

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting – May 20, 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, May 20, 2008.

The meeting was called to order at 2:04 p.m. by Mr. Colangelo, Vice 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)
 Bryan Pollard
 Barbara Rubin, Chair
 Dori Taylor Sullivan, Ph.D.

ABSENT: Steven Blackburn, Ph.D.
 Howard Rifkin, (Rep. Honorable Denise Nappier)
 Sarah Sanders, (Rep. Honorable Denise Nappier)

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
 Peggy Root, Accountant
 Amy Trombley, Administrative Assistant
 David Wasch, Manager, Child Care Programs
 of the Connecticut Health and Educational Facilities Authority

 Michael Andreana, Esq., Pullman & Comley
 Coleman Casey, Esq., Shipman & Goodwin LLP
 Robert Guadagno, Consultant, Public Financial Management
 Edward Samorajczyk, Jr., Esq., Robinson & Cole LLP
 Jane Kimball Warren, Esq., McCarter & English
 Jeanette Weldon, Sr. Managing Director, P.G. Corbin & Company
 Peter Wilson, Esq., Day Pitney LLP
 John Yarbrough, Esq., Carmody & Torrance LLP

GUESTS

Julie A. Balerna, Vice President, Bank of New York Mellon

MINUTES

Mr. Colangelo requested a motion for approval of the minutes of the April 22, 2008 Board of Directors meeting. Mr. Mengacci moved for approval of the minutes, which was seconded by John Biancamano. Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

John Biancamano
William Cibes, Jr.
Benson Cohn
Patrick Colangelo
John Mengacci
Dori Taylor Sullivan

NAYS

None

ABSTENTIONS¹

Bryan Pollard

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Ms. MacDonald reported that the Financing Forecast dated May 8, 2008 included the following two new applications:

- Kent School - \$10.5 million (\$9.2 million refunding and approximately \$720,000 new)
- Trinity College - \$15 million

Summary of Connecticut Health and Educational Facilities Authority Financings

- Ms. MacDonald noted that a closing was held for the Greenwich Hospital Issue, Series C, on May 7, 2008 to refund its auction rate issue, Series B to a variable rate which reduced the interest rate from 10% to 3.15% at closing.
- Griffin Hospital Issue Series C and D were converted from auction rate mode to a variable rate on May 6, 2008. Their new rate at closing was 5.40%, down from 12%.
- Upcoming closings include an EasyLease closing to be held today for the Hospital of Central Connecticut.
- The Salisbury School Series C closing is scheduled for tomorrow.
- Lastly, there is an upcoming closing for the Healthcare Capital Asset Issue for MidState Medical Center scheduled for June 4, 2008.

Interest Rate Update

Ms. Peoples presented the interest rate market update. Oil has gone up 40% since February. Treasuries are at their highest since early to mid-January. The 30-year Treasury is up approximately 9 basis points; the Revenue Bond Index is down 20 basis points. Libor is down 45 basis points, and the Securities Industry and Financial Markets Association Index (SIFMA) is down 20 basis points.

¹ Bryan Pollard abstained from voting as he was not present at the April 22, 2008 board meeting.

Sales Reports

Griffin Hospital Issue, Series C and D

Mr. Guadagno presented the Sales Report for the conversion of the Griffin Hospital Issue, Series C, of approximately \$23 million and for Series D of approximately \$10.9 million, on May 6, 2008. The proceeds of the original issues were used to finance the costs of the Series C and D projects, fund the Debt Service Reserve Fund and pay the costs of issuing the bonds. The Cost of Issuance for the conversion and remarketing is \$430,000 (\$12.63 per bond).

The Underwriter/Remarketing Agent is Wachovia Capital Markets, LLC and the Underwriter's Counsel is McCarter & English, LLP. The bond insurer is Radian, and a letter of credit was provided by Wachovia Bank, National Association. The letter of credit fee was 120 basis points.

On May 6, 2008, the Series C tax-exempt bonds cleared at 2.25%, 42 basis points below SIFMA. The Series D taxable bonds cleared at 2.76%, 17 basis points above the 1-month LIBOR.

Salisbury School Issue, Series C

Ms. Weldon presented the Sales Report for Salisbury School Issue, Series C, for approximately \$48 million in bonds in new and refunding. The proceeds from this sale of the Series C bonds will be used, together with other moneys, to: (i) refund all of the outstanding principal amount of the School's Revenue Bonds, Series A and Series B; (ii) finance all or a portion of the costs of acquisition, construction, landscaping, furnishing and equipping of a new athletic facility; (iii) finance all or a portion of the costs of other capital improvements at the institution; (iv) fund a Debt Service Reserve Fund; (v) fund capitalized interest on the Series C bonds; and (vi) pay costs of issuance of the Series C bonds.

The School received an underlying "AAA"/"A-" rating from Standard & Poor's and the School is insured by Assured Guaranty. The market remained relatively stable on the morning of pricing and the transaction was well received. On May 14, 2008, the morning of pre-pricing, the Treasury market rallied after the Consumer Price Index came in lower than expected, showing a 0.2% increase rather than 0.3%. Upon receipt of this information, the yield on the 10-year Treasury fell 3 basis points to 3.89%, while the 30-year fell 5 basis points to 4.60%.

The issue was put into the market with yields spreading 2 to 11 basis points to Municipal Market Data, comparing favorably to other recent secondary school transactions by the Authority. At the end of the order period, the term bonds, representing 65% of the transaction, were oversubscribed. Specifically, the 2028 term was three times oversubscribed, and the 2033 and 2038 maturities were also three times oversubscribed. Three buyers were dominant in those maturities (Franklin, Dreyfus and Fidelity).

