

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Board Meeting
January 13, 2021

The State of Connecticut Health and Educational Facilities Authority held a meeting via teleconference at 1:30 p.m. on Wednesday, January 13, 2021.¹

The meeting was called to order at 1:41 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 Varholak

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Debrah Galli, Manager, Administrative Services
Daniel Giungi, Communication and Legislative Affairs Specialist
Joshua Hurlock, Assistant Director, CHESLA
Robert Jandreau, Sr. Finance Associate
Krista Johnson, Compliance Specialist
Daniel Kurowski, CHEFA CDC Program Manager
Andrew Kwashnak, Systems and Data Analyst
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: Bruce Chudwick, Esq., Shipman & Goodwin LLP
Shasky Clarke, Associate, Hinckley Allen
Kristie Flynn, Partner, Hawkins, Delafield & Wood LLP
Deborah Henry, Principal Attorney, Hardwick Law Firm, LLC
Kim Kollar, Executive Director of Finance, Stamford Hospital
Barbara B. Lindsay, Esq., Barbara B. Lindsay LLC
Josh Nyikita, Managing Director, Acacia Financial Group, Inc.
Erick Russell, Esq., Pullman & Comley LLC
Edward Samorajczyk, Jr., Esq., Partner, Robinson + Cole LLP
Namita Shah, Esq., Day Pitney LLP
Trina Smith, Sr. Managing Consultant, Public Financial Management, Inc.

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

Tiffany Stevens, Esq., McCarter & English, LLP
Mike Veillette, Senior Vice President and CFO, Stamford Hospital
Ann Zucker, Partner, Carmody Torrance Sandak & Hennessey LLP

Mr. Lisi welcomed new Board member Mr. Steven L. Elbaum and said farewell to former Board member Ms. Barbara B. Lindsay. Mr. Lisi and Ms. Weldon thanked Ms. Lindsay for her time and contributions as a CHEFA Board member.

Ms. Lindsay left the meeting at 1:50 p.m.

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the minutes of the November 18, 2020 meeting of the Board of Directors. Mr. Angelini moved to approve the minutes and Mr. Davis seconded the motion.

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

AYES

Michael Angelini
Lawrence Davis
Darrell V. Hill
Peter Lisi
Dr. Estela Lopez
Susan Martin
Alan Mattamana
Mark Varholak

NAYS

None

ABSTENTIONS

Steven L. Elbaum²
Kimberly Kennison³

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon reported that over the past several weeks staff has been working to educate and inform legislators and others about the legislative agenda. Ms. Weldon noted that it has been a team effort coordinated with Dan Giungi, Josh Hurlock, Michael Morris and Dan Kurowski. The focus of the meetings has been the priority initiatives of the Authority, including the CHESLA minority teacher recruitment program and the Connecticut version of the New Markets Tax Credit (NMTC) program.

Ms. Weldon stated that thus far, staff has met with the following individuals: the co-chair and other members of the Higher Education Committee, Speaker of the House Matt Ritter, House Majority Leader Jason Rojas, the Bonding subcommittee co-chairs of the Finance, Revenue and Bonding Committee, co-chairs of the Education Committee, and representatives of the Black and Puerto Rican Caucus. Ms. Weldon stated that staff also has pending meetings with Representative Haines, Senator Duff, Senator Looney and Senator Fonfara.

Ms. Weldon reported that the reception to the proposals has been generally favorable and as the session progresses, staff is looking forward to continuing to provide input and moving initiatives forward. Recently there was the initial introductory meeting of the Higher Education Committee in

² Mr. Elbaum abstained from voting as he did not attend the November 18, 2020 Meeting.

³ Ms. Kennison abstained from voting as she did not attend the November 18, 2020 Meeting.

which the CHESLA minority teacher recruitment program and CHEFA cross-border extra-territorial legislation were raised as concepts to pursue. Ms. Weldon said that staff is also pursuing the NMTC program through the Finance, Revenue and Bonding Committee.

Client Updates

Mr. Morris provided the following updates:

- Four new bond issues were added to the financing forecast:
 - Stamford Hospital and Taft School.
 - Connecticut State University System, seeking to refinance four bond issues both on a tax exempt and taxable basis, with a total bond size of up to \$100 million.
 - Pomfret School, seeking to refund a prior issue callable on July 1 and a new money component totaling approximately \$20 million.
- Yale University is moving ahead with the remarketing of its two series of bonds totaling \$275 million, and is seeking to price the issue at the end of the month and close early February.
- Since the last board meeting there have been three closings: Salisbury School, Duncaster, and Westminster School, all of which were private placements.

