

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY  
Audit-Finance Committee Meeting Minutes  
June 15, 2022

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a special meeting via videoconference at 12:30 p.m. on Wednesday, June 15, 2022.<sup>1</sup>

The videoconference meeting was called to order by Ms. Susan Martin, Acting Committee Chair, at 12:32 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Susan Martin, Acting Committee Chair  
Peter W. Lisi, Board Chair  
Michael Angelini  
Lawrence Davis<sup>2</sup>  
Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden*)

ABSENT: Mark Varholak, Committee Chair

ALSO, PRESENT: Jeanette W. Weldon, Executive Director  
Rebecca Abblett, Administrative Services Assistant  
Denise Aguilera, General Counsel  
Robert Blake, Network Architect  
JoAnne Mackewicz, Controller  
Michael F. Morris, Managing Director, Client Services  
Cynthia D. Peoples-H, Managing Director, Operations & Finance  
Julia Pollano, Operations Reporting Analyst  
Kara Stuart, Manager of Administrative Services  
of the Connecticut Health and Educational Facilities Authority

**APPROVAL OF MINUTES**

Ms. Martin requested a motion to approve the minutes of the May 18, 2022 meeting of the Special Audit-Finance Committee. Mr. Angelini moved for approval of the minutes, which was seconded by Mr. Lisi.

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

| <b><u>AYES</u></b> | <b><u>NAYS</u></b> | <b><u>ABSTENTIONS</u></b> |
|--------------------|--------------------|---------------------------|
| Michael Angelini   | None               | None                      |

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

<sup>2</sup> Mr. Davis joined the teleconference meeting at 12:38 p.m.

Darrell V. Hill  
Peter W. Lisi  
Susan Martin

### **ARBITRAGE INTERNAL AUDIT ENGAGEMENT REPORT**

Ms. Stallings stated that BLX Group was engaged 18 months ago to provide a review of CHEFA's internal arbitrage reporting procedures and internal computations. Ms. Stallings stated this report is an update to the report provided dated January 13, 2021.

Ms. Stallings stated the following on the scope of work:

- Review of CHEFA's newly revised processes, procedures, applications, and recordkeeping practices as they relate to arbitrage compliance
- Review the arbitrage computations to be sure the revised procedures and Treasury Regulations are being properly applied on both the internal arbitrage computations
- Provide an updated report detailing the scope, findings, and recommendations

Ms. Stallings reported the following for the sampling size of the work:

- Initial Scope - of the more than 200 bond issues outstanding, selected a sample of 16 bond issues to review related arbitrage compliance
- Update Scope - of the 16 bond issues originally reviewed, 2 bond issues had updated computations utilizing the new procedures given timing of the computations

Ms. Stallings stated that the areas in the CHEFA procedures and internal reporting were updated to address the recommendations from previous reports. With these changes, Ms. Stallings reported that CHEFA has been ranked a low level of risk for non-compliance with the arbitrage provisions. Overall, CHEFA compliance with the arbitrage provisions in the updated procedures, as well as improved internal reporting, were rated as strong.

The floor was opened to questions and a brief discussion ensued. Mr. Chirls noted that while we have been in a low interest rate environment for the past decade, which has contributed to low borrowing costs and negative arbitrage, borrowers must be aware that increasing interest rates may lead to a positive arbitrage environment. Mr. Kurowski stated that CHEFA is prepared to handle this potentially positive arbitrage environment going forward.

Ms. Martin requested a motion to approve the Arbitrage Internal Audit Report from BLX Group. Mr. Lisi moved for approval and Mr. Angelini seconded the motion.

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

| <b><u>AYES</u></b>   | <b><u>NAYS</u></b> | <b><u>ABSTENTIONS</u></b> |
|--|--------------------|---------------------------|
| Michael Angelini<br>Lawrence Davis<br>Darrell V. Hill<br>Peter W. Lisi<br>Susan Martin | None               | None                      |

Ms. Stallings and Mr. Chirls left the videoconference meeting at 12:51 p.m.

### **REVIEW OF THE FY 2023 PROPOSED OPERATING AND CAPITAL BUDGET**

Ms. Peoples provided a summary of the FY 2023 proposed budget which includes Operating Revenues of \$7.848 million, Operating Expenses of \$4.254 million and Nonoperating Expenses of \$2.985 million, resulting in a Change in Net Position of \$608,000.

Ms. Peoples noted that eight new issues are budgeted to close resulting in approximately \$164,600 additional revenue for FY 2023 with total administrative fee revenue budgeted for \$7.617 million.

Ms. Peoples highlighted additional revenues including: subsidiary support services, bond issuance fees, and revolving loan interest totaling \$230,700 resulting in total operating revenue budgeted for FY 2023 of \$7.848 million.

Ms. Peoples provided a general overview of the FY 2023 budgeted operating expenses totaling \$4.254 million then followed with a more in depth look at key areas that reflect the most impact on the FY 2023 operating expense budget. Ms. Peoples noted that using the salary structure, administration guidelines, and recent market insight, the percent change in budgeted base salaries for FY 2023 over actual FY 2022 base salaries is 3.36%.

Ms. Peoples continued presenting a review of the budget for general and administrative expenses, contracted services and nonoperating income and expenses, indicating a change in rate used to estimate investment earnings from 0.1% in FY 2022 to 1.0% for FY 2023.

Ms. Peoples concluded the FY 2023 budget overview with nonoperating expenses for childcare and grant programs budgeted at \$3.125 million which includes \$3.0 million for the grant programs.

Ms. Peoples presented the proposed capital budget which includes the implementation of a client portal. Ms. Peoples stated that the intent for this portal is to streamline data collection by providing a single point of entry for clients, thereby enhancing communications, continuity of services, and CHEFA's ability to perform data analytics. The request for proposal for the client portal is expected to be published in the first quarter of FY 2023 with plans to make a selection in the Fall.

Ms. Martin requested a motion to approve the FY 2023 Proposed Operating and Capital Budget. Mr. Angelini moved for approval of the FY 2023 Proposed Operating and Capital Budget which was seconded by Mr. Lisi.

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

| <b><u>AYES</u></b>   | <b><u>NAYS</u></b> | <b><u>ABSTENTIONS</u></b> |
|--|--------------------|---------------------------|
| Michael Angelini<br>Lawrence Davis<br>Darrell V. Hill<br>Peter W. Lisi<br>Susan Martin | None               | None                      |

**OTHER BUSINESS**

Ms. Martin noted that the next meeting for the Audit-Finance Committee is scheduled for September.

**ADJOURNMENT**

Ms. Martin requested a motion to adjourn at 1:10 p.m., Mr. Lisi moved to adjourn the meeting and Mr. Davis seconded the motion.

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

| <b><u>AYES</u></b>   | <b><u>NAYS</u></b> | <b><u>ABSTENTIONS</u></b> |
|--|--------------------|---------------------------|
| Michael Angelini<br>Lawrence Davis<br>Darrell V. Hill<br>Peter W. Lisi<br>Susan Martin | None               | None                      |

Respectfully submitted,

Jeanette W. Weldon  
Executive Director