

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of
The Audit-Finance Committee Meeting
of June 27, 2006

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority met in session at 1:31 p.m. on Tuesday, June 27, 2006.

The meeting was called to order by Mr. Cohn, Committee Chair, and, upon roll call, those present and absent were as follows:

PRESENT: Benson R. Cohn, Committee Chair
John M. Biancamano
Patrick A. Colangelo
Barbara Rubin

ABSENT: Howard G. Rifkin (rep. Hon. Denise Nappier)

ALSO PRESENT: Richard D. Gray, Executive Director,
Jeffrey A. Asher, Managing Director/CFO,
David A. Williams, Managing Director,
Kimberley Fontaine, Grants Administrator,
JoAnne Mackewicz, Manager, Accounting/Client Financial Services,
Kathy Owens, Receptionist/Administrative Assistant, and
Cynthia D. Peoples, Manager, Systems and Financial Analysis, of
the Connecticut Health and Educational Facilities Authority

The Notice of Meeting was read and ordered spread upon the Minutes of this Meeting and filed for the record.

MINUTES OF THE AUDIT-FINANCE COMMITTEE MEETING

June 27, 2006

The Meeting of the Audit-Finance Committee of the Connecticut Health and Educational Facilities Authority was called to order by Benson R. Cohn, Committee Chair, at 1:31 p.m.

The purpose of the Meeting was to: 1) Approve the Minutes of the meeting of May 23, 2006; 2) Review and approve the Proposed Capital and Operating Budget for FY 2007; 3) Authorize the transfer and re-allocation of reserves; and 4) Conduct an Executive Session, if warranted.

Ms. Rubin moved to accept the Minutes of the meeting of May 23, 2006. Mr. Colangelo seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Benson R. Cohn	None	None
John M. Biancamano		
Patrick A. Colangelo		
Barbara Rubin		

PROPOSED OPERATING AND CAPITAL BUDGET FOR FY 2007

Mr. Asher stated that the Human Resources Committee met telephonically on June 23, 2006 to review the salary survey results with the human resources consultant. The Human Resources Committee voted to approve the Proposed Staff Compensation and Benefits Budget as presented with one modification. The Human Resources Committee increased the proposed labor grade adjustment pool by \$10,000 to a total of \$85,000. The impact of that change, including associated employee benefits was \$13,094, which takes the budgeted bottom line down from an excess of \$347,409 to \$334,215.

There were also changes to the projected revenues budget to reflect changes that Staff became aware of in terms of what was projected for bond issue closings for FY 2007. The expectation is now that there will be two less bond issues during FY 2007, with Greenwich Adult Day Care closing during FY 2006, and Hartford Hospital, which is not expected to close until FY 2008.

There were no other changes to the Proposed Compensation and Benefits package other than what was recommended by the Human Resources Committee.

There were additional funds added to the tuition reimbursement as there are two staff members that continue to pursue their post-graduate degrees. There was \$25,000 added for arbitrage training, software purchases and associated expenses. The interest earnings were increased on the Guaranteed Loan Fund through People's Bank, which administers the child care loan program.

In response to a question from Ms. Rubin, Mr. Asher stated that included were \$550,000 for Client Grants, \$550,000 for Open Grants, and \$480,000 for the Targeted Investment Program.

In response to a question from Ms. Rubin, Mr. Asher stated that there was no assumption for any programs that are not currently listed in the Proposed Operating and Capital Budget for FY 2007. He stated that Staff works diligently to identify what the most realistic scenario would be relative to programs.

Ms. Rubin appreciated that Staff utilized estimates, but discussed how the incentive compensation is based on bottom line stretch goals. She feels that the Committee should consider a modification to the incentive basis either now or in the future.

Mr. Asher indicated that the Authority Staff recognizes that it would be inappropriate for CHEFA to push clients to do bond issues in order to meet a bottom line, which would be counter-intuitive to the clients' best interests.

