

**Minutes of the Finance & Facilities Committee meeting Wednesday, January 13, 2016,
APPROVED by the Committee March 10, 2016**

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on January 13, 2016 at the Chancellor's Office in Montpelier.

Committee members present: Jerry Diamond, Church Hinde (Chair), Tim Jerman, Bill Lippert, Chris Macfarlane (Vice-Chair), Linda Milne, Martha O'Connor (by phone), Aly Richards

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

Presidents: Joe Bertolino, Elaine Collins, Joyce Judy, Dave Wolk (by phone)

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

From the Colleges: Amanda Chaulk, VT Tech Director of Marketing
Dwight Cross, VT Tech Director of Admissions
Loren Loomis Hubbell, LSC Dean of Administration
Barbara Martin, CCV Dean of Administration
Andy Myrick, VTC, VSCFF
Sharron Scott, JSC Dean of Administration
Lit Tyler, VTC Dean of Administration
Beth Walsh, JSC, VSCUP

Chair Hinde called the meeting to order at 2:05 p.m. He welcomed newly appointed Trustee Aly Richards, and new VSC Chief Financial Officer Steve Wisloski. The agenda was rearranged so Item B.1. would be the last item of business.

A. ITEMS FOR DISCUSSION AND ACTION

1. Approval of the Minutes of the December 2, 2015 Finance & Facilities Committee Special Meeting

Trustee Milne moved and Trustee Diamond seconded the minutes. The minutes were approved unanimously.

2. Establishment of Endowment

Trustee Diamond moved and Trustees Milne seconded the resolution. The Committee approved the resolution unanimously.

B. ITEMS FOR INFORMATION, DISCUSSION, AND POSSIBLE ACTION

1. FY2017 Tuition Discussion

This item was moved to the end of the agenda.

2. Legislative Update

Director of External & Governmental Affairs Tricia Coates informed the Committee that January 20th will be VSC legislative day at the State House. On January 27th the Chancellor will give testimony before the House Appropriations Committee. At his State of the State address the Governor proposed an initiative to support college degree completion for first generation Vermont students in two parts:

- In the Step Up program young working age adults would attend CCV and obtain a Governor's Career Readiness Certificate. Students would receive advising and support as well, and upon completion of the program would be eligible to take five free courses.
- A support and incentive payment for both the VSC and UVM for every first generation Vermonter who graduates. Each institution would receive a set amount of funds per first generation graduate to be directed to student support.

Currently Ms. Coates is watching 49 bills of interest to VSC in the State House. She also informed the Committee about two new information documents being prepared by the Chancellor's Office: the annual VSC impact statement and performance indicators.

3. Update on Ongoing VSC Construction

VSC Director of Facilities Dick Ethier updated the Committee on current construction projects around VSC campuses, including solar projects. At Trustee Masland's request Mr. Ethier explained the VSC is purchasing kilowatt hours from solar projects. The solar credits for the CCV and VTC projects will remain with the solar developers. The LSC project is negotiating for the solar credits at this time.

4. Review Capital Projects Report

This agenda item was not discussed.

C. ITEMS FOR INFORMATION ONLY

1. Monthly Grant Activity Report

This agenda item was not discussed.

Chancellor Spaulding provided the Committee with an update on the planning for the VSC Hall of Fame event. Trustee Masland suggested in the future the system also recognize students who persist to get degrees after long time.

1. FY2017 Tuition Discussion

The Committee returned to the topic of Item B1. Chair Hindes reminded the Committee that the Board requested at its December meeting that they review and discuss the potential for a 2017 tuition increase and bring it a report of its consideration to the full Board at its February meeting. He suggested the Committee consider this item alongside several additional important conversations: results of the first half and projections for the second half of the current fiscal year; the adoption of the 2017 budget; the setting of 2018 tuition; and the facilities needs of the colleges.

To accommodate the work ahead, the next Finance & Facilities Committee meeting is scheduled for April 27th. There will need to be another meeting of the Committee before then which Chancellor's Office staff will coordinate.

Chancellor Spaulding emphasized that, when it comes to tuition levels, it would be sensible to consider each institution on its own—each college’s situation is different. He reviewed his 2017 tuition recommendations to the Committee:

0% increase for Castleton University, 3% for CCV, 2.5% for Johnson State and Lyndon State, and 4% for Vermont Tech.

