

VSAC Board of Directors Meeting
June 15, 2016
8:45 a.m.

Omni Room, ECHO Leahy Center
1 College Street
Burlington, VT 05401

Attendance:

Present: Dodie Mitchell (Chair), Dave Larsen, Martha Heath, Sarah Buxton, Pam Chisholm, Katharine Hutchinson, Dennis O'Brien, Mike Smith, David Coates, Ann Cummings

Absent: Beth Pearce

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

I. Call to Order & Review of Agenda

Chair Dodie Mitchell called the meeting to order at 8:49 a.m., and a quorum was declared present. Dodie recommended a revised sequence to the agenda topics in order to support the meeting flow. Board Members agreed with the modified approach. The revised agenda is attached to these minutes.

II. Approval of Minutes

Upon a motion made by Martha Heath and seconded by David Coates, the Directors voted unanimously to approve the Board meeting minutes of April 18, as presented.

III. Chair's Report

Dodie thanked members for their continued engagement and said that she will contact each Board Member this summer to collect individual input and feedback to guide future planning.

IV. President's Report

Scott Giles reported on three topics:

- The landscape for the federal direct loan servicing remains very challenging. Scott continues to stay in close contact with the Vermont delegation and key industry partners.
- There continues to be an opportunity to better promote VSAC services. Scott has engaged Tim Volk, partner at KSV, to assess the marketing of VSAC programs and services and the allocation of marketing resources. The Board will be notified of progress.
- The Advance Vermont Partnership, part of the Lumina Foundation's Goal 2025, is a statewide effort to increase degree and credential attainment of Vermonters to 70%. The support infrastructure for this effort involves VSAC serving as an anchor organization, including the hiring of a dedicated staff person, a website to communicate the goal, and a steering committee representing stakeholder groups. The goals of Advance Vermont dovetail nicely with the mission conversation that the Board is undertaking. Scott will provide additional details to the Programs and Services Committee in the fall.

V. Committee Reports

a. Audit

Committee Chair Coates summarized the committee meeting of May 23, which covered the external audit report, risk management review, committee self-evaluation, a legal update, and the Internal Auditor evaluation. Coates noted that the FY16 Audit plan would continue to be reviewed and revised based on the requirements of VSAC's federal programs and contracts. The Committee also reviewed professional development activities and requested that Scott propose risk management related trainings for the Committee. These trainings would also be open to the full Board.

b. Governance

Chair Dave Larsen highlighted the progress of the work that the Governance Committee has taken on as a result of the recommendations from consultant Gretchen Cherington in June 2015, and on which the Committee has been working since then. The Committee will ask the Board in October to review and act on revised governance policies covering Board Officer term limits, evaluation, and elections and re-elections.

c. Programs & Services

The board delegated the setting of grant levels for 2016-2017 to the Programs and Services Committee at the April 18, 2016, Board Meeting in order to allow additional applications to be reviewed and included within the projections model. Chair Martha Heath reported on the decisions made during the April 21 Programs & Services conference call to set grant levels for 2016 – 2017. The Committee approved Management's recommendation to increase the level of aid for full-time enrollment by \$200, accepting 13,800 applications with an anticipated cut-off date of December 31, 2016, for full-time grants; maintain a 2% reserve; increase Basic Incentive Grant level to \$850; decrease non-degree grant funding from the current FY16 level of \$2.1 million to \$1.7 million with an anticipated cutoff of January 31, 2017; and maintain part-time funding at \$1.2 million with an anticipated cutoff of January 31, 2017.

Martha then provided an update on the May 16 Committee meeting and reviewed the three policies highlighted in the May 16 Programs & Services minutes: Approved Schools, Application Cutoff, and Cancellations.

Upon a motion made by Katharine Hutchinson and seconded by Pam Chisholm, the Board voted unanimously to approve the Approved Schools, Application Cutoff, and Cancellation policies, as presented.

d. Human Resources

Chair Dennis O'Brien briefed the Board Members on the Human Resources Committee meeting of May 16, 2016, noting the rollout of the FY17 healthcare changes to staff, the continuation of the CEO evaluation that the board would discuss later in the agenda, and the compensation recommendation for FY17. The Board then reviewed and discussed the compensation recommendation. Dennis also noted that the members of the executive committee have requested that they not participate in the merit payment program this year.

Upon a motion by Martha Heath, and seconded by Ann Cummings, the Board voted unanimously to accept the compensation recommendation, as presented, including the Executive Committee recommendation regarding the merit payment.

VI. Direct Loan Servicing Assessment

Upon a motion made by David Coates and seconded by Martha Heath, the Board voted unanimously to enter executive session at 9:38 a.m. in order to consider contractual matters for which premature public knowledge would clearly place VSAC at a substantial disadvantage; and to obtain confidential and privileged advice from General Counsel. The members of the Executive Committee were requested to remain in the room, as they have information needed for the executive session: 1 V.S.A. sec. 313 (a).

The Board of Directors exited the session at 10:15 a.m.

Scott Giles then reviewed the history and background for Direct Loan Servicing, noting the significant time devoted in each board and committee meeting over at least the last twelve months to discussing various contractual and human resource aspects of direct loan servicing and its associated opportunities and challenges. When VSAC decided to become a federal loan servicer in 2012, it was with the goals of generating excess revenue that could be used to support other services, preserving jobs, and servicing loans for Vermonters and students attending Vermont schools. This decision was based on series of assumptions, some of which, in significant ways, clearly have not played out as projected. Scott then walked the Board through a concise history of VSAC's involvement with the Direct Loan program.

Scott reported that the Executive Committee has come to the conclusion that the time has come to withdraw from the DL servicing program. VSAC staff have done everything possible to make this program succeed but the program has not produced the desired results. This was a very difficult decision to make and unfortunately will result in the elimination of 75 positions, 20 of which were eliminated through attrition. Dodie added that the Board is very mindful of the workforce reduction that this entails, and has worked with management to ensure that the process is as fair and generous as possible.

The board then considered the following resolution--

Whereas, the VSAC Board of Directors has been regularly monitoring the operational and financial performance of VSAC's contract to service federal direct student loans for the U.S. Department of Education (the Department) since VSAC started servicing those loans in late 2012; and

Whereas, VSAC has never been awarded enough servicing accounts to reach break-even or better on the contract, and the current and future prospects for achieving that critical goal continue to be dim despite VSAC's superior performance under the contract and the repeated interventions by the Vermont Congressional delegation; and

Whereas it no longer makes good sense to continue to service the federal direct student loans under these conditions;

The VSAC Board of Directors now resolves that:

1. VSAC will request that the Department transfer the federal direct student loans VSAC has been servicing to another eligible loan servicer;
2. VSAC will work with the Department to wind down VSAC's loan servicing contract obligations in a timely and efficient manner; and
3. VSAC management will make appropriate changes to operations and personnel to reflect the withdrawal from the federal loan servicing program and the resulting drop in overall workload, and report back to the Board at its next meeting.

Upon a motion made by Martha Heath and seconded by Katharine Hutchinson, the Board voted unanimously to accept the Executive Committee's recommendation to exit the Direct Loan Servicing contract and adopt the resolution.

Dodie then underscored that the board is grateful for the dedication, talent, creativity, and exceptional service provided by all of the VSAC staff. They have done exceptional work—from “all hands on deck” when the original loans were being transferred to the myriad ways they worked with borrowers who had been improperly or poorly serviced by the prior servicer. VSAC staff are recognized as among the best in the nation at counseling students and their families. More than 200,000 federal borrowers are better for the work they did. Scott noted that countless calls have come in from federal borrowers saying that “my friend has you as their servicer. Can I transfer my account to you?” Dodie noted that the Board couldn't thank VSAC staff enough.

Dodie noted that the decision to exit Direct Loan Servicing Program was not made lightly. VSAC has spent four years in the program with diminishing returns and limited benefit to Vermont students, families, and schools. The reduction in workforce is the most difficult aspect of this decision.

