

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Minutes of Authority Board Meeting – April 27, 2010

The State of Connecticut Health and Educational Facilities Authority met at 2:00 p.m. on Tuesday, April 27, 2010.

The meeting was called to order at 2:09 p.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Upon roll call those present were as follows:

PRESENT: William Cibes, Jr., Ph.D.
Patrick Colangelo, Vice Chair
John Mengacci (Rep. Secretary Robert Genuario)
Bryan Pollard, Esq.
Barbara Rubin, Chair
Sarah Sanders, (Rep. Honorable Denise Nappier)
John Biancamano
Benson R. Cohn

ABSENT: None

ALSO PRESENT: Jeffrey A. Asher, Executive Director
Kimberley Fontaine, Marketing and Philanthropy Manager
Paula Herman, General Counsel
Tara Keating, Grants Administrative Assistant
Eileen MacDonald, Manager, New Business/EasyLoan Program
Joanne Mackewicz, Controller
Michael Morris, Assistant Director
Cynthia Peoples, Assistant Director
Debra Pinney, Manager, Administrative Services
Jennifer Smyth, Manager, Legal Services
David Wasch, Manager, Government Programs
Jeanette Weldon, Managing Director
of the Connecticut Health and Educational Facilities Authority

GUESTS: Michael Andreana, Esq., Pullman & Comley
Jeremy Bass, Consultant, Public Financial Management
Coleman Casey, Esq., Shipman & Goodwin LLP
Estelle Dick, Assistant Vice President, JPMorgan Chase Bank
Jason Krechko, Engineer, GZA GeoEnvironmental, Inc.
Edward J. Samorajczyk, Jr., Esq., Robinson & Cole LLC
Tiffany Stevens, Esq., McCarter & English LLP
Christopher Valentino, Lamont Financial Services Corp.
Noreen White, Co-President, Acacia Financial Group, Inc.
John Yarbrough, Esq. Carmody & Torrance LLP
Richard Wasserman, Esq., Day Pitney LLP

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the March 30, 2010 Board of Directors meeting. Dr. Cibes moved for approval of the minutes, which was seconded by Mr. Colangelo.

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

AYES

William Cibes
Patrick Colangelo
John Mengacci
Bryan Pollard
Barbara Rubin
Sarah Sanders

NAYS

None

ABSTENTIONS

Benson Cohn
John Biancamano

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Ms. MacDonald reported that there is one new issue for Danbury Hospital. There are two new EasyLoans, the first is an EasyLoan for Bristol Hospital and the second is an EasyLoan for Hartford Hospital; both will be reported on later in the meeting.

Danbury Hospital Issue, Series K & L is for \$125 million unenhanced. The money will be used to construct a new patient tower and expand their emergency department. Also, Bristol Hospital and Hartford Hospital EasyLoans will be presented during this meeting. A possible \$30 million refunding for Trinity College may be presented at the May Board of Directors Meeting.

Ms. MacDonald reported that the Summary of Financings report reflects that there were two closings since last month. Catholic Health East closed on April 7, 2010, and Westminster School closed on April 14, 2010. The EasyLoan for Connecticut Children’s Medical Center closed on April 22, 2010 for \$6 million, and locked in a rate of 4.11%. Wesleyan University is pricing today with a closing expected in May 2010.

Staff met with the Foote School on April 16, 2010 and will meet with the University of Bridgeport next week to discuss the possibility of refunding their Series B Issue with \$8 million of new money as a private placement.

Interest Rate Update and Market Update

Ms. Peoples reported that the Dow Jones Industrial Average (‘Dow’) is up from 10895 reported in March 2010 to 11205 as of April 26, 2010. As of 1:30 p.m. today, the Dow was down about 115 basis points. On taxable and tax-exempt interest rates, the 30-Year Treasury has the most notable change, down about 0.15%. The Connecticut Short Term Investment Fund is a standout among money market funds at approximately 25 basis points. Today’s yield curve indicates that

the lower end of the curve's yields are higher at about two basis points, and on the long end of the curve, the yields are from about three to twelve basis points lower. On the Economic Calendar, the Home Price Index came in a little lower than estimated this morning, and the Consumer Confidence came in a little higher than estimated.

