

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of Authority Board Meeting

April 24, 2019

The State of Connecticut Health and Educational Facilities Authority met at 1:30 p.m. on Wednesday, April 24, 2019.

The meeting was called to order at 1:30 p.m. by Mr. Peter Lisi, Chairman of the Board of Directors of the Authority. Those present and absent were as follows:

PRESENT: Peter W. Lisi, Chairman
Michael Angelini
Anne Foley (*Designee for Melissa McCaw, OPM Secretary*)
Elizabeth C. Hammer
Barbara B. Lindsay, Esq.¹
Dr. Estela Lopez
Barbara Rubin
Linda Savitsky (*Designee for Shawn T. Wooden, Treasurer*)

ABSENT: Mark Varholec

ALSO PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Robert Jandreau, Sr. Finance Associate
Daniel Kurowski, Financial Analyst
Andrew Kwashnak, Systems and Data Analyst
Eileen MacDonald, Sr. Transaction Specialist
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director
Kelli Petrone, Administrative Assistant
Cynthia Peoples, Managing Director
Jennifer Smyth, Legal Services Specialist
of the Connecticut Health and Educational Facilities Authority

GUESTS: Ben Barnes, CFO, Connecticut State Colleges and Universities
Steven Donovan, Hawkins, Delafield & Wood, LLP²
Keith Epstein, Vice President, Facilities, Real Estate & Infrastructure
Planning, Connecticut State Colleges and Universities
Chris Forster, Controller, Connecticut State Colleges and Universities
Shelby Lobitz, Acacia Financial Group. Inc.³
David Panico, Robinson & Cole LLP
Namita Shah, Esq., Day Pitney LLP

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

² Mr. Donovan participated in the meeting via conference telephone that permitted all parties to hear.

³ Ms. Lobitz participated in the meeting via conference telephone that permitted all parties to hear.

Eric Taylor, Esq., Harris Beach PLLC ⁴
Ann Zucker, Esq., Carmody Torrance Sandak & Hennessey LLP⁵

MINUTES

Mr. Lisi requested a motion to approve the minutes of the March 27, 2019 meeting of the Board of Directors. Ms. Lopez moved for approval of the minutes, which was seconded by Mr. Angelini.

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

AYES

Michael Angelini
Anne Foley
Elizabeth Hammer
Barbara Lindsey
Peter Lisi
Barbara Rubin
Mark Varholak

NAYS

None

ABSTENTIONS

Mr. Lisi welcomed Linda Savitsky, Deputy Treasurer, as the State Treasurer’s designee.

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon provided the following updates:

- The final version of the state audit for CHEFA, CHESLA and CSLF for fiscal years 2016 and 2017 has been provided in the Board materials. The report indicates that where no findings as a result of the audit.
- David Wasch and Ms. Weldon met with Johnathan Harris, Undersecretary at the Office of Policy and Management (OPM), regarding Bill 879 that Mr. Wasch reported on at last months’ board meeting. Senate Bill 879 would require quasi-public agencies to send reports on staff compensation to OPM, the Governor’s office, the Office of Fiscal Analysis, the Appropriations Committee, and the Finance, Revenue and Bonding Committee. Mr. Wasch, Ms. Weldon, along with other quasi-public agencies, have been meeting with different government officials to explain the impact of this bill. Ms. Weldon highlighted with Undersecretary Harris that CHEFA is self-supporting, does not receive any state funds, does not have state employees and its employees do not receive state benefits.

⁴ Mr. Taylor participated in the meeting via conference telephone that permitted all parties to hear.

⁵ Ms. Zucker participated in the meeting via conference telephone that permitted all parties to hear.

- CHESLA will be selling bonds on May 8th. The issuance will be \$5 million in taxable bonds and about \$25 million in tax-exempt bonds. The loan rate may increase from the current rate of 4.95%, but the rate will not be determined until the pricing of the bonds.

Client Updates

Mr. Morris reported on the following:

- There was an article in the Board package on Western Connecticut Health Network regarding their affiliation with Healthquest. The affiliation was finalized and received all the regulatory approvals in Connecticut and New York. The new system will be named Nuvance Health. With this affiliation, they will be looking to refinance all their existing debt with the new obligated group. WCHN currently has approximately \$377 million outstanding.
- Community Health has withdrawn its application and has decided to finance its projects with equity.
- New financing with Greenwich Academy, which proceeds will be used to finance a new lower school which will be about \$35 million.

CHEFA CDC Updates

Mr. Kurowski provided the following updates:

- On Wednesday April 3, 2019 CHEFA Community Development Corporation (CHEFA CDC) held a new markets tax credit workshop at the Chrysalis Center in Hartford. The workshop was well attended with representatives from over 30 different nonprofits from across that state. The purpose of the workshop was to provide a brief overview of the program and opportunity to hear about experiences from participants in the program. CHEFA CDC was also able to introduce its new market tax credit program, and its intention to apply for new market tax credits in 2019. As a result of the workshop, CHEFA CDC staff has been in discussions with four organizations about potential projects and is currently working with them to collect the necessary information to include the projects in CHEFA CDC's project pipeline.
- Rex Fowler, CEO of the Hartford Community Loan Fund, is being considered by the Chairperson of CHEFA CDC for appointment to the CHEFA CDC Advisory Board. Mr. Fowler was not included in the appointment of the initial advisory board members by the CHEFA CDC Board.