In response to the strong demand, the senior manager lowered the yield on the 2028 maturity by 1 basis point and by 2 basis points on the 2033 and 2038 maturities. Salisbury School achieved a True Interest Cost (TIC) of 4.617%.

CHEFA Update Auction Rate and Insured Variable Rate Bond Issues

Mr. Gray opened the discussion and turned it over to Mr. Morris, who presented an update on the Auction Rate and Insured Variable Rate Bond Issues. The Authority has been tracking the process regarding clients seeking either conversions or refundings. Specific activity to date detail was reflected on the handout provided at the meeting.

Mr. Morris reported that to date, the following Auction Rate Bond issues have been converted or refunded:

- Choate Rosemary Hall, Series C
- Fairfield University, Series K and Series L-2
- Greenwich Hospital, Series B
- Griffin Hospital, Series C
- Griffin Hospital, Series D
- Middlesex Hospital, Series M
- Quinnipiac University, Series K-1 and K-2
- Wesleyan University, Series D and E
- Yale University, Series Z-2 and Z-3, T-1 and X-3
- Yale New Haven Hospital, Series I-1, I-2, J-2 and J-3

The Authority is currently working on completing the remaining conversion for Backus Hospital and the refunding for Trinity College and Danbury Hospital. The remaining issues include CCMC, Fairfield University, and Hospital of St. Raphael, which have not initiated any conversions or refundings.

Mr. Morris continued his presentation by addressing the Variable Rate Demand Bond issues. Those issues that remain pending include the following:

- Greater Hartford YMCA, Series A
- Kent School, Series C
- Quinnipiac University, Series J
- Stamford Hospital, Series H

These outstanding variable rate demand bond issues interest rates have moved back to relatively stable levels (compared to their previous rates of approximately 6% to 7%, specifically for Greater Hartford YMCA, Series A and Kent School, Series C).

Mr. Morris ended his presentation by noting that the majority of the conversions and refundings have been completed.

PRELIMINARY STAFF MEMOS

Child Care Facilities Loan Fund, Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch began his presentation by providing a brief overview of all six applications under the proposed Child Care Facilities Loan Fund, Pooled Tax Exempt Bond Issue, Series G. The total bond issue for the six applications is approximately \$14.4 million and one of the projects is a

municipality (Town of Manchester). This will be in addition to the \$53.7 million currently outstanding.

The Authority is currently proceeding on each application for fixed-rate borrowings, with 100% debt service payments effectively being made by the State. There is approximately 80% of debt service directly subsidized through the debt service appropriation in the Treasurer's budget, and the Department of Social Services and the SDE through the School Readiness program which will provide the remaining funds needed to pay the debt service. The Authority will be seeking a stand-alone rating for the bond Issue. The Authority's expectation is to achieve one level below the State's "AA" rating for this Issue. Once rated, the Authority intends to bring this issue to Assured Guaranty to price the issue as "AAA" insured; the Authority will then select the lowest cost all-in-rate.

Catholic Charities, Inc. Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch presented the Preliminary Staff Memo for Catholic Charities, Inc. Pooled Tax Exempt Bond Issue, Series G, for approximately \$2.1 million.

Catholic Charities, Inc. is a community-based, multi-service agency providing services to some of the neediest families in Hartford, New Haven and Litchfield counties. They provide a wide range of services including counseling and mental health programs, substance abuse groups and treatment, early childhood education, parenting education, family strengthening services, family literacy and employment. The proceeds will be used for construction of a new building in the Frog Hollow/South Green neighborhood of Hartford, and relocation of child care and family programs currently located on Jefferson Street. Early education will occupy only a portion of the new facility (approx. 30%). The Institute for the Hispanic Family (IHF) will operate other programs, including drug addiction services, family counseling and employment counseling. The building will be condominiumized to both physically and financially insulate the early childhood education facility from the other functions in the building. The relocation will result in increased classroom size, the addition of one pre-K classroom and improved street access.

Guilford Center for Children, Inc., Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch presented the Preliminary Staff Memo for the Guilford Center for Children, Inc. Pooled Tax Exempt Bond Issue, Series G, for approximately \$1.9 million.

The Guilford Center for Children, Inc. was formed in 1970 as collaboration between community leaders and municipal leadership. In 1980, the town's Board of Selectman committed to fund one-third of operating costs and applied to Connecticut's Department of Community Affairs (now the Department of Social Services). Today, the Center is one of five serving the Town of Guilford. The Center is the only not-for-profit provider and is the only center accredited by NAEYC in the town.

The program provides a sliding scale fee through Department of Social Services (DSS) contract subsidies. DSS currently provides support for 14 of the 28 children in the program. Fourteen percent are further subsidized by the DSS Care4Kids program. The program also provides before and after school care to more than 400 children who attend Kindergarten through sixth grade in three of Guilford's elementary schools and in one middle school.

The Guilford Center for Children is currently housed on town property, set between the Town Hall and the library near the center of town. The Center has received in-kind use of the facility in exchange for maintaining the building and property. The current lease, set to expire in 2009, will not be renewed, as the land will be used for the expansion of the public library. In support of the program, the Town will be providing a fifty-year lease on an acre of the historic Woodruff Farm for this new facility.

The current site includes a small asphalt/wood chip playground, and a small two-story wood-frame building. The interior facilities include a kitchen, eating area and two classrooms. The office and teachers' offices are on the second floor. The facility is currently at the maximum number of children per square foot allowable under licensing standards. Gross motor activities inside are limited by space constraints. Art and other small motor activities take place in the same room used for eating meals, so materials must be cleared before tables can be set.

