

Minutes

VSAC Board of Directors Meeting

June 24, 2024
9:00 a.m. – 1:30 p.m.

VSAC Boardroom
10 East Allen Street
Winooski, Vermont 05404

Members Present: Dodie Mitchell (Chair), Martha Heath, Dave Larsen, John McSoley, Ann Cummings, Ryan Dulude, Tim Chamberlin, Mike Smith, Mike Pieciak, Clarence Davis

Members Absent: Caleb Elder

Staff Members Present: Scott Giles, Mike Stuart, Patrick Leduc, Meghan Metzler, Brad Fallon, Kirstin Boehm, Ellen Bagnato

Others: N/A

Chair, Dodie Mitchell called the Board of Directors meeting to order at 9:04 a.m. With a quorum established, the Board proceeded with the agenda.

Approval of April 15, 2024 Minutes

Upon a motion made by Mike Smith and seconded by Ryan Dulude, the Directors voted to approve the meeting minutes of April 15, 2024, as presented.

Public Comment

There were no public comments given during the public comment period.

Chair's Report

Dodie Mitchell delivered her Chair's report. She expressed the Board's thanks and appreciation to retiring VSAC Executive Committee member Mike Stuart, and she read the Board Resolution of thanks to Mike in its entirety. A copy of the resolution is appended to the minutes.

Upon a motion made by Dave Larsen and seconded by Ann Cummings, the Board voted unanimously to adopt the Resolution as read and attached to these Minutes.

Governance as Leadership

Dodie Mitchell reviewed her goals for using the book 'Governance as Leadership' for Board Training, and how this training might be helpful in upcoming strategic planning. Dodie requested that the Board Members read the book this summer and focus on the Generative sections of the book. She also asked that members bring their observations, questions, and insights to the October Board Meeting. There was general consensus that this was a good time to explore whether there were opportunities to further strengthen VSAC's governance.

Committee Reports

Finance Committee

Mike Smith, Chair of the Finance Committee, asked Meghan Metzler to report on the May 20, 2024, Finance Committee meeting which focused on a review of the current financial statements and discussion of the FY25 corporate and operating budgets. Meghan provided an overview and referred members to the previously distributed Corporate Budget Report.

Mike Pieciak entered the meeting at 9:36

The Board reviewed and discussed the assumptions presented in the proposed FY24 budget, during which members of the Executive Committee responded to questions.

Corporate Budget Assumptions

- Originate \$42 million student and parent Advantage private loans.
- Originate up to \$1 million in “in-school” refinance loans (no FY25 originations of post- enrollment refinance loan)
- Key debt indices (SOFR, etc) remain level
- No material changes in default trends
- Rate of return on liquid investments/cash remain level
- No projected market returns for VSF endowment

Operating Budget Assumptions

- Increase in service draw level for the 2012 Master Trust from 105bps to 125bps
- FFEL portfolio continues to amortize at 17%
- Private loans originated: \$42 million
- Private Refinance loans originated: up to \$1 million
- Interest rates remain unchanged throughout the year
- Funding merit payments of 2%, 4% or 6% and a 3.25% increase to base salaries for those who meet expectations.
- Employee contribution, per participant, to health care increases 11%
- VT529 plan NAV increases by 10%

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 2025 operating budget for the Corporation as presented at the Board’s June 24, 2024 meeting and as recommended by the Finance Committee by vote taken at its May 20, 2024 meeting. Operating revenues and resources are budgeted at \$24,165,833, with operating expenses of \$24,163,591. 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 Finance Committee and Board meetings any actions which have been taken under this authority.

Upon a motion made by John McSoley and seconded by Clarence Davis, the Board of Directors voted unanimously to approve the adoption of the FY25 Budget Resolution, as presented, and as recommended by the Finance Committee by vote taken at their May 20, 2024, meeting.

Programs & Services Committee

Martha Heath reviewed the Programs & Services Committee meeting of May 20, 2024. She started by reminding the Board that at the April 15, 2024, Board Meeting, the Board had authorized the Program and Services Committee to determine grant levels for FY25. Grant levels were determined in the committee's May 20, 2024, meeting and Martha reviewed the resolution as approved by the Programs & Services Committee.