Ms. Weldon reported that the Market Update regarding Health and Education transactions included two healthcare transactions, Conemaugh Valley Memorial Hospital and Bethesda Healthcare System; both were insured with different underlying ratings. Their pricing highlights the impact of the underlying rating. Conemaugh Valley Memorial Hospital was rated "Baa1" underlying; Bethesda Healthcare System was rated "A3" underlying. The 30-year maturity for Bethesda Healthcare System came in with a lower yield than the 25 year maturity for the Conemaugh transaction. There are many other factors that could have come into play in the pricing, although the underlying ratings appeared to have an impact. There were three higher education transactions that were listed on the monthly report; in addition Wesleyan University sold \$185 million in the market today which was senior managed by Goldman Sachs. The bonds are rated "AA3/AA" and it was well received. Many of the maturities were oversubscribed. The first maturity was 2023 and the final maturity was 2039. Some of the maturities were over five times oversubscribed. The University ended up with a 2039 final maturity with a yield of 4.35% which is MMD plus 25 basis points, a good deal for the University.

FINAL STAFF MEMOS

Bristol Hospital, EasyLoan

Ms. MacDonald reported Bristol Hospital and Health Care Group ("BHHC") has filed an application to finance approximately \$6.3 million of equipment under the EasyLoan Program. Proceeds from the loan will be used for replacement of the Hospital's Clinical Information System, and to pay costs of issuance. Since this is below \$10.0 million Staff is providing this as information to the Board.

BHHC is the sole member of the Bristol Hospital Development Fund; Bristol Hospital, Incorporated; Bristol Health Care, Inc. and Subsidiary (operates Ingraham Manor, a skilled nursing facility); and Bristol Health Services. Bristol Health Services is the holding company for Central Connecticut Medical Management, Inc. and Bristol Hospital EMS, LLC.

BHHC has approximately \$40 million in debt outstanding, including approximately \$31.1 million in CHEFA debt outstanding for Bristol Hospital. A \$3.3 million EasyLease issue for Bristol which was financed in 2005 was paid in full in January of this year.

Bristol Hospital is licensed for 154 beds and currently staffs 128 beds. The Hospital's patient days (excluding newborn) averaged approximately 35,000 over the last four fiscal years. Average length of stay averaged 5.0 days during this period. Emergency room visits remained relatively flat over the past five fiscal years, averaging 40,000. Surgical procedures declined approximately 12.0% for the same period, from 4,228 to 3,715. Approximately 58% of the payers at the Hospital are Medicaid/Medicare.

Hartford Hospital, EasyLoan

Ms. MacDonald reported that Hartford Hospital has filed an application for an EasyLoan totaling approximately \$20.0 million. The Lender will be TD Bank Equipment Leasing. The term of the

loan will be for up to seven years at a floating interest rate based on 69% of the one-month taxable LIBOR rate plus 225 basis points.

Proceeds from the loan will be used for the following:

- Radio-oncology system
- DaVinci Robot
- DMX computer storage system
- Ultrasound machines
- Hansen Robot
- CSO Denial Management Software
- LifeStar Helicopter (including fit-out)
- Miscellaneous equipment

Currently, the Hospital has approximately \$45.9 million in CHEFA debt outstanding, and is a guarantor on the 1997 Veterans Memorial Medical Issue (\$40.9 million outstanding) and a guarantor on the total return swap for the 2007 Windham Hospital Issue (\$19.6 million outstanding). Staff recommends approval of this financing, as long as the Hospital provides consent from the Bank of America, the letter of credit provider on its bond issues, regarding property financed under the EasyLoan; and an adequate insurance certificate regarding the equipment to be financed (helicopter) naming the Authority as an additional insured.

The Hospital is licensed for 819 beds and currently staffs approximately 700 beds. Patient days decreased 4.7% over the past five fiscal years, from 216,191 to 206,114 days. For the five months ending February 28, 2010, patient days of 85,833 were down slightly from the same period last year of 86,392. Average length of stay (“ALOS”) decreased from 6.2 days in FY 2008 to 5.5 days in FY 2009. The ALOS for the five months year-to-date FY 2010 was 5.6 days.

Emergency room visits increased 11.97% over the past five fiscal years from 80,473 to 90,108 visits. For the five months ending February 28, 2010, emergency room visits decreased 8.75% over the same period last year. Outpatient surgeries declined 5.7% from FY 2006 for FY 2007, and then increased 12.3% in FY 2009. For the five months ended December 2009, outpatient surgeries declined approximately 2.0% over the same period in 2008.

Ms. Sanders inquired how much the LifeStar Helicopter costs. Mr. Asher replied that he believed the helicopter costs approximately \$2 million.

Ms. Rubin requested a motion for approval of the Hartford Hospital EasyLoan. Mr. Mengacci moved for approval, which was seconded by Mr. Cohn.

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

AYES

William Cibes
Patrick Colangelo
John Mengacci
Bryan Pollard
Barbara Rubin
Sarah Sanders
John Biancamano
Benson Cohn

NAYS

None

ABSTENTIONS

None

Stamford Hospital Issue, Series I

Mr. Morris provided an update from last month’s Board meeting stating that Stamford Hospital received an “A” rating from Standard and Poor’s. The transaction will be unenhanced. Assured Guaranty made a proposal to the Hospital which provided little economic benefit. The final maturity has been moved from 2035 to 2030.

With respect to covenants for the Parent as Guarantor, Staff originally proposed a 75 days cash on hand test and 65% cash to debt test for the Hospital and Parent. However, Staff has reviewed recent market transactions, current CHEFA transactions and the potential dollar impact. For FY 2011, the Hospital expects to incur expenses of approximately \$1.3 million a day. At 60 days requirement, that equals \$78.7 million; the 75 day requirement brings that up to \$98.3 million. Given where the Hospital’s level is now, the 60 day requirement equates to a cushion ratio of almost 7.5 times of unrestricted cash investments to their annual debt service. In absolute terms; that is quite good.

Staff proposes that in the event of a transfer to any non-Obligated Group, the Hospital would be required to meet the 60 days cash on hand test following the transfer along with placing a restriction on the Parent’s ability to provide guarantees. The Hospital has requested that CHEFA provide a carve-out for any transfers that are made to entities under the corporate control of the Guarantor such as start-up physician practices.

Mr. Asher added that an email came in this morning from the Hospital reiterating the request for the ability to transfer the money without limitation to any affiliate within their system, even when such affiliates are not part of the Obligated Group. Ms. Rubin stated that there should not be exclusion for their affiliate’s ability to transfer money out of the system. Ms. Weldon stated that the email was a request, and CHEFA Staff are still recommending that the 60 days test remain in order to transfer outside of the Obligated Group. Mr. Asher mentioned that the Hospital wants the flexibility and ability to invest in their physician practices because it will provide new practices which will contribute to the bottom line of the Hospital. Ms. Weldon stated that the Hospital would like provisions added to the agreement which protect against unforeseen market downturns which would impact covenants. Further discussion ensued by the Board. It was observed that support of physician practices could be a heavy drain on assets.

Mr. Morris reiterated that CHEFA Staff is structuring the agreement to require the 60 days cash on hand after transfers outside the Obligated Group.

The additional Guarantor covenant would be a restriction on granting of guarantees. The Hospital would use the existing indebtedness testing in the Master Trust Indenture. Ms. Weldon stated that the Hospital also wants to be able to guarantee debt of entities that are outside of the Obligated Group without limitation, and Staff at CHEFA is requiring compliance to the indebtedness test. Further discussion ensued.

Ms. Weldon added that the Hospital has repeatedly expressed their concerns regarding their strategic initiatives and flexibility being compromised as well as being told by their underwriter that they can sell the bonds without these additional restrictions. Ms. Rubin inquired what the Staff's recommendation is on the second piece. Mr. Morris affirmed that CHEFA recommends a prohibition on guarantees by the Hospital Guarantor unless the Guarantor can meet the relevant portions of the additional indebtedness test in the Master Trust Indenture.

Ms. Rubin requested a motion for approval of the Stamford Hospital Issue, Series I subject to the proposed 60 days cash on hand requirement before and after any transfer of assets and the proposed restriction on guarantees. Mr. Mengacci moved for approval, 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>
William Cibes	None	None
Patrick Colangelo		
John Mengacci		
Bryan Pollard		
Barbara Rubin		
Sarah Sanders		
John Biancamano		
Benson Cohn		

CHEFA FINANCIAL OPERATIONS

March 2010 Financial Statements

Ms. Mackewicz reported that for the nine months ending March 31, 2010, revenues over expenses were approximately \$2.0 million before and after program related expenses. Revenues were under budget by approximately \$189,000 and expenses were under budget by approximately \$97,000. There were no other notable items this month.

Ms. Rubin questioned if the CHEFA Fees were under budget by \$153,000 due to the delay of new issuance. Ms. Mackewicz confirmed that it was due to the delay of the Yale deal, originally

budget for August, which closed in February and mentioned that three other deals closed in March and that the associated fees were not reflected at 100% of the monthly amount in this month's report.

AUDIT-FINANCE/HUMAN RESOURCES COMMITTEE REPORT

Mr. Cohn reported that the Audit-Finance and Human Resource Committees met jointly today at 1:00 p.m. to discuss the proposed Compensation and Benefits Budget for FY 2011. There was a split in the group concerning increases. The proposal approved was based on a split vote, which revised the Staff recommendation downward. The Employee Incentive Plan pool for FY 2011 would remain at 75% of the amount potentially available under the Authority's Employee Incentive Plan, the reduced level at which it was fixed for FY 2010. The total pool available for compensation adjustments would be calculated on the basis of potential adjustments of 3% for Senior Management and 4.5% for all other Managers and Staff. Mr. Asher added that this amount would also include any labor grade adjustments.

EXECUTIVE DIRECTORS REPORT

- Mr. Asher reported that the Connecticut Credit Union Student Loan Program expired on December 31, 2009. He indicated that although the Credit Union League has been unable to provide definitive numbers, it is believed that approximately \$6 million total in loans was made under the program. If so, this would require ongoing reserves of less than 50% of the dollars set aside by CHEFA for that program. The additional money would have been returned to CHEFA's general reserves. However, at least two proposals have surfaced for using the remaining \$1.5 million. The Governor originally submitted proposed legislation to create a loan forgiveness program for students in Connecticut studying Green Technology and Health Sciences, but CHEFA was pulled from that legislation. A second bill was then amended to include a continuing CHEFA guaranteed student loan program. It seems likely that this bill will be passed by the House and the Senate. This bill would transfer \$1.5 million of the unused reserve to the extended Connecticut Student Loan Program to provide a 20% first loss guarantee. Ms. Rubin stated that CHEFA will still be in the same fiscal position, and that the money is just being moved around. Mr. Asher mentioned there has been some discussion with respect to the extended Student Loan Guarantee Program regarding CHEFA's managing the relationships with the credit unions, reviewing the monthly reports and miscellaneous other duties. Further discussion ensued as to whether this would be an appropriate undertaking for CHEFA. Mr. Asher stated that he is confident that the administrative responsibilities can be structured so that they could be managed.

Mr. Asher then reported on several other developments.

- There is currently a bill in the legislature on quasi-public agency compliance audits. The bill provides that the Auditors of Public Accounts would audit quasi-publics on a bi-annual basis, and would have the option, depending on the situation, to hire someone on the outside to do the compliance audits. By statute, if an outside auditor is hired, the Authority would be responsible for the cost of that audit.

- There was legislation passed last year that required the Authority to report quarterly revenue and expenses to the Office of Fiscal Analysis. There is an amendment that may be passed that would require the Authority to report all cash collection, expenditures, cash balances, positions created, positions filled, and staffing information on a quarterly basis.
- The Governor recently named a Healthcare Reform Cabinet to oversee the implementation of federal healthcare reform and its effects within Connecticut, and the Authority has been appointed and will serve on that Cabinet.
- One of the major holders of the Greenwich Family YMCA bonds has tendered its bonds (approximately \$13 million) forcing a draw on the JP Morgan Chase letter of credit, which the YMCA is not expected to be able to reimburse.

Mr. Asher stated that Statements of Financial Interest are due by May 1st and have been submitted already by all Board members excepts one. The bill pending, Senate Bill# 289, would require that Statements of Financial Interest (SFI) be filed on-line. In addition, it would require the State Ethics Commission to provide on-line, public access to the information provided in the SFI via the internet. The bill is on the Senate calendar and ready to be brought to the floor. There is an amendment being attached to the bill which may delay it coming to the floor. The session ends May 5th, and it may not come up. If it is approved, Staff will attempt to meet with the Office of State Ethics before the next legislative session requesting that CHEFA work together, with all of the quasi-public agencies in the State, to begin talking about the level of detail and risks that are presented because of the information which becomes available on-line. Mr. Cohn stated that his fear is that organizations like CHEFA will not be able to get a quorum on the Board of Directors if such legislation is effected.

OTHER BUSINESS

Change in Board Meeting Time

Mr. Asher stated that the survey results indicated that Board members generally were okay with the current meeting time, but suggested moving the meeting time up slightly to make full use of the lunch hour for meeting. This would result in Board Meetings held at 1:00 p.m., 11:00 to 12:00 p.m. for Committee Meetings depending on the number of meetings that day. The Board members agreed to change the meeting time to 1:00 p.m. on Tuesdays. The Authority will file notice with the Office of the Secretary of State and make the meeting time public upon completion of the necessary formalities.

The next Board of Directors meeting will be held on May 25, 2010 at 1:00 p.m.. Due to statutory notice requirements; it will be noticed as a special meeting.

There being no further business, at 3:03 p.m., Ms. Rubin requested a motion to adjourn the meeting. Mr. Colangelo moved to adjourn and Mr. Mengacci seconded the motion. All were in favor.

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

AYES

William Cibes
Patrick Colangelo
John Mengacci
Bryan Pollard
Barbara Rubin
Sarah Sanders
John Biancamano
Benson Cohn

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeffrey A. Asher
Executive Director