The Vermont State Colleges Board of Trustees Finance & Facilities Committee conducted a meeting Wednesday, December 3, 2014 at the Office of the Chancellor in Montpelier, Vermont.

Committee members present: Jerry Diamond (by phone), Bill Lippert (Vice-Chair; by phone), Karen Luneau (by phone), Christopher Macfarlane (Chair), Linda Milne, Martha O'Connor, Heidi Pelletier

Other Trustees: Lynn Dickinson (by phone), Michelle Fairbrother, Kraig Hannum, Jim Masland

Absent: Tim Jerman, ~~Gary Moore~~

From the Chancellor's Office:	Tim Donovan, Chancellor
	Bill Reedy, General Counsel
	Tom Robbins, CFO
	Elaine Sopchak, Executive Asst. to the Chancellor
	Sophie Zdatny, Associate General Counsel
	Deb Robinson, VSC Controller

From the Public:	Tess Conant, VSC United Professionals
	Scott Dikeman, Dean of Administration, Castleton State College
	Loren Loomis Hubbell, Dean of Administration, Lyndon State College
	Barbara Martin, Dean of Administration, Community College of VT
	Sandy Noyes, Unit Vice Chair, VSEA Represented Staff
	Sharron Scott, Dean of Administration, Johnson State College
	Jeb Spaulding, Secretary of Administration
	Lit Tyler, Dean of Administration, Vermont Technical College

Chair Macfarlane called the meeting to order at 5:01 p.m.

Chancellor Donovan reminded the committee that because some members were participating via phone, all votes needed to be by roll call.

Chair Macfarlane moved to add an update on collective bargaining as item #2 on the agenda. Trustee Milne seconded the motion. The motion passed unanimously.

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the October 22, 2014 Finance & Facilities Committee

Trustee Milne moved and Trustee Pelletier seconded the approval of the minutes of the October 22, 2014 committee meeting. The minutes were approved unanimously.

2. Update on Collective Bargaining

Chair Macfarlane moved that the Committee enter executive session to discuss labor relations agreements with employees. He further asked the Committee specifically to find that premature general public knowledge of the Colleges' positions and strategies for collective bargaining would place the Colleges at a substantial disadvantage. Permitted in executive session were Committee and Board members, General Counsel Reedy, Associate General Counsel Zdatny, Chancellor Donovan, the Presidents, CFO Robbins, and Secretary Spaulding. Trustee Milne seconded the motion. The Committee voted unanimously to enter executive session at 5:03 p.m. The Committee exited executive session at 5:30 and took no action.

3. Review and Approve VSC Policy 408 Revision

CFO Robbins shared revisions to Policy 408 as endorsed by the presidents and the deans of administration. Although the revisions increase the threshold for Board approval, the colleges are not loosening oversight.

Trustee Pelletier moved and Trustee Milne seconded the resolution Review and Approve Policy 408 Revision. The resolution was approved unanimously.

4. Review and Approve VSC Policy 426 Revision

CFO Robbins shared revisions to Policy 426 as endorsed by the presidents and the deans of administration.

Trustee Milne moved and Trustee Pelletier seconded the resolution Review and Approve Policy 426 Revision. The resolution was approved unanimously.

5. Establishment of Endowments: Consent Agenda

Trustee Pelletier moved and Trustee Milne seconded the resolution Establishment of Endowments: Consent Agenda. The resolution was approved unanimously.

6. Real Estate Transaction

Chair Macfarlane moved that the Committee enter executive session pursuant to 1 VSA § 313 (a)(12) to discuss the negotiating or securing of real estate purchase or lease options. Permitted in executive session were Committee and Board members, General Counsel Reedy, Associate General Counsel Zdatny, Chancellor Donovan, CFO Robbins, Johnson State College President Barbara Murphy, JSC Dean of Administration Sharron Scott, and Secretary Spaulding. Trustee Milne seconded the motion. The Committee voted unanimously to enter executive session at 5:40 p.m. The Committee exited executive session at 5:53.

