

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting – April 22, 2008

The State of Connecticut Health and Educational Facilities Authority met in session at the Authority's office at 10 Columbus Boulevard, Hartford, Connecticut at 2:00 p.m. on Tuesday, April 22, 2008.

The meeting was called to order at 2:04 p.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Upon roll call those present and absent were as follows:

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

ABSENT: Steven Blackburn, Ph.D.  
Bryan Pollard

ALSO PRESENT: Richard Gray, Executive Director  
Jeffrey Asher, Managing Director/CFO  
Paula Lacey Herman, General Counsel  
Michael Morris, Assistant Director  
Cynthia Peoples, Assistant Director  
Eileen MacDonald, Manager, New Business/EasyLoan Program  
JoAnne Mackewicz, Controller  
Debra Pinney, Manager, Administrative Services  
Jennifer Smyth, Manager, Legal Services  
Amy Trombley, Administrative Assistant  
David Wasch, Manager, Child Care Programs  
of the Connecticut Health and Educational Facilities Authority

Michael Andreana, Esq., Pullman & Comley  
Jeremy Bass, Consultant, Public Financial Management  
Coleman Casey, Esq., Shipman & Goodwin LLP  
Steven Humes, Esq., McCarter & English  
Edward Samorajczyk, Jr., Esq., Robinson & Cole LLP  
Namita Shah, Esq., Day Pitney LLP  
Christopher Valentino, Associate, Lamont Financial Services Corp.  
Jeanette Weldon, Sr. Managing Director, P.G. Corbin & Company  
John Yarbrough, Esq., Carmody & Torrance LLP

**GUESTS**

D. Scott Gibson, RBC Capital Markets  
Janene McIntyre, Esq., Lewis & Munday  
Julie A. Balerna, Vice President, Bank of New York Mellon

**MINUTES**

Ms. Rubin requested a motion for approval of the minutes of the March 25, 2008 Board of Directors meeting. Mr. Mengacci moved for approval of the minutes, which was seconded by Mr. Colangelo. Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

**AYES**

John Biancamano  
William Cibes, Jr.  
Patrick Colangelo  
Benson Cohn  
John Mengacci  
Barbara Rubin  
Sarah Sanders

**NAYS**

None

**ABSTENTIONS**

None

Dr. Sullivan joined the meeting at 2:07 p.m.

**CHILD CARE FACILITIES SECTOR ANALYSIS REPORT**

David Wasch, Manager, Child Care Programs of the Connecticut Health and Educational Facilities Authority, conducted a sector analysis presentation for the three specialized child care facility financing programs (as provided for in Public Act 97-259) offered by Connecticut Health and Educational Facilities Authority. His presentation proceeded as follows:

**Tax-Exempt Financing Program**

To date, there is currently \$75 million in outstanding tax-exempt loans for all of the projects under this program. The Series G Issue is currently anticipated to close in July 2008.

Six applicants requested funding for the construction or renovation of 1,013 spaces (including 198 new).

Connecticut Health and Educational Facilities Authority also received applications for Series H; which is expected to close in one year. This includes six applications totaling \$24 million.

**Guaranteed Loan Program**

Connecticut Health and Educational Facilities Authority currently has a maximum of \$21 million to lend through seven banks in the consortium, each of which contributes \$3 million to lend. There is \$6.9 million currently outstanding. The Authority has approved an additional loan for Bridges School totaling \$3.2 million.

### Small Direct Revolving Loan Program

Connecticut Health and Educational Facilities Authority has closed fifty-two projects and the Connecticut Community Investment Corporation is currently reviewing seven additional applicants.

### “Early Childhood Facility Plan”

Mr. Wasch also discussed the “Early Childhood Facility Plan”, the interim draft of which was released in December 2007. The Authority is working together with SDE to develop a statewide plan, comprised of a community outreach component, analyzing the facility needs of four pilot communities (Hartford, West Hartford, New Haven and Hamden), and a list of policy recommendations (more information on this to follow by Mr. Wasch).

Mr. Wasch informed the Board that funding has become available for a “technical assistance” entity (e.g., set of personnel) to assist applicants during the financing process. The funds allocated for the technical assistance group are \$50,000 for 2008 and \$100,000 for 2009.

