

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Board Meeting – May 24, 2011

The State of Connecticut Health and Educational Facilities Authority met at 1:00 p.m. on Tuesday, May 24, 2011.

The meeting was called to order at 1:15 p.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Upon roll call those present were as follows:

PRESENT: John Biancamano
 Patrick Colangelo, Vice Chair
 Robert Dakers (Rep. Ben Barnes)
 Peter Lisi
 Dr. Estela Lopez
 Paul Mutone
 Bryan Pollard, Esq.
 Barbara Rubin, Chair
 Sarah Sanders (Rep. Honorable Denise Nappier)

ABSENT: Benson Cohn

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
 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
 Jeremy Bass, Sr. Managing Consultant, Public Financial Management
 Coleman Casey, Esq., Shipman & Goodwin
 Jason Krechko, Engineer, GZA Environmental
 Richard Lopatin, Vice President, Acacia Financial Group, Inc.
 Anne Peters, Esq., Carmondy & Torrance
 Edward J. Samorajczyk, Jr., Esq., Robinson & Cole, LLP
 Elizabeth Schramek, Vice President, RBC Capital Markets

Namita Shah, Esq., Day Pitney, LLP
Eric Taylor, Esq., Harris Beach PLLC
Christopher Valentino, Lamont Financial Services Corp.
Jane Warren, Director, McCarter & English, LLP

MINUTES

Ms. Rubin requested a motion for approval of the ‘revised draft’ minutes of the April 26, 2011 Board of Directors meeting. Mr. Biancamano moved for approval of the minutes, which was seconded by Dr. Lopez.

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

AYES

John Biancamano
Patrick Colangelo
Robert Dakers
Peter Lisi
Estela Lopez
Paul Mutone
Bryan Pollard
Barbara Rubin
Sarah Sanders

NAYS

None

ABSTENTIONS

None

AUDIT-FINANCE COMMITTEE REPORT

Mr. Biancamano reported that the Audit-Finance Committee met today prior to the Board meeting. The Committee did a preliminary review of the Operating and Capital Budget for FY 2012 and reviewed the 2011 Risk Assessment. The Arbitrage Audit report was approved by the Committee. The review of the 2012 and 2013 Audit Plans were tabled until the June 28, 2011 meeting.

EXECUTIVE DIRECTOR’S REPORT

Mr. Asher reported that Governor Malloy has reappointed Barbara Rubin as Chair of the Board of Directors of CHEFA for another five year term. This appointment was also approved by the House and Senate. The Authority congratulated Ms. Rubin on her appointment and expressed their appreciation and thanks.

PRELIMINARY STAFF MEMO

Childcare Issue, Series H

Mr. Wasch reported that Staff expects to recommend approval of this series for bond issue authorization at the June 28, 2011 CHEFA Board meeting. Proceeds will be used to refund New Opportunities Child Care Issue and Pooled Childcare Issues Series A through Series E. The refinanced issue will be unenhanced. An estimated \$3 million will be released from the debt service reserve fund and can be returned to the State. The debt service on the new issue will be paid out of the Office of the State Treasurer's debt service budget; intercepts will still be collected and forwarded to the Office of the Treasurer to reimburse the debt service expense. Since the Preliminary Staff Memo was distributed, the borrowers have all submitted their deposits and commitment letters. Staff is now looking at a tentative closing in July.

Mr. Asher added that the rating agencies will be receiving a copy of the debt service commitment letter signed by the Treasurer. This will demonstrate that there will be sufficient funds available.

Mr. Asher suggested that the Board call a special meeting to approve this Issue if everything is in order prior to the June 28, 2011 Board meeting. Telephonic participation in the special meeting is an option available to Board members if necessary.

FINAL STAFF MEMOS

Connecticut College Issue, Series H-1 & H-2

A revised Resolution was distributed today which contained additional language applicable to the taxable bonds. The College is requesting that the Authority not require a debt service coverage ratio test, as in Series F and G. The College is required to submit an annual debt service coverage ratio for their Series E bonds which has a final maturity date of 2032. There is an expendable resource to debt test of not less than 50% which the Authority believes is sufficient. The College currently maintains an "A2" rating from Moody's with a Stable outlook. The College is meeting with Moody's today. Staff believes that the rating will remain the same. There is an outside chance of issuing with bond insurance with Assured Guaranty. Unrestricted contribution revenue has been favorable and relatively steady over the past five years, averaging \$4.5 million, and the College's current capital campaign, which launched the public phase in October 2008, has raised a total of approximately \$159 million of the \$200 million goal.

Proceeds from the Series H-1 bonds will be used to finance a portion of the renovation and expansion of an academic building into a state-of-the-art science facility. Approximately \$6.0 million of Series H-1 bond proceeds will be used to finance various capital improvement projects throughout the campus. The Series H-2 proceeds will be used to refinance the Series D-2 taxable bonds, which were issued in 2000.

There being no further discussion, Ms. Rubin introduced Resolution #2011-02, Connecticut College Issue, Series H-1 & H-2. Authorizing, which resolution was included in the materials distributed to the Board. Dr. Lopez moved for adoption of Resolution #2011-02, which was seconded by Mr. Colangelo.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
Patrick Colangelo		
Robert Dakers		
Peter Lisi		
Estela Lopez		
Paul Mutone		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		

Connecticut State University System Issue, Series J & K

Mr. Morris reported that the Connecticut State University System (“CSU”) is seeking two approvals. The Series J Issue is for \$30 million in new money to fund the construction of a new student parking garage at Southern Connecticut State University, and various other capital projects. The Series K Issue will be a partial refunding of the Series E bonds in the amount of \$14.7 million for certain maturities. The net present value savings equals 4.27% (\$627,000) which is higher than CSU’s minimum saving threshold of 3%. All of the CSU transactions are SCRF backed debt, contingent upon the financial projections and findings demonstrating the adequacy of revenues to pay debt service. The Issues will need approval from the Office of Policy and Management and the Office of the State Treasurer. Mr. Morris briefly summarized the financial projections and the different revenue sources that were going to be available to cover the debt service on the Series J bonds. The SCRF backed debt has the same rating as the State’s ‘AA’ rating.

On April 27, 2011, the Governor and the Legislature announced an agreement to consolidate the governance of the Connecticut State University System, the community colleges, Charter Oak State College, and the Department of Higher Education under a single board of regents. The board of regents is to become effective July 1, 2011. Mr. Morris noted that there was still some uncertainty about the future of the System because the formal language of the reorganization bill is not yet available.

There being no further discussion, Ms. Rubin introduced Resolution #2011-03, Connecticut State University System Issue, Series J. Authorizing, which resolution was included in the materials distributed to the Board. Mr. Mutone moved for adoption of Resolution #2011-03, which was seconded by Mr. Colangelo.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
Patrick Colangelo		
Robert Dakers		
Peter Lisi		
Estela Lopez		
Paul Mutone		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		

There being no further discussion, Ms. Rubin introduced Resolution #2011-04, Connecticut State University System Issue, Series K. Authorizing, which resolution was included in the materials distributed to the Board. Mr. Mutone moved for adoption of Resolution #2011-04, which was seconded by Mr. Biancamano.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
Patrick Colangelo		
Robert Dakers		
Peter Lisi		
Estela Lopez		
Paul Mutone		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		

Connecticut Children’s Medical Center Issue, Series D

Staff recommends approval of up to \$48.0 million for the Connecticut Children’s Medical Center Issue, Series D. The Series D Issue will be directly placed with Bank of America. A final commitment from the Bank is expected within the next couple of weeks. Bond proceeds from the Series D Issue will be used to refund or refinance CCMC’s existing debt with the exception of one of CCMC’s EasyLoans which has a short maturity and a prepayment penalty. The security for the Series D issue will consist of a Gross Receipts Pledge, and a mortgage. There will be a variable rate with a monthly reset, the interest rate is based on 62.5% of one-month LIBOR plus 1.594%. There will be a twenty-five year amortization, a ten-year put by the Bank and a make-whole prepayment provision. CCMC will keep its existing interest rate swap in place and enter into a new swap for approximately the balance of the Series D issue. The combined swaps will hedge the Series D bonds with a floating rate that matches the rate on the Series D issue.

Further discussion ensued.

There being no further discussion, Ms. Rubin introduced Resolution #2011-05, Connecticut Children’s Medical Center Issue, Series D. Authorizing, which resolution was included in the materials distributed to the Board. Mr. Pollard moved for adoption of Resolution #2011-05, which was seconded by Mr. Dakers.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
Patrick Colangelo		
Robert Dakers		
Peter Lisi		
Estela Lopez		
Paul Mutone		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		

CIL Community Resources Issue, Series A

Mr. Morris reported on the Corporation for Independent Living (CIL) Issue, Series A. Staff approval is based upon a letter of credit being provided by HSBC and not the underlying credit of CIL or the provider agencies that will be leasing the properties being financed. There is no guarantee of the funding source to the agency providers. HSBC currently provides approximately \$43.6 million in credit enhancement for five CIL variable rate bond issues (including its subsidiaries). The Bank states it has an approved credit limit of up to \$75.0 million for CIL and its subsidiaries. The Bank will require a guarantee by CIL and two of its subsidiaries, CIL Realty Incorporated and CIL Realty of MA and a mortgage lien on each of the facilities in favor of the Bank. There will be no other security other than a Segregated Account which will be used in the event there is a shortfall of lease revenues to cover debt service payments and will be held by the Bank.

Further discussion ensued.

