

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

January 20, 2016

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, January 20, 2016.

The meeting was called to order at 1:33 p.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: Barbara Rubin, Chair¹
John M. Biancamano²
Patrick A. Colangelo
Robert S. Dakers (Rep. Secretary Benjamin B. Barnes)
Elizabeth C. Hammer
Barbara B. Lindsay, Esq.³
Dr. Peter W. Lisi, Vice Chair
Dr. Estela R. Lopez
Paul Mutone⁴
Sarah K. Sanders (Rep. Honorable Denise L. Nappier)

ALSO PRESENT: Jeanette W. Weldon Executive Director
Kimberley Fontaine, Marketing & Philanthropy Specialist
Paula L. Herman, General Counsel
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director
Cynthia D. Peoples, Managing Director
Debra M. Pinney, Manager of Administrative Services
Jennifer Smyth, Legal Services Specialist
of the Connecticut Health and Educational Facilities Authority

¹ Ms. Rubin was present until 2:10 p.m. and after 2:32 p.m.; she participated in a portion of the meeting via conference telephone that permitted all parties to hear each other.

² Mr. Biancamano participated in the meeting via conference telephone that permitted all parties to hear each other.

³ Ms. Lindsay joined the meeting at 1:38 p.m.

⁴ Mr. Mutone participated in the meeting via conference telephone that permitted all parties to hear each other.

GUESTS: Michael Andreana, Esq., Pullman & Comley LLC
 Judith A. Blank, Esq., Day Pitney LLP
 John Brodsky, Managing Director, Fairmount Capital Advisors, Inc.
 Bruce Chudwick, Esq., Shipman & Goodwin LLP
 Daniel Connelly, Director, Fairmount Capital Advisors, Inc.⁵
 Steven Donovan, Esq., Hawkins, Delafield & Wood LLP⁶
 Laurie Hall, Esq., Hawkins, Delafield & Wood LLP⁷
 D. Scott Gibson, Executive Director, Oppenheimer & Co., Inc.
 Stella Gittens, Sr. Director, A. C. Advisory, Inc.⁸
 Edward Samorajczyk, Esq., Robinson + Cole LLP
 Eric Taylor, Esq., Harris Beach PLLC
 Joshua Nyikita, Managing Director, Acacia Financial Group, Inc.⁹
 Jane Warren, Esq., McCarter & English, LLP
 John Yarbrough, Esq., Carmody Torrance Sandak & Hennessy LLP

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the November 18, 2015 meeting of the Board of Directors. Dr. Lopez moved for approval of the minutes, which was seconded by Dr. Lisi.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin John Biancamano Robert Dakers Elizabeth Hammer Dr. Peter Lisi Dr. Estela Lopez Paul Mutone Sarah Sanders	None	Patrick Colangelo ¹⁰

Ms. Lindsay joined the meeting at this time.

⁵ Mr. Connelly participated in the meeting via conference telephone that permitted all parties to hear each other.
⁶ Mr. Donovan participated in the meeting via conference telephone that permitted all parties to hear each other.
⁷ Ms. Hall participated in the meeting via conference telephone that permitted all parties to hear each other.
⁸ Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.
⁹ Mr. Nyikita participated in the meeting via conference telephone that permitted all parties to hear each other.
¹⁰ Mr. Colangelo abstained from voting because he did not attend the November 18 Board Meeting.

FY 2016-2018 STRATEGIC PLAN

Ms. Weldon provided a brief overview of the draft Strategic Plan and stated that it was a collaborative process among officers, staff and the Board, with sessions led by a facilitator. Staff was involved in several meetings to develop the core values for the organization and also provide feedback on the strategic goals. Clients were solicited through a client survey, which was sent out to 113 institutions. Twenty-five survey responses were received.

Ms. Weldon provided an overview of the plan and pointed out that the mission was updated to include CHESLA and the vision statement was simplified. There has been staff discussion about how to best incorporate core values as a part of staff's daily activities, including consideration of posting the organizational values in the reception area, kitchen and board room.

Ms. Weldon stated that the first four strategic priority areas were incorporated from the last strategic plan and a fifth area, Ethical Culture, was added this year. She highlighted some of proposed strategies and initiatives with respect to each area. A discussion ensued and some recommendations were made. Ms. Weldon stated she will incorporate the recommendations into the draft plan and circulate the revised draft prior to the next Board meeting.

