

**MINUTES OF THE FEBRUARY 19, 2015 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the February 19, 2015 meeting of the members of the Finance Authority of Maine to order at 9:08 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Chair Nowak 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

A1: Ascertainment of Quorum

Chair Nowak 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:

Raymond Nowak, Chair
James Violette, Jr., Vice Chair
Cheri Walker, Treasurer
Denise Garland for George Gervais
Terry Hayes
James Howard
Gregory Miller
Larry Mitchell
Rosaire Pelletier
Richard Roderick
Susan Snowden

Those members absent:

Jonathan Block
Reis Hagerman
Patrick Keliher
Christopher Pierce

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Director of Business and Finance
Elizabeth Vanderweide, Director of Business Development/Marketing
Martha Johnston, Director of Education
William Norbert, Governmental Affairs & Communications Manager

Scott Weber, Senior Credit Officer
Angela Dostie, College Savings Program Manager
Claude Roy, Education Officer
Joshua Dixon, Senior Accountant
Adele Bickford, Executive/Legal Assistant

Guests Present:

None present

A2: Approval of January 15, 2015 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Roderick to approve the minutes of the January 15, 2015 board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-01

CHAIR'S REPORT

B1: Approval of the Report of the Executive Committee Meeting of December 18, 2014

A motion was made by Vice Chair Violette and seconded by Mr. Pelletier to accept the Report of the Executive Committee Meeting of December 18, 2014. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-02

B2: Approval of the Report of the Business Committee Meeting of January 8, 2015

A motion was made by Ms. Snowden and seconded by Treasurer Hayes to accept the Report of the Business Committee Meeting of January 8, 2015. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-03

B3: Approval of the Report of the Risk Management and Audit Committee of January 14, 2015

Mr. Mello corrected the Report to remove Neria Douglass from the list of those attending and to show Commissioner Keliher as absent from the meeting.

A motion was made by Treasurer Walker and seconded by Treasurer Hayes to accept the Report of the Risk Management and Audit Committee of January 15, 2015 as amended. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-04

B4: Approval of the Report of the Executive Committee Meeting of January 15, 2015

A motion was made by Treasurer Hayes and seconded by Treasurer Walker to accept the Report of the Executive Committee Meeting of January 15, 2015. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-05

Chair Nowak called for an Executive Session to review Mr. Wagner's evaluation. Staff, excluding Mr. Wagner, exited the meeting.

Mr. Roderick moved to enter into Executive Session to discuss a personnel matter. The motion was seconded by Vice Chair Violette and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:15 a.m.

Members exited Executive Session #1 at 9:45 a.m.

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Wagner and Mr. Norbert met with Senator Angus King, Representative Poliquin, and staff from Susan Collins' and Representative Chellie Pingree's offices recently in Washington, DC, while attending the NCHER Conference. They discussed flexibility within the 529 Plan, the orderly wind-down of FFELP and simplifying the number of loans.

Mr. Norbert added that they are concerned with the continuation of tax exempt bond financing. The National Council on Higher Education Resources (NCHER) is introducing a compromise proposal regarding the amount of fees that agencies can retain when rehabilitating a federal student loan.

Mr. Wagner and Mr. Norbert have also been meeting with members of the state legislature. One bill of interest is LD 24 that would create a State Bank, which would make FAME obsolete. FAME and DECD testified in opposition to the Bill. The less than unanimous vote (12-1) in Committee will move the Bill forward, but its chances of passage are quite slim. However, Mr. Wagner and Mr. Mello will visit the State Bank of North Dakota in the next few weeks to determine what they do and how they do it to better position FAME to impact economic development in Maine.

Also in Committee for consideration is the increase of funding for the FAME administered Maine State Grant Program from the \$10 million level to \$15 million, which would enable FAME to award \$1,500 per student rather than \$1000 currently slated to be awarded under the program.

Mr. Norbert highlighted two other proposed bills: Venture Capital Revolving Investment Program (VRIP) and Science, Technology, Engineering and Math (STEM) repayment program. Under VRIP, unallocated funds would be moved to the Economic Recovery Loan Program (ERLP), FAME's direct loan program. The funds for VRIP originally came from ERLP and the new legislation would allow flexibility while not dismantling VRIP. STEM legislation would provide student loan debt repayment to professionals working in those fields, thereby attracting a skilled workforce and benefitting Maine employees and employers.

Mr. Wagner advised members that FAME has received an RFP from the Maine Education Loan Authority (MELA) for the origination and servicing of their loans. Should FAME participate in the RFP process, it could result in attaining a consolidated position for students as FAME and MELA use the same servicing systems.

