

# CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Audit-Finance/Human Resources Committee Meeting  
June 9, 2015

The Audit-Finance/Human Resources Committee of the State of Connecticut Higher Education Supplemental Loan Authority met at 10:30 a.m. on Tuesday, June 9, 2015.

The meeting was called to order at 10:30 a.m. by Steven Kitowicz, Chair. Those present and absent were as follows:

Present: Jeffrey A. Asher  
Steven Kitowicz (Rep. for Secretary Benjamin B. Barnes)  
Sarah K. Sanders (Rep. for Denise Nappier)  
Julie B. Savino

ABSENT: Paul Mutone  
Erika Steiner (Rep. for Mark Ojakian)

Also Present: Paula L. Herman, General Counsel, CHEFA  
Joshua Hurlock, Portfolio and Marketing Associate, CHESLA  
Carlee Levin, Accountant, CHEFA  
JoAnne Mackewicz, Controller, CHEFA  
Kathleen Owens, Administrative Assistant, CHEFA  
Debra M. Pinney, Manager of Administrative Services, CHEFA  
Norberto Ramirez, Compliance Internal Auditor, CHEFA  
Samuel Rush, Deputy Director, CHESLA<sup>1</sup>  
Jeanette Weldon, Executive Director, CHESLA

GUESTS: Tim Webb, Vice President, FirstSouthwest<sup>2</sup>  
Vignesh Kumar, Student Intern, Treasurer's Office

---

<sup>1</sup> Mr. Rush participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>2</sup> Mr. Webb participated in the meeting via conference telephone that permitted all parties to hear each other.

## **APPROVAL OF MINUTES**

Mr. Kitowicz requested a motion to approve the minutes of the Audit-Finance/Human Resources Committee meeting of June 16, 2014. Mr. Asher moved to approve the minutes; Ms. Savino seconded the motion.

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

### **AYES**

Jeffrey Asher  
Steven Kitowicz  
Julie Savino

### **NAYS**

None

### **ABSTENTIONS**

None

## **FY 2016 PROPOSED OPERATING BUDGET**

Ms. Weldon acknowledged Ms. Mackewicz, Ms. Levin, Mr. Rush, and Mr. Hurlock for their hard work in preparing the CHESLA budget.

### **REVENUE**

Ms. Weldon reported that for FY 2016, the excess revenue from operations is budgeted for \$243,000. This is a significant increase from the budgeted bottom line in FY 2015. In FY 2015, the excess revenue from operations was \$145,000. The main contributor to that increase in the bottom line is the fact that CHESLA is proposing an increase in the amount of administrative fees on loans in the 1990 Trust. Currently, the administrative fee on loans from the 1990 Trust is 30 basis points. With this upcoming bond issue CHESLA will be refinancing the 2003 and 2005 loans and any loans associated with this refinancing will be transferred to the 1990 Trust. Those bonds carry an administrative fee of 100 basis points for the 2003 and 2005 related loans. Therefore, Ms. Weldon proposed that all other 1990 loans will go from 30 to 50 basis points. Ms. Weldon added that looking back to 2013 actuals, there was a steady decline in CHESLA revenues, which is partly due to some of the 2003 100 basis point loans being paid down. CHESLA had the least amount of higher administrative fee loans and a larger portion of the 30 basis point loans. In order to remain financially viable, CHESLA needs to have the administrative fee raised to 50 basis points.

Ms. Weldon stated that as far as the impact on the trust or the impact on the loan rate students, the cash flows that were presented, when the bond transaction was proposed, assumed a 50 basis point administrative fee on the 1990 Trust, with the exception of the 2003 and 2005 related loans. She pointed out that no student gets a bill showing the administrative fee. This is achieved via a transfer that the Trustee makes. The Trustee assesses the basis point fee to loan balances and makes a transfer from the revenue account over to CHESLA's operating account. Mr. Asher stated if the cost of basis points on a \$10,000 loan is approximately \$100.00, this is a very small amount of money on a per student basis, Ms. Weldon reiterated that the student is not paying anything out of pocket for the administrative fee, it is factored into the loan rate, to the extent that when the student took out the loan, and it had a 100 basis point administrative fee, that fee was included in the cash flows. Theoretically, that fee is reflected in the loan rate. .

## **EXPENSES**

Ms. Weldon reported that on the expense side, the major expense items are compensation and benefits, and the CHEFA support services charge.

## **COMPENSATION**

Ms. Weldon reported that CHESLA used the same model as CHEFA for merit increases. Staff is eligible for up to a 5% merit increase. Actual increases will be based on the individual's performance evaluation.

## **EMPLOYEE BENEFITS**

Ms. Weldon stated that CHESLA has the same employee benefits package as CHEFA. Budgeted benefits for FY 2016 are 30.8% of compensation.

