

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY  
Minutes of Authority Board Meeting  
January 21, 2021

The State of Connecticut Higher Education Supplemental Loan Authority held a telephonic meeting at 11:30 a.m. on Thursday, January 21, 2021.<sup>1</sup>

The meeting was called to order at 11:30 a.m. by Mr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Peter W. Lisi, Chair  
Benjamin B. Barnes (*Designee for CT State Colleges and Universities President*)  
Martin L. Budd  
Andrew A. Foster  
Darrell V. Hill, (*Designee for Connecticut State Treasurer*)  
Steven Kitowicz (*Designee for Connecticut OPM Secretary*)  
Julie B. Savino, Vice Chair

Also Present: Jeanette W. Weldon, Executive Director  
Denise Aguilera, General Counsel, CHEFA  
Debrah Galli, Manager of Administrative Services, CHEFA  
Daniel Giungi, Communications and Government Affairs Specialist, CHEFA  
Joshua Hurlock, Assistant Director, CHESLA  
Carlee Levin, Sr. Accountant, CHEFA  
JoAnne Mackewicz, Controller, CHEFA  
Cynthia Peoples, Managing Director, 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

Guests: Ray Bentley, President, AMTEC Corp.  
Judith Blank, Esq., Day Pitney LLP  
Richard Chirls, Tax Partner, Orrick/BLX Group

Brian Kares, Vice President, RBC Capital Markets<sup>2</sup>  
Ben McGuire, Director, Hilltop Securities N.A.  
Matthew Rosen, CHESLA Advisory Board Member, School Counselor,  
Naugatuck High School  
Joseph Santoro, Director-Education Finance Team Leader,  
BofA Securities, Inc.  
Sandra Stallings, COO, Managing Director, BLX Group  
Jeff Wagner, Managing Director, RBC Capital Markets  
Tyler Walsh, Analyst, RBC Capital Markets<sup>3</sup>  
Thomas H. Webb, Director, Hilltop Securities N. A  
Gary Wolf, Director, RBC Capital Markets

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

<sup>2</sup> Mr. Kares joined the teleconference at 12:25 p.m.

<sup>3</sup> Mr. Walsh joined the teleconference at 12:10 p.m.

### **APPROVAL OF MINUTES**

Mr. Lisi requested a motion to approve the meeting minutes of the November 5, 2020 Board of Directors meeting. Mr. Budd moved to approve the board meeting minutes and Mr. Kitowicz seconded the motion.

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

#### **AYES**

Peter W. Lisi  
Benjamin B. Barnes  
Martin Budd  
Andrew A. Foster  
Darrell V. Hill  
Steven Kitowicz  
Julie B. Savino  
Jeanette W. Weldon

#### **NAYS**

None

#### **ABSTENTIONS**

None

### **PRESENTATION OF INTERNAL AUDIT DRAFT REPORTS – BLX GROUP**

#### **CHESLA Arbitrage External Reporting**

Ms. Weldon stated that the audit-finance committee of the CHEFA Board engages with outside firms to conduct internal audits. After the RFP process for an arbitrage rebate audit for CHEFA and CHESLA, BLX group was brought in due to their specific expertise in this area. Ms. Weldon reported that last week BLX group presented their reports on CHEFA and CHESLA to the audit-finance committee of the CHEFA Board of Directors. After a discussion, the report was approved with the requirement that management would provide a high-level plan based on the findings to CHEFA's audit-finance committee at the May meeting. The ultimate goal being to complete this review within 6 to 12 months. A subsequent review by BLX Group would also occur in about a year.

Ms. Weldon introduced guests Ms. Sandra Stallings and Mr. Richard Chirls of BLX Group, and Mr. Ray Bentley of AMTEC Corp.

Ms. Stallings stated that BLX Group was engaged to provide a review of the external arbitrage reporting prepared by a third-party vendor, AMTEC, for CHESLA. The scope of work included the following:

- Review a sampling of the externally prepared (third party) arbitrage computations to be sure treasury regulations related to student loan financings are being properly applied on the rebate computations (non-purpose investments) or “Rebate Reports.”
- Review a sampling of the externally prepared (third party) arbitrage computations to be sure treasury regulations related to student loan financings are being properly applied on the loan yield computations (purpose investments) or “API Reports.”

Ms. Stallings stated that regarding the sampling size for CHESLA, of the 14 bond issues listed on the arbitrage summary, BLX Group selected 2 rebate reports and 4 loan yield reports to review for arbitrage compliance. A discussion ensued.

