

**MINUTES OF THE MARCH 16, 2017 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Vice Chair Violette called the March 16, 2017 meeting of the members of the Finance Authority of Maine to order at 9:05 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Vice Chair Violette noted for the record that the members had received an Agenda and Notice of Meeting (*see Certificate of Mailing attached as Appendix 1*), and that notices of the meeting had been published in certain newspapers throughout the state (*see Affidavits of Publication attached as Appendix 2*).

A. CALL TO ORDER

Vice Chair Violette called the roll of the members and noted that there were sufficient members present for the purpose of beginning the meeting.

Those members present were as follows:

James Violette, Jr., Vice Chair
Richard Roderick, Treasurer
Jonathan Block
David Daigler
James Howard
Terry Hayes
Rosaire Pelletier
Christopher Pierce
Cheri Walker

Those members absent:

George Gervais
Patrick Keliher
Gregory Miller
Larry Mitchell
Timothy Nightingale
Raymond Nowak, Chair

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
William Norbert, Governmental Affairs and Communication Manager
Elizabeth Vanderweide, Business Development and Marketing
Martha Johnston, Director of Education
Carlos Mello, Chief Risk Officer
Jonathan Harvell, Chief Information Officer
Charles Emmons, Senior Commercial Loan Officer
Scott Weber, Senior Credit Officer

Ellen Curtiss, Credit Analyst
Katryn Gabrielson, Deputy General Counsel
Eva Giles, College Savings Plan Manager
Lisa Brown, Human Resource Manager
Matthew Lindquist, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Office
Sally Garand, Commercial Loan Officer
Jeffrey Murch, Credit Analyst
Adele Bickford, Executive/Legal Assistant

Guests Present:

Sheryl DeWalt, Beal College
Katie Castonguay, Moon Tide Springs
Adam Castonguay, Moon Tide Springs
Jim Milligan, Moon Tide Springs
Thomas Brigham, Moon Tide Springs
Jean Castonguay, Moon Tide Springs

A2: Approval of February 16, 2017 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Treasurer Roderick to approve the minutes of the February 16, 2017 Board meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-03-16-17-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of January 19, 2017

A motion was made by Treasurer Roderick and seconded by Ms. Walker to approve the Report of the January 19, 2017 Executive Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-03-16-17-02

B2: Acceptance of the Report of the Risk Management and Audit Committee of January 26, 2017

A motion was made by Mr. Pelletier and seconded by Ms. Walker to approve the Report of the January 26, 2017 Risk Management and Audit Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-03-16-17-03

B3: Acceptance of the Report of the Business Committee Meeting of February 1, 2017

A motion was made by Mr. Pierce and seconded by Mr. Howard to approve the Report of the February 1, 2017 Business Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-03-16-17-04

B4: Acceptance of the Report of the Education Committee Meeting of February 3, 2017

A motion was made by Treasurer Roderick and seconded by Mr. Howard to approve the Report of the February 3, 2017 Education Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-03-16-17-05

Vice Chair Violette and Mr. Wagner welcomed David Daigler to the FAME Board. Mr. Daigler comes to the board from the Maine State Community College System.

B5: Board Assessment Update

A summary of the 2016 Board Annual Evaluation Report was provided to members in their board packets. Eleven of the 15 board members responded, which was the same as the previous year. In a rating scale of 1 -10, the overall rating was 8.6. Mr. Wagner noted two areas for improvement: Training for new board members for which he invited existing board members to participate and writing and executing policy. The effort to standardize policy is already in place and all policies will come to the board for approval after being to committee. Mr. Wagner opened the item up for discussion. Treasurer Hayes asked that board materials be stamped “confidential”, as appropriate.

CEO’s and STAFF REPORT

C1: CEO Report

Mr. Wagner asked members for questions after their review of the CEO Report in their board packets. In addition to the CEO Report, Mr. Wagner discussed two other items: The OPEGA Report provided as a handout and FFELP.

The Office of Program Evaluation and Government Accountability (OPEGA) issued a report that evaluated the cost effectiveness of the New Markets Capital Investment Program (NMTC). OPEGA evaluated FAME’s oversight of the Program and the results were favorable. The report noted FAME’s change to the rule governing the Program that terminated the “one day loan” and recommended going forward to the Legislature to incorporate that change into statute. Mr. Wagner referred members to a chart outlining the cost effectiveness of the Program. The Program is winding down, with \$20 million in tax credits currently available and will terminate without Legislative support going forward. A recommendation of the Report is to have the state tax credit program look more like the federal program as far as a look back period. Staff will review and consider that recommendation along with others made by OPEGA. The members requested time to review the report and to have this specific item come back to the board for further discussion. Mr. Norbert provided the process that will be followed in the Legislature: a Public Hearing is scheduled for March 24th allowing for public input and acceptance of the report; and then the Report goes to the Taxation Committee who will consider the recommendations and renewed funding for the

Program with their findings expected by early December 2017. Members will take time to review the Report and will discuss, provide input and guidance at a future board meeting.

