

MEMORANDUM

TO: VSC Finance & Facilities Committee
M. Jerome Diamond
J. Churchill Hindes, Chair
Tim Jerman
Bill Lippert
Christopher Macfarlane, Vice Chair
Linda Milne
Michael Pieciak

FROM: Steve Wisloski



DATE: February 7, 2018

SUBJ: Finance & Facilities Committee Meeting on February 12, 2018

The Finance and Facilities Committee of the Board of Trustees is scheduled to meet from 2:00 p.m. to 5:00 p.m. in Conference Room 101 at the Chancellor's Office in Montpelier.

The primary goal of this meeting is to establish the framework for FY2019 budget development. Similar to the processes followed for FY2018 and FY2017, the framework anticipates developing budgets over the next three Committee meetings on April 2, April 30 and May 30.

The meeting will begin with the Chancellor's recommendation regarding an amendment to Policy 301 to create a "Welcome Home" initiative to provide in-State tuition to graduates of Vermont high schools returning from out of state. This will be followed by a brief review 2nd quarter FY2018 financials and projected year-end results, which in turn are the starting point of FY2019 budget development. We will then discuss the most important component of budget development – enrollment projections – in terms of the demographic outlook for Vermont and the Northeast region; current class sizes, composition, retention rates; and finally the early outlook for Fall 2018 admissions.

This year's budget process also will continue to develop a framework for multi-year budgeting. As discussed at the December 1 meeting, initially we propose a three-year horizon, including FY2019, FY2020 and FY2021, to better-understand the intermediate-term effects if key budgetary components – tuition and fees, enrollment, State appropriation, room and board,

salaries and health insurance – continue on current trends. This budget review will be at the Institution level, “top down” and rolled forward from 2nd quarter year-end projections. These projections necessarily will be approximate and conservative.

At the April 2 meeting, each of the Institutions and the Chancellor’s Office will present preliminary budgets developed “bottom up” using actual expectations for major budget categories. These necessarily will still be built from 2nd quarter projections and mid-March admissions and enrollment estimates, and, given the early stage in the process will still tend toward a “worst likely” outcome.

The revised budgets presented at the April 30 meeting will be developed to a higher level of detail, including estimated actual staffing, a more fully developed outlook for admissions and enrollments, relative clarity with respect to State appropriations, and a solid estimate of health insurance costs. These should also gravitate toward a central tendency between “worst likely” and “best likely” outcomes for FY2019.

The final budgets will be presented on May 30 for the Committee’s approval, and will incorporate refinements to enrollment projections based upon latest-available admissions; anticipated staffing; health insurance experience; and final State funding, as the legislative session almost certainly will have adjourned. These budgets will reflect the Institutions’ and Chancellor’s Office’s best available information as to expected performance during FY2019.

The meeting will conclude with a presentation from Trillium Asset Management on behalf of Fossil Free VSC; an endowment review from Morgan Stanley and a presentation of their fossil fuel screening capabilities; proposed updates to the System’s investment policy; and a recommendation from the Chancellor and CFO with respect to FFVSC’s divestment request.

Should you have any questions regarding the upcoming meeting or any other matter, or any requested additions to the agenda, please contact me at stephen.wisloski@vsc.edu or (802) 224-3022. Thank you.

Attachments:

1. Agenda
2. Meeting Materials

cc: VSC Board of Trustees, Council of Presidents and Business Affairs Council
Lisa Cline, President, VSC Faculty Federation
David Beatty, Vermont Department of Finance & Management
The Honorable Douglas Hoffer, Vermont State Auditor

**Vermont State Colleges Board of Trustees
Finance and Facilities Committee Meeting
February 12, 2018**

AGENDA

1. Call to order
2. Consent agenda and approvals:
 - a. Minutes of December 1, 2017 meeting
 - b. The Sugarman of Vermont, Inc., Scholarship Endowment (Johnson State)
 - c. New VSC Policy 434, Merchant Credit Card Policy
3. Review and approval of amendment to VSC Policy 301 (Welcome Home)
4. Review and discussion of 2nd FY2018 financial reports
5. Review and discussion of admissions summary from February 1
6. Discussion of preliminary FY2019-2021 budget projections
7. Discussion and recommendation regarding Fossil Free VSC request
 - a. Presentation from Trillium Asset Management, LLC
 - b. Presentation from Morgan Stanley
 - c. Proposed changes to Investment Policy Statement
 - d. Discussion and next steps
8. Other business
9. Public comment
10. Adjourn

MEETING MATERIALS

1. Consent agenda
2. Amended Policy 301, Determination of In-State Residency for Tuition Purposes
3. 2nd quarter 2018 financial reports
4. Admissions summary from February 1
5. Historical enrollment and demographic data
6. Preliminary FY2019-21 budget projections [provided at meeting]
7. Memo from Fossil Free VSC
8. Presentation from Morgan Stanley
9. Memo from CFO and revised proposed Investment Policy Statement (IPS)
10. FY2018 Finance & Facilities Committee meetings schedule

Item 1:
Consent Agenda Items

UNAPPROVED Minutes of the VSC Board of Trustees Finance and Facilities Committee held Friday, December 1, 2017 at Castleton University, Castleton, Vermont

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on Friday, December 1, 2017 at Castleton University, Castleton, Vermont

Committee members present: Church Hinds (Chair), Tim Jerman, Jerry Diamond, Chris Macfarlane, Bill Lippert, and Mike Pieciak via conference phone

Absent: Linda Milne

Presidents: Dave Wolk, Elaine Collins, Joyce Judy

Chancellor's Office Staff: Jeb Spaulding, Chancellor
Steve Wisloski, Chief Financial Officer
Tricia Coates, Director of External & Governmental Affairs
Sheilah Evans, System Controller & Senior Director of Financial Operations
Sophie Zdatny, Legal Counsel
Todd Daloz, Associate Legal Counsel
Harriet Johnson, Executive Assistant to the Chancellor

From the Colleges: Scott Dikeman, Dean of Administration, Castleton University
Laura Jakubowski, Chief Budget & Finance Officer, Castleton University
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
Lisa Cline, President, VSC Faculty Federation
Maurice Ouimet, Dean of Enrollment, Castleton University
Kathleen O'Meara, Director of Financial Aid, Castleton University

1. Chair Hinds called the meeting to order at 9:35 a.m.
2. Consent agenda and approvals:
 - a. Minutes of October 25, 2017 meeting

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

3. CCV and VTC FY2017 carryover, and Castleton Stafford Fund reallocation requests

Chief Financial Officer Steve Wisloski led a discussion regarding the carryover for Community College of Vermont, and Vermont Technical College, along with Castleton University's reallocation of the Stafford fund.

Trustee Jerman made a motion to recommend approval by the Board of Trustees of the fiscal year 2017 carryover requests from the Community College of Vermont in the amount of \$28,000, and from Vermont Technical College in the amount of \$1,220,446, and also of Castleton University's Stafford Fund Reallocation proposal in the amount of \$1,410,000 in each case as described in the meeting material, seconded by Trustee Diamond. The motion was approved unanimously.

4. FY2018 Budget Adjustment, FY2019 State Appropriations and Capital requests

CFO Wisloski provided an overview of the state appropriation and capital requests. The board discussed the various scenarios and adjustments made by the Vermont State Colleges System for continued state support and to continue to move toward a balanced budget.

Trustee Jerman made a motion to recommend approval by the Board of Trustees of the System's State appropriation requests as described in the meeting material as follows:

First, a \$1,000,000 increase to the System's base appropriation in the fiscal year 2018 Budget Adjustment Act;

Second, increases of \$1,000,000 to the System's base appropriation to the extent not approved in the budget adjustment request, plus a cost of living increase to the System's fiscal year 2018 appropriation, plus \$350,000 of one-time funds for Northern Vermont University in the fiscal year 2019 Appropriations Bill; and

Third, \$2,000,000 for System construction, renovation and major maintenance in the fiscal year 2019 Capital Bill Adjustment, seconded by Trustee Diamond. The motion was approved unanimously.

5. Discuss proposed amendment to VSC Policy 301, Determination of In-State Residency for Tuition

Chancellor Spaulding provided an overview of the proposed policy amendment and explained the changes. The current policy requires a non-Vermont resident to be domiciled in the state for a year before they qualify for residency tuition. In general, the proposal would allow a student who is a resident of Vermont and graduates from a Vermont High School to be eligible for in-state tuition, if the student is domiciled in Vermont at the time of enrollment. Assistant General Counsel Todd Daloz reported on what the new language attempts to do, and reported on his conversations with VSAC. Chief Financial

Officer Wisloski provided a financial analysis of this proposal and discussed various scenarios.

The committee agreed to discuss the proposed policy change as part of the Finance & Facilities Committee Report at the December 1, 2017 Board of Trustees meeting, and to gather additional comments for the March Board of Trustees meeting.

6. Discuss and approve new VSC Policy 504, Campus Safety Policy

Chair Hinds provided an overview of Policy 504, which ensures that college buildings, grounds, facilities, and equipment are safe for students, employees, and visitors.

Trustee Diamond made a motion to recommend approval by the Board of Trustees of Vermont State Colleges System Policy 504, Campus Safety Policy, as provided in the meeting material, seconded by Trustee Macfarlane. The motion was approved unanimously.

7. Discussion of FY2019-2021 enrollment and three-year budget projections

CIO Wisloski led a discussion and presented a power point on enrollment and a three-year budget development process.

8. Cash, investments and endowment update

Wisloski provided a brief update on the cash and investment report.

9. Update regarding Fossil Free VSC requests

Chair Hinds welcomed faculty and students who came to engage in conversation regarding fossil free requests at Vermont State Colleges. At the May 2017 Finance and Facilities committee meeting, Fossil Free VSC presented the Chancellor and the Board of Trustees with a petition “calling upon the Vermont State Colleges System to take concrete steps to align its banking/investing with environmental and racial justice,” and requested several specific actions related to the System’s finances. Chief Financial Officer Steve Wisloski presented an informative memo that addressed some of these requests.

Professor Brendan Lalor of Castleton University, along with VSC students, faculty and adjunct faculty, addressed the committee and discussed their concerns and noteworthy developments. After discussion, the committee agreed it would explore the issues of divestment and reinvestment as a priority, and suggested arranging a presentation with Morgan Stanley and Trillium.

10. Other business

There was no other business.

11. Public comment

There were no public comments.

12. Adjourn

Trustee Jerman moved to adjourn the meeting at 12:10 p.m.

January 29, 2018

Jeb Spaulding, Chancellor
Vermont State Colleges
P.O. Box 7
Montpelier, VT, 05602

Dear Chancellor Spaulding,

I am pleased to send you the New Funding Source Document for establishing a new endowment at Johnson State College/Northern Vermont University – Johnson.

Gifts totaling \$10,000 from alumna and business owner Kerry Sedutto '06 will be used to establish **The Sugarman of Vermont, Inc. Scholarship Endowment**. This scholarship will be awarded to an undergraduate student who meets the following eligibility requirements:

1. Priority will be given to students who attend the Johnson campus at Northern Vermont University. If there are no eligible applicants, students from Northern Vermont University Lyndon will be considered.
2. Priority will be given to students who are or have been employed by The Sugarman of Vermont, Inc. If there are no applicants who are or have been employed by The Sugarman of Vermont, Inc., the scholarship will be available to women enrolled in a business or accounting degree program and who aspire to work in a business or manufacturing setting, or have experience in those fields.
3. Applicants must be currently enrolled full-time in a degree-granting program at Northern Vermont University and must be attending classes on the Johnson and/or Lyndon campus (this precludes students enrolled solely in the distance learning program).
4. Applicants must demonstrate solid academic promise and have earned at least a 3.0 grade point average in any coursework completed prior to the time of application (this precludes incoming freshmen).
5. Preference will be given to applicants who demonstrate leadership skills, participate in community service, and enjoy the outdoors.
6. Financial need will not be a consideration.

We look forward to the Vermont State College Board of Trustees' approval for the establishment of this new endowment.

Sincerely,



Dr. Elaine C. Collins, President

Attachments: Appendix C – New Funding Source Document

APPENDIX C

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

Johnson State College

(College Name)

Submit to Chancellor's Office for all activities based upon a new funding source.
Place copy in front of any applicable master file.

1) <u>Name of endowment:</u> (type in all CAP'S) THE SUGARMAN OF VERMONT, INC. SCHOLARSHIP ENDOWMENT		
2) <u>Granting agency/donor/other funding source:</u> (attach support info) Kerry Sedutto '06 through The Suagarman of Vermont, Inc.		
3) <u>Purpose of endowment:</u> (attach support information) To fund the Sugarman of Vermont, Inc. Scholarship to be awarded annually to a student who has worked for the company or a woman enrolled in business or accounting degree program.		
4) <u>Proper accounting fund:</u> <input checked="" type="checkbox"/> Regular Endowment <input type="checkbox"/> Term Endowment		
5) <u>General Ledger Activity Code(s):</u> (as proposed or assigned) 033-37059		
6a) <u>Date Endowment Reach Endowment Status:</u> 12/22/2018		
7) <u>Reporting requirements:</u> (format/to whom/frequency/other) None.		
8a) <u>Funding amount:</u> \$10,000	8b) <input checked="" type="checkbox"/> One-time - OR <input type="checkbox"/> Ongoing funding (indicate timeframe:)	
9a) <u>Is principal use allowed:</u> (w/Board OK?)	NO	9b) <u>If yes, is replenishment of principal allowed or required:</u>
10) <u>If investment proceeds generated, indicate intended disposition:</u> <input checked="" type="checkbox"/> Per Board Approved Spending Procedure <input type="checkbox"/> Fully expend for program as prescribed <input type="checkbox"/> Increase principal for inflation and expend remainder <input type="checkbox"/> Fully apply to increasing principal <input type="checkbox"/> Other (describe:)		
11) <u>President:</u> Dr. Elaine C. Collins	12) <u>Date to Ch's Ofc:</u> 19-Jan-18	13) <u>Date Board Approved:</u> 1-29-18



Manual of Policy and Procedures

Title <p style="text-align: center;">MERCHANT CREDIT CARD POLICY</p>	Number <p style="text-align: center;">434</p>	Page <p style="text-align: center;">1 of 2</p>
		Date <p style="text-align: center;">March 24, 2018</p>

I. PURPOSE

The purpose of this policy is to protect credit card data, to uphold the Vermont State Colleges System’s reputation, to limit the financial liability associated with a breach of credit card information, and to outline best practices for all aspect of credit card transactions.

II. STATEMENT OF POLICY

The Vermont State Colleges (“VSC”) require all departments that process, store or transmit credit card data to be in compliance with the Payment Card Industry Data Security Standard (“PCI DSS”). PCI DSS was established by the credit card industry in response to an increase in identity theft and credit card fraud. It is administered by the Payment Card Industry Security Standards Council. Under PCI DSS, every merchant who handles credit card data is responsible for safeguarding the information and can be held liable for security compromises.

III. SCOPE

This policy applies to all VSC departments that process, store or transmit credit card data. The VSC will review all credit card merchant accounts and will identify all the systems, applications and devices that process, store or transmit cardholder data. The Office of the Chancellor will identify and implement any business or technological changes required to comply with PCI DSS.

IV. PROCEDURES

The Chancellor shall establish and periodically update procedures for implementing this policy. The implementing procedures shall define relevant terms, and the Chancellor may modify these procedures as necessary to comply with any changes in acceptable credit card industry standards and regulations, federal or state law.

Signed by: _____
Jeb Spaulding, Chancellor

Item 2:
Amended Policy 301, Determination of
In-State Residency for Tuition Purposes



Manual of Policy and Procedures

Title <p style="text-align: center;">POLICY ON DETERMINATION OF IN-STATE RESIDENCY FOR TUITION PURPOSES</p>	Number <p style="text-align: center;">301</p>	Page <p style="text-align: center;">1 of 3</p>
		Date <p style="text-align: center;">March 25, 2017</p>

PURPOSE

The Vermont State Colleges charges different tuition rates to in- and out-of-state students. Therefore, criteria and procedures to determine in-state residency for tuition purposes are required.

STATEMENT OF POLICY

The following requirements must be met by a student prior to being granted resident status for the purpose of tuition and other VSC charges:

- 1) The student shall be domiciled in Vermont, said domicile having been continuous for one year immediately prior to the date of enrollment. Domicile shall mean a person’s true, fixed and permanent home, to which he/she intends to return when absent. Domicile shall not be dependent upon a person’s marital status. Although domicile may have been established, a student is presumed to be an out-of-state resident for tuition purposes if he or she moved to Vermont or continues residence in Vermont for the purpose of attending a Vermont institution of higher learning or qualifying for resident status for tuition purposes. Such presumption is rebuttable.
- 2) The student must demonstrate such attachment to the community as would be typical of a permanent resident of his/her age and education. The College’s chief admissions officer shall consider in the determination of residency for tuition purposes, among other factors: voter registration, property ownership, payment of income and property taxes, automobile registration and driver’s license.
- 3) Receipt of significant financial support from the student’s family will create a rebuttable presumption that the student’s residence is with his/her family. A student who has not reached the age of eighteen shall be presumed to hold the residence of his or her parents or legal guardian. The presumption shall be rebuttable.
- 4) A student who moves into Vermont within one year of enrollment shall be presumed to have moved to Vermont for the purposes of attending a Vermont institution of higher

learning and qualifying for resident status for tuition purposes. This presumption shall be rebuttable.

- 5) A student who is eligible for tuition purposes to enroll as a resident student in another state shall not be enrolled as a "Vermont Resident." The inability to enroll as a resident student in another state does not by itself establish residency in Vermont for tuition purposes. Additionally, a domicile or residency classification assigned by a public or private authority neither qualifies nor disqualifies a student for in-state residency status at a member College. However, such classification may be taken into consideration by the chief admissions officer.
- 6) Notwithstanding paragraphs 1-5, a student shall be considered a resident for in-state tuition purposes at the start of the next semester or academic period where:
 - a. The student, in accordance with 16 V.S.A. § 2185, is a member of the Armed Forces of the United States on active duty who is transferred to Vermont for duty other than for the purpose of education; or
 - b. The student is eligible for in-state tuition and fees, as of July 1, 2017,¹ because the student:
 - i. is a veteran who lives in Vermont (regardless of the student's formal state of residence) and enrolls in a member College within three years of discharge from a period of active duty service of ninety days or more;
 - ii. is anyone using a veteran's transferred benefits, who lives in Vermont (regardless of the student's formal state of residence) and enrolls in a member College within three years of the transferor veteran's discharge from a period of active duty service of ninety days or more;
 - iii. is anyone using benefits under the Marine Gunnery Sergeant John David Fry Scholarship, who lives in Vermont (regardless of the student's formal state of residence); or
 - iv. is anyone using a veteran's transferred benefits, who lives in Vermont (regardless of the student's formal state of residence) while the transferor is a member of the uniformed services serving on active duty.

After the expiration of the three year period following discharge or death, as described in 38 U.S.C. § 3679(c), a student who initially qualifies under subsection (i) and (ii) will continue to be eligible for in-state tuition and fees as long as the student remains continuously enrolled (other than during regularly scheduled breaks between

¹ The students described in sub-sections (i) and (ii), as well as some of those described in sub-section (iii), are eligible for in-state tuition and fees, prior to July 1, 2017, in accordance with Section 702 of the Veterans Access, Choice and Accountability Act of 2014.

courses, semesters, or terms) at a member College, even if the student enrolls in multiple programs.

7) Notwithstanding paragraphs 1-5, effective July 1, 2018, a student shall be considered a resident for in-state tuition purposes if:

a. After January 1, 2015, the student has earned:

- i. a high school diploma from a Vermont public school or a Vermont approved or recognized independent school, as defined in Title 16 of the Vermont Statutes Annotated, including a public or independent school in another state that is designated as the public school for the student's district of residence at the time the diploma was earned, or from the Community High School of Vermont; or
- ii. a high school equivalency certificate from the Vermont State Board of Education; or
- iii. a secondary school equivalency certificate based on successful completion of General Education Development tests;

and

b. At the time the student earned a diploma or certificate under subsection (a), the primary legal residence of the student, or the student's parent(s) or guardian(s) if the student was under age 18, was in Vermont; and

c. The student is and remains domiciled in Vermont at the time the student enrolls at the Vermont State Colleges. Domicile shall mean a person's true, fixed and permanent home, to which he/she intends to return when absent. Domicile shall not be dependent upon a person's marital status.

Eligibility for in-state tuition under this paragraph shall not necessarily constitute in-state residency for any other purpose within or outside the VSC system.

~~7)8)~~ _____ A student enrolling at the Vermont State Colleges shall be classified by the College's chief admissions officer as a resident or non-resident for tuition purposes. The decision by the officer shall be based upon information furnished by the student and other relevant information. The officer is authorized to require such written documents, affidavits, verifications or other evidence as he/she deems necessary.

~~8)9)~~ _____ The burden of proof shall, in all cases, rest upon the student claiming to be a Vermont resident for tuition purposes by clear and convincing evidence.

~~9)10)~~ _____ Changes in residency status for tuition purposes shall become effective for the semester following the date of reclassification.

~~10)11)~~ _____ A student with resident status for tuition purposes will lose that status if he/she, at any time, fails to meet the above requirements.

~~11)12)~~ _____ The decision of the College's chief admissions officer on the classification of a student as a resident or non-resident for tuition purposes may be appealed in writing to the College's Dean of Administration. Further appeal of a classification of a student's

residency for tuition purposes may be made in writing to the Office of the Chancellor.
The decision of the Office of the Chancellor shall be final.