Ms. Weldon noted that there was an additional item that should have been mentioned during the Executive Director's report. Ms. Weldon stated that the Authority added a legislative proposal to broaden and expand the definition of 'project' in the authorizing statute. The existing definition is brick-and-mortar and equipment focused. The new definition of 'project' will include other financing needs as approved by the Authority.

Financial Report – October and November 2020

Ms. Mackewicz reported on the financial statements for the five months ending November 30, 2020. The revenues exceed expenses by \$1.7 million before program expenses and \$657,000 after program expenses. Revenues remain under budget by \$44,000 and expenses are under budget by \$59,000. There were no notable items in October or November.

Interest Rate and Market Updates

Ms. Peoples reported that over the last week, yields rose as the Democrats took control of the Senate and the anticipation of additional stimulus that could be forthcoming. Looking at the treasury curve, there is minimal increase in the short end, but around mid-term at the 7-year point there is a 17 basis points increase and at the long end there is a 23 basis points increase.

Mr. Jandreau stated that there is nothing new to highlight in the municipal market activity as staff continues to see similar trends for the last several months. Mr. Jandreau reported that there is a two-part transaction for the University of Connecticut for the refunding of two outstanding bonds.

CHEFA CDC Update

Mr. Kurowski stated that in addition to meeting with legislators to get their support for the Connecticut New Markets Tax Credit (NMTC) Program, staff has also met with organizations across the state. Mr. Kurowski referenced the Board handout, stating that there is a copy of the coalition letter that staff is providing to legislators to demonstrate the widespread support for this program. Over the past 6 weeks, staff has reached out to several organizations to introduce them to the program and to get their support. These organizations include the Connecticut Nonprofit Alliance, Boys and Girls Clubs, CDFIs, Community Foundations, Community Health Centers, and YMCAs. Mr. Kurowski reported that staff has received positive feedback from these organizations and appreciation for proposing this new resource for Connecticut's nonprofits.

Mr. Kurowski stated that staff has also reached out to the City of Bridgeport, Hartford and New Haven to present proposals and seek their support. A meeting was held with the city of Hartford's Economic Development department. They were receptive and are currently reviewing the proposal. The City recently formed a CDE and applied for the federal NMTC allocations. Mr. Kurowski said that in addition to the discussion on the Connecticut NMTC program, staff also discussed opportunities to collaborate on the federal program in the future.

Mr. Kurowski reported that staff recently received news on the federal NMTC program. The 2020 Appropriations Act, signed into law last month, extended the federal NMTC program through 2025 increasing the annual allocation amount from \$3.5 billion to \$5 billion.

Mr. Kurowski noted that CHEFA CDC Board members are required to fill out ethics and conflict of interest forms. Mr. Kurowski said that staff will be emailing copies of the CHEFA CDC ethics policy and conflict of interest policy to all CHEFA CDC Board members and asked that they review the policies and complete the attached forms.

Mr. Lisi inquired about the outreach attempts to involve other community foundations with this program. Mr. Kurowski stated that the Board handout is not a final list. Ms. Sugerma Weintraub said that she can connect Mr. Kurowski with other community foundations through her involvement with the Connecticut Council for Philanthropy. A brief discussion ensued.

FINAL STAFF MEMO AND AUTHORIZING BOND RESOLUTION (2021-01)

Stamford Hospital Issue, Series L

Mr. Jandreau introduced Mr. Michael Veillette, Chief Financial Officer, and Ms. Kim Kollar, Executive Director of Finance, of Stamford Hospital.

Mr. Jandreau stated that staff's recommendation is based on numerous credit strengths, including the Hospital's dominate market share in its primary service area of 78.9% in FY 2019 and growth in its secondary service area where market share rose to 12.4% in 2020, from 11.7% in 2019. The Hospital remains one of the few remaining independent hospitals in the area and is the fifth largest health system in the state. It also operates as one of the newest, if not the newest, hospitals in the state, giving it an appeal and draw for patients.

Mr. Jandreau reported that Stamford Hospital Medical Group, which makes up more than 50% of net patient revenue, continues to grow patient volumes across several specialties. Helping fuel the growth in net patient revenue has been the increase in the number of providers at the Medical Group, which has grown from 168 providers in 2017 to 204 in 2020, a 21.4% increase.

