

**Minutes of the Finance & Facilities Committee meeting Wednesday, November 18, 2015,
APPROVED by the Committee March 10, 2016**

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on November 18, 2015 at the Chancellor's Office in Montpelier.

Committee members present: Jerry Diamond, Church Hinds (Chair), Bill Lippert, Chris Macfarlane (Vice Chair), Martha O'Connor, Linda Milne

Absent: Tim Jerman

Other Trustees: Lynn Dickinson, Karen Luneau, Jim Masland, Mike Pieciak, Ben Simone

Presidents: Dave Wolk, Joyce Judy, Elaine Collins, Joe Bertolino, Dan Smith

From the Chancellor's Office: Tricia Coates, Director of External & Governmental Affairs
Dick Ethier, Director of Facilities
Bill Reedy, General Counsel
Tom Robbins, Chief Financial Officer
Deb Robinson, Controller
Elaine Sopchak, Executive Assistant to the Chancellor
Jeb Spaulding, Chancellor

From the Colleges: Scott Dikeman, CU Dean of Administration
Sheilah Evans, LSC Associate Dean of Administration
Loren Loomis Hubbell, LSC Dean of Administration
Barbara Martin, CCV Dean of Administration
Andy Myrick, VTC, VSCFF
Sandra Noyes, JSC, VSCSF
Phil Petty, VTC Academic Dean
Sharron Scott, JSC Dean of Administration
Lit Tyler, VTC Dean of Administration
Beth Walsh, JSC, VSCUP

Chair Hinds called the meeting to order at 2:46 p.m. The agenda was rearranged so that under Items for Information and Discussion, the Committee would begin with Items 2 and 3, and return to Item 1.

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the September 2, 2015 Finance & Facilities Committee Meeting

Trustee Diamond moved and Trustee Milne seconded the approval of the September 2, 2015 minutes. Trustee Luneau requested that her name be added to the list of trustees in attendance at that meeting. Trustee Diamond requested that Trustee Macfarlane be identified as Vice Chair of the Committee in the minutes. The minutes were approved as amended unanimously.

2. Minutes of the October 29, 2015 Finance & Facilities Committee Special Meeting

Trustee Milne moved and Trustee Macfarlane seconded the approval of the minutes of the October 29, 2015 special meeting of the Committee. Trustee Diamond referred to his comments identified on page 16 of the meeting materials and asked that they be revised to be more descriptive. The minutes will be adjusted to read as follows:

Trustee Diamond asked if each of the presidents would be willing to submit a report to the Long Range Planning Committee containing a strategic analysis of future facilities needs, and whether the existing facilities will meet the needs of changing student bodies and changing teaching methodologies, in time for its January meeting.

Chancellor Spaulding and the college presidents agreed it would be appropriate to include this topic as part of the January Long Range Planning Committee meeting. Chair Hindes noted that such a discussion would also be of interest to the Finance and Facilities Committee. Trustee Diamond requested that the Finance and Facilities Committee members be invited to attend the January 7, 2016 meeting of the Long Range Planning Committee.

The minutes of the October 29, 2015 special meeting as amended were approved unanimously.

3. Review and Approval of FY2015 Carryover Items

CFO Robbins referred the Committee to VSC Policy 403 regarding carryover items. The amounts to be carried over are intended to be spent in FY2016. Trustee Diamond moved and Trustee Macfarlane seconded the resolution. The resolution was approved unanimously.

4. VTC Graduate Tuition Rate

Vermont Tech President Dan Smith reminded the Committee that the Board authorized Vermont Tech to seek NEASC approval for its new MA in Software Engineering. This item is a request to establish graduate level tuition for this new program. The college is basing its graduate tuition rate on that of other VSC colleges. Trustee Lippert inquired about the rationale for graduate tuition being set at 125% of undergraduate tuition. President Smith stated that some contractual requirements regarding credits, and the professional expectations post degree for students in the program are the basis for that rate. Castleton University President Dave Wolk added that market competitiveness is also a factor. General Counsel Reedy clarified that the VSC full time faculty contract requires that in terms of workload each three credit course for graduate programs would be worth four credits, so it does cost more to offer a graduate level course. CFO Robbins also clarified that the rate is based on student residency.

Trustee Macfarlane moved and Trustee Lippert seconded the resolution. The resolution passed unanimously.

5. Lyndon State College Building Renaming Request

President Bertolino described the honoree Art Peake and the appropriateness of the request. Trustee Macfarlane moved and Trustee Dickinson seconded the resolution. The resolution passed unanimously.

6. Establishment of Endowments: Consent Agenda

Trustee Diamond moved and Trustee Macfarlane seconded the resolution. Each president explained the background of their endowment request. The consent agenda was approved unanimously.

B. ITEMS FOR INFORMATION AND DISCUSSION

1. FY2017 Tuition
2. Legislative Update
3. FY2017 Operating Appropriation Discussion

Chancellor Spaulding reminded the Committee that they agreed to discuss Items 2 and 3 together. He stated that the VSC legislative agenda involves both requests for additional funds and possibly reallocating existing funds. Currently the VSC is involved in a legislative study on partnerships with tech centers and workforce development throughout the state. Lyle Jepson, Castleton University's dean of entrepreneurial programs, is representing the VSC in this study. There are no specific recommendations emerging from this group at this time. Another study in which the VSC is participating is being undertaken by the Higher Education Subcommittee of the PreK-16 Council. The study proposes reallocating some funds of both the VSC and UVM based on certain criteria and outcomes. There is agreement that some form of outcomes based funding makes sense, but it is difficult to agree on the details. There is agreement on the importance of conferring degrees to Vermonters; other outcomes are still under discussion.

Chancellor Spaulding stated that the VSC is making case that the state colleges are the extension of Vermont's public education system. Based on this he is seeking to tie the VSC appropriation to that of K-12 to ensure annual, statutory, inflation-based increases. He has filed a level funded appropriations request, as well as the proposed tie-in with the K-12 increase. He is also working with the governor's administration on a proposal targeting recent high school grads that haven't gone onto college.

Trustee Dickinson inquired whether dual enrollment would be discussed in the legislature this year. Chancellor Spaulding answered that legislative involvement would not be necessary this upcoming session. Enrollment in the program continues to increase. Trustee Diamond asked whether the portability of VSAC grants would be discussed. Chancellor Spaulding reminded the Committee that at its annual retreat the Board agreed the VSC should not lead that effort, though the chancellor could state support for limiting portability. Trustee Lippert emphasized the importance and long term nature of awareness building about the VSC in the legislature. He believes bringing a positive presence into the state house for each college and collectively would be effective. Trustee Dickinson agreed and stated the VSC Caucus event held last session was very helpful.

Chancellor Spaulding emphasized that while all the colleges in Vermont offer benefits to the state, the VSC confers degrees to Vermonters like no other college does. The evidence is increasingly clear that the dividing line between the haves and the have-nots is a college

education. In order to provide the opportunities for Vermonters to transform their lives and break the negative cycles the state is trying to break, there must be an affordable public higher education system. That is the VSC message. It is unlikely the VSC will receive additional funding this session but having specific proposals that address particular needs will have a better chance at success. Trustee Lippert acknowledged that the legislature is always changing and educating legislators consistently is necessary. Trustee O'Connor reminded all trustees that they can share the message of the VSC; Tricia Coates will provide trustees with talking points.

Chancellor Spaulding said he would like the Board to allow flexibility as plans for appropriations continue to develop, and would like definitive guidance on whether a formal vote from the Board is required for this. General Counsel Reedy will research this question and provide guidance at the December Board meeting.

FY2017 Tuition

Chair Hindes stated that reopening the discussion of tuition should be undertaken with deliberation and care. He inquired of the Committee what information would be useful to have at the time of this conversation, e.g. the AGB consultant's report. Chancellor Spaulding stated that he plans to ask the Board in December whether they would be willing to consider the tuition question for the next school year afresh and to look at each college separately, on a college-by-college basis, and whether the Board would be willing to entertain modest increases in tuition. He emphasized it is his responsibility to ensure the viability of the colleges. While things are better this year, there is not a lot of room for error. It is unclear whether a tuition freeze will result in higher enrollment.

Trustee Masland stated he is willing to reconsider something of this importance. Trustee Macfarlane asked for clarification on the process. Chancellor Spaulding responded that if the Board is willing to entertain tuition proposals for next year, then the Finance and Facilities Committee would then review the proposed scenarios. He feels it is appropriate for the Board to make a decision whether to entertain new proposals. In addition, he believes it is not strategic to make the same tuition decision for each college. The system is at the point where decreased spending at the colleges is counterproductive. Without an increase in state funding, and with potential enrollment changes, not examining tuition is imprudent. Chair Hindes confirmed that ultimately any decision would be made by the full Board, but the Finance and Facilities Committee would be the place where the concept is vetted. Chancellor Spaulding agreed and added that if the Board does not wish to reconsider tuition, then the presidents need to know that too.

Trustee Macfarlane inquired about the specifics of the proposal. Chancellor Spaulding responded that at this early time there is no particular plan, though it could be in the area of 3%. Vermont Tech in particular is experiencing a positive turnaround and needs to continue on that path. There is no specific proposal at this time, and decisions will be based on president's suggestions. He stated that maintaining tuition freezes will make it very difficult for the colleges to continue making progress. Trustee Macfarlane agreed looking at each college individually is a good idea, but did not agree that bringing the decision to the Board in December is a good idea. Trustee Milne inquired how the institutions have marketed the tuition freeze so far; Chair Hinde requested that information be provided to the Committee. Chair Hinde agreed a discussion with the Board in December makes sense and inquired what would be the next steps for the Committee. Chancellor Spaulding recommended that the Committee convene a special meeting on December 2, 2015 at Vermont Tech prior to the start of the Board meeting.

Trustee Diamond stated that putting the proposal before the Board without being vetted fully by the Committee is a break in tradition and governance. He suggested that if the Committee did not approve the recommendation, or if it cannot come to a conclusion, then it should not be brought to the full Board. He is unsure whether empirical data exists in favor or against this approach, and the Committee's expectation was that the tuition freeze would be given a chance to work. Chancellor Spaulding responded that the Board made the final decision on tuition and therefore should be able to choose to reconsider that decision, and task the Finance and Facilities Committee with doing the research and bringing back a specific proposal.

Trustee Masland stated he is not interested in circumventing process but does want to discuss the matter in terms of viability of the colleges. Trustee Lippert reminded the Committee that the Board hired the chancellor to provide leadership and direction, and that the chancellor's bringing this topic for reconsideration merits the Board's serious attention. He agreed that the Committee must be involved in vetting whatever proposal is brought forward. Trustee Lippert did not agree that the decision on the proposal belongs solely to the Committee and not the full Board.

President David Wolk stated that while he plans no tuition increase for Castleton University next year, he has no problem with revisiting the question for other colleges. He also requested that they also consider and make a decision on FY2018 before September 2016. The rules regarding FAFSA submission have changed, and award letters will be sent earlier. Knowing what 2018 tuition will be in 2016 will allow Castleton to market the tuition rate and prepare financial aid packages sooner, giving potential students more information earlier. Chair Hinde stated this timetable is feasible. President Judy stated that knowing the 2018 tuition rate two years in advance would not change CCV's way of marketing as their students do not commit to attending as far in advance. President Bertolino agreed the conversation should be had. Chair Hinde stated

the Committee will pencil into its schedule a tuition decision for 2018 in late summer or early fall 2016.

Chancellor Spaulding repeated that he thinks the Board should make a decision whether it wants to reconsider tuition, adding that he does not object to the Finance and Facilities Committee weighing in on the recommendation he plans to make. Chair Hinds asked the Committee whether it wants to be involved in the discussion before the December Board meeting, or would it prefer to have the full Board issue a charge to the Committee in December to take up the matter at that time. Trustee Macfarlane stated he would prefer the Committee have a discussion about the colleges' financial statements before continuing the conversation. Chair O'Connor clarified that in December the Board would be notified of the Chancellor's request, and unless there is a major objection, the Finance and Facilities Committee will take up the discussion. Chancellor Spaulding emphasized that the presidents would benefit from knowing whether the Board will consider a tuition increase or not as early as possible.

The Committee agreed that Chancellor Spaulding could present his request to the full Board on December 3rd. He also requested that the Committee meet again prior to the Board meeting for the purpose of reviewing the financial statements.

In light of time constraints the Committee decided to hear a brief report from each president on the October 15th enrollment figures rather than complete the agenda items.

Vermont Technical College President Dan Smith stated that enrollment is slightly ahead of budget and the college's position one year ago. Enrollment and tuition revenue are expected to be slightly ahead of projections. FY15 closed down approximately \$1.1M but had projected a \$2.4M loss. President Smith stated the college is very proud of that fiscal year performance. FY16 revenue is ahead of projections, but the college will continue to operate at a loss.

Lyndon State College President Joe Bertolino stated that the college started FY15 with a contingency budget; they were able to pare down the budget in FY15 ending with a small surplus which amounted to the \$544K carryover the Committee just approved. They did not have to tap into strategic reserves, and so they are fully funded. Lyndon had budgeted for 355 new students and 801 returning students; they are over that goal by 11 students, but with lower than expected residency. The college projects to meet the shortfall with carryover funds and should break even. Based on FTE enrollment as compared to last year, numbers are down about 100 students.

CCV President Joyce Judy shared that headcount is level with last fall but course placements are down. The college budgeted a 5% decline in enrollment, but enrollment is down only 3%. They

are serving many more students in workforce programs that do not appear in the headcount totals because they just started in the last two weeks after the census.

Johnson State College President Elaine Collins shared that the college is approximately 2% under projected enrollment. They ended FY15 with \$127K in carryover funds. Enrollment of out of state, EDP, and graduate students is down. They expect spring retention to increase due to hiring two new advisors. They are seeing strong Vermonter enrollments in undergraduate programs. They are making a strategic change in how the college is providing financial aid, and new programs are adding to summer enrollment. President Collins expects to start seeing results of the college's hard work in the fall. Applications are up 34%, including increases in Vermonters and NEBHE students. The college needs to increase its response rate and make processes faster.

Castleton University President Dave Wolk stated that in FY15 there was a slight decline in enrollment but downsized expenditures lead to ending the year with a \$550K carryover, which is being applied to scholarships. FY16 headcount is up 3%, and overall enrollment is up. Dorms are full, and they are looking at alternative housing. FY17 will have a tuition freeze and so the university will enhance entrepreneurial initiatives to account for lost revenue; they also will need to grow in state and out of state enrollment.

The following agenda items were not discussed due to lack of time. Chair Hinds adjourned the meeting at 5 p.m.

4. Review and Discuss Q1 Financials
5. Review and Discuss VSC Debt
6. Follow-up on October 29, 2015 Finance & Facilities Committee Meeting
7. Update on Ongoing VSC Construction
8. Review Capital Projects Report

C. ITEMS FOR INFORMATION ONLY

1. Monthly Grant Activity Report