

# CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

## Minutes of Authority Board Meeting

June 9, 2015

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, June 9, 2015.

The meeting was called to order at 11:30 a.m. by Ms. Julie Savino, Vice-Chair of the CHESLA Board of Directors. Those present and absent were as follows:

Present:

Jeffrey A. Asher  
Martin L. Budd  
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)  
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)  
Julie B. Savino, Vice-Chair

Absent:

Dr. Peter W. Lisi  
Paul Mutone  
Barbara Rubin, Chair  
Erika Steiner (*Rep. for Board of Regents for Higher Education*)

Also Present:

Jeanette Weldon, Executive Director  
Paula L. Herman, General Counsel, CHEFA  
Joshua Hurlock, Portfolio and Marketing Associate  
Carlee Levin, Sr. Accountant, CHEFA/CHESLA  
JoAnne N. Mackewicz, Controller, CHEFA  
Debra M. Pinney, Manager of Administrative Services, CHEFA  
Norberto Ramirez, CIAF, CHEFA  
Samuel E. Rush, Deputy Director<sup>1</sup>

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

Guests:

Randy Behm, Partner, Education Solutions Partners LLC  
Judith Blank, Esq., Day Pitney  
Darlene Dimitrijevs, Partner, Education Solutions Partners LLC  
Vignesh Kumar, Intern Student, Treasurer's Office  
William Veronda, Director, Bank of America Merrill Lynch<sup>2</sup>  
Jeffrey Wagner, Managing Director, RBC Capital Markets<sup>3</sup>  
Tim Webb, Vice President, FirstSouthwest Company, LLC<sup>4</sup>  
Gary Wolf, RBC Capital Markets<sup>5</sup>

## **MINUTES**

Ms. Savino requested a motion to approve the minutes of the May 20, 2015 Board of Directors meeting. Mr. Budd requested a change be made on page 4, third paragraph, on the second line of the minutes: insert the word "trust" between the words "the" and "so". Mr. Budd moved to approve the amended minutes and Mr. Kitowicz seconded his motion.

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

### **AYES**

Jeffrey Asher  
Martin Budd  
Steven Kitowicz  
Sarah Sanders  
Julie Savino

### **NAYS**

None

### **ABSTENTIONS**

None

## **AUDIT-FINANCE/HUMAN RESOURCES COMMITTEE REPORT**

Mr. Kitowicz reported that at the Audit-Finance/Human Resources Committee Meeting, Ms. Weldon provided an overview of the proposed FY 2016 Operating Budget and the committee members approved the budget.

Ms. Savino requested a motion to approve the proposed Operating Budget for the FY ending June 30, 2016, which was included in the Board meeting materials. Mr. Asher moved to approve the proposed Operating Budget for FY 2016; Mr. Kitowicz seconded the motion.

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

### **AYES**

Jeffrey Asher  
Martin Budd  
Steven Kitowicz  
Sarah Sanders  
Julie Savino

### **NAYS**

None

### **ABSTENTIONS**

None

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<sup>2</sup> Mr. Veronda participated in the meeting via conference telephone that permitted all parties to hear each other.

<sup>3</sup> Mr. Wagner 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.

<sup>5</sup> Mr. Wolf participated in the meeting via conference telephone that permitted all parties to hear each other.

## **APPROVAL TO MODIFY ADMINISTRATIVE FEE FOR LOANS HELD UNDER THE 1990 RESOLUTION**

Ms. Weldon pointed out that the Resolution presented pertains to having a 50 basis points applied to all of the loans in the 1990 Trust, as assumed in the bond issue cash flows. The 50 basis point fee was also assumed in the FY 2016 Operating Budget.

Ms. Savino introduced Resolution #2015-3, a resolution to modify the administrative fee for loans held under the 1990 Resolution, which resolution was handed out at the Board meeting. Mr. Budd moved for adoption of Resolution #2015-3 and 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>
Jeffrey Asher Martin Budd Steven Kitowicz Sarah Sanders Julie Savino	None	None

## **QUARTERLY FINANCIAL REPORT**

Ms. Levin provided an overview of the agency’s income statement for the nine months ending March 31, 2015. Revenues over expenses, before the amortization of the bond insurance premium costs, were \$119,733. Revenues over expenses, after amortization, were \$103,062. Total revenues were \$3,600 over budget and total expenses were \$14,268 under budget, which was due primarily to the timing of marketing and conference expenditures vs. the budget and also to CHESLA receiving a refund of \$1,084 from the Willis of Connecticut regarding the Public Officials Policy.