The Center plans to develop a new facility to enhance the learning environment and expand their program. The new facility will be in two renovated and connected historic barns, located less than one mile from the existing Center. There will be four classrooms on the first floor, each with 15 children. Each classroom will have 50 square feet per child, enough for all small group activities to be available during small group time. The new Center will also feature a kitchen, dining area and parent room. A gross motor room will share the upstairs with teacher offices. The new facility will accommodate 60 children, including 28 new spaces for pre-school children. DSS is providing 14 additional Contract spaces to this project.

Thames Valley Council for Community Action, Inc., Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch presented the Preliminary Staff Memo for the Thames Valley Council for Community Action, Inc. Pooled Tax Exempt Bond Issue, Series G, for \$2 million.

The Thames Valley Council for Community Action, Inc. ("TVCCA" or the "Center") is a nonprofit corporation serving the in-need population of Southeastern Connecticut. TVCCA has been operating for 42 years with an overall goal to provide a broad spectrum of comprehensive, quality services. TVCCA is solely governed by a Board of Directors and operated by an Executive Director.

TVCCA operates Head Start and other child care centers providing licensed quality child care year round for working parents of children 6 weeks to 5 years old. Their programs emphasize education, health, nutrition, disability, mental health, social service and parent involvement. They operate 24 programs in eastern Connecticut that serve 800 children from infancy to five years old.

The proceeds will be used to expand and renovate the New London Early Care and Education/Head Start Center located on Bayonet Street and owned by TVCCA. The facility currently operates a program for 135 children, including DSS Contract, School Readiness and Head Start. The 10,000 square foot retail structure includes 2,000 square feet that is rented to a restaurant. The total enrollment will increase by 19 slots. DSS has committed to subsidizing the 16 new infant/toddler slots. Twenty-two of the pre-school slots are already under contract with DSS.

At the time of purchase in 2004, the building had all new mechanicals, HVAC and electrical. The child care portion of the facility has had minor renovations to accommodate use as a child care center, but further renovation is needed to accommodate the quality program. Staff space and three classrooms will be added, allowing one of the older classrooms to be converted into a commercial kitchen. The roof of the facility will be replaced, and the playground will be expanded into an unutilized section of the rear parking lot. Cost of the renovation/expansion totals \$103 per square foot.

The additional 20 pre-kindergarten spaces will initially be parent-fee supported, but will allow TVCCA to accept additional School Readiness subsidies when they become available. The Center's revenue sources include; a DSS grant, a School Readiness grant, the Child Care Assistance Program (CCAP), the Federal Head Start program, the Department of Education, private pay and parent fees.

Once the expanded facility is built and operational, TVCCA may need to apply for re-accreditation. Depending on NAEYC findings, this process would take from six months to three years.

The Town of Manchester, Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch presented the Preliminary Staff Memo for The Town of Manchester Pooled Tax Exempt Bond Issue, Series G, for approximately \$2.4 million.

This project is an early education program, which will be managed by the Manchester Head Start program (MHS), which is operated by the Town of Manchester. The program is located at 57 Hollister Street and operates six half-day classes and two full-day classes. It is one of two programs that has the capacity to serve low-income families as its primary population (the other is the Manchester Early Learning Center, which received tax-exempt financing in Series D).

MHS used the poverty guidelines from the Department of Health and Human Services, requiring that 90% of families utilizing the program have an annual income at the national poverty level (a family of five cannot earn more than \$22,030). Demand for services has increased; the census indicates that from 1990 to 2000 the child poverty rate in Manchester doubled to be 12% of the young population. The weekly child care fee for full-time early education is \$85 per week.

As part of the Manchester Board of Education, MHS has the resources of the Special Education Department to help meet the needs of any child who shows deficiencies in any content area requiring direct therapy. The Parent Involvement and Family Services Departments oversee parent-training activities and the delivery of supportive services. Manchester Head Start has received quality awards from the Federal Head Start Bureau.

The proceeds will be used to demolish the building on site and a new facility will be built on the seven-acre lot. The Center would support a 45% increase in slots, increasing the number of children served from 132 to 192. Funding for the project will primarily be School Construction Grant funds, and the construction will be monitored through the program. Tax-exempt financing will serve as a "Local Match" for the project, which would ordinarily be funded through local revenue bonds. Under Public Act 06-158, the Town of Manchester may "use loan funds

provided under Section 10a-194c of the General Statutes toward the required local share of project costs for the construction of the Manchester Head Start/Preschool Center.”

Waterbury Young Men’s Christian Association, Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch presented the Preliminary Staff Memo for the Waterbury Young Men’s Christian Association Pooled Tax Exempt Bond Issue, Series G, for \$3 million.

The Waterbury Young Men’s Christian Association is one of the earliest established YMCA’s in the country, celebrating their 150th Anniversary in 2007. The YMCA permanently located at the West Main Street location in the heart of downtown Waterbury in 1924, and has provided programs and services to thousands of children and families each year from its nine-town service area of greater Waterbury (Prospect, Wolcott, Thomaston, Southbury, Woodbury, Middlebury, Bethlehem, Watertown and Waterbury). Within the service area, the YMCA is a primary social service agency offering financial assistance and subsidized to youth, teen, adult and senior programs serving a population in excess of 10,000 people.

The West Main Street facility incorporates 60,000 square feet of program space, providing fitness and wellness programs, as well as one of the YMCA’s nine sites. The YMCA also operates two day camp programs at its Southbury and Watertown locations. The YMCA serves over 1,000 teens annually through various initiatives providing resources for at-risk, under-served teens in the community. These programs include Hoops-n-Homework, Youth and Government, Kingz and Bombers competitive travel basketball for middle and high school teens, and Leaders Club, among others.