B. ITEMS FOR INFORMATION AND DISCUSSION

1. VSC FY2015 Budget vs. Actual Review and Discussion

CFO Robbins reviewed the executive summary figures from the first quarter financials. Each president reviewed the colleges' current and projected positions.

Castleton State College
President Dave Wolk shared that Castleton started FY15 with a carry forward of $75K. This fall saw a decrease in FTE students and yield. The number of students who accessed merit scholarships exceeded expectations. Going forward the college has level funded regular expense items with the exception of salaries and benefits. After starting with a 3-4% gap the college will have a balanced budget this year by instituting a 20% rescission and taking many cost-reducing steps. Several of the college's entrepreneurial initiatives are doing well, including the college store, the Center for Schools, the Polling Institute, conferences and events. The college is not borrowing money and does not expect to need to utilize funds from its strategic reserve. They have upgraded their efforts in retention and have instituted a new international initiative beginning in FY16.

Johnson State College
President Barbara Murphy reported that the college started the year with a $300K variance. The budget the Board approved included the use of one-time funds and

reserves. The budget assumed a 2% decrease in campus based undergraduates and that both EDP enrollment and room and board would be flat; actually EDP enrollment was lower and room/board higher, leaving about a $200K variance. Wage and benefit assumptions were based on anticipated employment actions, including retirements, reduction in force, and five terminations that occurred in May of last year. They have reorganized health center staffing and have also reduced sections and reliance on part-time staffing and overload, with a savings of about $250K. They have issued an RFP for forestry management to harvest trees from college land. Going forward they are managing budgets tightly, holding open vacancies, and reducing expenses in travel, hospitality, supplies, and equipment. The number of full-time faculty is lower than last year's. They are currently undergoing an external review of the entire admissions process. There are demographic and family economic challenges, especially in Lamoille County. If necessary, the college would consider a range of strategies such as incentives for retirements; full-time faculty deployment could change; curricular reorganization; there could be further reductions in part-time faculty and overloads; a faculty member had suggested a furlough as a possible strategy. President Murphy expects an FY16 budget level with FY15 and aims for slight enrollment growth and retention, but will plan to budget for flat. There is a possibility the college will need to use reserves in FY16. The Committee discussed the state of current reserves. Chancellor Donovan reminded the Committee that the colleges are required to have a 2.5% reserve that the presidents cannot use without approval of the Chancellor and informing the Board. This reserve is a budget item. There is also a 5% reserve the colleges are allowed to build; not all the colleges have that reserve fully filled. This reserve is more discretionary and requires only consultation with the Chancellor before use.

As of June 30, 2014, all the colleges had fully funded the Board-required reserves with the following balances:
Community College of Vermont: $718K
Castleton State College: $1.24M
Johnson State College: $738K
Lyndon State College: $776K
Vermont Technical College: $753K (this reserve is being used to secure the loan made by the Board to Vermont Tech last year)

Each college's discretionary reserves had the following balances as of June 30, 2014:
Community College of Vermont: $1.435M
Castleton State College: $766K
Johnson State College: $1.4M (they have since drawn down $675K)
Lyndon State College: $1.52M (they have received permission to draw down $160K)

Vermont Technical College: No discretionary fund balance
Trustee Luneau exited meeting at this time.

Vermont Technical College
President Dan Smith reported that their practice is to separate out Nursing/Allied Health from the rest of Vermont Tech for budgeting purposes. The college started the year with the Board-authorized $2.4M deficit. At this time they project being off another $380. They had anticipated a 4.6% decline in non-nursing enrollment, but the actual figure was down 7%. Nursing enrollment is up 13%, resulting in an overall decline in enrollment of 2.2%. Expenses are consistent with projections. The milk plant with funding from federal TAACCCT grant dollars. Revenue projections have been affected by the decline in enrollment and a six-week delay in the start of the biodigester. Planned initiatives to balance the FY15 budget include consolidating spring sections; reducing adjunct and overload expenses; and holding open positions. They have moved commencement back to the Randolph campus from Norwich University and will hold one Friday and two Saturday ceremonies. They have implemented travel restrictions and are working on leveraging conferences and events. Vermont Tech has already implemented operational cuts and additional personnel action may be required. The changes to personnel announced last week will not happen until August 1, 2015 due to contractual obligations. Academic structural changes are being made including changing the credits for associate degrees and baccalaureate degrees to 64 and 124 credits respectively. Faculty are concerned about the academic impact this change will have on students. It will have an overall impact on faculty workload. Offered retirement opportunities. President Smith thanked Dean of Administration Lit Tyler and CFO Tom Robbins for their support and ongoing management. Chair Macfarlane shared his deep respect for the hard work all the presidents are doing at their colleges.

