

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Audit-Finance Committee Meeting Minutes
June 16, 2021

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a telephonic meeting at 12:30 p.m. on Wednesday, June 16, 2021.¹

The special telephonic meeting was called to order by Mr. Mark Varholak, Committee Chair, at 12:32 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Peter W. Lisi, Board Chair
Mark Varholak, Committee Chair
Michael Angelini
Darrell V. Hill²

ABSENT: Lawrence Davis

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Debrah Galli, Manager, Administrative Services
Dan Kurowski, CHEFA CDC Program Manager
JoAnne N. Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Cynthia D. Peoples-H, Managing Director, Operations & Finance
Kara Stuart, Administrative Services Assistant of the Connecticut Health and Educational Facilities Authority

APPROVAL OF MINUTES

Mr. Varholak requested a motion to approve the minutes of the April 21, 2021 special meeting of the 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:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

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

² Mr. Hill joined the teleconference meeting at 12:33 p.m.

REVIEW AND APPROVAL OF THE FY 2022 PROPOSED OPERATING AND CAPITAL BUDGET

Ms. Peoples provided a summary of the FY 2022 proposed budget which includes Operating Revenues of \$7.560 million, Operating Expenses of \$4.091 million and Nonoperating Expenses of \$3.11 million, resulting in a Change in Net Position of \$357,000.

Ms. Peoples stated that staff is proposing a fee change from 9 basis points to 3 basis points effective July 1, 2021 for taxable bond issuances which account for 3% of the total bond portfolio. Ms. Peoples reported that the base of current fee revenues as of June 30, 2021 is about \$7.4 million, and the impact of the fee change is a reduction in fee revenues of approximately \$139,400.

Ms. Weldon stated that management is proposing the administrative fee change to address concerns from existing and pending clients. Ms. Weldon stated that the services provided on taxable transactions are not the same as tax-exempt transactions. Ms. Weldon noted that the fee change is not only a more fair approach, but it also could potentially have the benefit of encouraging people to issue through CHEFA. Ms. Weldon reported that the \$139,400 impact on the existing portfolio is not particularly significant. A discussion ensued.

Ms. Peoples noted that before the fiscal year ending 2021, we expect to close one additional new money issue and two refinancing issues. Ms. Peoples reported for FY 2022, staff is anticipating eight new issues to close resulting in approximately \$153,000 in additional revenues. For FY 2022 the total administrative fee revenue is budgeted at \$7.325 million.

Ms. Peoples discussed other operating revenues budget for FY 2022 totaling \$235,000. These revenues include subsidiary support services, bond issuance fees, and revolving loan interest revenue, resulting in the budgeted Total Operating Revenue for FY 2022 of \$7.56 million. A discussion ensued.

Ms. Peoples provided a general overview of the FY 2022 budgeted operating expenses totaling \$4.091 million and then followed with a more in depth look at key areas that reflect the most impact on the FY 2022 operating expense budget.

Ms. Peoples provided an update to the FY 2022 compensation budget noting that management was able to refine the compensation budget as staffing changes evolved since the information was presented to the combined Human Resources – Audit Finance committee meeting in May. Ms. Peoples reported that the total compensation budget had a net increase of \$3,186 while the total benefits budget had a net decrease of \$18,198, resulting in the FY 2022 total budgeted employment expense of \$3.094 million.

Ms. Peoples gave an overview of general and administrative expenses, covering business insurance, office supplies and non-capital purchases, legal expenses, marketing costs, depreciation expense, and employee conference and education expenses. A brief discussion ensued.

Ms. Peoples continued presenting a review of the budget for contracted services for information technology, human resources, strategic initiatives and contracted services relating to maintenance.

Ms. Peoples reviewed the budgeted nonoperating income and expenses, indicating a decrease in investment income budgeted for FY 2022. The childcare program expense (3% childcare interest subsidy) was budgeted at \$125,000 which includes the expense for additional loans of approximately \$1 million. Ms. Peoples reported that the total FY 2022 nonoperating expense is budgeted at \$3.11 million which includes \$3 million for the grant program.

Ms. Peoples presented the proposed capital budget which includes the implementation of Emphasys, the bond issue and investment accounting software. Ms. Peoples stated that this item was previously approved but is being carried over for information purposes since the timing was postponed to follow the general ledger accounting system (Multiview) implementation. The implementation is scheduled to begin in quarter 1 of FY 2022 and should be completed by quarter 4 of FY 2022. Ms. Peoples reported that implementation of the system is budgeted for \$167,000 and noted that the annual cost of \$16,000 for the system was already included in the operating budget.

The floor was open to questions and a discussion ensued.

Mr. Varholak requested a motion to approve the taxable bond issuance administrative fee change from 9 basis points to 3 basis points effective July 1, 2021. Mr. Lisi moved for approval which was seconded by Mr. Angelini.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

Mr. Varholak requested a motion to approve the FY 2022 Proposed Operating Budget. Mr. Lisi moved for approval of the FY 2022 Proposed Operating Budget which was seconded by Mr. Angelini.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Peter W. Lisi Mark Varholak	Darrell V. Hill ³	None

Mr. Varholak requested a motion to approve the FY 2022 Proposed Capital Budget. Mr. Lisi moved for approval of the FY 2022 Proposed Capital Budget which was seconded by Mr. Angelini.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

ADJOURNMENT

³ Mr. Hill stated that the Treasurer does not support non-union increases if they are not applied to non-union employees statewide.

There being no further business, at 1:22 p.m., Mr. Hill moved to adjourn the meeting 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>
Michael Angelini Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director