

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting
June 16, 2014

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Monday, June 16, 2014.

The meeting was called to order at 11:33 a.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

Present: Barbara Rubin, Chair
Jeffrey A. Asher
Martin L. Budd
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)
Dr. Peter W. Lisi¹
Paul Mutone
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)
Erika Steiner (*Rep. for Board of Regents for Higher Education*)

Absent: Julie B. Savino, Vice-Chair

Also Present: Jeanette Weldon, Executive Director
Paula L. Herman, General Counsel, CHEFA
Joshua Hurlock, Portfolio and Marketing Associate
Carlee Levin, Accountant, CHEFA
JoAnne N. Mackewicz, Controller, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel E. Rush, Deputy Director

¹ Dr. Lisi joined the meeting at 11:42 a.m.

Guests: Judith Blank, Esq., Day Pitney
Elizabeth Hammer, Vice President, U. S. Bank
Joseph Santoro, Director, Bank of America Merrill Lynch²
Tim Webb, Vice President, FirstSouthwest³

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the April 16, 2014 Board of Directors meeting. Mr. Budd moved for approval of the minutes with a correction. He requested the word 'from' be removed from the quoted paragraph on page 4, after 'up to \$500,000'. His motion was seconded by Mr. Mutone.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher Martin Budd Steven Kitowicz Paul Mutone Barbara Rubin Sarah Sanders Erika Steiner	None	None

CONSULTANT/VENDOR COMMITTEE REPORT

Ms. Sanders provided a report on the Consultant/Vendor Committee Meeting held prior to the Board Meeting. The Committee discussed the responses to the RFP for Loan Servicer. Four vendors responded to the RFP, but Firstmark was the only firm that was able to provide origination and servicing under one umbrella.

The Committee recommended to the Board of Directors that Firstmark be reappointed as loan servicer/originator for CHESLA for a period not to exceed three years.

Ms. Rubin introduced Resolution #2014-06, to reappoint Firstmark as CHESLA's loan servicer/originator for a period not to exceed three years authorizing, which resolution was included in the materials distributed to the Board. Ms. Sanders moved for adoption of Resolution #2014-06, which was seconded by Mr. Budd.

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

² Mr. Santoro attended the meeting via telephone.

³ Mr. Webb attended the meeting via telephone.

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Paul Mutone
Barbara Rubin
Sarah Sanders
Erika Steiner

NAYS

None

ABSTENTIONS

None

AUDIT-FINANCE/HUMAN RESOURCES COMMITTEE REPORT

Mr. Kitowicz reported that the Committee reviewed the proposed FY2015 Operating budget for CHESLA. There was a discussion on the direction of the revenues and administrative fees.

Mr. Kitowicz moved to approve the FY 2015 CHESLA Operating budget as proposed; Mr. Asher seconded his motion.

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

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Paul Mutone
Barbara Rubin
Sarah Sanders
Erika Steiner

NAYS

None

ABSTENTIONS

None

2014 SERIES A BONDS POST SALE REPORT (FirstSouthwest)

Mr. Webb presented the sales report on the 2014 Series A Bond transaction.

Dr. Lisi joined the meeting during Mr. Webb's sales report.

QUARTERLY FINANCIAL REPORT

Before presenting the financial report for the quarter ending March 31, 2014, Ms. Levin asked if anyone had questions on the balance sheet. Mr. Budd inquired about the duplicate entries in the manual and the automated system. Ms. Levin responded that this occurred as a result of transitioning from Beers' manual process to the Authority's accounting system. The double entries were reversed and management has made the required modifications so that this will not occur again.

Ms. Levin reported that before amortization revenues were over expenses by approximately \$176,500 and after amortization by approximately \$157,000. Revenues were over budget by approximately \$13,000 due to receiving the administrative fees and expenses were under budget by approximately \$36,000 primarily due to higher insurance premiums which were under budget and also due to timing of certain marketing expenditures.

Ms. Levin provided details on the breakdown of current assets and restricted assets as identified on the Bond Fund Consolidation Statement of Net Position. She also explained the breakout of restricted and unrestricted funds in the total net position. A discussion ensued.

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon reported on the legislation making the Connecticut Student Loan Foundation (CSLF, a subsidiary of CHEFA effective July 1, 2014. She indicated that the legislation provides that the CSLF Board of Directors will consist of the same members as the CHESLA Board of Directors. The first CSLF new Board of Directors meeting will be on Wednesday, July 23, 2014 (the same date as the CHEFA meeting) at 3:00 p.m. at the CHEFA offices. Ms. Weldon added that the management company will be attending the Board meeting. She mentioned that after the July meeting, CSLF board meetings will be scheduled to take place on the same dates as the CHESLA board meetings.