Audience member Tess Conant stated that reducing staff increases the pressure on people left behind and that the Board should not overlook this.

Lyndon State College
President Joe Bertolino reported that the first quarter of FY15 saw a $513K decrease over last year at the same time, as a result of 100 fewer enrollments, meeting contractual obligations on compensation, and rapid use of supplies and services. They are forecasting the college will end FY15 even. Last year the college ended the year with $1.2M surplus, with $1M being a one-time gift. Operating revenue exceeded budget expectations as a result of higher than expected enrollment, partially offset by higher than anticipated financial aid. This year, 100 fewer students equated to a deficit of $1.5M. To compensate for this they removed most inflation assumptions from the budget; they are holding open

positions; dramatically cut back on projects in both the residence halls and academic equipment. These initiatives with the help of some entrepreneurial ventures were able to yield $750K. They also used one-time funding totaling $810K, which came from unspent gifts, unspent endowment funds, and budget carry forwards from prior years. The college used $160K from strategic reserves to replace their IT infrastructure and invest in advancement and fundraising. They are now at a breakeven point in the contingency budget for the year. Earned revenues are 53% of budget, expenses 33%, both on par with last year's earning and expense run rates. There will be continued variance from the Board-approved budget, but based on the contingency budget implemented early on, they still plan to break even for the year. At this time the college is projecting a $3.1M deficit for FY16. The assumptions for this are no substantial rebound in entering students, no improvement in retention, continued contractual obligations for compensation, no tuition increase, and no appropriation increase. No full-time faculty tenured layoffs or program closures are planned, but there is no commitment regarding non-tenured full-time faculty. There has been a reduction in part-time faculty and staff and administrators. There have been several high end retirements, and President Bertolino expects to offer a retirement incentive. They are assuming that 100 fewer students is the new normal. There has been a 40% increase in gifts as compared to the same time last year.

Community College of Vermont
President Joyce Judy shared that CCV is always looking at what is the right size. Their students are 98% Vermonters; the high school population is declining. This year CCV projected a 5% decline but the actual decrease was only 3%, and their budget reflects this. Staff knows the budget is conservative yet they are always looking for innovative ways to reach Vermonters who could benefit by continuing their education. Programming like Introduction to College Studies focuses on the 40% of high school graduates who may not go to college. The college looks to philanthropy to fund those efforts, so that funding does not come from institutional resources. They also seek to meet adult students in the workplace with workforce development programming. CCV ended the year in good shape. In FY15 they projected a 5% decrease; the budget looks very strong for the rest of the year. Spring enrollment numbers look strong.

2. <u>Discuss FY2016 Budget Development</u>

This item was addressed as part of the previous discussion.

3. <u>Discuss Benchmarks and Ratios</u>

This item was addressed as part of the previous discussion.

4. Update on Ongoing VSC Construction

There was no discussion of this item.

5. Review Capital Projects Report

President Smith informed the Committee that Vermont Tech has issued an RFP for a 500kw solar project that will generate revenue. It will come to the Board in the next cycle.

C. ITEMS FOR INFORMATION ONLY

1. Monthly Grant Activity Report
2. Monthly Cash Report
3. VSC October 30, 2014 Endowment Performance

There were no comments from the public.

Trustee Milne moved and Trustee Pelletier seconded a motion to adjourn. The meeting adjourned at 7:41 p.m.