Ms. Rubin thanked Mr. Wasch for his presentation and commended him on a job well done.

## **CURRENT AND PENDING BOND ISSUES**

### **Financing Forecast**

Ms. MacDonald reported that the Financing Forecast dated April 11, 2008 included the following five new applications:

- Eastern Connecticut Health Network - \$15 million (new)
- Hospital of Central Connecticut - \$33 million (refunding)
- Danbury Hospital - \$36 million (refunding)
- The Taft School - \$16 million (new) and \$16.5 million (refunding)
- Kent School - \$10.5 million

### **Summary of Connecticut Health and Educational Facilities Authority Financings**

Ms. MacDonald noted that refunding closings were held for Choate School on April 2, 2008, Saint Joseph College on April 3, 2008 and Fairfield University on April 10, 2008. Conversion closings on schedule for Wesleyan, Yale University and Middlesex, with sales updates to be provided today. Quinnipiac’s conversion closing will be held today, April 22, 2008. Upcoming conversion closings include Yale University scheduled for May 1, 2008 and the Griffin conversion to variable rate demand bonds from auction rate securities scheduled for May 7, 2008.

### **Interest Rate Update**

Ms. Peoples presented the interest rate market update. The economy continues to contract, but inflation still remains an issue, noting commodity prices continue to rise globally. Oil is over \$118 per barrel, double its price a year ago. Gold was as high as \$1,032 per ounce, and is currently at \$922 per ounce. There have been sharp increases in the Treasury yield curve. Spreads have narrowed some, but still remain wide. Since last reported, the thirty-year Treasury is up approximately 13 basis points, the Revenue Bond Index is down 9 basis points. Libor is up

30 basis points, and the Securities Industry and Financial Markets Association Index is down 23 basis points.

Mr. Gray mentioned an article he read from The Bond Buyer entitled “Libor’s Rise May Sock Many Borrowers”, noting how the sharp and unexpected rise in the widely used interest rate is threatening to add billions of dollars to the interest bills of homeowners, companies and other borrowers around the world.

## **Sales Reports**

### **Choate Rosemary Hall Issue, Series D**

Mr. Bass presented the Sales Report for Choate Rosemary Hall Issue, Series D for approximately \$42 million which will be used to refund all of the outstanding Choate Rosemary Hall Issue, Series C bonds that were issued on June 21, 2007. The proceeds of the Series C bonds were used together with certain other moneys to finance or re-finance the costs of the (i) construction and equipping of two new student and faculty residence halls on the main campus, each residence hall containing 40 student beds and 4 faculty apartments, and each approximately 28,700 square foot and a breezeway connecting the two buildings; (ii) various other capital expenditures for improvements and/or acquisition of equipment related to the foregoing; to refund all of the Authority’s outstanding Series B bonds dated as of June 15, 1998 (par amount \$28,035,000); to capitalize interest on the Series C bonds and; to pay certain costs of issuance and credit enhancement fees with respect to the Series C bonds. Cost of issuance on this issue was \$315,000.

### **Fairfield University Issue Series M**

Mr. Valentino presented the Sales Report for the Fairfield University Issue, Series M for approximately \$39 million which was issued to refund the University’s Series K and Series L-1 (Second Tranche) auction rate bonds, and to fund a Debt Service Cash Reserve fund and costs of issuance in connection with the Series M bonds.

The transaction was unenhanced and sold in fixed-rate mode. They were rated “A3/A-” by Moody’s and Standard and Poor’s, reflecting the underlying rating of the University. The Series M bonds were underwritten by JP Morgan Securities for approximately \$4.76 per bond and priced on April 3, 2008. This transaction closed on Thursday, April 10, 2008. The Fairfield University Series M issue is structured to mature on July 1, 2034, with serial maturities on each July 1 from 2008 to 2027, and a term bond maturing on July 2, 2034.

### **Middlesex Hospital Issue Series M**

Ms. Weldon presented the Sales Report for the Middlesex Hospital Issue, Series M, for approximately \$16 million. The proceeds of the sale of the Series M bonds were used for (i) refunding the Authority’s Revenue bonds, Middlesex Hospital, Series K auction rate security bonds, (ii) funding the Debt Service Cash Reserve Fund Requirement for the Series M bonds; and (iii) paying certain costs of issuance and bond insurance premiums incurred in connection with the issuance of the Series M bonds. The bonds were initially issued in an auction rate mode and converted to a fixed-rate through this remarketing.

