

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Audit-Finance Committee Meeting Minutes
September 20, 2023

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference on Wednesday, September 20, 2023.¹

The videoconference meeting was called to order by Ms. Susan Martin, Committee Chair, at 12:04 p.m. and, upon roll call, those present and absent were as follows:

PRESENT:	Susan Martin, Committee Chair Lawrence Davis Peter W. Lisi, Board Chair Mark Varholak
ABSENT:	Michael Angelini Sarah Sanders (<i>Designee for CT State Treasurer Erick Russell</i>)
ALSO, PRESENT:	Jeanette W. Weldon, Executive Director Denise Aguilera, General Counsel Charles Bodie, Managing Director of Finance and Operations Rebecca Hrdlicka, Administrative Services Assistant JoAnne Mackewicz, Controller Kara Stuart, Manager of Administrative Services of the Connecticut Health and Educational Facilities Authority
INVITED GUESTS:	Thomas Goldfuss, CPA & Partner, Whittlesey Lindsay Tessler, CPA & Manager, Whittlesey

APPROVAL OF MINUTES

Ms. Martin requested a motion to approve the minutes of the June 21, 2023 meeting of the Audit-Finance Committee. Mr. Varholak moved for approval of the minutes, which was seconded by Mr. Lisi.

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
Lawrence Davis		
Susan Martin		
Mark Varholak		

INDEPENDENT AUDIT PRESENTATION

Mr. Bodie thanked Staff and auditors for their hard work with the Independent Audit.

Ms. Mackewicz provided a brief summary of the financial highlights for the fiscal year ending June 30, 2023. Ms. Mackewicz reported that, year over year, there was a slight increase in operating revenues and an increase in operating expenses. Operating revenues remained level, year over

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

year, at \$7.7 million and were budgeted for \$7.6 million; 97% of revenues were generated from administrative fees. Ms. Mackewicz reported that in fiscal year 2023, CHEFA closed 9 bond offerings totaling approximately \$289 million, compared to \$890 million in fiscal year 2022. Ms. Mackewicz reported that 83% of new issuances were new money. Ms. Mackewicz also stated that CHEFA issued 1 new revolving loan, totaling \$50,000 at 3.75%. Total loans issued since the Revolving Loan Program inception in 2021 equal \$800,000 and \$398,000 remains outstanding at June 30th. Prior loans issued at 1.5% yielded \$1,000 in interest.

Ms. Mackewicz reported that operating expenses increased, year over year, by approximately \$53,000, but remained under budget by \$215,000. The total operating income remained level at \$3.7 million, and non-operating income increased by \$600,000 due to an increase in income from the interest rate on investments. The total operating income, year over year, is a net gain of \$1.2 million.

Ms. Mackewicz stated that the administrative fee receivables decreased by \$.6 million which was due to the timing of the bills sent in June and the payments received after June 30th. Ms. Mackewicz reported that \$491 million of current restricted assets represents CHEFA's construction funds held on behalf of the Institutions and represents a decrease of \$80 million from fiscal 2022. Ms. Mackewicz stated that the total net position for CHEFA, as of June 30, 2023, is \$16.5 million.

Ms. Mackewicz thanked Mr. Goldfuss and his team for their efforts with the audit.

Mr. Goldfuss introduced himself and Ms. Tessler, who presented on the Independent Audit Report. The presentation provided an overview on the following topics:

- Audit Objectives and Planning the Audit
- Overview of Audit Results
- Required Communications
- Significant Audit Areas and Transactions
- Significant Accounting Estimates
- Financial Statement Highlights
- Current and Emerging Accounting Issues

During the presentation, Mr. Lisi inquired about the regulations regarding subscriptions, and a brief discussion ensued.

Mr. Bodie commented that two minor changes were added to the audit after distribution to the Board, but that these two changes had no impact on the results of the audit.

