

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Audit-Finance/Human Resources Committee Meeting Minutes
June 25, 2020

The State of Connecticut Higher Education Supplemental Loan Authority (CHESLA) Audit-Finance/Human Resources Committee held a telephonic meeting at 10:30 a.m. on Thursday, June 25, 2020.¹

The meeting was called to order at 10:32 a.m. by Mr. Steven Kitowicz, Chair of the Audit-Finance/Human Resources Committee.

Those present were as follows:

Present: Steven Kitowicz (Designee for OPM Secretary Melissa McCaw),
Committee Chair
Peter Lisi, Board Chair
Julie Savino

Also Present: Jeanette Weldon, Executive Director, CHEFA/CHESLA
Denise E. Aguilera, General Counsel, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Senior Accountant, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Cynthia Peoples, Managing Director, Operations & Finance, CHEFA
Shannon Reynolds, Portfolio Assistant, CHESLA
Natalia Rozio, Portfolio Administrative Assistant, CHESLA
Kara Stuart, Administrative Services Assistant of the Connecticut Health
and Educational Facilities Authority

MINUTES

Mr. Kitowicz requested a motion to approve the minutes from the June 20, 2019 Audit-Finance/Human Resources Committee meeting.

Ms. Levin referred to the following sentence in the June 20, 2019 minutes “Ms. Levin reported that the overall revenue for FY 2020 is estimated to be \$41,036,000 and this represents an increase over the budget for FY 2019.” Ms. Levin stated the figure should be “\$1,036,000” instead of “\$41,036,000.”

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other
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Mr. Lisi moved to approve the minutes with the above correction and Ms. Savino seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz Peter Lisi Julie Savino	None	None

FY 2021 PROPOSED OPERATING BUDGET

Ms. Weldon reported that the FY 2021 proposed operating budget was a collaborative effort of Mr. Hurlock, Ms. Levin, Ms. Mackewicz and herself.

Ms. Levin stated the operating budget for FY 2021 provides for excess revenue for operations of \$171,195, which are approximately the same as FY 2020 budgeted levels. Ms. Levin said management is estimating that CHESLA's total revenues for FY 2021 will be \$974,269, which represents a 6.0% decrease from budgeted FY 2020. The revenues for FY 2021 were calculated by looking at the student payments collected for the past year. Since a higher rate of loan principal paydowns was received this fiscal year, specifically related to the 2019 Series B, the budget for FY 2021, assumes principal paydowns at 125% of the level achieved in FY 2020. The 2019B loans are in an interest-only period, and the FY 2020 budget assumed minimal principal paydown.

Mr. Hurlock reported on the FY 2021 loan disbursements for the in-school loan program. CHESLA initially planned on a bond deal of \$25 million in loan proceeds, but due to the pandemic and after multiple management discussions, a bond deal of \$18 million in loan proceeds was determined to be appropriate. Due to the downsizing of the bond deal and the conservative approach to cash flow assumptions, Mr. Hurlock noted revenue projections are based on disbursements of \$3 million in new loans from the 2019 series B bonds and \$14.6 million from the 2020 Series B bonds, totaling \$17.6 million.

Ms. Levin stated the projected interest income is \$20,000, assuming a return of .45% on the two Agency investments (operating account and board designated). CHESLA took a conservative approach due to the current financial climate. Ms. Levin referred to the ‘Revenue Analysis’

document within the board package outlining the administrative fee breakdown by bond series, along with the annual fee rate by bond series.

Mr. Hurlock reported the following on the Refi CT revenue:

- The Refi CT program has been significantly impacted by the pandemic, primarily due to federal loans offering of a 0% interest rate through September.
- Year-to-date Refi CT loan volume through March 31, 2020 represents a 17% decline from FY 2019 levels. Refi CT disbursements in the fourth quarter have been negligible.
- The FY 2021 budget assumes conservative Refi CT disbursement volume of \$1.5 million, resulting in fee revenue of \$60,376.

Ms. Levin stated the budgeted expenses for FY 2021 are \$803,074, a 7.2% decrease from FY 2020 budgeted levels, reflecting a decrease in CHEFA support services. Ms. Levin said in prior years, the hours spent by CHEFA staff on CHESLA activities were based on estimates. This year, CHEFA management implemented an improved system for tracking actual time spent and as a result, support fees have declined.

Ms. Weldon reported on CHESLA's approach to compensation. Ms. Weldon stated, CHEFA engaged a consultant, The Human Resource Consortium (HRC), to recommend a comprehensive salary structure for CHEFA and its subsidiaries. The goal of this approach was to develop a salary administration strategy that establishes salary grades for each position within the organizations and ensures internal equity between the organizations.

