

FINAL

Approved on: November 10, 2021

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Minutes of Special CHESLA Annual Board Meeting
September 20, 2021

The State of Connecticut Higher Education Supplemental Loan Authority held a special telephonic meeting at 11:00 a.m. on Monday, September 20, 2021.¹

The special annual meeting was called to order at 11:02 a.m. by Mr. Peter Lisi, Chair, of the CHESLA Board of Directors. Those present and absent were as follows:

Present: Peter W. Lisi, Chair
Benjamin B. Barnes (*Designee for CT State Colleges and Universities President*)
Jeffrey R. Beckham (*Designee for Connecticut OPM Secretary*)
Martin L. Budd
Andrew A. Foster
Darrell V. Hill, (*Designee for Connecticut State Treasurer Shawn T. Wooden*)
Julie B. Savino, Vice Chair
Kelli-Marie Vallieres
Jeanette W. Weldon (*Executive Director CHEFA and CHESLA*)

Also Present: Denise Aguilera, General Counsel, CHEFA
Daniel Giungi, Communication and Legislative Affairs Specialist, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Sr. Accountant, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Cynthia D. Peoples-H., Managing Director, Operations & Finance, CHEFA
Shannon Reynolds, Portfolio Assistant, CHESLA
Kara Stuart, Manager, Administrative Services, CHEFA
Yesenia Torres-Rivera, Program Coordinator, CHESLA

Guests: Laura Baker, Workforce Development Specialist, State of Connecticut
Judith Blank, Esq., Pullman & Comley LLC
Kristen Brown, CPA, Director, CohnReznick
Sandra Dawson, Member, Pullman & Comley LLC
Lewis J. DeLuca, Head of Student Financial Literacy, SCSU, Member of CHESLA
Advisory Committee
Melissa Ferrucci, CPA, Partner, CohnReznick
Josh Labonte, CPA, Senior Associate, CohnReznick
Wilson Luna, retired Dean of Students, Gateway Community College, Member of
CHESLA Advisory Committee
Matthew Rosen, High School Counselor, Wilton High School, Member of CHESLA
Advisory Committee
Joseph Santoro, Director-Education Finance Team Leader, BofA Securities, Inc.
Thomas H. Webb, Director, Hilltop Securities N. A

Mr. Hurlock introduced new CHESLA Staff member Yesenia Torres-Rivera, Program Coordinator.

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

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APPROVAL OF MINUTES

Mr. Lisi requested a motion to approve the meeting minutes of the June 24, 2021 Board of Directors meeting. Mr. Budd moved to approve the minutes and Mr. Foster seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Peter W. Lisi
Benjamin B. Barnes
Martin L. Budd
Andrew A. Foster
Darrell V. Hill
Julie B. Savino
Jeanette W. Weldon

NAYS

None

ABSTENTIONS

Jeffrey R. Beckham²
Kelli-Marie Vallieres³

ELECTION OF VICE CHAIR

Mr. Lisi stated that Julie Savino has agreed to continue to serve as Vice Chairperson.

Mr. Lisi requested a motion to approve the election of Julie Savino as Vice Chair. Mr. Budd moved for approval and Mr. Hill seconded the motion

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Peter W. Lisi
Benjamin B. Barnes
Jeffrey R. Beckham
Martin L. Budd
Andrew A. Foster
Darrell V. Hill
Julie B. Savino
Kelli-Marie Vallieres
Jeanette W. Weldon

NAYS

None

ABSTENTIONS

None

APPROVAL OF COMMITTEE APPOINTMENTS

Mr. Lisi stated that Martin Budd has agreed to serve as Chairperson of the Audit-Finance/Human Resources Committee.

Mr. Lisi requested a motion to approve the election of Martin Budd as Chair of the Audit-Finance/Human Resources Committee. Mr. Barnes moved for approval and Mr. Foster seconded the motion

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Peter W. Lisi
Benjamin B. Barnes
Jeffrey R. Beckham

NAYS

None

ABSTENTIONS

Martin L. Budd

² Mr. Beckham abstained from voting as he did not attend the June 24, 2021 Meeting.

³ Ms. Vallieres abstained from voting as she did not attend the June 24, 2021 Meeting.

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Andrew A. Foster
Darrell V. Hill
Julie B. Savino
Kelli-Marie Vallieres
Jeanette W. Weldon

Ms. Peoples introduced guests Melissa Ferrucci, Kristen Brown and Josh Labonte of CohnReznick. Ms. Peoples stated that this is the second portion of the 3-year engagement with CohnReznick and it has been wonderful to work with them.

OVERVIEW AND APPROVAL OF DRAFT AUDITED FINANCIAL STATEMENTS FOR FY 2021

Ms. Levin reported the following on the statement of net position for June 30, 2021:

- Operating revenues were \$8.7 million, which is a decrease from FY 2020 of \$639,000. The primary reason for the decrease was the CSLF contribution in FY 2021 was \$500,000 compared to \$1.5 million in FY 2020.
- Operating expenses decreased by \$1.1 million from FY 2020. The main reason for the decrease is the Scholarship expense in FY 2021 was \$490,000 compared to \$1.5 million in FY 2020.
- Total operating loss was \$909,000 in FY 2021, compared to FY 2020 which had a total operating loss of \$1.4 million.
- The change in net position for FY 2021 after non-operating income is negative \$840,000 which is a decrease of \$1.3 million from FY 2020.

Ms. Levin reported the following on the balance sheet:

- Student loan receivable net of the allowance was \$127.5 million, a decrease of \$8.7 million from FY 2020. The In-School loan program had a decrease of \$7.3 million and the Refinance program decreased by \$1.4 million.
- Bonds payable of \$175 million is a decrease of \$17.6 million from FY 2020. In FY 2021, CHESLA closed 2 new bond issues totaling \$34.3 million. CHESLA also redeemed additional bonds of \$14.7 million with the use of excess revenues.
- Total net position as of June 30, 2021 was \$32.5 million.

Ms. Ferrucci thanked the CHESLA team for their help, hard work, and cooperation on the audit. Ms. Ferrucci turned the floor over to Ms. Brown.

Ms. Brown reported the following notable items:

- Issued an unmodified or clean opinion in accordance with generally accepted government auditing standards, and in accordance with the plan, scope, and timing anticipated.
- The team reviewed the significant accounting policies, the significant estimates regarding the allowance for uncollectable accounts related to the loans for CHESLA and CSLF, and the fair value of the estimates to ensure that all are reasonably presented.
- Based on the audit procedures performed and the discussions had, the team did not become aware of any identified or suspected fraud, there were no significant difficulties in performing the audit, no audit corrections related to the financial statements, no disagreements with management, and there were no consultations with other accountants by management.
- Management will be requested to sign a representation letter that the information provided was true and accurate.

- Performed an agreed upon procedures report for CSLF and prepared a CSLF tax return.
- Reported no findings or no management recommendations.

Ms. Brown reported the following on CHESLA:

- CHESLA had a strong balance sheet, with \$210 million in assets as compared to \$177.5 million of liabilities and deferred inflows.
- The net position decreased \$840,000 as compared to a prior increase of \$451,000. This was due to investment income in the prior year.
- There was a decrease in allowances on loans receivable of \$120,000.
- There was an additional \$500,000 in funds from CSLF for scholarships.

Ms. Brown reported the following on CSLF:

- CSLF had a strong balance sheet, with \$147 million in assets and \$123 million in liability.
- The net position increased to \$1.126 million as compared to a \$1.3 million increase in the prior year.
- Transferred \$500,000 to CHESLA for scholarships.
- There was a decrease in loan loss reserves of \$226,000.

Ms. Ferrucci reported on new accounting standards that will be issued in FY 2022 and FY 2023:

- GASB 87: The need to report both operating and capital leases on the balance sheet.
- GASB 93: Replacement of Interbank Offered Rates.
- GASB 96: For Subscription-Based Information Technology Arrangements.

Mr. Budd inquired about the effect of the new leasing standards on CHESLA and CSLF. Ms. Ferrucci stated that management will need to take inventory of their leases to determine materiality and whether the standards will apply, so the exact effect is unknown at this time.

Mr. Lisi requested a motion to approve the FY 2021 Audited Financial Statements with the correction previously stated by Ms. Ferrucci. Mr. Budd moved for approval and Ms. Savino seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Peter W. Lisi	None	None
Benjamin B. Barnes		
Jeffrey R. Beckham		
Martin L. Budd		
Andrew A. Foster		
Darrell V. Hill		
Julie B. Savino		
Kelli-Marie Vallieres		
Jeanette W. Weldon		

EXECUTIVE DIRECTOR’S REPORT

Authority Updates

Ms. Weldon stated that Governor Lamont held a bill signing ceremony on August 19th for CHESLA’s Alliance District Teacher Loan Subsidy program. The program will provide an interest rate subsidy on CHESLA loans to teachers who commit to teaching in one of Connecticut’s 33

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highest need school districts. The bill signing was attended by the newly nominated Education Commissioner, Charlene Russell-Tucker, who noted the importance of the program as a new recruitment tool. Ms. Weldon stated that this was a significant achievement and thanked Ms. Aguilera, Mr. Giungi, and Mr. Hurlock for their diligent work. Ms. Weldon reported that staff is working with the State Department of Education on an implementation plan in hopes of being ready by the Spring teacher recruitment cycle. Staff is also working towards securing the bond commission approval for the \$7 million of state funding that is included in the bill.

Mr. Budd inquired whether an implementation plan for the Alliance District Teacher Loan Subsidy program can be presented at the November Board meeting. Ms. Weldon stated that she can provide an outline of the plan staff will be working on with the State Department of Education.

Ms. Weldon noted that staff is planning to redeem a portion of the outstanding 2019 Series A bonds. The 2019 Series A bonds are taxable bonds that were issued in the amount of \$5 million to fund loans through the Refi program. There is \$640,000 of bond proceeds remaining, and about \$1 million of excess revenues that are attributed to the Series A bonds. Ms. Weldon stated that the plan is to use the dollars towards a redemption on November 15, 2021.

Ms. Weldon reported that currently there is \$25,000 annually of negative carry associated with the unused bond proceeds. There is \$1.7 million of internal dollars that can be used towards future Refi loans. Ms. Weldon stated that the Refi program will continue, there will just not be any reliance on the remaining portion of the bond proceeds to make the loans. Ms. Weldon said that the notice of redemption will be going out in a few days. A brief discussion ensued.

Ms. Weldon stated that at the strategic planning session in April there was a request for more board education. Ms. Weldon reported that the CHESLA Board will be starting with a 'Bonds 101' type offering lead by Mr. Tim Webb and will occur as part of the November Board meeting.

Mr. Budd inquired about an update on the healthcare and manufacturing certificate program. Ms. Torres-Rivera reported that since July 1st, there have been 8 submitted applications that need the letter of recommendation before they can be approved.

Portfolio Update

Mr. Hurlock reported that the net default rate for the In-School Loan Program is historically at 2.15%, which is an increase from 1.99% at the end of Quarter 3. Mr. Hurlock stated that this is due to the timing of when the loans were sent to collections. In March 2020, staff worked with borrowers to help bring their loans back to current, but recently in Quarter 4 is when loans started being sent to collections. For context, Mr. Hurlock noted that in FY 2021 \$900,00 was sent to collections, in FY 2020 \$400,000 was sent to collections, and in FY 2019 and FY 2018 about \$700,000 was sent to collections. Mr. Hurlock stated that while it is in an increase, it is not a cause for concern.

Mr. Hurlock reported that for the Refi Program, the net default rate went from 1.31% to 1.76% which is also a function of timing. Mr. Hurlock stated that overall the portfolios are performing well, and the forbearance and delinquency rates are below the historical norm. Mr. Hurlock noted that the Refi program delinquency rate is slightly higher than the historical level, but it is not significant.

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Mr. Webb stated that when cash flows are run for the issuance, a 12% default rate with a 30% recovery is presumed. Mr. Webb stated that this means they are running default rates 4x higher than what is actually occurring.

Mr. Hurlock provided an update on the In-School Loan Program portfolio disbursement data. Mr. Hurlock stated that for the 4th quarter, the CHESLA In-School Loan Program disbursed about \$480,000, with \$231,000 disbursed to students attending Connecticut institutions and \$249,000 disbursed to students attending out-of-state institutions.

Mr. Hurlock reported that for FY 2021, CHESLA disbursed about \$18 million in loans, which represented a 26% decrease from FY 2020. Mr. Hurlock noted that CHESLA downsized its 2020 bond deal by about 28%, which was on target with the anticipated drop in disbursements.

Mr. Hurlock reported on the In-School Loan Program market segment data, noting that Sacred Heart University, UCONN and Quinnipiac University continue to be the top Connecticut schools for loan volume.

Mr. Hurlock provided an update on the following items:

- In-School 2020 B disbursement comparison to cash flow assumptions
- In-School 2021 B disbursement comparison to cash flow assumptions

A discussion ensued.

Mr. Hurlock continued providing an update on the following items:

- Refi CT 2019 A disbursement comparison to cash flow assumptions
- Refi CT loan disbursement data and Refi CT analysis
- UAS and Campus Door performance data

Social Media & Marketing

Ms. Reynolds reported that the goal is to continue to build awareness about all of CHESLA's programs and increase loan volume. Ms. Reynolds reported the following for June:

- Over 2,000 new users to the CHESLA website and over 5,000 page views.
- Consistently over 80% of online traffic visits to CHESLA come from organic searches or direct to site.
- Top website referrals came from: Facebook, Goodwin University, CT Dollars & Sense, Graniteface.com, CT Scholarships, Connecticut.Teach.org, History.com and CTOHE.org.
- About 40% of referrals that come from social media platforms are from Facebook.

Ms. Reynolds reported on the following marketing highlights:

- The 2021 Scholarship virtual recognition video was released. The video was sent to all recipients and posted to CHESLA's website and social media platforms.
- CHESLA created a Twitter account to continue to actively engage in the digital space and post timely content.
- Continued outreach and promotion of Refi CT and the Employer Repayment Program.

Scholarship Update

Mr. Hurlock reported that on September 2nd, CHESLA disbursed \$441,000 in scholarships for the undergraduate certificate program.

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Ms. Torres-Rivera reported that there is almost \$100,000 left to disburse, but staff needs to verify enrollment for recipients. Ms. Torres-Rivera said that some institutions are waiting for the add/drop period to end before student enrollment can be verified.

Ms. Torres-Rivera reported that as of July 1st, there are 8 certificate scholarship applications that have been submitted but need letters of recommendation to be approved. There are around 20 applications that have been started but not submitted. Ms. Torres-Rivera stated that some applicants may have realized their program does not qualify for the certificate program while others are still working on the application. Ms. Torres-Rivera stated that she plans to reach out to applicants to see if any assistance is needed to finish the application.

ADJOURNMENT

There being no further business, at 11:58 a.m., Mr. Budd moved to adjourn the meeting and Mr. Foster seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Peter W. Lisi
Benjamin B. Barnes
Jeffrey R. Beckham
Martin Budd
Andrew A. Foster
Julie B. Savino
Kelli-Marie Vallieres
Jeanette W. Weldon

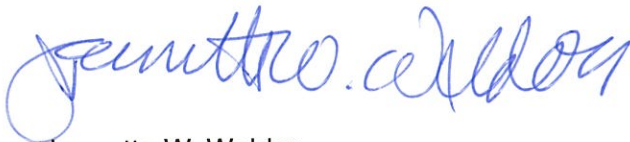
NAYS

None

ABSTENTIONS

None

Respectfully submitted



Jeanette W. Weldon
Executive Director