

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN  
AUTHORITY

Minutes of Authority Board Meeting

June 20, 2019

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, April 16, 2019.

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: Martin L. Budd  
Steven Kitowicz (*Designee for Connecticut OPM Secretary*)  
Peter W. Lisi, Chair  
Sheree Mailhot (*Designee for Connecticut State Treasurer*)  
Jeanette Weldon

Absent: Benjamin Barnes  
Andrew Foster  
Julie Savino

Also Present: Denise Aguilera, General Counsel, CHEFA  
Kevin Barry, Accountant, CHEFA  
Debrah Galli, Manager of Administrative Services  
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  
Natalie Rozio, Administrative Assistant, CHESLA  
David Wasch, Government Programs Specialist/Legislative Liaison

Guests: Judith Blank, Esq., Day Pitney LLP  
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc.,  
Bank of America, N.A.<sup>1</sup>  
Jeffrey Wagner, Managing Director, RBC Capital Markets<sup>2</sup>  
Thomas H. Webb, Vice President, Hilltop Securities  
David Welsh, CHESLA Advisory Committee

**MINUTES**

Mr. Lisi requested a motion to approve the April 16, 2019 Board of Directors Meeting minutes. Mr. Kitowicz moved to approve the minutes and Mr. Lisi seconded the motion.

Mr. Webb noted two changes to the minutes of the April 16, 2019 Board of Directors Meeting.

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

<sup>2</sup> Mr. Wagner 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**

**NAYS**

**ABSTENTIONS**

Peter Lisi  
 Steve Kitowicz  
 Sheree Mailhot  
 Jeanette Weldon

Martin Budd

Mr. Lisi introduced Debrah Galli, Manager of Administrative Services to the CHESLA Board of Directors.

**FINANCIAL REPORT**

Ms. Levin provided a report on the CHESLA financial statements for the nine months ending March 31, 2019.

**RESOLUTION REGARDING AMENDMENT TO MEMORANDUM OF AGREEMENT WITH CHEFA**

Ms. Weldon stated that there are minor changes to the Memorandum of Agreement between CHEFA and CHESLA. She stated that there was a change to the allocation of the cybercrime insurance policy from 60% to 40% for CHESLA.

Mr. Lisi requested a motion to approve Resolution 2019-06, Amendment to Memorandum of Agreement with CHEFA. Mr. Budd moved to approve Resolution #2019-06, Authorizing Resolution, as amended and Mr. Kitowicz seconded the motion.

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

**AYES**

**NAYS**

**ABSTENTIONS**

Martin Budd  
 Steven Kitowicz  
 Peter Lisi  
 Sheree Mailhot  
 Jeanette Weldon

**EXECUTIVE DIRECTOR’S REPORT**

Ms. Weldon stated that CHESLA had a successful bond sale in May. CHESLA sold \$30.55 million dollars of bonds. They priced on May 8<sup>th</sup> and closed on May 22<sup>nd</sup>. Five million of the amount was taxable for funding new Refi CT loans and the balance was tax-exempt for the In-School Loan Program. The TIC on the tax-exempt portion was 3.31% and on the taxable portion 4.11%.

Mr. Webb reviewed the bond sale. He explained CHESLA sold two types of bonds; the Series A, taxable bonds and the Series B, tax-exempt bonds. The Series A bonds were being issued to generate funds to provide funding for Refi CT Loans. The Series B bonds were being issued to

provide funding for the CHESLA in –school loan program. Both series of bonds are rated based upon the SCRF.

Mr. Webb explained that there were 13 investors involved in the sale. Mr. Wagner added that seven were new names to CHESLA. They participated across all maturities. A discussion ensued.

Mr. Hurlock reviewed the CHESLA scholarship program. He stated that at the January meeting the Board approved the creation of the in-house CHESLA Scholarship Program. CHESLA staff implemented this program and will be awarding 171 scholarships in the inaugural cycle. Award recipients will be notified of awards in July and will be honored at a function in August. CHESLA received 367 applications of which 272 qualified for the scholarship. He explained some did not qualify because of varying factors, e.g. non-qualifying EFC, not going to a school in Connecticut, or not providing the requested documentation. Out of the 272 qualified applicants, 270 were undergraduate and two were certificate programs. The selected 171 awarded scholarships total \$502,500.

