

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting June 18, 2013

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, June 18, 2013.

The meeting was called to order at 11:31 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
Richard Bishop (*Rep. for Board of Regents for Higher Education*)¹
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)
Dr. Peter W. Lisi²
Paul Mutone³
Sarah K. Sanders⁴ (*Rep. for Honorable Denise L. Nappier*)
Julie B. Savino

Absent: Martin L. Budd

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

¹ Mr. Bishop attended the meeting via telephone.

² Dr. Lisi joined the meeting at 11:44 a.m.

³ Mr. Mutone attended the meeting via telephone.

⁴ Ms. Sanders joined the meeting at 11:38 a.m.

Guests: Judith Blank, Esq., Day Pitney
Lee Donner, Managing Director, FirstSouthwest⁵
Mark McGruder, Sr. VP, Fixed Income Trading, FirstSouthwest⁶
Elizabeth Hammer, Vice President, U. S. Bank
Tim Webb, Vice President, FirstSouthwest

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the March 5, 2013 Board of Directors meeting. Mr. Kitowicz moved for approval of the minutes, which was seconded by Mr. Asher.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Richard Bishop Steven Kitowicz Julie Savino	None	Paul Mutone ⁷

POST-SALE REPORT – 2013 SERIES A BONDS

Mr. Webb from FirstSouthwest reported on the sale of the 2013 Series A bonds and also explained the structure of the tax-exempt serial bonds. The bonds were priced on March 19 and closed on April 2. Twenty-five million dollars was issued. The bonds were structured as serial bonds with 15 maturities from 2015 through 2029. The non-callable bonds from 2015 to 2019 were structured as premium bonds. The callable maturities from 2020 to 2029 were sold at a discount. In total that generated approximately \$103,000 of premium that went into the transaction.

The transaction provided close to \$23.9 million for student loans to students attending school in Connecticut and Connecticut residents attending school outside of the state. Mr. Webb stated that the transaction was successful and resulted in a loan rate for students of 5.99%.

Ms. Sanders joined the meeting during Mr. Webb’s report.

Further discussion ensued. Mr. Webb stated that once the underwriter’s discount is calculated, and the cost of issuance added, the all-in true interest cost of the bonds is 3.629%.

Mr. McGruder from FirstSouthwest reported on the sale and pricing of the bonds. He stated that overall they had a very successful pricing of the transaction.

⁵ Mr. Donner attended the meeting via telephone.

⁶ Mr. McGruder attended the meeting via telephone.

⁷ Mr. Mutone abstained from voting as he did not attend the March 5, 2013 Board Meeting.

Dr. Lisi joined the meeting at this time.

Mr. Webb pointed out that it was very important to structure the issue to protect the financial integrity of the trust while achieving a low loan rate.

Further discussion ensued.

REPORT OF THE AUDIT-FINANCE/HUMAN RESOURCES COMMITTEE

Mr. Kitowicz reported that the Audit-Finance/Human Resources Committee met today to discuss two items. The Committee elected Mr. Kitowicz as the Chair of the Audit-Finance/Human Resources Committee and the Committee discussed the FY 2014 proposed Operating Budget. The Committee approved the budget with the proviso that the proposed cyber-crime insurance policy be reviewed further. Mr. Kitowicz stated that the budget assumes a \$25,000 premium for a cyber-crime policy and the Committee requested further investigation.

Ms. Weldon reported that Staff budgeted excess from operations of approximately \$163,000 before amortization of any bond issuance costs. She stated that the Authority has had a declining revenue trend over time and has budgeted revenues for FY 2014 of approximately \$691,000, a 6% decrease from what was budgeted in FY 2013. Expenses are budgeted at \$527,746, below FY 2013 budgeted levels.

Ms. Weldon pointed out that projected actual results for FY 2013 assume a write-off of unamortized bond issuance costs of approximately \$1.7 million. This would reflect the adoption of GASB 65 which states that instead of amortizing issuance costs over the life of the bonds, they must be written off in full. She added that what was assumed in the projected actual was that the Authority was writing off all of the existing unamortized balances of approximately \$1 million, plus the \$700,000 equity contribution the Authority put into the 2013 Series A bonds. Ms. Weldon stated that at the Committee's suggestion, she will discuss this treatment further with the auditors.

Further discussion ensued.

Ms. Rubin requested a motion to approve the FY 2014 Proposed Operating Budget with the proviso to review the purchase of a cyber-crime policy. Mr. Kitowicz moved to approve FY 2014 Proposed Operating Budget with the proviso and Dr. Lisi seconded the motion. All were in favor.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Richard Bishop Steven Kitowicz Dr. Peter Lisi Paul Mutone Sarah Sanders Julie Savino	None	None

STRATEGIC BUSINESS PLAN REVIEW

Ms. Weldon reviewed the goals and objectives achieved in the FY 2013 – 2015 Strategic Business Plan as shown in Exhibits B – H in the board package. She added that at the September board meeting, she will update the FY 2013-2015 Strategic Business Plan to address revenue enhancement/diversification for the remaining years of the plan.

Ms. Sanders inquired as to why CHESLA was not on the Preferred Lender List at the University of Connecticut. Further discussion ensued. Ms. Weldon stated that she will follow up.

Mr. Hurlock reported that to date, the Authority has disbursed \$214,428 out of the 2013A Series which is in line with previous years' disbursement data. He further explained the comparisons between 2012 and 2013 in his series pipeline report. Mr. Hurlock also provided his dashboard report relating to strategic goals.

QUARTERLY FINANCIAL REPORT

Ms. Weldon thanked Ms. Mackewicz and Ms. Levin for their hard work on the quarterly financials.

Ms. Weldon reviewed the quarterly financials and also provided a draft handout on the Combined Bond Fund Balance Sheet and Combined Statement of Revenues, Expenses and Changes in Net Assets as of March 31, 2013. Further discussion ensued.

EXECUTIVE DIRECTOR'S REPORT

Mr. Rush reviewed the Portfolio Fact Sheet and Loan Disbursement Data through March 31, 2013.

Mr. Hurlock provided a marketing update. Further discussion ensued on utilizing social media and other websites for marketing purposes.

Ms. Weldon reported that the unsubsidized Stafford Loan rate is due to expire on July 1st. She added that nothing has changed and no agreement has been reached in Congress thus far.

Ms. Weldon thanked Judith Blank, General Counsel from Day Pitney, for her years of service to CHESLA as general counsel. Ms. Blank continues to serve as CHESLA's Bond Counsel.

ADJOURNMENT

There being no further business, at 1:53 p.m., Mr. Kitowicz moved to adjourn and Mr. Asher seconded his motion.

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

AYES

Barbara Rubin
Jeffrey Asher
Richard Bishop
Steven Kitowicz
Dr. Peter Lisi
Paul Mutone
Sarah Sanders
Julie Savino

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Revenues			
Admin Fee Income	\$ 734,918	\$ 761,026	\$ 686,726
Investment Income	5,300	4,794	4,500
Misc Income & Recovery	0	10,155	0
Total Revenues	\$ 740,218	\$ 775,975	\$ 691,226
Expenses			
Compensation	\$ 142,868	\$ 139,558	\$ 145,140
Employee Benefits	57,296	46,148	52,184
General and Administrative	84,222	61,233	109,298
Business Education, Board and Reimbursable	10,600	4,713	12,750
Membership Dues	14,500	7,403	14,500
CHEFA Support Services	106,179	106,179	142,874
Outside Services	155,640	156,647	36,000
Total Expenses	\$ 571,305	\$ 521,881	\$ 512,746
Excess Revenue from Operations	\$ 168,913	\$ 254,094	\$ 178,480
Bond Issuance Costs & Amortization	0	1,704,177	25,627
Total Excess Revenue	\$ 168,913	\$ (1,450,083)	\$ 152,853
Benefit % to Compensation	40.10%	33.07%	35.95%

* Projected Actual is based on Actual Financials as of March 31, 2013, plus 3 months of projected amounts.

