

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Special Board Meeting

October 19, 2016

The State of Connecticut Health and Educational Facilities Authority met at 12:30 p.m. on Wednesday, October 19, 2016.

The special meeting was called to order at 12:35 p.m. by Dr. Peter Lisi, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: John M. Biancamano
 Patrick A. Colangelo
 Robert S. Dakers¹ (Rep. Honorable Benjamin B. Barnes, OPM Secretary)
 Elizabeth C. Hammer
 Barbara B. Lindsay
 Dr. Peter W. Lisi, Chair
 Dr. Estela R. Lopez
 Sarah K. Sanders² (Rep. Honorable Denise L. Nappier, State Treasurer)

ABSENT: Barbara Rubin
 Mark Varholak

ALSO PRESENT: Jeanette W. Weldon, Executive Director
 Eileen MacDonald, Sr. Transaction Specialist
 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
 of the Connecticut Health and Educational Facilities Authority

¹ Mr. Dakers joined the meeting at 12:36 p.m.

² Ms. Sanders participated in the meeting via conference telephone that permitted all parties to hear each other.

FY 2017 STRATEGIC PLAN INITIATIVES

Dr. Lisi stated that the purpose of the meeting is to address the FY 2017 Strategic Plan Initiatives, as an outgrowth of the comments discussed at the last Board meeting. Dr. Lisi thanked the Board members and staff for making themselves available for the meeting.

Ms. Weldon provided some background information on how the proposed strategic initiatives were developed. The FY 2017 initiatives support five priority areas that are summarized in the strategic plan, which was adopted at the March Board meeting. Ms. Weldon stated that going forward she would like to present the Authority's strategic initiatives annually on a March schedule.

Ms. Weldon, Mr. Morris and Ms. Peoples briefly discussed some of the external and internal environmental changes that will potentially affect the Authority this fiscal year and moving forward.

Mr. Morris reported that the Authority has five stand-alone hospitals left in the State (Bristol, Day Kimball, Griffin, Middlesex and Milford). Middlesex Hospital is the only investment grade credit. Griffin Hospital will request approval from the Board on a bond transaction next month to refund their transactions. The ECHN and Waterbury mergers with Prospect Medical holdings were complete on October 1, and all outstanding bond issues were defeased. Sharon Hospital is being acquired by a New York based firm and will revert back to its nonprofit status. Yale New Haven Hospital and Lawrence and Memorial Hospital's affiliation was approved. Hartford Healthcare and Charlotte Hungerford continue to move forward with a formal affiliation but they are still going to need State and federal approvals.

Mr. Morris stated that the hospital sector represents approximately 33% of the Authority's fees. The senior living sector is growing with the three recent transactions (Seabury, Duncaster and Masonicare). Overall, the senior living sector has been very active with 82 bond transactions totaling \$3.5 billion in the market nationally this year. Fitch notes that due to the low interest rate, facilities are expanding and locating to new campuses and this is causing an increase in competition. In Connecticut, there have been expansions in some facilities such as in the Duncaster, Seabury and Masonicare projects.

Mr. Morris reported that in the higher education sector, there has been an increase in taxable debt. The higher education sector is the Authority's largest sector which represents approximately 51% of the Authority's fees, of which, Yale University provides approximately 60% of those fees.

Ms. Weldon pointed out that the National Association of Health & Education Facilities Finance Authorities (NAHEFFA) indicated that tax reform is expected after the election. Ms. Weldon stated tax-exempt financing for 501(c)3 organizations will likely be on the radar. NAHEFFA is taking an aggressive advocacy approach and working with Mintz Levin and, other trade associations such as the Government Financial Officers Association, in presenting a united front on the importance of tax-exempt bonds. Ms. Weldon added that the State budget and all its implications may also impact the Authority.

Ms. Peoples reported that Jones Lang and Lasalle (JLL) are working with building management and the bank to make improvements to CHEFA's office building. JLL is currently working on security changes, upgrading the cafeteria, exterior lighting and making improvements to the parking garage, etc. Ms. Weldon stated that since improvements are expected to be made to the building, CHEFA does not plan to relocate its office at this time.

Ms. Peoples added that technological improvements will be made to improve services and processes for accounting, human resources and payroll.

Ms. Weldon reviewed the strategic priorities, starting with Strategic Priority 2: *Programs and Services that Meet the Demands of a Changing Market*. She stated that one of the Authority's initiatives is to *"Develop a new financing program based on social impact bonds or green bonds"*. The initiative is consistent with the Authority's mission and vision adopted by the Board. Ms. Weldon pointed out that staff is considering a potential pay-for-success (aka social impact bonds) project and will present a proposal to the Board. Staff is contemplating an education-related program, perhaps around the achievement gap issue, drawing on the skillset of staff and working with some existing partners and/or new partners. A discussion ensued.

Ms. Sanders left the meeting at 12:55 p.m.

Dr. Lisi recommended changing the wording of the initiative to read as follows: *"Explore the development and/or implementation of a new financing program based on social impact bonds or green bonds"*. Ms. Weldon agreed.

Ms. Weldon stated that the Authority may want to explore the utilization of green bonds for hospitals and/or other sectors the Authority serves and she reviewed the other initiatives for FY 2017 under Strategic Priority #2.

Mr. Morris reviewed each of the priorities identified under Strategic Priority 1, Superior Client Service. He pointed out that the Authority has received a number of requests to hold tax seminars. As a result, a seminar will be scheduled in the spring of next year. Mr. Morris added that the development of a post-closing survey is also underway.

Dr. Lopez stated that many of goals are very descriptive and she inquired if staff can provide an outcome assessment for each of the goals. Ms. Weldon agreed and will provide the Board with that information. A discussion ensued.

Mr. Dakers suggested that staff may also want to research its competition and survey the services they provide to their clients to see if there are alternative services that CHEFA can offer to its clients. Ms. Weldon agreed.

Ms. Weldon reviewed the initiative under the Partner in Public Policy priority and stated that the Authority may be able to collaborate with the Connecticut Green Bank on their micro-grid initiative. The Authority may be able to work with them in targeting hospitals and universities. Mr. Dakers suggested that Yale University may also be a good resource on this project.

Ms. Peoples reviewed the initiatives listed under Sustainable Organization, Strategic Priority 4. The Authority is looking to develop educational content for staff meetings and will update job descriptions and continue the use of the staff newsletter. A staff meeting is scheduled next month to update staff on cybercrime in order to educate staff and she will discuss enforcing IT policies. Benefits and spending plans will also be covered at a future staff meeting. Staff will be reviewing the existing accounting and time and attendance systems. A request for proposal has been posted looking for a payroll system and any services that they may provide, including human resource and time and attendance services. A decision should be made in a few weeks as to which platform CHEFA plans to utilize.

Ms. Peoples stated that CHEFA will be reviewing areas of risk. This year CHEFA started working with an external company called CT Comp for networking systems support. CT Comp performed a security, network and Exchange/Outlook server audit and CHEFA will be implementing some of their recommendations based on that review.

Ms. Peoples stated that under Strategic Priority 5, Ethical Culture, CHEFA established a process for which Management could recognize peers, and this recognition is done in our staff newsletter. A process was formalized this year for staff to recognize their peers.

Mr. Biancamano suggested that cross training of each job function be provided and stated that this function would fall under the Sustainable Organization initiatives. A discussion ensued.

Dr. Lisi moved to accept the draft FY 2017 strategic initiatives on a preliminary basis, with amendments as discussed during the meeting, with final approval at the next Board meeting. Mr. Biancamano seconded his motion.

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

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

Mr. Biancamano requested that staff provide an update on the FY 2017 strategic initiatives in January. Ms. Weldon agreed.

ADJOURNMENT

There being no further business, at 1:19 p.m., Dr. Lopez moved to adjourn the meeting and Mr. Biancamano seconded her motion.

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

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

Respectfully submitted,

Jeanette W. Weldon
Executive Director