## **HEALTH INSURANCE**

Ms. Weldon stated that Staff contributes 25% of the health insurance premium for families and 15% of the premium for individuals. This reflects a premium increase of 14% from FY 2015. She added that if Staff does not participate in CHEFA's health insurance plan, they will receive an opt-out payment.

## **DENTAL/LIFE/DISABILITY**

Ms. Weldon stated that for dental, life and disability insurance, Ms. Mackewicz was successful in making a change in some of the providers which resulted in a decrease in premiums. There was a 15% decrease in the life insurance premium, 5% decrease in long-term disability insurance and no change in short-term disability insurance.

Ms. Weldon stated with regard to dental, there was a proposed increase of 19% with the current provider. Management chose a different provider with a cost savings of 33% and a rate guarantee of 18 months.

## **WORKERS' COMPENSATION**

There was an expense increase in FY 2015, due to a change made by the Provider referring to staff having to travel to different locations around the State. CHESLA staff is currently referred to as "travel" employees because of the risks that can be involved when traveling.

Ms. Weldon stated that the Pension and the Employee 457 Plans did not change.

## **TUITION REIMBURSEMENT**

The maximum limit is \$5000 per person for tuition reimbursements for courses related to work responsibilities.

### **CHEFA SUPPORT SERVICES**

Ms. Weldon reported that the CHEFA service fees total \$155,000, which reflects an increase of \$6,000 from FY 2015. Ms. Mackewicz obtained an estimate of hours CHEFA employees spend with regards to work done for CHESLA. The estimate is applied to an hourly rate of their salary. The individuals that are included are IT support, Administrative support, Management, Legal and Legislative Liaison Services, Accounting and Payroll support. Ms. Weldon added that the new item that was not factored in last year was Legislative Liaison Services.

### **LEASE**

Ms. Weldon reported the lease expense is based on 610 square feet at a lease rate of \$20.50. There is a change in the escalation of the lease rate. Beginning July 1, 2016 through June 30, 2016, the rate will increase to \$21.00 per square foot. In addition, the general liability and property coverage is also shared, with CHESLA covering 9% of the cost.

### **OTHER INSURANCE**

The budget reflects a 10% premium increase on all insurances, as suggested by the insurance consultant. CHESLA's public insurance policy is separate from CHEFA's. CHESLA has more cyber risks than CHEFA because CHESLA stores more personal information. CHESLA is paying 90% of the cyber risk premium and CHEFA is paying 10%.

### **OFFICE SUPPLIES AND NON-CAPITAL EQUIPMENT**

Ms. Weldon reported the office supplies and non-capital equipment was over budget in 2015, because both CHESLA employees needed to have their computers replaced.

### **COMMUNICATIONS: TELEPHONE AND INTERNET**

Ms. Weldon stated that the telephone system is specific and in certain instances, the conference calls are billed directly and the data charge is split, 9% to CHESLA and 91% to CHEFA.

### **POSTAGE**

Postage is billed according to the meter.

### **MAINTENANCE CONTRACTS**

The maintenance contracts expense increased because of a change in the way the service providers are calculating maintenance. Charges for maintenance contracts are 9% CHESLA and 91% CHEFA.

**MARKETING COSTS**

Marketing costs increased to \$37,500 due to changes in promotions and advertising. CHESLA is trying to do more in the way of advertising in the coming year and Mr. Hurlock has been looking at different marketing/advertising options.

**CONSULTANTS**

Ms. Weldon reported that CHEFA uses an insurance consultant who was very instrumental in getting us to switch from regular D&O insurance to Public Officials insurance. His annual fee is \$18,000. In FY 2015, that amount was split; CHESLA paid \$8,000 and CHEFA paid \$10,000. This year, the consultant is doing some work for CSLF which resulted in a decrease to the portion attributable to CHESLA (\$6,300).

**INDEPENDENT AUDITORS**

Ms. Weldon stated that an RFP was completed for an independent auditor and the auditor selected was Saslow Lufkin & Buggy. Ms. Weldon added that Saslow Lufkin & Buggy is being acquired by another firm. However, the firm’s fee proposal for the Authority will not change. In addition, CHEFA is making sure that everything is acceptable from a compliance perspective with this merger.

Mr. Kitowicz asked if there were any questions or comments. There being none, Mr. Kitowicz requested a motion to approve the proposed FY 2016 Operating Budget. Mr. Asher moved to approve the proposed budget; Ms. Savino seconded his motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Jeffrey Asher Steven Kitowicz Julie Savino	None	None

The meeting adjourned at 11:20 a.m.

Respectfully submitted,

Steven Kitowicz, Committee Chair