

Minutes of the VSC Board of Trustees Finance and Facilities Committee held Monday, January 9, 2017 at the Office of the Chancellor, Montpelier, VT APPROVED February 22, 2017

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on Monday, January 9, 2017 at the Office of the Chancellor, Montpelier, VT.

Committee members present: Jerry Diamond, Church Hinds (Chair), Tim Jerman, Chris Macfarlane (Vice Chair), Linda Milne, Martha O'Connor (by phone)

Absent: Bill Lippert, Aly Richards

Other Trustees: Lynn Dickinson (by phone), Karen Luneau

Presidents: Nolan Atkins, Elaine Collins, Joyce Judy, Pat Moulton, Dave Wolk

Chancellor's Office Staff: Tricia Coates, Director of Governmental & External Affairs
Todd Daloz, Associate General Counsel
Sheilah Evans, System Controller/Senior Director of Business Operations
Elaine Sopchak, Administrative Director, Office of the Chancellor
Jeb Spaulding, Chancellor
Steve Wisloski, Chief Financial Officer
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Chris Beattie, Associate Dean of Administration, Vermont Technical College
Scott Dikeman, Dean of Administration, Castleton University
Barb Flathers, Assistant to the Dean of Students, Johnson State College
Loren Loomis Hubbell, Dean of Administration, Lyndon State College
Barbara Martin, Dean of Administration, Community College of Vermont
Sharron Scott, Dean of Administration, Johnson State College
Lit Tyler, Dean of Administration, Vermont Technical College

1. Chair Hinds called the meeting to order at 1:05 p.m.

2. Consent agenda

- a. Approve minutes of November 30, 2016 meeting
- b. Grants and Endowments

Trustee Milne requested the grant form be removed from the consent agenda for discussion. Trustee Macfarlane moved and Trustee Jerman seconded the approval of the minutes. Trustee Diamond requested that his name be added to the list of members in attendance for the November 30th meeting. The amended minutes were approved unanimously.

Trustee Macfarlane moved and Trustee Jerman seconded the discussion of the SBDC Cooperative Agreement grant. Trustee Milne observed that there is a cash match of \$388,857.25 but no sources are mentioned. Vermont Tech Interim President Pat Moulton replied that the form was completed incorrectly. There is an in-kind contribution obligation from the college, and the State of Vermont also provides grant funding. Associate Dean of Administration Chris Beattie stated that the form will be changed to show a college match of a faculty member's salary of \$20K to be listed as a continuing cost obligation on the form. President Moulton restated this is an in-kind contribution and not cash. Chair Hinds stated the Committee will consider approving the grant with the understanding that the corrected form will be in the Board materials. President Moulton agreed. The Committee voted 4-1 to recommend approval of the grant to the Board. Trustees Diamond, Hinds, Jerman, and Macfarlane voted yes; Trustee Milne voted no. The grant will be sent to the full Board for its consideration.

3. Discussion of debt restructuring alternatives

Chair Hinds introduced the topic and asked CFO Wisloski to start the discussion. Mr. Wisloski reminded the Committee that the VSC was recently reviewed by S&P in December. He reviewed the current status of the two most recent ratings S&P assigned the VSC. He announced that after the December review, S&P reaffirmed our rating as A- stable. This favorable rating indicates that a perceived downward trajectory has leveled off, pending the many initiatives underway are completed successfully. Public report will be released shortly.

Chancellor Spaulding congratulated Mr. Wisloski on the accomplishment. He reminded the Committee of the recent review of financial advisor proposals, and complimented Mr. Wisloski on his expertise in interviewing the candidates.

Mr. Wisloski reviewed the six different scenarios regarding debt restructuring. He reminded the Committee of the revised resolution approved at its October 2016 meeting regarding the balloon payment. The information presented adds 2005 and 2009 smaller loans with covenants to the mix. Also, general debt savings are realized in the scenarios presented. The VSC has hired PFM

Financial Advisors LLC, which created the scenarios in the materials. He reviewed the current debt obligations and then each of the options provided by PFM.

Option 1: The VSC sells bonds on its own.

Option 2: The VSC sells bonds using the state bond bank.

Option 3: A hybrid option in which the VSC sells most of the bonds on its own and about \$34M in funding comes from the state obligation.

The Committee discussed the options at length. Regarding timing, Chancellor's Office staff could move ahead with a more accelerated schedule based on what the bond bank is doing. There could be an informational phone call for the Board before the Feb 22, 2017 Finance and Facilities Committee meeting.

4. Discussion of strategic capital and facilities planning

Chair Hindes reminded the Committee that a VSC capital spending report is due to the General Assembly next week. Mr. Wisloski clarified the report is to be a long term strategic plan as to the most efficient use of capital funds. The VSC has \$550M of insured property, owns 154 buildings, 1700 acres, 2.5M square feet and approximately \$10M annual depreciation. A \$1.4M base capital appropriation, while essential, is not providing for capital planning in any meaningful way. There has been a buildup of \$60M in deferred maintenance.

Current resources for maintaining and improving capital assets are

- Operating funds, which are limited due to deficits.
- Debt; the system has not borrowed for projects since 2010.
- State funds; the base appropriation is not enough to address needs.
- Gifts, grants, and other external resources; these are minimal.

A strategic capital plan of 5-10 years looking ahead at large investments is not useful at this point. Mr. Wisloski proposed requesting from the State consistent appropriations without contingencies going forward. He reviewed the system's current capital appropriation request: \$4M towards prioritized deferred maintenance and an additional \$3M for enterprise resource planning software replacement. In light of the debt restructuring underway, the next step should be to develop an assessment of what capital needs are. Currently there is no system-wide prioritized process for assessment of capital needs. Mr. Wisloski asked the presidents to send their capital needs to include in the report to the legislature.

Mr. Wisloski reviewed an example of a report from a university system on its physical infrastructure as a possible framework for future infrastructure analysis the VSC could use.

5. Discussion of financial metrics

Mr. Wisloski reviewed the *Trusteeship Magazine* article on composite financial index and how certain measures can be applied to VSC finances for analysis purposes.

6. Review of schedule for the remainder of FY2017

Mr. Wisloski proposed rescheduling the February 6th Committee meeting to February 22nd, and cancelling the March 13th meeting.

7. Other business

There was no other business.

8. Public comment

There was no public comment.

Chair Hinds adjourned the meeting at 2:55 p.m.

VERMONT STATE COLLEGES

BOARD OF TRUSTEES

RESOLUTION

VSC Finance and Facilities Committee Business: Consent Agenda

WHEREAS, At its January 9, 2017 meeting the VSC Finance and Facilities Committee discussed the business items outlined below; therefore, be it

RESOLVED, The Committee has voted to approve the items outlined below and recommends them to the full Board:

- Approval of the minutes of the November 30, 2016 meeting
- Approval of the U.S. Small Business Development Center grant in the amount of \$1,321,111.19.

January 9, 2017