Ms. Levin provided an overview of the bond fund consolidated statement of revenues, expenses and change in net position report. The total increase in net position, for nine months ending March 31, 2015, was \$1.45 million. Of that, the 1990 Resolution had an increase of \$1.07 million and the 2003 Resolution had an increase of \$375,428. There were no out of ordinary transactions between the agency and the bond funds.

## **CHESLA SCHOLARSHIP PROGRAM UPDATE**

Ms. Weldon provided an overview of the CHESLA Scholarship Program handout, which was compiled by Mr. Rush. The CHESLA Scholarship Program originated with some Board discussions, followed up by a meeting with a small group of financial aid administrators to obtain their feedback. Ms. Weldon reviewed aspects of the program. The goal is to provide need-based college scholarships to Connecticut residents attending nonprofit, degree granting institutions of higher education within the State. The award would provide students with additional assistance, other than loans, to finance their college education. The program will assist in broadening the name recognition of CHESLA, and its commitment and mission of helping Connecticut residents finance higher education. The target date for this program is for the fall semester of the 2015/2016 academic period. Ms. Weldon stated that at the last

Connecticut Student Loan Foundation (CSLF) Board meeting, the CSLF Board approved the transfer of \$2 million from CSLF to CHESLA for this purpose.

Ms. Weldon reviewed the qualifications for students to be eligible for the program. CHESLA would allocate a certain amount of money to the schools and the schools would go through the process of identifying the students who have financial need. The schools would then be reporting back to CHESLA to ensure the funding is used as intended. The maximum award per academic year may not exceed \$3,000 for a full-time student or \$1,500 for a part-time student. Mr. Rush developed school allocation methodologies based on enrollment and based on endowment per student.

For ease of use, Staff recommended the enrollment allocation methodology. A discussion ensued.

Ms. Herman inquired if the program is limited to undergraduate students.

Mr. Budd moved to approve the CHESLA Scholarship Program but limit it to “undergraduate degree” students. 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>
Jeffrey Asher Martin Budd Steven Kitowicz Sarah Sanders Julie Savino	None	None

Mr. Budd moved to approve the enrollment based allocation methodology, as outlined in the program overview handout. 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>
Jeffrey Asher Martin Budd Steven Kitowicz Sarah Sanders	None	Julie Savino <sup>6</sup>

### **EXECUTIVE DIRECTOR’S REPORT**

Mr. Hurlock distributed a copy of his report on the gross pending disbursements and reported that as of June 1, 2015, the gross pending disbursements were \$21,783. He noted that he attended the National Association for College Admissions Counseling fair at the Convention

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<sup>6</sup> Ms. Savino recused herself from voting for this program as she is the Dean of University Financial Aid at Sacred Heart University.

Center in March 2015 and he hopes to continue to attend this event in the future. He also commented on current marketing initiatives, including advertising on WTNH.

Ms. Weldon reported that pricing for the 2015 bond issue will take place on June 10, 2015. A preliminary pricing call has already occurred. Unfortunately, the market has moved away since CHESLA's original schedule, which was pricing in the mid-May timeframe. It has also moved by approximately 25 basis points since the cash flows were presented on May 20<sup>th</sup>. The cash flows showed a loan rate of 5.50%. There is some market volatility, but Staff is seeking a rate that does not exceed 5.50%.

Ms. Savino inquired if there is a possibility of offering a 5.25% loan rate. Mr. Webb stated that the rate could be made lower to the 5.25% level but he would have to look at the impact if bond yields were to remain at the pre-pricing scale. A discussion ensued.

Mr. Budd suggested a loan rate of 5.25%, as long as the cash flows show that the Authority can meet payments as they come due. Ms. Weldon pointed out that RBC previously ran the cash flows at the 5.25% loan rate and it would cost approximately \$600,000 of the residual. A discussion ensued.

After further discussion, Mr. Budd moved for the Authority to offer a loan rate of 5.25% or lower, as long as the Trust residual can be used to support that rate. Mr. Asher seconded his 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>
Jeffrey Asher Martin Budd Steven Kitowicz Sarah Sanders Julie Savino	None	None

#### **AUTHORIZATION TO APPOINT CHEFA OFFICERS AS AUTHORIZED OFFICERS OF THE AUTHORITY AS OF JULY 1, 2015**

Ms. Weldon explained that with Mr. Asher retiring, CHESLA will need to have additional officers authorized as primary check signers, as checks require two signatures.