There being no further discussion, Ms. Rubin introduced Resolution #2011-06, CIL Community Resources Issue, Series A. Authorizing, which resolution was included in the materials distributed to the Board. Dr. Lopez moved for adoption of Resolution #2011-06,6 which was seconded by Mr. Colangelo.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
Patrick Colangelo		
Robert Dakers		
Peter Lisi		
Estela Lopez		
Paul Mutone		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		

Western Connecticut Healthcare Inc. Issue, Series K, L & M

Mr. Morris reported that the Authority is seeking three approvals for Western Connecticut Healthcare (“WCH”), two private placements and one public offering. WCH is seeking approximately \$45.0 million for the Series M public offering issue. In addition, WCH is seeking two variable rate private placement offerings: 1) a \$33.1 million direct placement with Citizens Bank to refund Danbury Hospital’s Series J issue variable rate demand bonds, for which the letter of credit expires in June, and 2) a \$96.0 million direct placement with J.P. Morgan to fund a portion of the new projects being partially funded by Series M. Series M will be an unenhanced public offering based on the System’s rating.

The two private placement offerings will be issued as variable rate LIBOR-based loans, with interest rates of 74% of one month LIBOR plus 175 basis points for Series K, and 74% of one month LIBOR plus 160 basis points for the Series L. Each will have a ten year put by the bank. The obligated group will also include the multi-specialty physician group, Danbury Office of Physician Services.

Further discussion ensued.

There being no further discussion, Ms. Rubin introduced Resolution #2011-07, Western Connecticut Healthcare Issue, Series K. Authorizing, which resolution was included in the materials distributed to the Board. Mr. Biancamano moved for adoption of Resolution #2011-07, which was seconded by Mr. Mutone.

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

AYES

John Biancamano
Patrick Colangelo
Robert Dakers
Peter Lisi
Estela Lopez
Paul Mutone
Bryan Pollard
Barbara Rubin
Sarah Sanders

NAYS

None

ABSTENTIONS

None

There being no further discussion, Ms. Rubin introduced Resolution #2011-08, Western Connecticut Healthcare Issue, Series L. Authorizing, which resolution was included in the materials distributed to the Board. Dr. Lopez moved for adoption of Resolution #2011-08, which was seconded by Mr. Colangelo.

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

AYES

John Biancamano
Patrick Colangelo
Robert Dakers
Peter Lisi
Estela Lopez
Paul Mutone
Bryan Pollard
Barbara Rubin
Sarah Sanders

NAYS

None

ABSTENTIONS

None

There being no further discussion, Ms. Rubin introduced Resolution #2011-09, Western Connecticut Healthcare Issue, Series M. Authorizing, which resolution was included in the materials distributed to the Board. Dr. Lopez moved for adoption of Resolution #2011-09, which was seconded by Mr. Mutone.

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

AYES

John Biancamano
Patrick Colangelo
Robert Dakers
Peter Lisi
Estela Lopez
Paul Mutone
Bryan Pollard
Barbara Rubin
Sarah Sanders

NAYS

None

ABSTENTIONS

None

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.

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Ms. MacDonald reported that there are no changes to the Financing Forecast. The Authority expects the Sacred Heart University transaction will price in the next few weeks. The bid results from the University of Hartford EasyLoan were competitive, and the University has chosen TD Bank with a ten-year term and a negotiated rate of 3.2%. The Saint Joseph EasyLoan transaction bid results are still pending and are expected within the next few weeks.

CHEFA FINANCIAL OPERATIONS

April 2011 Financial Statements

Ms. Mackewicz reported that for the ten months ending April 30, 2011, revenues exceeded expenses by approximately \$2.7 million before program expenses and \$1.5 million after program expenses. Revenues were over budget by approximately \$24,000 and expenses were under budget by approximately \$70,000. The notable item on the April 2011 balance sheet was the reduction in the Connecticut Credit Union League Student Loan Program Reserve and its reallocation to the Loan Forgiveness Program fund.

HIGHER EDUCATION SECTOR ANALYSIS REPORT

Mr. Morris presented the Higher Education Sector Analysis report for FY 2010. Overall, the results were relatively favorable due to strong investment returns and to a lesser extent operating performance. Financial resources grew from FY 2009 to FY 2010, but for many institutions, they still remain well below their peak levels reached in FY 2007. Student market demand remained stable with increases in applications over the past five years for both the private institutions as well as the Connecticut State University System. However, matriculation trends have not been favorable with steady decreases during this timeframe. Net tuition growth has become a concern for most institutions with increasing demands for additional student aid. As a result, many institutions have had to make significant reductions to their operating expenditures.

FY 2010 Financial results for the Connecticut State University System were favorable.

OTHER BUSINESS

There being no further business, at 2:00 p.m., Ms. Rubin requested a motion to adjourn the meeting. Mr. Mutone moved to adjourn and Mr. Biancamano seconded his motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
Pat Colangelo		
Robert Dakers		
Peter Lisi		
Dr. Estela Lopez		
Paul Mutone		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		

Respectfully submitted,

Jeffrey A. Asher
Executive Director