### **Quinnipiac University Issue, Series K-1 & K-2**

Mr. Bass presented the Sales Report for the Quinnipiac University Issue, Series K-1 & K-2 conversion for approximately \$116 million (K-1 conversion for approximately \$64.5 million and K-2 conversion for approximately \$51.7 million). The purpose of this issue was to convert the 2007 Series K-1 and K-2 MBIA insured 7-day auction rate securities to traditional fixed-rate bonds. The original purpose of the Series K-1 Bond Issue was to (i) refund and defease the Authority's Revenue bonds, Quinnipiac University Issues, Series F and Series G and (ii) pay costs of issuance of the Series K-1 bonds. The original purpose of the Series K-2 bond issue was to (i) advance refund and defease the Authority's Revenue bonds, Quinnipiac College Issue, Series E and (ii) pay costs of issuance of the Series K-2 bonds.

#### **Wesleyan University Issue, Series D & E**

Ms. MacDonald discussed the Wesleyan University Issue, Series D & E for approximately \$155 million. Series D was converted at an initial rate of 2.05% (weekly mode) and the Series E was converted at an initial rate of 1.40% (daily mode) on March 26, 2008. The rate on Series E was lower than the weekly mode Series D due to the out performance of the daily market at that time.

#### **Yale University Issue, Series Z-2 & Z-3**

Ms. Peoples reported the Yale University Issue, Series Z-2 & Z-3 bonds, converted on March 20, 2008 for \$200 million to fixed-rate with a single bullet maturity due in 2042. The bonds priced at par with a 5.05% yield. There is a 9-year par call in 2017. The sale was 1.3 times over subscribed and the investor profile was primarily composed of investment managers and bond funds. The client was satisfied with the rate, given the volume and the long maturity.

#### **Yale University Issue, Series T-1 & X-3**

Ms. Peoples presented the Sales Report on the Yale University Issue, Series T-1 & X-3 bonds. On April 7, 2008, Yale converted \$250 million of their series T-1 and X-3 bonds from a daily rate to a fixed-rate. The Series T-1 Bonds, due in 2029, priced at par at 4.70% and the Series X-3 bonds, due in 2037 priced at par at 4.85%. Both locked in a 9-year par call. Market conditions were favorable and both were oversubscribed at initial pricing rates of 4.75% and 4.875% respectively for the T-1 and X-3 bonds, allowing the yields to be reduced.

### **PRELIMINARY STAFF MEMOS**

#### **Hopkins School Issue, Series B**

Mr. Morris presented the Preliminary Staff Memo for Hopkins School Issue, Series B, for approximately \$19 million [approximately \$11 million (new) and approximately \$8.3 million (refunding)]. Based on market conditions, the School is looking to refund the 1998 Series A fixed-rate issue of approximately \$8.3 million, which is insured by AMBAC. Currently there are minimal net present value savings of less than 1%. The School is meeting with Standard & Poor's and Moody's on May 1, 2008. Preliminary indications of the ratings are expected to be a high "A" or "Aa".

The new money portion of the Series B bonds proceeds will be used to finance all or a portion of: (i) construction of a new 37,000 square foot Academic and Arts building to house classrooms,

music rooms, resource rooms and visual art studios; (ii) construction of a new Maintenance building; (iii) costs associated with the demolition of two existing buildings.

The Underwriter, Lehman Brothers, will be soliciting bids from both Assured Guaranty and Financial Security Assurance (the only two "AAA" insurers with Stable outlooks). The decision to proceed with bond insurance will depend on the premiums quoted by the insurers and the underlying ratings received by the School and market conditions.

The security provisions for the Series B issue bond transactions have not been finalized, but will depend on the outcome of the ratings, as well as if the bonds will be insured. In any event, the bonds will have, at a minimum, a Tuition Receipts Pledge. Based on the preliminary discussions, the School has requested that the Authority consider not requiring a mortgage or Debt Service Reserve Fund for the Series B Issue. However, if the Series A bonds are not refunded, a Debt Service Reserve Fund will be required because the Series B bonds will be on a parity basis with the Series A bonds.