~~12)~~13) An applicant for admission or enrollment may obtain a determination of residency status for tuition purposes in accordance with the above criteria and procedures in advance of admission or enrollment.

Signed by:

Chancellor

Item 3:
2nd Quarter FY2018 Financial Reports



Vermont State Colleges

Consolidated Financial Reports

**Period ended
December 31, 2017**

**Unrestricted Revenues and Expenses
FY2018 Budget Outlook as of December 31
Vermont State Colleges System
(Amounts rounded to \$1,000)**

EXECUTIVE SUMMARY

	FY2018 <u>Budget</u>	Outlook as of <u>30-Sep</u>	Outlook as of <u>Dec 31</u>	<u>\$ Variance</u>	Var > +3%
REVENUES					
Castleton University	49,194	48,339	48,264	(930)	
Community College of Vermont	27,860	28,140	28,141	281	
Northern Vermont University	57,962	55,941	55,622	(2,340)	*
Johnson State College	29,433	28,863	28,552	(881)	
Lyndon State College	28,529	27,078	27,070	(1,459)	*
Vermont Technical College*	37,833	37,375	37,351	(482)	
Chancellor's Office	<u>250</u>	<u>250</u>	<u>250</u>	<u>-</u>	
TOTAL REVENUES	173,099	170,045	169,628	(3,471)	
EXPENSES					
Castleton University	49,710	49,535	49,775	65	
Community College of Vermont	26,950	27,280	27,435	485	
Northern Vermont University	59,069	57,846	57,164	(1,905)	*
Johnson State College	29,980	29,277	28,877	(1,103)	*
Lyndon State College	29,089	28,569	28,287	(802)	
Vermont Technical College*	37,153	37,056	36,616	(537)	
Chancellor's Office	<u>250</u>	<u>250</u>	<u>464</u>	<u>214</u>	
TOTAL EXPENSES	173,132	171,967	171,454	(1,678)	
NET REVENUES/(DEFICIT)					
Castleton University	(516)	(1,196)	(1,511)	(995)	*
Community College of Vermont	910	860	706	(204)	*
Northern Vermont University	(1,107)	(1,905)	(1,542)	(435)	*
Johnson State College	(547)	(414)	(325)	222	*
Lyndon State College	(560)	(1,491)	(1,217)	(657)	*
Vermont Technical College*	680	319	735	55	*
Chancellor's Office	<u>-</u>	<u>-</u>	<u>(214)</u>	<u>(214)</u>	
NET REVENUES/(DEFICIT)	<u>(33)</u>	<u>(1,922)</u>	<u>(1,826)</u>	<u>(1,793)</u>	*
	0.0%	-1.1%	-1.1%		

* Includes Workforce Development



Executive Summary December 31, 2017

Summary Enrollment (FPE) Data:

- Fall FPEs were lagging by 94 compared to a budgeted 8,344.
- There is a near equal distribution in the decrease to FPEs between undergraduate Vermonters and undergraduate Non-Vermonters at 50 fewer FPEs for Vermonters and 40 fewer FPEs for Non-Vermonters.
- Spring FPEs projections double that negative variance count and result in 7,488 as compared to a budgeted 7,688, mainly in the way of Vermonters – both undergraduate and graduate.
- Summer Session I (July & August 2017) resulted in 12 more FPEs than budgeted, although the mix was a shift from undergraduate Vermonters to Non-Vermonters and graduate Vermonters.
- Total projected FPEs in FY18 is 120 fewer than the budget of 9,482.

Summary Budget to Actual Projections:

- Tuition and fees revenue is projected to be \$2.1m short of budget, coupled with a projected shortfall in Room and Board revenue of \$886k.
- Total Revenues are projected at a \$3.5m negative variance from the Board Approved Budget, as most revenue categories are expected to fall short of budget in FY18.
- The positive variance in projected operating expenses of \$1.7m is primarily a reflection of the significant decrease in salaries and benefits as compared to budget.
- The VSC is projecting a \$1.8m operating deficit for FY18; this net operating result is an Unfavorable \$1.8m or 1% shortfall from a \$173 million budget.

Summary Statement of Net Assets/Net Position Yr. over Yr., Dec. 31:

- Total Net Assets have increased by \$2.5 million.
 - The Investment in Capital Assets fund has increased by \$1.8m due to a change in how we reflect capital funding during the course of the year. This is a mere timing issue.
 - Restricted Non-Expendable has increased by \$856k, due to the growth of the endowment funds.
 - Restricted Expendable Loans – the Perkins Loan Fund – has not changed significantly.
 - Restricted Expendable Other has increased by \$2.3m mainly due to gift revenue and investment income from favorable market returns.
 - The Unrestricted fund declined by \$2.5m as a result of continued deficits in operations.

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

VSC - CONSOLIDATED
12/31/2017

	<u>BUDGETED</u>		<u>ACTUAL/ESTIMATED</u>		<u>VARIANCE</u>	
	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>
<u>FALL 2017</u>						
Vermonter	6,435	\$30,768,135	6,385	\$30,363,365	(50)	(\$404,770)
Non-Vrmtr (o/s)	1,054	\$12,541,897	1,014	\$12,058,378	(40)	(483,519)
NEBHE	532	\$6,069,124	531	\$5,853,540	(1)	(215,584)
Other	135	\$959,040	122	\$866,688	(13)	(92,352)
Grad Vermonter	149	\$865,696	162	\$938,067	13	72,371
Grad Non- Vermonter	39	\$299,045	36	\$268,064	(3)	(30,981)
Total	8,344	\$51,502,938	8,250	\$50,348,102	(94)	(\$1,154,836)
<u>SPRING 2018</u>						
Vermonter	5,933	\$28,131,604	5,755	\$27,143,887	(177)	(\$987,717)
Non-Vrmtr (o/s)	937	\$11,004,977	948	\$11,122,353	11	117,376
NEBHE	492	\$5,595,506	465	\$5,249,597	(27)	(345,909)
Other	115	\$816,960	122	\$866,688	7	49,728
Grad Vermonter	175	\$984,234	163	\$930,952	(12)	(53,282)
Grad Non- Vermonter	37	\$277,951	34	\$243,980	(3)	(33,971)
Total	7,688	\$46,811,234	7,488	\$45,557,457	(200)	(\$1,253,777)
<u>SUMMER SESSIONS I. (J/Aug)</u>						
Vermonter	795	\$2,807,836	751	\$2,591,629	(44)	(\$216,207)
Non-Vrmtr (o/s)	54	\$356,898	78	\$549,103	23	192,205
NEBHE	17	\$158,642	23	\$215,448	6	56,806
Grad Vermonter	27	\$177,475	45	\$282,469	19	104,994
Grad Non- Vermonter	1	\$6,955	9	\$83,505	9	76,550
Total	894	3,507,806	906	3,722,155	12	214,348
<u>SUMMER SESSIONS II- (May/J)</u>						
Vermonter	726	\$2,896,645	755	\$3,048,664	29	\$152,019
Non-Vrmtr (o/s)	33	\$254,934	46	\$417,179	14	162,245
NEBHE	29	\$323,009	27	\$299,211	(2)	(23,798)
Grad Vermonter	33	\$170,992	37	\$218,747	4	47,755
Grad Non- Vermonter	2	\$13,897	9	\$62,210	7	48,313
Total	822	\$3,659,478	874	\$4,046,011	51	\$386,533
<u>FY 2018 TOTAL</u>						
	(Avg)					
Fall & Spring						
Vermonter	6,184	\$58,899,740	6,070	\$57,507,252	(113)	(\$1,392,488)
Non-Vrmtr (o/s)	995	\$23,546,875	981	\$23,180,731	(14)	(366,144)
NEBHE	512	\$11,664,631	498	\$11,103,137	(14)	(561,494)
Other	125	\$1,776,000	122	\$1,923,376	(3)	147,376
Grad Vermonter	162	\$1,849,930	163	\$1,869,019	1	19,089
Grad Non- Vermonter	38	\$576,996	35	\$512,044	(3)	(64,952)
S/T	8,016	\$98,314,171	7,869	\$96,095,559	(147)	(\$2,218,612)
Summer Sessions (annualized)	1,466	7,167,284	1,492	7,768,166	27	600,881
Total Student Tuition	9,482	\$105,481,456	9,361	\$103,863,725	(120)	(\$1,617,731)
Plus: Non-credit tuition & seminars		547,482		500,000		(47,482)
Student Fees		12,115,130		11,555,864		(559,266)
Total Tuition and Fees	75,855	\$118,144,068	74,890	\$115,919,589	(965)	(\$2,224,479)
Less: Waivers		(6,482,098)		(6,400,700)		81,398
Total Net Tuition & Fees		\$111,661,970		\$109,518,889		(\$2,143,081)
Auxiliary:						
Room & Board Fall		13,177,806		12,519,136		(658,670)
Room & Board Spring		11,709,841		11,488,968		(220,873)
Bookstore		7,000		0		(7,000)
Total Auxiliary		24,894,647		24,008,104		(886,543)

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
VSC CONSOLIDATED
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	57,079	52,439	109,518	111,662	(2,144)		112,047	(2,529)
State Appropriations	14,578	14,356	28,934	28,934	-		25,938	2,996
Room & Board	12,402	11,606	24,008	24,894	(886) *		24,533	(525)
Sales and Services	2,628	1,823	4,451	4,936	(485) *		5,262	(811)
Gifts	639	579	1,218	1,413	(195) *		1,582	(364)
Other Revenue	1,054	445	1,499	1,260	239 *		1,889	(390)
TOTAL REVENUES	88,380	81,248	169,628	173,099	(3,471)		171,251	(1,623)
EXPENSES								
Employee Wages and Benefits	56,518	55,609	112,127	114,041	1,914		113,192	1,065
Services, Supplies and Travel	18,288	17,324	35,612	35,120	(492)		35,976	364
Scholarships and Fellowships	6,467	6,037	12,504	11,748	(756) *		10,881	(1,623)
Utilities	2,312	3,894	6,206	6,464	258 *		5,475	(731)
Other Expenses	-	465	465	437	(28) *		-	(465)
Debt Service	4,000	3,996	7,996	8,217	221		10,849	2,853
Chancellor's Office	-	-	-	-	-		-	-
Other Transfers	(4,860)	1,404	(3,456)	(2,895)	561 *		(1,825)	1,631
TOTAL EXPENSES	82,725	88,729	171,454	173,132	1,678		174,548	3,094
NET REVENUES	5,655	(7,481)	(1,826)	(33)	(1,793)		(3,297)	1,471
NON-RECURRING ITEMS								
Carry-Forward	79	125	204	28			353	
Strategic Reserve	-	-	1,542	268			766	
All Other	(5,734)	7,356	80	(263)			2,178	
TOTAL (must equal zero)	-	-	-	-			-	

**Vermont State Colleges
Statement of Net Assets/Net Position**

As of December 31, 2017

	Unrestricted	Restricted Expendable	Restricted Unexpendable	Invested In Capital	Loans	TOTAL ENTITY	Prior Year TOTAL ENTITY	Variance \$ FY18 vs FY17	Variance % FY18 vs FY17
ASSETS									
Current Assets									
Cash and Cash Equivalents	15,799,011	0	0	0	0	15,799,011	14,781,002	1,018,009	6.9%
Short Term Investments (less than 90 days)	0	0	0	0	0	0	0	0	0.0%
A/R Net (includes accrued interest)	59,304,354	3,735,799	0	0	0	63,040,153	59,850,486	3,189,667	5.3%
Inventories	3,455	0	0	0	0	3,455	10,393	(6,938)	-66.8%
Deposit with Bond Trustees	1,334,559	0	0	1,460,211	0	2,794,770	1,727,967	1,066,803	61.7%
Notes and Mortgages Receivable	0	0	0	0	0	0	(2,591)	2,591	-100.0%
Due To/Due From	(46,552,568)	11,895,909	19,080,186	15,763,645	(187,172)	0	0	0	0.0%
Other Current Assets	1,929,731	0	0	0	0	1,929,731	2,664,899	(735,168)	-27.6%
Total Current Assets	31,818,542	15,631,707	19,080,186	17,223,856	(187,172)	83,567,119	79,032,157	4,534,963	5.7%
Non-Current Assets									
Cash and Cash Equivalents	0	0	0	0	712,252	712,252	641,862	70,390	11.0%
Long-term investments (Quasi-Endowments)	48,369,368	0	0	0	0	48,369,368	44,200,606	4,168,762	9.4%
Deposit with Bond Trustee	0	0	0	0	0	0	0	0	0.0%
Notes Receivable (Net)	0	697,179	0	0	4,883,637	5,580,816	5,683,693	(102,876)	-1.8%
Capital Assets (Net)	0	0	0	166,599,152	0	166,599,152	172,396,443	(5,797,292)	-3.4%
Interest Rate Swap Future Inflows	0	0	0	0	0	0	14,963,264	(14,963,264)	-100.0%
Other Assets	10,874,196	0	0	0	0	10,874,196	80,594	10,793,602	13392.5%
Total Non-Current Assets	59,243,564	697,179	0	166,599,152	5,595,889	232,135,784	237,966,462	(5,830,678)	-2.5%
TOTAL ASSETS	91,062,106	16,328,886	19,080,186	183,823,007	5,408,717	315,702,903	316,998,618	(1,295,715)	-0.4%
LIABILITIES									
Current Liabilities									
Deposits (For ensuring FY)	151,158	0	0	0	0	151,158	129,132	22,026	17.1%
Accounts Payable and Accrued Liabilities	12,179,927	53,328	0	0	0	12,233,254	14,035,502	(1,802,248)	-12.8%
Deferred Revenue (For ensuing FY)	54,953,706	3,724,771	0	0	0	58,678,477	59,937,473	(1,258,996)	-2.1%
Long-term Liabilities (Current portion)	0	0	0	1,478,651	0	1,478,651	4,383,369	(2,904,718)	-66.3%
Total Current Liabilities	67,284,791	3,778,098	0	1,478,651	0	72,541,541	78,485,475	(5,943,934)	-7.6%
Non-Current Liabilities									
Deposits (Beyond ensuing FY)	0	12,602	0	0	0	12,602	25,860	(13,258)	-51.3%
Accounts Payable and Accrued Liabilities	64,914,056	0	0	0	0	64,914,056	59,599,052	5,315,005	8.9%
Refundable Grants	0	0	0	0	6,037,232	6,037,232	6,037,793	(561)	0.0%
Long-term liabilities (Non-current portion)	0	0	0	125,770,451	0	125,770,451	113,955,079	11,815,372	10.4%
FMV Interest Rate Swap	0	0	0	0	0	0	14,963,264	(14,963,264)	-100.0%
Other Long-term Liabilities	0	0	0	0	0	0	0	0	0.0%
Total Non-Current Liabilities	64,914,056	12,602	0	125,770,451	6,037,232	196,734,342	194,581,048	2,153,294	1.1%
TOTAL LIABILITIES	132,198,847	3,790,700	0	127,249,103	6,037,232	269,275,883	273,066,523	(3,790,641)	-1.4%
NET ASSETS									
Invested in Capital Assets				56,573,905		56,573,905	54,815,652	1,758,253	3.2%
Restricted Non-Expendable			19,080,186			19,080,186	18,224,453	855,733	4.7%
Restricted Expendable Loans					(628,515)	(628,515)	(670,253)	41,738	-6.2%
Restricted Expendable: Other		12,538,186				12,538,186	10,279,725	2,258,461	22.0%
Unrestricted	(41,136,742)					(41,136,742)	(38,717,482)	(2,419,259)	6.2%
TOTAL NET ASSETS	(41,136,742)	12,538,186	19,080,186	56,573,905	(628,515)	46,427,021	43,932,095	2,494,926	5.7%
TOTAL LIABILITIES AND NET ASSETS	91,062,106	16,328,886	19,080,186	183,823,007	5,408,717	315,702,903	316,998,618	(1,295,715)	-0.4%



Vermont State Colleges

Detailed College Financial Reports

**Period ended
December 31, 2017**

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

**Community College of Vermont
12/31/2017**

	<u>BUDGETED</u>			<u>ACTUAL/ESTIMATED</u>		<u>VARIANCE</u>	
	<u>Rate</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>
<u>FALL 2017</u>	(Semester)						
Vermonter	3,132	2,476	\$7,753,576	2,520	\$7,893,232	45	\$139,656
Non-Vrmtr (o/s)	6,264	120	749,950	118	740,509	(2)	(9,441)
NEBHE	3,132	27	85,989	52	162,734	25	76,745
Other	-	-	-	0	0	0	0
Grad Vermont	-	-	-	-	-	-	-
Grad Non- Vermont	-	-	-	-	-	-	-
Total		2,623	\$8,589,515	2,690	\$8,796,475	68	\$206,960
<u>SPRING 2018</u>	(Semester)						
Vermonter	3,132	2,342	\$7,335,181	2,340	\$7,330,000	(2)	(\$5,181)
Non-Vrmtr (o/s)	6,264	135	846,847	136	855,000	1	8,153
NEBHE	3,132	27	84,667	32	100,000	5	15,333
Other	-	-	-	0	0	0	0
Grad Vermont	-	-	-	-	-	-	-
Grad Non- Vermont	-	-	-	-	-	-	-
Total		2,504	\$8,266,695	2,509	\$8,285,000	5	\$18,305
<u>SUMMER SESSIONS I. (J/Aug)</u>	**						
Vermonter	3,036	612	\$1,856,668	601	\$1,824,935	(10)	(\$31,733)
Non-Vrmtr (o/s)	6,072	49	298,580	50	300,897	0	2,317
NEBHE	6,072	6	35,986	8	47,624	2	11,638
Grad Vermont	-	-	-	-	-	-	-
Grad Non- Vermont	-	-	-	-	-	-	-
Total		667	2,191,234	658	2,173,456	(8)	(17,778)
<u>SUMMER SESSIONS II- (May/J)</u>	**						
Vermonter	3,132	523	\$1,636,470	523	\$1,636,470	0	\$0
Non-Vrmtr (o/s)	6,264	23	142,819	23	142,819	0	0
NEBHE	3,132	3	7,934	3	7,934	0	0
Grad Vermont	-	-	-	-	-	-	-
Grad Non- Vermont	-	-	-	-	-	-	-
Total		548	\$1,787,223	548	\$1,787,223	0	\$0
<u>FY 2018 TOTAL</u>	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	6,264	2,409	\$15,088,757	2,430	\$15,223,232	21	\$134,475
Non-Vrmtr (o/s)	12,528	127	1,596,797	127	1,595,509	(0)	(1,288)
NEBHE	6,264	27	170,656	42	262,734	15	92,078
Other	-	-	-	0	190,000	0	190,000
Grad Vermont	-	-	-	-	-	-	-
Grad Non- Vermont	-	-	-	-	-	-	-
S/T		2,564	\$16,856,210	2,600	\$17,271,475	36	\$415,265
Summer Sessions (annualized)		1,214	3,978,457	1,206	3,960,679	(4)	(17,778)
Total Student Tuition		3,778	\$20,834,667	3,806	\$21,232,154	28	\$397,487
Plus: Non-credit tuition & seminars			77,482		30,000		(47,482)
Student Fees			1,560,000		1,650,000		90,000
Total Tuition and Fees	CP	30,224	\$22,472,149	30,447	\$22,912,154	223	\$440,005
Less: Waivers			(428,480)		(430,000)		(1,520)
Total Net Tuition & Fees			\$22,043,669		\$22,482,154		\$438,485
Auxiliary:							
Room & Board Fall			0		0		0
Room & Board Spring			0		0		0
Bookstore			0		0		0
Total Auxiliary			0		0		0

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
Community College of Vermont
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	11,821	10,661	22,482	22,044	438		23,278	(796)
State Appropriations	2,732	2,733	5,465	5,465	-		4,915	550
Room & Board	-	-	-	-	-		-	-
Sales and Services	2	18	20	200	(180)	*	22	(2)
Gifts	53	2	55	50	5	*	25	30
Other Revenue	44	75	119	101	18	*	166	(47)
TOTAL REVENUES	14,652	13,489	28,141	27,860	281		28,406	(265)
EXPENSES								
Employee Wages and Benefits	10,990	10,242	21,232	20,881	(351)		21,902	670
Services, Supplies and Travel	2,324	1,646	3,970	3,766	(204)	*	4,618	648
Scholarships and Fellowships	122	28	150	150	-		184	34
Utilities	140	150	290	280	(10)	*	324	34
Other Expenses	-	187	187	187	-		-	(187)
Debt Service	638	638	1,276	1,276	-		1,941	665
Chancellor's Office	740	740	1,480	1,480	-		1,420	(60)
Other Transfers	(1,223)	73	(1,150)	(1,070)	80	*	(1,334)	(184)
TOTAL EXPENSES	13,731	13,704	27,435	26,950	(485)		29,055	1,620
NET REVENUES	921	(215)	706	910	(204)		(649)	1,355
NON-RECURRING ITEMS								
Carry-Forward	79	125	204	28			353	
Strategic Reserve	-	-	-	-				
All Other	(1,000)	90	(910)	(938)			296	
TOTAL (must equal zero)	-	-	-	-			-	

Community College of Vermont
December 31, 2017
Narrative Highlights for Budget vs. Actual

Projection vs. Budget

- A Sales and Services are projected to be below budget by \$180k, primarily due to financial statement presentation. A large portion of the budgeted activity appears in the 'Tuition and Fees' and 'Other Revenue' figures due to the nature of the sales.
- B Gifts are projected to exceed budget by \$5k due to higher than budgeted unrestricted giving.
- C Other Revenue is projected to be above budget by \$18k due to higher than budgeted interest income.
- D Utilities expense is projected to be above budget by \$10k due to higher than budgeted actual costs.
- E Other Transfers contra expense is projected to be \$80k higher than budget due to increased transfer activity.

