

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting

March 5, 2019

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, March 5, 2019.

The meeting was called to order at 11:38 a.m. by Mr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Benjamin B. Barnes (*Designee President, Connecticut State Colleges & Universities*)
Martin L. Budd¹
Andrew Foster²
Steven Kitowicz (*Designee for Connecticut OPM Secretary*)
Mr. Peter W. Lisi, Chair
Sheree Mailhot (*Designee for Connecticut State Treasurer*)
Julie Savino
Jeanette Weldon

Absent: Paul H. Mounds, Jr.

Also Present: Denise Aguilera, General Counsel, CHEFA
Kevin Barry, Accountant, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Sr. Accountant, CHEFA/CHESLA
JoAnne Mackewicz, Controller, CHEFA
Kelli Petrone, Administrative Assistant, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Shannon Reynolds, Portfolio Assistant, CHESLA
Natalia Rozio, Administrative Intern, CHESLA
Cynthia Peoples, Managing Director, CHEFA
David Wasch, Government Liaison, CHEFA

Guests: Judith Blank, Esq., Day Pitney LLP
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc.,
Bank of America, N.A.
Ian Meade, Goal Solutions³
Andrea Lenox, Goal Solutions⁴
Jeffrey Wagner, Managing Director, RBC Capital Markets⁵
Thomas H. Webb, Vice President, Hilltop Securities⁶
David Welsh, CHESLA Advisory Committee

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

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

³ Mr. Foster joined the meeting at 12:00 p.m. via conference telephone.

⁴ Ms. Lenox joined the meeting at 12:02 p.m. via conference telephone.

⁵ Mr. Wagner 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.

Mr. Lisi welcomed Mr. Barnes to the CHESLA Board. He stated that Mr. Barnes is the CFO of Connecticut State College and State Universities.

MINUTES

Mr. Lisi requested a motion to approve the November 1, 2018 Special Board of Directors Meeting minutes. Ms. Savino moved to approve the minutes and Mr. Lisi seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Andrew Foster Peter Lisi Sheree Mailhot Julie Savino Jeanette Weldon	None	Ben Barnes ⁷ Martin Budd ⁸ Steve Kitowicz ⁹

Mr. Lisi requested a motion to approve the January 24, 2019 Board of Directors Meeting minutes. Ms. Savino moved to approve the minutes 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 Andrew Foster Steven Kitowicz Peter Lisi Sheree Mailhot Julie Savino Jeanette Weldon	None	Ben Barnes ¹⁰

Mr. Lisi requested a motion to approve the February 11, 2019 Special Board of Directors Meeting minutes. Mr. Budd moved to approve the minutes and Ms. Mailhot 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 Andrew Foster Peter Lisi Sheree Mailhot Julie Savino	None	Ben Barnes ¹¹ Steve Kitowicz ¹²

⁷ Mr. Barnes abstained from voting because he did not attend the November 1, 2018 meeting.
⁸ Mr. Budd abstained from voting because he did not attend the November 1, 2018 meeting.
⁹ Mr. Kitowicz abstained from voting because he did not attend the November 1, 2018 meeting.
¹⁰ Mr. Barnes abstained from voting because he did not attend the January 24, 2019 meeting.
¹¹ Mr. Barnes abstained from voting because he did not attend the February 11, 2019 meeting.
¹² Mr. Kitowicz abstained from voting because he did not attend the February 11, 2019 meeting.

Jeanette Weldon

QUARTERLY FINANCIAL REPORT

Ms. Levin provided a report on the CHESLA financial statements for the six months ending December 31, 2018.

EXECUTIVE DIRECTOR'S REPORT

Mr. Hurlock provided an update on the following items:

- Portfolio Fact Sheet
- CCA Default Collections; CT Income Tax Intercepts through December 2018 and Bond Series Issued to Provide CHESLA Loans
- Loan disbursements as of December 31, 2018
- Market segment data
- Loan originations comparison to cash flow assumptions
- Refi CT disbursements
- Strategic Plan dashboard with marketing highlights
- CT Dollars & Senses Google Analytics

Ms. Weldon stated that the CHESLA Board package included some information on certificate programs at community colleges and private universities. She added that reports from CBIA and the Department of Labor were also provided indicating the need for healthcare services and manufacturing workforce skills. The Department of Labor report indicates that healthcare is expected to add the most jobs in the State through 2026 and that there is a need for skilled labor for manufacturing jobs even though there is a national decline. Ms. Weldon reported there are eight private colleges that have certificate programs. CHESLA will be accepting applications for all of these institutions. Ms. Weldon stated that for the transition year, CHESLA's focus is on certificate programs where students have filled out a FAFSA, most likely credit programs. Going forward after the transitional year, CHESLA staff will be working on identifying indicators of financial need for those students who do not file a FAFSA, most likely those attending non-credit programs.