Interest Rate and Market Update

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

Mr. Jandreau provided an update on recent health and education issues brought to market.

Financial Report – February 2019

Ms. Mackewicz reported that there were no notable items in the financial statements for the period ending February 2019.

FINAL STAFF MEMO

CSU SYSTEM ISSUE, SERIES Q

Mr. Morris introduced attendees from the Connecticut State Colleges and Universities: Ben Barnes, CFO; Chris Forster, Controller; and Keith Epstein, Vice President, Facilities, Real Estate & Infrastructure Planning.

CHEFA is seeking approval of an amount not to exceed \$130.5 million for the CSU Issue, Series Q. The Series Q offering will be issued in two sub-series. Series Q-1 will fund projects at the four universities. The largest projects consist of the renovation and addition project at WCSU to convert a classroom building into a new student center (\$25.0 million) and construction of a new parking garage (approximately 600 spaces) at CCSU (\$23.8 million).

Series Q-2, along with approximately \$17.1 million of the System's cash contribution, will current refund a portion of the 2007 Series I bond issue with total par redemption of \$40.165 million. Following the partial refunding, approximately \$17.5 million of the Series I bonds will remain outstanding. As of April 16, 2019, the estimated net present value savings for the refunding was approximately \$3.5 million or 8.7%.

Mr. Morris stated that the ratings on the bonds are expected to be the same as the State's based on the SCRF guarantee by the State ("A1" by Moody's and "A" by Standard & Poor's).

The security provisions for the Series Q bonds will be on parity with the outstanding bond issues, which include a pledge of revenues consisting of the University Fee, Student Parking Fees on existing parking garages, and fees on existing residence halls and Special Capital Reserve Fund.

Mr. Morris explained that at the request of the Treasurer's office and OPM, the System provided four scenarios with various assumptions on enrollment and annual fee revenue to test debt capacity as outlined in Exhibit V of the Staff Memo. The scenarios take into account future projects from FY 2022 to FY 2029 totaling approximately \$418.7 million and an anticipated equity contribution totaling approximately \$75 million (referred to as Pay As You Go).

Mr. Morris briefly reviewed the different scenarios noting that the System demonstrates that its annual fee revenue plus funds available in its debt service account are sufficient to service the debt for the life of the bond issues, with the exception of Attachment D, where the cash balance becomes negative in 2032. Management of the System noted options available to the System to offset the decline include the ability to increase the University Fee while holding tuition and other fees flat, reducing the amount of the equity contribution in future years, or to defer new bond issuances.

Mr. Morris noted that the System provided an additional scenario (**Attachment E**) which includes the same assumptions as Attachment D, with the exception of beginning the annual fee

increase in 2021 instead of 2023. Based on the revised scenario, funds are available to make debt service payments while the account balance in the debt service account never falls below \$9 .5 million.

Mr. Morris turned the floor over Mr. Barnes who provided an overview to the Board regarding enrollment trends and various strategic initiatives at CSU.

A discussion ensued.

AUTHORIZING BOND RESOLUTIONS

CSU System Issue, Series Q

Mr. Lisi requested a motion to approve Resolution 2019-09, CSU System Issue, Series Q. Ms. Lopez moved for approval of Resolution 2019-09, which was seconded by Ms. Foley.

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

AYES

Michael Angelini
Anne Foley
Elizabeth Hammer
Barbara Lindsay
Peter Lisi
Estela Lopez
Barbara Rubin
Linda Savitsky

NAYS

None

ABSTENTIONS

None

AUDIT-FINANCE HUMAN RESOURCE COMMITTEE

Mr. Lisi stated that there was an Audit-Finance/Human Resource combined committee meeting prior to the Board meeting. Mr. Lisi gave a brief overview of the Audit-Finance portion of the meeting since Mr. Varholak was not present at the Board meeting. He summarized the Berry Dunn internal auditor recommendations.

Mr. Angelini gave an overview of the Human Resource portion of the committee report. He stated that the committee reviewed the Human Resource budget for inclusion with the overall budget which will be forwarded to the Audit-Finance Committee for its May committee meeting.

Ms. Weldon stated that the Committee also reviewed a modification to Schedule A of the Memorandums of Agreements with the CHEFA subsidiaries and the committee approved a reallocation of the premium for cybercrime insurance. It had been 60% paid by CHESLA, 30% by CSLF and 10% by CHEFA and the proposed change is for the allocation to CHESLA 40%, CSLF 40% and CHEFA 20%. Ms. Weldon also stated that there was a minor change proposed to Schedule A for CSLF to incorporate some website related costs.

Mr. Lisi stated that it was the recommendation of the Audit-Finance Committee to accept the recommendations of Berry Dunn and to approve the above referenced modifications to the Memorandum of Agreements with CHESLA and CSLF.

Mr. Lisi asked for a motion to approve the recommendations of the Audit-Finance Committee. Ms. Lopez moved for approval, which was seconded by Ms. Foley.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Anne Foley Elizabeth Hammer Barbara Lindsay Peter Lisi Dr. Estela Lopez Barbara Rubin Linda Savitsky	None	None

ADJOURNMENT

There being no further business, at 2:20 p.m., Ms. Foley moved to adjourn the meeting and Ms. Rubin seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Anne Foley Elizabeth Hammer Barbara Lindsay Peter Lisi Dr. Estela Lopez Barbara Rubin Linda Savitsky	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director