

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Meeting
September 17, 2013

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Tuesday, September 17, 2013.

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

Present: Barbara Rubin, Chair¹
Jeffrey A. Asher
Martin L. Budd
Steven Kitowicz (*Rep. for Secretary Benjamin B. Barnes*)
Dr. Peter W. Lisi
Sarah K. Sanders (*Rep. for Honorable Denise L. Nappier*)
Julie B. Savino, Vice-Chair

Absent: Richard Bishop (*Rep. for Board of Regents for Higher Education*)
Paul Mutone

Also Present: Jeanette Weldon, Executive Director
Paula L. Herman, General Counsel, CHEFA
Joshua Hurlock, Portfolio and Marketing Associate
Carlee Levin, Accountant, CHEFA
JoAnne N. Mackewicz, Controller, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel E. Rush, Deputy Director

¹ Ms. Rubin attended the meeting via telephone.

Guests: Randy Behm, Education Solution Partners
 Judith Blank, Esq., Day Pitney
 Darlene Dimitrijevs, Education Solution Partners
 Nancy Hancock, Counsel to CSLF, Pullman & Comley
 James Horwarth (CSLF board member)²
 Kerry Kelley, State of Connecticut, Office of Policy and Management
 Craig Lappen, (CSLF board member)³
 Frank Miceli, Audit Partner, Saslow, Lufkin & Buggy, LLP
 William Pomponi, Sr. Audit Manager, Saslow, Lufkin & Buggy, LLP
 Elizabeth Hammer, Vice President, U. S. Bank
 Joseph Santoro, Director, Bank of America Merrill Lynch⁴
 Jeffrey Wagner, RBC Capital Markets⁵
 Gary Wolf, RBC Capital Markets⁶
 Tim Webb, Vice President, FirstSouthwest

MINUTES

Ms. Savino requested a motion for approval of the minutes of the June 18, 2013 Board of Directors meeting. Dr. Lisi moved for approval of the minutes, which was seconded by Mr. Kitowicz.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Steven Kitowicz Dr. Peter W. Lisi Sarah Sanders Julie Savino	None	Martin Budd ⁷

Mr. Budd asked that a copy of the approved budget be attached as an exhibit to the June 18 minutes. Ms. Weldon concurred.

**REPORT OF THE AUDIT-FINANCE/HUMAN RESOURCES COMMITTEE – FY 2013
 AUDITED FINANCIAL STATEMENTS**

² Mr. Horwarth joined the meeting at 11:37 a.m.
³ Mr. Lappen joined the meeting at 11:37 a.m.
⁴ Mr. Santoro attended the meeting via telephone.
⁵ Mr. Wagner attended the meeting via telephone.
⁶ Mr. Wolf attended the meeting via telephone.
⁷ Mr. Budd abstained from voting as he did not attend the June 18 Board Meeting.

Mr. Kitowicz reported that the Committee received a positive audit report from the auditors, Saslow, Lufkin & Buggy. He added that this year the auditors completed a consolidated audit on both CHEFA and CHESLA. There were no audit findings.

Ms. Savino thanked Ms. Mackewicz and the Accounting staff, Mr. Rush and Ms. Weldon for providing all the information needed for the consolidated audit.

Mr. Budd moved to accept the Audit Report on CHESLA and the FY 2013 Audited Financial Statement Report. Mr. Kitowicz seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Barbara Rubin Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Sarah Sanders Julie Savino	None	None

OVERVIEW OF THE CONNECTICUT STUDENT LOAN FOUNDATION

Ms. Weldon stated that the mission of the Connecticut Student Loan Foundation (CSLF) overlaps with CHESLA’s mission, although CSLF is a different type of entity with a different history. For that reason, representatives of CSLF were asked to present an overview to the CHESLA Board of Directors. In addition to her role as the Treasurer’s designee for the CHESLA Board, Ms. Sanders serves as the Chair of the Board of Directors of CSLF.

Ms. Sanders introduced two members from the CSLF Board: Mr. James Horwarth, Head of Finance & Administration at Eastern Connecticut State University and Acting CFO for the Connecticut Board of Regents; and Mr. Craig Lappen, a Board member of the Connecticut Board of Regents, who has his own financial advisory firm. She also introduced Ms. Nancy Hancock from Pullman and Comley who serves as General Counsel for CSLF and Ms. Darlene Dimitrijevs and Mr. Randy Behm from Education Solution Partners, which provides day-to-day management.

