

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY  
Minutes of Authority Board Meeting – September 14, 2010

The State of Connecticut Health and Educational Facilities Authority met at 1:00 p.m. on Tuesday, September 14, 2010.

The meeting was called to order at 1:02 p.m. by Pat Colangelo, Vice-Chair of the Board of Directors of the Authority. Upon roll call those present were as follows:

PRESENT:

John Biancamano  
Benson R. Cohn  
Patrick Colangelo, Vice Chair  
Peter Lisi  
John Mengacci (Rep. Secretary Brenda Sisco)  
Paul Mutone  
Bryan Pollard, Esq.  
Barbara Rubin, Chair (via phone)  
Sarah Sanders, (Rep. Honorable Denise Nappier)

ABSENT: Estela Lopez

ALSO PRESENT:

Jeffrey A. Asher, Executive Director  
Paula Herman, General Counsel  
Tara Keating, Project Coordinator  
JoAnne Mackewicz, Controller  
Michael Morris, Assistant Director  
Cynthia Peoples, Assistant Director  
Debra Pinney, Manager, Administrative Services  
Norberto Ramirez, Compliance/Internal Auditor  
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, LLC  
Jeremy Bass, Consultant, Public Financial Management  
Coleman Casey, Esq., Shipman & Goodwin LLP  
Jonathan Curina, Engineer, Fuss & O'Neill  
Scott Gibson, Director, RBC Capital Markets  
Laurie Hall, Esq., Hawkins, Delafield & Wood LLP

Stephen Humes, Esq., McCarter & English, LLP  
Lugene Inzana, Vice President & Chief Financial Officer, Lawrence & Memorial Hospital  
Megan Poplowski, Vice President, Eaton Vance  
Edward J. Samorajczyk, Jr., Esq., Robinson & Cole LLC  
Lily Scher, Vice President, Eaton Vance  
Christopher Valentino, Lamont Financial Services Corp.  
Richard Wasserman, Esq., Day Pitney, LLP  
John Yarbrough, Esq., Carmody & Torrance LLP

Mr. Asher introduced Mr. Paul Mutone and Mr. Peter Lisi as newly appointed Board members. Mr. Mutone is Vice President for Finance & Operations of Trinity College, and Mr. Lisi is Director of Institutional Partnerships & Sponsored Research of University of Hartford. Mr. Mutone and Mr. Lisi have joined the Authority's Board as Educational Sector members. The Board members, guests and Staff then proceeded to introduce themselves to Mr. Mutone and Mr. Lisi.

## **MINUTES**

Mr. Colangelo requested a motion for approval of the minutes of the July 27, 2010 Board of Directors meeting. Mr. Colangelo moved for approval of the minutes, which was seconded by Mr. Mengacci.

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

### **AYES**

John Biancamano  
Benson Cohn  
Pat Colangelo  
Peter Lisi  
John Mengacci  
Sarah Sanders

### **NAYS**

None

### **ABSTENTIONS**

Bryan Pollard<sup>1</sup>  
Paul Mutone<sup>2</sup>

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<sup>1</sup> Mr. Pollard was not present at the July 2010 Board of Directors Meeting

<sup>2</sup> Mr. Mutone was not present at the July 2010 Board of Directors Meeting.

## **ELECTION OF THE VICE CHAIRMAN**

Mr. Biancamano moved to re-elect Mr. Colangelo as Vice Chairman of the Board of Directors and Mr. Cohn seconded his motion. All were in favor.

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

<b>AYES</b>	<b>NAYS</b>	<b>ABSTENTIONS</b>
John Biancamano	None	Patrick Colangelo <sup>3</sup>
Benson Cohn		
Peter Lisi		
John Mengacci		
Paul Mutone		
Bryan Pollard		
Sarah Sanders		

Mr. Colangelo accepted the re-election as Vice Chairman.

## **CURRENT AND PENDING BOND ISSUES**

### **Financing Forecast**

Mr. Morris reported that there are four new items on the Financing Schedule: Eastern Connecticut Health Network Issue, to refinance Series B with approval planned for October 2010; Norwalk Hospital Issue, Series G which will be discussed at today’s Board meeting; University of Bridgeport Issue, Series B refinancing planned for October 2010 Board approval; and Sacred Heart University Issue, Series G scheduled for Board approval in December 2010.

### **Summary of Financings**

The University of New Haven transaction and the King Low Heywood Thomas School private placement transactions which were reported at the Board of Directors meeting in July 2010 both closed in August 2010. There is an upcoming closing for Saint Francis Hospital and Medical Center Issue, Series G in September 2010. Waterbury Hospital may refund its 1999 Series C issue and Middlesex Hospital may refund its Series H and I issues.

