

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Audit-Finance Committee Meeting

Minutes

May 15, 2019

The Audit-Finance Committee of the Board of Directors of the State of Connecticut Health and Educational Facilities Authority met in session on Wednesday, May 15, 2019 at 11:30 a.m.

The meeting was called to order by Mr. Mark Varholak, Committee Chair, at 11:31 a.m. and, upon roll call, those present and absent were as follows:

PRESENT: Mark Varholak, Chair
Michael Angelini
Peter Lisi, Board Chair
Barbara Rubin
Linda Savitsky, Designee for Shawn T. Wooden, State Treasurer

OTHER BOARD
MEMBERS PRESENT: Elizabeth Hammer¹

ALSO PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Debrah Galli, Manager, Administrative Services
JoAnne Mackewicz, Controller
Eileen MacDonald, Senior Transactional Specialist
Michael F. Morris, Managing Director
Cynthia Peoples, Managing Director
Kelli Petrone, Administrative Assistant

¹ Ms. Hammer joined the meeting at 12:08 p.m.

APPROVAL OF MINUTES

Mr. Varholak requested a motion to approve the minutes of the March 19, 2019 special meeting of the Audit-Finance Committee. Mr. Lisi moved to approve the minutes and Mr. Angelini seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Peter Lisi Barbara Rubin Mark Varholak	None	None

REVIEW AND APPROVAL OF THE FY 2020 PROPOSED OPERATING AND CAPITAL BUDGETS

Mr. Varholak asked Ms. Peoples to give an overview of proposed FY 2020 Operating and Capital budgets. Ms. Peoples reported that the original schedules on the budget memo that were included in the Board mailing had a few calculation errors. Corrections were made and revised schedules were provided. Ms. Peoples stated she would highlight key areas of the FY 2020 budget with significant variances.

Ms. Peoples reviewed the lease & storage and stated the amount includes moving expenses for storage. The Authority anticipated moving its storage from one facility to another but there have been delays in the process.

Ms. Peoples stated that the actual amount Director's and Officer's liability business insurance remained flat from FY 2018 to FY 2019. However, the budget includes a 12% increase for FY 2020 based on recommendation.

Ms. Peoples stated that under General and Administrative Operating Expenses/General Office expense, approximately \$3,750 was added for supplies related to rebranding.

Additionally, Ms. Peoples explained that under Communications/Financial Data Platform, the Authority is switching from Bloomberg to a platform by Thomson-Reuters with a savings of \$8,200.

Ms. Savitsky joined the meeting at 11:41 p.m.

Ms. Peoples reviewed the Maintenance Service and Contracts category. It is anticipated that as the Authority switches to more cloud based software platforms this expense category will continue to rise. These costs are now broken out between software platforms and network related contracts. Ms. Peoples stated the accounting systems, current and proposed in the capital budget are about 77% of the total. A discussion ensued.

Ms. Peoples highlighted network maintenance contracts. Specifically, the reduction from FY 2019 budget is due to items that are not currently represented as they were rolled up in the network infrastructure rebuild completed this year. Ms. Peoples noted that for marketing costs related to conferences, the budget is \$10,000 for costs related to using an offsite location, securing a speaker, and other conference costs. For communications strategy implementation, due to timing the Authority did not spend the \$40,000 budgeted for FY

2019. An additional \$10,000 is budgeted for FY 2020. The goal is to address feedback received in the client survey.

Ms. Peoples stated the amount budgeted in conferences and training expense is for training related to upgrading software platforms that are at their end of life. This will also require staff training on the transition to these programs.

Ms. Peoples reported that the implementation of the accounting system started later than originally anticipated and work to be completed for the conversion from the old system to the new system has been carried forward to FY 2020. Under consultants for information systems, \$10,000 is included for unforeseen expenses. The Authority also included \$18,500 for the client portal customization, configuration and implementation.

Ms. Peoples stated that for human resources there are fees for the compensation consultant as well as placement services. To date, the Authority used the placement services, but not the compensation consultant. The compensation consultant is being carried forward to FY 2020 and we continue to carry the placement services as well. Additionally, consultants other includes \$9,000 for an economic impact study and \$9,000 for the Authority insurance consultant. Additional formula errors were identified and further discussion ensued.

Ms. Peoples stated that after operating expenses there is \$3 million included in program related expenses for the grant program along with \$147 thousand for child care programs. A discussion ensued.

Ms. Hammer joined the meeting at 12:08 p.m.

Mr. Varholak asked Ms. Peoples if any of the new transactions that were projected are already in the CHEFA pipeline. Ms. Peoples stated that the majority are in the pipeline, as detailed in Exhibit III. A discussion ensued.

Ms. Peoples reported that Support Services totaled \$378,488 for the three subsidiaries. CHESLA's is the majority at \$238 thousand, CSLF is \$72.9 thousand and CHEFA CDC \$67.2 thousand. Ms. Weldon stated that the above fees included the 33% add-on for benefits. These numbers are based on an estimate for staff's time and include a contingency amount.

Ms. People's reviewed the capital budget that includes hardware replacements for two switches and a new router for \$32,500. She also stated there is a phone system upgrade that was approved in last year's capital budget. The other key project is the accounting financing software as phase two for the project which includes additional products that will maintain the bond and investment accounting functions. A discussion ensued.

Ms. Rubin and Messrs. Varholak and Lisi requested that a breakout of the one time expenses be provided for information. Staff agreed to provide the breakout and a corrected summary budget. Mr. Varholak requested a motion to approve the FY 2020 Proposed Operating and Capital Budgets. Mr. Lisi moved to accept the motion and Ms. Rubin seconded the motion.

Ms. Savitsky noted for the record, as a State employee, that the State managers have not received a raise in about 7 to 8 years and believes the management structure for some employees may be comparable.

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

AYES

Michael Angelini
Peter Lisi
Barbara Rubin
Linda Savitsky
Mark Varholak

NAYS

ABSTENTIONS

ADJOURNMENT

Mr. Varholak requested a motion to adjourn the meeting. Ms. Rubin moved to adjourn. Mr. Lisi seconded the motion.

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

AYES

Michael Angelini
Peter Lisi
Barbara Rubin
Linda Savitsky
Mark Varholak

NAYS

None

ABSTENTIONS

None

The meeting adjourned at 12:15 p.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director