

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Authority Board Annual Meeting
September 16, 2014

The State of Connecticut Higher Education Supplemental Loan Authority met at 3:00 p.m. on Tuesday, September 16, 2014.

The meeting was called to order at 3:08 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
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
Erika Steiner (*Rep. for Board of Regents for Higher Education*)

Absent: Paul Mutone

Also Present: Jeanette Weldon, Executive Director
Paula L. Herman, General Counsel, CHEFA
JoAnne N. Mackewicz, Controller, CHEFA
Cynthia D. Peoples, Assistant Director, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Samuel E. Rush, Deputy Director

Guests: David Borus, CHESLA Advisory Committee
Judith Blank, Esq., Day Pitney
Ryan Deming, Audit Manager, Saslow, Lufkin & Buggy, LLP
Melisa A. DuMont, Vice President, U. S. Bank¹
Susan Harlan, CHESLA Advisory Committee
William Pomponi, Sr. Audit Manager, Saslow, Lufkin & Buggy, LLP
Matthew Rosen, CHESLA Advisory Committee²
Joseph Santoro, Director, Bank of America Merrill Lynch
Todd S. Thiesfeldt, Audit Partner & Director of Healthcare Practice Group
Jeffrey Wagner, Managing Director, RBC Capital Markets
Tim Webb, Vice President, FirstSouthwest

INTRODUCTIONS

Ms. Rubin introduced the CHESLA Advisory Committee members: David Borus, Susan Harlan and Matthew Rosen and provided some background information on each individual.

MINUTES

Ms. Rubin requested a motion for approval of the minutes of the June 16, 2014 Board of Directors meeting with one minor change, the removal of “Annual” in the heading of the document. Mr. Budd moved for approval of the minutes. His motion was seconded by Ms. Steiner.

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

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Barbara Rubin
Sarah Sanders
Erika Steiner

NAYS

None

ABSTENTIONS

Julie Savino

PRESENTATION – DRAFT FY 2014 AUDITED FINANCIAL STATEMENTS

Ms. Weldon introduced the auditors from Saslow, Lufkin and Buggy, LLP and provided a brief overview of the consolidated audit. She then turned the floor over to Ms. Mackewicz, who outlined CHESLA activities and financial performance from Management’s perspective for the fiscal years ended June 30, 2014 and 2013. Ms. Mackewicz thanked Ms. Levin, Mr. Rush and

¹ Ms. DuMont attended the meeting via telephone.

² Mr. Rosen attended the meeting via telephone.

Mr. Hurlock for their assistance in compiling the financial data, statistics and supplements, in addition to thanking the auditors for their support during the auditing phase.

Mr. Budd inquired if the auditors will also be auditing the Connecticut Student Loan Foundation as a subsidiary of CHEFA next year. Ms. Weldon replied that it is what is expected but there is a need to have a more detailed discussion on the mechanics. A discussion ensued.

Mr. Thiesfeldt from Saslow, Lufkin and Buggy, ("Saslow"), introduced the service team on the audit: Bill Pomponi and Ryan Deming. He stated that this is the first year he has been involved in the audit of CHEFA/CHESLA and praised the CHEFA/CHESLA staff for their cooperation and support during the audit. Mr. Thiesfeldt explained Management's and auditors' responsibilities and required communications during the audit phase. He stated that the audit of the consolidated financial statements for the Authority for fiscal year ended June 30, 2014 is a clean unmodified audit and conforms to the accounting principles generally accepted in the USA. Mr. Thiesfeldt provided an overview of the areas of audit emphasis which involved the internal control testing.

Ms. Weldon indicated that the most significant area of management judgment and estimate, as far as CHESLA is concerned, is in the loan loss reserve. She indicated that CHESLA's current staff inherited a formula for the loan loss allowance that had been used by the prior CHESLA accountants/auditors and the Authority continued to use it. The current formula is considered reasonable by management and by Saslow, however, going forward Management will examine the calculation further to see if it is as comprehensive/conservative as needed. The calculation is a weighted average based on the size of each loan series and is then applied across the board to every category of loans. A discussion ensued on the loan loss reserve calculation.

Mr. Pomponi from Saslow, Lufkin & Buggy reiterated that this audit is a clean opinion and is very consistent with last year. He explained that Saslow does not audit the Management Discussion and Analysis portion, as it is provided by Management. Mr. Pomponi provided an overview of the notes on the consolidated financial statements that were identified in the audit report.

Mr. Budd inquired if, in the future, the auditors could identify a footnote explaining unrestricted funds and board designated restricted funds under net position on the balance sheet. The auditors concurred.

Mr. Pomponi concluded his presentation on the notes.

The Board of Directors determined that it was not necessary to hold an Executive Session with the Saslow auditors. Ms. Rubin thanked the auditors for their report.

The Saslow, Lufkin & Buggy auditors left the meeting at 3:50 p.m.

ELECTION OF VICE CHAIR

Mr. Budd moved to re-elect Julie B. Savino as Vice Chair of the CHESLA Board of Directors. Mr. Kitowicz seconded the motion. All were in favor.

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

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Barbara Rubin
Sarah Sanders
Julie Savino
Erika Steiner

NAYS

None

ABSTENTIONS

None

EXECUTIVE DIRECTOR’S REPORT

Mr. Rush provided his report on the loan portfolio, and identified some recent marketing activities, including a Facebook page and sponsorship of the Live Nation College Road Trip at selected schools in Connecticut. There was also discussion of the loan portfolio for students attending in-state vs. out-of-state schools.

Ms. Weldon stated that the State auditors concluded their audit of CHESLA for FY 2012, the last fiscal year prior to CHESLA becoming a subsidiary of CHEFA. There were two audit findings: one was failure to submit two quarterly financial and personnel reports to the Office of Fiscal Analysis and the other was failure to comply with the credit card policy in place. Prior to consolidation with CHEFA, policy required that the Board Chair approve the credit card invoices for the Executive Director. Ms. Weldon stated that one bill was paid prior to Board Chair approval, although the Board Chair approved it after the invoice was processed. These items will not recur since CHESLA’s invoices and reporting obligations are now routed through the CHEFA Accounting Department and are subject to the same checks and balances as CHEFA..

Ms. Weldon reported on recently applicable SEC and MSRB rules.

Mr. Budd stated that there were some recent remarks by the Governor stating that he would amend State rules to allow CHESLA to refinance student loans at lower rates and that State-backed bonds would provide the capital. Further discussion ensued.

ADJOURNMENT

There being no further business, at 4:20 p.m., Mr. Budd motioned to adjourn the meeting. Ms. Sanders seconded the motion.

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

AYES

Jeffrey Asher
Martin Budd
Steven Kitowicz
Dr. Peter Lisi
Barbara Rubin
Sarah Sanders
Julie Savino
Erika Steiner

NAYS

None

ABSTENTIONS

None

Respectfully submitted,

Jeanette W. Weldon
Executive Director