

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting

June 6, 2017

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, June 6, 2017.

The meeting was called to order at 11:34 a.m. by Dr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Martin L. Budd¹
Steven Kitowicz (*Rep for Honorable Benjamin Barnes, OPM Secretary*)
Dr. Peter W. Lisi, Chair
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier, State Treasurer*)
Julie B. Savino, Vice Chair
Erika Steiner (*Rep. for Honorable Mark Ojakian, President, Connecticut State Colleges & Universities*)
Jeanette Weldon

Also Present: Denise Aguilera, General Counsel, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Sr. Accountant, CHEFA/CHESLA
JoAnne Mackewicz, Controller, CHEFA
Cynthia Peoples, Managing Director, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel E. Rush, Deputy Director, CHESLA

Guests: Randy Behm, Principal, Education Solution Partners, LLC
Judith Blank, Esq., Day Pitney LLP
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC
Namita Shah, Esq., Day Pitney LLP
Molly Sullivan, Intern, State Treasurer's Office
Jeffrey Wagner, Managing Director, RBC Capital Markets²
Thomas H. Webb, Vice President, Hilltop Securities³
William W. Veronda, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc.,
Bank of America, N.A.⁴

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

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

³ Mr. Webb participated in the meeting via conference telephone that permitted all parties to hear each other.

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

MINUTES

Dr. Lisi requested a motion to approve the minutes of the March 7, 2017 Board of Directors meeting. Mr. Budd moved to approve the minutes and Ms. Steiner seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Dr. Peter Lisi Martin Budd Steven Kitowicz Sarah Sanders Julie Savino Erika Steiner Jeanette Weldon	None	None

Dr. Lisi requested a motion to approve the minutes of the April 7, 2017 Board of Directors special meeting. Mr. Budd moved to approve the minutes and Mr. Kitowicz seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Dr. Peter Lisi Martin Budd Steven Kitowicz Sarah Sanders Julie Savino Jeanette Weldon	None	Erika Steiner ⁵

EXECUTIVE DIRECTOR’S REPORT

Ms. Weldon reported that there was a successful bond sale last month. RBC did a good job under some unexpectedly adverse conditions with the State’s rating downgrades occurring between the time of signing the bond purchase contract and closing. The all-in TIC was 3.79% and the 4.95% student loan rate was maintained. The forward portion of the refunding will be closing on August 17, 2017. Ms. Weldon stated that Mr. Webb will provide more details in his sales report.

Mr. Hurlock provided an update on the CHESLA’s marketing notes and loan originations.

Mr. Rush reviewed CHESLA portfolio facts and loan disbursement data.

⁵ Ms. Steiner abstained from voting as she was not present at the April 7, 2017 meeting.

QUARTERLY FINANCIAL REPORT

Ms. Levin provided a report on the CHESLA financial statements for the quarter ending March 31, 2017.

Ms. Levin reported that last year CohnReznick recommended that CHESLA notify the Board of the total dollar amount to be written-off prior to the end of the fiscal year. The criteria used for write-offs was if there was no payment activity on loans from July 1, 2016 through May 31, 2017 (11 months), those accounts would be written-off for accounting purposes. CCA will continue their collections on those accounts. The amount to be written-off this year is \$283,443, which is significantly lower than last year, which was approximately \$621,000. Ms. Levin stated that the recoveries received through May 31st were \$219,000, which is slightly higher than last year's recoveries of \$176,000.

2017 SERIES A AND B BONDS SALES REPORT

Mr. Webb presented the sales report on the 2017 Series A and B bond transactions. Mr. Webb stated that RBC, in conjunction with co-manager, Roosevelt & Cross, presented a consensus preliminary scale on Wednesday, May 3 to the financial advisors. Mr. Webb reported that the sale took place on May 4 and went very well. The 2017 Series A bonds were four times oversubscribed, while the 2017 Series B bonds were slightly more than three times oversubscribed. The bonds were repriced, lowering yields from 2 to 6 basis points across all maturities. The pricing was successful but it was followed by ratings downgrades by both Fitch and Moody's, based on their downgrades of the State's bond rating. CHESLA's ratings are tied to those of the State. RBC went back to the investors and confirmed that they still intended to purchase the bonds at the agreed upon prices.

Mr. Wagner explained the diversification of the 19 investor orders. A discussion ensued.

Mr. Webb indicated that the sale closed on May 16 for the 2017 Series A bonds and the Series 2017 B bonds will close on August 17, 2017. Upon redemption of the 2006 and 2007 bonds, there will be no bonds outstanding under the 2003 bond resolution and the only bonds that will be outstanding will be under the 1990 bond resolution. The student loan rate of 4.95% was achieved for the FY 2017/2018 lending season.