Structure of the Series B Issue will consist of a fixed-rate, \$5,000 denomination and final Maturity on July 1, 2038.

Demand trends are favorable. There has been an increase in enrollment at the School. The applicant pool is stable, averaging at 430 for the last five years.

The School has a strong balance sheet indicating a strong improvement over the past five years. Cash and investments are up 75% as of June 2007 and expendable resources cover pro forma debt at 2.83 times and operations at 2.85 times. Both fall between Moody's "Aa" and "A" medians. The School maintains favorable operations and operating surpluses, with an operating margin of 10% in FY 2007. Debt Service is manageable, with an annual Debt Service burden for FY 2007 of 7.4%. The Debt Service Coverage Ratio on a pro forma basis for FY 2007 is favorable at 2.8 times, which excludes gains, employs a 5% endowment draw, and includes only annual fund contributions.

The School has raised \$26 million from their Capital Campaign, which has a \$35 million preliminary goal. To date, the School has collected \$13.2 million. Annual giving has increased by approximately 70% over the past five years resulting in \$1.3 million for FY 2007.

Ms. Rubin asked if Mr. Morris was recommending that the Authority waive the mortgage requirement. Mr. Morris indicated that we would like to see where they come out as far as their ratings before we make a final recommendation.

### **Loomis Chaffee School Issue, Series G**

Mr. Morris presented the Preliminary Staff Memo for the Loomis Chaffee School Issue, Series G for approximately \$20 million. The purpose for these funds will be to finance the School's deferred maintenance projects. A study was conducted which identified a \$40 million deferred maintenance need which has taken priority over the construction of a Performing Arts building.

The School is currently rated an “A2” by Moody’s, affirmed in March 2008. The School is also considering insurance. There is a mortgage currently in place along with a Debt Service Reserve fund.

The School has good demand and enrollment. The School maintains a strong applicant pool (4<sup>th</sup> largest of the CHEFA boarding schools) with a very strong balance sheet and favorable returns over the past five years. Cash and investments are up 74% as of June 2007 resulting in just over \$207 million. Expendable resources cover pro forma debt 2.14 times, which falls below Moody’s “A” median. Expendable resources to operations are very favorable at 4.11 times, which exceeds Moody’s “Aa” median.

Loomis Chaffee’s operations have a negative operating margin of 8% for FY 2007, excluding all investment income but including a 5% distribution from endowment. The School reports that on a cash basis, excluding depreciation, it incurred a \$382,000 deficit.

At this time, it is uncertain if the endowment draw will need to increase as a result of the additional debt service. The annual debt service burden is at 5% of FY 2007 operations, but increasing to 15% in FY 2010. Debt Service Coverage Ratio on a pro forma basis for FY 2007 is 0.3 times, excluding any investment gains and 5.82 times with gains.

The School has a successful history on fundraising with their last campaign raising \$114 million. They are currently in the planning stages for a new campaign with a preliminary goal of \$150 million to coincide with its Centennial anniversary scheduled for 2014. Annual giving has increased by approximately 40% over the past five years resulting in \$1.4 million for 2007.

Ms. Rubin asked if Mr. Morris could explain how they have a 15% pro forma debt service in operations; referred to Exhibit II. Mr. Morris indicated that their maximum annual debt service starts in 2010 after their deferred principal, but is based on FY 2007 operations. It will most likely be less than the 15% but it is still going to be high. Further discussion ensued.

With no further questions, Mr. Morris proceeded in his report on the Taft School Issue, Series G.

### **Taft School Issue, Series G**

Mr. Morris presented the Taft School Issue, Series G for approximately \$32.6 million (\$16 million new; \$16.5 million refunding). The proceeds will be used to finance: (i) renovations to the School’s dining hall and main educational building for \$16 million; (ii) to refund the Series F bonds for \$8.7 million; and (iii) to refund a portion of the Series D bonds for \$7.8 million. Net present value savings, based on market conditions, for the Series D refunded bonds yields 7.2%, while the refunding of the Series F bonds yields 4.0%.