The proceeds will be used to expand the Waterbury YMCA child care center by two classrooms to serve more than 200 children. Funding will allow the completion of rehabilitation to the Center, renovating space on the first and second floors, renovating one kitchen, adding a second kitchen on the second floor, adding bathrooms to the classrooms (including the addition of a handicap accessible bathroom available to the outdoor space), renovating the family resource and faculty rooms and adding zoned heat and air conditioning.

Women’s League, Inc. Child Development Center, Pooled Tax Exempt Bond Issue, Series G

Mr. Wasch presented the Preliminary Staff memo for the Women’s League, Inc. Child Development Center Pooled Tax Exempt Bond Issue, Series G, for \$2.9 million.

The Women’s League Child Development Center was established in 1917, and has been serving families in the Greater Hartford area for more than ninety years. With a heritage of excellence, the Women’s League provides developmental and comprehensive early childhood education for over 200 children, from infancy through transition to kindergarten. Eighty-three of the pre-school children are supported through the School Readiness program, which has operated at the Center since 1994. Women’s League also provides a Before/After School and a Summer Camp School-age program for children in kindergarten through fourth grade.

A 15-member board of director’s, including representatives of community organizations, parents, and educational professionals, governs the Women’s League. The League also has a Board of Trustees; members are from government, education and financial services.

The proceeds will be used for renovations to the existing Center located at 1695 Main Street in the south arsenal neighborhood of Hartford. It is a 15-year old contemporary 7,700 square foot structure with three outdoor playscapes, expressly built for early education. The Center is licensed for 206 children ranging from three months to 12 years old, but Management has voluntarily chosen to enroll 188 children to allow for more activity space and individualization for infants. The facility consists of 12 classrooms (six preschool with 18 children), two school-age/computer/resource rooms, a commercial kitchen, administrative office space, a staff lounge, laundry/utility room, common areas used for computer access and resource display and multipurpose room. The Center is on a bus line, and is fully accessible for individuals with disabilities.

The facility will be renovated and a new wing will be sited on property. The plan includes the construction of six preschool classrooms, an indoor gross motor/multipurpose room, outdoor eco-playspace and basement storage on approximately 7,000 square feet. The existing facility will then be freed up to accommodate programming for six new infant/toddler classrooms, adding to the four existing toddler classrooms. The present infant program inhabiting two rooms will be converted to space for school-aged children. The existing school-age room will become a Teacher Resource/Library. The parking lot, which is inadequate, will be moved to an adjoining empty lot, owned by the Center.

The six applications combined provide a total of 862 spaces, of which 190 are new spaces.

Mr. Colangelo inquired how soon these projects will be going to market. Mr. Wasch stated that we are expected to close sometime in early July. Mr. Wasch informed the group that a teleconference would be taking place on Thursday, May 23, 2008 to confirm the borrower's progress towards closing. Mr. Wasch anticipates presenting the Final Staff Memos to the Board at the next Board Meeting scheduled for June 24, 2008.

Dr. Cibes inquired as to why so much money is being invested on existing slots as opposed to creating new day care slots, indicating that this may be driven by DSS limitations. He also questioned the justification behind improving or expanding these facilities, as opposed to building new facilities. Dr. Sullivan asked Mr. Wasch to provide the rationale behind improving and/or renovating the facilities as opposed to building new slots.

Mr. Wasch responded that at the time applications were submitted for this round of the program, there were few new subsidies available for providers. The number of subsidized spaces has recently increased, and some of the providers anticipate using these new subsidies in their programs. Mr. Wasch added that the participants in the programs are selected by the Department of Social Services, rather than the Authority.

Eastern Connecticut Health Network (ECHN) Issue, Series D

Mr. Asher presented the Preliminary Staff Memo for the Eastern Connecticut Health Network Bond Issue, Series D, for \$15.1 million. The proceeds from the Series D bonds will be used to: (i) finance an expansion of the ICU/CCU at Manchester Memorial Hospital; the licensed beds will not change, but the new unit will include 17 ICU beds, 14 Special Care Unit beds and 10 Step-Down beds. Upon completion of the project, all but two of the ICU/SCU/Step-Down beds

will be private as compared to the units being replaced which were primarily semi-private; (ii) renovate Woodlake at Tolland (long-term care facility) to include 20 Skilled Nurse Facility beds and 10 rehab beds. Woodlake at Tolland will have a total of 130 beds upon completion of the expansion project; and (iii) improve the general campus consisting primarily of enlarging parking lots to accommodate a future joint venture cancer center project.

The Series D Bonds will be issued as weekly variable rate bonds, and may be converted to a synthetic fixed-rate with enhancement provided by Sovereign Bank with a confirming letter of credit from Fifth Third Bank.

ECHN Obligated Group is composed of two acute-care hospitals and one long-term care facility in Connecticut and will include the ECHN Community Healthcare Foundation. Their members are: Manchester Memorial Hospital, Rockville General Hospital, ECHN Eldercare Services, Inc. d/b/a/ Woodlake at Tolland, and ECHN Community Healthcare Foundation, Inc.

Market share information will be provided in the Final Staff Memo to be presented at the June 24, 2008 Board meeting.