### **Interest Rate Update and Market Update**

Ms. Peoples reported that there was increase in the markets over the past five days, although the

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<sup>3</sup> Mr. Colangelo abstained from voting.

Dow Jones was down below 10,000 at the end of August. Gold continues to be on the rise, with speculation that it could rise to approximately 1,600 in the short term. In the money markets there is a noticeable dip in the Connecticut Short-Term Investment Fund for the end of July and August due to 30/360 accrual calculations effecting the 31<sup>st</sup> day of the month. The primary back-up used for Construction Funds is the Fidelity Fund 57, which has had a strategy change reducing the average days to maturity to approximately 35 days. This change has reduced the yield on the fund approximately 4 basis points while some similar funds remain close to 8 or 10 basis points. Other funds will be researched as a possible alternative. Over 55% of the fund is in overnight repurchase agreements, where others may have approximately 24% in repurchase agreements. Since last reported, the yield curve, on the long end, has decreased from 4.05% to 3.87%, and at the 15-year mark there was a drop of approximately 25 basis points. On the forward economic calendar, retail indicators have increased for the second month in a row. Included with the Interest Rate Update report is an article titled “Goldman Takes Aim at Retail.” Goldman is partnering with a Chicago based securities distributor, Incapital LLC to take advantage of new-issue municipal bonds and retail order periods.

Ms. Weldon reported that the municipal market had a great month in August with some record low yields. The Municipal Market Data (MMD) yield curve, which is used as a benchmark, achieved a record low of 2.17% for the 10-year maturity and 3.67% for the 30 year maturity. Yields have started rising since the end of August, but remain favorable overall. The impact of the yield reduction during August can be seen in recent health care transactions. For example, North Mississippi Health Services (rated ‘Aa3/AA/AA’ and pricing the week of August 2) had a 2039 maturity with a yield of 5.00% and a MMD spread of 105 basis points, vs. Seattle Children’s Hospital (rated ‘Aa3/NR/AA’ and pricing the week of August 16) with a 2040 maturity yielding 4.60% and a MMD spread of 85 basis points. There were several Assured Guaranty insured health care transactions that priced during the month with yields in the high 4.00%+ range. On the higher education side, there were interesting transactions reflecting the impact of credit quality with their spreads. The Rockefeller University transaction which was rated ‘Aa1/AAA/NR’ had an 18 basis point spread, while the Bentley University transaction which was rated ‘A3/NR/NR’ had a 99 basis point spread.

## **FINAL STAFF MEMO**

### **Norwalk Hospital Issue, Series G, Private Placement**

Mr. Morris reported that Staff recommends approval of the Norwalk Hospital Issue, Series G. The Series G Issue will be sold to GE Government Finance (“GEGF”) and two or more other purchasers (“Third Party Lenders”) as a private placement. GEGF proposes to purchase approximately \$25 million of the issue (the maximum exposure permitted to any one credit per internal policy) and the balance will be sold to the Third Party Lenders. An affiliate of GEGF, GE Capital Markets, Inc. (“GECM”) will solicit proposals from a number of investors (consisting of banks and other corporate entities) on behalf of the Hospital. Based on a conversation with a GEGF’s representative, GECM will not receive a fee to provide this service. GEGF also states that this structure has been utilized for a number of transactions with much success.

GEGF and all Third-Party Lenders will be required to execute an Investor Letter which will stipulate that each is a qualified investor, that all subsequent investors are similarly qualified, and that the responsibility

for due diligence and credit review rests not with the Authority, but with each investor. GEGF states that it intends to retain the debt in its portfolio for the term of the issue, and most likely, the Third Party Lenders will as well.

Since it is the responsibility of GEGF and the Third Party Lenders to conduct all necessary due diligence for this issue and the Authority is strictly acting as a conduit issuer, Staff has not prepared a credit review and analysis of the Hospital for this approval. All covenants and security provisions that have or will be incorporated in the Authority's bond documents will be based on the requirements of GEGF and the Third Party Lenders. Members of the Obligated Group will remain the same as the outstanding Series E & F bond issues, which consist of Norwalk Hospital Association, Norwalk Health Care, Inc., which operates Honey Hill Care Center and Norwalk Hospital Foundation. The Obligated Group has approximately \$18.2 million of debt outstanding for the Series E & F bonds (insured by FSA/Assured Guaranty). In addition, the Hospital has approximately \$6.5 million outstanding with an EasyLoan.

Proceeds in the amount of \$45 million from the Series G Issue will be used to refinance the following:

- Demolition, renovation and construction of an approximately 628 space parking garage for use of the Hospital patients, visitors, and employees;
- Reimburse the Hospital for funds expended to date for the planning, design, constructing and equipping of a new Ambulatory Pavilion which will contain a Cancer Center, Digestive Disease Center and an expanded Emergency Department<sup>4</sup>; and
- Reimbursement of miscellaneous capital expenditures expended in FY 2009 and 2011 and funding of capital expenditures for FY 2011.

In addition, proceeds will be used to pay issuance costs and possibly funding capitalized interest for the garage project.

For GEGF's portion of the Series G Bonds:

- Fixed-Rate;
- 15-Year Term/15-Year Amortization;
- Semi-annual interest payments and annual principal payments; and
- Ten-year call provision at par.

For the Third Party Lender portion of the Series G Bonds:

- Fixed-Rate;
- 10-Year Term/10-Year Amortization;
- Semi-annual interest payments and annual principal payments; and
- Seven-year call provision; 1% prepayment premium.

Security for the Series G issue will be on a parity basis with Series E & F bond issue, which consists of:

- Gross Receipts Pledge; and
- Negative Pledge.

A debt service reserve fund will not be required by the any of the purchasers.

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<sup>4</sup> The Hospital received a Certificate of Need in June 2010, but is still evaluating the project. Commencement of the project is not expected until the 2012 calendar year.

According to GEGF, none of the purchasers will require any additional financial covenants than what currently exist in the Series E & F bond issues, which consist of:

- Debt Service Coverage Ratio of 1.10 times to be tested annually.

The Series E & F bonds do not have a liquidity covenant, nor is one expected for the Series G issue.

Mr. Asher stated that CHEFA is acting truly as a conduit issuer and all credit decisions rest with the individual investors. Mr. Morris stated that these stipulations would be included in the investor letter. Mr. Asher inquired about the 5.14% interest rate, if the institution found it satisfactory, and why did the Hospital with its strong credit decide to opt for a private placement offering. Mr. Morris stated that originally the Authority thought that the private placement would be issued as a variable rate and that it would be refinanced when the Hospital financed its master facilities plan. The fifteen year rate at 5% did not appear to be particularly unfavorable. Mr. Asher stated that the Hospital will be locked into GE with a 15-year bond issue with a 10 year no call provision. Mr. Morris responded that with a variable rate would most likely have put options and renewal risk. Mr. Asher inquired if this would affect future financing. Mr. Morris responded that it would not, the Hospital has relatively little debt outstanding currently and a good portion of this financing will be reimbursed to the Hospital which would strengthen the Hospital's cash position. Mr. Asher inquired if the Hospital would need to get the consent of GE Capital and the other investors for the next financing. Mr. Morris stated that they would not, as long as they met their additional bonds test of the master trust indenture. Ms. Sanders inquired about not knowing who the purchasers are, and that GE will not be charging a fee. Mr. Morris stated that Hospital's financial advisor has taken a lead role with GE's affiliate. Some of the potential Third Party Lenders included large banks such as Bank of America, Citi, and Key Bank as well as other banks as corporate entities.

There being no further discussion, Mr. Colangelo introduced Resolution #2010-16 Norwalk Hospital Issue, Series G, Private Placement Authorizing, which resolution was included in the materials distributed to the Board. Mr. Mengacci moved for adoption of Resolution #2010-16 which was seconded by Mr. Pollard.

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

<b>AYES</b>	<b>NAYS</b>	<b>ABSTENTIONS</b>
John Biancamano	None	None
Benson Cohn		
Patrick Colangelo		
Peter Lisi		
John Mengacci		
Paul Mutone		
Bryan Pollard		
Sarah Sanders		

The Chair then declared Resolution #2010-16 adopted.

### **COMMITTEE MEETING REPORT**

#### **Audit-Finance Committee Meeting**

Mr. Mengacci reported that the Audit-Finance Committee reviewed and accepted the FY 2010 Draft Audited Financial Statements. The audit finding was a clean audit. The committee also reviewed and approved the Authority’s Investment Policy which had not been updated since 2002. The review and approval of the Charters and CIAF Policies and Procedures Manual was completed with one minor change. The committee also reviewed and discussed Management’s performance with Whittlesey & Hadley with respect to the Audit for FY 2010 and included a review and approval of the Compliance/Internal Auditor Performance Evaluation.