Taft School is currently rated “Aa3” and “AA” by Moody’s and Standard & Poor’s respectively. Both rating agencies are expected to maintain these ratings on the School with the issuance of the Series G Issue.

The Series G bonds will be issued on a parity basis with its existing bond issues, with security provisions to include: (i) Tuition Receipts Pledge; and (ii) Debt Service Reserve Fund. The structure of the Series G Issue will consist of a fixed-rate, \$5,000 denomination and a final

Maturity date of July 2, 2038. Mr. Morris noted that the School previously had a mortgage, but was released when the Series F bonds were issued. The memo incorrectly reported that a mortgage would be required for the Series G issue.

The School maintains its reputation as one of the most prestigious boarding schools in the country with impressive demand trends. They uphold highly competitive application practices with a very strong applicant pool averaging at 1,350 for the past five years, and during that period, admitted less than 30% of their applicants.

The School maintains a very strong balance sheet, with cash and investments valued at \$243 million. However, 54% of the endowment is restricted. Their expendable resources cover pro forma debt at 2.06 times, below Moody's "A" median. The expendable resources to operations are favorable at 3.35 times, exceeding the "Aa" median.

Their operations have a negative operating margin of less than 1% for FY 2007, excluding investment income and including a 5% draw on the endowment. However, Standard & Poor's cites consistent operating surpluses in its latest report.

Pro forma annual Debt Service burden is at 8.6% and the Debt Service Coverage Ratio on a pro forma basis is 1.25 times for FY 2007, which increases to 7.7 times when investment gains are included.

They are in the quiet phase of a Capital Campaign with a \$150 million goal. To date, they have received \$14 million in pledges and cash from 110 donors. Historically, annual giving has been very favorable with 93% parent participation and 40% alumni participation.

#### **University of New Haven Issue, Series H**

Mr. Morris presented the Preliminary Staff Memo for the University of New Haven Issue, Series H, for approximately \$46 million. The Series H issue will be secured by a letter of credit from Wachovia Bank at 60 basis points annually (up 15 basis points from the 45 basis points cost for the Series E and G bonds).

The proceeds will be used to finance the construction of a 400 bed student apartment housing project to be located on the University's campus. In addition, the University will be acquiring four residential properties adjacent to the new dormitory project that will be razed and used for surface parking and walkways. They are currently negotiating a guaranteed maximum price contract which should be finalized by the beginning of May 2008.

The University does not maintain an underlying rating with either Moody's or Standard & Poor's. When Series E and F bonds were issued, they decided not to obtain an underlying rating since it was more than likely it would have been below investment grade. Prior to the Series E and F bonds, the University maintained a "BBB-" (Stable Outlook) with Standard & Poor's, last confirmed in May 2003. They do not intend to pursue an underlying rating for the Series H issue, nor will it be required by Wachovia Bank.

The security provisions for the Series H bonds will be: (i) General Obligation Pledge of the University; (ii) Gross Receipts Pledge; and (iii) Mortgage on the University's core campus.

The Series H bonds will be structured as: (i) variable rate, 7-day reset; (ii) \$100,000 denomination; (iii) capitalized interest until October 1, 2009; and (iv) final maturity on July 1, 2038.

Freshman applications steadily increased in each of the past five years. Despite this growth, there is a relatively small applicant pool.

The University's operating gains for FY 2007 is at 4.3%, slightly below Moody's "A" median. They have become less tuition dependent. They have a weak balance sheet with \$23 million in cash and investments of which \$6 million is included from the Authority's construction funds. They have negative unrestricted resources, which indicates that they are heavily invested in plant. With their additional debt, the University will be highly leveraged. Their expendable resource to pro forma debt is 0.14 times, well below Moody's "Baa" median of 0.5 times. Debt Service burden will increase from 3% to 7% and the pro forma Debt Service coverage falls below 1.25 times, but does not include any incremental revenues from the dormitory project.

Mr. Morris indicated that the Authority is still waiting for the financial projections from the college. Overall, they have done a good job as far as building up their FTE enrollment and they are on track with their strategic plan. Ms. Rubin asked if there were any further questions.

Mr. Mengacci questioned if the building was going to reflect any environmental design attributes in its construction to help reduce future costs. Mr. Morris will research this issue further and return with his comments at the next Board meeting.

## **FINAL STAFF MEMOS**

### **Danbury Hospital Issue, Series J**

Mr. Morris presented the Final Staff memo on the Danbury Hospital Issue, Series J for approximately \$40 million. He pointed out that this issue would require no discussion on the proposed structure outlined in the staff memo. Mr. Morris noted that the underlying structure of a variable rate, Wachovia letter of credit transaction, is what staff is recommending for approval.

The Hospital has an outstanding debt of \$121.2 million (insured by AMBAC). Wachovia Bank has issued a commitment for a three year letter of credit, with an annual fee of 50 basis points. There is a possibility of Wachovia wrapping the AMBAC insurance, but final approval has not been given by AMBAC, and a decision will not be known until next week.

The Hospital has maintained a healthy operating margin for the past five years, averaging currently at 5.2%. Their excess margins are favorable with 11.9% for FY 2007. The government payors account for less than 50%.

Their liquidity position is favorable with \$281.3 million in unrestricted cash. Their days cash on hand is 217, exceeding Moody's "Aa" median. Their cash to pro forma debt is 232%, exceeding Moody's "Aa" median, and their pro forma Debt Service Coverage Ratio is strong at 12.8 times.

A question was raised concerning the Series I bonds. Mr. Morris noted that the Series J bonds will refund the Series I bonds (which will be completely redeemed).

The Hospital has always held a strong market share, which is currently at 87% (the highest market share in Connecticut), with minimal competition and a strong physician base. Their average daily census has increased over the past five years. There has been an increase in inpatient discharges, and their outpatient volume is stable for both emergency room visits and outpatient surgeries.

There being no further discussion, Ms. Rubin introduced Resolution 2008-09 which resolution was read and considered. Mr. Mengacci moved for adoption of Resolution 2008-09 which was seconded by Mr. Colangelo.

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

<u><b>AYES</b></u>	<u><b>NAYS</b></u>	<u><b>ABSTENTIONS</b></u>
John Biancamano	None	None
William Cibes, Jr.		
Patrick Colangelo		
Benson Cohn		
John Mengacci		
Barbara Rubin		
Sarah Sanders		
Dori Taylor Sullivan		

The Chair then declared Resolution 2008-09 adopted.

### **Greenwich Hospital Issue, Series C**

Mr. Morris presented the Final Staff Memo for Greenwich Hospital Issue, Series C, for approximately \$54.5 million. The proceeds will be used to refund approximately \$54.6 million of the Hospital’s Series B auction rate bonds, which were issued in April 2006 and insured by Financial Guaranty Insurance Company (the Hospital’s only outstanding debt).

Bank of America will provide a five-year letter of credit, with an annual fee of 50 basis points. The Hospital recently received an “AA-” rating by Fitch and an “A+” rating by Standard & Poor’s.

Greenwich Hospital is another profitable hospital with operating margins averaging just under 3%. Their government payors account for less than 30% and their liquidity position is favorable at \$115 million in unrestricted cash. Their days cash on hand is 181, equaling Moody’s “A” median. Their cash to pro forma debt is 219%, exceeding Moody’s “Aa” median, and their pro forma Debt Service Coverage Ratio is strong at 7.14 times. They recently raised \$97 million in fundraising for their new addition known as the Watson Pavilion.

The Hospital currently possesses only a 27.5% market share with minimal competition (Stamford Hospital is its main competitor). Their average daily census has increased over the

past five years. There has been an increase in inpatient discharges, and their outpatient volume is stable for emergency room visits and outpatient surgeries.

Mr. Colangelo questioned the Medicaid payor mix percentage for Greenwich and requested Mr. Morris to research this issue and confirm this information for the members at the next Board meeting.

There being no further discussion, Ms. Rubin introduced Resolution 2008-10 which resolution was read and considered. Mr. Colangelo moved for adoption of Resolution 2008-10 which was seconded by Dr. Sullivan.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	None
William Cibes, Jr.		
Patrick Colangelo		
Benson Cohn		
John Mengacci		
Barbara Rubin		
Sarah Sanders		
Dori Taylor Sullivan		

The Chair then declared Resolution 2008-10 adopted.