** Revised Budget per Board Resolution dated September 17, 2013 (see General and Administrative; Business Insurance)

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Staff Compensation	\$ 142,868	\$ 139,558	\$ 145,140
Bonus	0	0	0
Temporary Salaries	0	0	0
Total Compensation	\$ 142,868	\$ 139,558	\$ 145,140
Payroll Taxes	\$ 11,707	\$ 10,689	\$ 11,061
Medical & Life Insurance			
CBIA Medical w/CBIA Life	15,324	8,087	9,334
Deductible Funding HSA (CHEFA)	3,750	1,875	3,750
Less: CBIA Co-insurance	(3,819)	(2,005)	(2,321)
Net Medical Insurance	15,255	7,957	10,763
CHEFA Alternative Insurance	2,800	2,800	2,800
Life Insurance	746	778	769
Dental	2,224	2,218	2,335
Total Medical, Life Insurance & Other	21,025	13,753	16,667
Pension			
Contributions	14,287	12,793	14,514
Administrative Fee	0	574	574
Total Pension	14,287	13,367	15,088
457 Plan	3,000	2,513	2,551
Vacation	0	0	0
Disability Insurance - Long Term	833	596	597
Disability Insurance - Short Term	800	618	620
Workers Compensation	644	592	600
Tuition	5,000	4,020	5,000
Total Employee Benefits	57,296	46,148	52,184
Total Employment	\$ 200,164	\$ 185,706	\$ 197,324

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Lease & Storage			
Lease - Office Space	\$ 8,541	\$ 8,285	\$ 12,048
Offsite Storage & Filesanywhere (electronic storage)	0	367	400
Total Lease & Storage	8,541	8,652	12,448
Business Insurance			
Office Package	0	842	642
Cyber Policy	0	0	10,000 *
Fiduciary & Performance Bond & Terrorism	0	136	150
Directors and Officers Liability	9,589	25,489	33,540
Total Business Insurance	9,589	26,467	44,332
Office Supplies and Non Capital Equipment			
General Office Expense and Supplies	3,739	750	1,200
Non-Capital furniture, Equipment & Software Licensing	6,225	5,555	500
Total Office Supplies and Non Capital Equip	9,964	6,305	1,700
Communications: Telephone & Internet			
Phone, Data Svc & Conferencing	1,440	1,372	2,616
Website Development & Hosting	840	250	452
Total Communications: Phone & Internet	2,280	1,622	3,068
Postage Expense			
Postage & Courier Expense	2,848	2,712	2,750
Maintenance Contracts	6,000	6,158	5,534
Publications & Resource Materials	0	0	500
Marketing Costs	35,000	5,612	35,000
Advertising	0	0	20,000
Brochures	0	999	1,000
Exhibit/Sponsorship Fees	0	730	1,000
Exhibit/Sponsorship Promotional Items	0	548	1,000
Scholarships	0	3,000	6,000
Misc Marketing items	35,000	335	6,000
Total Marketing Costs	35,000	5,612	35,000
Miscellaneous			
Kitchen supplies, soda, Sam's Club	0	386	391
ADP Payroll Service	0	1,270	1,300
Bank Fees & Safe Deposit Box	0	132	150
Contingency	10,000	1,738	0
Staff Activities	0	0	125
Miscellaneous	0	179	2,000
Total Miscellaneous	10,000	3,705	3,966
Contributions			

**CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014**

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Miscellaneous	0	0	0
Total Contributions	0	0	0
Total General and Administrative Expenses	\$ 84,222	\$ 61,233	\$ 109,298
Bond Insurance Cost - Amortization	0	0	25,627
Bond Issuance Costs	0	1,704,177	0
Total Bond Issuance Cost	0	1,704,177	25,627

* Revised Budget per Board Resolution dated September 17, 2013

**CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014**

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Depreciation	\$ 0	0	\$ 0
Employee Reimbursable			
Staff business and travel expenses	500	231	750
Total Employee Reimbursable	500	231	750
Board Expense			
Board lunches	600	1,057	1,500
Board business	0	0	1,000
Total Board Expense	600	1,057	2,500
Conference & Education Expense			
Conferences (including expenses)	8,500	3,398	8,500
End User Education (non tuition, computer and other)	1,000	27	1,000
Total Conference & Education Expense	9,500	3,425	9,500
Education - Board		0	0
Total Business Education, Board and Reimbursable	\$ 10,600	\$ 4,713	\$ 12,750
Memberships Dues	\$ 14,500	\$ 7,403	\$ 14,500
CHEFA Support Services	106,179	106,179	142,874

**CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014**

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