Ms. Peoples gave an overview of the processes the HRC performed regarding CHESLA's salary compensation and benefit package. Ms. Peoples stated the HRC and management decided on a salary structure comprised of 65% financial services and 35% governmental services. Ms. Weldon noted that the HRC's process was database driven and targeted to data derived from the greater Hartford region. Ms. Weldon stated that a goal of establishing salary grades with minimums and maximums was to lessen longevity driven salary growth and promote internal equity. There was a CHESLA employee who was below the minimum threshold for the relevant salary grade and, as a result, the FY 2021 compensation budget includes a salary grade market adjustment effective July 1, 2020.

Ms. Weldon reported that with the current COVID-19 crisis, CHEFA management and the CHEFA board determined that merit-based compensation increases will not take effect until

January 1, 2021. The CHESLA budget incorporates this approach. When awarded on January 1, merit increases will be for 6 months only, with no increases retroactive to the start of the fiscal year on July 1, 2020. Ms. Weldon stated that consistent with CHEFA's budget, the CHESLA budget includes a 2.2% annualized compensation increase pool of dollars, with individual increases based on merit. Ms. Weldon reported that the merit increase pool and the aforementioned salary grade adjustment results in a CHESLA compensation budget of \$219,018 for FY 2021, a 14.9% increase over budgeted FY 2020 levels. A discussion ensued.

Ms. Weldon noted the Employee Benefits section of the memo and there were no related questions from the Board. Mr. Lisi inquired if all CHESLA and CHEFA employees would be at market competitive salaries following implementation of the salary grade structure and Ms. Weldon said yes.

Ms. Levin reported on general and administrative expenses, stating that certain expenses have been split between CHESLA and CHEFA. Allocations to CHESLA are 13.6% based on a pro rata per person allocation. Ms. Levin then gave an overview of the following items relating to general and administrative expenses:

- Lease and storage expense
- Business insurance
- Office Supplies and Non-Cap Equipment
- Communications: Telephone and Internet
- Postage
- Maintenance contracts

Mr. Hurlock reported on marketing costs, stating that the budget proposal includes an increase in the marketing line item, however, this is not an increase in overall marketing expense compared to FY 2020. The FY 2020 budget included \$35,341 remaining in Refi CT startup costs. With no Refi CT startup costs remaining, the marketing line item has been increased by roughly that amount to maintain approximately the same amount of marketing expense.

Mr. Hurlock stated CHESLA has several programs and products to market including the MyCHESLA Student Loan in-school loan program, Refi CT, CT Dollars and Sense and the Scholarship Program. For FY 2020, CHESLA staff kept track of borrower leads and the data showed that 99% of the interested borrowers heard about CHESLA as a result of television and

digital advertising, radio, and social media. Mr. Hurlock also stated that Campus Door applications ask borrowers how they heard about CHESLA. Since October 2020, 58% of in-school applicants and 96% of Refi applicants indicated hearing about CHESLA through a marketing source. Based on every metric, CHESLA staff is confident that most leads come from marketing avenues versus schools and college fairs. Ms. Reynolds agreed and stated that through Google Analytics, a majority of CHESLA's website traffic was due to marketing efforts. Mr. Hurlock reported that marketing initiatives this year continue to focus on television and digital platforms (FOX 61 and NBC CT) and radio (WNPR).

Mr. Hurlock said Ms. Reynolds worked diligently throughout the year to increase the visibility, creativity, and brand awareness of CHESLA on social media outlets. CHESLA also continued the publication of its quarterly newsletters ("CHESLA Insight" & "What's New on CT Dollars and Sense").

Mr. Hurlock stated in order to continue the momentum CHESLA has seen over the last few years, management believes CHESLA should maintain these marketing approaches to continue to achieve its mission and vision. Mr. Hurlock reported marketing costs are budgeted at \$210,000, and include advertising (with a focus on television, digital, and radio), flyers, exhibitor/sponsorship fees, promotional items/awards and web site hosting fees.

Ms. Levin provided an overview of the following general and administrative expenses:

- Miscellaneous
- Board expense
- Conference and education expenses
- Membership dues
- CHEFA support services
- Consultants
- Independent auditors

Mr. Lisi inquired about the CHEFA support services fees decreasing due to an improved tracking system. A brief discussion ensued.

Mr. Kitowicz inquired about the \$20,000 budgeted for a consultant to conduct an economic

impact study of CHESLA programs. Ms. Savino inquired if this was a good year to conduct an economic impact study. Ms. Weldon responded that the study would not be based on the current year but would be a 3 – 5-year historical look back. A discussion ensued.

Mr. Kitowicz moved to approve the FY 2021 Proposed Operating Budget. Mr. Lisi moved for approval of the FY 2021 Proposed Operating Budget and Ms. Savino seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz	None	None
Peter Lisi		
Julie Savino		

ADJOURNMENT

Mr. Kitowicz requested a motion to adjourn the meeting. Mr. Lisi moved to adjourn, and Ms. Savino seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Steven Kitowicz	None	None
Peter Lisi		
Julie Savino		

The meeting adjourned at 11:21 a.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director