### **St. Francis Hospital and Medical Center Issue, Series E Private Placement**

Mr. Asher presented the Final Staff Memo for the St. Francis Hospital and Medical Center Issue, Series E, Private Placement for approximately \$40 million. The proceeds will be used to refinance a taxable, unsecured loan from Bank of America that was used to call for redemption \$40 million of the Hospital’s Series C bonds.

The Series E bonds will be issued as a 20-year, fixed-rate private placement. The bonds will be sold to Bank of America and the Hospital will enter into a Total Return Swap with Bank of America. The bonds will be held by Bank of America in a trust, swapped to a variable rate and swapped back to a fixed-rate, thereby, allowing them a reduced fixed interest rate.

The Hospital has negotiated two call provisions with Bank of America, one option is a par value call on July 1, 2018, and the other is a one-day optional call on July 1, 2013, which may be subject to a 1% conversion premium to be paid to bondholders.

The security provisions for this bond issue will include: (i) a General Obligation Pledge of the Hospital and an irrevocable guarantee by the Hospital’s parent and Foundation; and (ii) a Pledge of Gross Receipts on a parity basis with the existing and future bondholders pursuant to the Master Trust Indenture. The bond issue will not be subject to a mortgage, which is required for the Series F Issue.

Bank of America's financial covenant requirements include: (i) a Debt Service Coverage Ratio of 1.10 times; (ii) a days cash on hand test of 50, to increase to five days per year to 75 days in year five; and (iii) a Debt to Capitalization Ratio initially set at 65% for the first two years and 60% thereafter.

There being no further discussion, Ms. Rubin introduced Resolution 2008-11 which resolution was read and considered. Dr. Sullivan moved for adoption of Resolution 2008-11, which was seconded by Mr. Mengacci.

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

**AYES**

John Biancamano  
Patrick Colangelo  
Benson Cohn  
John Mengacci  
Barbara Rubin  
Sarah Sanders  
Dori Taylor Sullivan

**NAYS**

None

**ABSTENTIONS<sup>1</sup>**

William Cibes, Jr.

The Chair then declared Resolution 2008-11 adopted.

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<sup>1</sup> William Cibes, Jr. abstained from voting due to his affiliation with St. Francis Hospital and Medical Center.

**St. Francis Hospital and Medical Center Issue, Series F**

Mr. Asher presented the Final Staff Memo for the St. Francis Hospital and Medical Center Issue, Series F, for approximately \$175 million and requested the group take note of the changes from the March 25, 2008 Preliminary Staff memo as indicated on today's memo in italicized text. The proceeds for this variable rate demand bond will be used for: 1. (i) demolition of existing buildings on the construction site and design, construction and equipping of one new, nine-story, approximately 318,000 square foot inpatient facility to be located on the Hospital's main campus for the Emergency Department (includes 68 treatment spaces to accommodate 90,000 annual visits), two floors of Operating Suites (19 suites in total), a Prep and Post Acute Care Recovery Unit with spaces for approximately 135 inpatient bed units and a helipad; (ii) renovations to an adjacent building on the floor for expansion of the existing Post and Acute Care Recovery Unit; (iii) renovations to the basement of the existing patient care tower for additional storage areas, a new morgue and the expansion of the pharmacy area; and (iv) the eight and ninth floors of the new tower will house the Orthopedic Joint Replacement Program. 2. funding of other capital expenditures for improvements and/or equipment. 3. funding the costs of issuance, credit enhancement fees and capitalized interest for the bonds.

Credit enhancement for this project will be provided by an irrevocable direct pay letter of credit for \$175 million to be issued by JP Morgan Chase with participation by Bank of America for \$75 million. The initial terms of the letter of credit are five years with annual extensions considered at the end of each year at the request of the Hospital. Letter of credit pricing has an initial annual fee of 60 basis points.

Letter of credit financial covenants include a Debt Service Coverage Ratio of 1.10 times, a days cash on hand test of 50 days.

The short-term rating for both of the banks is “A-1” from Standard & Poor’s and “P-1” from Moody’s. The Hospital does not maintain an underlying rating.

