

# CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

## Minutes of Authority Board Meeting

March 22, 2016

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, March 22, 2016.

The meeting was called to order at 11:32 a.m. by Ms. Julie Savino, Vice Chair of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Martin L. Budd<sup>1</sup>  
Steven Kitowicz (*Rep for Honorable Benjamin Barnes*)  
Dr. Peter W. Lisi  
Julie B. Savino, Vice-Chair  
Erika Steiner (*Rep. of President, Board of Regents for Higher Education*)  
Jeanette Weldon

Absent: Paul Mutone  
Barbara Rubin, Chair  
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)

Also Present: Paula L. Herman, General Counsel, CHEFA  
Joshua Hurlock, Portfolio and Marketing Associate, CHESLA  
Carlee Levin, Sr. Accountant, CHEFA/CHESLA  
JoAnne N. Mackewicz, Controller, CHEFA  
Debra M. Pinney, Manager of Administrative Services, CHEFA

Guests: Randy Behm, Principal, Education Solution Partners, LLC  
Judith Blank, Esq., Day Pitney LLP  
Darlene Dimitrijevs, Principal, Education Solution Partners, LLC  
Melissa F. Vachon, Vice President, U. S. Bank Global Corporate Trust Services<sup>2</sup>  
William W. Veronda, Director, Merrill Lynch, Pierce, Fenner & Smith Inc., Bank of America, N.A.<sup>3</sup>  
Tim Webb, Vice President, FirstSouthwest Company, LLC<sup>4</sup>

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

<sup>2</sup> Ms. Vachon joined the meeting at 11:38 a.m. and participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>3</sup> Mr. Veronda participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>4</sup> Mr. Webb participated in the meeting via conference telephone that permitted all parties to hear each other

## **MINUTES**

Ms. Savino requested a motion to approve the minutes of the January 26, 2016 Board of Directors meeting. Mr. Budd moved to approve the minutes and Dr. Lisi seconded the motion.

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

### **AYES**

Martin Budd  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

### **NAYS**

None

### **ABSTENTIONS**

Steven Kitowicz<sup>5</sup>

## **REFINANCE PROGRAM UPDATE**

Ms. Dimitrijevs provided an update of the refinance program. CHESLA is moving forward with the implementation of the refinance loan program. Staff is currently working on contracts with CampusDoor, University Accounting Service and Maier Advertising. Some work has been done on preliminary loan pricing. The goal is to set loan rates that can be sustained for loans made after the pilot program has been replaced with a permanent structure.

Ms. Weldon pointed out that since CHESLA will be launching the program in advance of the next regularly scheduled CHESLA Board of Directors meeting, a special meeting of the CHESLA Board of Directors will be held and pricing specifics presented at that meeting, as well as details of the regular spring bond financing. The final refinance program manual will be circulated in advance of that meeting. Ms. Weldon stated that CHESLA expects to seek tax-exempt financing to continue the refinance program, with a potential financing by late summer. CHESLA is working with bond counsel to research some of the remaining tax issues relative to using tax-exempt bonds to fund the refinancing of existing student loans and once those have been resolved, CHESLA will have a funding source for an ongoing program.

## **SPRING FINANCING UPDATE**

Mr. Webb reported that the 2016 Series A bond financing will be structured similarly to what has been done over the past three to four years. Based on the projected origination schedules provided by CHESLA, the issue will be sized to generate \$15 million in loanable proceeds. Cash flows and data are being compiled at this time and will be reviewed next week. Pricing is planned for the second week in May, which will coincide with the pricing of the 10-year Treasury bill, which will be the determinate for the PLUS rate for the 2016-2017 season.

Mr. Veronda provided a market update report and indicated that he is confident that CHESLA's use of the SCRF should put it in a strong position for marketing its bonds. Mr. Webb mentioned that there will be other issuers in the student loan market at approximately the same time.

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<sup>5</sup> Mr. Kitowicz abstained from voting as he was not present at the January meeting.

Mr. Budd inquired as to how much money would be left from the previous bond issue as of May. Mr. Hurlock stated that there is currently \$4 million in remaining 2015 proceeds and \$2 million from the 2015 equity contribution.

A discussion ensued.

### **SCHOLARSHIP PROGRAM UPDATE**

Mr. Hurlock reported that of the \$2 million that was allocated for the scholarship program, disbursements have totaled \$1,734,000. There is also a \$25,000 disbursement pending distribution to the University of Saint Joseph, which will leave \$240,000 remaining from schools that did not participate in the program.

Mr. Hurlock received feedback from some of the schools on the scholarship program. They have expressed interest in receiving their awards earlier. He suggested that a good target date may be May for 2016 awards. Ms. Savino agreed that May would be workable and that schools would probably like to receive awards as soon as possible.

Ms. Savino asked if there is a proposal for the money that does not get used this year. Ms. Weldon stated that the funds will roll into the next cycle, but there will be some reallocation of funds to reflect those schools not expected to participate in 2016. A discussion ensued.

Ms. Savino suggested that CHESLA notify the schools as soon as possible that scholarship funds will be available and that there will be some reallocation of funds. Mr. Hurlock agreed that he will notify the schools.

### **FUNDING PROPOSALS**

#### **Refinance Program**

Ms. Weldon stated that there are two resolutions in connection with the refinance program. The first resolution calls for the transfer of \$5 million from CSLF to fund the refinance pilot program and also to transfer an additional amount up to \$500,000 to cover the start-up expenses of the refinancing program. The second resolution is the Declaration of Official Intent to use the tax-exempt financing for the pilot program. Ms. Blank explained that the second resolution enables CHESLA, to issue tax-exempt debt, to finance the loans originated under the pilot program, and free up cash to originate additional loans. A discussion ensued.