Mr. Behm and Ms. Dimitrijevs provided a presentation on CSLF’s history, board composition and changes, authorized activities and current financial status, 2009 challenges, and primary administrative activities and functions.

Further discussion ensued. Ms. Savino thanked Mr. Behm and Ms. Dimitrijevs for their presentation.

Ms. Rubin, Mr. Behm and Ms. Dimitrijevs left the meeting a 12:16 p.m.

BOARD RESOLUTION TO ESTABLISH NOVEMBER 19, 2013 AS THE ANNUAL MEETING DATE FOR FY 2014 AND TO MODIFY THE BY-LAWS TO ESTABLISH SEPTEMBER AS THE MONTH OF THE ANNUAL MEETING BEGINNING IN FY 2015

Ms. Savino introduced Resolution #2013-2, to establish November 19, 2013 as the Annual Meeting Date for FY 2014 and to modify the By-Laws to establish September as the month of the Annual Meeting beginning in FY 2015 authorizing, which resolution was included in the materials distributed to the Board. Mr. Budd moved for adoption of Resolution #2013-2 and Mr. Kitowicz seconded his motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Sarah Sanders Julie Savino	None	None

BOARD RESOLUTION REGARDING PRIVACY/NETWORK SECURITY POLICY COVERAGE

Ms. Weldon reported that at the last Board meeting, it was decided that Board approval would be required prior to any purchase of privacy and network security insurance coverage. Staff has reviewed all the quotes and they received a very favorable quote from an insurer rated “A” by A. M. Best. Their annual premium for the privacy/network security policy coverage, assuming 100,000 individuals that might be affected by a data breach, is \$5,500 with a deductible of \$10,000. Mr. Budd stated that he feels very strongly that CHESLA should obtain this type of insurance.

Ms. Savino introduced Resolution #2013-3, Privacy/Network Security Policy Coverage authorizing, which resolution was provided as a handout distributed to the Board. Mr. Budd moved for adoption of Resolution #2013-3 and Mr. Asher seconded his motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Jeffrey Asher Martin Budd Steven Kitowicz Dr. Peter Lisi Sarah Sanders Julie Savino	None	None

STRATEGIC PLAN UPDATE – OPTIONS FOR REVENUE ENHANCEMENT AND DIVERSIFICATION

Ms. Weldon stated that one focus of the Strategic Business Plan is to look at options to increase revenues at the Authority. She introduced Mr. Tim Webb, from CHESLA's financial advisor, FirstSouthwest, to review what management has identified as potential products. Ms. Weldon added that Mr. Rush, Mr. Hurlock and she met with Mr. Bishop and Ms. Savino to discuss revenue enhancement options and brought that feedback to Mr. Webb. Mr. Webb led a board discussion on interest rates and possible new products including principal deferral during Graduate School, co-borrower release and a STEM loan program.

Mr. Webb is in the process of monitoring the cash flow impact of these products. He stated that he will also work with management to investigate further what impact changing the reserve fee would have on the cash flows.

Mr. Webb pointed out that one of the other options he discussed with management for which CHESLA did not qualify was participation in the government not-for-profit servicer program.

A discussion ensued. Ms. Sanders suggested that CHESLA may want to consider creation of a loan loss reserve account as an option to serve borrowers with a weaker credit profile.

EXECUTIVE DIRECTOR'S REPORT

Mr. Hurlock provided a marketing update and reviewed the disbursements from May – August, CHESLA loan originations comparison to 2013 Series A cash flow assumptions, Firstmark performance data and the Strategic Plan dashboard report.

Mr. Rush reviewed the Portfolio Fact Sheet and Loan Disbursement Data through June 30, 2013.

Ms. Weldon reported that the D & O insurance is to expire on September 30, 2013. CHESLA is working to move to a Public Officials policy.

ADJOURNMENT

There being no further business, at 1:07 p.m., Mr. Budd moved to adjourn and Mr. Kitowicz seconded his motion.

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

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Sarah Sanders
Julie Savino

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director