Mr. Mengacci moved to accept the Audit-Finance Committee report and Mr. Cohn seconded the motion. All were in favor.

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

<b>AYES</b>	<b>NAYS</b>	<b>ABSTENTIONS</b>
John Biancamano	None	None
Benson Cohn		
Pat Colangelo		
Peter Lisi		
John Mengacci		
Paul Mutone		
Bryan Pollard		
Sarah Sanders		

## **CHEFA FINANCIAL OPERATIONS**

### **July 2010 Financial Statements**

Ms. Mackewicz reported that for the one month ending July 31, 2010, revenues exceeded expenses by approximately \$248 thousand before program expenses and \$231 thousand after program expenses. For the month of July, revenues were under budget by approximately \$1,500 and expenses were under budget by approximately \$15,000. There were no notable items in July 2010.

### **EXECUTIVE DIRECTOR'S REPORT**

Mr. Asher reported that as part of the State's budget approval process, the Authority was assigned the responsibility of developing an energy conservation program potentially having State issued bonds. The Authority is hosting a meeting on September 27, 2010 which will include representatives from the Connecticut Development Authority, the Connecticut Housing Finance Authority, the Office of Policy and Management, some energy industry representatives, as well as a representative of Lamont Financial which serves as financial advisors to CHEFA, CHFA, and CDA. The meeting will allow the attendees to discuss the feasibility, the possible loan program structures, bond issuance, and existing programs which are currently being administered at this time. This collaboration of State Authorities is a positive move toward energy conservation within the State of Connecticut.

Mr. Asher also reported that the Authority still serves on the Health Care Reform Cabinet. The Authority has assumed responsibility of keeping the template updated for federal funding opportunities on grants. The Office of Policy and Management, the Department of Public Health, and the Department of Social Services will also be sharing information which will be reported to Cristine Vogel, Special Advisor to the Governor.

Mr. Asher reported that the Authority was asked to serve on the Exchange Sub-Committee of the Cabinet. The Exchange Sub-Committee has been charged by the Governor with creating the health insurance exchange where individuals and small businesses will have an opportunity to purchase health insurance. On September 1, 2010, the State applied for a \$1 million grant to the federal government to cover the costs associated with analysis and studies needed to determine infrastructure and the bidding process. The Authority is thankful for its inclusion on this sub-committee.

Mr. Asher stated that the Authority will be holding a Grant Committee meeting later this month to review an application received from the Connecticut Data Quality Partnership. CHEFA serves as a member of that partnership along with the University of Connecticut at Storrs, the University of Connecticut Health Center, the Connecticut Economic Resource Center, the Secretary of State, the Attorney General's Office, and others. The nonprofit database will provide nonprofits, citizens, and State government officials with a solid resource which can be used to assess what type of services exist in the State of Connecticut. The Attorney General is in the process of developing an electronic database for the filing of Form 990's and the Authority is hopeful that that information will flow into this database. The Secretary of State's Office is also

interested because of corporate and nonprofit electronic filing. The Authority will reach out to Robert Dakers, the Executive Finance Officer at the Office of Policy and Management who is collaborating with a nonprofit representative co-chairing a nonprofit study or council which identifies the lack of data on the individual nonprofits.

At 1:45 p.m., Ms. Rubin joined the Board Meeting via conference call.

### **EATON VANCE PRESENTATION**

Lilly Scher and Megan Poplowski, both Vice Presidents, and Senior Municipal Analysts at Eaton Vance joined the meeting to give a presentation on the analytical approach of institutional investors when considering bond purchases. Eaton Vance is a major buyer of CHEFA bonds and they focused most of their comments on key considerations for health care credits. These include debt structure, corporate structure and performance of all corporate entities, legal covenants, and the quality and frequency of continuing disclosure.

At 2:00 p.m., Mr. Mengacci, Bryan Pollard and Mr. Biancamano left the meeting.

### **OTHER BUSINESS**

Mr. Asher stated that the next Board of Directors meeting will be held on Tuesday, October 26, 2010 at 1:00 p.m.

There being no further business, at 2:30 p.m., Mr. Colangelo requested a motion to adjourn the meeting. Mr. Lisi moved to adjourn and Mr. Cohn seconded the motion. All were in favor.

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

<b>AYES</b>	<b>NAYS</b>	<b>ABSTENTIONS</b>
Pat Colangelo	None	None
Benson Cohn		
Peter Lisi		
Paul Mutone		
Barbara Rubin		
Sarah Sanders		

Respectfully submitted,

Jeffrey A. Asher  
Executive Director