

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

May 18, 2016

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, May 18, 2016.

The meeting was called to order at 1:31 p.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: Barbara Rubin, Chair
Patrick A. Colangelo
Robert S. Dakers (Rep. Secretary Benjamin B. Barnes)
Dr. Peter W. Lisi, Vice Chair
Elizabeth C. Hammer
Barbara B. Lindsay, Esq.
Dr. Estela R. Lopez
Sarah K. Sanders¹ (Rep. Honorable Denise L. Nappier)

ABSENT: John M. Biancamano
Paul Mutone

ALSO PRESENT: Jeanette W. Weldon Executive Director
Kimberley Fontaine, Marketing & Philanthropy Specialist
Paula L. Herman, General Counsel
Krista Johnson, Junior Accountant/Analyst
Dan Kurowski, Financial Analyst-Arbitrage
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director
Cynthia D. Peoples, Managing Director
Debra M. Pinney, Manager of Administrative Services
Jennifer Smyth, Legal Services Specialist
David Wasch, Legislative Liaison/ECE Program Specialist
of the Connecticut Health and Educational Facilities Authority

¹ Ms. Sanders participated in the meeting via conference telephone that permitted all parties to hear each other.

GUESTS: Michael Andreana, Esq., Pullman & Comley LLC
 Judith Blank, Esq., Day Pitney LLP
 John Brodsky, President, Fairmount Capital Advisors, Inc.²
 Bruce Chudwick, Esq., Shipman & Goodwin LLP
 Steve Donovan, Esq., Hawkins, Delafield & Wood LLP³
 D. Scott Gibson, Executive Director, Oppenheimer & Co., Inc.
 Stella Gittens, Sr. Director, A. C. Advisory, Inc.⁴
 Joshua Nyikita, Managing Director, Acacia Financial Group, Inc.⁵
 David Panico, Esq., Robinson + Cole LLP
 Eric Taylor, Esq., Harris Beach PLLC
 Tiffany Stevens, Esq., McCarter & English, LLP
 John Yarbrough, Esq., Carmody Torrance Sandak & Hennessy LLP⁶

MINUTES

Ms. Rubin requested a motion for approval of the revised minutes of the April 20, 2016 meeting of the Board of Directors, which was included in the meeting handouts. Mr. Colangelo moved for approval of the revised minutes, which was seconded by Dr. Lisi.

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

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

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Mr. Morris reported that there is a new bond issue for Hospital for Special Care, Series F, seeking a partial refunding of their 2007 Series C and 2010 Series E outstanding bond issues for approximately \$44 million. This is a direct purchase with Webster Bank, which will be presented to the Board next month. Yale University is seeking to refund their 2007 issue, Series Z-1, for

² Mr. Brodsky participated in the meeting via conference telephone that permitted all parties to hear each other.
³ Mr. Donovan participated in the meeting via conference telephone that permitted all parties to hear each other.
⁴ Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.
⁵ Mr. Nyikita participated in the meeting via conference telephone that permitted all parties to hear each other.
⁶ Mr. Yarbrough participated in the meeting via conference telephone that permitted all parties to hear each other.

approximately \$400 million. Mr. Morris stated that in conjunction with that, Yale is remarketing one of their other issues for approximately \$100 million. Eagle Hill School plans to refund their 2005 Series A issue and approximately \$10.0 million for campus renovations next month.

Summary of Financings

Mr. Morris reported that Seabury (Healthcare Facility Expansion Issue, Series A, B-1 and B-2) and Quinnipiac University Issue, Series M, closed last month.

Interest Rate Update

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

Municipal Market Activity and Recent Transactions

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

AUTHORIZING BOND RESOLUTIONS

Ethel Walker School Issue, Series D

Mr. Morris presented the Ethel Walker School Issue, Series D, for approval of up to \$13.5 million, which is a private placement offering with First Niagara Bank, which will be issued in two sub-series.

The School is a boarding/day school for girls in Simsbury serving students from Grades 6 - 12. Ethel Walker has two bond issues outstanding for approximately \$16 million; one is the 2009 Series B issue, fixed rate, unenhanced and the other is a private placement. Now all their debt will be with First Niagara Bank. Ethel Walker currently maintains a "BBB" rating from Standard & Poor's. Proceeds will be used to advance refund their 2009 Series B bond offering, callable July 1, 2019 for \$8.5 million. Five million dollars in new money will be used to pay a portion of the costs for the construction of a new student/athletic center. The total cost of the new facility is \$22 million, which was funded primarily with capital campaign proceeds.

