

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Annual Board Meeting

September 20, 2018

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Thursday, September 20, 2018.

The meeting was called to order at 11:36 a.m. by Dr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Martin L. Budd
Dr. Peter W. Lisi, Chair
Sheree Mailhot, (*Designee for Denise Nappier, State Treasurer*)¹
Paul H. Mounds, Jr.²
Julie Savino
Erika Steiner (*Designee. for Mark Ojakian, President, Connecticut State Colleges & Universities*)³
Jeanette Weldon

Absent: Steven Kitowicz (*Designee for Benjamin Barnes, OPM Secretary*)

Also Present: Denise Aguilera, General Counsel, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Sr. Accountant, CHEFA/CHESLA
JoAnne Mackewicz, Controller, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA

Guests: Judith Blank, Esq., Day Pitney LLP
Kristen Brown, Senior Manager, CohnReznick LLP
Lisa Cohen, VP of Trust Admin, Controller & Treasurer, Goal Structured Solutions, Inc.⁴
Susan Harlan, *former* CHESLA Advisory Committee member
Ian Meade, Senior Financial Reporting Manager, Goal Structured Solutions, Inc.⁵
Samuel E. Rush, *former* Deputy Director, CHESLA
Susan Rush
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc., Bank of America, N.A.
Timothy Webb, Vice President, Hilltop Securities⁶

¹ Ms. Mailhot participated in the meeting via conference telephone that permitted all parties to hear each other.

² Mr. Mounds participated in the meeting via conference telephone that permitted all parties to hear each other.

³ Ms. Steiner joined the meeting at 11:41 a.m. and participated in the meeting via conference telephone that permitted all parties to hear each other.

⁴ Ms. Cohen participated in the meeting via conference telephone that permitted all parties to hear each other.

⁵ Mr. Meade participated in the meeting via conference telephone that permitted all parties to hear each other.

⁶ Mr. Webb participated in the meeting via conference telephone that permitted all parties to hear each other.

MINUTES

Dr. Lisi requested a motion to approve the amended August 21, 2018 Special Board of Directors minutes. Mr. Budd moved to approve the amended 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>
Martin Budd Dr. Peter Lisi Sheree Mailhot Jeanette Weldon Julie Savino	None	Paul Mounds ⁷

Dr. Lisi indicated that he met with Mr. Andrew Foster, Vice President of Student Services at Albertus Magnus, as a possible CHESLA Board member. Dr. Lisi indicated that he will be recommending Mr. Foster for this appointment at the October CHEFA Board meeting. If appointed, Mr. Foster will be attending the November CHESLA meeting.

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 Dr. Lisi seconded the motion.

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

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

APPOINTMENT OF CHESLA ADVISORY COMMITTEE MEMBERS

Dr. Lisi stated that currently, there is one Advisory Committee Member: Mr. Matt Rosen. Dr. Lisi stated the Board materials contained some background information on Mr. David Welsh, who is a proposed candidate for the Advisory Committee.

Ms. Steiner joined the meeting at this time.

⁷ Mr. Mounds abstained from voting as he was not in attendance at the August 21, 2018 Board meeting.

Mr. Budd moved to appoint Mr. Welsh as an Advisory Committee member 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>
Martin Budd Dr. Peter Lisi Sheree Mailhot Paul Mounds Julie Savino Erika Steiner Jeanette Weldon	None	None

OVERVIEW OF DRAFT AUDITED FINANCIAL STATEMENTS FOR FY 2018

Ms. Levin reported on the following exhibits: Statement of Revenues, Expenses and Changes in Fund Net Position, Combined Schedule of Net Position and Combined Schedule of Revenues, Expenses and Changes in Net Position.

Mr. Budd recommended a note be added to the statements explaining the unrestricted net assets. Ms. Levin and the Board agreed on adding a note to the statements.

Ms. Brown of CohnReznick apologized that Ms. Kimberley Nardone was not able to attend today’s meeting and provided a handout for the Board. She presented a brief summary of the various reports issued, including required communications and future considerations in the FY 2018 Draft Audited Financial Statements. Ms. Brown stated that the audit has a clean or unmodified opinion in regard to the financial statements, and added that in the report the auditors also referred to Generally Accepted Government Auditing Standards pertaining to controls and financial reporting. In FY 2019, there is a relevant new accounting standard, GASB 88, which pertains to certain disclosures related to debt, including direct borrowings and direct placements for periods after June 15, 2018.

SALES REPORT – CHESLA 2018 SERIES A BONDS

Mr. Webb provided the sales report on the 2018 Series A Bonds. He congratulated the staff and the working group for issuing the 2018 Series A Bonds for \$10 million and noted that the transaction came about very quickly. The transaction was lead managed by Bank of America Merrill Lynch (BAML). The bonds are SCRF backed bonds for this \$10 million issue, which is backed on the State’s credit. These bonds were issued under the 1990 Trust, which is also SCRF backed. The bonds were priced on September 12; they are fixed rate serial bonds with maturities in 2019 to 2034. The non-callable maturities are 2019 to 2025. The bonds from 2026 to 2034 are callable with excess of revenues. The bonds were sold at a net premium of \$221,000. Mr. Webb discussed the comparison in the pricing of bonds in 2017 vs. the pricing of bonds in 2018. Mr. Webb described the order period and stated that the bonds were well subscribed in the non-callable maturities, 2019 to 2025. The maturities in 2026 to 3032 were not well subscribed and BAML underwrote the bonds that were unsold. The transaction closed on Monday, September 17, 2018. Mr. Webb stated that one of the major concerns of the Board

was the ability to offer student loans at the 4.95% rate which was accomplished with this issuance.

