

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Minutes of Annual CHESLA Board Meeting
September 22, 2022

The State of Connecticut Higher Education Supplemental Loan Authority held an annual meeting via videoconference at 11:30 a.m. on Thursday, September 22, 2022.¹

The annual meeting was called to order at 11:31 a.m. by Mr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

- Present: Peter W. Lisi, Chair
Martin L. Budd
Darrell V. Hill (*Designee for Connecticut State Treasurer Shawn T. Wooden*)
Michael Izadi (*Designee for Connecticut OPM Acting Secretary*)
Julie B. Savino, Vice Chair
Kelli-Marie Vallieres
Jeanette W. Weldon (*Executive Director CHEFA and CHESLA*)
- Absent: Benjamin B. Barnes (*Designee for CT State Colleges and Universities President*)
Andrew A. Foster
- Also Present: Rebecca Abblett, Administrative Services Assistant, CHEFA
Denise Aguilera, General Counsel, CHEFA
Josh Hurlock, Assistant Director, CHESLA
Carlee Levin, Senior Accountant, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Cynthia D. Peoples-H., Managing Director, Operations & Finance, CHEFA
Shannon Reynolds, Portfolio Specialist, CHESLA
Kara Stuart, Manager, Administrative Services, CHEFA
Yesenia Torres-Rivera, Program Coordinator, CHESLA
- Guests: Judith Blank, Esq., Pullman & Comley
Sandra Dawson, Member, Pullman & Comley
David Mitchell, President, CCM Economics
Thomas Goldfuss, Partner, Whittlesey
Lindsay Tessler, Manager, Whittlesey
Tim Webb, Senior Vice President, Hilltop Securities N.A.

APPROVAL OF MINUTES

Mr. Budd requested a change to the minutes under the Quarterly Financial Report, 03/31/2022.

Mr. Budd requested to change the word “gifts” found under the following:

“Ms. Blank clarified that the treasuries were sold so that they could be invested in securities that properly matched the redemption requirements of the refunded bonds and that the gifts were in the special capital reserve funds, which transferred over to the 2019 Trust Resolution.”

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

Ms. Levin and Mr. Hurlock clarified that “gifts” should be substituted to “GIC’s”. Therefore, the minutes should now read:

“Ms. Blank clarified that the treasuries were sold so that they could be invested in securities that properly matched the redemption requirements of the refunded bonds and that the GIC’s were in the special capital reserve funds, which transferred over to the 2019 Trust Resolution.”

Mr. Lisi requested a motion to approve the meeting minutes of the June 17, 2022 Special Board of Directors meeting with the correction stated above. Mr. Budd moved to approve the minutes and Ms. Savino seconded the motion.

Mr. Hill and Ms. Vallieres joined the videoconference meeting at 11:35 a.m.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	Kelli-Marie Vallieres ²
Martin L. Budd		
Darrell V. Hill		
Michael Izadi		
Julie B. Savino		
Jeanette W. Weldon		

ELECTION OF VICE CHAIR

Mr. Lisi stated that Ms. Savino has accepted the nomination as Vice Chair to the Board of Directors and thanked Ms. Savino for her continuing service.

Mr. Lisi requested a motion to approve Ms. Savino as Vice Chair of the Board of Directors. Mr. Budd moved for approval and Mr. Lisi seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Martin L. Budd		
Darrell V. Hill		
Michael Izadi		
Julie B. Savino		
Kelli-Marie Vallieres		
Jeanette W. Weldon		

APPROVAL OF COMMITTEE APPOINTMENTS AND COMMITTEE CHAIRS

Mr. Lisi stated that Mr. Hill and Mr. Budd have accepted the nominations for Chair of the Consultant/Vendor Committee and the Audit-Finance/Human Resources Committee, respectively. Other committee member appointments were presented as follows:

- Consultant/Vendor Committee
 - Peter Lisi
 - Kelli-Marie Vallieres

² Ms. Vallieres abstained from voting as she did not attend the June 17, 2022 Special Board of Directors Meeting.

- Benjamin Barnes
- Audit-Finance/Human Resource Committee
 - Peter Lisi
 - Julie Savino
 - Andrew Foster
 - Michael Izadi

Mr. Lisi requested a motion to approve CHESLA Committee Chairs and Committee Members as presented. Ms. Savino moved for approval and Mr. Hill seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Martin L. Budd		
Darrell V. Hill		
Michael Izadi		
Julie B. Savino		
Kelli-Marie Vallieres		
Jeanette W. Weldon		

CHESLA ECONOMIC IMPACT STUDY

Ms. Weldon introduced Dr. David Mitchell, President of CCM Economics, as an expert in economic feasibility analysis. Ms. Weldon noted that CCM Economics was selected to undertake this study following an RFP process that CHESLA conducted earlier this year. Mr. Mitchell gave a presentation on “Economic Impact of CHESLA on the Connecticut Economy”, which provided an overview on the following topics:

- Brief History of CCM Economics, LLC
- Economic Impact Results
 - Short run economic impact from CHESLA Loan and Scholarship Program between 2015 and 2021
 - Long run economic impact from CHESLA Loan and Scholarship Program between 2015 and 2021
- Economic Impact Analysis
 - Economic Impact Model Illustrated
- Higher Education in Connecticut
- Education Prevalence in Connecticut
- Education Outcomes and College Enrollment Rates
- Income Distribution in Connecticut
- Economic Impact Methodology

The floor was opened to questions and a discussion ensued.