Mr. Hurlock explained that the scholarships were offered to students who will be enrolled in an undergraduate or certificate program for the 2019/2020 academic year. He stated the Board had authorized \$500,000 for the program with \$300,000 targeted to undergraduate degrees and \$200,000 targeted to healthcare and manufacturing certificate programs. Any unused certificate program funds were used in the undergraduate program. The scholarship application was made available on the CHESLA website on April 1, 2019 and CHESLA staff reached out to high school guidance counselors, financial aid officers, and entities such as the Workforce Development Boards to advise of the scholarship availability. CHESLA staff also attended college fairs to inform students and parents directly of the scholarship. Applications and supporting documents were submitted by postal mail with a deadline postmarked by May 10, 2019. A committee of CHESLA and CHEFA staff formed an internal scholarship committee to review all qualifying applicants. All applications were reviewed independently and ranked based on the average scores of all committee members. A discussion ensued.

Mr. Hurlock explained that in order to be eligible the applicant had to be a resident of the State of Connecticut, be an undergraduate student or planning to enroll in a manufacturing and healthcare certificate program, have an expected family contribution of \$6,000 or less, have a minimum cumulative 2.5 GPA and not be in default on CHESLA loans. The GPA criteria pertained only to undergraduate scholarship applications and not to certificate applications. The maximum awards are \$3,000 for a full-time student and \$1,500 for a part-time student attending at least half-time. The disbursements will be made payable to the schools and the schools will be instructed to return to CHESLA any dollars that exceed the student's net cost of attendance. CHESLA staff will verify enrollment prior to disbursement.

Mr. Hurlock reported that of the 272 applications that qualified, 94% were full-time and 6% were part-time. The majority of the applications were female and the majority of applications came in from freshman. The majority of the applications were for attendance at the following five schools: Sacred Heart, UConn, Norwalk Community College, Southern Connecticut and the University of New Haven. The town distribution was broad. Bridgeport had 10% of the qualified applications. A discussion ensued.

Mr. Hurlock stated that the first year has been successful and CHESLA plans to build on the experience moving forward. The key takeaways from the first year are as follows:

- In future years, CHESLA staff would like to secure an online portal for applications in lieu of postal mail to reduce administrative efforts and allow for an easier analysis of demographics. A scholarship module would support future growth of the program.

- CHESLA would like to eliminate the requirement for an EFC (Expected Family Contribution) for certificate programs, as many programs do not require filing a FAFSA. For those in non-credit based programs CHESLA would seek alternative indicators of need other than the EFC.

Mr. Hurlock stated that CHESLA management is requesting approval of the expenditure of \$2,500 over the \$500,000 previously approved for the Scholarship Program. In total, Mr. Hurlock stated that management is seeking approval for additional contingency funding, in an amount not to exceed \$20,000, for use in the event excess funds are needed after enrollment verification of scholarship awardees.

Mr. Lisi requested a motion to approve the \$20,000 not to exceed limit for the Scholarship Program. Mr. Budd moved to approve the expenditure and not to exceed limit, Mr. Kitowicz seconded the motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Steven Kitowicz Peter Lisi Sheree Mailhot Jeanette Weldon	None	None

Mr. Hurlock stated that the In-School Program disbursements through May 2019 exceeded the entire prior fiscal year and on the Refi CT side there was a large third quarter to bring the year in line with the prior year. The expectation for Refi CT is to exceed the \$2.9 million in disbursements from the prior year.

A discussion ensued.

**AUDIT-FINANCE COMMITTEE REPORT**

Mr. Kitowicz reported that the Audit/Finance Committee met and unanimously approved the FY 2020 budget. He reported that some of the highlights for the budget included revenue for FY 2020 of \$1,036,400 and expenses forecasted at \$864,870. Some of the expense changes from prior year budget include the retirement of the Deputy Director and the creation of a fulltime Portfolio Administrative Assistant position instead of an Administrative Intern. The FY2020 budget is also reflective of raises in line with CHEFA’s of 0% - 3.75%. Employee benefits are reflective of current benefit cost. Mr. Kitowicz stated that there is a change in the calculation of CHEFA support services and how they are budgeted. The amount is being increased and will reflect actual hours by CHEFA staff that support CHESLA. He also noted that the marketing line had a significant increase for improving brand awareness. Mr. Kitowicz stated that the Board has asked CHESLA staff to provide measurements to justify the increase in the marketing budget and the use of an outside consultant. A discussion ensued

Mr. Lisi requested a motion to approve the recommendation of the Audit-Finance Committee. Mr. Kitowicz moved to approve the motion and Mr. Budd seconded the motion.

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

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTENTIONS</u></b>
Martin Budd	None	None

Steven Kitowicz  
Peter Lisi  
Sheree Mailhot  
Jeanette Weldon

**LEGISLATIVE UPDATE**

Mr. Wasch stated that it was a positive legislative year for CHESLA and several bills that would have been harmful to CHESLA did not pass. The staff was able to build on existing relationships and build new ones in the Governor’s office and the legislature. The following summarizes major activity.

- Senate Bill 815 passed– Amended the surety bond statute to permit the use of insurance policies. Mr. Budd asked for the final passed bill to be sent to the Board.
- Senate Bill 72 passed– Provides for employers to receive a tax credit for paying the CHESLA student loans of their employees. Senators Haskell, Maroney and Bergstein approached CHESLA staff on this bill.
- Senate Bill 1048 passed– Pertains to the Comptroller’s open Connecticut website to provide transparency by quasi-public agencies. CHESLA staff is making the necessary adjustments for compliance with this bill.
- The STEM loan bill did not pass, but staff and the Higher Education Committee will try to improve the bill so that it will pass next year.

**OTHER UPDATES**

None

**ADJOURNMENT**

Mr. Budd moved to adjourn the meeting at 12:35 p.m. and Ms. Mailhot seconded the motion. Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

**AYES**

**NAYS**

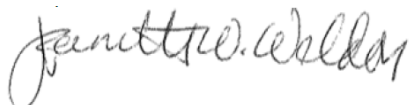
**ABSTENTIONS**

Martin Budd  
Steven Kitowicz  
Peter Lisi  
Sheree Mailhot  
Jeanette Weldon

None

None

Respectfully submitted



Jeanette W. Weldon  
Executive Director

**CHESLA Budget**  
**Budget for the Twelve Months Ending June 30, 2020**

	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual *	FYE June 30, 2020 Budget
<b>Revenues</b>				
Admin Fee Income				
In-school product	\$ 903,597	\$ 910,818	908,971	\$ 932,998
Refinance product	23,697	42,230	39,272	53,402
Investment Income	51,749	30,000	88,559	50,000
Refinance Pilot Program from CSLF	0	0	0	0
Misc Income & Recovery	5,136	0	0	0
<b>Total Revenues</b>	<b>\$ 984,179</b>	<b>\$ 983,048</b>	<b>\$ 1,036,803</b>	<b>\$ 1,036,400</b>
<b>Expenses</b>				
Compensation	\$ 98,897	\$ 235,604	\$ 136,341	\$ 190,613
Employee Benefits	37,780	73,832	48,149	65,452
General and Administrative	128,551	150,805	256,031	256,036
Depreciation/Amortization	18	0	206	206
Business Education, Board and Reimbursable	2,832	12,450	7,279	13,150
Membership Dues	12,771	13,500	13,976	17,100
CHEFA Support Services	206,109	209,000	201,212	238,355
Outside Services	34,110	44,925	44,388	84,300
<b>Total Expenses</b>	<b>\$ 521,069</b>	<b>\$ 740,116</b>	<b>\$ 707,580</b>	<b>\$ 865,212</b>
<b>Excess Revenue from Operations</b>	<b>\$ 463,110</b>	<b>\$ 242,932</b>	<b>\$ 329,222</b>	<b>\$ 171,189</b>
<b>Non Operating Income</b>				
Transfer from Non-Trust Refi Program to Operating Account	0	0	0	50,000
<b>Non Operating Expenses</b>				
Bond Issuance Costs & Amortization & Transfer to Trust	142,635	0	0	0
Transfer between Operating & Trust	(1,000,000)	0	1,015,657	0
Refinance Program Costs Funded at Start-up	40,183	87,911	52,569	35,341
<b>Total Excess Revenue</b>	<b>\$ 1,280,293</b>	<b>\$ 155,022</b>	<b>\$ (739,004)</b>	<b>\$ 185,847</b>

<b>Benefit % to Compensation</b>	<b>38.20%</b>	<b>31.34%</b>	<b>35.31%</b>	<b>34.34%</b>
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\* Board approved budget projected actual was based on Actual Financials as of April, 2019, plus 2 months of projected amounts.