Ms. Savino introduced Resolution #2015-04 to appoint Ms. Weldon, Ms. Herman, Mr. Morris and Ms. Peoples, as Authorized Officers of the Authority, and to authorize any specific form of resolution required by a bank or other financial institution to evidence the authority of the Authorized Officers. Mr. Budd motioned to approve Resolution #2015-04 and Ms. Sanders seconded his motion.

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

**AYES**

Jeffrey Asher  
Martin Budd  
Steven Kitowicz  
Sarah Sanders  
Julie Savino

**NAYS**

None

**ABSTENTIONS**

None

Mr. Budd inquired if Ms. Weldon could provide more detail on the CHESLA Student Refinancing Pilot Program at the September Board meeting. Ms. Weldon concurred.

**ADJOURNMENT**

There being no further business, at 12:42 p.m., Mr. Kitowicz moved to adjourn the meeting and Mr. Asher seconded the motion.

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

**AYES**

Jeffrey Asher  
Martin Budd  
Steven Kitowicz  
Sarah Sanders  
Julie Savino

**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted,

Jeanette W. Weldon  
Executive Director

**CHESLA Budget**  
**Budget for the Twelve Months Ending June 30, 2016**

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual *	FYE June 30, 2016 Budget
<b>Revenues</b>						
Admin Fee Income	\$ 753,984	\$ 686,726	\$ 699,022	\$ 644,283	\$ 646,367	\$ 758,163
Investment Income	4,078	4,500	3,133	3,600	2,945	2,800
Misc Income & Recovery	10,814	0	1,440	0	0	0
<b>Total Revenues</b>	<b>\$ 768,876</b>	<b>\$ 691,226</b>	<b>\$ 703,595</b>	<b>\$ 647,883</b>	<b>\$ 649,312</b>	<b>\$ 760,963</b>
<b>Expenses</b>						
Compensation	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435	\$ 151,055	\$ 159,007
Employee Benefits	49,592	52,184	52,668	49,757	45,017	48,994
General and Administrative	65,856	109,298	73,683	87,886	76,314	91,960
Business Education, Board and Reimbursable	6,905	12,750	6,710	13,250	7,332	11,750
Membership Dues	6,112	14,500	11,644	14,500	12,029	12,500
CHEFA Support Services	106,179	142,874	142,874	149,587	149,587	154,955
Outside Services	156,647	36,000	34,624	36,038	35,038	38,800
<b>Total Expenses</b>	<b>\$ 530,850</b>	<b>\$ 512,746</b>	<b>\$ 466,426</b>	<b>\$ 502,453</b>	<b>\$ 476,371</b>	<b>\$ 517,965</b>
<b>Excess Revenue from Operations</b>	<b>\$ 238,026</b>	<b>\$ 178,480</b>	<b>\$ 237,169</b>	<b>\$ 145,430</b>	<b>\$ 172,941</b>	<b>\$ 242,998</b>
Bond Issuance Costs & Amortization & Transfer to Trust	729,704	25,627	325,627	22,227	22,227	29,795
<b>Total Excess Revenue</b>	<b>\$ (491,678)</b>	<b>\$ 152,853</b>	<b>\$ (88,458)</b>	<b>\$ 123,203</b>	<b>\$ 150,713</b>	<b>\$ 213,203</b>
<b>Benefit % to Compensation</b>	<b>35.54%</b>	<b>35.95%</b>	<b>36.52%</b>	<b>32.86%</b>	<b>29.80%</b>	<b>30.81%</b>

\* Projected Actual is based on Actual Financials as of March 31, 2015, plus 3 months of projected amounts.