Be it resolved, that VSAC shall

- Continue to cover 100% of Tuition and the \$100 mandatory fee/semester at CCV as the access point for low-income students.
- Maintain the Basic Incentive Grants at \$1,000.
- Increase the level of aid for full-time enrollment by \$50.00 from the level set for '23-24 academic year;
- Accept full-time applicants through August of 2024, assuming 11,000 applications with a budget of \$17,600,000
 - Fund part-time applicants through March 15, 2025 with a budget of \$1,750,000
 - Fund nondegree applicants through March 15, 2025, with a budget of \$4,180,000.
 - Maintain a 3% reserve of the for FY '25 appropriation (\$750,000)

Be it further Resolved,

that the Committee being aware that there are unknowns at this time which could result in different choices for grant levels, cut-off dates, and individual budget needs, that once more applications are received and processed adjustments may be needed, and the President/CEO is thereafter authorized to further adjust the levels up or down by \$300 if necessary and may adjust the breakdown of funds from one grant to another to best address the needs presented by applicants (full-time, part-time, non-degree).

Martha provided a brief overview of the other major items discussed by the committee: the FAFSA Application changes; VSAC Scholarship day; Summer visits with VT College Financial Aid Offices; VSAC's recent bond deal; Aspiration project; and the Federal and Vermont State Legislative updates.

Governance Committee

The Board Resolution

Dave Larsen read the Motion for the Appointment of Assistant Secretaries

Pursuant to the provisions Section 5.2.B of the VSAC Board of Director Bylaws, and considering Michael Stuart's retirement from VSAC, I move that the Board appoint CFO Meghan Metzler as an Assistant Secretary of VSAC and reappoint COO Patrick Leduc and General Counsel Thomas Little as Assistant Secretaries of VSAC.

The pertinent Bylaws sections are:

ARTICLE V

OFFICERS

Section 5.1 Officers. The officers of the Corporation shall be a Chair, Vice Chair, President, Secretary and one or more Assistance Secretaries who, with the exception of the President and the Assistant Secretaries, shall be chosen from among the members of the Board.

Section 5.2 Election or Appointment; Term of Office.

A. Chair, Vice Chair, Secretary. The Chair, Vice Chair and Secretary shall be elected by the Board biennially, i.e., every other year, at the first regular meeting of the Board following July 1 of the year of election, shall serve a term of two years and shall be eligible for re-election. The individual receiving a majority of the votes cast for the office for which he or she is a candidate shall be declared the elected officer. These officers shall assume their duties upon their election and shall serve until their successors have been elected and qualified.

B. President, Assistant Secretaries. The President and the Assistant Secretaries shall be appointed by the Board, shall serve terms of office as determined by the Board and shall be eligible for re-appointment. These officers shall assume their duties upon their appointment and shall serve until their successors have been appointed.

Section 5.3 Removal. Any officer of the Corporation may be removed by the Board whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Section 5.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, shall be filled by majority vote of the Board, in which case the replacement shall serve out the balance of the term of office of the member whose death, resignation or removal created the vacancy.

Upon a motion made by Ann Cummings and seconded by Tim Chamberlin, the Board of Directors voted unanimously to approve the Motion for the Appointment of Assistant Secretaries, as presented.

Dave Larsen reviewed the May 20, 2024 Governance Committee meeting. Major topics included the CEO Evaluation process and changes thereof, Board of Directors training, and the Committees process to review the Board of Directors Manual. David shared that he has been inspired by Leadership as Governance to conduct a generative evaluation of the board manual.

Audit Committee

John McSoley summarized the Audit Committee meeting of May 20, 2024, focusing on the ongoing work of the external auditors CliftonLarsonAllen(CLA). John reviewed the Information Security Risk update Patrick Leduc had provided to the Audit Committee. He also shared the results on the four recent state audits, and one of the findings from NY which may require additional Board training. Also, he noted that there have been changes to the standards of internal audit. VSAC is assessing for impact.

Kirstin Boehm entered the meeting at 10:08

Aspirations Program

Patrick Leduc introduced Kirstin Boehm to the Board of Directors. She then delivered a presentation on ‘VSAC’s Aspiration Partnership.’ The goal of the program is to help high schools that have a wide postsecondary education continuation rate gap between first and second generation students develop a school specific plan for ensuring that all of their students graduate with an education and/or career plan. This work is done in partnership between VSAC and a High School’s leaders and staff who together create content, curriculum and events for each High School.

Ellen Bagnato entered the meeting at 10:25

The Board engaged in extensive conversation about the history, outcomes, and future of the Aspirations program with Kirstin Boehm, Ellen Bagnato, and members of the Executive Committee.

