

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Special Board Meeting July 3, 2012

The State of Connecticut Higher Education Supplemental Loan Authority (CHESLA) met at - 12:00 p.m. on Tuesday, July 3, 2012.

The meeting was called to order at 12:13 p.m. by Barbara Rubin, Chair of the Board of Directors of the Authority. Those present and absent were as follows:

Present: Barbara Rubin, Chair
Jeffrey A. Asher
Richard Bishop (Rep. for Robert Kennedy, President of CT Board of Regents for Higher Education)
Martin L. Budd¹
Steven Kitowicz (Rep. for Secretary Benjamin B. Barnes)
Peter W. Lisi
Paul Mutone
Sarah K. Sanders (Rep. for Honorable Denise L. Nappier)
Julie B. Savino

Also Present: Jeanette Weldon, Executive Director
Carlee Levin, Accountant, CHEFA
Cynthia D. Peoples, Assistant Director, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Jennifer Smyth, Legal Services Specialist, CHEFA
JoAnne N. Mackewicz, Controller, CHEFA
Joshua Hurlock, Portfolio and Marketing Assistant
Paula L. Herman, General Counsel, CHEFA

Guests: Judith Blank, Day Pitney (General and Bond Counsel)
Michael P. Meotti, Executive Vice President, Connecticut Board of Regents for Higher Education

¹ Mr. Budd attended the meeting via telephone in an unofficial capacity.

INTRODUCTIONS

Ms. Rubin requested the board meeting attendees introduce themselves.

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the June 5, 2012 meeting of the Board of Directors. Ms. Sanders moved for approval of the minutes, which was seconded by Mr. Kitowicz.

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

AYES

Steven Kitowicz
Sarah K. Sanders
Julie B. Savino

NAYS

None

ABSTENTIONS

Jeffrey A. Asher²
Martin L. Budd
Richard Bishop³
Peter W. Lisi⁴
Paul Mutone⁵
Barbara Rubin⁶

ELECTION OF VICE CHAIR

Ms. Rubin nominated Julie B. Savino for the position of Vice Chair of the Authority Board of Directors. All were in favor of Ms. Rubin’s nomination of Julie B. Savino as Vice Chair.

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

AYES

Barbara Rubin
Jeffrey A. Asher
Richard Bishop
Steven Kitowicz
Peter W. Lisi
Paul Mutone
Sarah K. Sanders
Julie B. Savino

NAYS

None

ABSTENTIONS

Martin L. Budd

² Mr. Asher abstained from voting as he was not in attendance at the June 5, 2012 meeting.

³ Mr. Bishop abstained from voting as he was not in attendance at the June 5, 2012 meeting.

⁴ Mr. Lisi abstained from voting as he was not in attendance at the June 5, 2012 meeting.

⁵ Mr. Mutone abstained from voting as he was not in attendance at the June 5, 2012 meeting.

⁶ Ms. Rubin abstained from voting as she was not in attendance at the June 5, 2012 meeting.

PROPOSED MEETING SCHEDULE

All Board of Directors agreed to the meeting dates on the proposed meeting schedule for the remainder of 2012 and 2013, but agreed to change the meeting time on the schedule from 3:30 p.m. to 3:00 p.m.

EXECUTIVE DIRECTOR'S REPORT

Ms. Weldon stated that she is looking forward to working with the Board of Directors and is excited to have the opportunity to work with the CHESLA staff.

Ms. Weldon reported that at the last CHESLA Board of Directors meeting, she was named the Executive Director of CHESLA effective July 1, 2012. Ms. Judith B. Greiman resigned as Executive Director of CHESLA effective July 1, 2012. Ms. Weldon pointed out that CHESLA previously had a contract with the Connecticut Conference of Independent Colleges (CCIC) and notice was given to CCIC to terminate the contract on or prior to September 30, 2012. Currently in place is a Memorandum of Understanding which provides for Ms. Greiman to remain as a resource to CHESLA for the next three months. Ms. Weldon added that the CHESLA staff, Samuel Rush and Joshua Hurlock, will remain at CHESLA's Farmington office throughout the summer. Ms. Weldon stated that this will provide a transition period and also accommodates lending activity that is anticipated to occur this summer.

Ms. Weldon's plan during the course of the summer is to spend a significant amount of time at the CHESLA Farmington office so that she can familiarize herself with CHESLA's operations. Ms. Weldon has been preparing for this transition over the last few months. The Accounting staff at CHEFA will be working with the CHESLA staff to transition the accounting function from their outside accountants to the Authority's in-house accountants. Ms. Weldon added that signers on the CHESLA bank accounts have already been changed and as with CHEFA, ADP will be used for payroll. On the IT side, there have been discussions on how to transition everything as seamlessly as possible.

Ms. Weldon reported that the State Auditors are currently at CHESLA offices. Their Audit Report should provide insights for the Board of Directors on improvements to processes/procedures moving forward. Ms. Weldon stated that the independent auditors, BlumShapiro, have started their work and included in the board packet is one of their required communications.

Ms. Weldon referred to the portfolio fact sheet provided to the Board members. Further discussion ensued.

Mr. Asher inquired as to how much of the bond proceeds are currently unlent. Ms. Weldon responded that there is approximately \$16 million of proceeds that are unlent and her understanding is that this is equivalent to one academic year of lending. The expectation is that those funds will be used and perhaps in 18 months or so, there would be a consideration of another bond issue to finance more loans.

Ms. Weldon asked Board members how they would like to handle board education/orientation and offered some suggestions regarding guest speakers. Further discussion ensued.

