

**Minutes of the Finance & Facilities Committee meeting Wednesday, February 11, 2015,
APPROVED May 13, 2015**

The Vermont State Colleges Board of Trustees Finance & Facilities Committee conducted a meeting Wednesday, February 11, 2015 at the Office of the Chancellor in Montpelier, Vermont.

Committee members present: Jerry Diamond, Tim Jerman, Bill Lippert (Vice-Chair), Christopher Macfarlane (Chair), Linda Milne, Heidi Pelletier (by phone)

Other Trustees Present: Lynn Dickinson, Kraig Hannum, Karen Luneau, Jim Masland, Gary Moore, Martha O'Connor, Alyssa Slaimen

College Presidents: Joe Bertolino, Joyce Judy, Barbara Murphy, Dan Smith, Dave Wolk

From the Chancellor's Office: Rick Bourassa, VSC Senior Accountant
Tricia Coates, Director, External & Governmental Affairs
Bill Reedy, General Counsel
Tom Robbins, CFO
Deb Robinson, VSC Controller
Elaine Sopchak, Executive Asst. to the Chancellor
Jeb Spaulding, Chancellor
Sophie Zdatny, Associate General Counsel
Yasmine Ziesler, Chief Academic & Academic Tech Officer

From the Colleges: Tess Conant, VSC United Professionals
Scott Dikeman, Dean of Administration, Castleton State College
Janis Henderson, Staff Federation Unit Chair
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
Maurice Ouimet, CSC Dean of Enrollment
Phil Petty, VTC Academic Dean
Sharron Scott, Dean of Administration, Johnson State College
Lit Tyler, Dean of Administration, Vermont Technical College

From the Public: Nasser Abdel-Fatah, JSC Student, President, VSCSA
Benjamin Simone, JSC Student, President, JSC Student Government Assoc.

Chair Macfarlane called the meeting to order at 2:06 p.m.

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the December 3, 2014 Finance & Facilities Committee Meeting

The following corrections to the minutes were recommended: Trustee Moore should not be listed as a member of the committee. Trustee Luneau should be listed as attending the meeting by phone.

Trustee Milne moved and Trustee Pelletier seconded the approval of the minutes as amended.

Roll call vote:

Trustee Jerman: abstain

Trustee Lippert: yes

Trustee Macfarlane: yes

Trustee Milne: yes

Trustee Pelletier: yes

2. Review and Approve OPEB Funds Usage

Chancellor Spaulding reviewed the discussion held at the December 2014 Board of Trustees meeting regarding the plan established to pay OPEB obligations. The original proposal was that the colleges and employees would pay into a Fund, and eventually the Fund would be sufficiently built up to pay the benefits. The colleges have paid into the fund in FY2013-2014. No trust was set up but the funds were held aside. In light of the fact that the employee pay-in is not likely to materialize, former Chancellor Donovan had proposed in December that the colleges stop paying into the fund, and that the VSC return the FY2013-2014 funds to the colleges, subject to approval by the Chancellor and Board. Chancellor Spaulding stated that he supports that proposal and that, given the magnitude of the decision and prior Board involvement, the decision on both pieces should be made at the Board level. He reminded the Committee that the VSC has closed the benefit to new entries as they have negotiated new contracts with employees; the group is still open to full-time faculty at this time.

Chancellor Spaulding stated that his highest priority is to get the colleges on stable financial ground as soon as possible.

The Chancellor proposed that starting in FY2015 the colleges will no longer pay in for a GASB/OPEB Fund and that the amount already collected in FY2013 and 2014 from the colleges be returned subject to approval by the Chancellor and the Board of a strategic and specific plan

for these funds that will increase revenues or decrease expenses on an ongoing basis. Chair Macfarlane reviewed the dollar amounts each college has contributed to the OPEB fund up to this time.

Trustee Jerman moved and Trustee Lippert seconded the resolution and opened the proposal for discussion. Trustee Lippert asked to clarify and Chair Macfarlane confirmed that the monies collected in the first half of FY2015 would be returned to the colleges in this budget year, and the monies would not be collected in the second half. Trustees Jerman and Pelletier stated they support the resolution.

Trustee Milne inquired if all groups are closed. General Counsel Reedy responded that the full-time faculty group is not closed at this time. Trustee Milne stated that she is opposed to the proposal and that the VSC made a commitment to fully fund the benefits. Chair Macfarlane agreed with Trustee Milne.

Trustee Lippert asked if the funding plan was based on the number of full-time employees, or some other metric. CFO Robbins answered that the proxy for the calculations was tuition. Trustee Lippert expressed concern that, because CCV has primarily part-time faculty, CCV is bearing a disproportional burden of funding full-time retirees. Trustee Lippert stated the calculations should be based on usage.

Trustee Jerman questioned whether the Committee should table the discussion at this time in order to gather more information to address the issues raised. Presidents Bertolino and Smith stated that the timing of the decision is important due to contractual obligations and the potential to negatively impact the student experience as a result of further delay. President Wolk stated that Castleton plans to invest the majority of the funds in scholarships.

