

**VSAC Board of Directors Meeting  
June 18, 2018  
8:30 a.m.**

**VSAC Offices  
10 East Allen Street  
Winooski, VT 05404**

***Attendance:***

**Present:** Dodie Mitchell (Chair), Dave Larsen, Martha Heath, Matt Trieber, Pam Chisholm, Katharine Hutchinson, Dennis O'Brien and Ann Cummings (arrived at noon)

**Absent:** Mike Smith, Beth Pearce

**Staff:** Scott Giles, Tom Little, Patrick Leduc, Mike Stuart, Marilyn Cargill, Kristi Rocheleau

**I. Call to Order**

Chair Dodie Mitchell called the meeting to order at 8:32 a.m. and a quorum was declared present.

**II. Approval of Minutes**

Martha Heath noted an error in the April 16, 2018 minutes. The approval action was moved by Martha Heath and seconded by Chuck Soule (not "Chuck Larsen," as noted in the draft).

*Upon a motion made by Martha Heath and seconded by Dave Larsen, the Directors voted unanimously to approve the Board Meeting Minutes of April 16, 2018, as corrected.*

**III. Chair Update**

Dodie Mitchell noted that the full day agenda is designed to support the retreat confirmed for December 10 & 11, 2018. The retreat will include work on the strategic plan; agendas leading up to the meeting are intended to provide a foundation for that meeting. Dodie then outlined the agenda for the day and led an exercise asking each member "Why are you here at VSAC?"

**IV. President's Report**

Scott Giles reviewed the previously circulated President's Report, highlighting the GEAR UP grant competition, space rental, compensation, and the announcement of loan forgiveness borrower benefits to a segment of VSAC private loan borrowers.

**V. Committee Reports**

- a. **Human Resources** – Chair O'Brien summarized the meeting record of May 21. Key points covered included the healthcare and compensation strategy for fiscal year 2019. Management completed the marketplace review and has updated salary grids. A portion of the review included looking at peer organization compensation trends to

set this year's recommendation at 2.5%, distributed based on performance evaluation tiers. VSAC's self-insured healthcare costs are expected to come in close to budget for this fiscal year, and are expected to rise by roughly 8% in FY19. VSAC employees will see an increase in co-pays and per pay-period contributions to share these costs. Chair O'Brien completed the update with the CEO evaluation process, that the Board would act on later in the agenda.

- b. **Finance** - David Coates covered the report on behalf of Chair Mike Smith. Referring members to the previously distributed Corporate Budget Report, Mr. Coates noted that the FY 2019 operating budget generally includes the same types of revenues and expenses as in FY18, with the primary difference of totals in salaries (up 2%). The FY19 budget includes \$7-8 million for capital expenditures for bond purposes.

The Board then reviewed and discussed the assumptions presented.

#### **Corporate Budget Assumptions**

- Originate \$46 million student and parent Advantage private loans.
- Key debt indices (T Bill, SIFMA, CP, etc.) remain relatively unchanged
- Returns on liquid investments and cash will average 1.00%

#### **The Operating Assumptions**

- No reductions in permitted service draw levels
- FFEL portfolio continues to amortize at 15%
- Private loans originated: \$46 million
- Funding merit payments and an increase to base salaries.
- Employee contribution to health care increases by 8.5% (on average)

#### **The Board Resolution**

While the entire corporate financial projection has been included in this document, and referred to as the corporate budget, the Board of Directors approves the operating portion of that budget.

#### *Be It Resolved*

The Board of Directors approves a Fiscal 2019 operating budget for the Corporation as presented at the Board's June 18, 2019 meeting. Operating revenues and resources are budgeted at \$24,202,000, with operating expenses of \$24,196,000. The Board recognizes the budget is subject to adjustments resulting from increases or decreases in revenue or expenditures. The President/CEO of the Corporation is authorized to make adjustments to the operating budget, and report them to the

Chair of the Finance Committee, under the following circumstances:

1. to expend additional revenue which may become available for student assistance programs;
2. to accept and expend additional funds received for corporate programs/services;

3. to reduce or increase individual expenditures when necessitated by changes in programs and services;
4. to draw up to 7% of the State grant appropriation as operating revenue if needed; and

The President/CEO shall report at the next regularly scheduled Board meeting any actions which have been taken under this authority.