Operating results improved significantly from FY 2003 to FY 2006 for ECHN, improving from a \$7.9 million loss to \$3.1 million gain during this timeframe. In FY 2007, ECHN had an operating loss of \$563,000, primarily due to a \$5.1 million loss from ECHN Health Services, which operates physician office practices and a Hospitalist program that services Manchester Memorial Hospital and Rockville General Hospital. The Obligated Group operating results also improved significantly over the past five years, improving from a \$4.8 million loss to a \$4.3 million gain. Net patient revenues increased 20.7% compared to a 16.6% increase in operating expenses.

ECHN's operating margin improved from -3.94% to 1.29% from FY 2003 to FY 2006 before declining to -0.23% in FY 2007. The FY 2007 ratio is comparable to the Moody's "Below Baa" median of -0.4%. The Obligated Group's operating margin over the past five fiscal years improved from -2.5% to 1.8% which is slightly higher than Moody's "Baa" median of 1.0%.

ECHN's excess margin has improved from a -3.32% in FY 2003 to 1.03% in FY 2006 before declining to -0.12% for FY 2007. This is comparable to the Moody's "Below Baa" median of 0.0%. The Obligated Groups excess margin improved from -1.8% to 1.9%.

Over the past five fiscal years, unrestricted cash and investments reached a high of \$45 million in FY 2004 before declining to \$35.6 million in FY 2007. ECHN's cushion ratio is based on the unrestricted cash and investments described above, and ECHN's pro forma cushion ratio for FY 2007 is low at 4.3 times. This ratio is slightly more favorable than Moody's "Below Baa" median of 3.5 times and significantly below Moody's "Baa" median. ECHN's cash on hand, since FY 2004, has declined from 83.2 days to 54.3 days. This ratio falls slightly below the Moody's "Below Baa" median of 57.9 days. Based on certification provided by ECHN with its FY 2007 audit, the Obligated Groups' days cash on hand totaled 77 days.

ECHN's historical Debt Service Coverage of future maximum annual debt service for FY 2007 is sufficient at 1.84 times. This ratio exceeds the required 1.25 times for the past four fiscal years.

The FY 2007 ratio of 1.84 times compares favorably with the Moody's "Below Baa" median of 1.70 times, but significantly lower than the "Baa" median of 3.0 times. ECHN's cash to pro forma debt, with \$15.1 million of debt is to be incurred. This ratio is based on FY 2007 unrestricted cash and investments equals 39.3% which falls below the Moody's "Below Baa" of 47.3%. Their debt to cash flow measures the ratio of total long-and short-term debt to cash flow from operations. Based on the FY 2007 audited financial statements, this ratio was 6.94 times which falls between Moody's "Below Baa" median of 7.40 times and "Baa" median of 5.20 times.

Medical Staff and Governance information to be provided within the Final Staff Memo to be presented at the next Board meeting.

Dr. Cibes inquired if there were specific policies on why the Hospital needs to have cash on hand, or bonds in hand, prior to beginning construction. Dr. Cibes asked if they are building on speculation with the anticipation that the funds are approved and thereby, forthcoming. Mr. Asher responded that some construction has begun and that any funds expended prior to the Authority's approval are spent at their own risk.

Dr. Sullivan asked Mr. Asher to confirm the Payor Mix information for Manchester Memorial Hospital and Rockville General Hospital; specifically, the low percentage numbers for Medicaid at both hospitals. Mr. Asher confirmed that the numbers were indeed accurate.

Hamden Hall Issue, Series A

Mr. Morris presented the Preliminary Staff Memo for the Hamden Hall Issue, Series A, for \$18.5 million. The proceeds from the Series A Issue will be used to: 1) Fund the construction of a 67,000 square foot athletic complex that will be located approximately 1.5 miles from the School's main campus. The total cost of this project is \$12.2 million; and 2) Refinance \$6 million in commercial debt with Citizens Bank used to purchase a parcel of land where the facility will be constructed and to finance the School's Science building.

For academic year 2007 to 2008, 574 students are enrolled in grades Pre-K through 12. Hamden Hall Country Day School was founded in 1912.

Hamden Hall Country Day School intends to issue up to approximately \$18.5 million in variable rate debt secured by a letter of credit from RBS Citizens Bank NA with an annual fee of 60 basis points.

Security provisions for Series A will include: (i) Gross Receipts Pledge; and (ii) a mortgage on the School's main campus and the athletic complex campus. A Debt Service Reserve Fund will not be required.

The total number of applications received at the School has fluctuated over the past five years from a low of 294 in FY 2008 to a high of 344 in FY 2005. Hamden Hall's applicant pool is lower than the Authority's upper day school median of 384. The fall 2008 figures are not yet available, but they are expected to be available by next month.

With the decline applications received for FY 2008, the School's acceptance rate increased to 74.5%, the highest level in the past five years. For the previous four academic years, the School's acceptance rate averaged 66%.

The School's matriculation rate has remained relatively steady over the past five years at approximately 50%. The School draws its students from 35 towns.

Attrition for FY 2007 was just over 9%. Although high, it has improved compared to previous years.

The School has a modest balance sheet; with cash and investments increasing from \$6.8 million to \$12 million over the past five fiscal years.

Expendable resources covers pro forma debt 0.48 times while expendable resources to operations for FY 2007 are slightly better, but below 1.0 times, at 0.77 times. Both ratios fall below Moody's "Baa" medians as well as the Authority's day school medians.

Financial aid has increased from 12.4% to 16 % over the past five years. For FY 2008, 23.3% of the student body received aid, compared to 17.8% five years ago.

The School maintains favorable operating surpluses, with an operating margin of 7.6% in FY 2007. The calculation was made adjusting for a gift released from restriction as well as deducting additional contribution revenue. Their annual debt service burden is on the high side at 10% of FY 2007 operations. However, total debt service increases by \$422,000 from its current debt service.