Other major activities: Mr. Wagner will go to Austin, Texas in the next couple of weeks to speak about 529 Plans at the College Savings Foundation Conference; the Strategic Plan with the Alford Foundation has been completed; Mr. Wagner and Mr. Norbert appeared on the Anne Haskell Show over the past weekend and Mr. Wagner continues to network with those in the education field, mostly recently with Ed Cervone, Executive Director of Educate Maine.

Mr. Wagner requested an Executive Session to discuss some upcoming business transactions.

Ms. Snowden moved to enter into Executive Session to discuss records submitted prior to an application, and for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Treasurer Walker and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 10:05 a.m.

Members exited Executive Session #2 at 10:08 a.m.

C2: Strategic Plan

Treasurer Walker exited the meeting at 10:10 a.m.

Treasurer Walker re-entered the meeting at 10:12 a.m.

Vice Chair Violette exited the meeting at 10:15 a.m.

Vice Chair Violette re-entered the meeting at 10:18 a.m.

Mr. Pelletier exited the meeting at 10:23 a.m.

Mr. Pelletier re-entered the meeting at 10:30 a.m.

Ms. Snowden exited the meeting at 10:31 a.m.

Mr. Pelletier exited the meeting at 10:33 a.m.

Mr. Pelletier re-entered the meeting at 10:35 a.m.

Ms. Snowden re-entered the meeting at 10:38 a.m.

Deputy Commissioner Garland exited the meeting at 11:07 a.m.

Deputy Commissioner Garland re-entered the meeting at 11:11 a.m.

Mr. Wagner provided members with a handout of his strategic briefing. He referred members to the Brand Promise, FAME's two previously board approved Goals and FAME's Vision in the handout before continuing with the Strategic Overview. The Strategic Plan melds Education and Business and describes how they work together. FAME's Aspiration "leverages the relationship between economic (Business) and workforce development (Education) to help lead the creation of good paying jobs. Outlined are the four ways in which FAME will meet its aspiration: expand employer relationships, become one of the most affordable states for higher education, be seen as a focal point for any size deal and become a "one stop shop" for educational needs.

Mr. Wagner outlined how FAME will implement its new strategy, noting that New Product Development and Launch is a key step in the process. Also important is the process for Project Management and Problem Solving.

Mr. Wagner explored the means to increase risk under the MBE program. MBE loans pledge the moral obligation of the state. He would not recommend increasing risk without a corresponding increase in the level of reserves allocated by the Legislature. Increased reserves could also allow for more risk under the Commercial Loan Insurance program. Board discussion ensued regarding taking on greater risk and the direction FAME would take under its new Strategic Plan.

Mr. Wagner continued his presentation by referring members to the Needed Capabilities-Education in which he lists what is needed to make FAME a "one stop shop" for educational needs. There is a strong emphasis on building strong relationships, with employers, state policy makers, college and other entities such as the Alford Scholarship Foundation and Educate Maine. FAME needs access to low cost funds to support low cost loans in order to make Maine one of the most affordable states for higher education. Mr. Wagner pointed out that the core capabilities of Education and Business listed in the handout, by their redundancy, show how FAME will work at the nexus of economic and workforce development in its Strategic Vision.

Mr. Wagner asked for approval from the board.

A motion was made by Treasurer Hayes and seconded by Vice Chair Violette to approve the direction of the Strategic Plan and for staff to write the final draft with more detail. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-06

C3: Omnibus Poll Results

Treasurer Walker exited the meeting at 11:28 a.m.

Treasurer Walker re-entered the meeting at 11:30 a.m.

Mr. Pelletier exited the meeting at 11:30 a.m.

Mr. Pelletier re-entered the meeting at 11:32 a.m.

Ms. Vanderweide provided a handout that gives more graphic detail to the poll outlined in the board memo. The poll was undertaken to track the awareness and opinion of FAME and its services. The results showed an increase in awareness in two key targeted constituencies, those with children and

those who own or manage a bank or business. The memo listed the efforts undertaken by staff to improve the public's awareness and opinion of FAME. Ms. Vanderweide, responding to a question, advised that staff is waiting to establish a Social Media Policy before adding to its Facebook and Twitter websites but did ask members to "like" FAME on Facebook and "share" it with others.

C4: Legislative Update

Previously provided under the CEO Report.

C5: Quarterly Financial Report for December 31st

Treasurer Hayes exited the meeting at 11:35 a.m.

Chair Nowak exited the meeting at 11:36 a.m.

Mr. Mello reviewed the financials for the 2nd Quarter FY 2015, noting that FAME is ahead of budget by \$1.4 million, primarily because of a timing issue. The Merrill Lynch support revenue expected in January 2015 was received in November and a slower decline than expected in FFELP revenue added to the \$1.4 million figure. Included in the materials to the board is a table showing the variances expected that will impact the financials for FY 2015 compared to the original budget: declines in FFELP revenue, NextGen Maine Administration fees and student loan insurance fees.