Mr. Budd commented on the conclusion that was drawn from this study for 2015-2021, where CHESLA loans and scholarships were approximately \$148 million and helped to create a combined short and long run net present value income effect of more than \$3.3 billion for Connecticut. This translates into a return of more than \$22 for every \$1 that was lent or given out via loans and scholarships. Mr. Lisi agreed on the noteworthy impact of CHESLA, and Ms. Weldon advised the Board that the results of the study will be publicized in various ways. A brief discussion ensued.

At 12:06 p.m., Mr. Mitchell left the videoconference meeting. Mr. Budd thanked Ms. Weldon for the valuable information, and Ms. Weldon thanked Mr. Hurlock for his effort with this study.

REVIEW OF DRAFT AUDITED FINANCIAL STATEMENTS FOR FY 2022

Ms. Peoples introduced Mr. Thomas Goldfuss and Ms. Lindsay Tessler, representatives from Whittlesey who presented on the independent audit that was conducted for CHEFA and its subsidiaries. Ms. Peoples first opened the floor to Ms. Levin to present financial highlights for the fiscal year ending June 30, 2022.

Ms. Levin stated that operating revenues were \$16.4 million, which represents an increase of \$7.6 million from fiscal year 2021 due to state contribution of \$7 million for the Alliance District Teacher Loan Subsidy Program. Operating expenses decreased by \$2.5 million compared to fiscal year 2021 due to a decrease in interest expense. The total operating income was \$9.3 million in fiscal year 2022 compared to fiscal year 2021, which had a total operating loss of \$909,000. Ms. Levin also stated that the change in net position for fiscal year 2022, after non-operating income, is \$8.6 million.

Ms. Levin provided an overview on the student loan receivables and bond payables. Ms. Levin reported that CHESLA closed two new bond issues totaling \$75.5 million in fiscal year 2022, of which \$62.3 million refunded bonds under the 1990 Resolution. Ms. Levin reported that the total net position was \$41.1 million, as of June 30, 2022.

Mr. Budd inquired about the non-operating income loss and the loss in investment income. Ms. Levin clarified that the two treasury notes marked to market demonstrated a loss. A brief discussion ensued.

Mr. Thomas Goldfuss and Ms. Lindsay Tessler presented the Independent Audit Report and gave an overview on the following topics:

- Independent Audit Process and Results
 - Audit Objectives and Planning the Audit
 - Overview of Audit Results
 - Required Communications
 - Significant Audit Areas and Transactions
 - Significant Accounting Estimates
 - Financial Statements Highlights
 - Status of Other Deliverables
 - Current and Emerging Accounting Issues (post 2022)
- CSLF IRS Form 990
- CSLF Agreed-Upon Procedures

During the presentation, Mr. Budd inquired about obtaining the presentation that was provided by Whittlesey, and Ms. Peoples assured Mr. Budd that the presentation will be distributed after the meeting. Mr. Budd also inquired about the submission of an IRS Form 990, and Mr. Goldfuss clarified that CHESLA does not need to submit an IRS Form 990.

Mr. Lisi requested a motion to accept the independent audit report as it pertains to CHESLA. Mr. Budd moved for approval and Mr. Lisi seconded the motion.

Ms. Peoples thanked Staff and Whittlesey for their efforts with this audit. Mr. Budd also thanked Ms. Peoples for her efforts with this audit.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Martin L. Budd		
Darrell V. Hill		
Michael Izadi		
Julie B. Savino		
Kelli-Marie Vallieres		
Jeanette W. Weldon		

At 12:31 p.m., Mr. Goldfuss and Ms. Tessler left the videoconference meeting.

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon reported on the recent CHESLA Advisory Committee Meeting held on August 23, 2022, which provided well-received updates on CHESLA activities.

Ms. Weldon stated that the loan-yield liability of approximately \$300,000 associated with CHESLA’s 2013 Series bonds must be resolved by May 2023. Ms. Weldon reported that a working group has been formed including BLX Group as rebate consultants, Pullman & Comley as bond counsel, Hilltop Securities as financial advisor, and CHESLA. Ms. Weldon stated that loan amounts will be forgiven on a pro-rata basis to address the liability. Mr. Hurlock clarified that this forgiveness would be a pro-rata forgiveness or reduction of principal across the portfolio, which would equate to approximately 5% of principal reduction across each loan of the portfolio. A new analysis will be done in mid-November 2022, and the final plan to resolve the loan-yield liability will be presented to the Board in November. A discussion ensued.