The School's pro forma debt service coverage ratio for FY 2007 is adequate at 1.57 times. This was also calculated after making the same adjustments as in calculating the operating margin.

Annual giving over the past five years has almost doubled, but still modest at \$500,000. Parent participation has increased from 45% to 62%.

The School is in the quiet phase of a Capital Campaign, with a small goal of \$6 million. To date, they have raised \$3 million.

Kent School Issue, Series E

Mr. Morris presented the Preliminary Staff Memo for the Kent School Issue, Series E, for approximately \$9.5 million. The proceeds from the Series E bonds will be used to: 1) Refund approximately \$9.4 million of its Series C variable rate bonds that are insured by MBIA, and 2) Finance approximately \$720,000 for improvements to its athletic center. Mr. Morris noted that the Preliminary Staff Memo incorrectly stated \$72,000 for improvements to the athletic center.

The School's total debt with the Authority is approximately \$30 million. The variable rate bonds will be secured by a Bank of America letter of credit with an annual fee of 42 basis points. A Debt Service Reserve Fund will not be required.

The School's enrollment is at its highest level in the past five years, although there has been a slight fluctuation in boarding enrollment. There have been increasing application levels, with a slight decrease in FY 2008. The School has a large applicant pool of 915, well above the Authority's median of 543. Despite the decrease in FY 2008, this is the lowest selectivity level the School has seen in five years. Mr. Morris noted that fall 2008 data will be available next month.

The matriculation rate is at its highest over the past five years. There is a favorable geographic distribution of students, coming from 35 states and 26 foreign countries/towns. The attrition rate declined to 4%, after averaging 10% for the past four fiscal years.

The School's financials are strong; cash and investments are up 45.6% as of June 2007, totaling just over \$80 million. Expendable resources covers pro forma debt 1.26 times, just above Moody's "Baa" median at 1.1 times. However, this is below the Authority's boarding school median of 2.04 times. Expendable resources to operations are more favorable at 1.59 times, between Moody's "A" and "Baa" medians. Financial operations have improved from negative 6.5% operating margins to a positive 6.36% in FY 2007 over the past five years. Net tuition increased 27.6% compared to a 16.6% increase in expenses during this timeframe.

Historically, the School has a high annual debt service burden of 10%. The School employs a 6% endowment draw, which is slightly higher than the standard of 5%.

The School has a very successful fundraising history. The last campaign raised \$114 million. Annual giving has increased by approximately 46% over the past five years, totaling \$1.9 million for FY 2007. Parent participation is at 76%, it's highest in the past five years.

The Schools does not have a Capital Campaign in progress and staff will inquire as to when the next one is planned.

Ms. Rubin joined the meeting at 2:38 p.m.

Wesleyan University Issue (EasyLoan)

Ms. MacDonald presented the Preliminary Staff Memo for Wesleyan University Issue (EasyLoan) for approximately \$7.45 million.

Wesleyan University ("Wesleyan" or the "University") has filed this application for an EasyLoan for a utilities infrastructure upgrade project. The loan will be placed with Banc of America Public Capital Corp for a term of 10 years at an interest rate of 3.22%. Loan proceeds will be used for the following: (i) Approximately \$4.6 million for a cogeneration project, for which Wesleyan has received grant approval from DPUC in the amount of \$1.1 million. Estimated annual energy savings of the cogeneration system, based on current electrical loads and maintenance costs, is projected at more than \$700,000; (ii) \$2.2 million energy retrofit projects at the Freeman Athletic Center, the Olin Library, the Central Power Plant and the Butterfield residence halls, with an expected annual electrical cost reduction of \$236,000. This energy retrofit qualifies for an incentive rebate from CL&P of approximately \$850,000, which would be realized in mid to late 2009; and (iii) \$1.6 million to upgrade the Vine Street substation.

Currently, the University has three CHEFA bond issues and one EasyLease outstanding totaling approximately \$207.2 million. Moody's affirmed Wesleyan's "Aa3" rating in January 2008 and raised the outlook from Negative to Stable. Standard and Poor's currently rates the University "AA" with a Stable outlook.

Wesleyan has approximately 3,145 FTE students for the 2007–2008 academic year. Total enrollment has increased 11% since fall 2002. Applications for the same period increased 11.9%, with acceptances remaining stable, averaging 27.6%. Matriculation averaged 38.3% for this five-year period. SAT scores remained strong during this time, at approximately 1400.

The University's liquidity position has increased significantly over the past five fiscal years. Cash and investments for FY 2007 were \$741.6 million, compared to \$497.7 million in FY 2003. Unrestricted resources increased from \$278.2 million in FY 2003 to \$544 million in FY 2007, and provided a 2.57 times coverage for pro forma debt, which compares favorably to Moody's "Aa" median of 1.8 times. Unrestricted resources to operations are 3.21 times, up from 1.88 times in FY 2003.

Wesleyan's operating margin for FY 2007 equaled 4.1%, just below Moody's "A" median of 4.5%, and has improved steadily over the last four years from a negative 5.8% to a positive 4.1%.

The University's tuition discount for FY 2007 is 34.5%, down from 37.1% in FY 2004.

The market value of the University's endowment as of June 30, 2007 was \$710.8 million. Unrestricted endowment accounts for approximately 65.2% of the total. The University's endowment spending for operations was 6.4% in FY 2007. Wesleyan plans to bring its endowment spending in line with the Moody's ratio of 5%, and reduce the draw from 7.4% in FY 2006.

Ms. MacDonald informed the Board that no action or approval was necessary, but was presented for informational purposes only.