Mr. Biancamano stated that if the Authority Staff has such little control over this area, then there is no point to having the number of bond issues closed as a basis for incentive compensation.

Ms. Rubin stated that the incentives should possibly be linked to expense control.

Mr. Gray stated that he agreed with both Members and Staff, but stated the Authority wants to create an environment that provides access to its clients. Since parts of the goals are based on bottom line variance, he recommends that the Authority consider tying incentive to expense control. He is concerned that the Authority retains its "fair broker" reputation.

Ms. Rubin requested that Staff review the parameters for modifying the incentive compensation to be based upon expense control, to which all Members present agreed.

Ms. Rubin made a motion to recommend approval of the Proposed Compensation and Benefits package to the full Board. Mr. Colangelo seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Benson R. Cohn John M. Biccamano Patrick A. Colangelo Barbara Rubin	None	None

Mr. Biccamano stated that he believes there is somewhat of a disconnect between the Human Resources Committee salary decisions and the Audit-Finance Committee’s ability to control the budget. In response to a question from Mr. Gray, Mr. Biccamano stated that Hartford Hospital’s Board sets a budget, and then provides a not-to-exceed amount to the Human Resources Committee to provide for employee compensation and benefits packages.

Following discussion among the Members present, Ms. Rubin suggested that the two Chairs, Mr. Cohn and Dr. Cibes, work together to examine the process and address Mr. Biccamano’s concerns, and asked if that would be agreeable to Mr. Biccamano. Mr. Biccamano stated that he felt that was a desirable outcome.

Ms. Rubin stated that she agrees that the Audit-Finance Committee should be involved in the full process.

RE-ALLOCATION AND TRANSFER OF RESERVES

Mr. Gray stated that the negotiations for the 3030 Park Fairfield (“3030 Park”) facility continue. He felt that the \$9.8 million minimum bid from CHEFA was highly beneficial to the process as some of the bids had been coming in around \$4 and \$5 million, which could have been very deleterious to the State. Mr. Gray stated that the re-allocation and transfer request has nothing to do with the settlement of the matter, but is for debt service coverage, which will carry until November 1, 2006.

In response to a question from Ms. Rubin, Mr. Gray stated that there will still be additional exposure for loss, and there will be discussions between CHEFA and the Treasurer’s Office relative to the 3030 Park Issue.

Mr. Cohn stated that the Authority has provided an important benefit to the State with its level of involvement in the 3030 Park workout.

Mr. Biccamano stated that just because the funds are allocated into a reserve, these funds are still being allocated from operations. The charges are to operations. He questioned why the Authority allocates to reserves on the operations side.

Mr. Gray stated that the reserves are very prudent because we know that there will be these issues that require these funds from time to time, and that he is sensitive that the

CHEFA operating funds be used for the benefit of its clients and nonprofits in Connecticut. He mentioned that the Authority's Legal Reserve Fund is an example of a reserve fund that exists predominately to cover the State's liabilities.

Members and Staff briefly discussed the Profit and Loss statements and the reserves at the Authority.

Mr. Gray stated that the Authority Strategic Business Plan requires that Staff present to the full Board at least once per year the reserve allocations for approval.

Ms. Rubin moved to recommend approval to the full Board of the Re-Allocation and Transfer of up to \$750,000 from the CHEFA SCRF Reserve to cover debt service and other expenditures associated with the 3030 Park Fairfield Health Center Issue, and \$1,250,000 from the Contingency Reserve to the Legal Fee Reserve. Mr. Colangelo seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Benson R. Cohn	None	None
John M. Biancamano		
Patrick A. Colangelo		
Barbara Rubin		

Mr. Cohn stated that there was no need for an Executive Session.

There being no further business, Ms. Rubin made a motion to adjourn at 1:58 p.m.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Benson R. Cohn	None	None
John M. Biancamano		
Patrick A. Colangelo		
Barbara Rubin		

Respectfully submitted,

Benson R. Cohn
Audit-Finance Committee Chair