

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN
AUTHORITY

Minutes of Authority Board Meeting

April 16, 2019

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:00 a.m. on Tuesday, April 16, 2019.

The meeting was called to order at 11:03 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*)
Andrew Foster¹
Steven Kitowicz (*Designee for Connecticut OPM Secretary*)
Peter W. Lisi, Chair
Sheree Mailhot (*Designee for Connecticut State Treasurer*)²
Julie Savino
Jeanette Weldon

Absent: Martin L. Budd

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
Shannon Reynolds, Portfolio Assistant, CHESLA

Guests: Judith Blank, Esq., Day Pitney LLP
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc.,
Bank of America, N.A.³
Jeffrey Wagner, Managing Director, RBC Capital Markets⁴
Thomas H. Webb, Vice President, Hilltop Securities⁵
Gary Wolf, RBC Capital Markets⁶

MINUTES

Mr. Lisi requested a motion to approve the March 5, 2019 Board of Directors Meeting minutes. Mr. Kitowicz moved to approve the minutes and Ms. Savino seconded the motion.

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

² Ms. Mailhot joined the meeting at 11:05 via conference telephone that permitted all parties to hear each other.

³ Mr. Santoro participated in the meeting via conference telephone that permitted all parties to hear each other.

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

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

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

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

AYES

Ben Barnes
 Andrew Foster
 Peter Lisi
 Steve Kitowicz
 Julie Savino
 Jeanette Weldon

NAYS

None

ABSTENTIONS

Ms. Mailhot joined the meeting via teleconference at 11:05 a.m.

RESOLUTION ADOPTING 2019 MASTER REVENUE BOND RESOLUTION AND AUTHORIZING ISSUANCE OF 2019 SERIES A AND 2019 SERIES B BONDS*

Ms. Weldon stated that management is proposing the use of a new trust for financing the Refi CT Loan Program and CHESLA Loan Program in place of the 1990 Trust. Ms. Weldon gave the floor to Ms. Blank to explain the advantages of the new trust.

Ms. Blank gave an overview of the new trust. The new trust will allow the Authority to release equity from the trust, subject to the performance of certain calculations. She also stated that the new trust will remove certain requirements to obtain rating agency confirmations prior to making changes in response to the market environment, within certain limits. The new resolution allows the Authority to issue taxable bonds, which is not permitted under the 1990 Trust, and allows for the use of variable rate, and interest rate swap agreements. She further explained that the new trust allows for the funding of the special capital reserve fund with a surety bond. Further discussion ensued.

Ms. Weldon stated that the new trust will be funded with \$7 million of existing refinance program loans and \$1 million in cash from the prior refunding of the 2007 Bonds. The board had previously identified these funds for equity in a new trust. The transaction will offer \$5 million in taxable bonds to fund the refinance program and the balance of approximately \$26 million will be tax-exempt bonds used to fund the in-school loan program. Ms. Weldon stated that the cash flows assume an in-school loan rate of 5.55% which exceeds the existing rate of 4.95%. Ms. Weldon stated that the Authority was able to offer the 4.95% loan rate for the past four years in-part due to the equity provided from CSLF. With the diminished availability of those dollars and the need to sustain equity in the new trust, the 4.95% loan rate could not be maintained. The cash flows also assume the continuation of the 3% reserve fee.

Mr. Webb stated that the structure is based on issuing two series of bonds: 2019 Series A will be the taxable component, and 2019 Series B will be the tax-exempt component. The goal is to provide additional funds to be able to finance CHESLA’s Refi CT Loan Program and in-school program. The structure will result in approximately \$4 million in loan proceeds for the Refi CT Loan Program and \$24 million in loan proceeds for the in-school loan program. CHESLA will issue approximately \$5 million in taxable bonds and close to \$26 million in tax exempt bonds for a total issuance of approximately \$31 million. The new trust indenture will allow the Authority to finance the Refi CT loans. Mr. Webb stated that there are specific tax rules and regulations governing what type of loans can be financed on a tax-exempt basis. This makes it difficult to finance the CHESLA Refi CT loans on a tax-exempt basis, which is why the taxable bonds will be issued.

Mr. Webb explained that the transaction will be similar to what the Authority has done in the past and that ratings from Moody's and Fitch will be sought based on the SCRF. A portion of the proceeds will be put into a special capital reserve fund at maximum annual debt service. The ratings are expected to be A1 for Moody's and A for Fitch. Mr. Webb and Mr. Wagner then reviewed the structure of the transaction, the cash flow assumptions, and the derivation of the loan rate estimate and market conditions. The preliminary cash flows build in a 10 basis point cushion for market movement. A discussion ensued.

Ms. Weldon asked the Board for authority to set the interest rate on the loans up to a not to exceed amount. As to the CHESLA Loan Program, the interest rate would not be in excess of 5.75%. With respect to the Refi CT Loan Program, the interest rate would not exceed 7.00%. A discussion ensued regarding amending the resolution to reflect the interest rate caps.

Mr. Lisi requested a motion to amend Resolution 2019-05, Authorizing Resolution (2019 Series A and 2019 Series B Bonds), to authorize an interest rate on the loans not to exceed 5.75% with respect to the CHESLA Loan Program and an interest rate on the loans not to exceed 7.00% with respect to the Refi CT Loan Program. Mr. Barnes moved to approve the amendment to Resolution #2019-05, Authorizing Resolution (2019 Series A and 2019 Series B Bonds) 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>
Ben Barnes Andrew Foster Steven Kitowicz Peter Lisi Sheree Mailhot Julie Savino Jeanette Weldon	None	None

Mr. Lisi requested a motion to approve Resolution 2019-05, Authorizing Resolution (2019 Series A and 2019 Series B Bonds), as amended. Mr. Barnes moved to approve Resolution #2019-05, Authorizing Resolution (2019 Series A and 2019 Series B Bonds), as amended 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>
Ben Barnes Andrew Foster Steven Kitowicz Peter Lisi Sheree Mailhot Julie Savino Jeanette Weldon	None	None

ADJOURNMENT

Ms. Savino 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

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

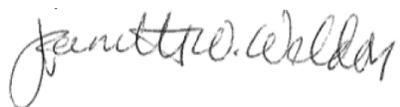
NAYS

None

ABSTENTIONS

None

Respectfully submitted

A handwritten signature in cursive script, reading "Jeanette W. Weldon", positioned above a horizontal line.

Jeanette W. Weldon
Executive Director