Ms. Rubin inquired if staff could provide an overview of sources and uses of funds for CSLF at the next CSLF Board meeting. Ms. Weldon agreed to do so.

A discussion ensued.

Mr. Budd requested staff provide the CSLF Board with a copy of the legislation that was passed on CSLF and he inquired about the RFP requirements for the current manager of CSLF. Ms. Herman pointed out that the legislation does not appear to include an RFP requirement. Further discussion ensued.

Mr. Hurlock provided a marketing status report.

Mr. Rush reported that he, Mr. Hurlock and Ms. Weldon met with the Advisory Committee. He pointed out that they were very helpful in helping staff review the 2014 loan features. Mr. Rush also provided a report on the loan portfolio.

Ms. Weldon provided a review of performance vs. strategic goals and objectives for the fiscal year and discussed some of the key achievements related to core goals in the CHESLA Strategic Business Plan.

Mr. Budd asked if staff could provide the Board with a copy of the Internal Audit Report on CHESLA. Ms. Weldon agreed.

Ms. Weldon reported that the State Auditor is here reviewing CHESLA's FY 2012.

OTHER BUSINESS

Ms. Weldon reported that she and Mr. Asher met with a number of hospitals and universities which provided them the opportunity to discuss CHESLA activities at these client visits.

Mr. Asher announced that Betty Hammer is retiring from U.S. Bank as of July 31, 2014. The Board of Directors thanked Ms. Hammer for all her hard work over the past years with CHEFA and CHESLA and wished her the best in her retirement.

ADJOURNMENT

There being no further business, at 12:48 p.m., Mr. Budd moved to adjourn the meeting and Mr. Mutone seconded his motion.

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

AYES

Barbara Rubin
Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Paul Mutone
Sarah Sanders
Erika Steiner

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Proposed Operating Budget
For The Twelve Months Ending June 30, 2015

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Operating Budget Overview Memo

Exhibit I. Summary Statement of Revenue and Expenses

Exhibit II. Detailed Statement of Expenses

Prepared by: Jeanette Weldon, Samuel Rush and JoAnne Mackewicz
Date: June 10, 2014

FY 2015 Operating Budget Overview

Management is presenting the Operating Budget for FY 2015 to the CHESLA Audit-Finance/ Human Resources Committee for its review and approval. The budget provides for Excess Revenue from Operations of \$144,430, a 19% decline from FY 2014 budgeted levels.

The following provides a summary of key budget components.

REVENUE

Management is estimating that CHESLA's total revenues for FY 2015 will be \$647,883, representing a 6.3% decrease from budgeted FY 2014 levels. The revenue decrease is primarily attributable to the growing number of loans made under the 1990 resolution with lower administrative fees, and the decreasing loan balances under the 2003 resolution, which provide greater fees. Loans under the 2003 resolution carry administrative fees of 60 to 100 basis points annually. The 2003 resolution provides for MBIA bond insurance and has not been used since the 2007 bond issuance. In December 2011, the CHESLA Board decided to lower the administrative fee from 60 basis points to 30 basis points for all issues under the 1990 resolution in order to make more cash flow available for debt service and support a low loan rate. For loans made from proceeds of the 2014 Series A Bonds, the administrative fee will remain 30 basis points and FY 2015 revenues are expected to be sufficient to cover budgeted expenses. Management is seeking to identify additional revenue streams for FY 2016, however it may be necessary to consider an increase in the administrative fee at the time of the next CHESLA bond issue.

EXPENSES

Budgeted expenses for FY 2015 are \$503,453, a 1.8% reduction from FY 2014 budget. Certain expenses have been split between CHESLA and CHEFA, as explained in the sections that follow. Except where otherwise indicated, allocations to CHESLA are based on a per person percentage (2 of 23 combined employees are CHESLA's, resulting in a 9% allocation). CHESLA allocations total approximately \$21,000.

Key expense line items are described below.

Compensation

Management is proposing a compensation budget of \$151,435 for FY 2015, a 4.3% increase over FY 2014 budgeted levels and a 5% increase over projected actual levels for FY 2014. The budget provides for merit increases of up to 5%, with the actual amount of any increase based on performance evaluations. Performance evaluations will be reviewed by the CHESLA and CHEFA executive directors before any increases are finalized.

Employee Benefits

Taxes

Changes in payroll taxes are a result of the change in budgeted compensation.

