

# CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

## Minutes of Authority Board Meeting

January 24, 2019

The State of Connecticut Higher Education Supplemental Loan Authority met at 11:30 a.m. on Thursday, January 24, 2019.

The meeting was called to order at 11:31 a.m. by Mr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present:           Martin Budd<sup>1</sup>  
                      Andrew Foster  
                      Steven Kitowicz (*Designee for Melissa McCaw, OPM Secretary*)  
                      Peter W. Lisi, Chair  
                      Sheree Mailhot, (*Designee for Shawn T. Wooden, State Treasurer*)  
                      Julie Savino, Vice Chair  
                      Jeanette Weldon

Absent:            Benjamin B. Barnes (*Designee for Mark E. Ojakian, President, Connecticut State Colleges and Universities*)  
                      Paul H. Mounds, Jr.

Also Present:    Denise Aguilera, General Counsel, CHEFA  
                      Kevin Barry, Financial Services Accountant, CHEFA  
                      Joshua Hurlock, Assistant Director, CHESLA  
                      Carlee Levin, Sr. Accountant, CHEFA  
                      JoAnne Mackewicz, Controller, CHEFA  
                      Kelli Petrone, Administrative Assistant, CHEFA  
                      Debra M. Pinney, Manager of Administrative Services, CHEFA  
                      Shannon Reynolds, Portfolio Assistant, CHESLA  
                      Natalia Rozio, Administrative Intern, CHESLA

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

Guests: Judith Blank, Esq., Day Pitney LLP  
 Steve McDowell, Director of Financial Aid Services, CSCU  
 Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith Inc., Bank of America, N.A.<sup>2</sup>  
 Jeffrey Wagner, Managing Director, RBC Capital Markets<sup>3</sup>  
 Timothy Webb, Vice President, Hilltop Securities<sup>4</sup>  
 David Welsh, CHESLA Advisory Board<sup>5</sup>  
 Gary Wolf, RBC Capital Markets<sup>6</sup>

**MINUTES**

Mr. Lisi requested a motion to approve the amended meeting minutes of the November 6, 2018 Board meeting. Mr. Budd moved to approve the amended board meeting minutes 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>
Martin Budd	None	None
Andrew Foster		
Steven Kitowicz		
Peter Lisi		
Julie Savino		
Jeanette Weldon		

**PROPOSAL TO RESTRUCTURE THE CHESLA SCHOLARSHIP PROGRAM AND OVERVIEW OF HEALTH & ADVANCED MANUFACTURING CERTIFICATE PROGRAMS**

Ms. Weldon stated that a memo was included in the Board meeting materials concerning a proposal to restructure the CHESLA Scholarship Program. Ms. Weldon turned to Mr. Hurlock to provide an overview of the current scholarship program. Mr. Hurlock stated that Appendix A, which was included as a handout, details the FY 2018-2019 scholarship allocations by institution.

Ms. Weldon stated that the memo also included some comparisons of scholarship programs managed by other authorities similar to CHESLA. Most of the authorities administer state-funded programs as well as their own scholarship programs. On the state level, these agencies are administering many millions of dollars in scholarships, but there were also smaller programs that are similar to the program that CHESLA staff is suggesting.

Ms. Weldon reviewed the four goals in restructuring the scholarship program which are:

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<sup>2</sup> Mr. Santoro 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. Welsh joined the meeting at 11:44 a.m.  
<sup>6</sup> Mr. Wolf participated in the meeting via conference telephone that permitted all parties to hear each other.

1. Downsize the program annually to increase its longevity;
2. Increase the brand awareness of CHESLA and differentiate it from other private lenders;
3. Have greater control over distribution of the funds to students; and
4. Create a focus on health services and advanced manufacturing certificate programs

Ms. Weldon turned the floor over to Mr. Webb, who is CHESLA/CSLF's Financial Advisor, to explain his assessment of CSLF's ability to continue to make transfers to CHESLA for the scholarship program.

Mr. Webb provided his commentary on whether CSLF could provide \$500,000 per year from the trust without jeopardizing the trust. He ran a series of cash flows and reviewed some of the stresses that the rating agencies place on the bonds to see what impact the \$500,000 annually would have on the cash flows. The primary concern is that CSLF maintain the current rating on the bonds. The bonds are currently rated "AAA/AA" by Fitch and Standard & Poor's (S & P). The way the documents are structured is that if CSLF drops below the "AA3 or AA-" rating, but keeps above an "A" rating, the its cost of funds would increase. Mr. Webb explained that keeping the cost of funds at its current level is very important. This helps to maintain the excess collateral that is built up in the trust and creates a residual after CSLF pays off its bonds. He added that given his assumptions including maintained bond ratings, a \$500,000 annual distribution is manageable based on his limited analysis. Increasing the distribution to \$1 million annually is also doable, but would result in a smaller residual to support the scholarship program long term. .

A discussion ensued.

Mr. Webb recommended to the Board that, moving forward, the cash flows be run on the CSLF trust at least annually to adequately monitor performance. Further discussion ensued.

Mr. Hurlock reviewed goals #2 through #4 for restructuring the scholarship program. A discussion ensued on the current process of disbursing funds to the schools for the scholarship program. At this time, Mr. Hurlock turned the floor over to Mr. Steve McDowell, Director of Financial Aid Services for the Connecticut State Colleges and Universities.

Mr. McDowell provided an overview of the health and advanced manufacturing certificate programs at the Connecticut State Colleges and Universities. A discussion ensued.

Ms. Weldon stated that the focus on the advanced manufacturing and health certificate programs is also consistent with one of the Authority's strategic pillars, which is economic and workforce development for the public good.

Mr. Hurlock reviewed the proposed changes to the scholarship program structure. The proposed program size will be downsized to \$500,000 annually, allocating \$300,000 for

students in degree-granting programs; and \$200,000 earmarked for health and advanced manufacturing certificate programs.

Mr. Hurlock explained that one addition to the program would be that the applicants have an Expected Family Contribution (EFC) of 6,000 or less per each student's most recent FASFA submission. The 6,000 is generally reflective of Pell Grant eligibility. Another addition to the eligibility criteria would be that the Authority would require a minimum cumulative GPA of 2.5 on a 4.0 scale for the associates or bachelors programs. The Authority still intends to provide the scholarship funds only to Connecticut residents attending schools in the State of Connecticut. Mr. Hurlock stated that the scholarship application will be accessible on CHESLA's website and staff would market the scholarship program through various avenues. A discussion ensued.

Mr. McDowell asked if the applications received would be accepted on a first-come, first-served basis. Ms. Weldon replied that to keep it manageable, staff is considering building in this approach. Further discussion ensued.

Ms. Savino stated that there are still many questions that need to be answered concerning the program changes and asked when staff would like to implement the program changes. She also asked if certificate programs in health care services or advanced manufacturing at private colleges would be eligible for those dedicated funds. Ms. Weldon indicated that she expected that to be the case. Mr. Hurlock stated that they would want to commence the program for FY 2019-20. A discussion ensued. Ms. Weldon indicated that it would also be possible to transition into the new program structure. A discussion ensued.

Ms. Savino asked why the Authority would want to get into scholarship application review, given the substantial workload involved. She also pointed out that financial aid offices should be given adequate notice of the planned change in the program's structure. Further discussion ensued and the suggestion was made to have a one year transition period when the current program would be downsized but still exist, while the new structure was being implemented. Ms. Weldon agreed with that suggestion.

Mr. Lisi inquired about the administrative burden for the Authority's in-house staff. Ms. Weldon stated that in terms of the administration of the program, it would be patterned off of the CHEFA Grant Program. Staff is using the CHEFA program as an administrative model for the new scholarship program. Mr. McDowell added that he believes part of the goal to bring the scholarship program in-house is to increase the Authority's brand recognition. A discussion ensued.

Ms. Savino inquired about creating an endowment to support a scholarship program for the long term. Mr. Hurlock stated that the residual from CSLF could effectively serve as an endowment. Ms. Weldon concurred. Mr. Webb stated that the key is to retain as much as possible from the trust so that when the bonds are paid off, the remaining residual is available for scholarship funds.

Mr. Budd inquired about the current process of issuing scholarship funds to the students. Mr. Hurlock stated that each school may handle issuing the scholarship funds to students differently. The student does not necessarily know that the scholarship funds were provided

from CHESLA. Mr. Budd recommended that a plan be put in place to communicate the changes to the scholarship program to the schools/students. A discussion ensued.

Ms. Weldon stated that she appreciates the Board's feedback. She indicated that ideally staff would like to implement a start-up of the revised scholarship program in the spring and incorporate a transition period to phase out the existing program structure. She proposed scheduling a telephonic Board of Directors meeting some time during the week of February 11. Until that time, staff will refine the proposed structure and include a transitioning out of the current structure of the scholarship program. The Board members concurred with this approach. An email message will be sent to the Board to obtain their availability to hold a special meeting during the week of February 11, 2019.

Mr. McDowell left the meeting at 12:50 p.m.

### **ADOPTION OF AMENDED AND RESTATED MONEY PURCHASE AND 457 PLANS**

Ms. Aguilera stated that CHESLA is a participating employer in CHEFA's Money Purchase Plan and 457 Plan. The CHEFA Board, at its recent meeting, amended and restated both plans. The reason they had to do so was because CHEFA retained a new consultant for purposes of keeping the plans in compliance with IRS rules. The consultant requires that the plans be amended and restated using their standardized documents so they can monitor and update them as needed. There are two resolutions that need to be approved by the Board. As a participating employer, Ms. Weldon would be authorized to sign the participation agreements for the amended and restated plans. Staff recommends adoption of the two resolutions. Mr. Lisi requested a motion to approve Resolution #2019-01, the Amendment and Restatement of the Money Purchase Pension Plan. Mr. Budd moved for approval of Resolution #2019-01, which was seconded by Ms. Savino.

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>
Martin Budd Andrew Foster Peter Lisi Sheree Mailhot Julie Savino Jeanette Weldon	None	None

Mr. Lisi requested a motion to approve Resolution #2019-02, Amendment and Restatement of the 457(b) Plan. Mr. Budd moved for approval of Resolution #2019-02, which was seconded by Ms. Mailhot.

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>
Martin Budd Andrew Foster	None	None

Peter Lisi  
Sheree Mailhot  
Julie Savino  
Jeanette Weldon

### **AUTHORITY UPDATES**

Mr. Hurlock indicated that many state counterparts are offering forbearance help for those federal employees impacted by the government shutdown and are not being paid. In light of the government shutdown, CHESLA would like to offer forbearance to those borrowers experiencing hardship due to the shutdown. The forbearance would be on a month-to-month basis and borrowers would supply the name of the organization that they work for and a telephone number, which mirrors closely to the forbearance program and verification that our counterparts in Rhode Island are offering. This forbearance would be separate from the Authority's current hardship forbearance program and would not impact the maximum length of time that is set for the existing hardship forbearance policy. The feasibility is still being investigated with our loan servicer, Firstmark, to potentially not capitalize the interest accrued during the forbearance. Mr. Hurlock verified with the servicer of the Refi program, UAS, that they are able to accommodate non-capitalization. A discussion ensued. Mr. Welsh left the meeting at 12:59 p.m.

Mr. Lisi requested a motion to authorize the creation of a forbearance program for CHESLA borrowers that are federal employees not being paid due to the federal government shutdown. Mr. Budd moved to create a forbearance program as previously stated and Ms. Savino 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>
Martin Budd Andrew Foster Peter Lisi Sheree Mailhot Julie Savino Jeanette Weldon	None	None

Ms. Weldon reported that CHEFA's legislative liaison, Mr. David Wasch, had an introductory meeting with the new Co-Chairs of the Higher Education Committee, Senator Will Haskell and Mr. Greg Haddad. Senator Haskell has been very public about his interest in student loan debt and financing higher education. It was mentioned to Senator Haskell that the Authority is taking another look at its STEM loan proposal and there is some interest, which includes potential funding. Mr. Wasch reported on the legislative updates and stated that workforce enhancements are a priority, so the STEM proposal fits in with those priorities.

Ms. Weldon stated that the Authority is seeking alternatives for funding the SCRF for CHESLA bonds. Staff has submitted a proposal to the Treasurer's office to consider using a Letter of Credit structure to fund any shortfalls in the SCRF. Ms. Weldon anticipates having a discussion with the Treasurer's office sometime during the first week of February to discuss the concept.

Last week, Mr. Hurlock and Ms. Weldon met with the Chief Performance Officer in the Department of Education. He is developing a new testing system for high school and middle school students in the STEM fields and he is trying to create incentives that would include a monetary award to students who show improvement from eighth grade to eleventh grade and for those who are high scorers, targeting needy and first generation students. A number of organizations have contributed to provide the award funding and staff is considering contributing \$3,000 to \$5,000 to this award pool once the Authority's budget has been approved. The Board agreed to contributing \$3,000 to \$5,000 to the award pool.

Ms. Weldon reviewed the key accomplishments and progress to date on the FY 2019-2021 Strategic Plan. Mr. Budd requested a copy of Ms. Weldon's status report on the FY 2019-2021 Strategic Plan.

**ADJOURNMENT**

There being no further business, at 1:18 p.m., Mr. Kitowicz moved to adjourn the meeting and Mr. Lisi seconded the motion.

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

**AYES**

Martin Budd  
Andrew Foster  
Peter Lisi  
Sheree Mailhot  
Julie Savino  
Jeanette Weldon

**NAYS**

None

**ABSTENTIONS**

None

Respectfully submitted

Jeanette W. Weldon  
Executive Director