A discussion ensued.

Mr. Wagner discussed the 6 to 8 basis points per month for three to four months for the forward premium. The final forward premium was determined at between 28 and 29 basis points. Further discussion ensued.

FY 2018 PROPOSED OPERATING BUDGET

Mr. Rush provided an overview of the proposed FY 2018 operating budget. He reported that the budget provides for excess revenue from operations of approximately \$262,000, which is 73.2% increase from FY 2017 budgeted levels. Total revenues for FY 2018 will be approximately \$917,900, representing a 26.5% increase over budgeted FY 2017 levels. This change reflects an increase of 15 basis points in total administrative fees on loans under the 1990 indenture.

Mr. Rush explained that a number of new initiatives occurred during FY 2016 and 2017. Management believes the proposed FY 2018 budget will help CHESLA sustain that momentum and expand its presence as a leader in the financial aid marketplace. The proposed budget recommends the hiring of a part-time administrative intern.

The budget proposal also includes an increase in the marketing line item. CHESLA has been engaged in a number of successful projects and initiatives and the initiatives have proven beneficial. Mr. Hurlock explained the details on the marketing initiatives for FY 2018, which will further strengthen CHESLA's market position, facilitate higher levels of operating efficiency, and foster customer understanding and knowledge about its product offerings and position CHESLA for the future.

Mr. Rush reported that Management has consulted with its financial advisor and senior underwriter regarding the increased administrative fee and the fee increase is not expected to have a significant impact on the cash flows for the 1990 Trust and will not create any danger of a draw on the SCRF.

Mr. Rush stated that expenses were projected at approximately \$655,781, a 14.1% increase from the prior fiscal year. The compensation budget is projected at approximately \$184,700, which includes the hiring of an administrative intern, a labor grade adjustment and staff merit increases in accordance with CHEFA's 0 to 2.5% parameter. Fringe benefits to compensation equates to 28.9% as compared to 30.2% in FY 2017.

Mr. Rush explained that some general and administrative expenses have been split between CHEFA and CHESLA on a pro rata formula, which includes lease and storage expenses, cybercrime coverage, general liability and property coverage, use of telephone and data lines, cost of use of CHEFA's server and IT infrastructure and CHEFA support services. The lease and storage expense has increased due to the additional office space needed in FY 2018. \$19,722 has been budgeted for FY 2018. The largest line item change is for marketing costs which include advertisement, brochures/flyers, exhibitor/sponsorship fees, promotional items/awards and website hosting fees. Marketing costs are budgeted at \$80,000, which is a 100% increase from FY 2017 budgeted levels. CHEFA service fees total \$217,837 for FY 2018, which is a 20.7% increase over FY 2017 levels. These fees include the following services: Administrative support, accounting and payroll, IT support services and management and legal services, which have increased over the past year.

Dr. Lisi requested a motion to approve the FY 2018 proposed operating budget. Mr. Budd moved to approve the proposed FY 2018 operating budget and the Authority, in reliance on the cash flow projections prepared by RBC Capital Markets, LLC, in connection with the delivery of the Authority's 2017 Series A Bonds (which cash flow projections assume an increase in the Authority Administrative Fee to 0.65% per annum) LLC, and the concurrence of FirstSouthwest, a Division of Hilltop Securities Inc., has determined that upon the increase in the Authority Administrative Fee to 0.65% per annum, that the revenues and other amounts derived by the Authority from the Program shall be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required under the Resolution and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required. (Capitalized terms used herein and not otherwise defined have the meanings ascribed to such terms in the 1990 Revenue Bond Resolution of the Authority, as restated, amended and supplemented.) Ms. Savino seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin Budd Dr. Peter Lisi Julie Savino Erika Steiner Jeanette Weldon	Steven Kitowicz Sarah Sanders	None

STRATEGIC PLAN FYE 2017 PERFORMANCE ASSESSMENT

Ms. Weldon presented an update on the strategic plan performance assessment for FYE June 30, 2017, which was included in the Board meeting materials. Ms. Weldon stated that CHESLA has made significant progress in their strategic priority areas over the past year and she reviewed staff’s progress for the FYE 2017.

Ms. Weldon indicated she will present CHESLA’s FY 2018 strategic initiatives at the next Board meeting in September.