*Upon a motion made by David Coates and seconded by Martha Heath, the Board of Directors voted unanimously to approve the recommended budget resolution for FY19, as presented.*

- c. **Audit** – Chair David Coates reviewed the record of May 21, 2018, highlighting the external auditors’ audit plan for the FY18 audit, Regulatory/Legislative and Cyber Security risk review, and the trends for state-by-state student loan licensing. Scott Giles added that there are industry conversations underway to determine how best to create common standards for State Licensing.

Coates wrapped up the report with evaluation updates, noting the outstanding achievement results of the Internal Audit/Risk Management Director, and the meets expectations result of the Audit Committee self-evaluation. In response to questions about keeping Audit and Finance Committees as separate function, Coates agreed that this remains a best practice.

- d. **Programs & Services** – Martha Heath provided an update on the May 21, 2018, committee meeting and reviewed the three policies requiring Board action.

*Upon a motion made by Martha Heath and seconded by Dave Larsen the Board voted unanimously to approve the Enrollment Verification, Loan Disbursement, and Tax Verification policies, as presented.*

Martha reported that because the Legislature and the Governor had not reached a budget agreement there are a significant number of unresolved issues—VSAC’s request for increased dual enrollment stipend funding, language VSAC has requested regarding the VHEIP Tax Credit, and the status of the new National Guard tuition benefit program. Marilyn Cargill added that errors resulting in over awarding of a small number of dual enrollment stipends have not been completely resolved. VSAC continues to work with AOE to improve the dual enrollment process to avoid barriers to low-income students.

- e. **Governance** – Chair Dave Larsen reported on the May 8, 2018, committee meeting which emphasized the Board evaluation results and the ongoing Board leadership and membership risk review to prepare for potential vacancies.

Dave thanked members for board evaluation responses. The survey questions that yielded the lowest scores have prompted good board member education sessions, including Cyber Security, and Bond training, to be covered later in the agenda.

Dave then facilitated a Board Chair evaluation exercise, intended to provide the Board with the opportunity to evaluate the revised policy approved last year and to address three goals: (1) to provide an opportunity for Board members to express their opinions about the role of the Board Chair in general, (2) to provide an opportunity for Board members to express their opinions about how Dodie is performing in that role, and (3) for Dodie to receive feedback expressed in a candid and helpful manner.

The Committee then engaged in a line by line review of the Board Chair Key Job Responsibilities and provided their feedback on the four main categories of the responsibilities. Committee Chair Larsen will take these results and provide a summary to the Board Chair and the Governance Committee in September.

(Ann Cummings arrived at 12:00 p.m.)

**VI. Lunch, Introductions and Demo**

The Board of Directors then participated in a luncheon with some of the VSAC staff assigned to the MyVSAC and Private Loan Origination project teams, the two largest projects VSAC undertook in fiscal year 2018. The format included introductions, and a demonstration of the customer facing experience while using MyVSAC and completing a private loan application.

**VII. CEO Evaluation**

Dodie Mitchell transitioned the Board to the CEO annual performance evaluation and recommended that the Board entertain a motion for an executive session.

*Upon a motion made by Martha Heath and seconded by Dennis O'Brien, the Board voted unanimously to enter executive session at 12:57 p.m. to consider contractual and personnel matters involving a public officer, for which premature public knowledge would clearly place VSAC at a substantial disadvantage. 1 V.S.A. sec. 313 (a).*

Having completed its evaluation discussions, the Board exited the executive session at 2:20 p.m.

**VIII. Bond 101 Presentation**

IX. Scott Giles conveyed that this material is a result of the board evaluation feedback and the desire, particularly from members of the board not serving on the Finance Committee, for more detailed knowledge of bond financing. In addition, the information lays the groundwork for future discussions about student loans and student loan funding strategy that will be part of the strategic planning process.

Mike Stuart then presented the Bond 101 slide deck covering the use of bonds for purposes of student loan financing. Content included bond types, pros and cons for each type, credit enhancement options, and pricing, costs, and the process.

**X. Next Steps in Planning**

Scott noted that VSAC is poised to embark on a new strategic planning process. In preparation, the Executive Committee is completing review of all the VSAC risks contained in the Risk Management documents, a review of the profit and loss/subsidies for each area and activity, as well as refreshing the liquidity analysis. This work will build toward the retreat that is scheduled for December. In addition, Scott will meet with each board member over the summer. He expects that the board will look at different strategic and operating models pursued by other peer agencies around the country, and see what can be learned from assessing and testing those models against VSAC's context and challenges.

**XI. Other Business**

Following shared thanks for everyone participating in a long and full day, and a brief meeting review, the meeting was adjourned at 4:21 p.m.

Respectfully submitted,

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David Larsen, Secretary