

## **MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY**

A public meeting of the Maryland Health and Higher Educational Facilities Authority was convened at 10:00 a.m., Tuesday, January 10, 2023, with Mr. Arnold Williams, Chairman, presiding. This open meeting was held at 401 East Pratt Street (World Trade Center) in a conference room on the 26<sup>th</sup> Floor. This meeting was open to the public and available to the public remotely via an open conference and video line.

**Present:** Arnold Williams, Chairman  
Sheila K. Riggs, Vice Chairman  
Jonathan Martin, Chief Deputy Treasurer, Designee of Treasurer  
Reco Collins, Member  
Frederick W. Meier, Jr., Member  
John Phelps, Member  
Bonnie Phipps, Member  
W. Daniel White, Member  
Bart Savidge, Executive Director  
Lynn Gorman-Lepson, Chief Financial Officer  
David W. Gregory, Bond Counsel  
William Taylor IV, Bond Counsel  
Brian Carter, Financial Advisor  
Stephen Murphy, Financial Advisor

**Absent:** Mamie Johns Perkins, Member

**Special Guests:** See attached.

Ms. Sheila Riggs, Vice Chairman convened the meeting. Mr. Savidge announced the names of the Members, staff, counsel, and advisors in attendance. Ms. Riggs informed the Board that Mr. Errol Brick was retiring and thanked him for his many years of service to the Authority. Ms. Riggs then introduced Mr. Brian Carter and Mr. Stephen Murphy from PFM, the Authority's financial advisor.

### **APPROVAL OF MINUTES**

The minutes of the September 13, 2022 regular meeting of the Authority were unanimously approved.

### **KENNEDY KRIEGER INSTITUTE, INC.**

Mr. Michael Neuman, Senior Vice President of Finance for Kennedy Krieger Institute provided a brief overview of the plan of finance and operations. Mr. Neuman stated that the proposed financing will refund the Authority's Revenue Bond, Kennedy Krieger Institute Issue (2013) held by Bank of America and finance routine capital expenditures. The outstanding balance of the bond is approximately \$13.7 million, and the current mandatory purchase date is July 3, 2023. KKI conducted an RFP which resulted in Truist Bank providing the most competitive

pricing and terms. The proposed financing will provide for the issuance of a new bond with a 2033 maturity date and will also provide desirable modifications to certain financial covenants. KKI is evaluating both fixed and variable rate options for this transaction.

Mr. Neuman stated that KKI was able to sustain its financial performance throughout the pandemic by converting to telehealth operations and with the help of the over \$15 million of stimulus funding from the government. In-patient volumes are being negatively impacted by staffing shortages and inflationary pressures are increasing operating expenses. Mr. Neuman reported that KKI currently had a 1% negative operating margin that is expected to continue into 2023.

There was some discussion on the financial data presented in KKI's application packet and Mr. Neuman clarified that the Net Income Available for Debt Service presented makes adjustments for unrealized losses on investments.

Mr. Neuman concluded his remarks by providing an overview of KKI's reimbursement. KKI is not regulated by the HSCRC, the Maryland hospital rate setting system that sets the rates for all Maryland hospitals. The majority of KKI's revenues come from governmental sources (Medicare & Medicaid) and its negotiates its rates with insurers.

Mr. Savidge asked the Members to consider a resolution authorizing the issuance from time to time of the Authority's revenue bonds in a principal amount not exceeding \$17,500,000 and delegating to any one Member of the Authority the power to approve the principal amount of the bonds, the interest rate and other terms of the bonds and other matters in connection with the issuance, sale, and delivery of such bonds.

Following discussion, the Authority, on motion by Mr. Meier, seconded by Mr. Phelps, adopted the following resolution (Affirmative – Williams, Riggs, Martin, Collins, Meier, Phelps, Phipps and White; Negative – none; Abstain – none):

**KENNEDY KRIEGER INSTITUTE, INC.  
BOND AUTHORIZING RESOLUTION**

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") OF ITS REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT (DETERMINED AS PROVIDED HEREIN) NOT EXCEEDING \$17,500,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO ONE OR MORE OF KENNEDY KRIEGER INSTITUTE, INC. (THE "INSTITUTION") AND ITS AFFILIATES (COLLECTIVELY, THE "OBLIGATED GROUP MEMBERS"), FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE AUTHORITY'S REVENUE BOND, KENNEDY KRIEGER ISSUE (2013) AND FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS; AUTHORIZING ANY MEMBER OF THE AUTHORITY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS AND PROCEDURES PERTAINING TO THE AUTHORIZATION, SALE, ISSUANCE, DELIVERY