Mr. Wagner updated the board on FFELP that was terminated in 2010 and is responsible for FAME's declining portfolio. Recently, two large guarantors merged, with the transfer of ownership of USA Funds to Great Lakes Education Loan Services. Previously, the U.S. Department of Education (DOE) rejected FAME's proposal to transfer its FFELP funds to ECMC, which contained revenue sharing that would have provided funding to continue FAME's outreach efforts. USA Funds is serviced by Navient who is also FAME's servicer. With the merger, Navient will not service USA Funds and may discontinue its service to FAME, causing FAME to look to another servicer and to bear the cost of data conversion. That could have a \$300,000-\$400,000 negative impact to FAME's budget. Staff will investigate other alternatives, possibly going back to ECMC or approach the DOE under the new administration.

Mr. Wagner reported on staff's continued efforts to update its legacy IT system to improve FAME's cybersecurity. The effort was originally expected to take 18 months but now is targeted to convert to an existing system within nine months. Mr. Wagner cautioned that other IT efforts might be delayed as a result.

Responding to a question from a board member pertaining to the budget deficit indicated in the CEO Report, a discussion ensued regarding FAME's efforts to raise revenue. As a result, Mr. Wagner agreed to bring the business plan for its student loan insurance to the board in April.

C1a: Articles of Interest

Included in board packet.

Mr. Roney provided clarification to members regarding board responsibility for approving a bond resulting from a question about an article about Fiberight's request for tax exempt bond financing. Mr. Roney explained that the board actually approves the execution of the bond documents and the issuance of the bond and is not approving the eligibility of the project. The project must meet statutory criteria. FAME becomes the conduit for the bond with no credit enhancement from FAME or the state.

C1b: Strategic Plan Update

Vice Chair Violette exited the meeting at 10:20 a.m.

Vice Chair Violette re-entered the meeting at 10:23 a.m.

Treasurer Roderick exited the meeting at 10:25 a.m.

Treasurer Roderick re-entered the meeting at 10:26 a.m.

Ms. Walker exited the meeting at 10:40 a.m.

Treasurer Hayes exited the meeting at 10:41 a.m.

Ms. Walker re-entered the meeting at 10:42 a.m.

Treasurer Hayes re-entered the meeting at 10:43 a.m.

Mr. Wagner referred members to the Second Quarter Strategic Update in their board packets with metrics related to FAME's two goals as stated. The Executive Summary outlined the four initiatives that are critical to FAME's continued revenue generation: success of the SLI/RSLI products, finding sources of capital as identified by the First Infrastructure report, improvements to IT cybersecurity, and advancement of an Enterprise Risk Management process.

Each accountable person reviewed their goals, metrics, results and made relevant comments pertaining to their items as outlined in the update.

C2: Education Update

C2a: Advisory Committee Changes – Work Group Recommendations

Mr. Daigler exited the meeting at 10:47 a.m.

Mr. Daigler re-entered the meeting at 10:50 a.m.

Mr. Wagner provided a memo to members prior to the board meeting outlining the key provisions of LD 602, in which the State Treasurer would be relieved of statutory commitment to chair and be a member of the Advisory Committee on College Savings. In addition, LD 602 would increase membership of the Advisory Committee and provide for the appointment of a chair by the FAME board chair. The board will be asked to take a position at its April meeting. LD 602 has gone to Committee and a work session will be scheduled in April, presumably after the board meeting. Vice Chair Violette advised that the Executive Committee will meet to assess the analysis and recommendations of staff prior to the April board meeting.

C2b: NextGen Update

Treasurer Roderick moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others would result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). The motion was seconded by Mr. Howard and approved by a vote of 8 in favor, 1 opposed (Terry Hayes) and 0 abstentions.

Members entered Executive Session #1 at 11:00 a.m.

Members exited Executive Session #1 at 11:03 a.m.

Ms. Johnston reported that staff confirmed the truncation process by Merrill Lynch took place on February 20th. The conversion from C to A units is more advantageous from a fee prospective. The truncation involved 47,000 accounts for \$1.57 billion in assets. The breakout of units is C at 48% and A at 52%. Merrill Lynch received positive consent for an additional 130 clients after the clean-up, and those clients were changed over on March 10th.

C3: Risk Management

C3a: RFP for Business Continuity

This item discussed under C1b: Strategic Plan Update.

C3b: Legacy System Replacement

This item discussed under C1b: Strategic Plan Update.

B4: Legislative Update

The Legislative Education Committee has held its budget work session, which will provide funding for FAME's education assistance programs. The majority voted to increase the appropriation by \$5 million each year under the biennial budget. The additional funding would allow FAME to raise the annual Maine State Grant award from \$1500 to \$2000. There is a meeting Tuesday to provide funding for the Doctors for Maine's Future Scholarship. Funding for this program is dwindling, and it is expected that within four years that the program will only be able to fund half the number of students it assists now. FAME provided a briefing to the Committee on Labor, Commerce, Research and Economic Development (LCRED), its oversight committee, for new and returning members. FAME, and other agencies, was asked by the Speaker to discuss its operations and needs. Lastly, there have been discussions around a bill proposed by the Assistant Majority Leader for a \$250 million bond to forgive and refinance student debt.

BREAK: 11:07 A.M. – 11:15 A.M.

D: ACTION ITEMS:

D1: Beal College – Request for FAME Direct Loan

Treasurer Roderick exited the meeting for a conflict of interest at 11:15 a.m.

Mr. Daigler exited the meeting for a conflict of interest at 11:20 a.m.

Mr. Lindquist advised that Beal Education, LLC is requesting a \$400,000 FAME Direct Loan to finance the start-up of a nursing program, which would help to curtail the shortage of nurses expected in the future. Beal has partnered with Eastern Maine Healthcare (EMHC) who will provide lab time and classroom space. Mr. Lindquist introduced Sheryl DeWalt, President, of Beal College. Ms. DeWalt reported that Beal received approval from the Maine State Board of Nursing last week to establish the nursing program at Beal to commence in the fall of 2017. A Program Director has been hired.

In order to answer some board member questions, Ms. DeWalt asked to go into Executive Session.

Ms. Walker moved to enter into Executive Session to discuss any financial statement or tax return obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance to be provided by or with the assistance of the Authority (10 MRSA §975-A(2)(D)). The motion was seconded by Mr.

Howard and approved by a vote of 7 in favor, 0 opposed and 2 abstentions (Richard Roderick and David Daigler).

Members entered Executive Session #2 at 11:24 a.m.

Members exited Executive Session #2 at 11:28 a.m.

A motion was made by Mr. Pelletier and seconded by Mr. Block to approve the Resolution authorizing an Economic Recovery Loan in the amount of \$400,000 to Beal Education, LLC. The motion was approved by a vote of 7 in favor, 0 opposed and 2 abstentions. (Richard Roderick and David Daigler).

R-03-16-17-06

D2: Moon Tide Springs – Request for FAME Direct Loan

Mr. Daigler re-entered the meeting at 11:33 a.m.

Treasurer Roderick re-entered the meeting at 11:33 a.m.

Mr. Block exited the meeting at 11:55 a.m.

Mr. Pelletier exited the meeting at 11:56 a.m.

Mr. Lindquist introduced, Jean, Adam and Katie Castonguay, Jim Milligan and Thomas Brigham of Moon Tide Springs who are before the board seeking a \$175,000 FAME Direct Loan to cover operating costs until financing can be secured to fund a major business expansion at the Rumford facility. The company will provide high quality bottled water from a large natural aquifer. Details of the transaction were provided in the board packet and a discussion ensued related to the company's financial plan, attracting new business, both domestically and globally, and the market for mineralized, high quality water. Although projections appear aggressive, it was acknowledged that there is sufficient collateral.

A motion was made by Treasurer Roderick and seconded by Mr. Howard approve the Resolution authorizing an Economic Recovery Loan in the amount of \$175,000 to Moon Tide Springs, Inc. The motion was approved by a vote of 5 in favor, 1 opposed (Christopher Pierce) and 1 abstention (James Violette).

R-03-16-17-07

D3: Adoption of Amendment 6 – Rule Ch. 101, Loan Insurance Program

Ms. Gabrielson referred members to the changes to Rule Ch. 101, Amendment 6, Loan Insurance Program, which is before the board for adoption. The Rule was previously approved for rulemaking by the board and no comments were received.

A motion was made by Treasurer Hayes and seconded by Mr. Howard to adopt Rule Ch. 101, Loan Insurance Program. The motion was approved by a vote of 6 in favor, 0 opposed and 1 abstention (David Daigler).

R-03-16-17-08

D4: Approval of Committee Policy/Committee Appointments

Vice Chair Violette informed members that the draft document related to committee policy will come back to the board at a later date after more review. A list of proposed committee members is included, and Mr. Wagner added that all committee members have been contacted regarding their role on the committee to which they were appointed.

D5: Maine College Savings Program, Approval - Investment Policy Update

Treasurer Hayes exited the meeting at 12:11 p.m.

Ms. Gabrielson informed members that the Maine College Savings Program Investment Policy and Monitoring Guidelines is before them for their approval, which takes place every two years. It was last updated in 2015. This year, there is a minor change to reflect the practice that FAME's independent investment consultant, in its review memo, also makes a recommendation for each fund that has been on Program Manager's Red Flag report for 12 months or more.

A motion was made by Mr. Howard and seconded by Mr. Pierce to approve the Maine College Savings Program Investment Policy and Monitoring Guidelines as presented. The motion was approved by a vote of 6 in favor, 0 opposed and 0 abstentions.

R-03-16-17-09

COMMISSIONERS' & TREASURER'S UPDATES

None

E: BOARD EXECUTIVE SESSION

The board entered into Executive Session for discussion or consideration of a personnel matter in which public discussion could reasonably be expected to cause damage to the reputation or the individual's right to privacy would be violated (1 MRSA §405(6)(A).

Members entered Executive Session #3 at 12:13 p.m.

Staff exited the meeting.

Members exited Executive Session #4 at 12:27 p.m.

The meeting adjourned at 12:27 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair