

Approved minutes of the Finance & Facilities Committee meeting Wednesday, May 13, 2015, APPROVED by the Committee September 2, 2015

The Vermont State Colleges Board of Trustees Finance & Facilities Committee conducted a meeting Wednesday, May 13, 2015 at the Office of the Chancellor in Montpelier, Vermont.

Committee members present: Jerry Diamond (by phone), Church Hindes, **Tim Jerman**, Christopher Macfarlane (Chair), Linda Milne, Heidi Pelletier

Absent: Bill Lippert

Other Trustees Present: Lynn Dickinson, Martha O'Connor

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

From the Chancellor's Office: Tricia Coates, Director of External & Governmental Affairs
Dick Ethier, Director of Facilities
Bill Reedy, General Counsel
Tom Robbins, CFO
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: 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
Maurice Ouimet, CSC Dean of Enrollment
Phil Petty, Academic Dean, Vermont Technical College
Sharron Scott, Dean of Administration, Johnson State College
Lit Tyler, Dean of Administration, Vermont Technical College
Beth Walsh, VSC United Professionals

Chair Macfarlane called the meeting to order at 1 p.m.

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the April 1, 2015 Finance & Facilities Committee Meeting
2. Minutes of the February 11, 2015 Finance & Facilities Committee Meeting

Trustee Jerman moved both sets of minutes; Trustee Pelletier seconded. The minutes were approved unanimously.

3. Review and Recommend Approval of FY2016 Budget

Trustee Jerman moved and Trustee Hindes seconded the motion Review and Recommend Approval of FY2016 Budget.

a. VSC Budget

CFO Robbins provided an overview of the FY16 budgets. Financial stresses on the budgets include lower enrollment at each college, increases in healthcare costs, contractually mandated increases for unions, and increases in utilities. On the revenue side, tuition increased between 3-5%, with any increases over 3% on in-state tuition being directed to scholarships. The state operating appropriation is level with last year. The VIT appropriation was halved. Wages and benefits account for 70% of expenses.

The presidents each provided an overview to the Committee of their colleges' financial positions at the end of FY15 and projections for FY16 and FY17.

Castleton State College President Dave Wolk thanked the trustees who attended commencement and provided the following update:

- Returning students are down by about 50 FTE, new first year enrollment is projected to be up 30-50 students, with the increase in out-of-state students. Overall enrollment is down 1-2%. Persistence is at or better than last year.
- The college will need to use reserves to balance the FY15 budget. Retirements and departures will result in 15 fewer positions next year.
- The college is reducing overloads and the use of part time faculty; implementing new class minimums; and eliminating most out of state travel not connected with recruitment. There has also been a rescission.
- Increasing revenues are anticipated from the Polling Institute, Spartan Dome, and Castleton Downtown. They have launched a new athletic fundraising effort.
- Challenges next year will be enrollment and deferred maintenance. They will continue to look at ways to increase enrollment. Summer conferences and courses bring in a lot of revenue.

- Allocations for need-based aid have helped enormously but the number of students who use it increases.

Chair O'Connor requested that each of the presidents in the near future provide the Board with a report of deferred maintenance and fleet needs. Chancellor Spaulding stated that VSC Director of Facilities Dick Ethier would be able to present that information to the Board.

Chancellor Spaulding stated that there will be no pay increases for the VSC presidents. There will also not be increases for some senior staff at the colleges and all the senior staff at the Chancellor's Office.

Johnson State College President Barbara Murphy shared the following update:

- The college will end FY15 with a \$26,000 surplus. In FY15 they did not use any of the strategic reserves requested of the Board.
- For FY16 they project a slight increase in tuition and fees, and a higher increase in room and board and dining.
- Wages and benefits are increasing about 1%. There are few retirements this year but otherwise little turnover; they are leaving some positions open.
- Returning OPEB funds have allowed the college to reach a balanced . One-time revenue was generated by the sale of some property, timber harvesting, and ongoing adjustments to expenses for the student health center.
- The FY16 budget includes the use of up to \$175,000 of strategic reserves.
- Retention is slowly improving; the plans submitted for returning OPEB funds are intended for continuing to improve retention.
- They are budgeting for a 2.5% downturn in enrollment.
- There will be some fundraising around athletics.
- Challenges include recruitment and sustaining enrollment.

At this time Trustees Dickinson and Jerman departed, and Trustee Milne arrived.

Community College of Vermont President Joyce Judy stated that the college is on budget for ending 2015.

- Summer registration is on target.
- Strategic reserves remain untouched.
- Entrepreneurial ventures focusing on younger students and the middle majority of VT high school graduates who haven't enrolled in college, as well as workforce needs. The TAACCCT grant is helping the college reach out to manufacturers. The state of Vermont received a significant SNAP grant and CCV is a major partner in this grant.
- The biggest challenge is maintaining and growing enrollments.

- The college is ramping up philanthropy, a new focus for CCV. The operating budget used to be 2% funded by philanthropy; that percentage is now 4-5%.
- President Judy expressed deep concern about the 2017 budget process. A level or lower revenue stream coupled with lower enrollment means future savings may include personnel changes.

Lyndon State College President Joe Bertolino stated that the college entered 2015 with a \$1.5M gap, covered it, and will end with a small surplus. The college is not touching its strategic reserves.

- They are budgeting for 355 new students and 801 returning students. They have budgeted for a 10% decline in enrollment. Currently they are at 318 deposits.
- It is very difficult to predict admissions; the usual predictors have changed within the VSC and nationally. Their return retention rate is modestly higher.
- Overall they have budgeted a decline of 8%.
- They have decreased part time faculty by 30% and are lowering course offerings. There have been five layoffs.
- President Bertolino stated how proud he is of how the college handled the challenging year.
- They will use \$755,000 of one-time internal reserves to close the 2016 gap.
- A focus on generating revenue includes new men's and women's track teams and a new women's lacrosse team.
- Plans submitted for the use of OPEB funds are for improved retention. A curricular task force is underway. No layoffs are planned going into next year. The 2017 budget will be extremely difficult.
- Fundraising has been very successful: up 247% from 2 years ago. The college earns about \$500K from summer programming.

Vermont Technical College President Dan Smith stated that the college anticipates a \$2.1-\$2.2M loss for 2015, which is less than projected.

- The 2016 loss is projected to be \$1.83M, with a line of credit requested from the system of \$1.9M. Reductions in salary and wages come from retirements, attrition, layoffs, and curriculum redesign.
- Enrollment is anticipated to be down 2% overall.
- New enrollments are down 7%. There has been an increase in transfer deposits and the BS in nursing program represents new enrollment.
- The revenue from conferences and events is about \$300,000 and is included in the Sales and Services line. Biodigester performance is improving. The college lost a maintenance contract with the VA cemetery due to its new federal contract.

- The college is now highly focused on a positive recruiting cycle. Their submitted OPEB funds strategy will help fund this.
- The TAACCCT grant will provide an advisor for CCV-to-VTC transfers in manufacturing programs.

Trustee Diamond requested that the resolution for the approval of the VSC budget not include the decrease in net assets currently included. Trustee Milne moved that the resolution be amended so that the phrase “, and the post-GASB 45 and VTC deficit decrease in net assets of \$7,443,483” be deleted. Trustee Pelletier seconded the amendment. The Committee voted unanimously to approve the amendment. The Committee approved the resolution as amended unanimously. The Committee also authorized Chancellor Spaulding to finalize the resolution if necessary prior to bringing it to the Board. Chair O’Connor requested that the amended resolution be sent to the Committee before the Board meeting.

b. VIT Budget

Trustee Hinds moved and Trustee Pelletier seconded the resolution to approve the FY16 Vermont Interactive Technologies budget. President Smith reminded the Board that Vermont Tech is the fiscal agent for VIT and updated them on the status of the VIT appropriation. VIT is funded 75% by state appropriation and 25% by fees for service. Of that 25%, Vermont Tech accounts for approximately half as its nursing and continuing education programs have a large distance learning component. The current appropriation under consideration in the legislature is six month’s worth of funding to carry VIT through to its closure in December 2015. The legislature has included language in the budget indicating a need to research ownership of VIT equipment. Trustee Hinds asked that the Board consider passing a resolution indicating the great value that VIT and its services have brought to Vermont over its decades of service.

Trustee Diamond requested that the resolution be amended to remove the phrase “and the post-GASB 45 decrease in net assets of \$108,000.” Trustee Pelletier moved and Trustee Milne seconded the amendment. The Committee voted unanimously to approve the amendment. The Committee approved the amended resolution unanimously.

At this time Trustee Masland arrived.

c. Workforce Development Budget

Trustee Diamond moved that the resolution to approve the FY16 Workforce Development budget be amended to remove the phrase “and the post-GASB 45 decrease in net assets of \$184,000.” Trustee Milne seconded the amended resolution. President Smith explained that the budget represents the aggregate of three entities at Vermont Tech: Vermont Manufacturing

Extension Center (VMEC), Technology Extension Division (TED), and the Vermont Small Business Development Center (VtSBDC). A substantial portion of all of their revenue comes from federal grants. The state appropriation for VMEC comes out of the VSC base and is a match to funds from a National Institute of Science and Technology interim grant. The Committee voted unanimously to approve the amended resolution.

4. Review and Recommend Approval of Additional VTC Operating Loan Commitment

Chancellor Spaulding stated that this resolution will need a similar review to the previous resolutions prior to coming before the Board. He proposed, along with General Counsel Reedy, that further research be done in consultation with bond attorneys and that a revised resolution be brought to the full Board.

Trustee Hindes moved and Trustee Milne seconded the resolution as worded, with the understanding that the resolution may be revised before coming to the full Board. The Committee approved the resolution unanimously.

5. Review and Recommend Approval of OPEB Funds Usage

The presidents confirmed that there have been no substantial changes to their originally submitted plans for use of the returning OPEB funds, with the exception of Lyndon State College. President Bertolino stated that they have removed a proposal to renovate a building on campus and are requesting \$460,000 of \$508,000 for three primary projects.

Trustee Pelletier moved and Trustee Hindes seconded the resolution. The Committee approved the resolution unanimously.

6. Review and Recommend Approval of Annual Banking and Investment Resolution

Trustee Milne moved and Trustee Diamond seconded approval of the annual banking and investment resolution. The Committee approved the resolution unanimously.

7. Endorsement of Grant Proposal

Trustee Hindes moved and Trustee Pelletier seconded the motion to approve the grant proposal. The Committee approved the resolution unanimously.

8. Real Estate Matter

Trustee Milne moved that the Committee enter executive session pursuant to 1 VSA §313 (2) to discuss a real estate matter, and to include other Board members, the Chancellor, President Smith, CFO Robbins, General Counsel Reedy, and VT Tech Dean of Administration Lit Tyler. Trustee Hindes seconded the motion. The Committee approved the motion unanimously. The Committee entered executive session at 3:30 p.m. While in executive session the Committee approved a resolution, the results of which are on file at the Vermont State Colleges. The Board exited executive session at 4 p.m.

B. ITEMS FOR INFORMATION AND DISCUSSION

1. Review Q3 Financials
2. Update on Legislative Issues
3. LSC Solar Farm Partnership
4. Update on Ongoing VSC Construction
5. Review Capital Projects Report

There was no discussion of these items.

C. ITEMS FOR INFORMATION ONLY

1. Monthly Grant Activity Report
2. VSC Q3 Endowment Report
3. Monthly Cash Report

The meeting adjourned at 4 p.m.