Health Insurance

Budgeted benefits for FY 2014 are 33% of budgeted staff compensation. The budgeted amounts reflect changes in participation by CHESLA staff. Participating staff contribute 25% to the premium for family coverage and 15% to the individual premium, and fund 25% of the deductible for this high deductible plan.

For FY 2015, on the advice of the insurance broker, management is budgeting for a 20% premium increase over FY 2014 actual levels, effective January 1, 2014. Staff who do not participate in CHESLA health benefits receive an opt-out payment equal to that offered to CHEFA staff (\$2,800 annually).

Dental/Life/Disability

CHESLA staff is offered the same dental, life and disability benefits that are offered to CHEFA employees. On the advice of our insurance broker we have assumed an 8% increase in dental premiums and a 5% increase in disability and life insurance premiums, effective January 1, 2015.

Pension

Pension expense represents 10% of salaries.

457 Plan

The budgeted amount reflects expected employee participation and the matching contribution of up to \$1,500 annually.

Tuition

Annual tuition reimbursement is limited to \$5,000 per person for courses related to work responsibilities. The budget for FY 2015 reflects tuition reimbursement for one individual.

Non-Personnel Expenses

Lease & Storage Expense

Lease expense of \$12,362 is based on 610 square feet and a lease rate of \$20.00 per square foot for July 1, 2014 through December 31, 2014, and \$20.50 per square foot for January 1, 2015 through June 30, 2015.

Business Insurance

CHESLA's current Public Officials policy with Darwin Select Insurance Company expires on October 1, 2014. The budget reflects a 15% premium increase, as recommended by our insurance consultant. CHESLA's Public Officials policy is separate from CHEFA's. Cyber crime coverage, however, is shared with CHEFA, with CHESLA allocated 90% of the premium. General liability and property coverage is also shared, with CHESLA covering 9% of the cost.

Office Supplies and Non Capital Equipment

This line item includes office supplies and miscellaneous office related expenses, as well as non-capital furniture, equipment and software licensing expense. No significant replacement items or software licensing renewals are expected to be required in FY 2015.

Communications: Telephone and Internet

This includes expenses for telephone and data lines and conference calls. Conference calls are billed directly to CHESLA, while usage of CHEFA lines is based on a per person cost allocation.

Postage

Postage includes overnight delivery service (primarily for board mailings and for documentation between the Trustee and CHESLA) and postage. There is no significant change in this item relative to FY 2014 budgeted levels.

Maintenance Contracts

This represents the cost of use of CHEFA's server and IT infrastructure (based on a per person allocation), and copier expense.

Marketing Costs

Marketing costs include the cost of printing flyers and brochures, newspaper and radio advertisements, exhibitor/sponsorship fees and promotional items and awards. Marketing costs are budgeted at \$34,000, consistent with the FY 2014 level. Although the full marketing budget was not utilized in FY 2014, management would like to maintain the budget for FY 2015 to provide flexibility.

Miscellaneous

Some minor adjustments have been made to the Miscellaneous line items for FY 2015.

Bond Insurance Cost –Amortization

The budget reflects the amortization of the bond insurance premium for bonds issued under the 2003 indenture, in accordance with GASB 65. This GASB statement also requires that bond issuance costs, other than bond insurance premiums, be recognized as an expense in the period incurred. As was the case in FY 2014, no amount has been budgeted, as the decision regarding the amount of an equity contribution rests with the CHESLA Board at the time of next bond issuance.

Board Expense

The budget for these items remains unchanged from the FY 2014 budget.

Conference and Education Expenses

CHESLA staff expects to participate in conferences held by the Connecticut Association of Professional Financial Aid Administrators (CAPFAA), the National Association of Student Financial Aid Administrators (NASFAA), and the Education Finance Council (EFC).

Membership Dues

Management is continuing to budget for membership in key industry organizations. The highest amount of membership dues, \$10,000, is paid to the Education Finance Council, the national trade association representing not-for-profit and state agency student loan organizations. Other memberships include the National Association of Student Financial Aid Administrators, and the Connecticut Association of Professional Financial Aid Administrators.

CHEFA Support Services

CHEFA charges are based on projected time allocations of CHEFA personnel to CHESLA activities and budgeted CHEFA salaries. For FY 2014 and 2015, a fringe benefit allocation has also been included.

CHEFA service fees total approximately \$150,000 for FY 2015, a 4.7% increase over FY 2014 levels. Detail of the service fees and a three year comparison is provided below.