Ms. Stallings reported that BLX Group found that the following areas of the computations require increased regulatory guidance or additional technical analysis:

- Treatment of administrative expense offsets.
- Application of universal cap.
- Treatment of semi-annual gathering allowance.
- Consistency of bond yield calculations and usage.
- Consistency of bond year selection and usage.

Ms. Stallings reported that the level of risk for the CHESLA non-compliance with the arbitrage provisions was rated as high.

Mr. Chirls provided an overview on the material findings, significant findings, and minor findings for CHESLA. Ms. Stallings then provided an overview on the following recommendations:

- Accounting for the administrative expense offsets as determined under TR 1.148-5(e)(3) which allocates the allowable administrative bond related expenses over the weighted life of the portfolio as opposed to being allocated over the shorter computation period.

Ms. Weldon stated that the Authority's response to these recommendations is to continue to meet with bond counsel, its financial advisor, and AMTEC to go through the recommendations and review the regulations. . A timetable will be developed to address the recommendations. A brief discussion ensued.

Ms. Stallings continued with the recommendations:

- Allocation of the universal cap to include the special definition of nonpurpose investments under TR 1.148-6(b)(2)(ii).
- Treatment of the semi-annual gathering allowance dates (5/15 and 11/15) to coincide with the debt service payment dates as required under TR 1.148-5(b)(1) and to only gather regular monthly loan payments.
- Consistent utilization (and compounding frequency) of bond yield between the rebate report and the API report for each bond issue in accordance with TR 1.148-4.
- Consistent use of bond year between rebate report and API report for a given bond issue in accordance with TR 1.148-1.

Ms. Stallings reported that overall, CHESLA external computational reporting was rated as needs improvement. A brief discussion ensued.

Mr. Lisi requested a motion to approve the internal audit draft reports from BLX Group. Mr. Budd moved for approval and Mr. Kitowicz seconded the motion.

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

**AYES**

Peter W. Lisi  
Benjamin B. Barnes  
Martin Budd  
Andrew A. Foster  
Darrell V. Hill  
Steven Kitowicz  
Julie B. Savino  
Jeanette W. Weldon

**NAYS**

None

**ABSTENTIONS**

None

Mr. Lisi and Ms. Weldon thanked Ms. Stallings and Mr. Chirls for their time and presentation.

Ms. Stallings and Mr. Chirls left the meeting at 12:30 p.m.

## **EXECUTIVE DIRECTOR'S REPORT**

### **Legislative Update**

Ms. Weldon reported that staff is moving forward with the legislative agenda and has met with multiple legislative representatives highlighting the minority teacher recruitment proposal. The proposal has been well received. Ms. Weldon stated that staff has also been collaborating with the State Department of Education, working specifically with their Chief Talent Officer.

Mr. Giungi stated that staff has presented the minority teacher recruitment proposal to the co-chairs of the Higher Education Committee and has received favorable feedback from both co-chairs, as well as an indication that they are sending the proposal to the legislative commissioner's office to be drafted into a bill. Mr. Giungi stated that he is in the process of scheduling a meeting with the ranking members of the Higher Education Committee and the next step in the process will be to get the bill scheduled for a public hearing. Mr. Giungi noted two significant meetings, one with Speaker of the House Matt Ritter and one with House Majority Leader Jason Rojas, both of whom demonstrated favorable feedback on the proposal. Mr. Giungi reported that he is in the process of scheduling a meeting with Senator Martin Looney and also has a meeting Friday January 22, 2021 with Senator Bob Duff's lead attorney.

### **Cash Flow Review – Tim Webb, Hilltop Securities**

Mr. Webb stated his presentation was in response to an inquiry from Mr. Budd at the CHESLA Board meeting in November regarding the utilization of bond proceeds from the 2019A taxable transaction closed in May/June of 2019. Mr. Webb stated that the originations have been slower than anticipated, and as of the November board meeting there are approximately \$1.5 million of these taxable bond proceeds that were unexpended. Mr. Webb stated that Mr. Budd previously inquired whether this presented any issues in the Authority's ability to make debt service payments on those bonds or any bonds associated within that trust. Mr. Webb indicated that the cash flows reflect the ability to make timely payments of debt service.

A discussion ensued.