The Series F bonds will be subject to the following collateral requirements outlined in the letter of credit commitment letter as follows: (i) a General Obligation Pledge of the Hospital and the affiliated loan guarantors; (ii) a Pledge of Gross Receipts on a parity basis with existing and future bondholders pursuant to the Master Trust Indenture; and (iii) a first lien mortgage on the Hospital’s major real estate. The approval of the mortgage is currently being reviewed for approval by the Vatican in Rome.

The Series F bonds will be issued at a variable rate with a \$100,000 denomination and final maturity of 2047 (40-year bond amortization schedule).

There being no further discussion, Ms. Rubin introduced Resolution 2008-12 which resolution was read and considered. Mr. Biancamano moved for adoption of Resolution 2008-12, which was seconded by Dr. Sullivan.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u> <sup>1</sup>
John Biancamano	None	William Cibes, Jr.
Patrick Colangelo		
Benson Cohn		
John Mengacci		
Barbara Rubin		
Sarah Sanders		
Dori Taylor Sullivan		

The Chair then declared Resolution 2008-12 adopted.

<sup>1</sup> William Cibes, Jr. abstained from voting due to his affiliation with St. Francis Hospital and Medical Center.

## **CHEFA FINANCIAL OPERATIONS**

### **Financial Statements: March 2008**

Ms. Mackewicz noted that for the nine months ending March 31, 2008, the Authority had revenue over expenses of \$2.6 million prior to program related expenses and the excess revenue after program expenses was \$1.6 million. Fiscal year-to-date revenues are ahead of budget by approximately \$363,000 and expenses are approximately \$150,000 below budget.

Ms. Mackewicz noted that one unused grant from 2004 had been recovered by the Authority in the amount of \$60,000.

## **OTHER BUSINESS**

### **Human Resource Committee Report**

Dr. Cibes noted the minutes from the December 4, 2007 Human Resource Committee meeting were approved at today's 1:00 p.m. meeting. The Committee reviewed the proposed compensation and benefits budget for FYE June 30, 2009 and this information has been distributed for review to the Audit-Finance Committee.

Lastly, the Committee discussed the possibility of adding two new positions in the proposed budget.

Ms. Rubin mentioned that next year it would be prudent to invite the Audit-Finance Committee members to attend the Human Resource Committee meeting to discuss the proposed compensation and benefits budget.

### **Discussion: Grants – Final Report from The Center for Women and Families**

Mr. Gray took this opportunity to bring to the Board's attention a report received by the Authority from The Center for Women and Families, dated March 27, 2008. He wanted the Board to take special note of this report as he found it to be compelling and important.

The letter was sent to thank the Authority for the impact the Authority funding has had on the Center's clients. They sent a client story that discussed the impact of their Multidisciplinary Investigative Team (MIT) and their coordination efforts on a particular case. The MIT Case Manager is the primary point of contact for the non-offending family members and caregivers. The Case Manager receives the referrals for the interviews, schedules the interviews and connects with the non-offending adults while the child is being interviewed by the MIT team.

Due to the funding by the Authority, and the extraordinary efforts made by the Case Manager and the MIT, it made a great impact on their organization and their efforts to achieve their goal of reducing trauma to the non-offending family members and increasing the success of prosecution of the offending person.

At this time, Mr. Gray introduced and welcomed the newest staff member to the Authority, Amy Trombley. She has filled the position of Administrative Assistant made vacant by the recent resignation of Barbara Cushing.

Ms. Rubin followed by taking the opportunity to announce to the Board that Dr. Dori Taylor Sullivan will be leaving the Board as she has accepted a new position as Associate Dean for Academic Affairs, School of Nursing, at Duke University. She will be leaving the Board after the next meeting scheduled for May 20, 2008. Ms. Rubin expressed her best wishes to Dr. Sullivan.

**Next Meeting**

Ms. Rubin reminded the Board that the next meeting is scheduled for Tuesday, May 20, 2008 at 2:00 p.m. There being no further business, at 3:19 p.m., Ms. Rubin motioned to adjourn the meeting. Mr. Colangelo seconded the motion.

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

**AYES**

John Biancamano  
William Cibes, Jr.  
Benson Cohn  
Patrick Colangelo  
John Mengacci  
Barbara Rubin  
Sarah Sanders  
Dori Taylor Sullivan

**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted,

Richard D. Gray  
Executive Director