

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Minutes of Authority Board Meeting
September 17, 2020

The State of Connecticut Higher Education Supplemental Loan Authority held a telephonic meeting at 11:30 a.m. on Thursday, September 17, 2020.¹

The meeting was called to order at 11:31 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*)²
Martin L. Budd
Andrew A. Foster
Darrell V. Hill, (*Designee for Connecticut State Treasurer*)³
Steven Kitowicz (*Designee for Connecticut OPM Secretary*)
Julie B. Savino, Vice Chair

Also Present: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel, CHEFA
Kevin Barry, Accountant, CHEFA⁴
Debrah Galli, Manager of Administrative Services, 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: Judith Blank, Esq., Day Pitney LLP
Kristen Brown, CPA, Director, CohnReznick
Lew DeLuca, Coordinator, Student Financial Literacy and Advising, SCSU
Melissa Ferrucci, CPA, Partner, CohnReznick
Josh Labonte, CPA, Senior Associate, CohnReznick
Ben McGuire, Hilltop Securities N.A.
Glenn Rybacki, Esq., Counsel, Day Pitney LLP
Joseph Santoro, Director-Education Finance Team Leader,
BofA Securities, Inc.⁵
Melissa Vachon, Vice President, U.S. Bank, N.A.
Thomas H. Webb, Director, Hilltop Securities N. A

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

² Mr. Barnes joined the meeting at 12:10 p.m.

³ Mr. Hill joined the meeting at 11:33 a.m.

⁴ Mr. Barry joined the meeting at 11:32 a.m.

⁵ Mr. Santoro joined the meeting at 11:40 a.m.

APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the meeting minutes of the June 25, 2020 Board of Directors Special 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:

| <u>AYES</u> | <u>NAYS</u> | <u>ABSTENTIONS</u> |
|--------------------|--------------------|---------------------------|
| Peter W. Lisi | None | None |
| Benjamin B. Barnes | | |
| Martin Budd | | |
| Andrew A. Foster | | |
| Darrell V. Hill | | |
| Steven Kitowicz | | |
| Julie B. Savino | | |

ELECTION OF VICE CHAIR

Mr. Lisi stated that Julie Savino has agreed to continue to serve as Vice Chairperson.

Mr. Lisi requested a motion to approve the election of Julie Savino as Vice Chair. Mr. Budd moved for approval and Mr. Foster seconded the motion.

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

| <u>AYES</u> | <u>NAYS</u> | <u>ABSTENTIONS</u> |
|--------------------|--------------------|---------------------------|
| Peter W. Lisi | None | None |
| Benjamin B. Barnes | | |
| Martin Budd | | |
| Andrew A. Foster | | |
| Darrell V. Hill | | |
| Steven Kitowicz | | |
| Julie B. Savino | | |

Mr. Lisi introduced guests Melissa Ferrucci, Kristen Brown and Josh Labonte of CohnReznick.

OVERVIEW OF DRAFT AUDITED FINANCIAL STATEMENTS FOR FY 2020

Ms. Melissa Ferrucci of CohnReznick thanked CHEFA’s staff for their hard work during this year’s virtual audit process.

Ms. Ferrucci reported the following notable items:

- Issued an unmodified or clean opinion in accordance with generally accepted government auditing standards.
- Performed an agreed upon procedures report for CSLF and prepared a CSLF tax return.
- Reported no findings or no management recommendations.

Regarding required communications, Ms. Ferrucci reported the following:

- No major presentation changes year over year in the audited statements for CHEFA.
- Significant estimates that management has reported are the allowance for doubtful accounts over accounts receivable and fair value of investments reporting.

- No significant audit adjustments, no significant unusual transactions noted, no disagreements with management or any major issues, have not consulted with any other accountants, no difficulties in performing the audit, have not been aware of any instances of fraud or illegal acts, and no matters have come to their attention in that regard.

Ms. Ferrucci turned the floor over to Ms. Kristen Brown to report on CHESLA and CSLF.

Ms. Brown reported the following information regarding CHESLA:

- Strong balance sheet with a net position increase of \$451,000.
- Increase in allowances on loans receivable: In-School \$26,000 and Refinance \$162,000.
- Additional \$500,000 in funds transferred from CSLF for scholarships.

Ms. Brown noted that the allowances were looked at with COVID-19 as a consideration due to the possibility that allowances may change. Based on the discussion with staff, no significant changes were made to the methodology in calculating the allowances this year.

Ms. Brown stated that it is standard auditing practice to seek a statement from management with regard to going concern. She said that due to COVID-19 a more in-depth look was taken, and they agree with management's response that there is no issue of a going concern that would need to be put on CHESLA's financial statements.

Ms. Brown reported the following information regarding CSLF:

- Strong balance sheet and a net position increase of \$1.3 million.
- Transferred \$500,000 to CHESLA for scholarships.
- Decrease of \$60,000 in loan loss reserves for 2020 given that receivables will be continuously decreasing due to no more issuing of loans.

Mr. Budd inquired whether the rates of CSLF borrowers are fixed interest or variable. A brief discussion ensued.

Ms. Brown reported that there were no new accounting standards adopted during the current year. There is a leases standard that was extended for adoption and therefore will be a consideration for the financial statements for the period after December 15, 2020.

Mr. Budd inquired whether the Audit-Finance Committee for both CHESLA and CHEFA have reviewed the audited financial statements. Ms. Weldon stated that this is a CHEFA audit that encompasses both CHEFA and its subsidiaries. The CHEFA Audit-Finance Committee reviewed the audited financial statements and the CHEFA Board voted to accept the audit.

Mr. Lisi requested a motion for the Board to accept the FY 2020 Audited Financial Statements as put forward by CohnReznick. Mr. Kitowicz moved for approval and Mr. Budd 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

NAYS

None

ABSTENTIONS

None

Darrell V. Hill
Steven Kitowicz
Julie B. Savino

Mr. Lisi thanked Melissa Ferrucci, Kristen Brown and Josh Labonte of CohnReznick for their work.

EXECUTIVE DIRECTOR'S REPORT

Authority Update

Ms. Weldon reported that the Authority has started working on the legislative agenda to bring to the Board in November. Ms. Weldon said that given the current moment in time, and the mission of CHESLA, the Authority seeks to address racial inequities through its programs and legislative initiatives.

Ms. Weldon reported that CHESLA seeks to propose a minority teacher recruitment program, which would be proposed as a loan rate subsidy program. Minority teacher recruitment is consistent with the state Department of Education's priorities. Ms. Weldon stated there would be a proposed rate subsidy where minority teacher recruits would be offered a reduced interest rate for a commitment to work in Connecticut public schools.

Ms. Weldon said the positive impact of minority teachers on students in schools with significant minority populations is well documented, so this program could have important impact.

Ms. Weldon reported that the preliminary groundwork has started for these initiatives, including a meeting with Representative Jason Rojas, House Chair of the Finance, Revenue and Bonding Committee on Monday, September 21, 2020, as well as meetings with representatives from the Department of Economic Community Development (DECD) at the end of the month. The full legislative agenda, including this proposal, will be presented to the board in November and will subsequently be reviewed with the Office of Policy and Management

A discussion ensued.

Ms. Weldon reported that CHEFA and its subsidiaries are new members of MetroHartford Alliance. She stated that on Wednesday, September 16th she recorded a segment for their radio program, "Pulse of the Region" which will be broadcast over the weekend. Ms. Weldon said that the Metro Hartford Alliance membership could be particularly useful for increasing awareness of CHESLA and its products.

Mr. Hurlock revisited an inquiry from Mr. Budd regarding the extension of relief for collection efforts and tax intercepts. A discussion ensued.

Mr. Lisi requested a motion to authorize management to extend the relief for collection efforts and tax intercepts if they deem it appropriate. Mr. Budd moved for approval and Ms. Savino seconded the motion.

Mr. Hill inquired if there should be a timeframe on the extension specified in the authorization. A brief discussion ensued. Ms. Weldon stated that if the timeframe was extended it would be through the end of the calendar year.

Mr. Hill moved to amend the motion to authorize the extension from 90 days to 180 days and Mr. Budd accepted the amendment.

Mr. Lisi called for a vote on the amended motion.

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

| <u>AYES</u> | <u>NAYS</u> | <u>ABSTENTIONS</u> |
|--------------------|-------------|--------------------|
| Peter W. Lisi | None | None |
| Benjamin B. Barnes | | |
| Martin Budd | | |
| Andrew A. Foster | | |
| Darrell V. Hill | | |
| Steven Kitowicz | | |
| Julie B. Savino | | |

Ms. Levin reported the following information on the FY 2020 audited financial statements:

- Operating revenues were \$9.4 million, which is a decrease from FY 2019 of \$2.7 million. The primary reason for the decrease was the CSLF contributions in FY 2020 were \$1.5 million compared to \$4 million in FY 2019.
- Operating expenses decreased by \$61,000 from FY 2019. The main reason for the decrease is that the Scholarship expense in FY 2020 was \$1.5 million compared to \$2 million in FY 2019.
- Total operating loss was negative \$1.4 million which is a decrease of \$2.7 million from FY 2019. Some contributing factors for the decrease include the loan financing fees, bond issuance costs, and provision for loan loss.
- The change in net position for FY 2020 after non-operating income is positive \$451,000 which was a decrease of \$2.8 million from FY 2019.

Ms. Levin then reported the following information about the balance sheet:

- Student loan receivable net of the allowance was \$135.6 million, an increase of \$3 million from FY 2019. The In-School program had an increase of \$2.2 million and the Refinance program increased by \$800,000.
- The Bonds payable for the current fiscal year were \$193 million, which is an increase of \$16.5 million from FY 2019. In FY 2020, CHESLA closed 2 new Bond Issues totaling approximately \$26.9 million.
- Total change in net position as of June 30, 2020 was \$33.3 million.

Portfolio Update

Mr. Hurlock provided an update on the following items:

- In-School Loan Program disbursement data
- In-School Loan Program market segment data
- In-School 2019 B & 2020 B disbursement comparison to cash flow assumptions
- Refi CT 2019 A disbursement comparison to cash flow assumptions

Mr. Budd inquired about the Refi-CT cash flow assumptions and a discussion ensued.

Mr. Hurlock continued to provide an update on the following items:

- Refi CT loan disbursement data & Refi CT analysis
- Strategic Plan dashboard with marketing highlights

- Originator & Servicer Updates:
 - Campus Door and UAS performance data

A brief discussion ensued.

Website Analytics

Ms. Reynolds provided an update and comparison on Google Analytics regarding CT Dollars and Sense and CHESLA.org. The goal has been to increase awareness of CT Dollars and Sense, and CHESLA programs, and the resources offered to students and families. Ms. Reynolds reported the site has continuously seen an increase in session times through referrals and direct organic searches, ultimately demonstrating that the brand awareness efforts have been successful. Ms. Reynolds stated that there has been consistent growth throughout the year.

Scholarship Update

Ms. Rozio reported the following information for the scholarship update:

- Scholarship opened on March 1st and closed on May 1st.
- Over 1,000 applications were received.
- The Scholarship Committee consisted of Ms. Reynolds, Mr. Hurlock, Ms. Weldon, and Ms. Rozio.
- Awarded \$484,500 to 166 students.
- Recipient Statistics.

A brief discussion ensued.

RESOLUTION TO AMEND CHESLA BY-LAWS

Ms. Aguilera reviewed the proposed amendments to the current CHESLA By-Laws.

Mr. Lisi requested a motion to approve Resolution #2020-05, Amendment to the Authority By-Laws. 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

ADJOURNMENT

There being no further business, at 12:48 p.m., Mr. Budd moved to adjourn the meeting and Mr. Kitowicz seconded the motion.

FINAL

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

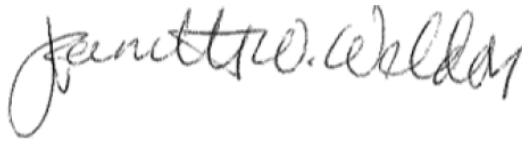
NAYS

None

ABSTENTIONS

None

Respectfully submitted

A handwritten signature in cursive script that reads "Jeanette W. Weldon". The signature is written in black ink and is positioned above the printed name and title.

Jeanette W. Weldon
Executive Director