Ms. Weldon introduced a new collaboration with the Office of Workforce Strategy to develop a career accelerator program. Ms. Weldon reported that the career accelerator program would likely be a 0% interest loan fund, funded through state and philanthropy dollars. CHESLA’s role in development would be to administer the fund, similar to the role CHESLA plays for the Alliance Teacher District Loan Subsidy Program. This new program would move forward the Career Connect Workforce Training Program, initially focusing on commercial driver’s licenses. Ms. Vallieres clarified that this fund was a legislative mandate for the Office of Workforce Strategy to establish a fund for CDL training, as well as all other high-value non-credit certificate programs identified by the Office of Workforce Strategy.

Ms. Weldon provided a status report for FY 2022 on the CHEFA-CHESLA FY 2022-2024 Strategic Plan. Ms. Weldon highlighted the achievements and actions that support the strategic plan, including but not limited to:

- Launching and press conference of the Alliance District Teach Loan Subsidy Program;
- Expansion of statutory purpose to include post-secondary education, not only higher education;
- Completion of economic impact study;
- Operation in a hybrid work model, as well as a new phone system;
- Hosting of Board education sessions; and
- Refinancing of bonds to release trapped equity.

The floor was opened to questions and a brief discussion ensued. Ms. Weldon thanked Mr. Hurlock and the CHESLA Staff for their hard work throughout the first year of the strategic plan.

Portfolio Update

Mr. Hurlock reported that CHESLA has disbursed \$522,000 in the fourth quarter of fiscal year 2022. Mr. Hurlock stated that the total disbursements for fiscal year 2022 is \$16.3 million, representing a decrease of \$1.8 million compared to total disbursements in fiscal year 2021. Mr. Hurlock reported the market segment data for the Connecticut schools, noting that Sacred Heart University is the top Connecticut school for loan volume, with UCONN and Quinnipiac University following respectively.

Mr. Hurlock also provided an update on the In-School 2022 B disbursement comparison to cash flow assumptions and Refi CT loan disbursement data. Mr. Budd pointed out a typo in the In-School 2022 B disbursement comparison to cash flow assumptions, where "2022" in the bottom columns should be replaced with "2023". Mr. Hurlock confirmed the typo and will correct it in future reports.

Marketing Update

Ms. Reynolds reported an increase in awareness, traffic, and engagement for CT Dollars & Sense for fiscal year 2022 compared to fiscal year 2021, where the number of sessions per user increased by 18%. Ms. Reynolds stated that CT Dollars & Sense had over 2,000 returning visits to the website with over 5,000 page views. Ms. Reynolds also reported an increased awareness and traffic to the CHESLA website as well, with over a 19% increase in first-time users and over 20% increase in session time.

Ms. Reynolds stated that CHESLA distributed its first direct mail campaign to over 6,000 Connecticut residents, and that outreach continues through TV, radio, digital, and social media outlets.

Scholarship Update

Ms. Torres-Rivera reported on the successful scholarship ceremony held on August 4, 2022. The ceremony included two keynote speakers: a three-time scholarship recipient from Sacred Heart University and Thea Montañez, Chief Operating Officer for the City of Hartford. The Board previously approved \$489,000 in undergraduate scholarships, which were awarded to 171 recipients and disbursed to 90% of recipients so far.

Ms. Torres-Rivera stated that the certificate program is currently open to the public and will close when the \$30,000 of funds are fully utilized. Ms. Torres-Rivera reported that five scholarships have been awarded and two scholarships are pending.

RESOLUTION REGARDING USE OF FUNDS RELEASED BY BOND REFINANCING (RESOLUTION 2022-08)

Ms. Weldon reported that \$5 million of equity was released when bonds under the 1990 indenture were refinanced. Ms. Weldon proposed that up to \$2 million will be used for In-School loans until the next bond transaction, due to the increased demand with the In-School program. The other \$3 million will be allocated to the RefiCT program which, at its peak, has not exceeded \$3 million.

The floor was opened to questions and a discussion ensued. Mr. Budd requested a revision to the resolution to include a provision that the funds would be used to the extent needed to make

in-student loans. There was also discussion of an inducement resolution potentially being considered at the Board of Directors meeting scheduled in November.

Mr. Lisi requested a motion to adopt resolution regarding use of funds released by bond refinancing (Authorizing Resolution 2022-08) with the revision stated above. Mr. Budd moved for approval and Mr. Lisi seconded the motion.

Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Martin L. Budd		
Darrell V. Hill		
Michael Izadi		
Julie B. Savino		
Kelli-Marie Vallieres		
Jeanette W. Weldon		

ADJOURNMENT

There being no further business, Mr. Hill moved to adjourn the meeting and Ms. Savino seconded the motion.

Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Martin L. Budd		
Darrell V. Hill		
Michael Izadi		
Julie B. Savino		
Kelli-Marie Vallieres		
Jeanette W. Weldon		

The meeting adjourned at 1:19 p.m.

Respectfully submitted

Jeanette W. Weldon
Executive Director