REVISED VACATION POLICY

Ms. Weldon reported that CHEFA revised its vacation policy to reflect the following changes: Non-officers with 0 to 2 years of service would receive 3 weeks of vacation instead of 2 weeks and Officers with 0 to 2 years of service would receive 4 weeks of vacation instead of 3 weeks. She proposed to change CHESLA’s vacation policy to conform to CHEFA’s vacation policy.

Dr. Lisi requested a motion to approve the revised vacation policy. Mr. Budd moved to approve the revised vacation policy and Ms. Steiner seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin Budd Steven Kitowicz Dr. Peter Lisi Julie Savino Erika Steiner Jeanette Weldon	None	Sarah Sanders

ADJOURNMENT

There being no further business, at 1:17 p.m., Ms. Savino moved to adjourn the meeting and Ms. Sanders seconded his motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
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Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Sarah Sanders
Erika Steiner
Julie Savino
Jeanette Weldon

None

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2018

	FYE June 30, 2015 Actual	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Proj Actual *	FYE June 30, 2018 Budget
Revenues					
Admin Fee Income					
In-school product	\$ 641,626	\$ 758,360	\$ 697,840	\$ 716,094	\$ 892,111
Refinance product	0	0	19,606	6,029	16,803
Investment Income	3,254	7,324	8,428	16,359	9,000
Refinance Pilot Program from CSLF	0	500,000	0	0	0
Misc Income & Recovery	1,263	0	0	0	0
Total Revenues	\$ 646,144	\$ 1,265,684	\$ 725,874	\$ 738,482	\$ 917,914
Expenses					
Compensation	\$ 146,762	\$ 81,513	\$ 166,860	\$ 166,860	\$ 184,673
Employee Benefits	45,283	36,849	50,445	50,571	53,361
General and Administrative	81,656	88,574	118,842	108,485	139,921
Business Education, Board and Reimbursable	6,853	4,558	9,900	2,685	11,900
Membership Dues	11,879	12,980	12,800	14,289	12,599
CHEFA Support Services	149,587	154,955	180,557	180,557	217,837
Outside Services	35,038	37,350	35,150	33,300	35,490
Total Expenses	\$ 477,058	\$ 416,779	\$ 574,554	\$ 556,746	\$ 655,781
Excess Revenue from Operations	\$ 169,086	\$ 848,905	\$ 151,320	\$ 181,736	\$ 262,133
Bond Issuance Costs & Amortization & Transfer to Trust	22,227	29,795	10,627	19,032	32,635
Refinance Pilot Program Start-up Costs	0	170,625	329,375	201,282	128,093
Total Excess Revenue	\$ 146,858	\$ 648,485	\$ (188,682)	\$ (38,579)	\$ 101,405
Benefit % to Compensation	30.85%	45.21%	30.23%	30.31%	28.89%

* Projected Actual is based on Actual Financials as of March 31, 2017, plus 3 months of projected amounts.

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2018

	FYE June 30, 2015 Actual	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Proj Actual	FYE June 30, 2018 Budget
Staff Compensation	\$ 146,762	\$ 81,513	\$ 166,860	\$ 166,860	\$ 171,829
Temporary Salaries (Intern)	0		0	0	12,844
Total Compensation	\$ 146,762	\$ 81,513	\$ 166,860	\$ 166,860	\$ 184,673
Payroll Taxes	\$ 11,349	\$ 7,378	\$ 12,903	\$ 12,909	\$ 13,283
Payroll Taxes (Intern)					951
Medical & Life Insurance					
CBIA Medical w/CBIA Life	3,419	3,459	3,658	3,800	4,570
Deductible Funding HSA (CHEFA)	2,813	1,968	2,063	2,081	2,175
Less: CBIA Co-insurance	(505)	(511)	(541)	(685)	(956)
Net Medical Insurance	5,726	4,916	5,180	5,196	5,789
CHEFA Alternative Insurance	2,800	1,050	2,800	2,800	2,800
Life Insurance	697	217	685	790	731
Dental	2,490	2,272	2,335	2,318	2,505
Total Medical, Life Insurance & Other	11,713	8,455	11,000	11,104	11,825
Pension					
Contributions	15,045	7,671	16,436	16,379	17,183
Administrative Fee	594	594	594	594	594
Total Pension	15,639	8,265	17,030	16,973	17,777
457 Plan	2,508	1,878	2,508	2,508	2,508
Vacation	0	5,241	0	512	0
Disability Insurance - Long Term	507	207	468	543	506
Disability Insurance - Short Term	632	302	683	792	740
Workers Compensation	836	823	853	750	771
Tuition	2,100	4,300	5,000	4,480	5,000
Total Employee Benefits	45,283	36,849	50,445	50,571	53,361
Total Employment	\$ 192,046	\$ 118,362	\$ 217,305	\$ 217,431	\$ 238,034

