

**Minutes of the Finance & Facilities Committee meeting Wednesday, September 2, 2015,
APPROVED by the Committee November 18, 2015**

The Vermont State Colleges Board of Trustees Finance & Facilities Committee conducted a meeting Wednesday, September 2, 2015 at the Office of the Chancellor in Montpelier, Vermont.

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

Other Trustees Present: Lynn Dickinson, Karen Luneau, Jim Masland

College Presidents: Joe Bertolino, Elaine Collins, Joyce Judy, 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
Deb Robinson, 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: 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
Andy Myrick, VSC Faculty Federation
Sandra Noyes, VSC Staff Federation
Sharron Scott, Dean of Administration, Johnson State College
Lit Tyler, Dean of Administration, Vermont Technical College
Beth Walsh, VSC United Professionals

From the Public: Josh O'Gorman, VT Press Bureau

Chair Hinds called the meeting to order at 3:10 p.m. He called the Committee's attention to #7 under Items for Information and Discussion, requesting members think about topics of particular interest, especially those that are relevant to the charge of the Committee and that sustain the mission of the system, that could be discussed in more depth at separate meetings.

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the May 13, 2015 Finance & Facilities Committee

Trustee Jerman requested that his name be added to the list of Committee members in attendance at the meeting. Trustee Pelletier moved the minutes as amended; Trustee Diamond seconded.

Roll call vote:

Trustee Diamond	Yes
Trustee Jerman	Yes
Trustee Lippert	Abstain
Trustee Macfarlane	Yes
Trustee Milne	Yes
Trustee Pelletier	Yes
Chair Hindes	Yes

2. Approval of Revisions to Policy 210: Conflict of Interest – Employees

3. Approval of Proposed New Policy 211: Whistleblower Policy for Reporting Fraudulent, Illegal or Improper Activities

Associate General Counsel Sophie Zdatny explained to the Committee that because a new Policy 211 has been created to address fraudulent, illegal, or improper activities, it is appropriate to limit Policy 210 and have it refer to conflict of interest only. Chair Hindes thanked Audit Committee Chair Milne for working with the Chancellor's Office in preparing the new policies. Trustee Diamond noted that Policy 211 would benefit from a definition of "colleges," now that the system includes a university. Chair Hindes inquired whether there is an overall corporate compliance policy; General Counsel Reedy answered that there is not, and that Policy 210 stemmed from the Sarbanes Oxley Act of several years ago. The VSC does have many individual compliance policies.

Trustee Diamond moved and Trustee Milne seconded the approval of the resolution Approval of Proposed Policy 211, *Whistleblower Policy for Reporting Fraudulent, Illegal or Improper Activities* and Related Revisions to Policy 210, *Conflict of Interest – Employees*, with the addition of clarification regarding the definition of "colleges."

Roll call vote:

Trustee Diamond	Yes
Trustee Jerman	Yes
Trustee Lippert	Yes
Trustee Macfarlane	Yes
Trustee Milne	Yes
Trustee Pelletier	Yes
Chair Hinds	Yes

Andy Myrick asked whether the new Policy 211 included a retaliation reporting mechanism. Associate General Counsel Zdatny stated retaliation reporting would follow the same process as an initial report, or a complaint to the president's or Chancellor's office.

4. Endorsement of Grant Proposal

Trustee Milne inquired how endowment matching works. Johnson State College Dean of Administration Sharron Scott answered that this is a Title III grant request for strengthening institutions, which allows matching for endowments. Gifts to the college are matched by the grant; Johnson State fundraises for one amount and this grant matches the funds raised. Dean Scott noted that incorrect forms had been included in the Committee's materials and that Johnson State will submit new materials for the September 23rd Board meeting. Chair Hinds stated the Committee would defer action on this resolution.

5. Establishment of Endowments

Chancellor Spaulding reminded the Committee that endowments of \$10,000 or more require Board approval. President Bertolino gave a brief review of the two endowments before the Committee. Trustee Diamond moved and Trustee Pelletier seconded the resolution.

Roll call vote:

Trustee Diamond	Yes
Trustee Jerman	Yes
Trustee Lippert	Yes
Trustee Macfarlane	Abstain
Trustee Milne	Yes
Trustee Pelletier	Yes
Chair Hinds	Yes

B. ITEMS FOR INFORMATION AND DISCUSSION

1. FY2015 Year End Operating Results
2. Fall 2015 Enrollment Outlook

Chair Hindes requested items #1 and 2 be discussed together. He emphasized that it is very early in the process and the numbers still need to be audited. Chancellor Spaulding shared that both the FY15 yearend and fall enrollment numbers constitute good news.

Lyndon State College President Joe Bertolino stated that the college has an FY15 surplus of \$162,000. The return of GASB funds allowed the college to avoid spending contingency funds from strategic reserves and prior year carry forward funds. They now have the flexibility to utilize those funds in next year's budget. The college budgeted for 355 new students and is currently at 380 enrolled. Returning students were budgeted at 801; currently enrollment is at 818. President Bertolino stated he is confident Lyndon State will meet budget projections related to enrollment. He raised caution about residence halls: last year's positive trend of on campus residents has lowered and students are living off campus in large groups. Residence hall occupancy is at 85%.

Castleton University President Dave Wolk stated that Castleton met last year's financial challenges, and remaining carryover funds will go to scholarships. They have had an excellent start to the year; all residence hall beds are full and enrollment is up. There are 34 countries represented in this year's student body. Enrollment of new students is 611, 41 students higher than last year. Out-of-state enrollment increased 17, in-state, 4%. Early College and dual enrollment students are still to be added. Part time students are not included in the headcount and Castleton is working on ways to include those numbers for a more accurate picture. Castleton is focused on increasing enrollment in light of the FY17 tuition freeze. With increased enrollment, they anticipate overcrowded residence halls in the future.

Trustee Diamond inquired about the number of returning students on which Castleton's budget is based. President Wolk answered that once the add/drop period ends there will be final numbers, but that they will meet the budget.

Vermont Tech President Dan Smith shared that enrollment is up 17 FTE over last year, a testament to the hard work of faculty and staff throughout the college. There are 780 new students: 40 more than last year, mainly due to the BS in Nursing and paramedicine certification program. There is also growth in the construction management and software engineering programs. Currently 25 students are enrolled in the BS in Manufacturing distance learning program. A strong recruitment plan, including CCV-VTC transfer students, is in place. The college used state appropriations to renovate Morrill Hall to accommodate new manufacturing

labs and equipment. The financial close for FY15 shows the college well ahead of the anticipated figures: a \$2.4M shortfall was expected but the college will be coming in well ahead of that. FY16 has strong enrollments and they anticipate being ahead of budget. The college is focused on growing enrollment. The BS in Nursing program has a high potential for growth.

Johnson State College President Elaine Collins stated the college is carrying over \$126,000 from FY15, and they did not have to use Board-approved strategic reserve funds. They have fully funded both the Board-required and strategic funding reserves. New concentrations have enrolled 31 students—significant for new programs. Persistence initiatives paid for by OPEB funds—hiring two student support advisors and a new Mapworks software system—have been positive. The college has established new learning communities and a new marketing campaign. In-state campus based undergrad enrollment was anticipated to be -2% but is looking +2% over budget, which President Collins attributed to persistence initiatives. Thirty-five early college students are enrolled. EDP returning students are down but may rise over the next few weeks. The college may not meet budget as enrollment is currently short 65 FTE, but multiple initiatives will help close the gap. The college is focusing on retention, graduation, and enrollment.

Community College of Vermont President Joyce Judy reported that classes start next week. Late registration is in progress, and the college met last year's numbers in spite of projected decline. She noted a decrease in state populations the college serves but that enrollment steady. CCV is doing well but budgeting conservatively. CCV serves primarily three populations: students who register, high school students (currently 65 Early College, 3-400 dual enrollment this semester), and businesses. CCV is starting a new Assessment of Prior Learning program with GlobalFoundries soon. CCV is focusing on where adults are, as well as the people walking through the door. The college ended FY15 with a large carryforward because they did not use returned OPEB funds; they will bring plans for those funds forward soon. President Judy clarified that the carryforward is primarily OPEB funds but also some actual surplus.

Chair Hinderes requested that at the Board meeting the Board should look at consolidated enrollment numbers for a system perspective. Trustee Dickinson inquired about the geographic distribution of the EDP program. President Judy replied that it is statewide, with no apparent clusters. It is not heavily weighted towards Chittenden County or other large populations, and includes some homeschoolers, with small numbers for most regions. Trustee Dickinson also inquired about why EDP numbers are declining. President Collins stated that Johnson State is revisiting the program in general to strengthen it together with CCV; use of technology and marketing can be improved. President Judy noted competition for adult students is fierce, and it wasn't 5-7 years ago.

3. Update on Legislative Issues

Director of External & Governmental Affairs Tricia Coates stated that the plan going forward is to shift the legislative conversation beyond PreK-12 to include higher education and to engage in a discussion of the impact of higher education on quality of life and the return on the state's investment. A goal is to increase investment in the VSC and turn the corner from flat funding, and continue to advocate for our capital appropriation. There are three study committees happening right now: one on dual enrollment and college continuation; one on the role of career and technical centers in adult education; and a PreK-16 Council subcommittee on applying an outcomes-based formula to a portion of the higher education appropriation that would reward institutions for awarding credentials to Vermonters and could incentivize degrees awarded to at-risk students, on-time degree completion, degrees awarded in high priority areas. The VSC has received a Lumina grant to collaborate with VSAC, industry, and economic development leaders on how to achieve the goal of 60% of Vermonters holding a postsecondary credential by 2020. The Lumina workgroup is focusing on increasing the number of first generation students, bringing more working adults into higher education, and how to accomplish this region by region. Chancellor Spaulding informed the Committee that the governor is asking for level funded budgets, projecting a 3% increase in state revenue. The Board will discuss specific plans at its upcoming retreat. Trustee Lippert suggested that the VSC frame the narrative not about needs of the system but about the needs of Vermonters for additional skills and education, and the benefit that accrues to Vermont as a whole.

4. Rating Agency Review

CFO Robbins stated that after its annual review Standard & Poor's changed the VSC's credit rating from A/negative to A-/stable. He reminded the Committee the rating change should be viewed in the context that all of higher education currently has a negative outlook. The report noted declining enrollments and demographic of high school seniors, low state appropriations, and financial performance on an accrual basis (which includes OPEB liability). On a cash basis the system is stable and positive. Programs like dual enrollment and other initiatives to address enrollment allowed for the stable rating. Trustee Diamond inquired when the colleges will have to start paying the GASB obligation, and how that might affect cash. CFO Robbins responded that an actuarial report in 5-yr increments is due soon. The colleges are currently paying out \$5M, and recording \$7M. Chancellor Spaulding agreed the VSC is paying it now in a pay-as-you-go fashion, but the VSC has closed the groups so the unfunded liability should go down.

5. Efficiency Initiatives for FY2016
6. Consultant Engagement

Chair Hindes requested to combine these two agenda items. Chancellor Spaulding informed the Committee that the VSC issued an RFP for the four residential colleges to review business plans for the next several years to ensure their soundness and to provide guidance. He has received five proposals and is currently interviewing. They are also ensuring the review is not redundant of efforts the colleges are already undertaking. Data analysis, dialogue with college leadership, and dialogue and a report to the Board are expected by yearend.

CFO Robbins stated that he is working with the administrative deans on potential consolidations in “engine room” operations: accounts receivable, accounts payable, payroll, human resources, and purchasing. They have reviewed each college’s processes and are looking at transactions performed and benchmarks per person. They will review IT once the SQL conversion is complete. On the physical plant side, they are looking for opportunities for energy efficiency and retrofitting for savings, and will have a report next month prioritized by highest return on investment.

7. Committee Planning for FY2016 – Priority Topics and Areas of Interest

Chair Hindes stated the Committee may want to schedule additional meetings to cover particular items and asked members to email him with lists of items for discussion. His own area of interest for discussion includes facilities teams to share info about the system infrastructure

Director of Facilities Dick Ethier reported that the system is working on two energy audits: one for retro-commissioning existing, recently built buildings, and one for level one energy audits to identify more expensive fixes they will choose and fund with green revolving funds. There have been many roofing projects over the summer; ten years ago most roofs were new, and they are starting to reach the end of their expected lifespans, so the system will be investing more in roofs in the future. The VSC has issued an RFP for solar net metering for CCV and VTC to garner energy credits to apply to utility bills within the Green Mountain Power service territory.

8. Update on Ongoing VSC Construction
9. Review Capital Projects Report

These items were not discussed.

C. ITEMS FOR INFORMATION ONLY

1. Monthly Grant Activity Report
2. VSC Q4 Endowment Report
3. Monthly Cash Report

These items were not discussed.

The meeting adjourned at 4 p.m.

UNAPPROVED