

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

January 17, 2014

The 331st meeting of the Rhode Island Higher Education Assistance Authority was held Friday, January 17, 2014 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairwoman Ms. LaSalle called the meeting to order at 8:35 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Chairwoman

Dr. William Croasdale, Vice Chairman

Mr. Robert J. Delaney

Mr. Dennis Duffy, Esq.

Mr. Daniel Egan

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members Absent:

Ms. Patricia Doyle

Mr. John Howell

Also Attending:

Ms. Gail Mance-Rios, Acting Executive Director

Mr. Joseph Palumbo, Esq., Legal Counsel
Mr. Charles Miller, CIO
Mr. Marc Lacroix, CFO
Ms. Linda Makhlouf, HR
Mr. Michael Joyce, Scholarships & Grants
Mr. Thomas Pearce, Account Resolution
Ms. Lisa Shevlin, RIHEAA
Ms. Patia Bertram, RIHEAA
Ms. Laurie Brayton, Legislative Analyst
Mr. Steven Straychzak, Council 94
Mr. Gregory Stack, Budget Office
Mr. Noel Simpson, RISLA
Mr. Blake Shelton, House Oversight Analyst

1. Approval of the Minutes of the Finance Committee meeting held on December 13, 2013 was unanimously approved, and the RIHEAA Board of Directors' meeting minutes held on December 20, 2013, was unanimously approved.

2. Chairwoman's Report: Ms. LaSalle stated that action item number seven has been tabled until the next Board meeting. Ms. LaSalle explained that she received a letter from Representative Marcello asking us to reconsider a three-year lease with RISLA and in light of this new information; we will table discussions regarding the lease.

Ms. LaSalle stated that she sent a letter to Representative Marcello on behalf of the Board; the letter is included in the board packets. Ms. LaSalle stated that she updated the House Oversight Committee that the leadership of RIHEAA and RISLA has been separated, and there is an Acting Executive Director of RIHEAA. She stated they discussed the plans of the Scholarship and Grant program and the potential new program with the CollegeBoundfund.

Ms. Mance-Rios stated that in light of the new changes to the guaranty agencies, she has been contacting CEO's of other guaranty agencies and asking what are they doing to move forward. Some stated that they are outsourcing staff/processes, grant writing, working with their federal and state representatives, and some are going to their state government. Ms. Mance-Rios stated that she will provide more detail when they become available.

Ms. LaSalle stated that she would like the Finance and Personnel Committees to meet to discuss these issues.

Dr. Croasdale made a motion to add Mr. Delaney to the Finance Committee and to have Mr. Howell added to the Personnel Committee, seconded by Mr. Feisthamel.

Voted in Favor: Mr. Egan, Mr. Delaney, Mr. Duffy, Dr. Croasdale, Mr. Feisthamel, and Ms. LaSalle.

Voted against: None

3. Acting Executive Director's Report: Ms. Mance-Rios reported that AllianceBernstein has signed the Morningstar agreement, and they are on time with the changes in the investments.

Ms. Mance-Rios invited the Board to attend the College Savings Initiative, scheduled on January 24, 2013, at 8:00 a.m, in the Radisson Hotel.

Ms. Mance-Rios reported that the Governor's State Budget and the Appropriation Act were released on Wednesday, January 15, 2014.

Ms. Mance-Rios asked Mr. Lacroix and Mr. Stack (of the Budget Office) to come to the table to explain the Governor's State Budget and how it will effect RIHEAA. Mr. Lacroix stated that the 2014 Revised, the Governor added \$51,000 in General Revenue for need based grants to satisfy the Maintenance of Effort requirements for the College Access Challenge Grant Program. The Governor's 2014 Revised proposal is consistent with RIHEAA's request. We requested two additional FTE's. Mr. Lacroix stated that Article 10 of the Appropriation Act, the funding for Academic Promise Scholarships was removed. It appears there was a mistake. Mr. Stack stated that the Budget Office will amend the budget to include Academic Promise. The intent is to fund Academic Promise both

this year and next year. Mr. Stack stated that they will contact the House and Senate and alert them that changes are coming.

Mr. Lacroix stated that in 2015, RIHEAA requested an increase from General Revenue for the need base grant of \$1.5 mil, in order to makeup for the lack of availability of funds from Tuition Savings reserves. Those reserves will be exhausted at the end of the current year. Based on projected revenues for 2015, we will be able to supplement the State Grant Program with \$6.5 mil in Tuition Savings.

Mr. Lacroix reported that the Governor's Budget Proposal did not increase the general revenue appropriation; however, it achieved level funding by recommending that the \$1.5 mil come from RIHEAA's reserves. Mr. Lacroix stated that the two additional FTE's for WaytogoRI are fully included in the 2015 recommendation.

Mr. Stack stated that WaytogoRI is a good program, and it needs it's own line item of expenses. Mr. Lacroix stated that the accounting department is doing that. Ms. LaSalle stated that this process should be done for all programs at RIHEAA.

4. Financial Report: Mr. Lacroix stated the Budget vs. Actual ending November 30, 2013, the income amounts are consistent with the projections. The actual net income is consistent with July, Aug, and Sept. Collections revenue is still strong. Net income to the guaranty

agency is robust. The Enacted Budget has personnel expenses that are significantly higher than the actual results. On the Purchase Service side, the expenses are consistent with the Enacting Budget. There is one variance in default aversion services, which is attributed to the Enacted Budget. It had a \$500,000 expense for default aversion services; the revised request has been reduced to \$250,000 due to the decline of that activity. On the Operating side, the expenses are consistent with the projections.

Ms. LaSalle asked, with the new federal changes with funding reduction will RIHEAA break even in 2014? Mr. Lacroix replied, he restated the full year 2013 results and we were operating at break-even, the results are the same for FY14. Mr. Lacroix stated that State Fiscal year is July – June, and the Federal Fiscal year is October – September. The propose change goes into effect July 1st. Mr. Lacroix stated the current level of collection activity there is no issue; the problem is when the decline of collection revenue comes into play. We should start to see that in the next six-months or so.

Dr. Croasdale asked to see year-to-year comparisons. Mr. Lacroix stated that is doable.

Ms. LaSalle asked Dr. Croasdale and the Finance Committee to explore the reduction and the impact on the agency, so that the whole board can address this issue. Dr. Croasdale will schedule a Finance Committee meeting. Ms. LaSalle stated that she would like

to see how the numbers would look like 2-3 years out. She also would like to see the Personnel Committee meet to see how the changes in funding will affect personnel.

Reconciliation Update: Mr. Lacroix stated that pending review by Braver; we have a variance of less than \$100,000 on a \$1.4 mil balance. Mr. Lacroix and Braver will meet to finalize this issue. Mr. Lacroix stated that we would like to recognize and thank Patia Bertram, the Treasurer's and Controller's Offices for helping with this tremendous project and with helping to resolve this issue.

5. Action Item: Approval of RFP Accounting Compliance Services: Ms. Mance-Rios stated that an RFP for Compliance Services targeting Internal Controls and Reconciliation of State Accounts within the Accounting department was issued. We received two bids, one from Beaulieu Associates from Portland, ME. Their fee is \$9,999 per quarter.

Mr. Feisthamel asked the annual audit cost to RIHEAA, Mr. Lacroix stated that it is \$18,000 on the agency and \$7,000 on RIHEST and the single audit cost is \$23,000.

The second bid came in from LGC&D, they are from Rhode Island explained Ms. Mance-Rios. They are familiar with RIHEAA and their fee is \$6,700 per quarter. Ms. Mance-Rios will ask Mr. Palumbo to negotiate a "not-to-exceed" clause in the contract.

Ms. Mance-Rios explained that she expects LGC&D to review the reconciliation on a quarterly basis, to review the internal control process and make sure we are taking the steps with meeting deadlines. They will monitor the funds received from the State of RI for the Scholarship and Grant program. Also, monitoring our bank accounts, intra-agency fund transfer, and to ensure they are completed in a timely manner. They will monitor the receivable and payables to ensure they are done each month.

Mr. Delaney asked who are they accountable to, Ms. Mance-Rios stated they are accountable to her and the board. They will provide a quarterly report to the board.

A motion to retain LGC&D for Accounting Compliance services, with a not-to-exceed \$6,700 per quarter, ending December 31, 2014, and \$6,900 for each quarter ending December 2015, and that LGC&D will serve at the pleasure of the board was made by Dr. Croasdale and seconded by Mr. Duffy.

Voted in Favor: Mr. Egan, Mr. Delaney, Mr. Duffy, Dr. Croasdale, Mr. Feisthamel, and Ms. LaSalle.

Voted against: None

6. Action Item: Temporary support from another state agency to

assist the Accounting department: Dr. Croasdale reporting for the Finance Committee recommends hiring someone temporarily, from another state agency for about a three-month period to help in the Accounting department. Ms. Mance-Rios stated that our Enacting Legislation allows us to borrow staff from other agencies in order to meet a temporary need in our agency. Once we decide what level of position we need, we can make a request, identify a person who is at that level, and who can temporarily support that position within the Accounting department.

A motion was made to go into Executive Session pursuant to RIGL 42-46-5 § (a) (1) discussion of a Personnel Matter was made by Ms. LaSalle, seconded by Mr. Feisthamel.

Voted in Favor: Mr. Egan, Mr. Delaney, Mr. Duffy, Dr. Croasdale, Mr. Feisthamel, and Ms. LaSalle.

Voted against: None

Public Session resumed at 9:30 a.m.

Chairwoman LaSalle reported that no votes were taken in Executive Session. A motion was made by Dr. Croasdale to seal the minutes of the Executive Session, seconded by Mr. Egan.

Voted in Favor: Mr. Egan, Mr. Delaney, Mr. Duffy, Dr. Croasdale, Mr.

Feisthamel, and Ms. LaSalle.

Voted against: None

A motion was made to provide temporary support from another state agency to the Accounting department for a three-month basis was made by Dr. Croasdale and seconded by Mr. Feisthamel.

Voted in Favor: Mr. Egan, Mr. Delaney, Mr. Duffy, Dr. Croasdale, Mr. Feisthamel, and Ms. LaSalle.

Voted against: None

Ms. LaSalle stated that Mr. Lacroix and Ms. Mance-Rios will work together to discuss the needs of the department.

Ms. LaSalle stated that at the February meeting she would like to discuss the Future of RIHEAA in light of the reduction of federal funding. Also looking at the Reserves, and how to assist college and non-college people with higher education.

There being no further business to come before the Board of Directors, the meeting adjourned.

Adjournment was at 10:10 a.m.

Mr. John Howell

Secretary