Mr. Jandreau said that the Hospital has also forged strategic partnerships, such as the one with the Hospital for Special Surgery which is the largest medical center in the world focused on musculoskeletal conditions. Last year, the partnership achieved an all-time high number of orthopedic surgeries and the Hospital anticipates further growth in the current fiscal year.

Mr. Jandreau stated that there are some areas of slight concern such as increased leverage, however, the hospital maintains a very favorable debt mix of 99.3% fixed-rate compared to less than 1% variable rate debt. Also, debt service coverage of 2.6 times on a pro forma basis falls below the Moody's Northeast Median of 4.0 times and below the Moody's "BAA" median of 3.4 times.

Mr. Jandreau reported that operating performance has been challenged in the past due to the impact of the State’s Hospital Provider Tax, but the recent settlement should provide some relief to the Hospital’s financial performance going forward. Mr. Jandreau said that the settlement is expected to increase revenues by \$125 million over the next seven years. The Hospital also intends to enhance profitability by reducing supply and advertising expenses, improving service contracts, and streamlining salaries and benefits.

Mr. Jandreau stated that COVID-19 is a concern for Stamford Hospital as it is for all the hospitals it competes with. Mr. Jandreau noted that while the Hospital handled 2020 well, there are numerous potential unknowns regarding subsequent spikes in infections and mutating strains of the virus. However, the Hospital continually updates its playbook, detailing its planned response to a future surge. Mr. Jandreau said that while patient admissions, patient days, and emergency room visits were impacted negatively due to COVID and the state’s cancellation of non-essential surgeries, Staff did look at these stats compared to other systems in the state and Stamford fared very well in comparison, showing less of a decrease than a majority of its competitors.

Mr. Jandreau stated that staff seeks the Board’s approval for the Stamford Hospital Issue, Series L for an amount up to \$160 million based on the credit strengths of the hospital, management’s focus on growth and profitability, and the anticipated net present value savings of approximately \$10.5 million dollars or 13.0% from the refunding of the outstanding Series I bonds.

The floor was open to questions and a discussion ensued.

Mr. Lisi requested a motion for approval up to \$160 million for the Stamford Hospital Issue, Series L (Authorizing Resolution #2021-01). Dr. Lopez moved for approval and Mr. Angelini 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 | None | None |
| Lawrence Davis | | |
| Steven L. Elbaum | | |
| Darrell V. Hill | | |
| Kimberly Kennison | | |
| Peter Lisi | | |
| Dr. Estela Lopez | | |
| Susan Martin | | |
| Alan Mattamana | | |
| Mark Varholak | | |

Mr. Veillette and Ms. Kollar left the meeting at 2:21 p.m.

PRELIMINARY STAFF MEMO

Taft School Issue, Series L

Mr. Jandreau stated that Taft School is a strongly rated independent school based in Watertown Connecticut. Mr. Jandreau then reported the following:

- The School was last rated in 2018 by Moody’s at “Aa3” with a stable outlook in conjunction with its 2018 Series K offering. The School is expected to maintain its rating for the proposed Series L Bonds.

- Proceeds from the issuance of the Series L bonds will be used to current refund the outstanding 2012 Series I bonds and finance approximately \$7 million of new money projects.
- Net present value savings are projected to be roughly \$399,000 or 4.16%. Although the savings level is low, the refunding of the Series I bonds will allow the School to preserve cash that would otherwise be used for the payment of principal in July 2021 of about \$2.7 million.
- The fixed rate, publicly offered, unenhanced bonds will be issued on a parity basis with the existing bond issues. Given the strength of the Schools financials, a debt service reserve fund will not be required by investors.

Mr. Jandreau said that enrollment at the School has been favorable due to its strong applicant pool, which hit its highest level in the past five years, and its acceptance rate improved to its best level of 20.4% in the current fiscal year.

Mr. Jandreau reported that the financial performance for the School remains very favorable with operating surpluses for the past five years. The School's operating margin and three-year average margin compare favorably to the Moody's medians. Debt service will equal approximately 7.3% of FY 2020 operations, which Moody's could cite as elevated but is manageable. Mr. Jandreau said that pro forma debt service coverage of 3.94 times is very favorable for the rating category. Days cash on hand totaled 902 days compared to 759 days for the Moody's median.

Mr. Jandreau noted that the School's endowment increased slightly to \$256 million from FY 2016 to FY 2020, with a spending rate of approximately 5% which is typical of most schools.