Notes

Overall, CCV revenue is projected to exceed budget by \$281k for FY18, primarily due to higher than budgeted tuition revenue. Expenses are projected to exceed budget by \$485k, including \$204k of approved carry forward spending. The expense overage from operations is primarily due to the higher than budgeted wage and benefit expense associated with above budget enrollment. CCV is expecting to have a \$910k operating budget surplus due to the return of one time funds.

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

**Castleton University
12/31/2017**

	<u>BUDGETED</u>			<u>ACTUAL/ESTIMATED</u>		<u>VARIANCE</u>	
	<u>Rate</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>
FALL 2017	(Semester)						
Vermonter	5,436	1,112	\$6,044,832	1,108	\$6,024,110	(4)	(\$20,722)
Non-Vrmtr (o/s)	13,212	526	\$6,949,512	502	6,630,555	(24)	(318,957)
NEBHE	13,212	2	32,616	2	24,222	(1)	(8,394)
Other	7,104	135	959,040	122	866,688	(13)	(92,352)
Grad Vermonter	7,200	48	345,600	51	368,800	3	23,200
Grad Non- Vermonter	7,200	28	201,600	26	184,800	(2)	(16,800)
Total		1,851	\$14,533,200	1,811	\$14,099,175	(41)	(\$434,025)
SPRING 2018	(Semester)						
Vermonter	5,436	1,081	\$5,876,316	986	\$5,357,532	(95)	(\$518,784)
Non-Vrmtr (o/s)	13,212	467	6,170,004	463	6,117,156	(4)	(52,848)
NEBHE	13,212	2	32,616	2	24,462	(1)	(8,154)
Other	7,104	115	816,960	122	866,688	7	49,728
Grad Vermonter	7,200	42	302,400	45	324,000	3	21,600
Grad Non- Vermonter	7,200	28	201,600	27	194,400	(1)	(7,200)
Total		1,735	\$13,399,896	1,644	\$12,884,238	(91)	(\$515,658)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	4,656	-	\$0	25	\$117,408	25	\$117,408
Non-Vrmtr (o/s)	6,984	-	-	15	105,070	15	105,070
NEBHE	6,984	-	-	0	0	0	0
Grad Vermonter	5,803	-	-	21	122,771	21	122,771
Grad Non- Vermonter	8,937	-	-	8	73,757	8	73,757
Total		0	0	70	419,006	70	419,006
SUMMER SESSIONS II> (May/J)	**						
Vermonter	5,436	-	\$0	18	\$100,000	18	\$100,000
Non-Vrmtr (o/s)	13,212	-	-	2	25,000	2	25,000
NEBHE	13,212	-	-	0	-	0	0
Grad Vermonter	7,200	-	-	14	98,000	14	98,000
Grad Non- Vermonter	7,200	-	-	8	55,000	8	55,000
Total		0	\$0	42	\$278,000	42	\$278,000
FY 2018 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	10,872	1,097	\$11,921,148	1,047	\$11,381,642	(50)	(\$539,506)
Non-Vrmtr (o/s)	26,424	497	13,119,516	482	12,747,711	(14)	(371,805)
NEBHE	26,424	2	65,232	2	48,684	(1)	(16,548)
Other	14,208	125	1,776,000	122	1,733,376	(3)	(42,624)
Grad Vermonter	14,400	45	648,000	48	692,800	3	44,800
Grad Non- Vermonter	14,400	28	403,200	26	379,200	(2)	(24,000)
S/T		1,793	\$27,933,096	1,728	\$26,983,413	(66)	(\$949,683)
Summer Sessions (annualized)		0	0	56	697,006	56	697,006
Total Student Tuition		1,793	\$27,933,096	1,783	\$27,680,419	(10)	(\$252,677)
Plus: Non-credit tuition & seminars			470,000		470,000		\$0
Student Fees			2,892,000		2,610,000		(282,000)
Total Tuition and Fees			\$31,295,096		\$30,760,419		(\$534,677)
Less: Waivers			(760,000)		(500,000)		260,000
Total Net Tuition & Fees			\$30,535,096		\$30,260,419		(\$274,677)
Auxiliary:							
Room & Board Fall			5,486,529		5,185,629		(300,900)
Room & Board Spring			4,862,118		4,914,371		52,253
Bookstore/Arena			7,000		0		(7,000)
Total Auxiliary			10,355,647		10,100,000		(255,647)

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
 Castleton University
 For the Quarter Ending December 31, 2017
 Budget vs Actual Report
 (Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	15,950	14,310	30,260	30,535	(275)		30,850	(590)
State Appropriations	2,732	2,732	5,464	5,464	-		4,915	549
Room & Board	5,135	4,965	10,100	10,355	(255)		10,310	(210)
Sales and Services	899	401	1,300	1,500	(200)	*	2,019	(719)
Gifts	312	388	700	900	(200)	*	704	(4)
Other Revenue	277	163	440	440	-		452	(12)
TOTAL REVENUES	25,305	22,959	48,264	49,194	(930)		49,250	(986)
EXPENSES								
Employee Wages and Benefits	14,947	14,503	29,450	29,970	520		30,170	720
Services, Supplies and Travel	4,703	4,297	9,000	8,615	(385)	*	9,503	503
Scholarships and Fellowships	2,850	2,750	5,600	5,125	(475)	*	4,438	(1,162)
Utilities	888	1,140	2,028	2,028	-		1,688	(340)
Other Expenses	-	25	25	-	(25)		-	(25)
Debt Service	1,516	1,516	3,032	3,032	-		4,107	1,075
Chancellor's Office	740	740	1,480	1,480	-		1,420	(60)
Other Transfers	(1,263)	423	(840)	(540)	300	*	(54)	786
TOTAL EXPENSES	24,381	25,394	49,775	49,710	(65)		51,272	1,497
NET REVENUES	924	(2,435)	(1,511)	(516)	(995)		(2,022)	511
NON-RECURRING ITEMS								
Carry-Forward								
Strategic Reserve			-	116			766	
All Other*	(924)	2,435	1,511	400			1,256	
TOTAL (must equal zero)	-	-	-	-			-	

Castleton University
December 31, 2017
Narrative Highlights for Budget vs. Actual

Projection vs. Budget

Castleton University
Q2 Financial Narrative

Revenues:

Total actual revenues are projected to be below budgeted primarily due to 25+ fewer students enrolled than anticipated at budget time. Rooms and Meals is also projected to be below budget by approximately 60 fewer students than originally planned for. Sales and Services is anticipated to be less than budget due primarily to fewer polling contracts. The gifts line is projected to be less than budget due to the possibility that various gifts may end up to be restricted when first thought they would be unrestricted.

Expenditures:

We have achieved an estimated \$1.185 million savings in the salary & benefits area, however \$650,000 of these savings were included in the original approved budget. Therefore, Q2 savings in this category results in a \$520,000. This savings resulted from not replacing a number of vacated positions including but not limited to positions such as Associate Academic Dean, Nursing, Music, etc. We also recognized some savings in the area of early retirements and part-time faculty, overloads and course releases.

In the category of Services, Supplies and Travel we are anticipating an estimated increase of \$385,000 due to some unanticipated costs since the initial submission and also some historical data indicators in this area.

In the category of Scholarships/Discounts we are anticipating an estimated increase of \$475,000. This is in part due to the new Maple Scholarship that has recently been established. The increase in scholarships is necessary to maintain competitiveness.

We are continuing to monitor and control costs wherever we can. Ongoing efforts to review and analyze academic programs are underway.

Fund Balances:

As of July 1, 2017 we have a total of \$1,853,129 in reserve funds. \$1,186,609 of that amount is considered Other-Designated funds for such things as Student Government, Athletic Fund Raising, Science Equipment, etc. This leaves \$666,520 of Board Reserves to apply to our FY18 deficit. We also have been approved to re-purpose the Stafford Earmark funds of approximately \$1,400,000.

YTD Variance

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

**Northern Vermont University
12/31/2017**

	BUDGETED			ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2017	(Semester)						
Vermonter	5,316	1,573	\$8,360,116	1,512	\$8,039,053	(60)	(\$321,063)
Non-Vrmtr (o/s)	11,400	321	\$3,660,270	310	\$3,532,973	(11)	(\$127,297)
NEBHE (\$6,696 net)	11,400	380	\$4,332,672	358	\$4,086,815	(22)	(\$245,857)
Other	-		\$0		\$0	0	\$0
Grad Vermont	5,067	103	\$520,096	112	\$569,267	10	\$49,171
Grad Non- Vermont	10,656	9	\$97,445	8	\$83,264	(1)	(\$14,181)
Total		2,386	\$16,970,599	2,301	16,311,372	(85)	(659,227)
SPRING 2018	(Semester)						
Vermonter	5,316	1,414	\$7,514,294	1,359	\$7,224,849	(54)	(\$289,445)
Non-Vrmtr (o/s)	11,400	251	\$2,865,070	268	\$3,053,573	17	\$188,503
NEBHE (\$6,984 net)	11,400	354	\$4,036,455	326	\$3,717,301	(28)	(\$319,154)
Other	-		\$0		\$0	0	\$0
Grad Vermont	5,067	135	\$681,834	120	\$606,952	(15)	(\$74,882)
Grad Non- Vermont	10,656	7	\$76,351	5	\$49,580	(3)	(\$26,771)
Total		2,161	\$15,174,003	2,077	\$14,652,255	(83)	(\$521,748)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	5,112	173	\$884,844	114	\$584,523	(59)	(\$300,321)
Non-Vrmtr (o/s)	10,956	5	\$58,318	13	\$143,136	8	\$84,818
NEBHE	10,956	11	\$122,656	15	\$167,824	4	\$45,168
Grad Vermont	6,492	27	\$177,475	25	\$159,698	(3)	(\$17,777)
Grad Non- Vermont	13,656	1	\$6,955	1	\$9,748	0	\$2,793
Total		217	1,250,248	168	1,064,930	(49)	(185,319)
SUMMER SESSIONS II> (May/J)	**						
Vermonter	5,316	79	\$417,827	92	\$489,672	14	\$71,845
Non-Vrmtr (o/s)	11,400	10	\$112,115	22	\$249,360	12	\$137,245
NEBHE	11,400	19	\$219,888	17	\$198,330	(2)	(\$21,558)
Grad Vermont	5,067	34	\$170,992	24	\$120,747	(10)	(\$50,245)
Grad Non- Vermont	10,656	1	\$13,897	1	\$7,210	(1)	(\$6,687)
Total		143	\$934,720	156	\$1,065,319	13	\$130,599
FY 2018 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	10,632	1,493	\$15,874,410	1,436	\$15,263,902	(57)	(\$610,508)
Non-Vrmtr (o/s)	22,800	286	\$6,525,340	289	\$6,586,546	3	\$61,206
NEBHE	22,800	367	\$8,369,127	342	\$7,804,116	(25)	(\$565,011)
Other	-		\$0		\$0	0	\$0
Grad Vermont	10,134	119	\$1,201,930	116	\$1,176,219	(3)	(\$25,711)
Grad Non- Vermont	21,312	8	\$173,796	6	\$132,844	(2)	(\$40,952)
S/T		2,273	\$32,144,602	2,189	\$30,963,627	(84)	(\$1,180,975)
Summer Sessions (annualized)		180	2,184,968	162	\$2,130,249	(18)	(\$54,720)
Total Student Tuition		2,453	\$34,329,571	2,351	\$33,093,876	(102)	(\$1,235,695)
Student Fees			4,032,764		3,750,945		(281,819)
Total Tuition and Fees			\$38,362,335		\$36,844,821		(\$1,517,514)
Less: Waivers			(4,087,130)		(4,292,609)		(205,479)
Total Net Tuition & Fees			\$34,275,205		\$32,552,212		(\$1,722,993)
Auxiliary:							
Room & Board Fall			5,676,747		5,202,568		(474,179)
Room & Board Spring			5,061,253		4,684,896		(376,357)
Bookstore							
Total Auxiliary			10,738,000		9,887,464		(850,536)

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
Northern Vermont University (Informational Only)
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	17,188	15,364	32,552	34,275	(1,723)	*	34,324	(1,772)
State Appropriations	5,464	5,466	10,930	10,930	-		9,830	1,100
Room & Board	5,203	4,684	9,887	10,738	(851)	*	10,350	(463)
Sales and Services	868	511	1,379	1,334	45	*	1,365	14
Gifts	233	130	363	363	-		488	(125)
Other Revenue	453	58	511	322	189	*	644	(133)
TOTAL REVENUES	29,409	26,213	55,622	57,962	(2,340)		57,001	(1,379)
EXPENSES								
Employee Wages and Benefits	16,878	16,994	33,872	34,591	719		33,843	(29)
Services, Supplies and Travel	4,937	5,993	10,930	11,352	422	*	10,599	(331)
Scholarships and Fellowships	2,651	2,556	5,207	5,375	168	*	5,069	(138)
Utilities	836	1,687	2,523	2,798	275	*	2,258	(265)
Other Expenses	-	-	-	-	-		-	-
Debt Service	1,198	1,195	2,393	2,393	-		3,060	667
Chancellor's Office	1,480	1,480	2,960	2,960	-		2,840	(120)
Other Transfers	(1,098)	377	(721)	(400)	321	*	264	985
TOTAL EXPENSES	26,882	30,282	57,164	59,069	1,905		57,933	769
NET REVENUES	2,527	(4,069)	(1,542)	(1,107)	(435)		(932)	(610)
NON-RECURRING ITEMS								
Carry-Forward	-	-	-	-			-	
Strategic Reserve	-	-	1,542	832				
All Other	(2,527)	4,069	-	275			932	
TOTAL (must equal zero)	-	-	-	-			-	

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

**Johnson State College
12/31/2017**

	BUDGETED			ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2017	(Semester)						
Vermonter	5,316	955	\$5,074,603	915	\$4,863,747	(40)	(\$210,856)
Non-Vrmtr (o/s)	11,796	115	1,359,510	149	\$1,760,805	34	\$401,295
NEBHE (\$6,696 net)	11,796	96	1,133,520	107	\$1,266,693	11	\$133,173
Other	-					0	\$0
Grad Vermonter	5,148	99	509,732	95	\$486,752	(4)	(\$22,980)
Grad Non- Vermonter	7,488	8	56,585	9	\$69,056	2	\$12,471
Total		1,273	\$8,133,950	1,275	8,447,053	3	313,103
SPRING 2018	(Semester)						
Vermonter	5,316	865	\$4,600,725	805	\$4,281,816	(60)	(\$318,909)
Non-Vrmtr (o/s)	11,796	114	1,345,044	124	1,461,114	10	\$116,070
NEBHE (\$6,984 net)	11,796	96	1,132,925	101	1,192,196	5	\$59,271
Other	-					0	\$0
Grad Vermonter	5,148	105	540,138	93	480,960	(11)	(\$59,178)
Grad Non- Vermonter	7,488	7	49,111	7	49,580	0	\$469
Total		1,187	\$7,667,943	1,130	\$7,465,666	(57)	(\$202,277)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	5,112	86	\$439,367	62	\$316,525	(24)	(\$122,842)
Non-Vrmtr (o/s)	11,340	0	4,858	4	48,880	4	\$44,022
NEBHE	11,340	4	47,812	0	5,211	(4)	(\$42,601)
Grad Vermonter	6,600	27	177,475	21	135,944	(6)	(\$41,531)
Grad Non- Vermonter	9,600	1	6,955	1	9,748	0	\$2,793
Total		118	676,467	88	516,309	(30)	(160,158)
SUMMER SESSIONS II> (May/J)	**						
Vermonter	5,316	62	\$331,452	44	\$235,521	(18)	(\$95,931)
Non-Vrmtr (o/s)	11,796	1	14,573	12	144,125	11	\$129,552
NEBHE	11,796	1	7,783	0	814	(1)	(\$6,969)
Grad Vermonter	5,148	25	128,516	19	99,833	(6)	(\$28,683)
Grad Non- Vermonter	7,488	1	5,247	1	7,210	0	\$1,963
Total		90	\$487,571	77	\$487,503	(13)	(\$68)
FY 2018 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	10,632	910	\$9,675,328	860	\$9,145,563	(50)	(\$529,765)
Non-Vrmtr (o/s)	23,592	115	\$2,704,554	137	\$3,221,919	22	\$517,365
NEBHE	23,592	96	\$2,266,445	104	\$2,458,889	8	\$192,444
Other	-		\$0			0	\$0
Grad Vermonter	10,296	102	\$1,049,870	94	\$967,712	(8)	(\$82,158)
Grad Non- Vermonter	14,976	7	\$105,696	8	\$118,636	1	\$12,940
S/T		1,230	\$15,801,893	1,203	\$15,912,719	(27)	\$110,826
Summer Sessions (annualized)		104	1,164,038	83	\$1,003,812	(21)	(160,226)
Total Student Tuition		1,334	\$16,965,932	1,286	\$16,916,531	(48)	(\$49,401)
Student Fees			1,942,688		1,893,928		(48,760)
Total Tuition and Fees			\$18,908,620		\$18,810,459		(\$98,161)
Less: Waivers			(886,256)		(1,546,422)		(660,166)
Total Net Tuition & Fees			\$18,022,364		\$17,264,037		(\$758,327)
Auxiliary:							
Room & Board Fall			2,649,925		2,559,387		(90,538)
Room & Board Spring			2,398,075		2,329,588		(68,487)
Bookstore							
Total Auxiliary			5,048,000		4,888,975		(159,025)

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
Johnson State College
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	9,079	8,185	17,264	18,022	(758)	*	17,538	(274)
State Appropriations	2,732	2,733	5,465	5,465	-		4,915	550
Room & Board	2,560	2,329	4,889	5,048	(159)	*	4,935	(46)
Sales and Services	323	173	496	496	-		472	24
Gifts	147	77	224	224	-		276	(52)
Other Revenue	163	51	214	178	36	*	288	(74)
TOTAL REVENUES	15,004	13,548	28,552	29,433	(881)		28,424	128
EXPENSES								
Employee Wages and Benefits	8,738	8,786	17,524	18,007	483		17,471	(53)
Services, Supplies and Travel	2,472	2,401	4,873	4,999	126		4,603	(270)
Scholarships and Fellowships	1,338	1,374	2,712	2,969	257	*	2,813	101
Utilities	501	896	1,397	1,473	76	*	1,292	(105)
Other Expenses	-	-	-	-	-		-	-
Debt Service	530	529	1,059	1,059	-		1,329	270
Chancellor's Office	740	740	1,480	1,480	-		1,420	(60)
Other Transfers	(463)	295	(168)	(7)	161	*	224	392
TOTAL EXPENSES	13,856	15,021	28,877	29,980	1,103		29,152	275
NET REVENUES	1,148	(1,473)	(325)	(547)	222		(728)	403
NON-RECURRING ITEMS								
Carry-Forward			-	-				
Strategic Reserve			325	272				
All Other	(1,148)	1,473	-	275			728	
TOTAL (must equal zero)	-	-	-	-			-	

Johnson State College
December 31, 2017
Narrative Highlights for Budget vs. Actual

Projection vs. Budget

Based on current enrollment and historical trends Johnson State College is forecasting total year revenue to be \$28.6M as compared to a total year budget of \$29.4M. Johnson State College experienced modest growth in fall headcount. This growth is partially off-set by an increase in the scholarship allowance for JSC Online students (net of revenue) that had been budgeted as an institutional scholarship (budgeted expense) and fewer spring starts. A targeted increase in Spring and Summer distance learning, combined with holding the line on discretionary spending, is projected to deliver results \$224,000 better than Johnson's FY18 budget submission. This is a \$91,000 favorable improvement from the Q1 forecast.

