

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

October 19, 2016

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, October 19, 2016.

The meeting was called to order at 1:35 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. Dakers (Rep. Honorable Benjamin B. Barnes, OPM Secretary)
 Elizabeth C. Hammer
 Barbara B. Lindsay, Esq.
 Dr. Peter W. Lisi, Chair
 Dr. Estela R. Lopez
 Barbara Rubin¹

ABSENT: Sarah K. Sanders (Rep. Honorable Denise L. Nappier, State Treasurer)
 Mark Varholak

ALSO PRESENT: Jeanette W. Weldon, Executive Director
 Kimberley Fontaine, Marketing and Philanthropy Specialist
 Robert Jandreau, Sr. Finance Associate
 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 Ms. Rubin participated in the meeting via conference telephone that permitted all parties to hear each other.

GUESTS: Michael Andreana, Esq., Pullman & Comley, LLC
 John Brodsky, Managing Director, Fairmount Capital Advisors, Inc.
 Steven Donovan, Esq., Hawkins, Delafield & Wood LLP
 Stella Gittens, Sr. Director, A. C. Advisory, Inc.²
 Laurie Hall, Esq., Hawkins, Delafield & Wood LLP³
 Richard Lopatin, Vice President, Acacia Financial Group, Inc.
 Elizabeth Schramek, Director, Oppenheimer & Co. Inc.
 Namita Shah, Esq., Day Pitney LLP
 Eric Taylor, Esq., Harris Beach PLLC
 Jane Warren, Esq., McCarter & English, LLP
 John Yarborough, Esq., Carmody Torrance Sandak & Hennessy LLP⁴

MINUTES

Dr. Lisi requested a motion for approval of the minutes of the September 21, 2016 meeting of the Board of Directors, which was included in the meeting materials. Mr. Biancamano moved for approval of the minutes, which was seconded by Mr. Colangelo.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano	None	Patrick Colangelo ⁵
Robert Dakers		Dr. Estela Lopez ⁶
Elizabeth Hammer		
Barbara Lindsay		
Dr. Peter Lisi		
Barbara Rubin		

CURRENT AND PENDING BOND ISSUES

Financing Forecast

Ms. MacDonald reported that on the financing forecast, there are no new issues. There may be a new issue for Hopkins School to refund their 2008 Series B and possibly a portion of their 2009 Series C, in which they have approximately \$14 million in outstanding debt, which will most likely be a private placement.

² Ms. Gittens participated in the meeting via conference telephone that permitted all parties to hear each other.
³ Ms. Hall participated in the meeting via conference telephone that permitted all parties to hear each other.
⁴ Mr. Yarborough participated in the meeting via conference telephone that permitted all parties to hear each other.
⁵ Mr. Colangelo abstained from voting as he did not attend the September 21st Board meeting.
⁶ Dr. Lopez abstained from voting as she did not attend the September 21st Board meeting.

Summary of Financings

Ms. MacDonald reported that the Hospital for Special Care Issue, Series F closed on October 6, 2016, which was a partial refund of their Series C and E issues. This was a private placement with Webster Bank with a 15-year put, and a 2038 maturity date. The NIC was 2.63%. There is an upcoming closing for Masonicare, refunding their 2007 Series C and their 2012 Series E issue and some minor capital projects. Masonicare achieved a “BBB+” rating from Fitch. This fixed-rate unenhanced issue is currently in the market with Ziegler.

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.

EXECUTIVE DIRECTOR’S REPORT

Ms. Weldon reported that Masonicare is currently in the market with a targeted sale date of October 27, 2016. Masonicare added a tax abate call to the transaction in response to the results of an IRS audit. The Institution believes the matter is resolved and is waiting for final closure from the IRS. The underwriters have indicated that it is not uncommon for a senior living institution to have a taxability call and they do not foresee that it will have an impact on the pricing.

Ms. Weldon stated that the client conference is scheduled to be held on Thursday, November 17, 2016, at the Hartford Hilton from 8:30 a.m. to 12:30 p.m. She extended an invitation to the conference to the Board members. Ms. Weldon stated that CHEFA will have a speaker to discuss liquid asset investment options, and a speaker to discuss continuing disclosure and SEC requirements. Mr. Chuck Samuels from Mintz Levin, which is the advocacy firm for NAHEFFA, will be discussing the future of tax-exempt bonds post-election and what the expectations are for tax reform. Ms. Weldon stated that Tom Vanderbilt is the keynote speaker and is the author of a book entitled “*Taste in an Age of Endless Choice*”.

Ms. Weldon stated that a board orientation session is scheduled for November 7, 2016 at 2:30 p.m. for the Authority’s newest board member, Mr. Mark Varholak. Ms. Weldon indicated that any board member is welcome to attend that session.

Ms. Weldon reported that CHESLA launched an updated website at www.chesla.org, and she added that the next CHESLA Board meeting will be held on November 15, 2016 at 11:30 a.m.

Ms. Weldon stated that at the last Board meeting, the Masonicare transaction was approved without a debt service reserve fund and questions were raised by Board members on the status of CHEFA’s current policy, a copy of which was included in the Board handouts. Ms. Weldon

stated that Mr. John Brodsky from Fairmount Capital Advisors, one of CHEFA's financial advisors would be presenting some considerations on the policy on behalf of the Authority.