Kirstin Boehm and Ellen Bagnato left the meeting at 10:53

There was a break for lunch from 10:55 to 11:20

President’s Report

Scott Giles began his report by reviewing the most recent impacts of the troubled rollout of the Better FASFA. The Congressional Budget Office (CBO) reports that the Federal Pell Grant program is now projected to have an \$11 billion surplus because more than 500,000 students have failed to apply. VSAC reported that its early efforts to mitigate the impact on Vermont high school seniors appear to be having an impact. On May 1, FAFSA filings from high school seniors were down 20%. In Vermont they are down 5.9%.

The Department has focused its efforts on reaching out to high school seniors because this is the group for which there is the most complete data. VSAC is focused on three groups—high school seniors, returning students of all ages, and adults who have not enrolled but need education or training.

Scott shared that VSAC has been awarded a grant from the Department of Education to continue its efforts throughout the summer. VSAC is working closely with Vermont colleges and universities and has forged new partnerships with groups with a shared interest in helping students of all ages obtain the skills they need to be productive workers.

Scot Giles reviewed the Vermont Legislative season. Focusing on four items—the base budget, unfunded workforce development programs, grant eligibility of non-citizen students, and collaboration with the Vermont Guard.

Scott Giles completed his report by reviewing upcoming projects: Strategic Tech Plan, VT529 RFI process, VSAC brand research project, and launch of a new Refinance product.

Dodie Mitchell asked about the changes from the Vermont Legislature on Open Meeting Laws. Scott Giles said VSAC is reviewing the changes and working with other agency colleagues to understand any impact. He also said that VSAC will have any changes implemented before the next Board meeting.

Meeting Review

The Board of Directors reviewed the meeting with Chair Dodie Mitchell.

CEO Evaluation & VSAC Contractual Matters

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

Upon a motion made by Dodie Mitchell and seconded by Ann Cummings, the Board voted unanimously to enter executive session at 12:00 p.m. in order to (a) consider contractual matters, premature public knowledge of which would clearly place VSAC at a substantial disadvantage; and (b) discuss confidential personnel performance and contractual matters. 1 V.S.A. sec. 313 (a).

The following were requested to remain in the meeting, as they have information needed for the executive session: Scott Giles.

Mike Stuart, Patrick Leduc, Meghan Metzler and Brad Fallon exited the session at 12:01 p.m.

Having completed its discussions, the Board exited the executive session at 1:24 p.m.

Other Business & Adjournment

There being no other business, the meeting adjourned at 1:24 p.m. with no objection.

Respectfully submitted,

David Larsen, Secretary

The Board of Directors of the Vermont Student Assistance Corporation sincerely thanks

Mike Stuart

WHEREAS Mike Stuart has served the Vermont Student Assistance Corporation for nearly 30 years with intellect, creativity and dedication; and

WHEREAS Mike's passion for making post-secondary education financially feasible for Vermont's students is unsurpassed; and

WHEREAS Mike began his VSAC career as a legal accounts representative, became a collections supervisor, then a compliance officer before becoming Director of Treasury; and

WHEREAS Mike, as Director of Treasury, used his curiosity and analytic skills to find ways to improve investor reporting and maximize the efficiency of VSAC's student loan trusts; and

WHEREAS Mike quickly became Director of Finance and brought these same skills to VSAC's finance and accounting team; and

WHEREAS under Mike's leadership VSAC has created one of the strongest finance teams in the industry; and

WHEREAS Mike became CFO in 2008, two months after the collapse of the auction rate securities market; and

WHEREAS Mike never lost his cool, worked the problem, and VSAC emerged from the financial crisis financially stronger than when it went in; and

WHEREAS as CFO Mike developed the business model and projection tools that have allowed VSAC to successfully navigate the end of the Federal Family Education Loan Program; and

WHEREAS through Mike's careful stewardship, VSAC has navigated financial crises, recessions, program closures and pandemics and emerged financially strong; and

WHEREAS under Mike's leadership as CFO VSAC's net position grew from \$125 million to nearly \$230 million.

WHEREAS Mike's personal interactions with members of the VSAC Board have been characterized by directness, clarity, and unwavering integrity; and

WHEREAS Mike's favorite part of his job was always the Chair's exercise at the Board retreat, something he marked on his calendar and looked forward to every year, a close second favorite being exchanging hugs during the Annual Meeting staff recognition ceremony; and

WHEREAS Mike's depth of knowledge has been instrumental in assisting the VSAC Board in making wise decisions that ensure that VSAC will serve Vermonters for the next 60 years; and

THEREFORE, be it resolved that the VSAC Board of Directors congratulates Mike Stuart on his retirement from VSAC.

And be it further resolved that the board hereby expresses its deep appreciation for all that Mike has contributed to the work of VSAC and its Board of Directors.

DRAFT