

# Minutes

## VSAC Finance Committee Meeting

Thursday, January 22, 2015

12:00 p.m.

Board Room, VSAC Offices

10 East Allen Street

Winooski, Vermont

### Attendance:

Committee Members Present: Michael Smith, Chair; Beth Pearce; David Coates

Other Board Members Present: Dodie Mitchell

Committee Members Absent: NA

Staff: Scott Giles, Mike Stuart, Tom Little, Marilyn Cargill,  
Bruce Hicken, Laurie Oliver, and Kristi Rocheleau

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The meeting was called to order at 12:08 p.m., and a quorum was declared present. The Committee proceeded to review the agenda items.

### Approval of Minutes

The Committee reviewed the outstanding Minutes.

*Upon a motion made by David Coates and seconded by Beth Pearce, the Committee voted unanimously to approve the minutes of September 12, November 3, and November 21, 2014, as written.*

### Private Loan Volume Update

Mike Stuart reported that the VSAC private loan volume is up by roughly 8% over last year, which is 5% above the 3% fiscal-year growth goal. The credit quality of the new loans remains high. Scott Giles noted that VSAC continues to work on projection modeling to increase future projection accuracy. Originating private loans remains an important strategic priority for VSAC.

### FY15 Financial Information

Mike Stuart and Bruce Hicken stressed there is nothing unexpected in the financial performance reported on the FY15 financial statements and noted the following items:

- Mike called attention to the seasonality of the grants line item on the Consolidated Income Statement due to the timing of when the appropriations money is received and when it is actually disbursed. As a result, the Net Surplus is larger than anticipated by the end of the fiscal year, after all grant dollars are disbursed.
- Bruce Hicken reviewed the FY15 Income Statement Consolidated, Variance Analysis findings noted on the December 31, 2014, report.

- The Federal Loan line item is under budget, due to projections that VSAC would receive a lump sum of 100,000 accounts last August. In reality, these have been trickling in by about 50-70 accounts per day.
- Bond buyback variances will persist, as no new buybacks will occur.
- Bad debt is under budget because recoveries are improved (\$550K) and write-offs are down (\$1.2M). It appears that default performance is improved because of “seasoning” of pre-2010 private loans.
- Interest revenue from student loans has decreased primarily because of the decreasing balances in student loans receivable. Student loan balances (principal and interest) are down 12.3% in 2014 over the averages for the same period in 2013.
- Revenue from Guarantee Operations is down year over year primarily because the portion of rehabilitated loans sold by VSAC that is retained has decreased. This revenue line is down \$939.6K year over year.
- The year-over-year variance in Other G&A is driven primarily by three lines. Software expense is up \$206K year over year primarily due to the cost of the Naviance program. (\$220K expense year to date partially offset by revenue billings to schools, which are \$98K through 12/31.) Consulting expenses are up \$255K over last year due to expenditures for Student Loan Capital Strategies (\$50K) and First Marblehead (\$250K). Audit and legal increased \$826K year over year due to increased expenses paid to Troutman Sanders (\$903K through 12/31/14).
- Mike Stuart reviewed the Operating Budget approved by the Board. Several items have changed since the budget was approved, resulting in an expected deficit of approximately \$730,000.
  - Because the expected 100,000 additional federal loan accounts will not arrive, expected revenues will decrease by \$2 million. Several other revenue lines are either above or below expectations but offset each other, resulting in a net decrease in revenue of \$2 million.
  - Expenses tied to the 100,000 accounts will not occur, so that row will be down approximately \$1 million. We are incurring significantly higher legal expenses than planned but slightly lower salary expenses. We are devoting our contingency dollars and approximately \$340,000 on administrative spending priority shifts to the resulting shortfall.
  - In order to eliminate the remaining \$730,000 gap, we plan to draw additional amounts from the Equity Financed loans – Principal.

### **VHEIP RFI Update**

Tom Little announced that a new VHEIP vendor has been identified. VSAC is working on finalizing and signing contracts. Once the contracts are signed, a formal announcement will be made.

### **Strategic Plan**

Scott updated the Committee on the status of each of the strategic goals approved by the Board for the current fiscal year, and addressed questions with regard to timing and budget planning related to Direct Loan Servicing. Scott conveyed that it is likely VSAC will not have information related to the Direct Loan Servicing contract until September, and therefore the budget process will be similar to last year’s format. The strategic goals will continue to be part of an ongoing focus of future Finance and Board meetings.

**Review of Investment Policies**

Mike Stuart provided historical background to the VSF Endowment Investment and Spending Policy and the Statement of Investment Philosophy, Goals, Strategy, and Guidelines for Funds Not Held by VSF. These two documents were originally merged, and management recommended to the Finance Committee that these two be separated in 2008. The VSF Endowment Investment and Spending Policy was approved by the Finance Committee in 2009. The second document is the proposed version for the non-VSF funds. Mike Stuart responded to questions related to page 2, item 2, referencing three months of operating expenses, noting that VSAC is conservative and has many options for liquidity, so this notation was intended as a minimum. Mike Stuart will continue to work on this document with Tom Little, and will bring the latest version to the next meeting for approval.

**Other Business**

There being no other business, the meeting adjourned at 1:49 p.m.

Respectfully submitted,

Michael Stuart, Assistant Secretary