<u>Service</u>	Pre-CHEFA Budget FY 2012	Post CHEFA Budget FY 2013	Post CHEFA Budget FY 2014	Post CHEFA Budget FY 2015
Management & Legal Services	\$186,000	\$179,500	\$79,872	\$83,066
Accounting Services	\$30,500	\$36,704	\$22,074	\$23,178
IT Support	\$2,320	\$8,580	\$655	\$678
Additional Investment/Arbitrage Support	\$0	\$1,615	\$1,739	\$0
Other Admin Support	\$0	\$2,000	\$1,520	\$3,476
Internal audit	\$0	\$0	\$2,013	\$2,073
Benefit allocation	\$0	\$0	\$35,000	\$37,116
Total Service Charges	\$218,820	\$228,399	\$142,873	\$149,587

Accounting Systems

As with FY 2014, \$1,000 is being budgeted to accommodate expenses for any accounting system enhancements.

Consultants

\$8,000 is included for the services of an insurance consultant, to assist in ongoing renewal and evaluation of insurance policies.

Independent Auditors

Saslow Lufkin & Buggy's audit fees in FY 2015 are expected to be \$27,038.

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Budget	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Proj Actual *	FYE June 30, 2015 Budget
Revenues					
Admin Fee Income	\$ 734,918	\$ 753,984	\$ 686,726	\$ 699,022	\$ 644,283
Investment Income	5,300	4,078	4,500	2,981	3,600
Misc Income & Recovery	0	10,814	0	0	0
Total Revenues	\$ 740,218	\$ 768,876	\$ 691,226	\$ 702,003	\$ 647,883
Expenses					
Compensation	\$ 142,868	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435
Employee Benefits	57,296	49,592	52,184	52,381	49,757
General and Administrative	84,222	65,856	109,298	73,052	87,886
Business Education, Board and Reimbursable	10,600	6,905	12,750	7,340	14,250
Membership Dues	14,500	6,112	14,500	11,699	14,500
CHEFA Support Services	106,179	106,179	142,874	142,874	149,587
Outside Services	155,640	156,647	36,000	34,624	36,038
Total Expenses	\$ 571,305	\$ 530,850	\$ 512,746	\$ 466,193	\$ 503,453
Excess Revenue from Operations	\$ 168,913	\$ 238,026	\$ 178,480	\$ 235,810	\$ 144,430
Bond Issuance Costs & Amortization & Transfer to Trust	0	729,704	25,627	325,627	22,227
Total Excess Revenue	\$ 168,913	\$ (491,678)	\$ 152,853	\$ (89,817)	\$ 122,203

Benefit % to Compensation	40.10%	35.54%	35.95%	36.32%	32.86%
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* Projected Actual is based on Actual Financials as of March 31, 2014, plus 3 months of projected amounts.

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Budget	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Proj Actual	FYE June 30, 2015 Budget
Staff Compensation	\$ 142,868	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435
Total Compensation	\$ 142,868	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435
Payroll Taxes	\$ 11,707	\$ 10,689	\$ 11,061	\$ 10,945	\$ 11,677
Medical & Life Insurance					
CBIA Medical w/CBIA Life	15,324	6,781	9,334	7,885	3,796
Deductible Funding HSA (CHEFA)	3,750	1,875	3,750	5,625	2,812
Less: CBIA Co-insurance	(3,819)	(2,005)	(2,321)	(1,959)	(562)
Net Medical Insurance	15,255	6,651	10,763	11,551	6,046
CHEFA Alternative Insurance	2,800	2,800	2,800	2,800	2,800
Life Insurance	746	717	769	811	953
Dental	2,224	2,218	2,335	2,767	2,907
Total Medical, Life Insurance & Other	21,025	12,386	16,667	17,929	12,706
Pension					
Contributions	14,287	13,387	14,514	14,383	15,144
Administrative Fee	0	0	574	575	594
Total Pension	14,287	13,387	15,088	14,957	15,738
457 Plan	3,000	2,515	2,551	2,508	3,000
Vacation	0	5,125	0	0	0
Disability Insurance - Long Term	833	549	597	625	621
Disability Insurance - Short Term	800	570	620	649	647
Workers Compensation	644	351	600	748	368
Tuition	5,000	4,020	5,000	4,020	5,000
Total Employee Benefits	57,296	49,592	52,184	52,381	49,757
Total Employment	\$ 200,164	\$ 189,150	\$ 197,324	\$ 196,605	\$ 201,192

