

VSAC Finance Committee Meeting

May 20, 2024
2:00 p.m. – 3:30 p.m.

Boardroom, VSAC Offices
10 East Allen Street
Winooski, Vermont 05404

Attendance:

Committee Members Present: Mike Smith (Chair), John McSoley, Caleb Elder, Clarence Davis, Mike Pieciak

Committee Members Absent: N/A

Other Board Members Present: Dodie Mitchell

Staff: Scott Giles, Mike Stuart, Tom Little, Patrick Leduc, Meghan Metzler, Laurie Oliver, Brad Fallon

Mike Smith (Chair) called the meeting to order at 1:55 p.m. With a quorum established, the Committee proceeded with the agenda.

Approval of Minutes

Upon a motion made by Mike Pieciak and seconded by Clarence Davis, the Committee Members voted to approve the Finance Committee Minutes of March 25, 2024, and April 15, 2024, as presented.

Public Comment

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

Standing Reports Discussion

Mike Stuart walked the Committee through the previously distributed Income Statement and Balance Sheet and highlighted that VSAC has been using cash available from the balance sheet to fund private loans this year.

Meghan Metzler reviewed the Variance Analysis and noted the items that met the variance threshold are largely due to increases in interest rates including interest on investments and variable rate student loans. Meghan Metzler also highlighted that the guarantee operations revenue will not be included in FY25 given we have exited the business.

There was a review of the VSF Endowment Report where Meghan Metzler reported that the endowment continues to perform well with a 10.6% growth over the last year.

Mike Stuart spoke about the FY24 loan products, and the year should end with approximately \$42M in newly originated loans which is in line with our funding target.

FY24 Budget Presentation

Mike Stuart and Megahn Metzler introduced the 2025 Fiscal Year budget, defining the corporate and operating budget assumptions provided in previously distributed materials.

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 change 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%

Using the assumptions highlighted, the FY25 Corporate budgeted increase to net position is \$3M and operating revenues and expenses are both budgeted at \$24.2M.

The Committee engaged in a conversation about the FY25 budget, during which the Executive Committee responded to member questions.

Upon a motion made by Clarence Davis and seconded by Mike Pieciak, the Committee Members voted unanimously to recommend the Board approve the adoption of the FY25 Budget Resolution, as presented.

Bond Update

Mike Stuart gave an overview of the timing and results of the bond sale for the FY25 loan product, and he responded to member questions. Mike Stuart also gave an overview of the new loan interest rates and highlighting that all loan rates were below the Federal Parent PLUS loan rates.

Other Business

There being no other business, the meeting adjourned at 2:49 p.m.

Respectfully submitted,
Michael Stuart, Assistant Secretary