**CHESLA Salary & Benefits Expense**  
**Budget for the Twelve Months Ending June 30, 2016**

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
<b>Staff Compensation</b>	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435	\$ 151,055	\$ 159,007
<b>Total Compensation</b>	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435	\$ 151,055	\$ 159,007
<b>Payroll Taxes</b>	\$ 10,689	\$ 11,061	\$ 10,995	\$ 11,677	\$ 11,677	\$ 12,258
<b>Medical &amp; Life Insurance</b>						
CBIA Medical w/CBIA Life	6,781	9,334	7,885	3,796	3,419	3,732
Deductible Funding HSA (CHEFA)	1,875	3,750	5,625	2,812	2,813	1,875
Less: CBIA Co-insurance	(2,005)	(2,321)	(1,960)	(562)	(505)	(552)
Net Medical Insurance	6,651	10,763	11,550	6,046	5,726	5,055
CHEFA Alternative Insurance	2,800	2,800	3,033	2,800	2,800	2,800
Life Insurance	717	769	815	953	645	658
Dental	2,218	2,335	2,767	2,907	2,490	2,273
<b>Total Medical, Life Insurance &amp; Other</b>	12,386	16,667	18,166	12,706	11,662	10,786
<b>Pension</b>						
Contributions	13,387	14,514	14,384	15,144	15,047	15,901
Administrative Fee	0	574	574	594	594	594
Total Pension	13,387	15,088	14,958	15,738	15,641	16,495
<b>457 Plan</b>	2,515	2,551	2,508	3,000	2,508	2,508
<b>Vacation</b>	5,125	0	0	0	0	0
<b>Disability Insurance - Long Term</b>	549	597	625	621	471	453
<b>Disability Insurance - Short Term</b>	570	620	649	647	579	679
<b>Workers Compensation</b>	351	600	748	368	379	815
<b>Tuition</b>	4,020	5,000	4,020	5,000	2,100	5,000
<b>Total Employee Benefits</b>	49,592	52,184	52,668	49,757	45,017	48,994
<b>Total Employment</b>	\$ 189,150	\$ 197,324	\$ 207,887	\$ 201,192	\$ 196,072	\$ 208,001



**CHESLA Non Salary Expense**  
**Budget for the Twelve Months Ending June 30, 2016**

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
<b>Lease &amp; Storage</b>						
Lease - Office Space	\$ 8,329	\$ 12,048	\$ 12,048	\$ 12,362	\$ 12,388	\$ 12,668
Lease - Taxes/CAM fees	0	0	29	196	87	1,437
Offsite Storage & Filesanywhere (electronic storage)	321	400	433	114	100	114
<b>Total Lease &amp; Storage</b>	<b>8,650</b>	<b>12,448</b>	<b>12,509</b>	<b>12,672</b>	<b>12,575</b>	<b>14,219</b>
<b>Business Insurance</b>						
Office Package	1,103	642	608	653	587	677
Cyber Policy	0	10,000	4,563	6,567	5,909	5,609
Fiduciary & Performance Bond & Terrorism	86	150	48	303	277	445
Directors and Officers Liability / Public Officials	25,489	33,540	18,723	16,753	13,652	14,591
<b>Total Business Insurance</b>	<b>26,678</b>	<b>44,332</b>	<b>23,943</b>	<b>24,276</b>	<b>20,424</b>	<b>21,323</b>
<b>Office Supplies and Non Capital Equipment</b>						
General Office Expense and Supplies	983	1,200	1,350	1,300	877	1,300
Non-Capital furniture, Equipment & Software Licensing	5,555	500	654	1,000	316	3,060
<b>Total Office Supplies and Non Capital Equip</b>	<b>6,538</b>	<b>1,700</b>	<b>2,004</b>	<b>2,300</b>	<b>1,193</b>	<b>4,360</b>
<b>Communications: Telephone &amp; Internet</b>						
Phone, Data Svc & Conferencing	2,677	2,616	2,650	2,600	2,199	2,600
Website Development & Hosting	361	452	268	500	488	500
<b>Total Communications: Phone &amp; Internet</b>	<b>3,037</b>	<b>3,068</b>	<b>2,917</b>	<b>3,100</b>	<b>2,687</b>	<b>3,100</b>
<b>Postage Expense</b>						
Postage & Courier Expense	2,842	2,750	2,568	2,761	3,616	3,000
<b>Maintenance Contracts</b>	<b>4,769</b>	<b>5,534</b>	<b>5,635</b>	<b>5,277</b>	<b>5,099</b>	<b>6,058</b>
<b>Publications &amp; Resource Materials</b>	<b>0</b>	<b>500</b>	<b>144</b>	<b>500</b>	<b>144</b>	<b>300</b>
<b>Marketing Costs</b>						
Advertising	4,240	20,000	17,174	20,000	18,450	22,000
Brochures	999	1,000	972	1,000	1,000	1,000
Fees - Exhibit/Sponsorship	300	1,000	450	1,000	2,300	3,500
Promotional Items - Exhibit/Sponsorship	548	1,000	625	1,000	477	2,000
Community Programs	3,000	6,000	3,000	6,000	3,300	4,000
Misc Marketing	913	6,000	109	5,000	3,476	5,000
<b>Total Marketing Costs</b>	<b>10,001</b>	<b>35,000</b>	<b>22,330</b>	<b>34,000</b>	<b>29,003</b>	<b>37,500</b>
<b>Miscellaneous</b>						
ADP Payroll Service	1,270	1,300	1,314	1,350	1,405	1,450
Bank Fees & Safe Deposit Box	155	150	297	150	150	150
Staff Activities	0	125	0	500	0	0
Miscellaneous	1,917	2,391	23	1,000	0	500
<b>Total Miscellaneous</b>	<b>3,342</b>	<b>3,966</b>	<b>1,633</b>	<b>3,000</b>	<b>1,555</b>	<b>2,100</b>
<b>Total General and Administrative Expenses</b>	<b>\$ 65,856</b>	<b>\$ 109,298</b>	<b>\$ 73,683</b>	<b>\$ 87,886</b>	<b>\$ 76,294</b>	<b>\$ 91,960</b>
<b>Bond Insurance Cost - Amortization</b>	<b>29,507</b>	<b>25,627</b>	<b>25,627</b>	<b>22,227</b>	<b>22,227</b>	<b>29,795</b>
<b>Bond Issuance Costs</b>	<b>700,197</b>	<b>0</b>	<b>300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Bond Issuance Cost</b>	<b>\$ 729,704</b>	<b>\$ 25,627</b>	<b>\$ 325,627</b>	<b>\$ 22,227</b>	<b>\$ 22,227</b>	<b>\$ 29,795</b>