Ms. Weldon stated that the officers have discussed the initiatives to be accomplished between now and fiscal year end, June 30, 2016, such as implementation of "living" the core values and staff recognition. The Authority is working on reviewing document retention policies, evaluation of the overall Grant Program, and continual assessment of client service needs. Ms. Weldon stated that she will report back to the Board the status of achieving those initiatives. A new set of initiatives will be set for fiscal year 2017.

Ms. Rubin left the meeting at 2:10 p.m. Dr. Lisi chaired the remaining portion of the meeting.

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Mr. Morris did not have any new issues to report other than the Trinity Health issue, which will be closing on January 26, 2016.

Summary of Financings

Mr. Morris reported that the following private placement issues closed in December: Trinity College Issue, Series P, Salisbury School Issue, Series D and Ridgefield Academy Issue, Series B.

Interest Rate Update

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

Municipal Market Activity and Recent Transactions

Mr. Morris presented a report on municipal market activity and recent transactions.

SALES REPORT: TRINITY HEALTH CREDIT GROUP ISSUE, SERIES 2016CT

Mr. Morris presented the sales report on the Trinity Health Credit Group issue, Series 2016CT.

AUTHORIZING BOND RESOLUTIONS

The Charlotte Hungerford Hospital, Series D

Mr. Morris presented The Charlotte Hungerford Hospital Issue, Series D for approval for up to \$13 million. This is a direct purchase and will be sold to Salisbury Bank, and participated out to three other banks. The Hospital does not have any outstanding debt and their last bond issue was defeased in 2013. The Hospital has a Line of Credit with Santander Bank which needs to be subordinated. Proceeds will be used to expand the Hospital’s Emergency Department and relocate their cardio diagnostics department, in addition to purchasing properties located near the Hospital.

Mr. Morris reported that the Bank will be requiring a gross receipts pledge and a negative pledge on the Hospital’s main campus. There will not be a debt service reserve fund or a mortgage. Mr. Morris explained the financing structure and indicated that the Hospital will have a debt service coverage ratio of 1.10 times, and minimum unrestricted and temporarily restricted net assets to debt ratio of at least 1.0 times.

Dr. Lisi introduced Resolution #2016-1, The Charlotte Hungerford Hospital Issue, Series D, authorizing, which resolution was included in the Board materials. Mr. Colangelo moved to adopt Resolution #2016-1 and Dr. Lopez seconded the 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
Patrick Colangelo		
Robert Dakers		
Elizabeth Hammer		
Barbara Lindsay		
Dr. Peter Lisi		
Dr. Estela Lopez		
Paul Mutone		
Sarah Sanders		

Fairfield University Issue, Series Q

Mr. Morris presented the Fairfield University Issue, Series Q for approval for up to \$90 million. He stated that the size of the issue will be approximately \$50 million for the new money portion. The University may want to refund its 2008 Series M Issue, but due to the negative arbitrage, it is not economic at this time. Proceeds will be used to finance the construction and renovation of a number of capital projects associated with the University’s Campus Master Plan.

Mr. Morris stated that the University's Campus Master Plan includes the following: \$34.0 million for a new Health Sciences building; \$22.0 million for the construction of a new residence hall; \$12.0 million to expand dining capacity in the campus center; \$4.0 million to upgrade and convert a former Jesuit Community living facility to student housing; and \$5.0 million for miscellaneous construction, renovation, improvements, equipment and furniture. The total project costs are estimated at \$83.0 million. Thirty-three million dollars will be funded with the University's equity and capital campaign funds. Mr. Morris stated that the University received a \$10 million gift for the Health Science Center.

Mr. Morris reported that the University's demand remains strong for the upcoming fiscal year; and for Fall 2016, they will have a record number of applications. Their selectivity rate is at approximately 65%. The University had more early decision candidates to make, which should help their matriculation rate. The University has increased enrollment, which is just below 4,000. The University has very strong operating and operating cash flow margins with adequate debt service coverage. In addition, they have lowered their endowment draw from 4.25% to 4.0% this year.

Mr. Morris stated that the University's fundraising has raised \$125 million of a \$160 million capital campaign goal, and they are confident they are going to reach that goal by 2017. He reported that the University received a Moody's rating of "A3", and a Standard & Poor's rating of "A-" is expected, both with a Stable Outlook. The underwriter and the University requested that no debt service coverage ratio and no additional bonds test be required, which recently has been accepted in the market for "A" rated credits.

Mr. Morris reported that the University has three other series outstanding maturing in 2028, 2029 and 2040. He added that although they have covenants in those documents, if they refund the three series, they would go forward with no covenants at all. A discussion ensued.

Ms. Rubin rejoined the meeting at this time.

Dr. Lisi introduced Resolution #2016-2, Fairfield University Issue, Series Q, authorizing, which resolution was distributed in the Board materials. Dr. Lopez moved to adopt Resolution #2016-2 and 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>
Barbara Rubin	None	None
John Biancamano		
Patrick Colangelo		
Robert Dakers		
Elizabeth Hammer		
Barbara Lindsay		
Dr. Peter Lisi		
Dr. Estela Lopez		
Paul Mutone		
Sarah Sanders		

PRELIMINARY STAFF MEMO

Seabury (Church Home of Hartford) Issue, Series 2016

Mr. Morris presented the Seabury Issue, Series 2016, a public offering for approximately \$75 million of permanent and temporary debt. This will be the Authority's first below investment grade public offering. The bonds will be sold in \$100,000 denominations with an Investor Letter required. The underwriter, Ziegler, requested that they be the purchaser and sign the Investor Letter, knowing that the Investor Letter limits the subsequent sale to qualified institutional buyers and accredited investors. The transaction will be sold with three series of bonds consisting of permanent debt and two series of temporary debt, which will be paid down with entrance fees.

Mr. Morris reported that the security will be a pledge of revenues, mortgage and debt service reserve fund for each of the maturities. In addition, there will be an operating reserve fund to be funded with entrance fees up to \$1.5 million, which can also be used to pay off the temporary debt if needed. Once the temporary debt is paid off, the fund will be closed.

The core project consists of new construction of 68 new independent living apartments and 12 additional skilled nursing beds, reconfiguring 14 existing assisted living units, and a number of renovations and improvements. The total cost of the project is estimated at approximately \$61.2 million.

Mr. Morris pointed out that Seabury's net operating margin is positive, and just below the below investment grade median. Their cash on hand falls in between the investment grade median and below investment grade median level. Their historical pro forma debt service coverage is just below 1.0 times, so revenues from the new independent living units will be needed to cover debt service. Maximum debt service to revenues is very high, and there is very weak cash to debt, once the debt is in place. He reported that Fitch met with Seabury last week.

Mr. Morris added that a feasibility study is in the process of being completed and will be reviewed by staff and the financial advisor. Before Seabury can start construction, they must meet a 60% pre-sale requirement. At this time, they have approximately 45% sold. Purchasers have to provide a 10% deposit, which is refundable, less a 2% fee, if they cancel. The facility feels confident that they will reach the 60% level by the end of January 2016.

A discussion ensued.

CHEFA FINANCIAL OPERATIONS

November 2015 Financial Statements

Ms. Mackewicz reported on the financial statements for the five months ending November 30, 2015. Revenues were over expenses by approximately \$1.8 million before and approximately \$826,000 after program related expenses. For bond issuance, the Authority's new money transactions are trending well below prior years, but should be more in line once the bond deals, discussed earlier in the meeting, are closed.

Revenues, year-to-date, are over budget by approximately \$36,000 and expenses year-to-date are under budget by approximately \$95,000.

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon reported that Ms. Peoples and Ms. Mackewicz sent out a Request for Proposal for an Independent Auditor and eight responses were received. Interviews will be held in February and a recommendation will be made to the Audit-Finance Committee on February 17.

Mr. Morris, Mr. Wasch and Ms. Weldon will meet with the co-chairs of the Higher Education Committee next week to discuss the Authority's recent activities and legislative agenda. The cross-border concept will be discussed, as well as some discussion of CHESLA activities.

Ms. Weldon stated that included in today's handouts was a copy of the CHESLA Legislative Report which is due on February 1, 2016. She added that CHESLA is moving forward with development of a student loan refinance product. They are working with an outside firm and hope to launch the pilot program in spring/summer.

Ms. Weldon invited the CHEFA Board to attend the CHESLA Board meeting next week. A copy of the CHESLA Board package was sent to the CHEFA Board members for information purposes. She extended an invitation to the Board for anyone interested in staying after today's board meeting for an information session on CHESLA's basic functions and the Authority's initiatives.

ADJOURNMENT

There being no further business, at 3:06 p.m. Dr. Lisi requested a motion to adjourn. Mr. Colangelo moved to adjourn the meeting and Dr. Lopez seconded the motion.

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

AYES

Barbara Rubin
John Biancamano
Patrick Colangelo
Robert Dakers
Elizabeth Hammer
Barbara Lindsay
Dr. Peter Lisi
Dr. Estela Lopez
Paul Mutone
Sarah Sanders

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director