AND PAYMENT OF AND FOR SUCH REVENUE BONDS; AND PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

### RECITALS

At its meeting on January 10, 2023, Maryland Health and Higher Educational Facilities Authority (the "Authority") accepted an application from Kennedy Krieger Institute, Inc., a nonprofit Maryland corporation (the "Institution" and, together with certain affiliates, the "Obligated Group Members") for the refunding of all or a portion of the Authority's Revenue Bond, Kennedy Krieger Issue (2013) (the "Refunded Bond") and financing and refinancing costs of a project (the "2023 Project") pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356, inclusive, of the Economic Development Article of the Annotated Code of Maryland (the "Act").

The Project consists of (without limitation) (i) the facilities financed and refinanced with the Refunded Bond and (ii) the 2023 Project, which includes certain capital expenditures. The Authority has determined to authorize the issuance of revenue bonds under the Act for such purposes.

NOW, THEREFORE, BE IT RESOLVED BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY THAT:

SECTION 1. The Authority is hereby authorized to issue, sell and deliver its revenue bonds (the "2023 Bonds") in an aggregate principal amount not to exceed \$17,500,000. The 2023 Bonds shall be issued and the proceeds thereof loaned to one or more of the Obligated Group Members pursuant to a financing agreement (the "Financing Agreement"), among the Authority, the Obligated Group Members, a trustee and a financial institution (the "Purchaser), which agreement shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (hereinafter defined) for the public purposes of financing and refinancing the Project in order to enable the Obligated Group Members to provide, and to finance and refinance at the least cost to the users thereof, the Project, for the benefit of the people of the State of Maryland, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions. It is hereby found and determined that the financing and refinancing of the Project for the Obligated Group Members serves the public purposes of Kennedy Krieger Children's Hospital, Inc.

The 2023 Bonds may be issued in one or more series. In determining the principal amount of 2023 Bonds issued pursuant to this resolution, each 2023 Bond issued at a discount from the stated amount thereof due at maturity shall be deemed to be issued in a principal amount equal to the gross proceeds realized from the sale of such 2023 Bond. Accordingly, it is expressly contemplated that the face amount of the 2023 Bonds may exceed the maximum aggregate principal amount of 2023 Bonds authorized hereby.

SECTION 2. As permitted by the Act, one or more series of the 2023 Bonds shall be sold at private (negotiated) sale to the Purchaser at prices at, above or below par and upon such terms as the Authorized Member deems to be in the best interest of the Authority.

incurred in connection with the issuance of the 2023 Bonds, including (without limitation) any interest rate swap agreement, on parity with outstanding revenue bonds previously issued by the Authority pursuant to any resolution or trust agreement executed and delivered by the Authority, the execution and delivery by an Authorized Member of any supplemental resolution or trust agreement providing therefor to constitute conclusive evidence of the determination by the Authority that all of the conditions to the issuance of parity debt under any such resolution or trust agreement have been met to the satisfaction of the Authority; and

(k) such other matters in connection with the authorization, issuance, execution, sale, delivery and payment of the 2023 Bonds and the security for the 2023 Bonds and the consummation of the transactions contemplated by this resolution as may be deemed appropriate and approved by the Authorized Member, including (without limitation) the establishment of procedures for the execution, acknowledgment, sealing and delivery of such other and further agreements, documents and instruments as are or may be necessary or appropriate to consummate the transactions contemplated by this resolution in accordance with the Act and this resolution.

**SECTION 4.** The Authorized Member and the Executive Director of the Authority are hereby authorized from time to time after the issuance of the 2023 Bonds to take any action required or permitted to be taken by or on behalf of the Authority under the Act, the Financing Agreement, any loan agreement, any resolution or other document or instrument executed and delivered in connection therewith, including (without limitation) providing any consent, approval or direction required or permitted thereunder, entering into any amendment of or supplement to any of the foregoing and entering into any agreement providing for the replacement of, substitution for or addition of (as the case may be) any credit or liquidity facility, remarketing agent, trustee or other agent, subject to the requirements of the Act and any other agreement by which the Authority is bound.