Mr. Morris stated that Series D-1 and Series D-2 are both variable rates. Series D-1 will be swapped to a fixed rate, with a mandatory put date of January 2030 and a 24-year amortization. Series D-2 will also be a variable rate and have the same formula as the Series D-1 and it will remain unhedged and will have a 24-year amortization and a mandatory put date of 2023. Security for the issue will consist of a general obligation of the School and a gross receipts pledge and mortgage, all of which will also secure the Series C issue. Financial covenants will remain the same as the Series C issue.

Ms. Rubin introduced Resolution #2016-5, Ethel Walker School Issue, Series D, authorizing, which resolution was included in the Board materials. Dr. Lisi moved for adoption of Resolution #2016-5, and Dr. Lopez seconded the motion.

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

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

Middlesex Hospital Issue, Series P

Mr. Morris presented the Middlesex Hospital Issue, Series P for approval of up to \$12 million, which is a private placement with TD Bank, N.A. The Obligated Group will consist of the Hospital, the parent, and Middlesex Health Services. The institution is rated “A2” from Moody’s with a Stable Outlook affirmed in April 2015. The Hospital has three outstanding bond issues totaling approximately \$57.6 million.

Mr. Morris stated that the Hospital plans to advance refund its 2006 Series M issue. The Series M offering originally was issued as a variable rate (Auction Rate Securities), insured by FSA, which was converted to a fixed-rate issue in April 2008. The first call date is July 1, 2018.

Security is on a parity basis with the Hospital’s existing debt under its Master Trust Indenture, which consists of a gross receipts pledge and a springing mortgage on the Hospital’s core campus (in the event the Hospital’s debt service coverage ratio falls below 1.25 times). This transaction will have a fixed rate for 11-years, fully amortized with final maturity by July 1, 2027. The Institution anticipates locking in the interest rate within the next couple of days. Mr. Morris stated that the financial covenants are the same as what is in the Master Trust Indenture.

Ms. Rubin introduced Resolution #2016-6, Middlesex Hospital Issue, Series P, authorizing, which resolution was included in the Board materials. Ms. Hammer moved for adoption of Resolution #2016-6, and Mr. Colangelo seconded the motion.

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

AYES

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

NAYS

None

ABSTENTIONS

None

Stamford Hospital Issue, Series K

Mr. Morris presented the Stamford Hospital Issue, Series K for up to \$60 million. The goal is to achieve \$50 million in bond proceeds. The Obligated Group consists of the Hospital, Stamford Health System and Stamford Health Medical Group. Proceeds will be used to reimburse the Hospital for a portion of the project that was paid with equity from Phase II of the Hospital's \$450 million Campus Modernization Project. Phase I, was financed with the Hospital's 2012 bond offering, which consisted of a diagnostic and treatment building, a Central Utility Plant, and modernization of the Emergency Department. The new facility is expected to be completed this spring, with patient occupancy during September.

Mr. Morris reported on the financing structure with a final maturity of July 1, 2046. The Hospital is rated "A-" with a Negative Outlook from Standard & Poor's and rated "A" by Fitch with a Stable Outlook. Security is on a parity basis with Series I & J, with a pledge of gross receipts of the Obligated Group.

For the Hospital's six months results, their operating margin was favorable at 5.1%, compared to the prior year's result of 3.5%, although they expect an operating margin of 1.1% before the end of the year which includes expenses associated with the facility. Cash and investments declined, resulting in approximately 218 days cash on hand, but are in line with Moody's "A" median.

Mr. Morris reported that outpatient surgeries are on the same pace as the previous year. Their debt service is manageable and their pro forma debt service is 1.8 times. The Hospital has a dominant market share increasing in both their primary and secondary service areas. The Hospital is looking forward to its collaboration with the Hospital for Special Surgery and anticipates finalizing their Letter of Intent by sometime in June.

Ms. Rubin introduced Resolution #2016-7, Stamford Hospital Issue, Series K, authorizing, which resolution was included in the Board materials. Ms. Lindsay moved for adoption of Resolution #2016-7, and Dr. Lopez seconded the motion.

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

AYES

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

NAYS

None

ABSTENTIONS

None

COMMITTEE REPORTS

Ms. Rubin stated that Mr. Mutone was unable to attend the meeting and reported that Mr. Mutone advised the Authority that he will be moving out of State sometime in June and consequently, will be resigning from the Board of Directors. Ms. Rubin thanked Mr. Mutone for all his contributions while serving on the Board of Directors and serving as Chair of the Audit-Finance Committee.