Mr. Brodsky explained the appropriate role of the Authority, including oversight and review of the transactions and how things have changed over time. He presented the debt service reserve fund policy considerations as outlined in the handout and pointed out that changing market conditions can shift advantages and trade-offs in the use of reserve funds in various deal structures.

Mr. Brodsky concluded by stating that, in his view, the Authority exercises its obligation to promote the execution of prudent transactions through various activities of staff, advisors, and the Board during the approval, execution, and sale process of its public offerings. Disclosure of any non-traditional deal elements is important, especially to inform potential retail investors who might otherwise be unaware of deal specific parameters.

Dr. Lopez left the meeting at 1:51 p.m.

Dr. Lisi inquired if there were any questions and there were none. Dr. Lisi thanked Mr. Brodsky for his presentation.

Ms. Weldon stated that Staff will consider the comments made in the presentation and will provide the Board with a recommendation next month.

COMMITTEE REPORT - Consultant Committee

Mr. Colangelo reported that the Consultant Committee met to discuss re-appointments/appointments of bond counsel, EasyLoan bond counsel and approved underwriters. Mr. Colangelo explained the Request for Proposal (RFP) process. Ten firms responded to the bond counsel RFP and five firms responded to the EasyLoan RFP. Staff recommended the following firms serve as bond counsel and EasyLoan bond counsel for a period not to exceed three years.

Bond Counsel – Day Pitney LLP be appointed for bond counsel on State-backed issues; Hinckley Allen & Snyder, LLC to be appointed as bond counsel; Harris Beach PLLP, Hawkins Delafield & Wood LLP, Pullman & Comley LLC and Robinson & Cole LLP to be reappointed as bond counsel.

EasyLoan Bond Counsel – Mintz Levin to be appointed as sole bond counsel.

Dr. Lisi moved for approval of Staff's recommendations of bond counsel and EasyLoan bond counsel to serve for a period not to exceed three years and Mr. Biancamano seconded his motion.

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

AYES

John Biancamano
Patrick Colangelo
Robert Dakers
Elizabeth Hammer
Barbara Lindsay
Dr. Peter Lisi
Barbara Rubin

NAYS

None

ABSTENTIONS

None

Mr. Morris acknowledged that past practice has been to prohibit bond counsel from serving as underwriter's counsel on other CHEFA transactions due to possible conflicts of interest. He recommended eliminating that practice. A discussion ensued. Mr. Morris stated he would investigate the issue further and report back to the Board.

Mr. Colangelo reported that the Authority received 28 responses from senior and co-managing underwriting firms. Staff recommended the following 24 firms for reappointment to serve as senior manager and co-manager underwriters for a period not to exceed three years.

- Bank of America Merrill Lynch
- Barclays Capital
- Cabrera Capital Markets LLC
- Cain Brothers and Company, LLC
- Citigroup Capital Markets
- Gates Capital Corporation
- George K. Baum & Company
- Goldman, Sachs & Co.
- Herbert J. Sims & Co.
- Janney Capital Markets
- J. P. Morgan
- M&T Securities, Inc.
- Morgan Stanley & Co., Inc.
- Oppenheimer & Co, Inc.
- Piper Jaffray
- Prager & Co.
- RBC Capital Markets
- Roosevelt & Cross, Inc.
- Siebert Cisneros Shank & Co., LLC
- Stern Brothers & Co.
- Stifel Nicolaus & Company, Inc.
- TD Securities
- Wells Fargo Securities
- Ziegler Capital Markets Group

Mr. Colangelo also pointed out that Staff also recommended reappointment of Rockfleet Financial Services to serve as co-manager and recommended to appoint Academy Securities, Blaylock Beal Van, LLC and Mischler Financial Group, Inc. to serve as co-manager underwriters for a period not to exceed three years.

Dr. Lisi moved to accept Staff's recommendations of senior manager and co-manager underwriting firms to serve for a period not to exceed three years. Ms. Hammer seconded his motion.

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

AYES

NAYS

ABSTENTIONS

John Biancamano
Patrick Colangelo
Robert Dakers
Elizabeth Hammer
Barbara Lindsay
Dr. Peter Lisi
Dr. Estela Lopez
Barbara Rubin

None

None

CHEFA FINANCIAL OPERATIONS

August 2016 Financial Statements

Ms. Mackewicz reported on the financial statements for the two months ending August 31, 2016. Revenues were over expenses by approximately \$706,000 before and approximately \$686,000 after program related expenses. There were no new bond issues in the month of August. Revenues, year-to-date, are over budget by approximately \$41,000. Expenses year-to-date are under budget by approximately \$36,000.

Ms. Mackewicz pointed out that a handout was provided, which is a consolidation of the audited financials as of June 30 for the Authority and its component units. This document is based on the audited financials and it is an internal consolidation.

ADJOURNMENT

There being no further business, at 2:08 p.m., Mr. Colangelo moved to adjourn the meeting and Mr. Biancamano seconded his motion.

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

AYES

NAYS

ABSTENTIONS

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