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

**Lyndon State College
12/31/2017**

	BUDGETED			ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2017	(Semester)						
Vermonter	5,316	618	\$3,285,513	597	\$3,175,306	(21)	(\$110,207)
Non-Vrmtr (o/s)	11,400	202	2,300,760	155	\$1,772,168	(46)	(\$528,592)
NEBHE (\$6,696 net)	11,400	281	3,199,152	247	\$2,820,122	(33)	(\$379,030)
Other	-					0	\$0
Grad Vermonter	5,067	2	10,364	16	\$82,515	14	\$72,151
Grad Non- Vermonter	10,656	4	40,860	1	\$14,208	(3)	(\$26,652)
Total		1,106	\$8,836,649	1,018	7,864,319	(89)	(972,330)
SPRING 2018	(Semester)						
Vermonter	5,316	548	\$2,913,568	554	\$2,943,033	6	\$29,465
Non-Vrmtr (o/s)	11,400	133	1,520,026	140	1,592,459	6	\$72,433
NEBHE (\$6,984 net)	11,400	255	2,903,530	222	2,525,105	(33)	(\$378,425)
Other	-					0	\$0
Grad Vermonter	5,067	28	141,696	25	125,992	(3)	(\$15,704)
Grad Non- Vermonter	10,656	3	27,240	0	-	(3)	(\$27,240)
Total		967	\$7,506,060	940	\$7,186,589	(27)	(\$319,471)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	5,112	87	\$ 445,477	52	\$267,998	(35)	(\$177,479)
Non-Vrmtr (o/s)	10,956	5	53,460	9	94,256	4	\$40,796
NEBHE	10,956	7	74,844	15	162,613	8	\$87,769
Grad Vermonter	6,492	-		4	23,754	4	\$23,754
Grad Non- Vermonter	13,656	-		0		0	\$0
Total		99	573,781	80	548,621	(19)	(25,160)
SUMMER SESSIONS II> (May/J)	**						
Vermonter	5,316	16	\$ 86,375	48	\$254,151	32	\$167,776
Non-Vrmtr (o/s)	11,400	9	97,542	9	105,235	1	\$7,692
NEBHE	11,400	19	212,105	17	197,516	(1)	(\$14,589)
Grad Vermonter	5,067	8	42,476	4	20,914	(4)	(\$21,561)
Grad Non- Vermonter	10,656	1	8,651	0		(1)	(\$8,651)
Total		53	\$447,149	78	\$577,816	26	\$130,667
FY 2018 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	10,632	583	\$6,199,081	575	\$6,118,339	(8)	(\$80,742)
Non-Vrmtr (o/s)	22,800	168	\$3,820,786	148	\$3,364,627	(20)	(\$456,159)
NEBHE	22,800	268	\$6,102,682	234	\$5,345,227	(33)	(\$757,455)
Other	-		\$0			0	\$0
Grad Vermonter	10,134	15	\$152,060	21	\$208,507	6	\$56,447
Grad Non- Vermonter	21,312	3	\$68,100	1	\$14,208	(3)	(\$53,892)
S/T		1,036	\$16,342,709	979	\$15,050,908	(58)	(\$1,291,801)
Summer Sessions (annualized)		76	1,020,930	79	\$1,126,437	3	105,507
Total Student Tuition		1,112	\$17,363,639	1,058	\$16,177,345	(54)	(\$1,186,294)
Student Fees			2,090,076		1,857,017		(233,059)
Total Tuition and Fees			\$19,453,715		\$18,034,362		(\$1,419,353)
Less: Waivers			(3,200,874)		(2,746,187)		454,687
Total Net Tuition & Fees			\$16,252,841		\$15,288,175		(\$964,666)
Auxiliary:							
Room & Board Fall			3,026,822		2,643,181		(383,641)
Room & Board Spring			2,663,178		2,355,308		(307,870)
Bookstore							
Total Auxiliary			5,690,000		4,998,489		(691,511)

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
LyndonState College
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	8,109	7,179	15,288	16,253	(965)	*	16,786	(1,498)
State Appropriations	2,732	2,733	5,465	5,465	-		4,915	550
Room & Board	2,643	2,355	4,998	5,690	(692)	*	5,415	(417)
Sales and Services	545	338	883	838	45	*	893	(10)
Gifts	86	53	139	139	-		212	(73)
Other Revenue	290	7	297	144	153	*	356	(59)
TOTAL REVENUES	14,405	12,665	27,070	28,529	(1,459)		28,577	(1,507)
EXPENSES								
Employee Wages and Benefits	8,140	8,208	16,348	16,584	236		16,372	24
Services, Supplies and Travel	2,465	3,592	6,057	6,353	296	*	5,996	(61)
Scholarships and Fellowships	1,313	1,182	2,495	2,406	(89)	*	2,256	(239)
Utilities	335	791	1,126	1,325	199	*	966	(160)
Other Expenses	-	-	-	-	-		-	-
Debt Service	668	666	1,334	1,334	-		1,731	397
Chancellor's Office	740	740	1,480	1,480	-		1,420	(60)
Other Transfers	(635)	82	(553)	(393)	160	*	40	593
TOTAL EXPENSES	13,026	15,261	28,287	29,089	802		28,781	494
NET REVENUES	1,379	(2,596)	(1,217)	(560)	(657)		(204)	(1,013)
NON-RECURRING ITEMS								
Carry-Forward	-	-	-	-				
Strategic Reserve	-	-	1,217	560				
All Other	(1,379)	2,596	-	-			204	
TOTAL (must equal zero)	-	-	-	-			-	

Lyndon State College
December 31, 2017
Narrative Highlights for Budget vs. Actual

Projection vs. Budget

Based on current enrollment and historical trends Lyndon State College is forecasting total year revenue to be \$27.1M as compared to a total year budget of \$28.5M. Lyndon State College is experiencing a shortfall as compared to budget in both enrollment and residential participation. An increase in Spring transfer starts, combined with targeted spending reductions, is projected to partially off-set the revenue shortfall, resulting in an unfavorable \$655,000 variance to the FY18 budget submission. This is a \$276,000 favorable improvement from the Q1 forecast.

**VERMONT STATE COLLEGES
FY18 TUITION & FEES REVENUE MONITORING REPORT -**

**Vermont Technical College
12/31/2017**

	<u>BUDGETED</u>			<u>ACTUAL/ESTIMATED</u>		<u>VARIANCE</u>	
	<u>Rate</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>	<u>FPE*</u>	<u>Revenue</u>
<u>FALL 2017</u>	(Semester)						
Vermonter	6,756	1,274	\$8,609,611	1,244	\$8,406,970	(30)	(\$202,641)
Non-Vrmtr (o/s)	12,912	92	1,182,165	89	\$1,154,341	(2)	(\$27,824)
NEBHE (\$6,696 net)	12,912	125	1,617,847	122	\$1,579,769	(3)	(\$38,078)
Other	-	-				0	\$0
Grad Vermont	6,336	-		0		0	\$0
Grad Non- Vermont	13,914	-		0		0	\$0
Total		1,491	\$11,409,624	1,456	11,141,080	(35)	(268,544)
<u>SPRING 2018</u>	(Semester)						
Vermonter	6,756	1,096	\$7,405,814	1,070	\$7,231,506	(26)	(\$174,308)
Non-Vrmtr (o/s)	12,912	87	1,123,057	85	1,096,624	(2)	(\$26,433)
NEBHE (\$6,984 net)	12,912	112	1,441,769	109	1,407,834	(3)	(\$33,935)
Other	-	-				0	\$0
Grad Vermont	6,336	-		0		0	\$0
Grad Non- Vermont	13,914	-		0		0	\$0
Total		1,295	\$9,970,639	1,264	\$9,735,964	(30)	(\$234,675)
<u>SUMMER SESSIONS I. (J/Aug)</u>	**						
Vermonter	6,228	11	\$ 66,324	10	\$64,763	(0)	(\$1,561)
Non-Vrmtr (o/s)	11,916	-		0		0	\$0
NEBHE	11,916	-		0		0	\$0
Grad Vermont	-	-				0	\$0
Grad Non- Vermont	-	-				0	\$0
Total		11	66,324	10	64,763	(0)	(1,561)
<u>SUMMER SESSIONS II> (May/J)</u>	**						
Vermonter	6,756	125	\$ 842,348	122	\$822,522	(3)	(\$19,826)
Non-Vrmtr (o/s)	12,912	-		0		0	\$0
NEBHE	12,912	7	95,187	7	92,947	(0)	(\$2,240)
Grad Vermont	-	-				0	\$0
Grad Non- Vermont	-	-				0	\$0
Total		132	\$937,535	129	\$915,469	(3)	(\$22,066)
<u>FY 2018 TOTAL</u>	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	13,512	1,185	\$16,015,425	1,157	\$15,638,476	(28)	(\$376,949)
Non-Vrmtr (o/s)	25,824	89	\$2,305,222	87	\$2,250,965	(2)	(\$54,257)
NEBHE	25,824	118	\$3,059,616	116	\$2,987,603	(3)	(\$72,013)
Other	-	-	\$0			0	\$0
Grad Vermont	-	-	\$0	0	\$0	0	\$0
Grad Non- Vermont	-	-	\$0	0	\$0	0	\$0
S/T		1,393	\$21,380,263	1,360	\$20,877,044	(33)	(\$503,219)
Summer Sessions (annualized)		71	1,003,859	70	\$980,232	(2)	(23,627)
Total Student Tuition		1,464	\$22,384,122	1,430	\$21,857,276	(33)	(\$526,846)
Student Fees			3,630,366		3,544,919		(85,447)
Total Tuition and Fees			\$26,014,488		\$25,402,195		(\$612,293)
Less: Waivers			(1,206,488)		(1,178,091)		28,397
Total Net Tuition & Fees			\$24,808,000		\$24,224,104		(\$583,896)
Auxiliary:							
Room & Board Fall			2,014,530		2,130,939		116,409
Room & Board Spring			1,786,470		1,889,701		103,231
Bookstore							
Total Auxiliary			3,801,000		4,020,640		219,640

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges
Vermont Technical College
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees	12,120	12,104	24,224	24,808	(584)		23,595	629
State Appropriations	3,311	3,086	6,397	6,397	-		5,850	547
Room & Board	2,064	1,957	4,021	3,801	220	*	3,873	148
Sales and Services	622	529	1,151	1,178	(27)		1,224	(73)
Gifts	41	59	100	100	-		365	(265)
Other Revenue	276	137	413	397	16	*	619	(206)
TOTAL REVENUES	18,434	17,872	36,306	36,681	(375)		35,526	780
EXPENSES								
Employee Wages and Benefits	11,133	11,496	22,629	23,356	727	*	22,145	(484)
Services, Supplies and Travel	3,449	4,197	7,646	7,646	-		7,505	(141)
Scholarships and Fellowships	844	703	1,547	1,098	(449)	*	1,190	(357)
Utilities	433	863	1,296	1,295	(1)		1,132	(164)
Other Expenses	-	-	-	-	-		-	-
Debt Service	648	647	1,295	1,516	221	*	1,741	446
Chancellor's Office	740	740	1,480	1,480	-		1,420	(60)
Other Transfers	(1,079)	766	(313)	(390)	(77)	*	(827)	(514)
TOTAL EXPENSES	16,168	19,412	35,580	36,001	421		34,306	(1,274)
NET REVENUES	2,266	(1,540)	726	680	46		1,220	(494)
NON-RECURRING ITEMS								
Carry-Forward			-					
Strategic Reserve			-	(680)				
All Other	(2,266)	1,540	(726)	-			(1,220)	
TOTAL (must equal zero)	-	-	-	-			-	

Vermont State Colleges
VTC_Workforce Development
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees			-	-	-		-	-
State Appropriations	214	214	428	428	-		428	-
Room & Board			-	-	-		-	-
Sales and Services	237	364	601	724	(123) *		632	(31)
Gifts	-		-	-	-		-	-
Other Revenue	4	12	16	-	16		7	9
TOTAL REVENUES	455	590	1,045	1,152	(107)		1,067	(22)
EXPENSES								
Employee Wages and Benefits	403	438	841	976	135 *		903	62
Services, Supplies and Travel	312	312	624	671	47 *		618	(6)
Scholarships and Fellowships	-		-	-	-		-	-
Utilities	-		-	-	-		-	-
Other Expenses	-	3	3	-	(3)		-	(3)
Debt Service	-		-	-	-		-	-
Chancellor's Office	-		-	-	-		-	-
Other Transfers	(197)	(235)	(432)	(495)	(63) *		(591)	(159)
TOTAL EXPENSES	518	518	1,036	1,152	116		930	(106)
NET REVENUES	(63)	72	9	-	9		137	(128)
NON-RECURRING ITEMS								
Carry-Forward			-					
Strategic Reserve			-					
All Other	63	(72)	(9)	-			(137)	
TOTAL (must equal zero)	-	-	-	-			-	

Vermont Technical College
December 31, 2017
Narrative Highlights for Budget vs. Actual

Vermont Technical College projects to close the fiscal year with an operating surplus of \$726,000, compared to a budget of \$680,000. The most significant drivers of this slightly favorable variance are the balancing effects of: (1) an overall decline in enrollment; and (2) a significant decrease in group insurance costs due to excellent enrollment in the Healthy Saver high deductible plan. With continued economic diligence on the part of the College, VTC still projects to

Projection vs. Budget close the year with positive net revenue.

YTD Variance

Tuition & Fees: Enrollment revenue is down approximately 2.4% from budget, caused by an overall enrollment decline (we had budgeted for an increase of 0.9%).

Room & board: Residential enrollment was budgeted to decline by 5% (a net revenue decrease of 2%, inclusive of a 3% rate increase). Residential enrollment has actually increased modestly. We are approximately 5.8% better than budget for FY18.

FA: We're seeing an increased "take rate" on scholarships, in particular, those designed to attract students through our Beyer-recommended Vertical Marketing and Transfer Students initiatives. Costs up ~30% over budget.

Wages & Benefits. Group insurance cost is significantly down from budget (~\$450,000) due to better than expected enrollment in high deductible plans.

Debt service: Variance reflects the restructuring of operating debt repayment, following the closing of VIT's books.

Vermont State Colleges
Office of the Chancellor
For the Quarter Ending December 31, 2017
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Dec 2017	Projected Balance of 2018	Projected Total Year 2018	Total Board Approved Budget 2018	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2017 Actual	Variance FY17 Actual to Projected FY18 Fav/(Unfav)
REVENUES								
Tuition and Fees			-	-	-		-	-
State Appropriations	125	125	250	250	-		-	250
Room & Board			-	-	-		-	-
Sales and Services			-	-	-		-	-
Gifts	-		-	-	-		-	-
Other Revenue	-		-	-	-		-	-
TOTAL REVENUES	125	125	250	250	-		-	250
EXPENSES								
Employee Wages and Benefits	2,167	1,936	4,103	4,267	164	*	4,169	66
Services, Supplies and Travel	2,563	879	3,442	3,070	(372)	*	3,131	(311)
Scholarships and Fellowships				-	-		-	-
Utilities	15	54	69	63	(6)	*	73	4
Other Expenses		250	250	250	-		-	(250)
Debt Service	-		-	-	-		-	-
Chancellor's Office	(3,700)	(3,700)	(7,400)	(7,400)	-		(7,100)	300
Other Transfers			-	-	-		-	-
TOTAL EXPENSES	1,045	(581)	464	250	(214)		273	(191)
NET REVENUES	(920)	706	(214)	-	(214)		(273)	59
NON-RECURRING ITEMS								
Carry-Forward			-					
Strategic Reserve			-					
All Other	920	(706)	214	-			273	
TOTAL (must equal zero)	-	-	-	-			-	

Item 4:
February 1 Admissions Summary



**Vermont State Colleges System
Weekly Admissions Comparison
February 1, 2018 vs. Prior Year**

	Fall 2018 from 2/1/18	Fall 2017 from 2/1/17	Year-to-year % Change	Total from Fall 2017	% of Fall 2017 Total rec'd by 2/1/17
Applications					
Castleton University	1,745	1,903	-8%	2,670	71%
Northern Vermont University	1,608	1,946	-17%	3,183	61%
Johnson State College	772	837	-8%	1,584	53%
Lyndon State College	836	1,109	-25%	1,599	69%
Vermont Technical College	1,262	1,010	25%	1,756	58%
Total	4,615	4,859	-5%	7,609	64%
Acceptances					
Castleton University	1,403	1,245	13%	2,172	57%
Northern Vermont University	990	1,411	-30%	2,601	54%
Johnson State College	478	609	-22%	1,322	46%
Lyndon State College	512	802	-36%	1,279	63%
Vermont Technical College	558	378	48%	1,037	36%
Total	2,951	3,034	-3%	5,810	52%
Deposits					
Castleton University	32	36	-11%	595	6%
Northern Vermont University	55	92	-40%	857	11%
Johnson State College	22	37	-41%	512	7%
Lyndon State College	33	55	-40%	345	16%
Vermont Technical College	37	34	9%	659	5%
Total	124	162	-23%	2,111	8%
Enrolled					
Castleton University	0	0	N/A	582	0%
Northern Vermont University	0	0	N/A	780	0%
Johnson State College	0	0	N/A	470	0%
Lyndon State College	0	0	N/A	310	0%
Vermont Technical College	0	0	N/A	620	0%
Total	0	0	N/A	1,982	0%

	Summer 2018 from 2/1/18	Summer 2017 from 2/1/17	Year-to-year % Change	Total from Summer 2017	Summer 2017 Total rec'd by 2/1/17
Community College of Vermont					
Applications	377	354	6%		
Acceptances	169	156	8%		
Enrolled	0	0	N/A		

PLEASE NOTE: DIFFERENCES FROM PRIOR YEAR MAY BE DUE TO SYSTEMIC, PROCESS AND TECHNOLOGY ENHANCEMENTS IMPLEMENTED THIS YEAR

Item 5:
Historical Enrollment and Demographic Data

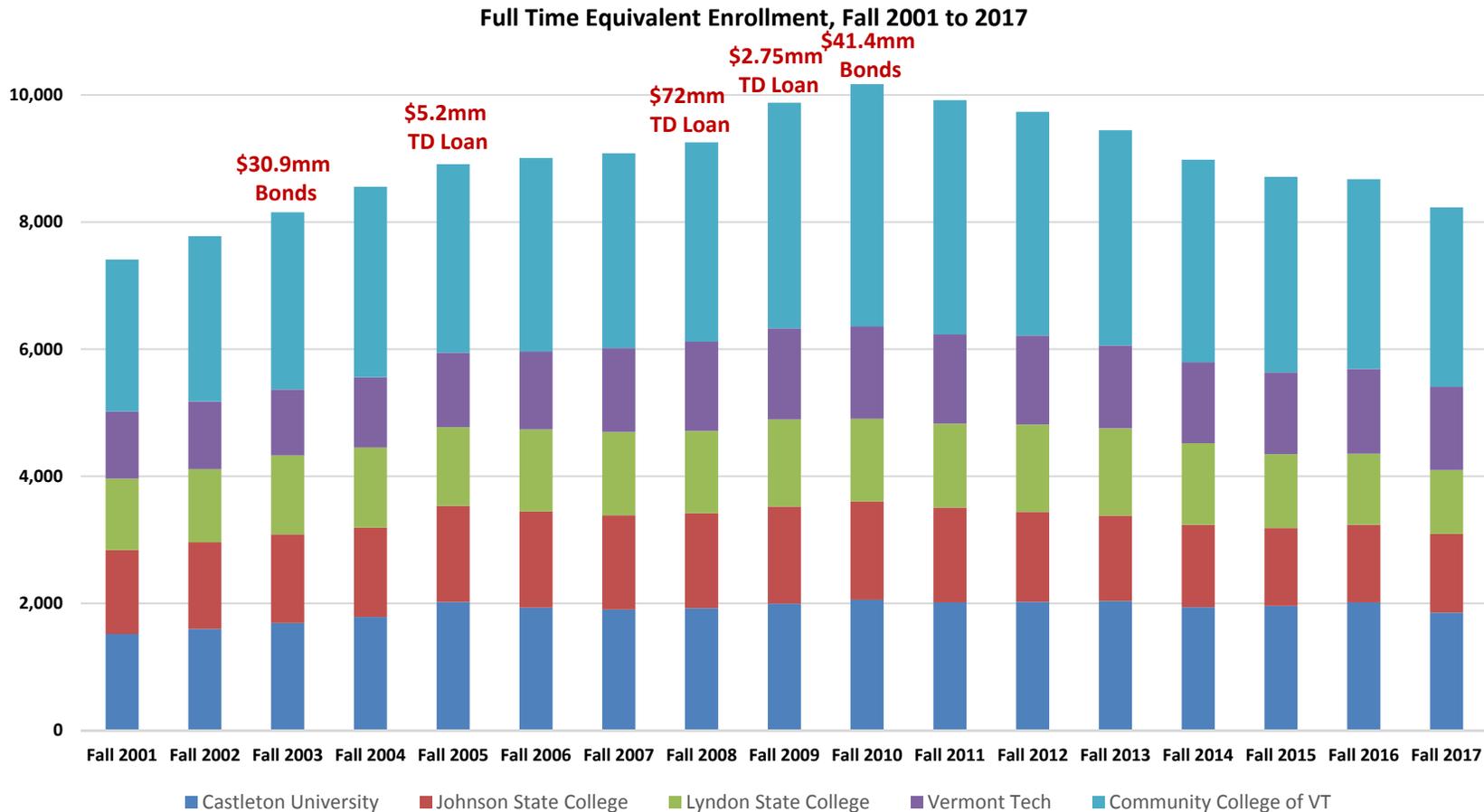


CASTLETON UNIVERSITY
COMMUNITY COLLEGE OF VERMONT
JOHNSON STATE COLLEGE
LYNDON STATE COLLEGE
VERMONT TECHNICAL COLLEGE

Historical Data from 2001-2017

February 12, 2018

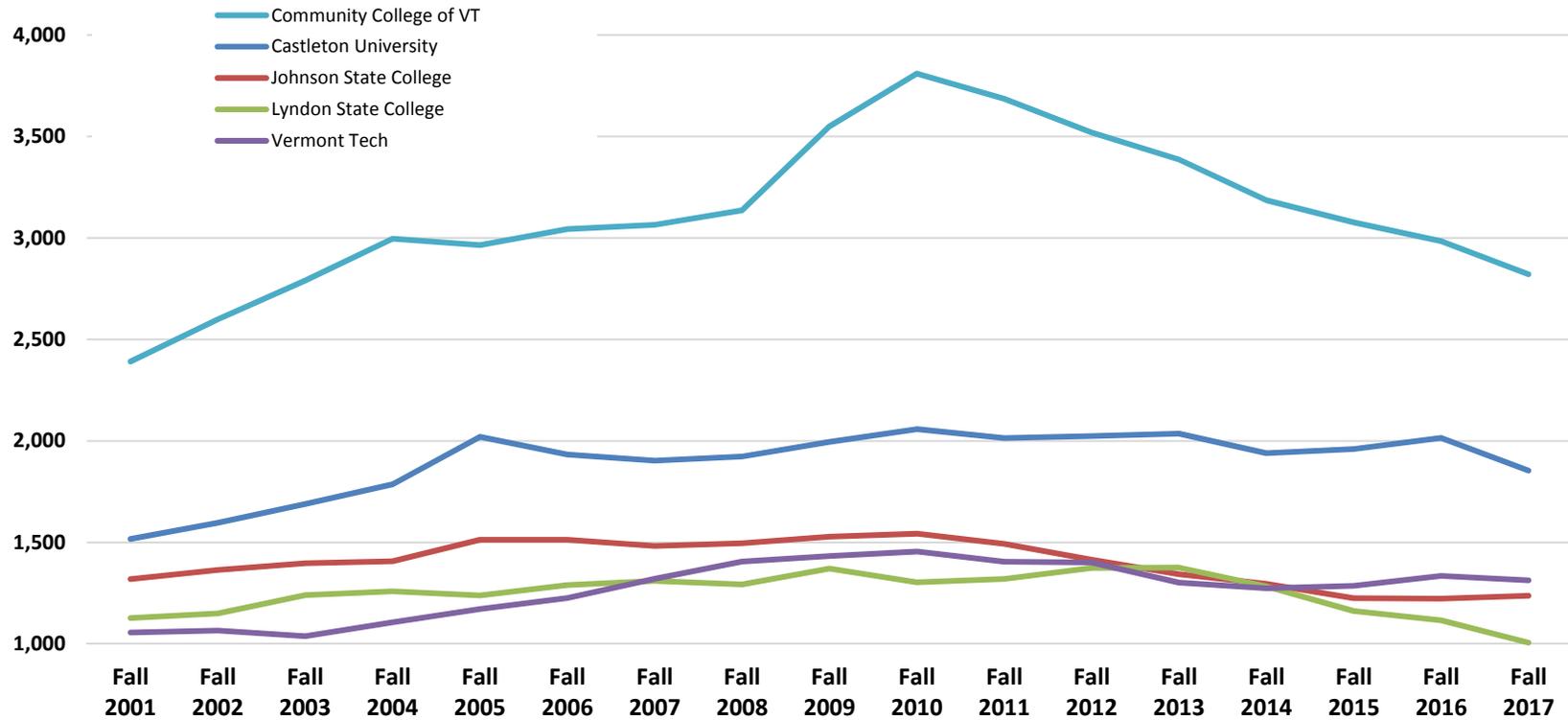
FTE enrollment peaked in 2010 with the “echo boom”