Chancellor Spaulding reminded the Committee that the VSC will still continue to pay retiree health benefits annually, so the effect of the current plan is that colleges are paying twice at this time, for the annual bill and to build up an OPEB/GASB Fund. He states that given other known fiscal challenges, this is putting the colleges in a very difficult position. Trustees Luneau, Pelletier, and Moore stated their support of the proposal. President Murphy stated that the proposal gives the colleges the time and investment capital necessary to improve their current situations. Trustee Moore stated the proposal would only have worked if all three parts of the plan were implemented; because negotiations haven't gone that way, he supports the resolution. Audience member Tess Conant stated that over the years employees took lower wages in trade for good benefits, and with this proposal they would also be paying for former and future employees, so they feel they've paid their share and that's why they didn't support the plan. Trustee Diamond joined the meeting at this time.

Trustee O'Connor reminded the Committee that this resolution is a compromise, and that it was supported by the previous chancellor as well as the presidents and the current chancellor. Trustee Lippert stated that he wants the presidents to report back how they have used the FY2015 funds, as well as the FY2013-2014 funds. Audience member Nasser Abdel-Fatah asked about accountability for the colleges' plans for the funds and stated that students would appreciate actually seeing where that money goes.

The Committee discussed amending the resolution to require the colleges to provide strategic and specific plans for the use of the FY2015 funds already collected, as well as the FY2013-2014 funds. The Committee agreed to consider this idea without having a formal resolution in front of them. After considerable discussion, Trustee Jerman called the question to cease debate on the amendment. Roll call vote:

Trustee Diamond: yes

Trustee Jerman: yes

Trustee Lippert: yes

Trustee Macfarlane: yes

Trustee Milne: yes

Trustee Pelletier: yes

Debate on the amendment ended.

The Committee then voted on the potential amendment to the original resolution. Roll call vote:

Trustee Diamond: no

Trustee Jerman: no

Trustee Lippert: no

Trustee Macfarlane: yes

Trustee Milne: no

Trustee Pelletier: no

The amendment was defeated 1-5.

The Committee then voted on the resolution as originally presented. Roll call vote:

Trustee Diamond: yes

Trustee Jerman: yes

Trustee Lippert: yes

Trustee Macfarlane: no

Trustee Milne: no

Trustee Pelletier: yes

The resolution was approved 4-2 and is recommended to the full Board. At this time Trustee Pelletier left the meeting.

3. Review and Approve Tuition and Fees

Chancellor Spaulding presented a proposal and resolution for a two-year tuition and fees decision, which in general form would be a 3% base tuition increase in year one, along with an optional 2% increase for scholarships. Tuition in the following year would be frozen - no increase. Fees, room and board will increase up to 3% for both FY2016 and FY2017. The Chancellor stated this proposal will give flexibility and breathing room for the colleges to deal with their immediate individual fiscal challenges, along with enough advance notice to prepare for and market a tuition freeze in year two. A spreadsheet which is incorporated in the presented resolution showing in detail the specific increases for the various categories of tuition and fees requiring Board approval was distributed to the Committee is attached as a part of these minutes.

Trustee Diamond expressed concern about the proposal, due to prior experience where the combination of a significant tuition increase tied to greater tuition discounting did not work, but stated he would support the resolution in order to allow the colleges sufficient time to demonstrate the effectiveness of their decisions. Trustees Masland, and Luneau stated their support for the tuition and fees proposal. Audience member Nasser Abdel-Fatah asked what will happen if, between now and the fall, enrollment continues to decline. President Smith stated that it will take time for the tuition increases and the colleges' plans to see their effects. Trustees Slaimen and Hannum stated their support for the proposal.

The Committee voted on the proposed tuition and fees for FY15-16 and FY16-17. The resolution passed with a vote of 4-1 and is recommended to the full Board. Chair Macfarlane cast the dissenting vote.

4. Endorsement of Grant Proposal

President Judy reported this grant application is a renewal of a grant CCV has had for 20 years. Trustee Jerman moved and Trustee Milne seconded the resolution. The resolution passed unanimously.

B. ITEMS FOR INFORMATION AND DISCUSSION

1. Discussion of FY2016 Budget Development

There was no discussion of this item.

2. VSC Q2 Financial Performance

Each president gave a quick review of their colleges' positions at the end of Q2.

3. Review VSC Benchmarks

Due to time constraints, there was no discussion of this item.

4. Update on Legislative Issues

Due to time constraints, there was no discussion of this item.

5. Update on Ongoing VSC Construction

Due to time constraints, there was no discussion of this item.

6. Review Capital Projects Report

Due to time constraints, there was no discussion of this item.

C. ITEMS FOR INFORMATION ONLY

Due to time constraints, there was no discussion of these items.

1. Monthly Grant Activity Report

2. Monthly Cash Report

3. VSC Q2 Endowment Performance

The meeting adjourned at 4:53 p.m.