VII. Finance Committee Report

Mike Smith, Finance Chair, presented the Vermont Student Assistance Corporation Corporate and Operating budgets for Fiscal Year 2017.

Corporate Budget Assumptions

- Originate \$40 million student and parent Advantage private loans.
- Exit the federal loan servicing program.
- Key debt indices (T Bill, SIFMA, CP, etc.) follow forward curves.
- Returns on liquid investments and cash will average .30%.

Operating Budget Assumptions

- End our participation in federal loan servicing by September 30, 2016.
- No reductions in permitted service draw levels.
- Private loans originated: \$40 million.
- Funding one-time merit payments and an increase to base salaries.
- Employee contribution to health care remains unchanged.
- Health care expenses follow estimates provided by Hickok and Boardman.

The Board discussed the revised budget and assumptions, and Mike Smith and Mike Stuart responded to questions with regard to the revenue and operating expense line items.

The Finance Committee Resolution

The Finance Committee, subject to changes in major grants or contracts, recommends the following resolution to the Board for approval. Management will report to the Chair of the Finance Committee any proposed changes to this operating budget prior to reporting the proposed changes to the Board.

The Board Resolution

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

Be It Resolved

That the Board of Directors approves a Fiscal 2017 operating budget for the Corporation as presented at the Board's June 15, 2016 meeting. Operating revenues and resources are budgeted at \$27,687,000, with operating expenses of \$27,639,000.

The Board recognizes that the budget is subject to adjustments resulting from the decision to exit the federal direct loan servicing program. 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 accept and expend additional revenue which may become available for programs and services;
2. to reduce or increase expenditures when necessitated by changes in grants or contracts; and
3. to reduce or increase expenditures in order to execute the decision to exit the federal direct loan servicing program; and
4. to draw up to 7% of the State grant appropriation as operating revenue if needed

Be It Further Resolved

That 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 Mike Smith and seconded by Martha Heath, the Board of Directors voted unanimously to approve the recommended budget resolution for FY17, as presented.

VIII. CEO Evaluation

Upon a motion made by Dave Larsen and seconded by Pam Chisholm, the Board voted unanimously to enter executive session at 10:43 a.m. in order to consider contractual matters for which premature public knowledge would clearly place VSAC at a substantial disadvantage; and to obtain confidential and privileged advice from General Counsel. The members of the Executive Committee were requested to remain in the room, as they have information needed for the executive session: 1 V.S.A. sec. 313 (a).

The Board exited the executive session at 11:50 a.m.

Upon a motion made by Martha Heath and seconded by Sarah Buxton, the Board voted unanimously to approve the CEO contract for a period of three years.

I. Other Business & Meeting Review

There being no other business, the meeting adjourned at 11:51.

Respectfully submitted,

David Larsen, Secretary



VSAC Board of Directors Meeting
Omni Room, ECHO Center
1 College Street
Burlington, VT 05401

Agenda
Wednesday, June 15, 2016

8:00 a.m.	Breakfast	
8:40 a.m.	Review of Agenda	
8:45 a.m.	Call to Order and Approval of Minutes April 18, 2016	Action
8:50 a.m.	Chair's Report	
9:00 a.m.	President's Report	
9:15 a.m.	Committee Reports <ul style="list-style-type: none"> • Audit • Governance • Programs & Services <ul style="list-style-type: none"> ○ FY17 Grant Funding ○ Approved Schools ○ Application Cutoff ○ Cancellations • Human Resources <ul style="list-style-type: none"> ○ Compensation 	Action Action Action Action Action
10:15 a.m.	Direct Loan Servicing Assessment	Action
10:45 a.m.	Finance Committee Report <ul style="list-style-type: none"> • FY17 Budget 	Action
11:15 a.m.	Other Business	
11:30 a.m.	CEO Evaluation	
12:15 p.m.	Meeting Review	
12:30 p.m.	Adjourn	