Mr. Budd moved to transfer up to \$6 million to fund the refinancing pilot program and to cover the start-up expenses of the refinancing program. Mr. Kitowicz seconded his motion.

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

**AYES**

**NAYS**

**ABSTENTIONS**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

None

None

Mr. Budd then moved to adopt the resolution distributed to the Board with respect to the Declaration of Intent to issue tax-exempt debt to reimburse costs and expenses of the refinance pilot program. Mr. Kitowicz seconded the motion.

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

**AYES**

**NAYS**

**ABSTENTIONS**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

None

None

**Spring Financing Equity Contribution**

Ms. Steiner moved to call for and approve an equity contribution of up to \$2 million to be transferred from CSLF for the spring financing for CHESLA’s in-school loan program, pending CSLF Board approval of the transfer. Mr. Kitowicz seconded her motion.

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

**AYES**

**NAYS**

**ABSTENTIONS**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

None

None

**2016-2017 Scholarship Program**

Ms. Steiner moved to call for and approve the use of a transfer of up to \$2 million (less amounts not distributed pursuant to the Scholarship Program in 2015) from CSLF for the CHESLA Scholarship Program, pending approval of the transfer by CSLF’s Board. Mr. Kitowicz seconded her motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin Budd Steven Kitowicz Dr. Peter Lisi Julie Savino Erika Steiner Jeanette Weldon	None	None

### **STUDENT AID–FINANCIAL LITERACY WEB PORTAL**

Ms. Weldon stated that a student aid—financial literacy working group has been formed by CHESLA with representation from CHESLA, CHET, the Office of Higher Education, the Department of Consumer Protection, a financial counselor from Southern Connecticut State University and a high school guidance counselor. The group proposes to create a web portal that will provide information on, and a link to, CHET, CHESLA and the Office of Higher Education, as well as access to financial literacy content. Ms. Weldon stated that a request for proposal was issued for the financial literacy providers and three responses were received. One of the responses was from ECMC, which is the guaranty agency for federal loans in the State. ECMC partnered with a firm called iGrad and offered their financial literacy content free. Mr. Hurlock stated that they have a very robust platform which is very impressive, such as videos, quizzes, games, etc., and they update their content daily.

Ms. Weldon stated that CHESLA would like to enter into a basic Memorandum of Understanding with the other agencies which will allow each agency to have links to the portal. The portal would be administered by CHESLA. Ms. Weldon stated that up to \$25,000 would be needed for the expenditures to develop the portal website. That estimate is based on the feedback from web developers.

Ms. Savino inquired if CHESLA would be looking to provide student access to information on federal student loans as well. Ms. Weldon stated that the portal could also contain links to the federal student loan information. Ms. Savino suggested getting input from the Department of Education concerning grades K – 12. Ms. Weldon concurred with Ms. Savino’s suggestion. A discussion ensued.

Ms. Weldon stated that the current plan is to budget for an additional staff person who, among other things, would update the web portal. CHESLA hopes to have the web portal up and running by the fall.

Mr. Budd moved to authorize entry into a Memorandum of Understanding with other agencies and stakeholders to partner and work on a web portal for student financial aid literacy and also provide up to \$25,000 for the web portal development. Dr. Lisi seconded the motion.

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

**AYES**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

**NAYS**

None

**ABSTENTIONS**

None

**STRATEGIC PLAN**

Ms. Weldon explained the process of developing CHESLA’s Strategic Plan, which is patterned after the CHEFA plan. Both plans have the same values and the same strategic priority areas. Ms. Weldon reviewed each priority area. Ms. Savino suggested adding ‘providing additional grants and financing options’ to the CHESLA’s vision statement. Ms. Weldon concurred.

Mr. Budd inquired if CHESLA will be developing an electronic newsletter to send out quarterly to schools. Ms. Savino agreed that that would be a great idea. The newsletter could be sent to financial aid officers, high school guidance communities, state legislators, etc. Ms. Weldon concurred and agreed to add that initiative to the strategic plan.

Mr. Budd moved to accept the strategic plan, with the incorporation of the two modifications as discussed. Mr. Kitowicz seconded the motion.

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

**AYES**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

**NAYS**

None

**ABSTENTIONS**

None

**QUARTERLY FINANCIAL REPORT**

Ms. Levin provided the quarterly financial report for the period ending December 31, 2015.

**EXECUTIVE DIRECTOR’S REPORT**

Mr. Hurlock provided an update on CHESLA’s marketing initiatives, loan disbursements and loan originations.

Ms. Weldon explained that the Comptroller’s Office is requesting that quasi-public agencies participate on a voluntary basis in providing vendor expense information annually to be posted

on their web portal initiative entitled 'Open CT'. CHESLA will participate but expects to include a notation that no taxpayer dollars pay for these expenses.

CHESLA will be holding a special board meeting at a date to be determined in April or May to approve the final refinance program manual and the spring bond financing for CHESLA.

Ms. Weldon stated that CHEFA has selected new auditors, CohnReznick and they will be onsite beginning next month.

**ADJOURNMENT**

There being no further business, at 12:51 p.m. Mr. Budd moved to adjourn the meeting and Mr. Kitowicz seconded the motion.

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

**AYES**

**NAYS**

**ABSTENTIONS**

Martin Budd  
Steven Kitowicz  
Dr. Peter Lisi  
Julie Savino  
Erika Steiner  
Jeanette Weldon

None

None

Respectfully submitted,

Jeanette W. Weldon  
Executive Director