FINAL STAFF MEMOS

Hopkins School Issue, Series B

Mr. Morris presented the Final Staff Memo on the Hopkins School Issue, Series B, for approximately \$17.3 million. Mr. Morris stated that the School received an "AA-" rating from Standard & Poor's. The School also received a rating indication from Moody's, but has elected not to pursue a public rating. The School has elected to issue the bonds on a stand-alone basis. Both Assured and FSA declined to bid on providing bond insurance due to the small size of the issue. AMBAC, insurer for the Series A bonds, was interested in providing a bid; however, given the favorable rating and current market conditions, there is no economic benefit in obtaining AMBAC insurance.

Regarding the refunding of the Series A issue, current market conditions have improved and the net present value savings have increased to 2%, but remains below the School's minimum threshold of 3%.

With respect to requiring a mortgage for the Series B bonds, which was discussed at last month's meeting, Staff is not recommending a mortgage due to the favorable rating on the bonds. In addition, a debt service reserve fund will only be required if the Series A bonds are not refunded.

Mr. Morris noted that the total cost of the project is estimated at \$17.1 million, and the School will be providing an equity contribution of approximately \$9 million.

Some financial strengths of the School include favorable operations, manageable debt service, although a little on the high side. However, the School does not plan to increase its endowment draw. It has a very strong balance sheet. Demand trends are favorable drawing students from 43 towns with very low attrition. In addition, the School has strong fundraising with a \$35 million campaign, which has raised \$26 million to date.

However, there has been a slight decline in applications – 401 received for fall 2008, which the School attributes to a leveling off in the day student market. The School is not overly concerned due to its strong applicant pool, with selectivity improving for fall 2008 despite the decline.

Ms. Rubin asked if there would be a negative pledge on the real estate and Mr. Morris responded in the affirmative.

There being no further discussion, Ms. Rubin introduced Resolution 2008-13 which resolution was read and considered. Mr. Mengacci moved for adoption of Resolution 2008-13 which was seconded by Mr. Cohn.

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.		
Benson Cohn		
Patrick Colangelo		
John Mengacci		
Bryan Pollard		
Barbara Rubin		
Dori Taylor Sullivan		

The Chair then declared Resolution 2008-13 adopted.

Taft School Issue, Series G

Mr. Morris presented the Final Staff Memo for Taft School Issue, Series G for up to \$40 million (may be closer to \$34 million; Mr. Morris indicated this number is different than what's reflected on the Final Staff Memo). The proceeds of the Series G bonds will be used to finance renovations to the School's dining hall and main academic building (\$28.5 million), and to refund its Series F bonds (\$8.7 million) and only a portion of its Series D bonds (\$7.8 million) because the serial bonds for that issue out to 2013 are non-callable. The structure of the Series

G financing will be a stand-alone, fixed-rate issue, based on the School's credit ratings (Moody's "Aa3", Standard & Poor's "AA").

Taft is regarded as one of the most prestigious boarding schools in the country with impressive demand trends. The School has a very strong applicant pool, with over 1,370 applications received (up 3% from FY 2007). Selectivity is impressive, consistently below 30%, equivalent to Moody's "Aa" median. Matriculation is strong with approximately 50% of acceptances choosing to attend. Attrition rate is very favorable at less than 1%.

The School did report that their endowment is down approximately 4% to \$195 million (through March 31). At the due diligence session, they did indicate that its endowment draw would most likely increase from 4% to 5% to pay additional debt service.

Taft is in the "quiet phase" of a Capital Campaign to raise funds for unrestricted purposes, endowment and restricted capital projects. They have very impressive fundraising. As of January 31, 2008, the School has raised over \$41 million in cash and pledges from approximately 110 donors. These donors are primarily select alumni, parents, and Trustees. The full Board solicitation is just beginning in spring 2008. It is projected that the public phase of the Campaign will begin upon achieving 70% of the initial goal through the nucleus fund solicitations.

There being no further discussion, Ms. Rubin introduced Resolution 2008-14 which resolution was read and considered. Mr. Colangelo moved for adoption of Resolution 2008-14 which was seconded by Mr. Mengacci.

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

AYES

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

NAYS

None

ABSTENTIONS

None

The Chair then declared Resolution 2008-14 adopted.

University of New Haven Issue, Series H

Mr. Morris presented the Final Staff Memo for the University of New Haven Issue, Series H for approximately \$46 million. Proceeds of the Series H issue will be used for the construction of a new 402-bed apartment style complex to be located on the University's campus. The Series H bonds will be issued as variable bonds secured by a letter of credit from Wachovia Bank, with an annual fee of 60 basis points, including the new debt. The total outstanding debt with the Authority totals \$88 million.

The University declares it is ahead of Strategic Plan estimates as it repositions from a local institution to a regional residential university. Applications for fall 2008 are expected to be approximately 2,800 as of May 1, which is higher in comparison to last year. Full time graduates are expected to increase over 13% for fall 2008.

The financial projections indicate self sufficiency (95% occupancy with no summer rental). Their annual debt service burden increases to 7%. The pro forma debt service cash reserve fund is at 1.60 times.

The University is confident about its Capital Campaign as identified by the number of alumni. The Campaign is proceeding slower than expected, as the Vice President of Development left his position and the University is currently seeking a replacement.

The design of this building is expected to be LEED certified at the Silver Level.

The University does not currently maintain an underlying rating with either Moody's or Standard & Poor's, but most likely would be investment grade.

Selectivity at the University is a little over 70%, but has made great improvements over the past decade. Matriculation is favorable, falling between Moody's "A" and "Baa" medians.

