

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Audit-Finance/Human Resource Committee Meeting
June 18, 2013

The Audit-Finance/Human Resources Committee of the State of Connecticut Higher Education Supplemental Loan Authority met at 10:30 a.m. on Tuesday, June 18, 2013.

The meeting was called to order at 10:38 a.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

Present: Jeffrey A. Asher
Steven Kitowicz (Rep. for Secretary Benjamin B. Barnes)
Paul Mutone¹
Barbara Rubin
Julie B. Savino²

Also Present: Paula L. Herman, General Counsel, CHEFA
Joshua Hurlock, Marketing and Portfolio Assistant, CHESLA
Kathleen Owens, Administrative Assistant, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel Rush, Deputy Director, CHESLA
Jeanette Weldon, Executive Director, CHESLA

Ms. Rubin pointed out that a volunteer was needed to become Committee Chair of the CHESLA Audit-Finance/Human Resources Committee as this was the first meeting and the position was vacant. After a brief discussion, Mr. Steven Kitowicz indicated his willingness to serve in that capacity.

Mr. Asher moved to nominate Mr. Kitowicz to be the Committee Chair. Ms. Savino seconded his motion.

¹ Mr. Mutone attended the meeting via telephone.

² Ms. Savino attended the meeting via telephone

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher	None	None
Steven Kitowicz		
Paul Mutone		
Julie Savino		
Barbara Rubin		

Before reporting on the Proposed Budget for FY 2014, Ms. Weldon thanked Sam Rush, Carlee Levin and JoAnne Mackewicz for all of their work in compiling the budget.

Ms. Weldon reported that CHESLA is budgeting for Excess Revenues from Operations of \$163,480 before an amortization of bond issuance costs, a slight decline from budgeted FY 2013 levels. After bond issuance cost amortization, there is a bottom line of approximately \$138,000. Management is planning to adopt GASB 65 with the FY 2013 audited financial statements. As a result, all bond issuance costs except for bond insurance premium costs will be written off in the year in which they occur. Unamortized balances will also be written off in FY 2013, leaving only bond insurance premium amortization, estimated at \$25,627 for FY 2014. Management has not budgeted for an issuance cost equity contribution for FY 2014, as that will need to be determined at the time of the next bond issue.

A discussion ensued about the amount of the expected write-off for FY 2013. Ms. Rubin questioned the treatment of the \$700,000 equity contribution made to the 2013 Series A Bonds and whether or not it all needed to be part of the GASB 65 write-off. Ms. Weldon will pursue this question with CHESLA’s auditors.

Ms. Weldon reported that since FY 2010, CHESLA revenues have experienced a 25% decline. This is a function of the declining number of loans that are outstanding under the 2003 indenture, which had higher administrative fees; and the reduced administrative fees under the 1990 indenture, which has been used with recent bond offerings. Opportunities for revenue enhancement will be a topic of discussion in connection with a strategic plan update at the September board meeting. Management is budgeting for revenue of \$691,226, a 6.6% decrease from budgeted FY 2013 levels.

Budgeted expenses are approximately 7.6% below FY 2013 budgeted expenses. The largest components of expenses are found in compensation and benefits which is about 37% of total expenses, general administrative expenses which is about 24%, and CHEFA support services which represent 27%. The compensation budget is being handled exactly the same way as the CHEFA budget for compensation, i.e., the budget includes the maximum increase of 4%, with actual increases based on individual performance evaluations.

General and administrative expenses total \$124,298. The key contributors to the increase over FY 2013 budgeted levels are the increases in D&O insurance premiums, and the inclusion of a cyber-crime policy at an assumed premium of \$25,000, based on the insurance consultant’s recommendations. A discussion ensued regarding the need for a cyber-crime policy.

Ms. Rubin suggested that the Committee approve the budget subject to review of any cyber-crime policy and its premium. All were in agreement.

Ms. Weldon stated that the other key component of expenses is CHEFA support services. The increase in CHEFA support services over FY 2013 budget is primarily due to the \$35,000 allocation for benefits. Budgeted support services for FY 2014 are significantly lower than what was budgeted for support services in FY 2012, prior to the consolidation with CHEFA.

Ms. Savino left the meeting at 11:00 a.m.

Ms. Weldon stated that management is eliminating certain outside services that overlapped with CHEFA services during the FY 2013 transition period. This includes outside accounting services which had about \$15,000 budgeted in FY 2013, CCIC services, which had \$26,500 budgeted in FY 2013 and General Counsel Services which were under contract for \$80,000 annually. That contract will not be in place for FY 2014.

Ms. Weldon also reported that the FY 2014 budget eliminates the contingency line item of \$10,000 (no longer needed due to the more detailed budget format) and replaces it with \$2,000 of miscellaneous expenses.

Mr. Kitowicz requested a motion to approve the budget subject to further review of the cyber – crime insurance issue. Ms. Rubin moved to approve the budget subject to further review of the cyber-crime insurance. Mr. Asher seconded her motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher Steven Kitowicz Barbara Rubin Sarah Sanders	None	None

The meeting adjourned at 11:12 a.m.

Respectfully submitted,

Steven Kitowicz, Committee Chair