Audit-Finance Committee

Ms. Rubin reported that the Committee met and approved staff’s recommendations for the FY 2017 proposed compensation, operating and capital budgets. Revenues are expected to decrease from actuals for FY 2016 by approximately \$200,000. Ms. Rubin indicated that the Authority’s compensation merit increase range has typically ranged from 0% to 5%, but recognizing what is happening at the State level, the Committee approved a merit increase range of 0% to 2.5% for staff and 0% to 2% for officers, with total increases averaging 1.62%.

General and administrative expenses are expected to be up approximately \$40,000 and the conference budget has increased to allow the Authority to be able to provide speakers at the client conference from the national and state levels. Before the mandated transfer payment to the State of Connecticut, the Authority expects a 1.88% increase in its net position.

Ms. Rubin requested a motion to approve the proposed compensation budget for FY 2017. Mr. Colangelo moved to approve the proposed compensation budget for FY 2017 and Dr. Lopez seconded his motion.

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

AYES

Barbara Rubin
Patrick Colangelo
Elizabeth Hammer
Barbara Lindsay
Dr. Peter Lisi
Dr. Estela Lopez

NAYS

Robert Dakers
Sarah Sanders

ABSTENTIONS

None

Ms. Rubin requested a motion to approve the non-compensation portion of the proposed operating budget for FY 2017. Mr. Colangelo moved to approve non-compensation portion of the proposed operating budget for FY 2017 and Dr. Lopez seconded his motion.

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

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

Ms. Rubin requested a motion to approve the proposed capital budget for FY 2017. Mr. Colangelo moved to approve the proposed capital budget for FY 2017 and Dr. Lopez seconded his motion.

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

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

Grant Committee

Dr. Lisi reported that the Committee met to discuss staff’s recommendations for the FY 2016 Nonprofit Grant Program awards. He explained that the process for applying for a grant was different this year as a Letter of Interest was not required from the applicants. Staff received 124 applications with requests totaling approximately \$6 million, and recommended awards for 23 applicants. Originally the program budgeted \$875,000, but in March, \$250,000 was reallocated from the Targeted Investment Program, giving the Authority \$1.125 million available to fund awards.

Ms. Fontaine reported that the Internal Review Committee consisted of six staff divided into two teams of three. Each team was able to reach consensus regarding application rankings for its assigned applications.

Ms. Fontaine stated that of the non-client applications received for this cycle, 62 applicants have never received CHEFA grants, and 37 had not previously applied for a CHEFA grant. Eleven nonprofits selected for funding have never received a grant from CHEFA and 4 are first time applicants. The 23 applications selected for funding include a number of organizations from education and healthcare, healthcare being a predominant sector. There was one childcare and one cultural application recommended for funding.

Dr. Lisi indicated that the Grant Committee voted unanimously to recommend staff's recommendations for awards. Dr. Lopez moved to accept staff's recommendations for the FY 2016 Nonprofit Grant Program awards and Mr. Colangelo seconded the motion.

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

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

Mr. Dakers inquired as to how staff ensures that all of the project funds are used for what was requested. Ms. Fontaine stated that the Authority requires that each applicant provide information on their sources of funding for a project and the Authority checks to make sure that the documentation is complete. If the funding is for a capital project and there are other funding sources, it is checked to ensure that CHEFA's funds are necessary. Ms. Herman added that the awardee is required to submit a report to the Authority after the project period demonstrating that the funds were used as proposed.

Dr. Lisi commended the staff on their efforts in this grant process. He added that the documentation was thorough and well prepared.

CHEFA FINANCIAL OPERATIONS

March 2016 Financial Statements

Ms. Mackewicz reported on the financial statements for the nine months ending March 31, 2016. Revenues were over expenses by approximately \$3.2 million before and approximately \$2.2 million after program related expenses. There was one deal that closed in March for all refunded money.

Revenues, year-to-date, are over budget by approximately \$46,000 and expenses year-to-date are under budget by approximately \$233,000.

EXECUTIVE DIRECTOR’S REPORT

Ms. Weldon reported that the State Auditor is here reviewing FY 2014-15 for CHEFA, CHESLA and CSLF and probably will be here until the end of the summer.

Ms. Weldon stated that the Legislative Session is just about over and there were no significant CHEFA related bills that passed.

CHESLA’s Board has approved a spring bond issue for up to \$18 million. The bonds will be priced on June 2 and close on June 30 for the student loan program. The Board also approved a \$5 million Refinance Loan Pilot Program to allow borrowers who are now in repayment to refinance their education loans. The pilot is expected to be ready to launch in June.

ADJOURNMENT

There being no further business, at 2:09 p.m. Mr. Colangelo moved to adjourn the meeting and Ms. Hammer seconded his motion.

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

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

Respectfully submitted,

Jeanette W. Weldon
Executive Director