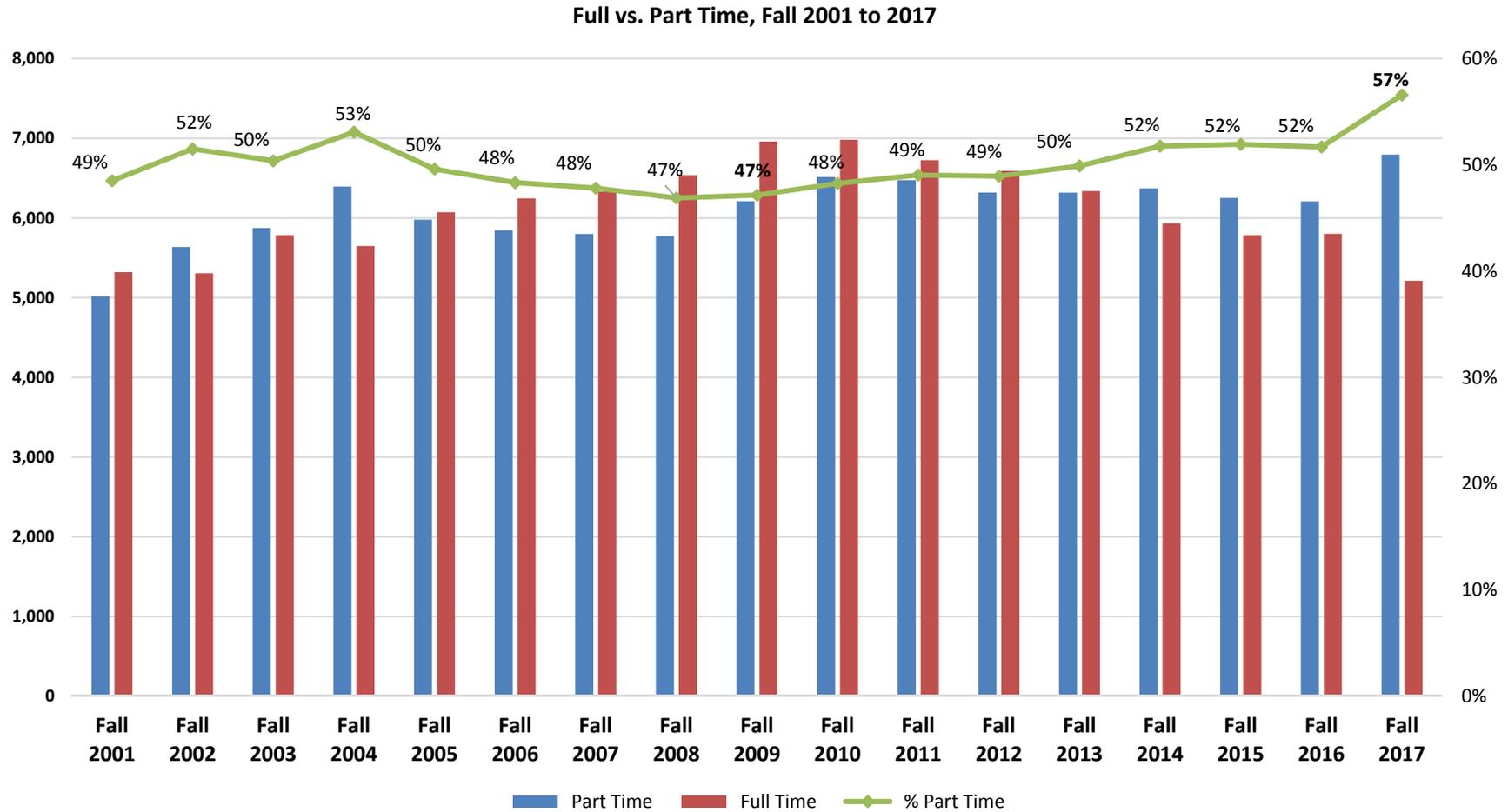
- Five debt issuances totalling \$152 million in the lead-up to peak 2010 FTEs
- Physical infrastructure built for 20% more FTEs than currently in System

Institutions' enrollment generally follows this trend

Full Time Equivalent Enrollment by College, Fall 2001 to 2017

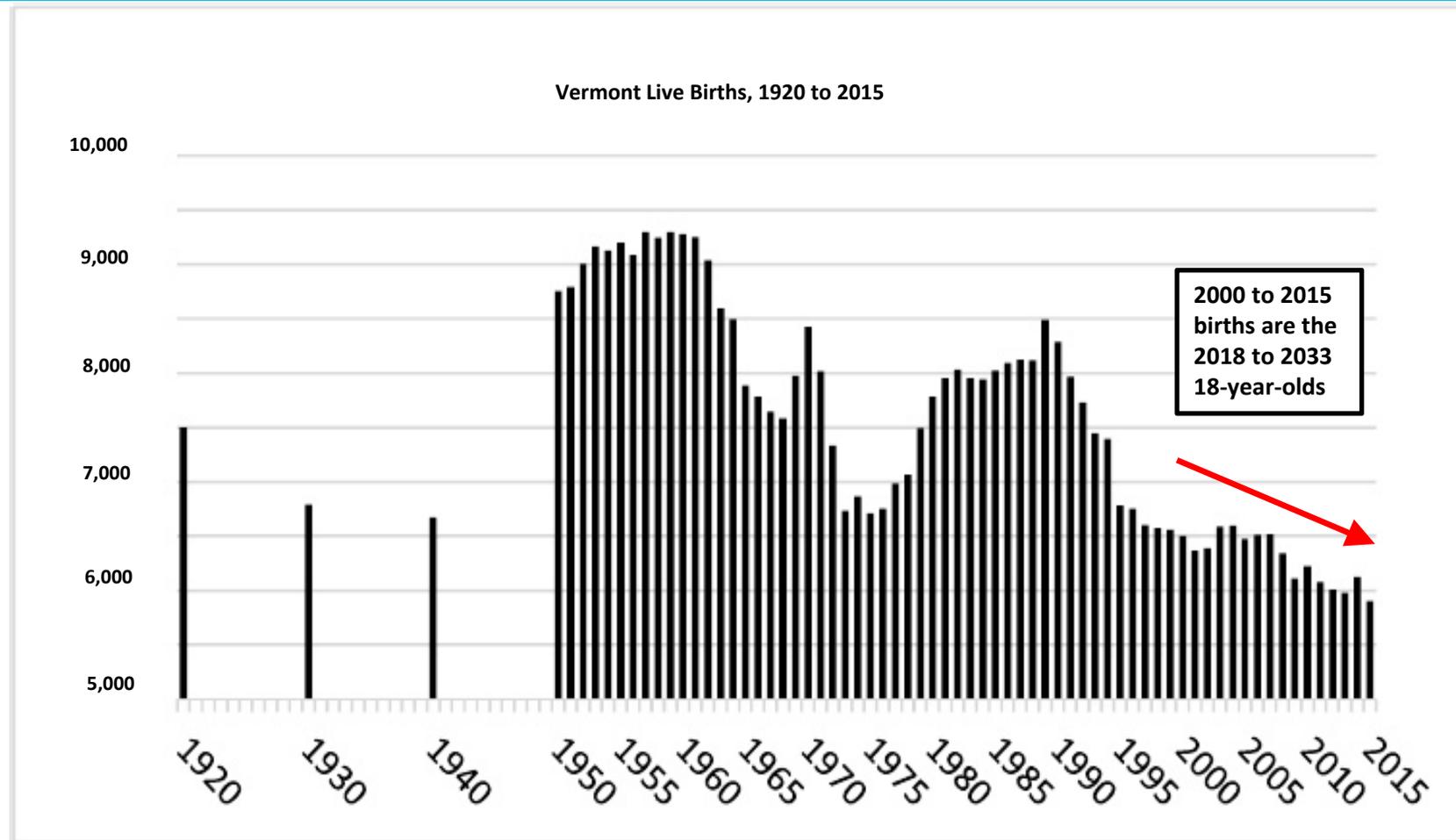


Enrollment is also shifting from full to part time



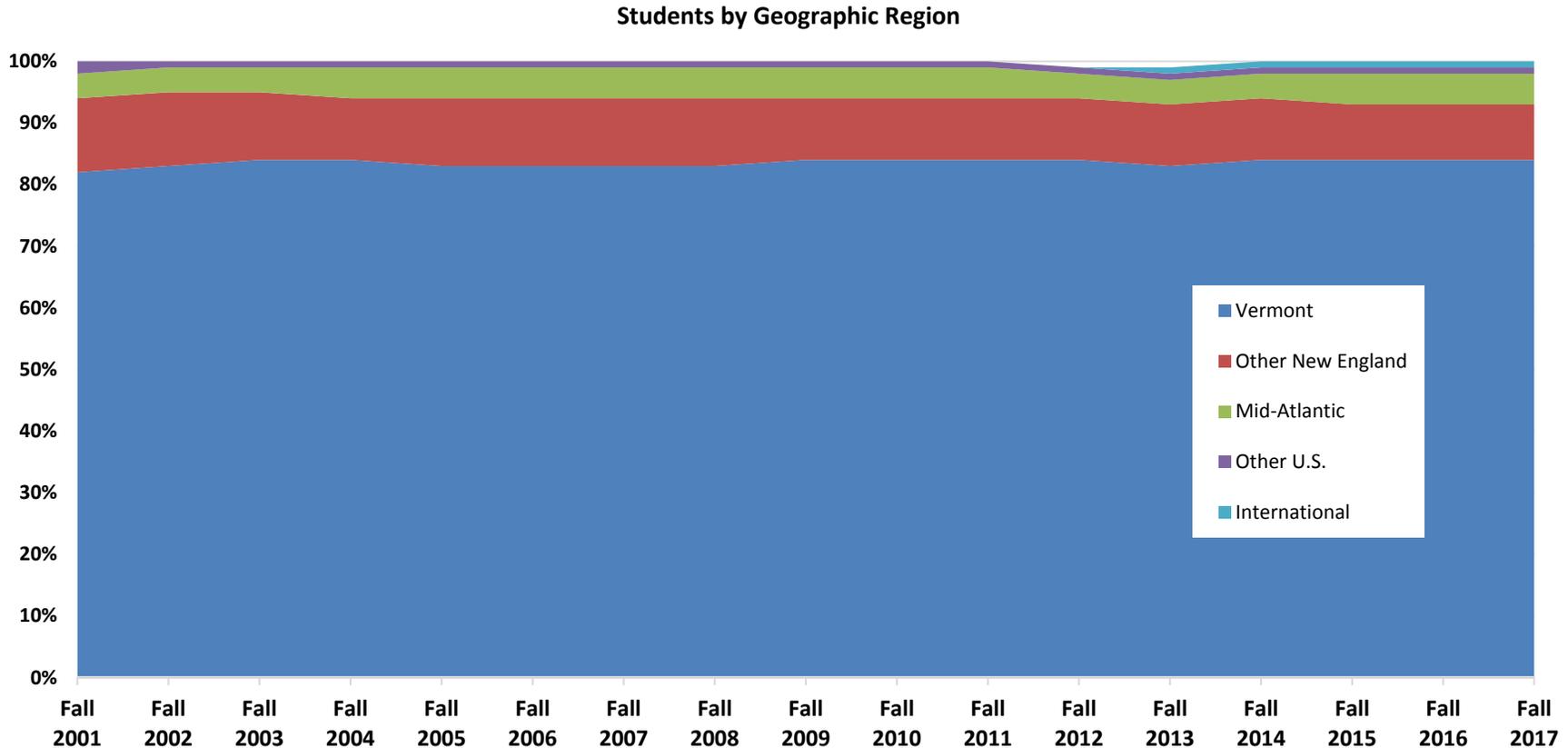
- Part time enrollment has risen from 47% of total in 2010 to 57% in 2017
- Online delivery exacerbates this trend, negative for room & board revenue

Vermont's demographics difficult for foreseeable future



- Vermont's 2016 birthrate is the lowest since the Civil War
- Demographics of New England and Northeast similarly challenged

System's geographic market has been very stable



- Competing colleges in region facing the same demographic challenge
- Almost all public college competitors are better-funded and resourced

Item 6:
Preliminary FY2019-21 Budget Projections
[provided at meeting]

Item 7:
Memorandum from Fossil Free VSC

To: The Finance and Facilities Committee of the VSCS Board of Trustees
From: Fossil Free VSC
Date: 5 February 2018
Re: Our endowment divestment discussion

We are so pleased at the Board's openness to Fossil Free VSC's [concerns, proposals](#), and petition.¹ Since our first meeting in March of 2017, we have had two constructive discussions with the Finance and Facilities Committee, at the May and December meetings.² It has been heartening to feel a common commitment to climate responsibility.³

At the March and May meetings, FF VSC's focus were **ethical** considerations in favor of divesting our endowment of fossil fuel holdings, and of reassessing our wider financial relationships. Though it is impossible to provide a brief and complete account of the ethically relevant facts, these must be among the most important: Global [warming in excess of 2°C](#) beyond pre-industrial levels *will be* catastrophic for life forms on our planet, especially the most vulnerable. We've [already passed the 1°C threshold](#), and there's precious little time left to initiate meaningful, adequate crisis-averting action. Neither as a planet, nation, nor as a state have we yet done so.

What will our role as a system be? For many of us, these considerations form a sufficient basis to prompt the VSC to take tide-turning, peer-inspiring divestment action.

On the other hand, we recognize the need to address a concern that has arisen in our discussions with the Committee on a few occasions - namely, the possibility that taking the climate action proposed by FF VSC might run *counter* to the Board's **fiduciary** responsibilities. Hence, we focused at the December meeting on the fear that, in effect, divestment from fossil fuels could prove too expensive.

We aim to continue and deepen that discussion at the upcoming February 12 meeting. To address how that fear relates to actual probabilities and risks, we've arranged for investment manager Jodi Neuman, CFA, from the \$2.5bn asset management firm, [Trillium Investment](#)⁴, to make a short presentation at the meeting, via Skype, and to take some of our questions.

We also submit the following brief written remarks, which include an annotated list of relevant sources. We hope you will give them your attention, as we don't plan to enumerate them at the meeting.

¹ There are hundreds of VSC community signatures on [our Change.org petition](#).

² We are delighted at the prospect of TIAA's offer of not just Low Carbon, but Fossil Free investment options, as well. Thank you, Committee and Steve for moving the levers!

³ Indeed, all over the VSC, we see the embrace of environmental stewardship - from efforts to reduce consumption (through increasing efficiency and other means), to investment in renewable energy, to participation in the Vermont Climate Pledge Coalition.

⁴ Trillium has offered sustainable investments for about 35 years.

Responsible, informed leaders are increasingly concerned that not divestment, but *failure to divest*, might ultimately prove to be in greater tension with fiduciary responsibilities. How so?

In short, we're inside a carbon bubble.⁵ And unless our assets are fossil free before it pops, our endowment remains vulnerable in proportion to those fossil fuel holdings.

According to the U.N. Intergovernmental Panel on Climate Change (IPCC), "If the world burned all the coal, oil, and natural gas already known to exist and profitably extractable, roughly 3,000 gigatonnes of CO₂ would enter the atmosphere—nearly three times as much as the [IPCC's] suggested [CO₂ budget](#)" (*Sci. Am.*).⁶ It is not *yet* illegal to explore for more fossil fuel, nor to burn the forbidden ones (e.g., like those derived from the Canadian tar sands in which TD Bank, Wells Fargo, Morgan Stanley, and others are invested).

But if the nations that accepted the Paris Agreement act to fulfill their promise to keep global temperatures below the threshold of crisis, these activities will be prohibited. The [Bank of England](#) and other financial organizations express concern that if and when this justice prevails, the value of fossil fuel companies' holdings will plummet, thus rendering their unburnable carbon-based fuels valueless "[stranded assets](#)."

FF VSC asks the Committee to consider that its fiduciary responsibility might actually require divestment. We recommend these articles and reports to you for your perusal.

- [UN chief Antonio Guterres warned](#) in November that continued investment in fossil fuel "does not make financial sense," and that markets must be "re-oriented away from the counter-productive."
- The list of institutional divestments at [GoFossilFree.org](#) now⁷ totals \$6.01tr⁸ – 15% of which is due to educational institutions. (See also [New York Times](#): "Investment Funds Worth Trillions Are Dropping Fossil Fuel Stocks.")
- Norway took its historic divestment action primarily for fiduciary reasons: "[The world's largest sovereign wealth fund](#) ... divest[ed \$37 billion] from oil and gas... to make the Norwegian government's wealth less vulnerable to a permanent drop in oil prices." (Reuters, 11/16/17)
- New York City is citing both ethical *and* fiduciary reasons for its decision to divest: They're moving ~\$5bn from companies that own fossil fuel reserves, "because," [as Mayor Bill de Blasio put it](#), "it makes sense for our portfolio – and our planet."

⁵ ... the analysis of which has been pioneered by the [Carbon Tracker Initiative](#).

⁶ The [journalists at The Guardian](#) put it in terms of these two key numbers:

- 565 gigatons = the amount of CO₂ we can safely release into the atmosphere and still stay below 2°C
- 2,795 gigatons = the amount of CO₂ that would be released if even just existing reserves were burned

⁷ 4 February 2018.

⁸ That's up from \$5.57tr in December.

- Relatedly, [this piece in the Guardian](#) reports that NYC pensions, and 15 of Australia's top funds, lost \$135m and \$5.6bn (respectively) during 2014-2015 "because of ... fossil fuel holdings."
- [Forbes' late-2017 profile of green-investor, Lucas White](#), discusses how to make money while divesting.
- [This piece in the Guardian](#), from 2015, reports that, "Fossil fuel-free funds outperformed conventional ones, analysis shows. Investors who dumped holdings in coal, oil, and gas earned an average return of 1.2% more a year over last five years... according to analysis by the world's leading stock market index company, MSCI." ([This more recent discussion in the Financial Times](#), from mid-2017, cites the same study in a discussion of the divestment trend leading up to Norway's action.)

Reports

- ["Trillion Dollar Transformation: Fiduciary Duty, Divestment, and Fossil Fuels in an Era of Climate Risk"](#) (from the Center for International Environmental Law, 2016)

"A failure to properly consider climate change as a risk factor could result in lawsuits under various theories of liability for breaches of fiduciary duties.... By not adequately accounting for climate risks, public pension fund fiduciaries may be ignoring responsibilities they owe to the beneficiaries of the funds they manage."

