal Market Activity**

Ms. Weldon presented the report on municipal market activity. She also reported on the successful pricing of the Hartford Healthcare fixed rate tax-exempt bonds. The final maturity (2041) priced with a yield of 4.94%.

**PRELIMINARY STAFF MEMOS:**

None

**FINAL STAFF MEMOS****Rectory School Issue, Series B**

Mr. Morris reported on the Rectory School Issue, Series B. In September 2011 when the Authority reported on Rectory it was unclear whether it was going to be a letter of credit transaction or direct placement. Rectory has elected to proceed with a direct placement with TD Bank as the purchaser. Series B will refund Rectory's 2000 Series A variable rate bond issue, which has an Allied Irish Bank letter of credit. The School has approximately \$5.6 million in outstanding debt, which is all currently held by Allied Irish. There will be a new money portion for approximately \$1.5 million to use for capital improvements to the campus, including dormitory renovations or a new girls' dormitory.

The structure will provide a variable rate reset monthly, 30 year amortization, and a 10-year put. Rectory will be required to enter into a new interest rate swap for a minimum period of five years. The Bank is requiring a gross receipts pledge and a mortgage. Financial covenants that the Bank has proposed include balance sheet tests as well as a minimum debt service ratio coverage requirement. In the event that the School fails to meet any of those covenants, the interest rate will increase to the default rate of 5%.

Further discussion ensued.

Mr. Colangelo introduced Resolution #2011-17, Rectory School Issue, Series N Authorizing, which resolution was included in the materials distributed to the Board. Mr. Cohn moved for adoption of Resolution #2011-17, which was seconded by Dr. Lopez.

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

**AYES**

Benson Cohn  
Patrick Colangelo  
Robert Dakers  
Peter Lisi  
Estela Lopez  
Bryan Pollard  
Sarah Sanders

**NAYS**

None

**ABSTENTIONS**

None

## Western Connecticut Health Network Issue, Series N

Mr. Morris reported on the Western Connecticut Health Network Issue, Series N. Proceeds from the bond issue will be used to refund the 1999 Danbury Hospital Series G issue. The projected net present value savings is still favorable at 7.6% as compared to 11% at the time the memo was distributed to the Board. The total amount of outstanding debt is approximately \$254 million. The System has an ‘A’ rating from S&P and Fitch, both with a Stable outlook. The obligated group will remain the same as the L and M transactions. The structure for the transaction will be unenhanced fixed rate with a final maturity of 2031 (assuming the tax analysis will support a 2031 maturity). Security provisions will include a gross receipts pledge and negative mortgage pledge.

Mr. Morris reviewed financial results for the eleven months ending August 31 noting that the operating margin was down slightly compared to last year. The decline in operating margin is attributed to an operating loss from the medical group. However, debt service coverage remains strong. In addition, the System has identified a number of cost reduction initiatives for FY 2012. The System’s liquidity position remains adequate with days cash on hand at or slightly below the ‘A’ medians. WCHN continues to maintain a dominant market share, particularly in its primary service area.

Mr. Colangelo introduced Resolution #2011-18, Western Connecticut Health Network Issue, Series N Authorizing, which resolution was included in the materials distributed to the Board. Mr. Pollard moved for adoption of Resolution #2011-18, which was seconded by Dr. Lopez.

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

### AYES

Benson Cohn  
Patrick Colangelo  
Robert Dakers  
Peter Lisi  
Estela Lopez  
Bryan Pollard  
Sarah Sanders

### NAYS

None

### ABSTENTIONS

None

**CHEFA FINANCIAL OPERATIONS****August 2011 Financial Statements**

Ms. Mackewicz reported that for the two months ending August 31, 2011, revenues exceeded expenses by approximately \$571,000 before program related expenses and \$539,000 after program expenses. Revenues were under budget by approximately \$11,000 and expenses were under budget by approximately \$17,000. There were no notable items in August 2011.

**EXECUTIVE DIRECTOR'S REPORT**

Mr. Asher reported on the Post-Issuance Tax Compliance Seminar held by the Authority on September 30, 2011. He thanked Coleman Casey from Shipman & Goodman, Michela Daliana from Hawkins Delafield and Wood, and Cynthia Nethercutt from Yale University for their participation and contributions to the program. The topic is timely and approximately 40 client representatives attended. Attendees expressed interest in future seminars on relevant topics.

Paul Mutone entered the meeting at 1:18 p.m.

Mr. Asher announced that the Client Grant Program has received approximately 45 applications from Authority clients. The applications are available to the Grant Committee and the Board of Directors through a secure web-based file server. Staff is in the process of reviewing the grant applications and the Internal Review Group will be meeting on October 26<sup>th</sup> to review them, and the Grant Committee will meet prior to the November 15<sup>th</sup> Board meeting to discuss the specific applications and review the scores. Peter Lisi is the Chair of the Grant Committee.

The Authority is currently in negotiations for renewal of the present building lease. The proposal reduces space from 11,222 square feet down to approximately 9,300 square feet. The proposal also includes a reduced price on cost per square feet. This would save the Authority over \$100,000 in the initial lease period. There remains some concern regarding the building's physical condition and maintenance. Consequently other options are also being considered.

**OTHER BUSINESS**

Mr. Colangelo noted that in 2012, the Board of Directors meetings will be held on Wednesdays. There were no objections to the new proposed 2012 Board of Director Meeting Schedule.

There being no further business, at 1:24 p.m., Mr. Lisi moved to adjourn and Mr. Pollard seconded his motion.

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

**AYES**

Ben Cohn  
Pat Colangelo  
Robert Dakers  
Peter Lisi  
Paul Mutone  
Bryan Pollard  
Barbara Rubin  
Sarah Sanders

**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted,

Jeffrey A. Asher  
Executive Director