### **Other Updates**

Ms. Weldon stated that pursuant to CHESLA's official procedures, any expenditures that exceed the budget, even if below the \$5,000 threshold requiring the Board's approval, require board notification. Ms. Weldon reported that the financial literacy provider on the CT Dollars and Sense platform recently informed staff that a charge will be implemented as of January 1, 2021. This content was previously provided at no charge. The charge will be \$2,000 and was not budgeted.

Ms. Weldon stated that CHESLA advisory board member David Welsh has chosen to no longer be on the advisory board. Ms. Weldon stated that staff is pursuing identifying additional advisory board members. Mr. Hurlock and Ms. Weldon thanked Mr. Welsh for his expertise on the advisory board over the years.

## **SCHOLARSHIP PROGRAM MEMO AND ALLOCATION**

Ms. Rozio stated that the second year of the CHESLA administered need-based scholarship program was a success. Two main adjustments were made from the first year:

- The Authority contracted with Foundant, a vendor for CHEFA's grant management system, to provide a secure online portal for applications instead of requiring mailed responses. This also aided in the Scholarship Committee's evaluation process.
- The certificate program scholarship was separated from the undergraduate scholarship into a first come first served open application.

Ms. Rozio stated that these adjustments resulted in a seamless process for applicants, third party recommenders, and the Scholarship Committee. The number of qualified applications increased from 270 to 318. Ms. Rozio stated that CHESLA will continue to use these two adjustments for the upcoming year starting in March.

Mr. Hurlock reported that because staff was unable to host a live scholarship award event due to the pandemic, Ms. Reynolds created a CHESLA video recognizing the recipients and the video was well received. The video can be found on the CHESLA website.

Mr. Hurlock stated that applications for the degree-granting programs will remain the same, they will open on March 1<sup>st</sup>, close on May 1<sup>st</sup>, and recipients will be notified in July. Mr. Hurlock stated with regard to this new allocation, the application for certificate programs will open July 1<sup>st</sup>. and the application will remain open until June 2022, or until funds run out. Mr. Hurlock reported that any unused funds would become generally available in the scholarship account. The utilization of the certificate program to date has not met expectations. Ms. Weldon stated that Mr. Hurlock has been doing ongoing outreach to community colleges and universities who have certificate programs to ensure that there is awareness of these scholarship funds. Ms. Weldon said that staff is also constantly looking at barriers that may arise, such as the completion of the FAFSA as a requirement. A brief discussion ensued.

Mr. Hurlock stated that after receiving very few scholarship applications for certificate programs in the first and second years of the program, CHESLA is proposing a decrease in certificate program allocation. Mr. Hurlock said that staff will continue to market the scholarship for certificate programs through Financial Aid directors, certificate program directors, state workforce boards, social media, and quarterly CHESLA newsletters.

Mr. Hurlock stated that of the \$500,000 that has been determined as a feasible level of scholarship awards annually, for the upcoming allocation the Authority proposes \$470,000 earmarked for the degree granting programs and \$30,000 for certificate programs. Any unused certificate program funds will continue to be available in the scholarship account. Mr. Hurlock reported that the Authority intends to keep individual awards for degree-granting programs at \$1,500 for a half-time student and \$3,000 for a full-time student. Additionally, the Authority plans to keep the scholarship awards for certificate programs at \$1,250. Mr. Hurlock said that at a \$30,000 allocation, that would result in 24 recipients.

Mr. Lisi requested a motion to approve the scholarship program memo and allocation. Mr. Budd moved for approval and Mr. Kitowicz seconded the motion.

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

**AYES**

Peter W. Lisi  
Benjamin B. Barnes  
Martin Budd  
Andrew A. Foster  
Darrell V. Hill

**NAYS**

None

**ABSTENTIONS**

None

Final

Approved on: March 25, 2021

Steven Kitowicz  
Julie B. Savino  
Jeanette W. Weldon

**ADJOURNMENT**

There being no further business, at 1:05 p.m., Mr. Budd moved to adjourn the meeting and Mr. Kitowicz seconded the motion.

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

**AYES**

Peter W. Lisi  
Benjamin B. Barnes  
Martin Budd  
Andrew A. Foster  
Darrell V. Hill  
Steven Kitowicz  
Julie B. Savino  
Jeanette W. Weldon

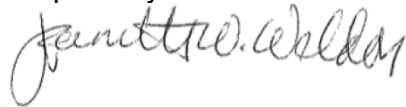
**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted



Jeanette W. Weldon  
Executive Director