Ms. Weldon reported on pending legislation. She stated that she and Mr. Hurlock had testified at the public hearing of the Higher Education and Advancement Committee on Bill No. 865 which is a bill to provide no interest or low interest loans for targeted low income students in STEM programs. There would be an agreement (MOU) between CHESLA and the Office of Policy & Management regarding a STEM loan reduced interest rate program that would be funded with \$15 million of state bonds. A requirement would be that the student commits to working in Connecticut in a STEM field for five years, and once the borrower is in the job, he/she would have the opportunity to convert their loan to the reduced interest rate. The borrower would have to certify yearly that he/she is living in Connecticut and working in a STEM position.

Mr. Wasch updated the Board on other legislative bills that involve CHESLA which included the following:

- Senate Bill 72 – CHESLA program to forgive interest on loans
- Senate Bill 435 - Business tax credit for payment of CHESLA loans
- Senate Bill 748 – Asking CHESLA to pilot an income sharing program or structure for the establishment of free tuition in Connecticut

- Senate Bill 815 – Brings the Authority’s statutes in line with actual practice for insurance for Boards and Officers.
- Senate Bill 974 – Establishes a task force on increasing qualified individuals for insurance employment and CHESLA would be one of the members.

Mr. Wasch stated that there are currently a number of bills that would increase oversight of quasi-public agencies and they should not apply to CHESLA since CHESLA does not receive direct funding from the State. CHESLA staff is working with state offices and members of other quasi-public agencies to address the bills.

Ms. Weldon stated that she and Mr. Hurlock would be meeting with Tim Larson, Executive Director of the Office of Higher Education, to make him aware of CHESLA’s existence and purpose.

Ms. Weldon reported on the upcoming bond transaction. She stated that CHESLA will aim for pricing of the bonds around May 8th and closing around May 22nd. The transaction is expected to be in the \$35 million dollar range and would include a refunding of about \$10 million dollars for the Series 2009 bonds that will be callable this year. Ms. Weldon informed the Board that CHESLA would augment the entire tax-exempt transaction with approximately \$5 million of taxable bonds which would be used to fund the refinance program. She stated that presently there are tax concerns with the ability to fund refinancing loans with tax-exempt bonds; therefore the funding would have to be through taxable bonds. Ms. Weldon stated CHESLA is looking into the alternative of getting a surety bond from a bond insurance company in lieu of funding the special capital reserve fund with bond proceeds. At present, she stated, one of the bond insurers has expressed interest and has given CHESLA pricing that looks cost effective. The cost will have to be run through cash flows to determine the impact. She informed the Board that a special meeting may have to be called in May to get Board approval on the bond transaction.

A discussion ensued.

VENDOR COMMITTEE REPORT – APPOINTMENT FOR LOAN ORGINATION AND SERVICING

Mr. Kitowicz reported on the Committee’s review of the loan origination and servicing Request for Proposal process and asked staff for further comment. Mr. Hurlock reported that the Request for Proposal (RFP) for Loan Origination and Servicing was issued on January 11, 2019 and was posted on the DAS portal, the CHESLA website, and mailed directly to 15 companies. He stated that there were eight respondents to the RFP. Those eight were then reduced to four using criteria consistent with prior RFP’s such as experience, expertise and compliance with regulatory matters, customer service and staff training. The firms interviewed were Campus Door, Firstmark Services, Kentucky Higher Education Student Loan Corporation and University Accounting Service (UAS). The interviews were conducted during the week of February 18th. Following the interviews the CHESLA management recommended Campus Door as the Loan Originator and University Accounting Services as the servicer for the CHESLA in-school loan program. Campus Door and UAS currently service CHESLA’s refinance program with a good performance record.

Mr. Lisi stated that the committee’s recommendation is for the Board to accept the appointments of these two vendors pending satisfactory reference check.

Mr. Budd moved to approve the resolution on page 78 of the packet appointing Campus Door as the Loan Originator and UAS as the Loan Servicer pending a satisfactory reference check in the view of the Executive Director and Mr. Kitowicz seconded the motion.

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

AYES

NAYS

ABSTENTIONS

Ben Barnes
Martin Budd
Andrew Foster
Steven Kitowicz
Peter Lisi
Sheree Mailhot
Julie Savino
Jeanette Weldon

None

None

ADJOURNMENT

Ms. Mailhot moved to adjourn the meeting at 12:44 p.m. and Mr. Kitowicz seconded the motion.

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

AYES

NAYS

ABSTENTIONS

Be Barnes
Martin Budd
Andrew Foster
Steven Kitowicz
Peter Lisi
Sheree Mailhot
Julie Savino
Jeanette Weldon

None

None

Respectfully submitted

Jeanette W. Weldon
Executive Director