**CHESLA Salary & Benefits Expense**  
**Budget for the Twelve Months Ending June 30, 2020**

	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget
<b>Staff Compensation</b>	\$ 98,897	\$ 205,964	\$ 136,341	\$ 190,613
Temporary Salaries (Intern)	0	0	0	0
<b>Total Compensation</b>	<b>\$ 98,897</b>	<b>\$ 205,964</b>	<b>\$ 136,341</b>	<b>\$ 190,613</b>
<b>Payroll Taxes</b>	\$ 9,330	\$ 20,364	\$ 11,015	\$ 15,675
<b>Medical &amp; Life Insurance</b>				
CBIA Medical w/CBIA Life	4,467	8,632	8,059	10,496
Deductible Funding HSA (CHEFA)	2,100	6,450	5,250	4,350
Less: CBIA Co-insurance	(785)	(1,295)	(1,220)	(1,564)
Net Medical Insurance	5,782	13,787	12,088	13,282
CHEFA Alternative Insurance	1,167	2,800	-	2,369
Life Insurance	384	1,201	696	1,037
Dental	2,332	2,799	1,088	1,105
Less: Dental Co-Insurance	(3)	(28)	(29)	(140)
<b>Total Medical, Life Insurance &amp; Other</b>	<b>9,663</b>	<b>20,559</b>	<b>13,842</b>	<b>17,653</b>
<b>Pension</b>				
Contributions	9,592	22,078	11,147	19,391
Administrative Fee	594	594	528	396
Total Pension	10,186	22,672	11,675	19,787
<b>457 Plan</b>	1,920	4,008	2,596	4,269
<b>Vacation</b>	0	1,000	4,821	1,000
<b>Disability Insurance - Long Term</b>	577	751	498	686
<b>Disability Insurance - Short Term</b>	716	910	559	771
<b>Workers Compensation</b>	789	568	842	611
<b>Tuition</b>	4,600	3,000	2,300	5,000
<b>Total Employee Benefits</b>	<b>37,780</b>	<b>73,832</b>	<b>48,149</b>	<b>65,452</b>
<b>Total Employment</b>	<b>\$ 136,677</b>	<b>\$ 279,796</b>	<b>\$ 184,489</b>	<b>\$ 256,065</b>

**CHESLA Non Salary Expense**  
**Budget for the Twelve Months Ending June 30, 2020**

	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget
<b>Lease &amp; Storage</b>				
Lease - Office Space	\$ 19,049	\$ 20,095	\$ 20,013	\$ 20,664
Lease - Taxes/CAM fees	-	80	1,590	\$ 120
Offsite Storage & Filesanywhere (electronic storage)	116	135	133	\$ 135
<b>Total Lease &amp; Storage</b>	19,165	20,310	21,735	\$ 20,919
<b>Business Insurance</b>				
Office Package	603	634	606	\$ 637
Cyber Policy	4,680	4,241	4,095	\$ 3,315
Fiduciary & Performance Bond & Terrorism	264	277	264	\$ 277
Directors and Officers Liability / Public Officials	15,443	16,721	15,649	\$ 16,857
<b>Total Business Insurance</b>	20,990	21,873	20,614	\$ 21,086
<b>Office Supplies and Non Capital Equipment</b>				
General Office Expense and Supplies	590	1,000	1,999	\$ 2,000
Non-Capital furniture, Equipment & Software Licensing	929	4,000	2,531	\$ 8,000
<b>Total Office Supplies and Non Capital Equip</b>	1,518	5,000	4,530	\$ 10,000
<b>Communications: Telephone &amp; Internet</b>				
Phone, Data Svc & Conferencing	2,586	4,000	3,327	\$ 4,900
Email (Trend Micro Email & Security)	35	707	0	\$ 707
Website Development & Hosting	1,728	1,500	0	\$ 1,500
<b>Total Communications: Phone &amp; Internet</b>	4,349	6,207	3,327	\$ 7,107
<b>Postage Expense</b>				
Postage & Courier Expense	1,538	2,000	1,688	\$ 2,000
<b>Maintenance Contracts</b>	4,616	9,590	5,720	\$ 15,191
<b>Publications &amp; Resource Materials</b>	68	175	68	\$ 175
<b>Marketing Costs</b>	76,060	85,000	82,511	\$ 178,659
<b>Miscellaneous</b>	247	650	115,839	\$ 900
<b>Total General and Administrative Expenses</b>	\$ 128,551	\$ 150,805	\$ 256,031	\$ 256,036
<b>* Refinance Program Costs Funded at Start-up (used for Marketing as of 7/1/2017)</b>	40,183	87,911	52,569	35,341
<b>Bond Insurance Cost - Amortization</b>	32,635	0	0	0
<b>Bond Issuance Costs</b>	0	0	0	0
<b>Total Bond Issuance Cost</b>	\$ 32,635	0	0	0



**CHESLA Non Salary Expense  
Budget for the Twelve Months Ending June 30, 2020**

	<b>FYE June 30, 2018 Actual</b>	<b>FYE June 30, 2019 Budget</b>	<b>FYE June 30, 2019 Actual</b>	<b>FYE June 30, 2020 Budget</b>
<b>Depreciation/Amortization</b>	18	0	205.56	<b>\$ 206</b>
<b>Employee Reimbursable</b>				
Staff business and travel expenses	517	1,000	380	<b>1,000</b>
<b>Total Employee Reimbursable</b>	<b>517</b>	<b>1,000</b>	<b>380</b>	<b>1,000</b>
<b>Board Expense</b>				
Board lunches & parking	377	550	604	<b>650</b>
Board education	0	0	0	<b>0</b>
<b>Total Board Expense</b>	<b>377</b>	<b>550</b>	<b>604</b>	<b>650</b>
<b>Conference &amp; Education Expense</b>				
CAPFAA	560	1,400	1,016	<b>2,000</b>
EFC	0	3,500	3,909	<b>4,500</b>
EASF AA	1,278	1,000	1,262	<b>1,000</b>
NASFAA	0	2,000	0	<b>0</b>
Other (Conferences and non tuition education)	100	3,000	108	<b>4,000</b>
<b>Total Conference &amp; Education Expense</b>	<b>1,938</b>	<b>10,900</b>	<b>6,295</b>	<b>11,500</b>
<b>Total Business Education, Board and Reimbursable</b>	<b>\$ 2,832</b>	<b>\$ 12,450</b>	<b>\$ 7,279</b>	<b>\$ 13,150</b>
<b>Memberships Dues</b>	<b>\$ 14,289</b>	<b>\$ 13,500</b>	<b>13,976</b>	<b>\$ 17,100</b>
<b>CHEFA Support Services</b>	<b>\$ 206,109</b>	<b>\$ 209,000</b>	<b>201,212</b>	<b>\$ 238,355</b>

**CHESLA Non Salary Expense  
Budget for the Twelve Months Ending June 30, 2020**

	FYE June 30, 2018 Actual	FYE June 30, 2019 Budget	FYE June 30, 2019 Actual	FYE June 30, 2020 Budget
<b>Accounting Systems</b>				
Enhancements (IT)	0	0	0	<b>0</b>
<b>Total Accounting and IT Systems</b>	0	0	0	<b>0</b>
<b>Consultant Others</b>				
Communications Strategy Consultant	0	10,000	9,250	<b>50,000</b>
Insurance Consultant	6,300	6,300	6,300	<b>6,300</b>
Other Consultants	0	0	212	<b>0</b>
<b>Total Consultant Others</b>	6,300	16,300	15,762	<b>56,300</b>
<b>Independent Auditors</b>	27,810	28,625	28,625	<b>28,000</b>
<b>Total Outside Services</b>	\$ 34,110	\$ 44,925	\$ 44,388	<b>\$ 84,300</b>