- ["The Global Fossil Fuel Divestment and Clean Energy Investment Movement"](#) (from Arabella Advisors, 2016)

"[A]s large private and institutional asset holders recognize the reputational, financial, and legal risks of remaining invested in fossil fuels, divestment has spread to new sectors, including large insurers, pension funds, and banking institutions.... [F]iduciaries who fail to consider climate change risks in their investment analyses and decisions may be at risk of breaching their legal duty as fiduciaries. The emerging view that fiduciary duty may actively compel divestment of fossil fuels has the potential to pressure financial managers and institutions that once argued their fiduciary roles acted as a barrier to consideration of climate risk."

- ["Emerging Research on Climate Change Risk and Fossil-Fuel Divestment"](#) (from Veris Wealth Partners, 2014)
- ["Beyond Fossil Fuels: The Investment Case for Fossil Fuel Divestment"](#) (from Impax Asset Management, 2013)

“Fossil Free” actions and commitments are emerging world-wide, as GoFossilFree.org/divestment and [Google News](#) demonstrate.⁹ They are happening - right now - in towns across Vermont, and in our state legislature, as well.¹⁰

Our hope is that the Vermont State Colleges System will step decisively in the direction of a fossil free future, both for our own good, and in order to help change our planetary trajectory of disaster.¹¹

Fossil Free VSC,
February 2018

⁹ An irresistible footnote: In December, 2017, when [France became the first country on Earth “to ban any new oil exploration licences...”](#), it made sure the world knew the name of its official climate plan: [#MakeOurPlanetGreatAgain](#).

¹⁰ On February 2, [VPR reported](#) that 40 towns around Vermont will consider [“Fossil Free resolutions.”](#) calling for an end to new fossil fuel projects and a fast and “just transition to 100% renewable energy for all.” In the Legislature, Rep. Mary Sullivan of Burlington has introduced a bill, [H-746, to ban new fossil fuel infrastructure](#).

¹¹ [Bill McKibben’s December, 2017 piece from *Rolling Stone*](#) is all too relevant here: “Winning Slowly Is the Same as Losing.”

Hank Snow’s song, “90 Miles An Hour,” applies here, too, with a vengeance. It’s about an ill-fated love affair:

Warning signs are flying by us / But we pay no heed,
Instead of slowing down the pace / We keep pickin' up the speed.
Disaster's getting closer every time we meet.
Doin' 90 miles an hour down a dead end street.

Item 8:
Morgan Stanley Presentation



Morgan Stanley Consulting Group

Vermont State Colleges
February 12, 2018

The Consulting Group overview

The Consulting Group is an independent arm of Morgan Stanley with a long history of providing investment consulting advice and services to institutional clients

Deep global resources offered with experienced local service and perspective

KEY BENEFITS

- **Over 40 years** of experience in the industry advising clients on portfolio solutions as a **fiduciary partner**. Local team leaders average over 20 years of experience.
- **Dedicated team** of 45+ professionals focused exclusively on due diligence and investment manager selection for the firm's investment advisory platform
- **Process-driven approach** that seeks quality managers and strategies designed to optimize portfolio return potential in various market environments
- **This extensive** third-party manager due diligence, including comprehensive quantitative and qualitative tools used for all manager assessments
- **Open architecture** approach using external, non-proprietary managers with full disclosure and transparency of pricing
- **Uses insight** from the firm's **Global Investment Committee**, to integrate asset allocation and thought leadership into advisory programs

Local relationship team

Brian A. Pelkey

Senior Vice President, Financial Advisor

33 Years of investment experience at Morgan Stanley and its predecessor firms
Focus: Capital Markets, portfolio construction and Investment Manager Selection

John O. Myhre

Vice President, Financial Advisor

28 Years of investment experience at Morgan Stanley and its predecessor firms
Focus: Portfolio construction, ongoing monitoring, fiduciary review and board communication



Danielle A. Hogan

Vice President, Financial Advisor

29 years of investment experience at Morgan Stanley and its predecessor firms
Focus: Reporting and Lead Administrative Contact

Carrie Raftery

Portfolio Associate

17 Years of Industry Experience
Focus: Operations

Timothy Candon, CFP®

Financial Advisor

17 Years Industry Experience
Formerly with Fiduciary Trust Co. of Boston
Focus: Research & Analytics

Consulting Group Manager Due Diligence *45 dedicated analysts*

Features that we look for in investment managers during our due diligence process

INVESTMENT PROCESS AND CHARACTERISTICS

- Talented and Deep Investment Team
- Repeatable, Consistent and Disciplined Process
- Strong Security/Credit Selection
- Detailed Risk Controls
- Duration and Yield Curve Management
- Robust Relative & Risk Adjusted Performance
- Outperformance Driven by Security Selection
- Style and Performance Pattern Consistency

BUSINESS PRACTICES

- Equitable Distribution of Employee Ownership
- Strong Business Leadership and Investment Culture
- Low Personnel Turnover
- Reasonable Succession Planning
- Diversified, Stable Asset Base
- Extensive Resources
- Investment Professional Incentives and Contracts
- Alignment of Interests with Clients

OPERATIONS AND COMPLIANCE

- Documented Policies and Procedures
- Clear and Equitable Trade Rotation
- Representative Composite Performance
- Review of Composite Dispersion
- Reasonable Asset Levels
- Documented Code of Ethics
- Offsite Disaster Recovery
- Reasonable Mutual Fund Fees
- Clean Regulatory History

Manager Due Diligence & Analysis

The team conducts rigorous qualitative and quantitative evaluations to develop opinion-based analysis that is substantiated by conviction level.

Approved List

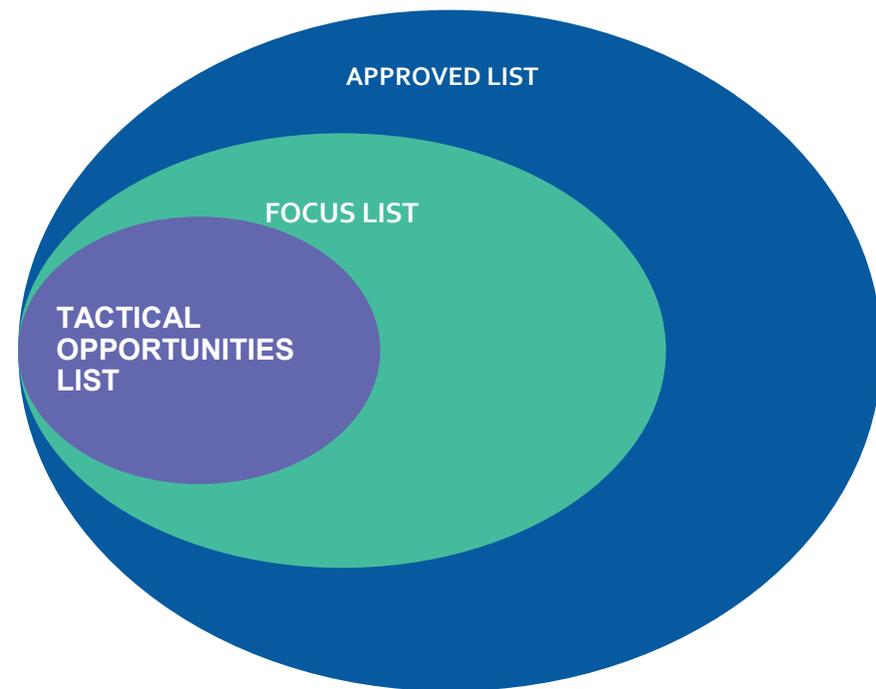
- Responsive to client needs and industry trends
 - Information on a broad universe of investment managers and products
 - Meets GIMA's qualitative and quantitative standards
-

Focus List

- Higher level of conviction
 - Explicit focus on identifying potential to add value over time
 - Intensive due diligence process, generally including on-site visits, business reviews, etc.
 - Detailed reporting, including portfolio and performance analysis
-

Tactical Opportunities List

- Draws from both the Focus and Approved Lists
 - Leverages manager analysis capabilities, as well as capital markets analysis by the Global Investment Committee (GIC)
 - Based on potential short-term performance
-



Our Approach: Guided by Our Mutual Fiduciary Obligations

Consulting Group advisors partner with their clients **with undivided loyalty and utmost good faith**

- Vermont State Colleges Trustees must discharge their duties solely in the interest of their institutions and the stakeholders they represent, for the **exclusive purpose of protecting portfolio assets** and defraying the associated expenses
- Morgan Stanley, as your Investment Consultants, have a **fundamental obligation to act in the best interests of their advisory clients** and to provide investment advice in those client's best interests

VSC Investment Policy Statement Directives

No current screening or sensitivity to Environmental, Social or Governance considerations are part of the portfolio's management.

Manage the portfolio:

- To maximize long term performance
- For an accepted level of risk
- To best support the educational mission and finances of the Vermont State Colleges

The portfolio's structure is built:

- On a core of passive investments (indexing) to gain broad market exposure at low cost.
- Enhanced by active, positive “alpha” managers to improve risk adjusted performance. These are in both SMAs and Mutual Funds.

2017 Summary Review

Prepared on January 31, 2018 for:
VSC Advisory Portfolio

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105 WEST VIEW RD, 5TH FL
COLCHESTER, VT 05446

ACCOUNT(S) INCLUDED IN THIS REPORT

VSC All Accounts

Reporting Currency: USD

MORGAN STANLEY WEALTH MANAGEMENT

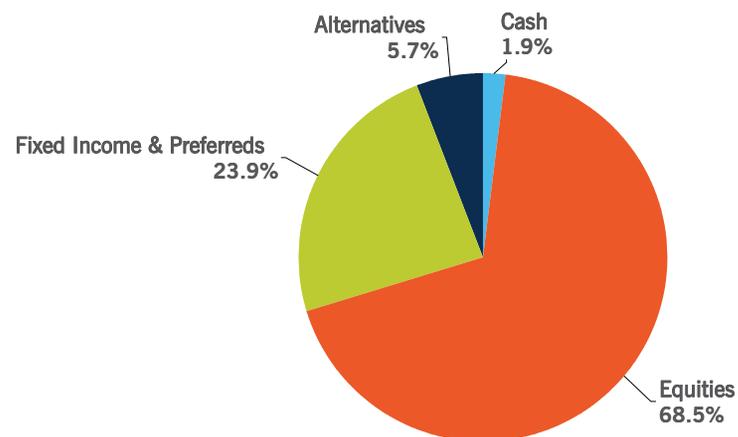
Account Name and Address	Account Type/ Manager Name	Account Number	Advisory/ Brokerage	Date Opened	Date Closed
IRONWOOD PO BOX 7 MONTPELIER	Alternative Investments Advisory	383-XXX918	Advisory	09/17/14	-
SKYBRIDGE PO BOX 7	Alternative Investments Advisory	383-XXX919	Advisory	09/17/14	-
VERMONT STATE COLLEGES ATTN STEPHEN WISLOSKI PO BOX 7 MONTPELIER	Consulting Group Advisor	383-XXX872	Advisory	12/20/02	-
	Delaware Intl ADR -London	383-XXX874	Advisory	12/20/02	-
		999-XXX262	Advisory	-	10/27/10
	AAA	383-XXX873	Brokerage	12/20/02	-
	Anchor Mid Cap Value	383-XXX918	Advisory	02/06/03	-
	AAA	383-XXX920	Advisory	02/06/03	01/25/17
	ClearBridge Multi Growth	383-XXX533	Advisory	04/19/06	-
	AAA	383-XXX534	Advisory	04/19/06	-
	ThomasPartners	383-XXX584	Advisory	03/07/12	-

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. All content within this Document applies to the accounts listed above or a subset thereof, unless otherwise indicated. Closed Accounts listed above are included for historical performance. Certain Accounts that were closed prior to 2011 are included in this report but are not listed above.

	Large Cap Growth	Large Cap Value	Small / Mid Growth	Small / Mid Value	International	International Emerging	Domestic and High Yield Fixed	International Fixed	Alternatives	Cash	Total	% of Total Portfolio
CG Advisor												
I shares Russell 1000 Growth	\$ 3,736,697										\$ 3,736,697	13.1%
I shares Russell 1000 Value		\$ 2,964,141									\$ 2,964,141	10.4%
I shares Trust S&P Mid Cap 400			\$ 35,828								\$ 35,828	0.1%
iShares Russell 2000			\$ 233,188	\$ 233,188							\$ 466,375	1.6%
William Blair Int Growth					\$ 1,663,309						\$ 1,663,309	5.8%
Vanguard FTSE Developed Mkts					\$ 1,217,186						\$ 1,217,186	4.3%
Oppenheimer Developing Mkts						\$ 720,809					\$ 720,809	2.5%
I shares MSCI Emerging Mkts						\$ 380,635					\$ 380,635	1.3%
Lazard Emerging Markets						\$ 710,251					\$ 710,251	2.5%
Loomis Bond Fund							\$ 1,096,371				\$ 1,096,371	3.8%
Vanguard Sh Tm Inv Gr Inv							\$ 1,225,772				\$ 1,225,772	4.3%
Vanguard Total Bd Mkt Indx Inv							\$ 1,191,782				\$ 1,191,782	4.2%
Blackrock Hi Yield Bond							\$ 1,592,791				\$ 1,592,791	5.6%
Guggenheim Total Return Bond							\$ 1,204,035				\$ 1,204,035	4.2%
Dreyfus Standish Global Fixed Inc								\$ 792,139			\$ 792,139	2.8%
Money Funds										\$ 278,309	\$ 278,309	1.0%
Ishares Dj US Real Estate									\$ 268,872		\$ 268,872	0.9%
Vanguard REIT ETF									\$ 274,249		\$ 274,249	1.0%
Ironwood HF									\$ 548,440		\$ 548,440	1.9%
Skybridge HF									\$ 507,724		\$ 507,724	1.8%
Anchor				\$ 677,713							\$ 677,713	2.4%
Delaware					\$ 1,330,401						\$ 1,330,401	4.7%
Clearbridge	\$ 917,409	\$ 755,513	\$ 472,196	\$ 553,144						\$ 135,405	\$ 2,833,667	9.9%
Thomas Partners	\$ 906,559	\$ 1,205,026	\$ 83,682	\$ 242,679	\$ 287,309					\$ 64,156	\$ 2,789,411	9.8%
Total Fund	\$ 5,560,664	\$ 4,924,680	\$ 824,894	\$ 1,706,723	\$ 4,498,206	\$ 1,811,696	\$ 6,310,751	\$ 792,139	\$ 1,599,286	\$ 477,870	\$ 28,506,910	100.00%
Allocation	19.51%	17.28%	2.89%	5.99%	15.78%	6.36%	22.14%	2.78%	5.61%	1.68%	100.00%	
Strategic Target Allocation a/o 6.30.11												
By Percent	12.00%	12.00%	6.00%	6.00%	17.00%	7.00%	28.00%	4.00%	8.00%	0.00%	100.00%	
By Dollar	\$ 3,420,829	\$ 3,420,829	\$ 1,710,415	\$ 1,710,415	\$ 4,846,175	\$ 1,995,484	\$ 7,981,935	\$ 1,140,276	\$ 2,280,553	\$ -	\$ 28,506,910	
Tactical 12.31.17	16%	16%	5%	5%	16%	6%	26%	4%	6%	0%	100%	
Operations Account		\$ 99,162 (common stock)			\$ 17,012 (money funds)						\$ 116,174	
Total All Accounts											\$ 28,623,085	
Basic Asset Allocation:												
					Stocks	68%						
					Alternatives	6%						
					Fixed Income/Cash	27%						

The above summary/prices/quote/statistics have been obtained from sources we believe to be reliable, but we cannot guarantee its accuracy or completeness. Past performance is no guarantee of future results. The information provided in this summary is for illustrative purposes only and does not represent an official statement by the firm. You must refer to your monthly statements for an accurate and complete record of your transactions, holdings & balances. Best efforts have been made to reflect the true values of the figures, but we can not guarantee the accuracy or completeness due to the element of human error. This is not a binding or legal document. This information is based upon the market value of your account as of the close of business on 12.31.17 and is subject to daily market fluctuation. Morgan Stanley Smith Barney, LLC. Member SIPC. Prepared by: John O. Myhre, Vice President, Financial Advisor

ASSET ALLOCATION - ASSET CLASS



ASSET ALLOCATION

	Total Value 01/30/18	% of Portfolio 01/30/18
Cash		
Global Cash		
Global Cash	558,618.94	1.9
Global Cash Total	\$558,618.94	1.9%
Cash Total		
	\$558,618.94	1.9%
Equities		
US Equities		
US Large Cap Growth	5,807,390.95	19.5
US Large Cap Value	4,948,959.97	16.6
US Mid Cap Growth	766,833.67	2.6
US Mid Cap Value	687,241.57	2.3
US Small Cap Growth	386,816.54	1.3

Total Value and % of Portfolio are based on US Dollar values.

ASSET ALLOCATION

	Total Value 01/30/18	% of Portfolio 01/30/18
US Small Cap Value	323,554.05	1.1
US Equities Other	640,830.01	2.2
US Equities Total	\$13,561,626.76	45.6%
International Equities		
Canadian Equities	55,656.00	0.2
European Equities	1,308,476.89	4.4
Japan Equities	211,586.66	0.7
Asia Pac ex Jpn Equities	183,223.94	0.6
Intl Equities Other	3,039,044.15	10.2
International Equities Total	\$4,797,987.64	16.1%
Emerging & Frontier Mkt		
Asia Equities	42,995.04	0.1
Latin America Equities	8,036.75	0.0
Emerging Mkt Equities Oth	1,943,408.97	6.5
Emerging & Frontier Mkt Total	\$1,994,440.76	6.7%
Equities Total	\$20,354,055.16	68.5%
Fixed Income & Preferreds		
Short Term Fixed Income		
Short Term Govt/Corp	915,817.84	3.1
Short Term Securitized	305,272.61	1.0
Short Term Fixed Income Total	\$1,221,090.45	4.1%
US Fixed Income Taxable		
Intermed Term Govt/Corp	1,177,560.11	4.0
US Taxable Core	2,512,853.48	8.5
US Fixed Income Taxable Total	\$3,690,413.59	12.4%
Intl Fixed Income		
Intl Core Fixed Income	596,857.53	2.0
Intl Fixed Income Total	\$596,857.53	2.0%
High Yield Fixed Income		
High Yield Fixed Income	1,604,328.03	5.4

Total Value and % of Portfolio are based on US Dollar values.

ASSET ALLOCATION

	Total Value 01/30/18	% of Portfolio 01/30/18
High Yield Fixed Income Total	\$1,604,328.03	5.4%
Fixed Income & Preferreds Total	\$7,112,689.60	23.9%
Alternatives		
Real Assets		
REITs	551,779.80	1.9
MLP/Energy Infrastructure	83,256.90	0.3
Real Assets Total	\$635,036.70	2.1%
Absolute Return Assets		
Non-Directional MMgr/FoF	552,257.87	1.9
Absolute Return Assets Total	\$552,257.87	1.9%
Equity Hedge Assets		
Multi-Manager/FoF	511,821.71	1.7
Equity Hedge Assets Total	\$511,821.71	1.7%
Alternatives Total	\$1,699,116.28	5.7%
Total Portfolio	\$29,724,479.98	100.0%

Total Value and % of Portfolio are based on US Dollar values.

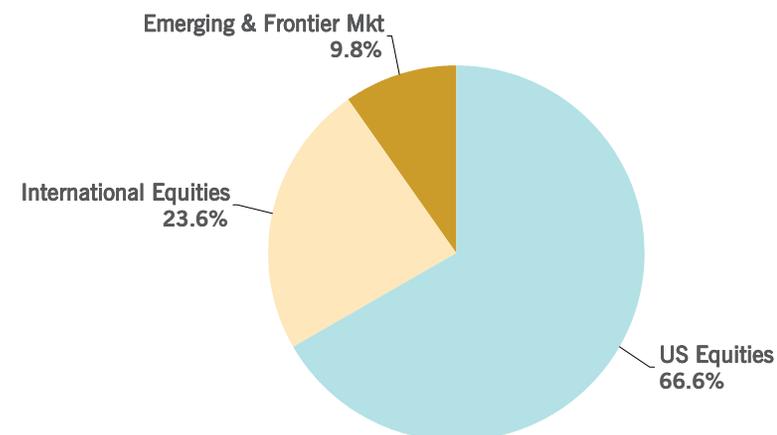
VSC All Accounts

As of January 30, 2018 | Reporting Currency: USD

TOP EQUITY POSITIONS BASED ON TOTAL VALUE

	Total Value 01/30/18	% of Equities
ISHARES RUSSELL 1000 GRW ETF	\$3,990,008.45	19.6%
ISHARES RUSSELL 1000 VALUE ETF	3,079,522.02	15.1
WILLIAM BLAIR INTL GROWTH I	1,761,622.51	8.7
VANGUARD FTSE DEVELOPED MKTS E	1,277,421.64	6.3
OPPENHEIMER DEVELOPING MKTS Y	775,533.20	3.8
LAZARD EMERGING MKTS EQ I	759,209.75	3.7
ISHARES RUSSELL 2000 ETF	480,813.62	2.4
ISHARES MSCI EMERGING MKTS ETF	408,666.02	2.0
UNITEDHEALTH GP INC	278,773.70	1.4
COMCAST CORP (NEW) CLASS A	222,200.32	1.1
Top Equity Positions	\$13,033,771.23	64.0%
Other Equity Positions	\$7,320,283.93	36.0%
Total Equities	\$20,354,055.16	100.0%

ASSET ALLOCATION - EQUITIES



ASSET ALLOCATION - EQUITIES

	Total Value 01/30/18	% of Equities 01/30/18	% of Portfolio 01/30/18
US Equities	\$13,561,626.76	66.6%	45.6%
International Equities	4,797,987.64	23.6	16.1
Emerging & Frontier Mkt	1,994,440.76	9.8	6.7
Total Equities	\$20,354,055.16	100.0%	68.5%

Total Value, % of Portfolio and % of Equities are based on US Dollar values.

