

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Meeting
June 15, 2010
Mandell Jewish Community Center
Bloomfield, Connecticut

Authority Members Present: Michael E. McKeeman, Chair; Julie Savino, Vice Chair; Delores Graham; Kathleen Woods; Nancy Brady (for Michael Meotti); John Mengacci (for Brenda Sisco); William Pizzuto; and Sarah Sanders (for Denise Nappier)

Authority Staff and Advisors Present: Gloria F. Ragosta, Executive Director; Samuel E. Rush, Deputy Director; Susan Harlan, Loan Portfolio Analyst; Judith Blank, Day Pitney (General and Bond Counsel); Joe Popevis and Christy Phillips, Firstmark Services (Loan Servicer - via conference call); Christine Doyle and Robert Guadagno, PFM (Financial Advisor - via conference call); Elizabeth Hammer, U.S. Bank (Trustee); Jeffrey Wagner, RBC Capital Markets (Underwriter – via conference call); Julie Gillespie, Simone Macca & Larrow (Auditor)

Authority Advisory Committee Members Present: Frank R.A. Resnick

The Board went into Executive Session at 9:00 a.m. to discuss personnel issues including staff compensation for the FY 2011 Budget and Plan of Operations. The following individuals were present during Executive Session: Mr. McKeeman, Ms. Savino, Ms. Graham, Ms. Woods, Mr. Meotti, Mr. Pizzuto, Mr. Mengacci, Ms. Sanders, Ms. Blank and Ms. Ragosta. Regular session resumed at 10:25 a.m.

A quorum being present, the Chairman called the meeting to order at 10:25 a.m. Mr. McKeeman indicated that Ms. Ragosta announced that she hopes to retire from CCIC by the end of January 2011 and he wished her well on behalf of the CHESLA Board. He indicated that the Authority would be engaged in a management transition process during the next six months.

The minutes of the March 23, 2010 meeting were approved unanimously with one correction.

Ms. Ragosta presented the executive director's report. She reported that the Authority had \$18.6 million (gross) available to lend with an additional \$3.1 million in the pipeline. Ms. Ragosta indicated that Collection Company of America (CCA) had collected approximately \$15.3 million through March 2010 (first placement collection rate of 72.7%; second placement collection rate of 73.1%). Mr. Rush reviewed the quarterly marketing data.

Ms. Ragosta provided an update on legislative issues that could impact the Authority. She noted the passage of House Bill 5392 “AAC Non-appropriated Funds and Personnel Status Reports by Quasi-Public Agencies” The bill requires quasi-public agencies to submit quarterly reports concerning financial information and personnel

vacancies to the Office of Fiscal Analysis (beginning July 1, 2010). House Bill 5391 “AAC Quasi-Public Agency Compliance Audits” changed the state audit of quasi-public agencies including CHESLA from each year to every two years. Ms. Ragosta noted that Senate Bill 57, would have changed the terms for students with defaulted loans while still enrolled in college. The bill died with opposing testimony from CHESLA and OPM.

Ms. Ragosta reported that there were several proposals on the Federal level that would negatively affect CHESLA. She noted that the lobbying efforts of CHESLA and EFC with Sen. Dodd’s staff had prevented the implementation of some of the more harmful proposals in the federal student loan legislation. Ms. Ragosta indicated that the temporary exclusion of the AMT tax had been Proposed for private activity tax-exempt bonds issued through 2011, including refunding issues.

Ms. Ragosta noted that the National Credit Bureau Trans Union reported in the first quarter of 2010 that 90 day and 30-day delinquency rates on private loans were 6% and 7.5% respectively. The Department of Education’s FY 2008 draft for student loan cohort default rates rose from 6.7% in 2007 to 7.2% in 2008. She indicated that CHESLA’s net default rates were 3.24% for the 1990 trust and 1.95% for the 2003 trust.