Ms. Rubin requested that Mr. Morris provide additional information to help her understand the increase in tuition revenue from FY 2006 to FY 2007. She questioned whether the issue would go to market at the end of June (specifically, by the next board meeting to be held on June 24, 2008). Therefore, today's vote to approve this issue is contingent upon Mr. Morris' providing the Board with the specific information requested by the next meeting. However, she indicated that she would set in motion today a request for approval by the Board, and Mr. Colangelo concurred. Dr. Cibes questioned the validity of the figures indicated in the financial projections; i.e., \$6,600 per room (which seemed high considering these rooms are without food service and certain amenities), and asked Mr. Morris to provide an explanation on the difference between these rooms and the lower cost rooms to understand the incentives behind the more expensive rooms. He would like to know what the exact difference is in cost between rooms.

Mr. Morris stated he will obtain answers to their questions and provide the complete and accurate financial details at the next Board meeting.

There being no further discussion, Ms. Rubin introduced Resolution 2008-15 which resolution was read and considered. Mr. Mengacci moved for adoption of Resolution 2008-15, which was seconded by Dr. Sullivan.

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

AYES

John Biancamano
William Cibes, Jr.
Benson Cohn
Patrick Colangelo

NAYS

None

ABSTENTIONS

None

John Mengacci
Bryan Pollard
Barbara Rubin
Dori Taylor Sullivan

The Chair then declared Resolution 2008-15 adopted.

CHEFA FINANCIAL OPERATIONS

Financial Statements: April 2008

Ms. Mackewicz noted that for the ten months ending April 30, 2008, the Authority had revenue over expenses of \$2.9 million prior to program related expenses and the excess revenue after program expenses was \$1.9 million. Fiscal year-to-date revenues are ahead of budget by approximately \$363,000 and expenses are approximately \$179,000 below budget. There were no really notable items for April 2008 for the Authority.

OTHER BUSINESS

Grant Request from the State of Connecticut, Office of the Child Advocate

Mr. Gray presented the Grant Request from the State of Connecticut, Office of the Child Advocate, for a proposed budget of approximately \$75,525.

Over the past two years, the Authority has funded two \$20,000 grants to the Office of the Child Advocate (OCA) for the purpose of studying teen dating violence from a youth perspective, utilizing students from four urban, rural and suburban communities in Connecticut. Students at these schools, supported by the Institute for Community Research, conducted research in the attitudes of students towards what constitutes dating violence and the attributes of healthy relationships.

During a forum that took place on June 13, 2007, the students, along with the residents of the Women's Juvenile Justice Facility, presented the results of the research, as well as stories and poems from those individuals who were victims of dating violence as stated in the proposal.

Therefore, Mr. Gray brought to the Board the OCA's proposal to expand this initial research by creating a database system for tracking, managing and analyzing the results on an ongoing basis. The current data is not reliable. OCA would partner with the Connecticut YOUTH forum that brings students from over 40 high schools together on a monthly basis during the school year to discuss issues affecting these young adults. The discussion will take place at a different high school each month and will be facilitated by a leadership group taken from the larger student group.

Mr. Gray revealed for the record that he is currently the Board Chair of the Connecticut Forum, which is the governing body of the Connecticut YOUTH Forum. Therefore, he requested that two Authority staff members review the material, and each member concurred that the proposal had merit and fell within the guidelines for the domestic violence component of the Targeted Investment Program.

Mr. Gray presented this budget request for approval by the Board for this project in the amount of \$75,525. The project period would be from July 1, 2008 to June 20, 2009, and the funding has been recommended to come from the following sources: (i) existing grant to OCA for \$20,000; (ii) unexpended targeted investment funding¹ for \$40,000; and (iii) interest from the income from the Targeted Investment Fund². The balance would be treated as an approved variance to the budget.

There being no further discussion, Ms. Rubin introduced the Grant Request from the State of Connecticut, Office of the Child Advocate which was read and considered. Mr. Colangelo moved for approval of the Grant Request from the State of Connecticut, Office of the Child Advocate, which was seconded by Mr. Mengacci.

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

AYES

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

NAYS

None

ABSTENTIONS

None

Audit-Finance Committee Report

Mr. Cohn presented the Audit-Finance Committee Report from the meeting held today, May 20, 2008 at 1:00 p.m.

The committee reviewed the proposed FY 2009 Operating and Capital budget and approved the proposed budget. Mr. Ramirez presented the Construction Fund/Wire Transfer audit with some recommendations; and lastly, the committee approved Mr. Ramirez’s audit plan for FY 2009 (fiscal control, bonds, payroll, and arbitrage rebates). The committee asked that the plan be distributed at the next Board Meeting.

Ms. Rubin followed by taking the opportunity to announce to the Board the departure of Dr. Dori Taylor Sullivan as she has accepted a new position as Associate Dean for Academic Affairs, School of Nursing, at Duke University. Today will be her last meeting with the Board. Ms. Rubin expressed her best wishes to Dr. Sullivan.

¹ These funds were allocated from the original Domestic Violence Targeted amount of \$240,000 to Safe Haven under a two-year grant. The grant period has ended and these funds are now available to fund other programs.

² Total interest on fund is \$64,052 of which \$32,026 is allocable to domestic violence initiatives.

Next Meeting

Ms. Rubin reminded the Board that the next meeting is scheduled for Tuesday, June 24, 2008 at 2:00 p.m. There being no further business, at 3:10 p.m., Ms. Rubin motioned to adjourn the meeting. Mr. Colangelo moved to adjourn the meeting, and Mr. Mengacci seconded his motion.

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

AYES

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

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Richard D. Gray
Executive Director