

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority

Audit-Finance/Human Resources Committee Meeting

June 12, 2018

The State of Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Audit-Finance/Human Resources Committee met at 10:30 a.m. on June 12, 2018.

Those present and absent were as follows:

Present: Steven Kitowicz (Designee of Secretary Benjamin B. Barnes)
Dr. Peter Lisi
Paul H. Mounds, Jr.
Julie B. Savino

Also Present: Denise Aguilera, General Counsel, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Sr. Accountant, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Kathy Owens, Administrative Assistant, CHEFA
Debra Pinney, Manager, Administrative Services, CHEFA
Natalia Rozio, Administrative Intern, CHESLA
Jeanette W. Weldon, Executive Director, CHESLA

Guests: Tim Webb¹, Vice President, Hilltop Securities

¹Mr. Webb attended the meeting via conference telephone that permitted all parties to hear each other. Mr. Webb joined the meeting at 10:37 a.m.

Call to Order

The meeting was called to order by Mr. Steven Kitowicz, Committee Chair, at 10:35 a.m.

Review and Approval – FY 2019 Proposed Operating Budget

Ms. Weldon provided an overview of the FY 2019 Proposed Operating Budget. She reported that the budget provides for excess revenue from operations of approximately \$243,000, which is a decrease of approximately 11% from the budget in FY 2018. Total revenues are showing an increase of approximately 7% offset by necessary investments in staff and marketing. She stated that it is important to make those investments and Management is comfortable with the bottom line.

Ms. Weldon turned the floor over to Ms. Carlee Levin and Mr. Joshua Hurlock to report on revenue projections.

Mr. Hurlock stated that \$23 million is proposed for originations by reviewing the amount disbursed in FY 2017 of approximately \$22 million, and estimated FY 2018 originations through the fourth quarter to be approximately \$22.5 million. Mr. Hurlock added that for FY 2019, it is estimated that there will be another \$500,000 increase.

Ms. Weldon reported that budgeted expenses for FY 2019 are expected to increase approximately 15% from what was budgeted in FY 2018. As has historically been the case, there are certain expenses that are split between CHEFA and CHESLA, some of which are split on a per person basis. Ms. Weldon added that other expenses are directly invoiced to CHESLA.

Ms. Weldon reported that with regard to compensation, Management is proposing to add a new position. Currently, there are two full-time employees at CHESLA, and one part-time administrative intern. Management is proposing to add a full-time portfolio assistant. The individual would provide some support for day-to-day operations. Mr. Hurlock added that the new hire would also help in furthering CHESLA's marketing initiatives and assist in the maintenance and creative usage of CHESLA's social media platforms (Facebook, LinkedIn, Instagram). The individual would also assist in the overall maintenance of the loan portfolio in terms of reporting and coordinating with the servicers and borrowers. Another responsibility for the new hire would be to update the content on CT Dollars and Sense website.

Ms. Weldon stated that the budget also provides for merit increases and other adjustments for existing staff. She reported that on the merit increase side, Management is using the same approach as CHEFA. For staff, the merit increase range is 0-2.75%, awarded based on performance evaluation scores. There are also adjustments to recognize increased roles and responsibilities.

Ms. Weldon stated that the benefits are in part a reflection of salaries, with other assumptions consistent with those used in the CHEFA budget.

Ms. Weldon turned the floor over to Ms. Levin to report on the general and administrative expenses. Ms. Levin stated that for lease fees, CHESLA uses 897 square feet. CHESLA has its own Public Officials insurance policy and pays the premium directly. Cybercrime coverage, however, is shared with CHEFA and CSLF with CHESLA allocated 50% and CHEFA and CSLF allocated 20% and 30% respectively. .

Mr. Hurlock stated that over the years CHESLA has utilized different avenues of marketing such as television, digital, radio, advertising, and email. He added that a billboard was tested this year for Refi CT, as well as search engine marketing. For FY 2019, CHESLA plans to take a more consolidated approach. The plan for this year is to focus on television, digital and radio through Fox 61, NBC Connecticut and WNPR.

Ms. Weldon reported that for CHEFA support services, the number of hours is estimated by staff. Ms. Weldon stated that fringe benefits are included in that calculation. A discussion ensued.

Ms. Weldon mentioned that the Authority is anticipating a transfer from CSLF of \$2 million to CHESLA for the scholarship program. That amount is not reflected in this budget because they do not flow into the operating account. She pointed out that when

funds are transferred from CSLF for the Refi Program or the Scholarship Program they are deposited into an account with US Bank. She stated that for FY 2019, they are not budgeting at this point for CSLF to transfer a second \$2 million for purposes of the Refi Program because CHESLA may issue bonds in the fall that may have a small taxable component that would fund the Refi Program. A discussion ensued.

Mr. Webb stated that he had additional discussions with the underwriters who have worked with CHESLA for the past few years about a combined tax-exempt taxable issuance sometime in the fall. He explained that the tax-exempt bonds would be utilized to provide approximately \$9 million if needed for the FY 2018-2019 lending season and then CHESLA would have a small issuance of taxable bonds because the refi loans cannot be financed on a tax-exempt basis. The bonds would be issued at the same time and would necessitate a new indenture because the current 1990 Indenture does not allow for the inclusion of refinance loans.

Mr. Kitowicz asked if there were any other questions or comments.

Mr. Kitowicz requested a motion to approve the proposed FY 2019 Operating Budget. Dr. Lisi moved to approve the proposed FY 2019 Operating Budget. 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>
Dr. Peter Lisi Julie Savino	Steven Kitowicz	None

Mr. Kitowicz requested a motion to adjourn the meeting. Dr. Lisi moved to adjourn the meeting. 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>
Steven Kitowicz Dr. Peter Lisi Julie Savino	None	None

The meeting adjourned at 11:04 a.m.

Respectfully Submitted

Jeanette W. Weldon
Executive Director