Chief Financial Officer Steve Wisloski reviewed the data included in the meeting materials:

- *VSC enrollment and Vermont population trends* Mr. Wisloski noted the decline in college-age students currently in Vermont, and that it is projected to continue to decline for the next several years. President Bertolino reminded the Committee that a decline in enrollment in one year is a problem that persists for 4-5 years and can be compounded by large graduating classes; even if entering enrollment grows substantially, large graduating classes can hold overall growth flat.
- *FY2017 budget deficit projections* Chair Hinds stated that state appropriations, enrollment, and tuition revenue are three revenue sources which, if adjusted positively, would make a difference in projected deficits. Obligated contractual expenses and non-contractual obligations are costs that can also affect projections. Trustee Diamond noted that additional “other revenue” sources can also affect projections positively. Chair Hinds stated that the chart will be updated with projections for the second half of FY2016 when they become available.
- *Projected impact on loan covenants* Mr. Wisloski reviewed the projections of the impact a 0% tuition increase on the loan covenant calculation that must be represented annually to TD Bank. In FY2015 net income was -\$10.3M, reflected in a coverage ratio of 1.48 to 1. The requirement under the covenant is a ratio of 1 to 1. The addition of a \$7.4M deficit coupled with a 0% increase for the five colleges would result in a ratio of 0.76, which would be inconsistent with the loan covenant. Trustee Diamond stated the situation may be more a noncompliance risk than a default and requested clarification of what the VSC’s covenants actually state. Trustee Jerman asked for clarification of the key terms and their implications.
- *Dollar impacts on students and revenue* Mr. Wisloski shared the incremental cost to students of a projected tuition increase. Trustee Macfarlane noted that these amounts compound over time having a significant impact on students. Trustee Milne added the figures do not include increases in room board, books and other costs. Trustee Simone noted that a 0% increase in FY2017 would likely result in a significantly higher tuition increase in FY2018 that would have a negative impact on students. Trustee Macfarlane noted the impact of an increase is particularly significant for first generation and low income students. Trustee Hannum stated that the cost is significant initially but the end result of obtaining a degree is far more positive.
- *The number of additional student enrollments needed to balance a 0% tuition increase* Mr. Wisloski explained that the figures for CCV represent additional course enrollments,

compared to the additional number of in-state students for the other colleges. The chart on the top of page 15 assumes the adoption of tuition increases, which would lower the number of enrollments needed from 592 to 440. The tuition rate for JSC is blended whereas LSC's increase would be across the board. Trustee Lippert clarified that if increases were adopted the system would still have a deficit given the current assumptions. President Bertolino stated that LSC would still have an enrollment gap if it gained 77 students because it will graduate a large class. He acknowledged Castleton University's success with auxiliary revenues and reminded the Committee that the other colleges are working very hard to add to their auxiliary revenues as well, but each college's situation is quite different.

- *Average net annual cost of attendance* Chief Academic Officer Yasmine Ziesler reviewed the new national scorecard from the United States Department of Education on the net in-state expense of attending college. The figures in the chart are net of other kinds of aid except loans. Mr. Wisloski pointed out that LSC and JSC both have a relatively low cost of attendance and that Castleton, CCV, and VTC are very competitive with other similar institutions. Trustee Richards suggested considering scholarships, for when working correctly a scholarship system does help low income students. Trustee Milne noted that sticker price can be a barrier for low income families. President Judy stated that CCV emphasizes working closely with middle school and high school students and those for whom traditional marketing doesn't work. This work of relationship building is labor intensive and expensive. Trustee Richards suggested this data identifies two ideas for long term policy changes: pursuing a discussion with VSAC on ways to address sticker shock; and aggressively pursuing the population of high school graduates who do not continue on to college.

Chancellor Spaulding invited the Committee to request any additional meaningful information they or the Board might need to consider the question. He informed the Committee that the information about the system he has now is significantly different from what he had a year ago. He and the Board now know the projected deficits are significant, and better appreciate that it takes a while to resolve them. Unknowns last January included how much enrollment would change, what the level of state support would be, and how much belt tightening has occurred on the campuses. It was acknowledged that there have been significant cuts in staff and expenses in recent years. All better understand now that each individual college's financial picture is different, as are their needs. The recommended increases for each college are based on each college's particular situation. Given the value of a college degree, tuition increases in the long run should not put students in a negative position; however, continued cuts will affect our colleges' quality. The Chancellor's Office contracted with AGB on the topic of increasing revenue. It will take time to achieve improved revenue and will require investment by the Board to improve competitiveness. Chancellor Spaulding stated he cannot in good faith not follow through with the recommendation he is making to the Board. Trustee Milne stated that, in her opinion, the information had not changed significantly in the last year.

Trustee Lippert moved and Trustee Jerman seconded a motion to recommend to the Board the resolution *Tuition, Fees, Room & Board Rates for the 2016-2017 Academic Year*. The Committee continued to discuss the resolution. Trustee Simone left the meeting.

Committee members and other trustees engaged in an extended wide-ranging discussion of the merits and particulars of the Chancellor's recommendation.

Trustee Macfarlane requested the vote be recorded. Results:

In favor: Trustees Lippert, Jerman, Richards, Hindes

Against: Trustees Milne, Diamond, Macfarlane

The meeting adjourned at 4:35 p.m.