

Minutes of the VSC Board of Trustees Finance and Facilities Committee held Wednesday, May 31, 2017 at the Office of the Chancellor, Montpelier, VT—APPROVED June 20, 2017

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on Tuesday, May 31, 2017 at the Office of the Chancellor, Montpelier, VT.

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

Presidents: Nolan Atkins, Elaine Collins, Joyce Judy, Pat Moulton, Dave Wolk (by phone)

Chancellor's Office Staff: Tricia Coates, Director of External & Governmental Affairs
Kevin Conroy, Chief Information Officer
Todd Daloz, Associate General Counsel
Sheilah Evans, System Controller & Senior Director of Financial Operations
Harriet Johnson, Executive Assistant to the Chancellor's Office
Elaine Sopchak, Administrative Director
Jeb Spaulding, Chancellor
Steve Wisloski, Chief Financial Officer
Sophie Zdatny, General Counsel
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Scott Dikeman, Dean of Administration, Castleton University
Loren Loomis Hubbell, Dean of Administration, Lyndon State College
Laura Jakubowski, Director of Finance, Castleton University
Lisa Cline, Johnson State College, Faculty Federation President
Barbara Martin, Dean of Administration, Community College of Vermont
Maurice Ouimet, Dean of Enrollment, Castleton University
Sharron Scott, Dean of Administration, Johnson State College
Toby Stewart, Controller,
Lit Tyler, Dean of Administration, Vermont Technical College
Beth Walsh, VSCUP President, Johnson State College

1. Chair Hinds called the meeting to order at 1:01 p.m.

Trustee Martha O'Connor informed the trustees present that due to the recently scheduled veto session of the Vermont Legislature, the Board meeting set for June 21-22 at Castleton University will be rescheduled to Tuesday, June 20th at the Chancellor's Office in Montpelier. On the same day there will be EPSL and Finance & Facilities Committee meetings. Trustees and presidents will receive full details in the near future.

2. Approve minutes of May 9, 2017 meeting

Trustee Jerman moved and Trustee Diamond seconded the approval of the minutes. The minutes were approved unanimously.

3. Review of 3rd quarter FY2017 financial reports

CFO Steve Wisloski reviewed the FY2017 financial reports. At this time the system is reporting a \$4.7M deficit. CCV is currently balanced; Vermont Tech is \$600K ahead of budget; Northern Vermont University's (Johnson State and Lyndon State combined) projected deficit is lower than budgeted due to cost savings initiatives and vacancies brought about by unification; Castleton University shows a deficit due to increased usage of financial aid packages; the Chancellor's Office is approximately \$550K over budget due to reclassification of tuition waivers as an expense, as well as expenditures related to consolidation and IT projects. Overall the system is approximately \$700K behind what was budgeted, with a \$4.7M deficit projected for the system at the close of FY2017 and the starting point for FY2018.

4. Review and approve final FY2018 budgets

Chancellor Spaulding stated that he is presenting a break even budget for the system. Chair Hindes noted this is the first balanced system budget the Board has seen in 7-10 years. Chancellor Spaulding continued that last year the Board approved a budget with a \$4M operating deficit. This year at the system level a balanced budget was made possible due to several important achievements:

- A significant increase in state appropriation thanks to strong support from legislators, Director of External & Governmental Affairs Tricia Coates, students, faculty, and staff. Of the \$3M appropriation increase, \$2.75M will be allocated to the colleges; \$250K will be used for strategic reinvestments to be determined.
- Approximately \$2M in savings from debt restructuring.
- Successful and collaborative negotiations with collective bargaining units yielded approximately \$1M of savings in defined contributions.
- Unification and consolidation savings are beginning to be realized.
- Healthcare spending has been lower than anticipated, and has also resulted in no increase in premiums.
- This balanced budget also takes into account approximately 3% salary increases among other increasing expenses.

Vermont Tech and CCV have projected surpluses for FY18. Castleton University and Northern Vermont University are projected to operate at a deficit. Chancellor Spaulding thanked the presidents for adjusting their budgets to achieve the balanced system budget.