Mr. Jandreau stated that Taft offers a combination of in-person classes and virtual learning. In the current fiscal year, approximately 100 students have chosen to attend classes remotely. Students choosing to learn remotely are charged a tuition rate of \$45,000 versus \$65,000 for boarding students and \$48,250 for day students. The School has been able to offset the decline in lower tuition rates by reducing expenses in other areas, including wages and salaries.

Mr. Jandreau stated that a final memo with staff's recommendations will be provided at next month's Board meeting.

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

COMMITTEE REPORTS

Audit-Finance Committee

Mr. Varholak reported that the Audit-Finance committee met earlier to review several internal audits that were recently completed. Auditors from BerryDunn and BLX Group provided presentations on their findings.

The first presentation was from BerryDunn on the CHESLA scholarship program and CHESLA vendor oversight. Mr. Varholak stated that in both instances the review of the internal controls was strong with one minor recommendation, and this recommendation has since been implemented by management. The Audit-Finance committee accepted the reports from BerryDunn.

Mr. Varholak reported that the second presentation was from BLX Group on CHEFA arbitrage procedures and internal reporting and CHESLA arbitrage external reporting. Mr. Varholak noted that these are two areas that are extremely complicated and require a significant level of technical

expertise to manage all the regulations, which is why the Authority engaged with BLX Group to conduct this review due to their expertise.

For CHEFA arbitration procedures and internal reporting, Mr. Varholak said that in both cases, BLX Group reported significant findings in this area and recommended that additional documentation would be necessary. Mr. Varholak noted that BLX Group pointed out that most entities similar to CHEFA outsource all of their arbitration calculations, whereas CHEFA does it internally. In this regard, Mr. Varholak stated that it was important to note that management is doing a good job. Overall, BLX group felt internal controls were adequate with several recommendations for management to consider.

For CHESLA arbitration external reporting, Mr. Varholak reported that the internal controls needed improvement due to their being several recommendations, some of which were high risk, which management and CHESLA's third party vendor for this service need to address. Mr. Varholak reported that the Audit-Finance committee agreed with the recommendations and accepted the reports from BLX Group.

Mr. Varholak stated that because these areas had some significant findings, the committee has asked that at the next meeting management present a high-level overview of their plan to remedy these issues. The committee will then invite BLX Group back in 6 to 12 months to review the changes that have been made and to confirm that their findings have been addressed.

Ms. Kennison inquired if Board members who are not on the Audit-Finance committee could receive the audit reports. A brief discussion ensued. Mr. Lisi stated that all Board members should receive the committee materials, similar to how the Grant Committee materials are distributed in advance to all members.

Grant Committee

Dr. Lopez mentioned the CHEFA Nonprofit Forum webinar held in December involving Connecticut's changing demographics, and how it provided an excellent backdrop to the topics discussed at the Grant Committee meeting. Dr. Lopez stated that the first guest was Tiffany Donelson, President and CEO of Connecticut Health Foundation. Ms. Donelson provided a presentation on health equity, the disparities in Connecticut between communities of color and those that are majority white, and how their foundation is addressing the disparate needs of CT residents.

Dr. Lopez stated that the next guests were Russell Dexter, Chief Quality Officer, and Ken Lalime, CEO, of Community Health Center Association of Connecticut (CHCACT). CHCACT recently received a CHEFA COVID-19 grant. Their presentation addressed the utilization of grant funds to address the health needs of CT residents due to the pandemic.

Dr. Lopez thanked Ms. Sugerman Weintraub for scheduling the presenters and thanked the Board members for attending.

Mr. Lisi thanked Ms. Sugerman Weintraub and Dr. Lopez for helping to arrange the two guest speakers at the Grant Committee Meeting.

OTHER BUSINESS

Mr. Lisi stated that the next Board meeting is February 17, 2021 and that there has been a change to the May meeting date. The May meeting will now be held on May 19, 2021.

ADJOURNMENT

There being no further business, at 2:44 p.m., Mr. Lisi requested a motion to adjourn the meeting. Mr. Davis 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
Lawrence Davis
Steven L. Elbaum
Darrell V. Hill
Kimberly Kennison
Peter Lisi
Dr. Estela Lopez
Susan Martin
Alan Mattamana
Mark Varholak

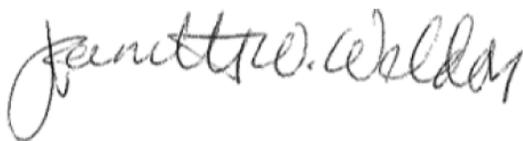
NAYS

None

ABSTENTIONS

None

Respectfully submitted,



Jeanette W. Weldon
Executive Director