Ms. Weldon thanked Mr. Santoro for all his work on the transaction.

Mr. Rush and his wife joined the meeting at this time.

Dr. Lisi thanked all involved in making this transaction successful.

EXECUTIVE DIRECTOR'S REPORT

A. Proposed Resolution regarding Use of Bond Proceeds Reimbursement

Ms. Weldon pointed out that there is a resolution included with the Board materials stating that upon the Authority's receipt of reimbursement for the student loan program advances, as authorized by the Authorizing Resolution for the 2018 Series A Bonds, the Board of Directors authorizes the allocation and use of up to \$2 million of such funds to originate loans under the CHESLA Refinance Loan Program and authorizes the Executive Director to take any action deemed necessary to effectuate the foregoing and to modify the CHESLA budget as needed to reflect the allocation.

Mr. Budd moved to approve Resolution #2018-05, as mentioned above, and Ms. Savino seconded his motion

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

AYES

NAYS

ABSTENTIONS

Martin Budd
Dr. Peter Lisi
Sheree Mailhot
Paul Mounds
Julie Savino
Erika Steiner
Jeanette Weldon

None

None

B. Authority Updates

Ms. Weldon reported that an orientation session will be held for new CHESLA Board members, potentially on October 31 or November 1. All board members are welcome to attend. A notice will be sent out on the specifics of that session.

Ms. Weldon stated that CHESLA has hired a new portfolio assistant, Ms. Shannon Reynolds. She has a social media background and will be starting on October 1, 2018.

C. Portfolio and Marketing Updates

Mr. Hurlock provided an update on the following items:

- Portfolio Fact Sheet
- CCA Default Collections and CT Income Tax Intercepts through March 2018
- Loan disbursement data
- Market segment data
- Loan origination comparison to cash flow assumptions
- Refi CT disbursement data
- Refi CT portfolio analysis
- Strategic Plan dashboard with marketing highlights
- CT Dollars and Sense Google Analytics

Mr. Hurlock highlighted some recent marketing activities.

Mr. Mounds left the meeting at 12:25 p.m.

A discussion ensued concerning the loan servicer, Firstmark. Mr. Hurlock pointed out that their contract ends October 2019 unless extended for an additional year. CHESLA has serious concerns about Firstmark's recent performance. Ms. Savino suggested asking Firstmark to participate in the next Board meeting. The Board agreed.

Mr. Budd indicated that he would like to know what quality of services is required according to the contract. Ms. Weldon stated that the information could be provided. Further discussion ensued.

RESOLUTION ACKNOWLEDGING SAMUEL RUSH

Dr. Lisi welcomed Mr. and Mrs. Samuel Rush and stated that Mr. Rush was a long time employee of CHESLA and he recently retired on August 21, 2018. Dr. Lisi congratulated Mr. Rush and thanked Mrs. Rush and Ms. Susan Harlan, former Advisory Committee member and CHESLA staff member during Mr. Rush's tenure, for attending the meeting.

Dr. Lisi read the following resolution into the record:

***“WHEREAS,** Samuel E. Rush has served the Connecticut Higher Education Supplemental Loan Authority (“CHESLA”) with the highest distinction for twenty-two years; first as Associate Director and then as Deputy Director; and*

***WHEREAS,** CHESLA has been fortunate to have the dedicated service of Samuel E. Rush who was committed to CHESLA’s mission of expanding higher education opportunities by providing cost-effective education financing programs and information resources to Connecticut students, alumni and their families; and*

***WHEREAS,** we, as members of the CHESLA Board of Directors wish to extend our utmost appreciation for the work that Samuel E. Rush has done to help students and families finance the cost of higher education; and*

***WHEREAS** his sense of humor, kindness, thoughtfulness and wisdom have enriched those fortunate enough to know and work with him; and*

WHEREAS, the Board wishes to extend our sincere best wishes to Samuel E. Rush for every happiness in the future.

NOW THEREFORE BE IT RESOLVED, that CHESLA's Board of Directors recognizes and appreciates the service of Samuel E. Rush and wishes him well in all future endeavors, and further, that this Resolution of recognition and appreciation be duly recorded in the minutes of the meeting of the CHESLA Board of Directors on this 20th day of the month of September in the year 2018."

Ms. Savino moved to approve Resolution #2018-06, Acknowledging Mr. Samuel E. Rush for his 22 years of service and contributions to CHESLA. Mr. Budd seconded the motion.

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

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

ADJOURNMENT

There being no further business, at 12:15 p.m., Ms. Savino moved to adjourn the meeting and Mr. Budd seconded the motion.

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

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

Respectfully submitted

Jeanette W. Weldon
Executive Director