**SECTION 5.** This resolution shall take effect immediately.

### **DUE DILIGENCE PRESENTATION**

As a component of the Authority's due diligence practices, Mr. Savidge presented to the Board its annual due diligence updates. This due diligence presentation included rating profiles, rating agency sector outlooks and commentary and financial covenant waiver updates. This year, charter schools were added to sector outlooks and commentary.

Mr. Savidge stated that the rating agencies had a negative outlook on the Healthcare sector. In reviewing the rating profile of the Authority's institutions, he highlighted that Charlestown Retirement Community and Edenwald were both affirmed by Fitch with a Stable outlook. Mr. Savidge added that this could be a sign of pent-up demand for retirement communities. In the higher educational sector, St. John's College outlook was revised to Positive from Stable by S&P. There was discussion relating to several discrepancies noted between the various rating agencies. Mr. Savidge stated that this could be due to the timing of the rating actions by each agency or

differences in their methodologies. He explained that ratings are opinions by the various agencies and each agency may have different approaches in forming these opinions.

Mr. Savidge reported that the healthcare sector's overall outlooks were Negative or Deteriorating. He highlighted that the major issues affecting this sector are labor issues, COVID-19 concerns and when volumes will return to pre-pandemic levels. Mr. Savidge explained that Maryland hospitals are facing additional challenges to obtain revenue growth due to certain limitations of Maryland's Total Cost of Care Model. Ms. Bonnie Phipps added that she has seen operational pressures on the healthcare sector across the country with average operating margins of negative 2%.

Mr. Savidge reviewed the methodology and some rating agency examples for charter schools to provide the Board with an appreciation of how rating agencies evaluate this particular sector. He stated that there has been strong demand for charter schools and most schools have long waitlists.

Mr. Savidge provided updates on several institutions that were granted financial covenant waivers including Trinity School and Annapolis Lifecare (Ginger Cove). He highlighted how the Authority works with these institutions to help facilitate consents.

Ms. Phipps thanked Mr. Savidge for providing this information, stating that it was very easy to understand and very informative.

### **FINANCIAL ADVISOR'S REPORT**

Mr. Brian Carter reported on the current overall economic condition in the United States, highlighting that inflation remain a concern with year over year growth in CPI remaining elevated. He provided details on consumer confidence and the housing market highlighting that demand for houses remains high which will cause housing prices to remain elevated. He provided details on the overall impact these conditions have on interest rates and the municipal bond market. There was discussion regarding the decrease in supply of new issuances and the challenges facing borrowers including pressures on rates and credit spreads. Mr. Savidge highlighted the importance of due diligence efforts on the part of PFM and the Authority to find suitable investors in this marketplace.

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

Mr. Savidge provided updates on transactions that had closed, waivers and amendments to financing agreement provisions and the various activities that MHHEFA is pursuing. He highlighted the Cinderella Bond conversion for Notre Dame of Maryland University and the favorable outcome of reducing its interest rate to below 2%.

Mr. Savidge provided an overview of the Disaster Recovery Data Restore Test that was performed highlighting the importance of this test to validate the Authority's ability to recover and to access this data remotely.

Mr. Savidge reported on several outreach activities including status updates on the Edenwald project, discussions with Thread to support eligible community outreach participants at the Village of Mondawmin and a site visit to meet the leadership team and tour the schools at Monocacy Montessori Communities.

Mr. Savidge also provided the Board with the Executive Director's Report to the Compensation Committee which is chaired by Ms. Bonnie Phipps. This report summarizes the themes, activities and performance highlights over the past year.

With no further business, on motion by Mr. Phelps, seconded by Mr. Meier, the meeting was adjourned at approximately 11:30 a.m. (Affirmative – Williams, Riggs, Martin, Collins, Meier, Phelps, Phipps and White; Negative – none; Abstain – none)

The next meeting of the Authority is scheduled for February 7, 2023.



Barlow T. Savidge  
Executive Director

Approved:



Arnold Williams  
Chairman  
February 7, 2023

**January 10, 2023 Authority Meeting**  
**Guests participating either in person or remotely**

**Kennedy Krieger Institute**

Michael Neuman - Senior Vice President - Finance

Steve Oppitz - Assistant Vice President, Financial Planning & Analysis

**Ponder & Co. – Kennedy Krieger Institute Financial Advisor**

Bradley Dills – Senior Associate

**Community Outreach Consultant**

Annette Anselmi