

VSAC Finance Committee Meeting

May 24, 2021
12:30 p.m.

Via Zoom Video and Telephone Conference Platform

Attendance:

Committee Members Present: Beth Pearce (Chair), Michael Smith, John McSoley, Caleb Elder

Committee Members Absent: N/A

Other Board Members Present: Dodie Mitchell

Staff: Scott Giles, Mike Stuart, Marilyn Cargill, Tom Little, Patrick Leduc, Bruce Hicken, Laurie Oliver, Jodie Ducharme

Chair Beth Pearce called the meeting to order at 12:37 p.m. on the Zoom virtual meeting platform with all present able to hear one another throughout the meeting. With a quorum established, the Committee proceeded with the agenda.

Approval of Minutes

Upon a motion made by John McSoley and seconded by Michael Smith, the Committee Members voted to approve the Finance Committee Minutes of March 22 and April 19, 2021 as presented, with Michael Smith abstaining.

Standing Reports Discussion

Mike Stuart reviewed the previously distributed Income Statement and Balance Sheet and responded to member questions. Mike highlighted the fees tied to the guarantor for collections on defaulted loans, noting that the federal government recently announced a change to how we suspend collections and explaining that they want to suspend back to March 2020, provide 0% interest, and a return of involuntary payments. Mike noted that we are still working out details and getting guidance on this recent change and pointed out that the fees reported through April 30, 2021 may not be what we end up with by the end of the year.

Bruce Hicken reviewed the Variance Analysis for the ten months ending April 30, 2021, previously distributed. Bruce called the Committee's attention to the loan-bond spread, noting that it is down just over 9% for the year primarily due to loans paying down. Bruce pointed out that the endowment earnings revenue is up \$1.5 million year over year because of improved year to date investment performance. Bruce also noted that grant and scholarship expenditures are increased over budget primarily due to spending on the Coronavirus Relief programs.

Mike Stuart reviewed the Operating Budget, noting adjustments that were made on some of the expense items, pointing out that healthcare had lower than projected expenses for the current year. Mike confirmed that two bonds were paid off ahead of the projected schedule.

Mike Stuart reviewed the previously distributed Vermont Student Development Fund Performance Report, highlighting the 1-year rate of return at about 27.32% and referencing new contributions. The

Committee engaged in a conversation about the report during which Mike responded to member questions.

FY22 Budget Presentation

Mike Stuart introduced the 2022 Fiscal Year budget, defining the corporate and operating budget assumptions provided in previously distributed materials.

Corporate Budget Assumptions

- Originate \$42.5 million student and parent Advantage private loans.
- Key debt indices (Tbill, SIFMA, CP, etc.) remain unchanged
- No material change in default trends
- Returns on liquid investments and cash will average .20%
- No projected market returns for endowment

Operating Budget Assumptions

- No reductions in permitted student loan service draw levels.
- FFEL portfolio continues to amortize at 13%.
- Private loans originated: \$42.5 million
- No change in LIBOR rates tied to variable rate student loans
- Funding merit payments and an increase to base salaries.
- Employee contribution to health care remains unchanged
- VT529 plan NAV increases by 10%

The Committee engaged in a conversation about the FY22 budget, during which the Executive Committee responded to member questions.

Upon a motion made by Michael Smith and seconded by John McSoley, the Committee Members voted unanimously to recommend the Board approve the FY22 Budget Resolution, as presented.

Private Loan Originations

Mike Stuart directed the Committee's attention to the previously distributed private loan volume reports and gave an overview of the bond pricing for the new loan product. Marilyn Cargill noted the new loan product is off to a strong start with marketing 3 to 4 weeks ahead of where we were last year at this time. Marilyn highlighted that student loan volume is currently just under \$2 million and parent loan volume is around \$200,000.

Other Business

There being no other business, the meeting adjourned at 1:58 p.m.

Respectfully submitted,
Michael Stuart, Assistant Secretary