Ms. Ragosta reported that the Federal fixed-loan interest rates for loans first disbursed on or after July 1, 2010 were included in the Board package. She noted that the fixed interest rate for subsidized undergraduate loans disbursed between July 1, 2010 and June 30, 2011 would be 4.5%, representing a reduction from the current 5.6% rate.

Ms. Ragosta reported that the state auditors completed CHESLA’s FY 2009 financial and compliance audit. She noted that copies of the report had been sent to Board members and that the report contained three minor recommendations focusing on a payroll error, vacation carryover and approval of American Express expenses. Ms. Ragosta indicated that the Authority had implemented all three recommendations.

Ms. Ragosta reported on the following May 15th redemptions: \$300,000 in 1998A series bonds; \$75,000 in 1999A series bonds; \$235,000 in 2000A series bonds; and \$100,000 in 2001A series bonds.

Ms. Ragosta reported that the interest rate reduction on 1998 Series A & B loans helped reduce the 2% bond yield liability. She noted that the 1996 Series A loan yield was still too high compared to the principal balances remaining in the portfolio. Ms. Ragosta noted that a meeting of the 2% yield committee would be scheduled to review the issue and to make recommendations to the Board.

Ms. Ragosta reported that the Bond Committee was working on the 2010 bond deal and that the Authority was authorized by OPM to issue up to \$45 million in private activity bonds. She noted that Board approval was necessary to authorize the maximum cost of issuance contribution from CHESLA for the deal. Mr. Mengacci made a motion to approve the 2010 Bond Committee resolution including and allocating up to \$600,000 of Authority operating funds, contingent upon agency fund balances and availability, to use to pay down the cost of issuance of the 2010 bond deal. Seconded by Ms. Graham, the motion passed unanimously.

Ms. Ragosta asked for Board approval to authorize the Bond Committee to approve the payment of \$12,500 for Moody’s to run an analysis of the 2003 Master Resolution portfolio to determine if excess equity could be released for the purpose of a new Bond Resolution. MBIA would also have to approve the release of the equity based on Moody’s analysis. Mr. Mengacci made a motion to authorize the 2010 Bond Committee to approve the cost of \$12,500 for Moodys to calculate the available equity in the 2003 Master

Resolution based on the structure of the bond deal and the value of capturing the excess equity. Seconded by Dr. Pizzuto, the motion passed unanimously.

Ms. Ragosta reported that Fitch and Moodys downgraded Connecticut's General Obligation Credit to AA and the state outlook had been revised to "stable" from negative. She noted that this action did not affect CHESLA's credit rating.

Ms. Ragosta presented the FY 2010 Third Quarter Financial Statements. She noted that Mr. Santore indicated that the changes in cash/equivalents stemmed from the depletion of money in the 2007 loan fund, investments were \$20M higher than the prior year and interest expenses were higher. Ms. Ragosta indicated that Mr. Santore noted that the financials were in good condition.

During executive session, the executive director recommended a change in the healthcare plan for the staff. Connecticutare would still be the insurer. The plan would be changed in January 2010 to an HMO Open Access High Deductible Health Plan (HDHP) and a Health Savings Account (HSA). CHESLA would cover single and family plans and the deductibles up to \$2,500 for a single and \$5,000 for a family plan. This change would save approximately \$10,000 per year for the Authority. The Board members were in agreement with the change in healthcare plan. Ms. Savino made a motion to approve the proposed CHESLA Budget and Plan of Operations for FY 2011. Seconded by Ms. Graham, the motion passed with Ms. Sanders opposing and Mr. Mengacci abstaining.

Public Participation – No public participation.

New Business:

Mr. Mengacci proposed the creation of a new Management Planning Committee. Dr. Pizzuto made a motion charging the Management Planning Committee to meet and to provide a report to the Board at the September 2010 meeting regarding recommendations pertaining to the future management of CHESLA with the following committee members: Mr. Mengacci (Chair), Mr. Meotti, Ms. Savino, Ms. Woods and Ms. Sanders. Seconded by Ms. Graham the motion passed unanimously.

The meeting adjourned at 11:03 a.m.