**CHESLA Non Salary Expense**  
**Budget for the Twelve Months Ending June 30, 2016**

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
<b>Depreciation</b>		\$ 0		\$ 0	0	\$ 0
<b>Employee Reimbursable</b>						
Staff business and travel expenses	1,458	750	268	750	92	500
<b>Total Employee Reimbursable</b>	1,458	750	268	750	92	500
<b>Board Expense</b>						
Board lunches	1,024	1,500	830	1,500	691	1,000
Board education	0	1,000	-	1,000	0	0
<b>Total Board Expense</b>	1,024	2,500	830	2,500	691	1,000
<b>Conference &amp; Education Expense</b>						
CAPFAA	1,197	1,000	1,606	1,500	1,279	1,500
EFC	635	4,000	1,859	3,000	2,003	2,750
EASFAA	102	1,000	0	1,000	0	0
NASFAA	2,463	2,500	2,049	3,500	3,268	5,000
Other (Conferences and non tuition education)	27	1,000	99	1,000	0	1,000
<b>Total Conference &amp; Education Expense</b>	4,424	9,500	5,612	10,000	6,549	10,250
<b>Education - Board</b>	-	-	0	0	0	0
<b>Total Business Education, Board and Reimbursable</b>	\$ 6,905	\$ 12,750	\$ 6,710	\$ 13,250	\$ 7,332	\$ 11,750
<b>Memberships Dues</b>	\$ 6,112	\$ 14,500	\$ 11,644	\$ 14,500	\$ 11,570	\$ 12,500
<b>CHEFA Support Services</b>	\$ 106,179	\$ 142,874	\$ 142,874	\$ 149,587	\$ 149,587	\$ 154,955

**CHESLA Non Salary Expense  
Budget for the Twelve Months Ending June 30, 2016**

	<b>FYE June 30, 2013 Budget</b>	<b>FYE June 30, 2013 Actual</b>	<b>FYE June 30, 2014 Budget</b>	<b>FYE June 30, 2014 Actual</b>	<b>FYE June 30, 2015 Budget</b>	<b>FYE June 30, 2015 Proj Actual</b>	<b>FYE June 30, 2016 Budget</b>
<b>Accounting Systems</b>							
Enhancements (IT)	0	197	1,000	374	1,000	-	<b>1,000</b>
<b>Total Accounting and IT Systems</b>	0	197	1,000	374	1,000	0	<b>1,000</b>
<b>Consultant Others</b>							
Beers Hamerman & Co.	15,140	15,950	0	0	0	0	<b>0</b>
CCIC	26,500	26,500	0	0	0	0	<b>0</b>
Insurance Consultant	0	0	8,000	8,000	8,000	8,000	<b>6,300</b>
<b>Total Consultant Others</b>	41,640	42,450	8,000	8,000	8,000	8,000	<b>6,300</b>
<b>Legal</b>	80,000	80,000	0	0	0	0	<b>0</b>
<b>Independent Auditors</b>	34,000	34,000	27,000	26,250	27,038	27,038	<b>31,500</b>
<b>Total Outside Services</b>	\$ 155,640	\$ 156,647	\$ 36,000	\$ 34,624	\$ 36,038	\$ 35,038	<b>\$ 38,800</b>