Ms. Weldon was asked to make some recommendations on possible dates/times to meet for Board education/orientation purposes before the next board meeting in September.

Ms. Weldon pointed out that at the next board meeting, Ms. Herman will present the updated CHESLA By-Laws; Ethics Policy and Written Procedures.

BOARD STRUCTURE AND OPERATIONS

Ms. Weldon stated that the prior Board structure consisted of several committees: a Bond Committee; Personnel/Affirmative Action Committee; Audit Committee; Management Planning Committee, a 2% loan yield working group and vendor selection committee for each type of vendor. Ms. Weldon proposed that the Board have the following committees: Audit; Human Resources and a Vendor Selection Committee. Further discussion ensued and Mr. Budd suggested consideration of an Executive Committee.

Ms. Rubin recommended that Ms. Weldon develop an effective Board structure of committees and the Board could review it and vote on it at the next board meeting. All Board members were in agreement.

Ms. Sanders inquired as to the Board adopting new By-Laws for CHESLA. Ms. Herman stated that the revised By-Laws, Ethics Policy and Written Procedures will be amended and discussed at the September board meeting. Ms. Herman pointed out that the current CHESLA By-Laws that are in place only allow telephonic meetings held for emergency situations and the plan is to change that to allow for telephonic meetings in the future.

PROPOSED FY 2013 OPERATING BUDGET

Ms. Weldon stated that at the board meeting of the prior CHESLA board, a resolution was passed extending the existing 2012 budget through July 31, 2012. At today's board meeting, a full FY 2013 budget is being presented.

Ms. Weldon presented the proposed CHESLA Operating Budget for the twelve months ending June 30, 2013. Ms. Weldon reported that the revenues were derived from the administrative fees that are associated with loans. The fees are drawn from the trust accounts that are held by the trustee. Ms. Weldon explained that the fees associated with loans are transferred to the operating fund of CHESLA and become revenue. Ms. Weldon reported that there was a change in the administrative fees going from 60 basis points to 30 basis points per annum. This was put in place to ensure that there were ample projected revenues available to pay debt service while still providing CHESLA with adequate funds for operations.

Ms. Weldon reported that on the expense side, for Compensation and Benefits, the CHESLA benefit package has been conformed to the CHEFA benefit package. As in the CHEFA budget, a pool of dollars was budgeted for merit increases for the CHESLA staff up to 3% with the actual amount of any increase based on a recommendation and performance evaluations completed by the previous Executive Director. Ms. Weldon stated that she will be following the recommendations of the previous Executive Director as to how much of the 3% pool will actually be used.

Mr. Budd complimented Ms. Weldon on her presentation of the proposed budget.

Further discussion ensued on the compensation and benefits budget for FY 2013.

Ms. Weldon reviewed Non-Personnel Expenses such as Accounting Services, Audit Services, Interim Services-CCIC and Legal Services in the budget. Ms. Weldon pointed out that the chart on Page 6 of her memo identifies a comparison of pre-CHEFA Budget FY 2012 services to post-CHEFA Budget for FY 2013 services to projected post CHEFA Budget 2014 services. Savings are not likely to be achieved until FY 2014, given that FY 2013 is a transition year with some interim services in use.

Further discussion ensued on the CHESLA operating budget.

Ms. Sanders inquired if Management will be tracking CHEFA staff time serving CHESLA. Ms. Weldon indicated that staff may be asked to track hours for a period of time to get a sampling of hours spent supporting CHESLA to ensure the estimates projected are accurate.

Ms. Sanders inquired whether CHESLA will have a financial advisor. Ms. Weldon stated that CHESLA will be sending out an RFP for a financial advisor over the summer. The contract for the current financial advisor ends in September. Ms. Weldon concurred that it is extremely critical to have a financial advisor, particularly with regard to cash flow projections.

Ms. Weldon recommended that the Board of Directors vote on the Compensation and Benefits budget separately from the remaining Operations budget. All board members agreed.

Ms. Rubin requested a motion to approve the Proposed FY 2013 Compensation and Benefits budget. Ms. Savino moved for approval, which was seconded by Mr. Asher.

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

AYES

Barbara Rubin
Jeffrey A. Asher
Richard Bishop
Peter W. Lisi
Paul Mutone
Julie B. Savino

NAYS

Steven Kitowicz
Sarah K. Sanders

ABSTENTIONS

Martin L. Budd

Ms. Rubin requested a motion to approve the remainder of the Proposed FY 2013 Operating Budget for the Authority. Ms. Savino moved for approval, which was seconded by Mr. Mutone.

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

AYES

Barbara Rubin
Jeffrey A. Asher
Richard Bishop
Steven Kitowicz
Peter W. Lisi
Paul Mutone
Sarah K. Sanders
Julie B. Savino

NAYS

None

ABSTENTIONS

Martin L. Budd

Mr. Asher pointed out that the Authority agreed to report to the Higher Education Committee at the end of the first fiscal year as to what savings there were, if any, pertaining to the consolidation of CHESLA/CHEFA. In addition, Mr. Asher stated that the Authority may want to report the FY 2014 budget to the Higher Education Committee as well. All Board Members agreed.

ADJOURNMENT

There being no further business, at 1:10 p.m., Ms. Sanders moved to adjourn the meeting and Mr. Lisi seconded her motion.

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

AYES

Barbara Rubin
Jeffrey A. Asher
Richard Bishop
Steven Kitowicz
Peter W. Lisi
Paul Mutone
Sarah K. Sanders
Julie B. Savino

NAYS

None

ABSTENTIONS

Martin L. Budd

Respectfully submitted,

Jeanette W. Weldon
Executive Director