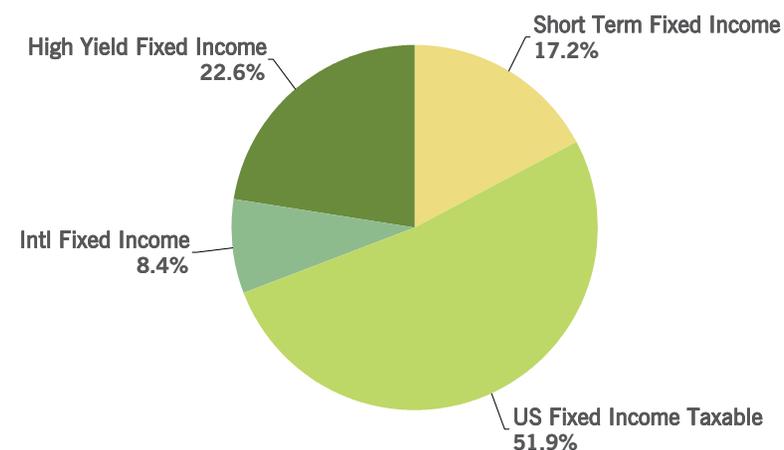
VSC All Accounts

As of January 30, 2018 | Reporting Currency: USD

TOP FIXED INCOME & PREFERRED POSITIONS BASED ON TOTAL VALUE

	Total Value 01/30/18	% of Fixed Income & Preferreds
BLACKROCK HI YIELD BD PTF INST	\$1,604,328.03	22.6%
VANGUARD SH TM INVT GR INV	1,221,090.45	17.2
GUGGENHEIM TOTAL RETURN BD I	1,198,807.61	16.9
VANGUARD TOTAL BD MKT INDX INV	1,177,560.11	16.6
LOOMIS SAYLES BOND INST	1,104,339.17	15.5
DREYFUS STANDISH GLB FIX INC I	806,564.23	11.3
Top Fixed Income & Preferred Positions	\$7,112,689.60	100.0%
Other Fixed Income & Preferred Positions	-	-
Total Fixed Income & Preferreds	\$7,112,689.60	100.0%

ASSET ALLOCATION - FIXED INCOME & PREFERREDS



ASSET ALLOCATION - FIXED INCOME & PREFERREDS

	Total Value 01/30/18	% of Fixed Income & Preferreds 01/30/18	% of Portfolio 01/30/18
Short Term Fixed Income	\$1,221,090.45	17.2%	4.1%
Short Term Govt/Corp	915,817.84	12.9	3.1
Short Term Securitized	305,272.61	4.3	1.0
US Fixed Income Taxable	3,690,413.59	51.9	12.4
Intermed Term Govt/Corp	1,177,560.11	16.6	4.0
US Taxable Core	2,512,853.48	35.3	8.5
Intl Fixed Income	596,857.53	8.4	2.0
Intl Core Fixed Income	596,857.53	8.4	2.0
High Yield Fixed Income	1,604,328.03	22.6	5.4
High Yield Fixed Income	1,604,328.03	22.6	5.4
Total Fixed Income & Preferreds	\$7,112,689.60	100.0%	23.9%

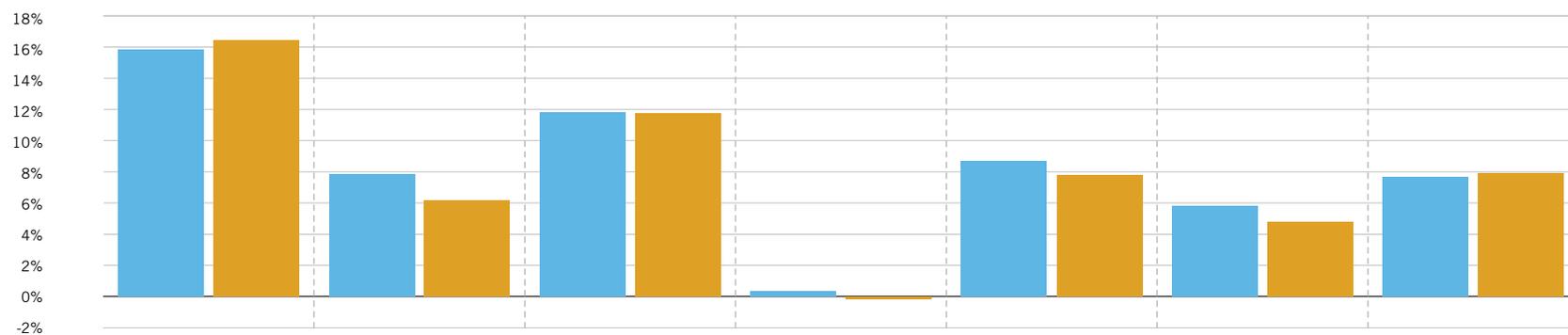
Total Value, % of Portfolio and % of Fixed Income and Preferreds are based on US Dollar values.

TIME WEIGHTED PERFORMANCE SUMMARY - ADVISORY ASSETS ONLY

VSC All Accounts

As of December 31, 2017 | Reporting Currency: USD

RETURN % (NET OF FEES) VS. BENCHMARKS



	Year to Date 12/31/16 - 12/31/17	Previous Year 12/31/15 - 12/30/16	Custom Period 06/30/16 - 06/30/17	Custom Period 06/30/15 - 06/30/16	Last 5 Years 12/31/12 - 12/31/17	Last 10 Years 12/31/07 - 12/31/17	Performance Inception 02/27/03 - 12/31/17
Beginning Total Value	\$24,642,576.28	\$22,687,417.15	\$23,493,810.71	\$23,399,223.71	\$19,266,288.40	\$16,477,014.59	\$2,759,923.00
Net Contributions/Withdrawals	11,463.55	184,475.20	185,418.31	12,730.35	-477,020.24	-526,416.80	8,055,411.37
Investment Earnings	3,895,499.48	1,770,683.93	2,779,696.21	81,856.64	9,760,271.15	12,598,941.52	17,734,204.94
Ending Total Value	\$28,549,539.30	\$24,642,576.28	\$26,458,925.22	\$23,493,810.71	\$28,549,539.30	\$28,549,539.30	\$28,549,539.30

■ Return % (Net of Fees)	15.81	7.85	11.83	0.35	8.71	5.77	7.69
■ 65% MSCI AC World/35% Barclays Agg	16.45	6.17	11.77	-0.16	7.81	4.77	7.91

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

DISCLOSURES

Explanatory Notes and Disclosures: This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

For convenience purposes, your Financial Advisor may have assigned a designated name for this Document. The list of the accounts covered in this document is noted herein and may not include all of your accounts with us or external custodians. Furthermore, the information included in this document may not include all asset classes/securities/liabilities held by you at the firm or external custodians. Please review this document carefully and discuss any questions you may have with your Financial Advisor. If you do not understand an entry, suspect an error, or want more details on current values or other information, contact your Financial Advisor. This document is based upon your Morgan Stanley account holdings and may include other holdings/information that you or a third party provided about assets custodied elsewhere. Morgan Stanley will not verify any other holdings/information. If any information reflects assets held away from Morgan Stanley that will be indicated. The information contained in this document is subject to, and does not supersede the confirmations and account statements you receive from us. Values shown in your official account statement may differ from the values shown in this document due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your official account statement and this document, rely on your official account statement.

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Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Important Information About Auction Rate Securities: For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

Important Pricing Information: Prices of securities not actively traded may not be available, and are indicated by a dash "-".

Timing of Feeds - FX Market: The FX market rate used to convert non-US Dollar values to US Dollars is as of the previous business day's close. For the current FX rates, please contact your Financial Advisor.

Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up-to-date performance information. Past performance is not a guarantee of future results.

Market values used for performance calculation do not include Performance Ineligible Assets and thus may differ from asset allocation market values. Common examples of Performance Ineligible Assets include life insurance and annuities as well as Manually Added and External accounts, assets and liabilities.

Unless otherwise indicated, performance is a composite calculation of the entire portfolio and may include brokerage and investment advisory accounts as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

For Morgan Stanley Smith Barney LLC accounts, performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 or applicable disclosure brochure and any applicable brokerage commission and/or fee schedule for a full disclosure of fees and expenses. Your Financial Advisor will provide those documents to you upon request. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses.

Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Indices : Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Additional information about your Alternative Investments : An alternative investment is any non-traditional asset beyond stocks, bonds, and cash, and may include derivatives such as options and futures, leveraged equity or bonds, private equity, currencies, commodities, less common types of stocks such as natural resources stocks, master limited partnerships (MLPs), and real estate investment trusts (REITs), or even collectibles such as paintings or other works of art, or luxury items such as wine and spirits. Many of these alternative investments typically have eligibility requirements that cannot be met by the average investor and are therefore not appropriate for all investors. Typical alternative investment vehicles are generally private offerings and can include hedge funds and funds of hedge funds, managed futures funds, and other vehicles. They utilize alternative strategies and investing techniques such as long/short, hedged equity and event driven, to name just a few. Often, alternative strategies seek to provide competitive returns relative to a given benchmark, while at the same time limiting downside risk in the event of a market downturn, although objectives vary widely depending on the type of strategy. In recent years, certain open-end mutual funds can now be classified as another type of alternative investment vehicle as they seek alternative-like exposure and these may be included in the Alternative Investments category. They are publicly offered and more accessible by a larger number of investors. Both types of alternative investment vehicles often seek investment returns that have lower correlation to traditional markets and increased diversification in an overall portfolio. However, unlike hedge funds, open-end mutual funds that seek alternative-like exposure do not require investor pre-qualifications, enable efficient tax reporting, are subject to lower investment minimums and lower fees, provide greater portfolio transparency, daily liquidity, and are required to provide daily NAV pricing. While alternative mutual funds offer some advantages, generally they must utilize a more limited investment universe and, therefore, will have relatively higher correlation with traditional market returns. Additionally, open-end mutual funds are statutorily limited in their use of leverage, short sales, and the use of derivative instruments as compared to hedge funds.

Potential benefits to hedge funds include greater flexibility in terms of seeking enhanced returns through the use of leverage, exposure to less liquid investments, and the more flexible use of complex instruments such as derivatives. Because of the differences noted above, performance for a mutual fund that seeks alternative-like exposure and its portfolio characteristics may vary from a hedge fund that is seeking a similar investment objective. Historically, hedge funds in certain categories have enjoyed a performance advantage relative to their mutual fund counterparts.

It is important to note in this report that Morgan Stanley categorizes both types of alternative investment vehicles under the category "Alternatives" in the asset classification based view and under the category "Other" in a Product based view. This differs from your official Morgan Stanley account statement, which assigns alternative mutual funds under the category of "Mutual Funds" and typical alternative investment vehicles such as hedge funds, under the category "Alternatives".

Please note that no formal trading markets exist for private alternative investments. They are generally illiquid and may not be currently priced and values may not necessarily have been reduced to reflect prior distributions. If values and prices are assigned to the investments, they are estimates, based on information typically received from the funds' general partners, managing members, sponsors, administrators, or advisors of the funds and/or underlying funds, are typically subject to change and are as-of a date prior to the date of this report. Where applicable, see the particular fund statement for the final prices. Values and prices may not be realized upon the sale or ultimate disposition of the securities. For investment in funds valued in non-US Dollar currencies, the valuations received have been

converted to US Dollars using then prevailing foreign exchange rates. If index values are illustrated in the report, they may be more up to date than the data for the alternative investments illustrated. Private Alternative Investments listed in this report may not be in our possession, and are included solely as a service to the client, are not covered by the Securities Investor Protection Corporation (SIPC), and information contained herein is derived from an external service for which we are not responsible. If you have any questions regarding these investments, please contact your Financial Advisor.

GENERAL DEFINITIONS

Dollar-Weighted Return (Internal Rate of Return) : A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals.

Investment Earnings : A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Contributions/Withdrawals : The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Net of Fees : Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Time-Weighted Return : A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

Total Value : "Total Value" represents the Market Value of the portfolio or Asset Class referenced and includes the accrual of interest and dividends. Total Value in the Asset Allocation view prior to January 2014 does not reflect the accrual of interest and dividends. Total Value for Morgan Stanley & Co. and External accounts also does not include accrued interest and dividends.

BENCHMARK DEFINITIONS

65% MSCI AC World/35% Barclays Agg : The current allocation is comprised of 35.00% Barclays Aggregate, 65.00% MSCI AC World Net.

MSCI AC World Net : The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. For historical return purposes the AC World gross returns are being used from 1/31/1988 to 12/31/1998 and the net returns begin as of 1/31/1999.

Barclays Aggregate : The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

Morgan Stanley



Discussion of considering changes to the investment portfolio to respond to Environmental, Social and Governance Issues

Morgan Stanley's approach and resources.

Bringing value to “mission-based” investing

ESG “Investing with Impact” STRATEGIES

150+ Investment Strategies

- In concert with the due diligence and research of the Consulting Group a wide variety of non-proprietary investment options are available.

50+ Investment Companies

- Names like Blackrock, Ariel, Calvert, Parnassus, Pax World, TIAA, Apereo, Eaton Vance, Trillium, State Street, and Clearbridge.

Including the Opportunity for Screened Indices

- To obtain value driven investments in broadly exposed markets at lower cost.



WEALTH MANAGEMENT

Building Value from Values

Oct 9, 2015

How can people of faith navigate the complex issue of investing according to their deeply held values?



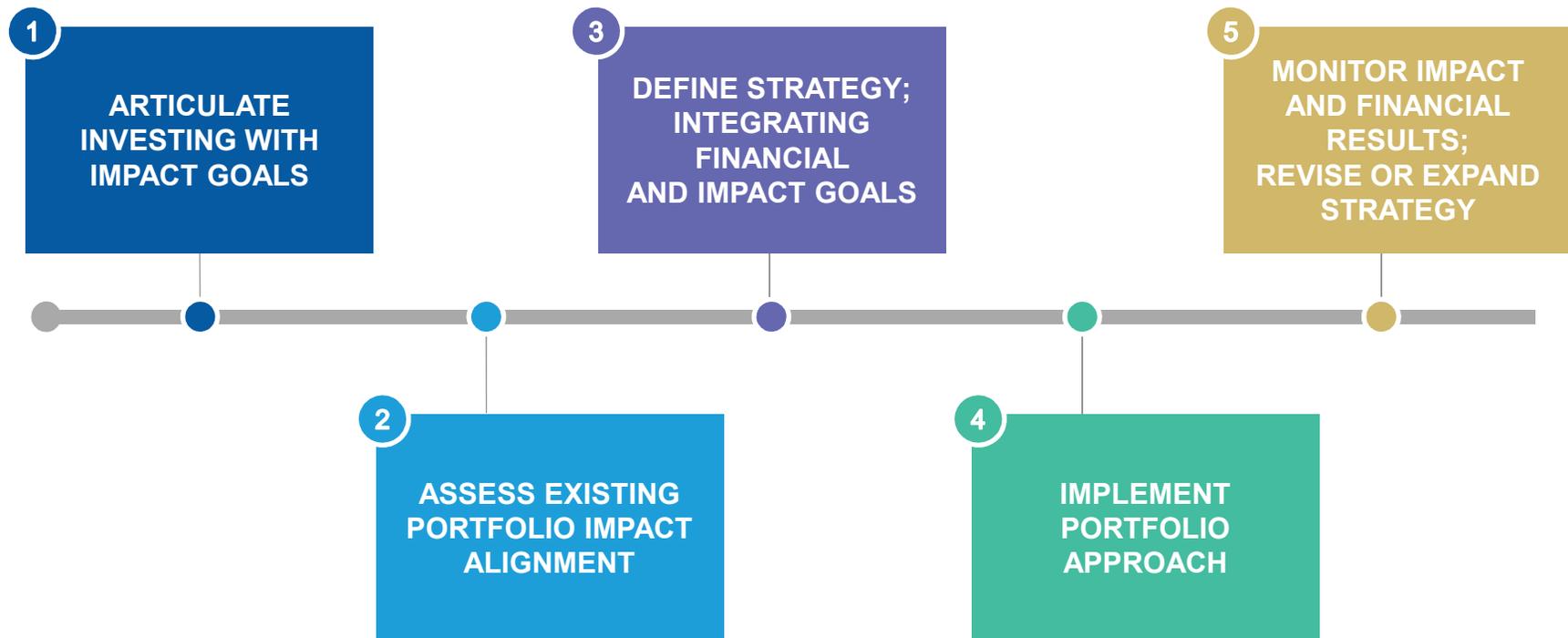
GLOBAL CAPITAL MARKETS

Green Bonds Take Root

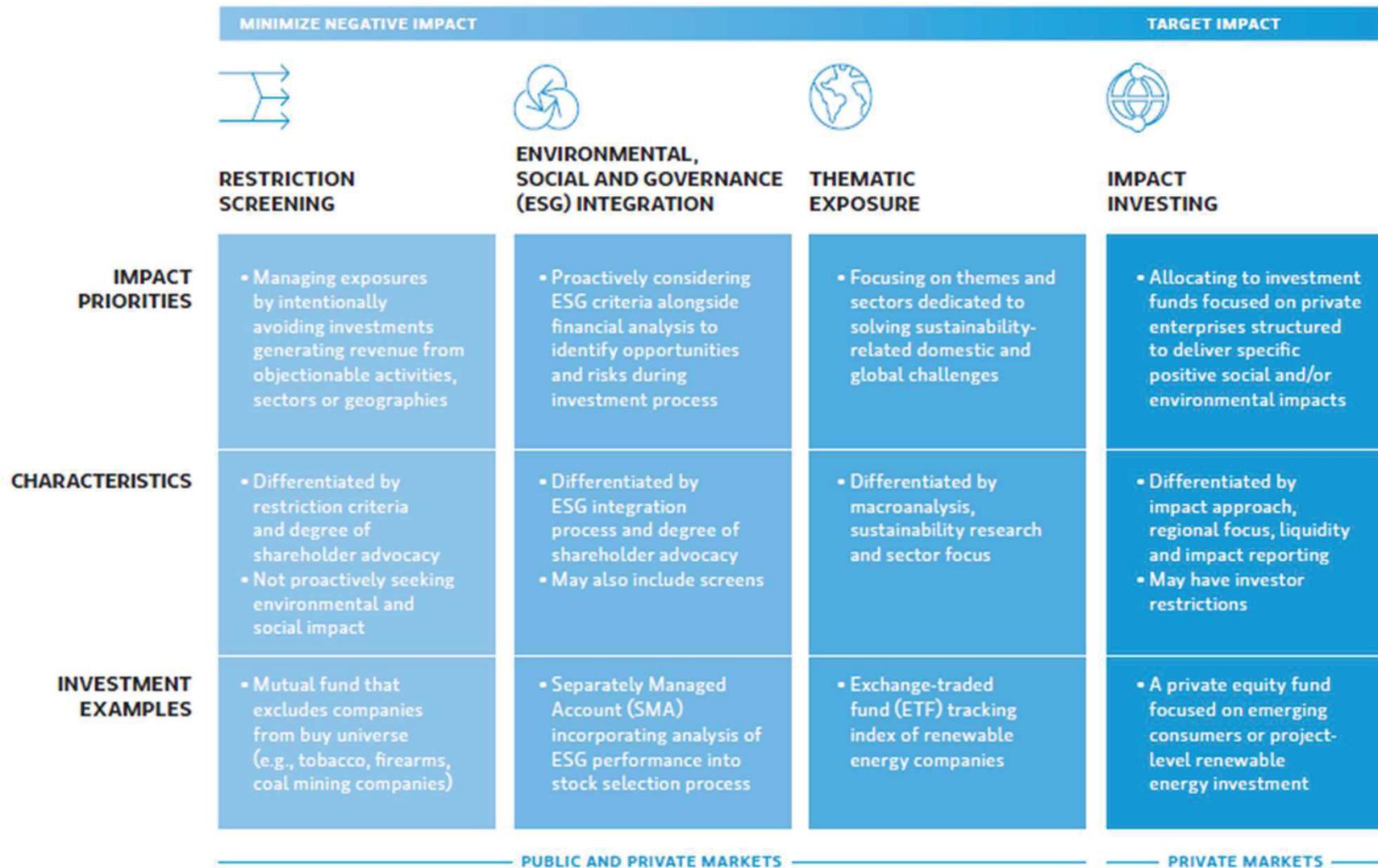
Dec 4, 2015

New varieties of green bonds are sprouting up in unexpected places, as deal volume hits a new record.

A Road Map for Investing with Impact Success



Integrating Mission Driven Investing



Fossil Fuel Screening and Scoring

- Fossil fuel company screening can include indicators affecting carbon footprint, non-sustainable energy resources and climate change. Using data from multiple sources including MSCI we can screen for:
 - **Carbon Emissions Intensity.** Companies with reported or estimated greenhouse gasses greater than 3,000 tons CO2 per million.
 - **Oil Sands Reserves.** Companies that have evidence of owning oil sands reserves
 - **Shale Oil & Gas Reserves.** Companies that have evidence of owning shale gas and/or shale oil reserves.
 - **Thermal Coal Reserves.** Companies that have evidence of owning thermal coal assets.