Mr. Wisloski provided a review of the colleges' budgets and handed out a summary of system reserves. He listed the savings achieved in FY2017:

- \$3M appropriation increase
- \$2.6 debt service savings
- \$900K retirement contribution savings
- \$2M medical expenses reduction
- Approximately \$2M in savings due to no increase in healthcare premium

While these savings total approximately \$10.5M in increased revenue, expenses including salary increases and a drop in enrollment will quickly absorb it.

Mr. Wisloski noted that the lower than usual increase in the salaries line indicates vacancies remaining open, and attrition. Use of scholarship funds is also going up. There was discussion about multi-year and joint purchasing of fuel to address rising utility costs. Vermont Tech has begun repaying its system loan.

The presidents each reviewed their colleges' budgets. Castleton University President Dave Wolk stated that the university is not filling positions upon vacancy. A drop in international students, a drop in overall enrollment, and competition are affecting revenue. They are in the process of eliminating small classes, reducing sections, maintaining vacancies, looking at early retirements, improving internal processes, conducting cost benefit analysis of all programs, and renewing effort of development processes. The returning student number is flat, and new student numbers are down. There have been some rescissions, and they have more work to do to reduce the salaries and benefits line.

CCV President Joyce Judy reported that the college has a \$910K surplus; she emphasized that these are one-time funds available due to debt restructuring and the change in medical expenses. Staff are working on plans for these funds. They are considering paying down the mortgages on the Upper Valley and Montpelier academic centers to ensure savings when the debt restructuring payment schedule changes. They are not using the funds to balance the budget going forward.

Johnson State College President Elaine Collins reported that Northern Vermont University is showing a \$1.1M deficit, approximately \$400K better than expected and as reported to Board last September. Chair Hinds stated that after the close of FY2017 would like Mr. Wisloski to report on savings and expenses related to unification to date. Trustee Macfarlane asked to see the results of the spending initiatives undertaken by the presidents with the funds made possible by

changes in retirement investments approved by the Board for FY2017. President Collins stated that NVU's combined reserves currently total over \$4M.

Vermont Technical College President Pat Moulton reported that the college has a \$680K surplus, which reflects the planning that former President Smith and Dean of Administration Lit Tyler managed over the last three years. Enrollment increases are helping. The college needs to rebuild its reserves. Vacancies are being maintained. The college has a quasi-endowment but that will not be used as operating funds. Regarding workforce development, much of that funding is federal so there are concerns about VtSBDC and VMEC. Chair Hinds stated he would like to know the system's exposure regarding federal funding changes (direct and through students), as well as state funds that may be reduced via federal cuts to state budgets. Trustee Lippert requested a summary of VSC reserves that were used to support Vermont Tech in comparison to what was Board approved.

Trustee Jerman moved that the budget as presented be recommended to the full Board for its consideration. Trustee Diamond seconded. Trustee Diamond inquired how this budget might be affected by the Board's tuition decision on FY2019 rates, if there is less than a 3% increase. Mr. Wisloski responded that the lower the Board sets the increase, the more the following year's budget will have to make it up. The FY2018 budget will not be affected by the FY2019 tuition rates the Board approves next month. The Committee approved the motion unanimously.

5. Review and discuss preliminary FY2019 tuition, fees, room and board table

Mr. Wisloski handed out a copy of the preliminary FY2019 tuition, fees, room and board tables. He reviewed the proposed tuition rates for FY2019. Chancellor Spaulding stated the figures presented are a consensus recommendation developed in collaboration with the presidents. Chair Hinds inquired what is the average net price paid by in-state and out-of-state students as this would be useful information for the tuition discussion. He also requested an update on student debt, broken down by in-state and out-of-state students and by college. Trustee Diamond recommended the Board consider a tuition increase based on what Governor Scott suggested: a 5-year average, which would be about 2.6%. Chancellor Spaulding clarified that what the Governor proposed is not what ended up in the final budget. Chair Hinds reminded the Committee that the next meeting will be when they approve tuition rates and make a recommendation to the full Board.

