

Minutes

VSAC Finance Committee Meeting

September 21, 2016

12:30 p.m.

Board Room, VSAC Offices
10 East Allen Street
Winooski, Vermont

Attendance:

Committee Members Present: Michael Smith (Chair), Beth Pearce, and David Coates

Other Board Members Present: Dodie Mitchell

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

Michael Smith called the meeting to order at 12:31 p.m. A quorum was declared present and the Committee proceeded to take up the first item of business.

Approval of Minutes

Upon a motion made by David Coates and seconded by Beth Pearce, the Committee voted unanimously to approve the minutes of the Committee meeting of May 23, 2016, as presented.

FY16 Financial Statements

Mike Stuart briefed the Committee on the year-end financial statements for FY16 covering Income Statement and Balance Sheet, Operating Budget, and Variance Analysis, noting nothing new or unexpected. In response to David Coates' query, Mike Stuart and Bruce Hicken clarified that the restricted bonds referenced on the balance statement are only restricted by time, and are all performing as modeled.

Mike Stuart then directed the Committee's attention to format changes made to the Income Statements for the Fixed Rate Bond Trusts and Variable Rate Bond Trusts in order to better illustrate the economic performance of the bonds after subtracting the service draw, and to highlight the financing transfers from restricted to unrestricted. The Committee also discussed the accumulation of arbitrage in certain bonds and plans to reduce that liability by discounting loans for customers in those bonds. The Variable Rate Bonds report has an additional line item to recognize the Deferred Bond Gains of certain bonds, pulled from the Liabilities section of the Balance Sheet to acknowledge performance yet to be recognized. The Committee discussed the new format and offered no changes.

Mike Stuart then highlighted FY16 year-end results noting a roughly \$3.5 million gain. This compares with a FY15 loss that was largely a result of one-time legal fees incurred. The FY16 financial year-end audit is underway and is expected to be finalized and reported on during the October Audit Committee meeting.

FY17 Financial Statements through August

The Committee then transitioned to the review of the FY17 Financial Statements. Mike Stuart reported nothing new or unexpected to date, and directed attention to the adjustments made to the Operating Budget to reflect more accurate estimated impacts of the June 2016 decision to exit Federal Direct Servicing. The Board approved budget has not changed; however, a column has been added to reflect the budget created by VSAC to capture new details of the Direct Loan exit and workforce reduction.

Private Loan Volume Update

Advantage loan volume is running ahead of targets for student and parent loan volume which suggests a greater demand than originally modeled. The Executive Committee is analyzing growth potential and financing options to support future programming.

Scott Giles then provided a Refinance Treasury update, indicating that although a legislative option is underway, a resolution may be a year away.

Vermont Student Development Fund

Mike Stuart delivered an update on the transition to Vanguard, noting that it is still too early to provide performance reporting, however future reports will be similar to those provided by TD. Mike and Bruce will continue to monitor the performance and will provide updates at future meetings.

Other Business

Upon a motion made by Beth Pearce and seconded by David Coates, the Committee voted unanimously to enter executive session at 1:41 p.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 following were requested to remain in the room, as they have information needed for the executive session: Dodie Mitchell, Scott Giles, Tom Little, Mike Stuart, Bruce Hicken, and Marilyn Cargill. 1 V.S.A. sec. 313 (a).

The Committee exited the session at 2:01 p.m.

There being no other business, the meeting adjourned at 2:04 p.m.

Respectfully submitted,

Michael Stuart, Assistant Secretary