Ms. Martin requested a motion to accept the Independent Audit. Mr. Varholak moved for approval and Mr. Davis seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Susan Martin
Mark Varholak

NAYS

None

ABSTENTIONS

None

EXECUTIVE SESSION WITH INDEPEPENDENT AUDITORS

Ms. Martin requested a motion to go into Executive Session at 12:22 p.m. to review management's performance in connection with the Independent Audit. Mr. Lisi moved to go into Executive Session and Mr. Davis seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Susan Martin
Mark Varholak

NAYS

None

ABSTENTIONS

None

At 12:23 p.m., all Board members, Mr. Goldfuss, and Ms. Tessler left the videoconference meeting to attend the Executive Session via a separate videoconference meeting room.

All Board members, Mr. Goldfuss, and Ms. Tessler returned to the videoconference meeting at 12:43 p.m. Ms. Martin stated that no votes were taken during the Executive Session.

At 12:44 p.m., Mr. Goldfuss and Ms. Tessler left the videoconference meeting.

REVIEW OF CHEFA INVESTMENT POLICY

Mr. Bodie reported on the redlined changes to the CHFEA Investment Policy. Mr. Bodie stated that the investment policies for CHEFA, CHESLA, and CSLF are reviewed bi-annually.

Mr. Bodie provided a detailed overview of the following changes that were made to the investment policy:

- Formatting and language changes to provide consistency between the CHEFA, CHESLA, and CSLF policies
- Language changes to specify that investments are driven by indentures
- Policy changes to remove risk and provide a more straight-forward approach for investments
- Update in policy by Mr. Bodie to his official job title as responsible for investments instead "Investment Officer".

Regarding the policy changes, Staff recommended removing the ability to invest in repurchases and GICs from the general fund for risk mitigation purposes.

Mr. Davis inquired about removing the investment of GICs, which Mr. Bodie clarified is only removed from general fund investments and not indenture-based investments. Mr. Bodie reported that this change is proposed to simplify the investment structure.

Ms. Martin requested a motion to accept the CHEFA Investment Policy as presented by Mr. Bodie. Mr. Lisi moved for approval and Mr. Davis seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Susan Martin

NAYS

None

ABSTENTIONS

None

Mark Varholak

MANAGEMENT UPDATES

Mr. Bodie reported on Staff engagement with Emphasys regarding improvements to the accounting system. Mr. Bodie reported that \$16,000 was originally budgeted to cover the costs of additional coding necessary for the project, but Emphasys recently provided a full proposal of \$40,000 to complete the project. Therefore, Mr. Bodie stated there is a \$24,000 increase to the FY 2024 capital budget due to this update.

Mr. Bodie reported that the engagement report from BerryDunn has been rescheduled and will be presented at the November 2023 Committee meeting. Mr. Bodie stated that the report involves an analysis on CHEFA childcare programs, FFELP and CSLF, CHESLA scholarship program, CHESLA and CSLF contracted vendors, and a CHEFA bond covenant analysis.

Mr. Bodie reported on the recent IT work within CHEFA. Mr. Bodie thanked Mr. Blake and his team for their efforts for a smooth transition with the office move as well as implementation of audit items including policy updates, network improvements, security transitions, penetration testing, and software upgrades.

Mr. Lisi thanked Mr. Bodie for the update, and Ms. Martin shared the complimentary feedback from the auditors regarding Staff efforts.

OTHER BUSINESS

Ms. Martin stated that the next Audit-Finance Committee Meeting is scheduled for November 15, 2023.

ADJOURNMENT

There being no further business, Mr. Varholak moved to adjourn the videoconference meeting and Mr. Lisi seconded the motion.

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

AYES

Peter W. Lisi
Lawrence Davis
Susan Martin
Mark Varholak

NAYS

None

ABSTENTIONS

None

The videoconference meeting adjourned at 1:05 p.m.

Respectfully submitted,



Jeanette W. Weldon
Executive Director