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2018

	FYE June 30, 2015 Actual	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Proj Actual	FYE June 30, 2018 Budget
Lease & Storage					
Lease - Office Space	\$ 12,388	\$ 12,693	\$ 12,972	\$ 12,998	\$ 19,722
Lease - Taxes/CAM fees	369	903	228	0	408
Offsite Storage & Filesanywhere (electronic storage)	100	100	114	104	135
Total Lease & Storage	12,856	13,696	13,314	13,102	20,265
Business Insurance					
Office Package	587	531	584	564	593
Cyber Policy	5,909	4,973	5,031	4,680	4,855
Fiduciary & Performance Bond & Terrorism	277	277	284	277	290
Directors and Officers Liability / Public Officials	13,648	14,522	15,119	15,001	15,677
Total Business Insurance	20,420	20,302	21,018	20,522	21,415
Office Supplies and Non Capital Equipment					
General Office Expense and Supplies	795	798	1,000	672	1,000
Non-Capital furniture, Equipment & Software Licensing	316	2,019	3,000	1,716	3,000
Total Office Supplies and Non Capital Equip	1,111	2,817	4,000	2,388	4,000
Communications: Telephone & Internet					
Phone, Data Svc & Conferencing	2,323	2,935	3,000	2,909	3,000
Email (McAfee)		0	142	50	86
Website Development & Hosting	862	508	500	824	1,500
Total Communications: Phone & Internet	3,185	3,443	3,642	3,783	4,500
Postage Expense					
Postage & Courier Expense	3,334	1,814	2,500	1,711	2,500
Maintenance Contracts	5,056	5,846	7,210	3,638	5,066
Total Maintenance Service & Contracts	5,056	5,846	7,210	3,638	5,066
Publications & Resource Materials	164	223	300	68	175
Marketing Costs	33,974	38,601	40,000	40,362	80,000
Miscellaneous	1,555	1,833	27,000	22,911	2,000
Total General and Administrative Expenses	\$ 81,656	\$ 88,574	\$ 118,984	\$ 108,485	\$ 139,921
Refinance Pilot Program Start-up Costs	0	170,625	329,375	201,282	128,093
Bond Insurance Cost - Amortization	22,227	29,795	10,627	19,032	32,635
Bond Issuance Costs	0	0	0	0	0
Total Bond Issuance Cost	\$ 22,227	\$ 29,795	\$ 10,627	\$ 19,032	\$ 32,635

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2018

	FYE June 30, 2015 Actual	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Proj Actual	FYE June 30, 2018 Budget
Depreciation		\$ -	\$ 0	0	\$ 0
Employee Reimbursable					
Staff business and travel expenses	200	208	500	37	500
Total Employee Reimbursable	200	208	500	37	500
Board Expense					
Board lunches	612	426	500	348	500
Board education	0	0	0	0	0
Total Board Expense	612	426	500	348	500
Conference & Education Expense					
CAPFAA	1,316	1,044	1,400	832	1,400
EFC	2,003	895	2,500	0	3,500
EASFAA	0	0	0	0	0
NASFAA	2,723	1,945	4,500	1,378	5,000
Other (Conferences and non tuition education)	0	40	500	90	1,000
Total Conference & Education Expense	6,041	3,924	8,900	2,300	10,900
Education - Board	0	0	0	0	0
Total Business Education, Board and Reimbursable	\$ 6,853	\$ 4,558	\$ 9,900	\$ 2,685	\$ 11,900
Memberships Dues	\$ 11,879	\$ 12,980	\$ 12,800	\$ 14,289	\$ 12,599
CHEFA Support Services	\$ 149,587	\$ 154,955	\$ 180,557	180,557	\$ 217,837

**CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2018**

	FYE June 30, 2015 Actual	FYE June 30, 2016 Actual	FYE June 30, 2017 Budget	FYE June 30, 2017 Proj Actual	FYE June 30, 2018 Budget
Accounting Systems					
Enhancements (IT)	0	0	500	0	0
Total Accounting and IT Systems	0	0	500	0	0
Consultant Others					
Insurance Consultant	8,000	6,300	6,300	6,300	6,300
Total Consultant Others	8,000	6,300	6,300	6,300	6,300
Legal	0	0	0	0	0
Independent Auditors	27,038	31,050	28,350	27,000	29,190
Total Outside Services	\$ 35,038	\$ 37,350	\$ 35,150	\$ 33,300	\$ 35,490