

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Annual Board Meeting

September 20, 2017

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Wednesday, September 20, 2017.

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

Present: Martin L. Budd ¹
Steven Kitowicz (*Rep for Honorable Benjamin Barnes, OPM Secretary*)
Dr. Peter W. Lisi, Chair
Sheree J. Mailhot, (*Rep. for Honorable Denise L. Nappier, State Treasurer*)
Julie B. Savino, Vice Chair
Jeanette Weldon

Absent: Erika Steiner (*Rep. for Honorable Mark Ojakian, President, Connecticut State Colleges & Universities*)

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

Guests: Randy Behm, Principal, Education Solution Partners, LLC
Judith Blank, Esq., Day Pitney LLP
Kristen Brown, Senior Manager, CohnReznick LLP
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC
Kristen Nardone, Partner, CohnReznick LLP
Mathew Rosen, CHESLA Advisory Committee ²
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith Inc.,
Bank of America, N.A.
Jeffrey Wagner, Managing Director, RBC Capital Markets
Thomas H. Webb, Vice President, Hilltop Securities

¹ Mr. Budd joined the meeting at 11:33 a.m. and participated in the meeting via conference telephone that permitted all parties to hear each other.

² Mr. Rosen 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 June 6, 2017 Board of Directors meeting. Mr. Kitowicz moved to approve the minutes and 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 Steven Kitowicz Julie Savino Jeanette Weldon	None	Sheree Mailhot ³

Dr. Lisi welcomed Ms. Sheree Mailhot, Debt Management Specialist, Office of the Treasurer, as the Treasurer’s designee as a CHESLA Board member replacing Ms. Sarah Sanders for the current meeting.

Mr. Budd joined the meeting at this time.

ELECTION OF VICE CHAIR

Dr. Lisi requested a motion to re-elect Ms. Julie Savino as Vice Chair of the CHESLA Board of Directors. Mr. Budd moved to re-elect Ms. Savino as Vice Chair 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 Sheree Mailhot Julie Savino Jeanette Weldon	None	None

OVERVIEW OF DRAFT AUDITED FINANCIAL STATEMENTS FOR FY 2017

Ms. Peoples introduced Ms. Kimberley Nardone and Ms. Kristen Brown, independent auditors from CohnReznick.

Ms. Brown reviewed the notable items in the financial statements and also reported on the CHESLA and CSLF balance sheet. Ms. Brown pointed out that the audited financial statements for FY 2017 received an unmodified opinion by CohnReznick. Ms. Brown stated that this year,

³ Ms. Mailhot abstained from voting as she did not attend the June 6, 2017 Board Meeting.

by request of the Board, they added a total column on the balance sheet. The most significant activities on the statement of net position for CHESLA and CSLF were for loan receivables. Loan receivables were down for CHESLA by approximately \$6 million and down by approximately \$42 million for CSLF.

On the liability side, what decreased was a portion of bonds payable, which was similar to the decrease on the receivables. Ms. Brown added that the change in net assets was very similar to last year. She reported that total revenues are down for CHESLA, which was due to the large transfer of funds from CSLF to CHESLA for the Refi CT program in the prior fiscal year. Operating expenses were very similar to last year with no significant changes. Overall, the change in net position for CHESLA was \$432,000 and the change in net position for CSLF was \$588,000. There were some minor adjustments to the cash flows for CHESLA. Generally, overall, CHESLA used approximately \$4 million in cash from operating activities. CHESLA's financing activities provided approximately \$6 million of funds and they used most of the cash received from operating activities to pay down the debt.

Ms. Brown reported that CHESLA used approximately \$3 million in investing activities. Overall, CHESLA and CSLF had a decrease in net cash for the year, \$1 million for CHESLA and \$736,000 for CSLF. She pointed out that in the Management's Discussion and Analysis, the bond ratings listed for CHESLA was changed to reflect the impact of the State's rating downgrades. She added that there were not many changes to the notes, which were similar to last year. There was a question on authorized and unissued debt that was reported. Ms. Weldon stated that when the Board approves a resolution for a "not to exceed" dollar amount, and if the Authority falls short of that in the actual issuance, it is not something that is carried over or held. Ms. Brown stated that based on that, the note will be revised to read "\$9 million outstanding" to reflect the pending delivery of the 2017 B Bonds.

Ms. Brown reviewed Schedule 1. Mr. Budd inquired if the heading "non bond fund" could be relabeled as "Other Program Fund". She agreed to change the heading and Ms. Weldon concurred.

Ms. Nardone reviewed the compliance section of the draft audited financial statements and she indicated that they had no findings on items requiring disclosure. She added to the report that CHESLA's capitalization threshold has been increased to \$2,500, and no new policies were adopted. Significant estimates included in the financial statements include the allowance for uncollectibles, as well as the fair value of investments. There were no significant adjustments. Ms. Nardone also stated that there were no disagreements with management. There were no outside consultations and CohnReznick had no difficulties performing the audit. Management advised CohnReznick that there were no instances of fraud or illegal acts. As part of the finalization of the audit, CohnReznick will be requesting that management sign a management representation letter confirming representations made during the audit.

Ms. Brown discussed future considerations for GASB 86 and 87 and Ms. Nardone reviewed the Form 990 and the Report on Management's Assertions on Compliance with Specified Federal Family Education Loan Program Requirements for CSLF.

Dr. Lisi thanked the auditors for their presentation.

Ms. Brown and Ms. Nardone left the meeting at 12:03 p.m.

EXECUTIVE DIRECTOR’S REPORT

Mr. Hurlock provided an update on the following items:

- Portfolio Fact Sheet
- Program review
- Loan disbursements
- Market segment data
- Cash flow assumptions
- Refi CT disbursements
- State residence data for Refi CT borrowers
- Disbursement details
- Google analytics-CT Dollars and Sense, the Financial Literacy Portal
- Strategic Plan dashboard

Ms. Weldon reviewed each of the 2018 strategic initiatives, which were distributed in the board meeting materials, and stated that in November, she expects to present for approval Program Manual revisions and will be discussing the timing of the next bond transaction.

ADJOURNMENT

There being no further business, at 12:28 p.m., Ms. Savino moved to adjourn the meeting and Mr. Kitowicz seconded his motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin Budd	None	None
Steven Kitowicz		
Dr. Peter Lisi		
Sheree Mailhot		
Julie Savino		
Jeanette Weldon		

Respectfully submitted,

Jeanette W. Weldon
Executive Director