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Budget	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Proj Actual	FYE June 30, 2015 Budget
Lease & Storage					
Lease - Office Space	\$ 8,541	\$ 8,329	\$ 12,048	\$ 12,048	\$ 12,362
Lease - Taxes/CAM fees	0	0	0	14	196
Offsite Storage & Filesanywhere (electronic storage)	0	321	400	343	114
Total Lease & Storage	8,541	8,650	12,448	12,404	12,672
Business Insurance					
Office Package	0	1,103	642	608	653
Cyber Policy	0	0	10,000	4,563	6,567
Fiduciary & Performance Bond & Terrorism	0	86	150	48	303
Directors and Officers Liability / Public Officials	9,589	25,489	33,540	18,723	16,753
Total Business Insurance	9,589	26,678	44,332	23,943	24,276
Office Supplies and Non Capital Equipment					
General Office Expense and Supplies	3,739	983	1,200	1,282	1,300
Non-Capital furniture, Equipment & Software Licensing	6,225	5,555	500	654	1,000
Total Office Supplies and Non Capital Equip	9,964	6,538	1,700	1,936	2,300
Communications: Telephone & Internet					
Phone, Data Svc & Conferencing	1,440	2,677	2,616	2,590	2,600
Website Development & Hosting	840	361	452	268	500
Total Communications: Phone & Internet	2,280	3,037	3,068	2,858	3,100
Postage Expense					
Postage & Courier Expense	2,848	2,842	2,750	2,663	2,761
Maintenance Contracts	6,000	4,769	5,534	5,580	5,277
Publications & Resource Materials	0	0	500	144	500
Marketing Costs					
Advertising	0	4,240	20,000	17,174	20,000
Brochures	0	999	1,000	637	1,000
Fees - Exhibit/Sponsorship	0	300	1,000	493	1,000
Promotional Items - Exhibit/Sponsorship	0	548	1,000	625	1,000
Scholarships	0	3,000	6,000	3,000	6,000
Misc Marketing	35,000	913	6,000	0	5,000
Total Marketing Costs	35,000	10,001	35,000	21,929	34,000
Miscellaneous					
ADP Payroll Service	0	1,270	1,300	1,314	1,350
Bank Fees & Safe Deposit Box	0	155	150	135	150
Contingency	10,000	0	0	0	0
Staff Activities	0	0	125	0	500
Miscellaneous	0	1,917	2,391	147	1,000
Total Miscellaneous	10,000	3,342	3,966	1,595	3,000
Total General and Administrative Expenses	\$ 84,222	\$ 65,856	\$ 109,298	\$ 73,052	\$ 87,886
Bond Insurance Cost - Amortization	0	29,507	25,627	25,627	22,227
Bond Issuance Costs	0	700,197	0	300,000	0
Total Bond Issuance Cost	\$ 0	\$ 729,704	\$ 25,627	\$ 325,627	\$ 22,227

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Budget	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Proj Actual	FYE June 30, 2015 Budget
Depreciation	\$ 0		\$ 0	0	\$ 0
Employee Reimbursable					
Staff business and travel expenses	500	1,458	750	206	750
Total Employee Reimbursable	500	1,458	750	206	750
Board Expense					
Board lunches	600	1,024	1,500	799	1,500
Board education	0	0	1,000	0	1,000
Total Board Expense	600	1,024	2,500	799	2,500
Conference & Education Expense					
Conferences (including expenses)	8,500	4,397	8,500	4,699	9,000
End User Education (non tuition, computer and other)	1,000	27	1,000	1,635	1,000
Total Conference & Education Expense	9,500	4,424	9,500	6,334	11,000
Total Business Education, Board and Reimbursable	\$ 10,600	\$ 6,905	\$ 12,750	\$ 7,340	\$ 14,250
Memberships Dues	\$ 14,500	\$ 6,112	\$ 14,500	\$ 11,570	\$ 14,500
CHEFA Support Services	\$ 106,179	\$ 106,179	\$ 142,874	\$ 142,874	\$ 149,587

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Budget	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Proj Actual	FYE June 30, 2015 Budget
Accounting Systems					
Enhancements (IT)	0	197	1,000	374	1,000
Total Accounting and IT Systems	0	197	1,000	374	1,000
Consultant Others					
Beers Hamerman & Co.	15,140	15,950	0	0	0
CCIC	26,500	26,500	0	0	0
Insurance Consultant	0	0	8,000	8,000	8,000
Total Consultant Others	41,640	42,450	8,000	8,000	8,000
Legal	80,000	80,000	0	0	0
Independent Auditors	34,000	34,000	27,000	26,250	27,038
Total Outside Services	\$ 155,640	\$ 156,647	\$ 36,000	\$ 34,624	\$ 36,038