C6: Scorecard

Chair Nowak re-entered the meeting at 11:38 a.m.

Mr. Mello presented the Scorecard for FY 2015, highlighting two targeted goals. He advised that the annualized measures for Revenue and Productivity are higher than the indicated goals in the first two quarters but could come in lower in the remaining quarters.

C7: Major Business Expansion Program Standards

Previously included in the Strategic Plan discussion.

C8: Outreach Update

Ms. Johnston reported that the selection of a College Access Counselor, a position vacated by the promotion of Mila Tappan, is about to be finalized and that the CAFÉ team has just completed one of its signature events, In Person FAFSA Completion Help Sessions. There were 29 scheduled events and the results are being compiled. The team held 209 events where it reached 6700 students and their families and in addition, attended College Fairs where 7700 students and families were exposed to FAME and its services. She noted that Customer Service logged 500 more calls in December 2014 than December 2013 and also processed more than 1600 contribution coupons in November. The increase number of calls and contributions can be attributed to FAME's successful marketing campaign. She also noted that although the Scorecard shows additional NextGen contributions annualized at 11,239, on-going contributions were at 12,276, and Ms. Johnston is confident that that goal will be reached. The goal for NextGen automated funding is at less than one-third of its goal but there will be a push to meet the goal in the last half of the fiscal year. Ms. Johnston also added that grants are more generous this year.

C9: Monthly Update for Board on Lumber, Wood, and Paper Industry

Mr. Weber reported that concentration levels in the lumber, wood and paper industry remained relatively the same from January to February. Concentration in January was 86% and in February, 85.8%. He advised that exposure will continue to be watched.

D: ACTION ITEMS

D1: Ratification of Investment Purchases Oct-Dec

Mr. Mello referred members to the materials in their packets that indicate that FAME's investment portfolio is in compliance regarding exposure to assets limits. Also provided is the reconciliation for the first two quarters of FY 2015 and a listing of purchases of securities and maturities that must be ratified by the board.

A motion was made by Treasurer Walker and seconded by Mr. Pelletier to ratify investment purchases October-December as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-02-19-15-07

D2: Approval of Modification to the Investment Policy

Treasurer Hayes re-entered the meeting at 11:47 a.m.

Modifications to the Investment Policy were made based on two recommendations made by PFM Asset Management, FAME's independent investment advisor, at the Risk Management and Audit Committee Meeting on January 14, 2015: reduce the credit rating necessary for municipal obligations from AA to A- to expand the scope of potential offerings and add asset-backed securities to the list of types of securities authorized for investment purchases. In the course of the ensuing discussion, it was noted that the report of the Risk Management and Audit Committee erroneously identified lowering the credit rating for municipal obligations to "A" rather than "A-" as shown in the modification to the Investment Policy. A- is the correct rating requirement.

A motion was made by Mr. Howard and seconded by Treasurer Hayes to approve the modifications to the Investment Policy as presented. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-08

D3: Approval of Modification to the Travel Policy

Mr. Wagner advised that the policy is being modified because FAME has E-Z Pass and the articles related to reimbursement for tolls are not appropriate. The amount of a customary tip has also been increased from 18% to 20%, which is a more traditional amount.

A motion was made by Mr. Pelletier and seconded by Treasurer Hayes to approve the modifications to the Travel Policy as presented. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-09

D4: Authorization of Funding for Academic Year 2015-2016 State of Maine Grant

Ms. Snowden exited the meeting at 12:09 p.m.

Ms. Johnston referred members to the memo in their board packets outlining the funding projections for need-based student grants: \$2.5 million from NextGen and \$10 million from the state appropriation. She added that if the level of state funding should increase by \$5 million, which is an appropriation working its way through the Legislature, the award to students would be increased (from \$1000 to \$1500), which is the approach FAME would take rather than changing the Expected Family Contribution (EFC).

A motion was made by Ms. Snowden and seconded by Mr. Howard to allocate \$2.5 million of NextGen funds for need-based grants. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-02-19-15-10

Mr. Roderick requested an update on Elmet Technologies and Lincoln Paper and Tissue.

Mr. Pelletier moved to enter into Executive Session to discuss matters for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 12:09 p.m.

Members exited Executive Session #3 at 12:12 p.m.

COMMISSIONERS' & TREASURER'S UPDATES

Treasurer Hayes encouraged members to go to the state's Unclaimed Property website. Treasurer Hayes informed members that unclaimed property reverts to the General Fund at the end of the fiscal year, although the obligation to pay-out never goes away. The state obligation accumulatively is at \$213 million.

The meeting adjourned at 12:15 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair