

DRAFT

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of CHESLA Audit-Finance/Human Resource Committee Meeting

June 13, 2023

The Audit-Finance/Human Resources Committee of the State of Connecticut Higher Education Supplemental Loan Authority met via videoconference on Tuesday, June 13, 2023.¹

The remote meeting was called to order at 11:01 a.m. by Mr. Martin L. Budd, Chair of the CHESLA Audit-Finance/Human Resources Committee. Those present and absent were as follows:

PRESENT: Martin L. Budd, Committee Chair
Michael Izadi (*Designee for Connecticut OPM Secretary Jeff Beckham*)
Peter W. Lisi, Board Chair
Julie B. Savino

OTHER BOARD MEMBERS PRESENT: Kerry A. Kelley (*Designee for CT State Colleges and Universities President Terrence Cheng*)
Jeanette W. Weldon (*Executive Director CHEFA and CHESLA*)

ABSENT: Andrew Foster

ALSO PRESENT: Denise Aguilera, General Counsel, CHEFA
Rebecca Hrdlicka, Administrative Services Assistant, CHEFA
Josh Hurlock, Assistant Director, CHESLA
Carlee Levin, Senior Accountant, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Shannon Reynolds, Portfolio Specialist, CHESLA
Kara Stuart, Manager, Administrative Services, CHEFA
Yesenia Torres-Rivera, Program Coordinator, CHESLA

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

APPROVAL OF MINUTES

Mr. Budd requested a change to the minutes under the Adjournment section in the voting list, where “Steven Budd” should be changed to “Martin L. Budd”. Therefore, the minutes should now read:

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
<i>Martin L Budd</i>	<i>None</i>	<i>None</i>
<i>Andrew Foster</i>		
<i>Peter Lisi</i>		
<i>Julie Savino</i>		
<i>Jeanette W. Weldon</i>		

Mr. Budd requested a motion to approve the meeting minutes of the June 17, 2022 Special Audit-Finance/Human Resources Committee meeting. Mr. Lisi moved to approve the minutes and Mr. Budd seconded the motion.

Ms. Savino joined the videoconference meeting at 11:04 a.m.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin L. Budd	None	Michael Izadi ²
Peter W. Lisi		
Julie B. Savino		

FY 2024 PROPOSED OPERATING BUDGET

Ms. Weldon introduced the FY 2024 proposed operating budget where revenues are approximately \$1.4 million, expenses are approximately \$1,025,000, and excess revenues are approximately \$382,000. Ms. Weldon reported that the FY 2024 proposed operating budget will be presented by Mr. Hurlock, Ms. Levin, and herself.

Ms. Levin stated that the total revenues are estimated at \$1,408,418 for the FY 2024 proposed operating budget. Ms. Levin reported that the In-School loan program is budgeted to generate \$1,205,489 in administrative fees, representing a 0.3% decrease from the budgeted FY 2023 levels. Ms. Levin reported that the Refinance loan program is budgeted to generate \$122,929 in

² Mr. Izadi abstained from voting as he did not attend the CHESLA Special Board of Directors meeting held on April 4, 2023.

administrative fees, representing a 53.9% increase from the budgeted FY 2023 levels. Finally, Ms. Levin reported that the investment income is assumed at 4.89%.

Mr. Hurlock commented that, while the In-School Program loan volume has increased, the FY 2024 budgeted In-School loan administrative fee revenues have decreased from the projected actual administrative fee revenues of FY 2023. Mr. Hurlock reported that the In-School loan program continued to see a high rate of paydowns since the pandemic, and that the rate of these paydowns are offsetting the increase in the new loans and disbursement volume. The budgeted FY 2024 administrative fee revenues are slightly higher than the projected actual FY 2023 administrative fee revenues due to the increase in administrative fee revenue from increased volume in the Refi CT program, compensating for the decrease in administrative fee revenue from the In-School loan program. The overall budgeted FY 2024 total revenues are a decrease from the projected actual total revenues in FY 2023. This is attributable to the relatively conservative budget for investment income in FY 2024 compared to FY 2023 projected actual. A brief discussion ensued.

Mr. Hurlock then reported on the projected loan volumes for FY 2024. Mr. Hurlock stated that the In-School loan volume is projected at \$20.9 million for FY 2024, which aligns with the 5-year average of disbursement volume. Mr. Hurlock reported that the Refi CT loan volume is projected at \$3 million based on historical trends. The Refi CT loans will be funded from CHESLA's Refinance Loan Fund, which is held outside of the Trust.

Mr. Budd inquired about the interest rates for the Refi CT loans. Mr. Hurlock stated that CHESLA closed Refi CT loan applications in March 2023 due to limited dollars available to continue to fund loans. Mr. Hurlock reported that the large loan volume increase was attributable to the below-market Refi CT loan rates, that ranged from 3.75% to 4.99% fixed. The refinance application reopened on May 16th, with rates closer to the market and ranging from 4.99% to 7.99% fixed across the 5- to 15-year repayment terms. Mr. Hurlock confirmed that applications have been received under these new rates, and disbursements will occur soon.

Ms. Levin reported on the revenue pools related to the revenue projections for FY 2024. Older loan pools, which no longer have disbursements, have a projected decrease in revenue for FY 2024 while the newer loan pools are projecting an increase in revenue for FY 2024 over budgeted

actual revenues for FY 2023. Ms. Levin stated that all loan pool administrative fees are calculated at 100 basis points annually.

Ms. Levin reported that the expenses for the FY 2024 proposed operating budget are \$1,025,716, representing a 16.2% increase from the budgeted FY 2023 levels. Ms. Levin stated that this increase reflects the increases in compensation, employee benefits, general and administration expenses, and CHEFA support services.

Mr. Budd inquired about the timekeeping of the CHEFA support services, and Ms. Weldon explained the electronic timekeeping staff procedures. Ms. Weldon also explained that CHEFA staff log time per hour for any service conducted for CHESLA.

Ms. Weldon presented the breakdown of employee compensation and benefits budgeted for FY 2024, which mirror the CHEFA methodology and benefit package. Ms. Weldon gave a brief overview on the market research and competitive analysis used to create the employee compensation budget and highlighted the inflationary conditions that were also considered. Ms. Weldon reported that the employee compensation budget has increased by 3.6% in FY 2024 compared to FY 2023 budget, due in part to a proposed one-time inflation relief payment of 3% to staff based on their current FY 2023 salaries. This payment would not become a permanent part of staff salaries. Ms. Weldon also stated that merit increases, labor grade adjustments, and discretionary awards were also built into the compensation budget and factor into the 3.6% increase in budget. Finally, Ms. Weldon reported that the health insurance provider was changed to Cigna as a favorable and competitive product. A discussion ensued regarding the 3% one-time inflation relief payment and workers compensation in a hybrid work environment.

Mr. Hurlock reported that the marketing costs for the FY 2024 Operating Budget are \$295,000, representing an increase of \$30,000 from FY 2023. Mr. Hurlock analyzed in-school loan applications from May 2022 to April 2023 and reported that approximately 51% of in-school loan applicants and 69% of refinance loan applicants found CHESLA through CHESLA's various marketing channels. Mr. Hurlock stated that increasing the investment in marketing should translate to increased loan volume. Mr. Hurlock reported that CHESLA's marketing plan will include increasing the following marketing tactics for FY 2024:

- CHESLA interviews with news stations;
- Television spots on cable;

- Radio spots;
- High-profile sporting events;
- Targeted email blasts to parents and college students;
- Geo-fencing around targeted locations;
- And college fair exposure.

Mr. Lisi inquired about the website updates, which Mr. Hurlock clarified that \$80,000 have been budgeted for website updates under a separate line item than marketing costs. Mr. Hurlock and Ms. Reynolds reported that CHESLA website updates are seeking to increase user-friendliness, the ability to add new programs, and provide a modernized look.

Mr. Budd inquired about the companies under the marketing costs. Ms. Reynolds reported that these companies are advertising partners that reach out to CHESLA for various opportunities. Examples of advertising partners include local radio stations, cable stations, newspaper outlets, digital news outlets, and local sports teams (e.g. Hartford Athletic).

Mr. Budd requested a motion to recommend the FY 2024 proposed operating budget to the CHESLA Board for approval. Mr. Budd moved for approval, and Mr. Lisi seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Martin L. Budd Michael Izadi Peter W. Lisi Julie B. Savino	None	None

ADJOURNMENT

There being no further business, Mr. Lisi moved to adjourn the meeting 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>
Martin L. Budd Michael Izadi Peter W. Lisi	None	None

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Julie B. Savino

The meeting adjourned at 11:31 a.m.

Respectfully submitted,

Jeanette W. Weldon

Executive Director