6. Approve Vermont Tech sale of 44 Water Street

Mr. Wisloski informed the Committee that sales proceeds cannot go to college reserves but must instead go to the plant fund. There were no questions from the Committee. Trustee Jerman moved and Trustee Diamond seconded the resolution. The resolution was approved unanimously.

7. Report on debt restructuring results

Mr. Wisloski reported that the bond offer closed and funds exchanged hands on May 24th. He reviewed the new debt service schedule. There is a \$3.1M increase in debt service costs in 2022 and 2028. Previous covenants no longer exist. Working with the state bond bank and including a state intercept (using state appropriation for payback if necessary) reduces reliance on enrollment increases which will help when S&P considers a new rating for the system.

8. Report on March 31 Morgan Stanley visit

Mr. Wisloski reported that on March 31st the Committee's investment subcommittee (consisting of Chair Hinds, Vice Chair Macfarlane, Mr. Wisloski, and Chancellor Spaulding) met with Morgan Stanley. The current, reasonable .44% management fee and .38% advisory fee cost the system approximately \$200K per year; this is very reasonable for the level of service and performance. Mr. Wisloski reviewed page 99 of Morgan Stanley's report (Added Value Through Diversification). Currently the system's holdings are a 65%/35% bond/stock mix. He also reviewed page 105 regarding future returns predicted as a result of effects of federal actions on financial markets. Page 86 shows actual returns for the period.

9. Review of FY2018 Committee meeting schedule

The Committee reviewed the FY2018 meeting schedule. Chancellor Spaulding stated there will not be a meeting on July 19th, so the first meeting of the fiscal year will be August 23rd. Chair Hinds stated that special topics and capital planning could be discussed during joint meetings with the Long Range Planning Committee.

10. Other business

Chancellor Spaulding asked if the Committee wished to follow up on last month's presentation from Fossil Free VSC. Chair Hinds stated that a substantive discussion will happen with the group after the fall semester begins. Trustee Jerman noted singling out an individual company was not productive; he feels fossil-free actions should be more comprehensive and would like more information on other options. Chancellor Spaulding stated that large financial institutions lend to a large assortment of clients and suggested the VSC may consider preparing a banking RFP for the system. He believes TD Bank has been a good corporate citizen, as it was very helpful during Tropical Storm Irene, and is a large Vermont employer. Financing the completed Dakota pipeline does not seem enough reason to divest. He suggested the system could ask Morgan Stanley to screen out certain investments, and could consider going fossil-free in equity investments. President Moulton stated it is worth looking at what the entire system is doing to become fossil-free—a teachable moment for students. Chair Hinds stated the Committee will continue to discuss the issue.

Trustee Jerman moved and read aloud a resolution honoring departing Lyndon State College Dean of Administration Loren Loomis Hubbell. The Committee approved the resolution unanimously and thanked her for her service. The resolution will go to full Board for its approval. Ms. Loomis Hubbell thanked the Committee.

11. Public comment

There was no public comment.

Trustee Jerman moved to adjourn. Chair Hindes adjourned the meeting at 3:40 p.m.

VERMONT STATE COLLEGES
BOARD OF TRUSTEES
RESOLUTION

Approval of Sale of Property

- WHEREAS, VSC Policy 426: *Leases, Acquisition, and Disposal of Property* requires that the Board of Trustees approves any “purchase, sale, trade, or donation of real estate;” and
- WHEREAS, Vermont Technical College President Pat Moulton has presented to the Board a request to sell a house owned by the College located at 44 Water Street, Randolph, Vermont; and
- WHEREAS, The Finance and Facilities Committee has reviewed the request made by President Moulton and recommends its approval to the full Board; therefore, be it
- RESOLVED, That the Vermont State Colleges Board of Trustees hereby authorizes Vermont Technical College to sell the property located at 44 Water Street, Randolph, Vermont.

June 20, 2017