ESG Screening and Scoring

- ESG scoring/screening ranks companies on a percentile basis within their global peer group on a broad range of ESG indicators. This eliminates some from investment consideration and increases the attractiveness of others. Criteria include:
 - Multiple **Environmental** considerations including contributions to climate change, energy efficiency, air and water pollution and waste generation and management.
 - **Social** Issues such as corporate accountability, workplace safety, diversity, training, product safety, responsible marketing, human rights, community and social investment.
 - **Governance** considerations such as transparency, independence and lack of conflicts, fair compensation and shareholder rights.

Companies receive an ESG score relative to a peer group defined by **Sustainalytics'** industry classification system.

Fossil Free/ESG Options Being Considered

1. Incorporating “screened” indices into the portfolio
 - Allows for elimination of certain companies and/or industries
 - Statistically adds volatility and modest increase in costs
2. Actively including ESG/Fossil Free managers in ongoing manager/strategies search and evaluation process
3. Discussion with current managers on the implications of eliminating selective names from the portfolio

Plan for Reallocating 20% of Portfolio to Fossil Free Approach

- Replace 15% of the portfolio in the Russell 1000 Growth, Russell 1000 Value and the FTSE Developed Markets index tracking investments with like fossil free screened indices.
- Reallocate 5% of the portfolio from our separately managed account with Thomas Partners (50% of their mandate) into a fossil free screened version of this portfolio.
- Approximate value of changes is \$5,700,000.
- Makes a meaningful fossil free change within the portfolio and allows for monitoring of the impact of adjustments.

Item 9:
Memorandum from CFO and
Redlined Investment Policy Statement

MEMORANDUM

TO: Chancellor Jeb Spaulding
M. Jerome Diamond
J. Churchill Hindes, Chair
Tim Jerman
Bill Lippert
Christopher Macfarlane, Vice Chair
Linda Milne
Michael Pieciak

FROM: Steve Wisloski 

DATE: February 7, 2018

SUBJ: Recommendation Regarding Fossil Fuel Divestment from Endowment

At the Finance and Facilities Committee's meeting on December 1, 2017, the Committee reviewed a petition from Fossil Free VSC, which included a request to divest the System's endowment of fossil fuel investments.

Fossil Free VSC's members also requested that low-carbon or fossil fuel free investment alternatives be added to the System's 403(b) retirement plan. In response to that request, Chancellor's Office staff reviewed several fund alternatives with TIAA, the System's 403(b) plan administrator, and plan to add the following funds:

1. TIAA-CREF Social Choice Low Carbon fund (ticker: TNWCX), a large blend domestic equity fund
2. Pax Global Environmental Markets fund (ticker: PGINX), a global small/mid cap fossil fuel free fund

Staff has also requested low carbon and fossil fuel free bond fund alternatives, and TIAA otherwise has advised us that these funds can be added to the plan within three to four months. These fund choices will enable our plan participants to invest their retirement funds in accordance with their objectives and values.

Also at that meeting, the Committee members requested further information regarding two possible divestment approaches suggested by Morgan Stanley, the System's financial advisor, as follows:

- Maintain the current structure of the portfolio but remove a list of identifiable specific fossil fuel companies (for example, Exxon, Chevron, etc.)
- Convert a portion of the portfolio to sustainable and/or environmental, social and governance (ESG) objectives, and if performance is comparable, then consider growing this allocation over time

Since that meeting, both the Chancellor and I have further investigated fossil fuel investment screening approaches with Morgan Stanley, and determined that the least disruptive strategy combines elements of both of the above approaches.

In lieu of targeting specific fossil fuel companies, or allocating a portion of the portfolio to an entirely new strategy, Morgan Stanley determined that they could screen all fossil fuel holdings for several of VSC's larger passive equity index funds, and determined that active fund manager Thomas Partners is able to screen fossil fuel investments as well. Morgan Stanley will discuss this approach during their presentation to the Committee at the February 12 meeting, and a summary follows:

Plan for Reallocating 20% of Portfolio to Fossil Free Approach

- Replace 15% of the portfolio in the Russell 1000 Growth, Russell 1000 Value and the FTSE Developed Markets index tracking investments with like fossil free screened indices.
- Reallocate 5% of the portfolio from our separately managed account with Thomas Partners (50% of their mandate) into a fossil free screened version of this portfolio.
- Approximate value of changes is \$5,700,000.
- Makes a meaningful fossil free change within the portfolio and allows for monitoring of the impact of adjustments.

In my November 21 memorandum to the Committee, I stated that divestment was “*possible* to implement, at moderate annual cost and/or greater variability of expected returns.” To assist the committee’s deliberations, I estimated the dollar impact of divesting to be in the range of 0.16% to 0.33% annually, or \$44,500 to \$91,000 per year. Assuming that screening was limited to 20% of the portfolio, this would correspond to about \$9,000 to \$18,000 per year. These are estimates and should be expected to vary, perhaps considerably, from the realized outcome.

However, as Chief Financial Officer, with a fiduciary responsibility to the System, I recommend against divesting the System’s endowment of fossil fuel investments – to include screening approaches – for the following reasons:

1. By definition, this reduces portfolio diversification, and as such increases the risk associated with a comparable level of investment return. This is especially true for a market sector such as fossil fuels, which comprises a significant portion of investable assets. Conceptually, divestment is similar to increasing the percentage of the portfolio invested in stocks vs. bonds, without expecting higher returns as a result.
2. Staff and the Committee do not possess the investment expertise to select (or de-select) market sectors, industries or individual stocks; it is for this reason that we delegate this function to a professional investment advisor, who in turn selects professional investment managers, none of whom pursues divestment as a strategy, or has advised us that divestment will improve risk-adjusted return. By divesting, the Committee is asserting an investment thesis, intended or not, that our professional managers do not share.
3. Divestment will increase management fees. Morgan Stanley advises that the screened versions of the above portfolios will increase fees by 0.15% annually; on \$5.35 million of assets this is estimated to be \$8,000 per year. While this is considerably less than initially presented, it is still an elective, and in my view non-value added, expense.

Finally, I am concerned that fossil fuel divestment will set a precedent for future such initiatives, with further potential for less-than-optimal investment returns, and corresponding reductions to the System’s ability to provide scholarships and other student support.

Should the Committee vote to recommend a fossil fuel screening alternative to the full Board, then Morgan Stanley could implement the above-described approach shortly following the Board’s approval at its regularly-scheduled meeting in March.

The “least disruptive” fossil fuel screening approach described above also enables an ongoing side-by-side comparison between the screened and non-screened alternatives, and I recommend that the Committee monitor and evaluate the impact of fossil fuel screening to overall portfolio risk and return going forward.

Finally, regardless of whether the Committee and Board pursue fossil fuel screening, I recommend adoption of the updated investment policy, both to incorporate previously-identified suggested changes, and to state unambiguously that the Committee and Board are authorized to pursue environmental, social and governance (ESG) objectives in addition to maximizing risk-adjusted return.

Should you have any questions regarding this memorandum, please contact me at stephen.wisloski@vsc.edu or (802) 224-3022. Thank you.

Attachment:

1. Investment policy statement with proposed redlined updates

cc: Professor Brendan Lalor, Fossil Free VSC

INVESTMENT POLICY STATEMENT

For

The Endowed Funds of the

Vermont State Colleges

Amended
September, 2014

DRAFT
Amended and Restated
March 31, 2017

In RED
DRAFT as of
March 31, 2017
With suggested
ammmendments April 4,
2017 Investment Sub -
Committee Meeting and
CFO.

Additional suggested
ammmendments as of
August 9, 2017

INVESTMENT POLICY STATEMENT

Purpose

The purpose of this Investment Policy Statement (the "IPS") is to assist the Vermont State Colleges (VSC) in effectively supervising, monitoring and evaluating the investment of the Endowed Funds of the VSC system. This IPS supports VSC Endowment Investment and Spending Policy #430.

The IPS represents the prudent investment process that implements the investment goals set by the Board of Trustees. The IPS sets forth the investment structure for managing assets, including appropriate asset classes, asset allocation and acceptable ranges. Together, these investment principles are expected to produce a sufficient level of overall diversification and total investment return over the long-term to meet the investment goals of the VSC.

The IPS is intended to comply with all applicable fiduciary, ethical and due diligence requirements that experienced investment professionals would employ. It will also adhere to all applicable laws, rules and regulations from various local, state, federal and international ~~political~~ governmental entities that may impact the Plan's assets. It seeks to be in full compliance with all aspects of the Uniform Prudent Management of Institutional Funds Act as adopted in the State of Vermont.

Background

The VSC holds endowed funds to be managed for the benefit of VSC system. These assets are managed with a long-term time horizon of ten years or greater and are maintained and managed for perpetuity. Within this Investment Policy Statement these assets shall be referred to as the Fund.

Duties and Responsibilities of Involved Parties

The Vermont State Colleges Board of Trustees

The Board is responsible for setting overall Investment Policy and acting on advisory recommendations made by the Finance & Facilities Committee.

The Finance Committee of the Board of Trustees

The Finance & Facilities Committee of the Board of Trustees

The Finance & Facilities Committee shall be responsible for developing advisory recommendations to the Board. ~~of Trustees in the following areas:~~ The Finance & Facilities Committee may designate an Investment Subcommittee to assist in its responsibilities. These responsibilities include:

- Fiduciary oversight of the Fund.
- Investment objectives and policies of the Fund.

- Advising the Chancellor on the selection and retention of investment managers.
- Changes in investment policy, guidelines, and objectives.
- Responsibility to exercise all rights, including voting rights, as are acquired through the purchase of securities.

The Chancellor

~~The Chancellor shall be responsible for developing the IPS, day-to-day communications with the Advisor, day-to-day oversight of the Fund, and making decisions not otherwise vested in the Board of Trustees.~~

~~The Chancellor may employ either investment managers that actively select securities or utilize index funds that passively track an appropriate benchmark index.~~

The Chancellor, or the Chief Financial Officer on behalf of the Chancellor, shall be responsible for implementing and monitoring the IPS, day-to-day oversight of the Fund, authorizing the selection and retention of investments or investment managers, day-to-day communications with the Advisor, authorizing actions as directed by the Board and making decisions not otherwise vested in the Board of Trustees.

The Advisor

The Advisor is a Registered Investment Advisor and shall act as the investment advisor to the Board of Trustees, the Finance and Facilities Committee and the Chancellor until it is decided otherwise.

The Advisor, at the direction of the Chancellor or his designee, may employ either investment managers that actively select securities or utilize index funds or vehicles that passively track an appropriate benchmark index.

The Advisor shall be responsible for:

- Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Advising the Board of Trustees, Finance & Facilities Committee, and Chancellor about the selection of and the allocation of asset categories.
- Identifying specific assets and investment managers within each asset category.
- Providing "due diligence", or research, on the Investment Manager(s)
- Monitoring the performance of all selected assets the advisor consults to.
- Periodically reviewing the suitability of the investments for the Board of Trustees and/or Finance Committee.
- Being available to meet with the Board of Trustees and/or Finance & Facilities Committee at least four times each year.
- Being available at such other times within reason at the Board of Trustees and/or Finance Committee's request.
- Preparing and presenting appropriate reports.
- Assisting in the development and periodic review of investment policy.

The Advisor shall be responsible for:

- Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Advising the Board of Trustees, Finance & Facilities Committee, and Chancellor about the selection of and the allocation of asset categories.
- Identifying specific assets and investment managers within each asset category.
- Providing "due diligence", or research, on the investment manager(s)
- Monitoring the performance of all selected assets the advisor consults to.
- Periodically reviewing the suitability of the investments and report to the Board of Trustees and/or Finance & Facilities Committee thereon.
- Being available to meet with the Board of Trustees and/or Finance & Facilities Committee at least four times each year.
- Being available at such other times within reason at the Board of Trustees and/or Finance & Facilities Committee's request.
- Preparing and presenting appropriate reports.
- Assisting in the development and periodic review of investment policy.

The Advisor shall not:

- Have discretionary control of the portfolio.
- Have authority to withdraw funds from the Fund's accounts, except to cover payment of previously agreed to fees or to rebalance the portfolio or at the Board of Trustees or its designee's specific direction.
- Change the investment policy, including the targeted strategic asset allocation, of the Fund without the Board of Trustees prior approval.

The Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Managers shall maintain the general investment style and risk level as stated at time of hiring unless VSC is specifically notified in advance otherwise. Specific responsibilities of the Investment Manager(s) include:

- Implementing discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, periodic investment performance results.
- Communicating any major changes in investment strategy or any other factor which might affect implementation of investment process.
- Informing the Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy, etc.
- Voting proxies, unless otherwise directed by the Board of Trustees or the Chancellor.

Selection of Investment Managers

The Chancellor **or his designee**, after the recommendation of the Advisor, will select appropriate investment managers to manage the fund assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of comparable investments, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Maintain minimum assets under management of \$250 million.

Plan Objectives and Time Horizon

Time Horizon

The investment time horizon of the Fund is ten years or greater, as the existence and obligations of the Plan are long term and ongoing. The Board of Trustees may alter this time horizon if factors change making shorter-term liquidity more important.

Risk Tolerances

In establishing the market risk tolerances of the Plan, the ability to withstand short and intermediate term variability was analyzed. The Board of Trustees and Finance Committee recognize that “moderate” risk and volatility, including periods of portfolio declines, must be assumed in order to achieve the long-term investment objective of prudent capital appreciation.

As a general guideline, the assumed risk on Fund assets is targeted to be less than the projected volatility of U.S. domestic equities as measured by the Standard & Poor's 500 Stock Index and greater than a portfolio comprised of 50% of the Standard & Poor's 500 Stock Index and 50% the Barclay's Aggregate Bond Index.

As a general guideline, the assumed risk on Fund assets is targeted to be less than the projected volatility of U.S. domestic equities as measured by the Standard & Poor's 500 Stock Index and greater than a portfolio comprising 50% of the Standard & Poor's 500 Stock Index and 50% the Barclay's Aggregate Bond Index.

Performance Expectations and Investment Objectives

The rate of return on the Fund is expected to meet or exceed the rate of return for the composite of 65% MSCI ACWI and 35% Barclay's Aggregate Bond Index. ~~Over the long run, the investment goal for the fund is an average annual rate of return of 7½%.~~

Sustainable Investing Consideration

As fiduciaries of the long term investment funds of the Vermont State College System the primary responsibility of the Board of Trustees is the prudent oversight of the portfolio to promote competitive rates of return in a diversified portfolio for a reasonable level of risk. The primary investment purpose of the portfolio is to financially support the educational mission of the institutions. Within this context, the Board of Trustees may integrate principles of strong environmental stewardship, fair and equitable social values and accountable corporate governance and transparency. To this end, the Trustees may instruct the Advisor to consider investment vehicles or managers which balance prudent investment practices and a sensitivity to long-term environmentally and socially sustainable investing

Spending Policy

~~The Board of Trustees has set the annual withdrawal and spending per college at 5% of the average annual portfolio value over the last three years. Actual spending will be limited by the amount of unspent earnings available at the time the spending allocation is made, unless the donor stipulates otherwise. Distributions from the Fund will be made as needed.~~

The Board of Trustees has set the annual maximum withdrawal and spending rate to be the lesser of 5% of the current market value or 5% of the average market value over the last three years. Actual spending will be limited by the amount of unspent earnings available at the time the spending allocation is made. Distributions from the Fund will be made as needed.

Strategic Asset Allocation

Asset allocation of the Fund will be determined based on the time horizon, moderate risk tolerances, performance expectations and investment objectives. The structure of the portfolio will follow modern portfolio theory and attempts to maximize return while limiting risk over time. The current allocation grid is set forth in Exhibit A. The asset allocation will be reviewed from time to time, but no less frequently than once per year. The Board of Trustees may adjust the Target Strategic Allocation in order to meet fund objectives.

Rebalancing of Plan Assets

The value of each asset class will change depending upon asset performance. When necessary and/or available, cash inflows/outflows will be deployed to rebalance the portfolio in a manner consistent with the Target Strategic Allocation of this IPS. Additionally, at the recommendation of the Advisor and with the

approval of the Chancellor, the assets will be reviewed quarterly and rebalanced, in order to more closely align with the Target Strategic Allocation.

Asset Managers

The Chancellor may employ either asset managers that actively select securities or utilize index funds that passively track an appropriate benchmark index.

Duties and Responsibilities of the Asset Managers

The duties and responsibilities of each money manager or fund company retained by the Vermont State Colleges include the following:

- Managing the fund assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein.
- Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
- **Passively tracking an appropriate benchmark index.**

Investment Policies and Guidelines for the Investment Managers

Every investment manager selected to manage fund assets must adhere to the following investment policy and guidelines. If mutual funds are employed, only those that meet the following relevant criteria shall be selected:

- Equity holdings in any one company should not exceed more than ~~10%~~ **3%** of the market value of the Plan's equity portfolio.
- The manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. Cash is to be employed productively at all times by investment in short term cash equivalents to provide safety, liquidity and return. Nonetheless, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

~~Prohibited Assets~~

~~Private Placements~~

~~Limited Partnerships~~

~~Venture Capital Investments~~

Brokerage Policy

All transactions effected for the Fund will be subject to the best price and execution.

Monitoring of Investment Managers

Quarterly performance will be evaluated to monitor progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with managers employing similar styles.

On a timely basis the Advisor will assess each asset manager relative to the following:

- Overall adherence to the IPS guidelines.
- Material changes in the managers' organization, investment philosophy and/or personnel.
- Comparisons of the managers' results to appropriate indices and peer groups.
- Comparison of Up/Down market capture ratios.
- Other comparisons as agreed to by the Chancellor and the Advisor.

Review of this Investment Policy Statement

The Finance and Facilities Committee will review these guidelines on an annual basis or in the interim whenever substantive changes to the guidelines are proposed by the Chancellor.

EXHIBIT A

<u>Asset Allocation</u>	<u>Lower Limit</u>	<u>Target Strategic Allocation</u>	<u>Upper Limit</u>
Large Cap Equities	15%	24%	50%
Small/Mid Cap Growth Equities	3%	6%	10%
Small/Mid Cap Value Equities	3%	6%	10%
International Equities	10%	17%	25%
International Emerging Equities	0%	7%	15%
Domestic Fixed Income	10%	23%	45%
High Yield Fixed Income	0%	5%	8%
International Fixed Income	0%	4%	10%
Alternative Investments	0%	8%	15%
Cash	0%	0%	10%

With the individual asset class maximum and minimum thresholds notwithstanding, the following broad sector limits shall not be violated:

Maximums: Equities – 75%; Fixed Income/Cash – 55%; Alternative (~~Real Estate, Commodity~~) – 12%

Minimums: Equities – 40%; Fixed Income/Cash – 25%; Alternative (~~Real Estate, Commodity~~) – 0%

Evaluation Benchmarks

Individual investments with asset classes will be compared to the most appropriate benchmark including **but not limited to:**

Standard & Poor's 500 Stock Index
MSCI All Country World Index
Russell 1000 Large Capitalization Growth Index
Russell 1000 Large Capitalization Value Index
Russell 2000 Small Capitalization Equity Growth Index
Russell 2000 Small Capitalization Value Index
MSCI EAFE Index
MSCI Emerging Markets Index
Barclay's Aggregate Bond Index
Barclay's High Yield Bond Index
JPM Non-US Govt. Index
HFRI Fund of Funds Index – Conservative and/or Composite
Dow Jones Real Estate Index
S&P GSCI

The most appropriate benchmark will be used to evaluate individual manager performance.

Item 10:
FY2018 Committee Meetings Schedule

Finance and Facilities Committee
Meeting Schedule for Fiscal Year 2018
as of February 12, 2018

Mtg #	Date	Topic Count	Northern Vermont University	System Shared Services	FY19 Budget Development	FY20 Tuition, Fees, Room & Board	Quarterly Results, Metrics	Appropriation Requests	Cash, Investments, Endowment	Debt Management	Capital Planning and Projects	Facilities Management	Grants and Gifts	Policies and Procedures	Special Topics
1	Wed, Aug 23, 2017 (2:45pm - 5:00pm)	6					Q4 FY17 Results, reserves and system loans	Budget Adjustment and Appropriations Bills due mid-September	Regular quarterly report (per Policy 404)			Capital projects update		Review of draft revised Investment Policy	Review of Questions from May 31 (various topics)
	Wed, Sep 27, 2017 *		Meeting Cancelled; Board of Trustees Meeting to include update on Northern Vermont University, and presentation on Admissions and Enrollment												
2	Wed, Oct 25, 2017 (9:00am - 11:10am)	5			Initial discussion informed by Q1 FY18 results		Review final Fall 2017 Enrollment, Q1 FY18 Results, Reserves	Big Bill due 10/16, Capital Bill due 10/27, BAA TBD			Capital projects list review			Introduce Policy 504, Campus Safety Policy	
3	Thu, Dec 1, 2017 (9:45am - 12:10pm)	8			FY2019 and 3-year initial System outlook	Discuss amending Policy 301, Residency for In-State Tuition	Vote to approve carryover, System funds discussion	Vote to approve budget request, BAA proposal (if any)	Regular quarterly report (per Policy 404), response to FFVSC		Vote to approve capital projects list			Vote to approve Policy 504, Campus Safety Policy	VSC report (Act 85 Sec. E.101(c)) due to Legislature Jan 15
4	Mon, Feb 12, 2018 (rescheduled)	4			3-year enrollment and budget outlooks by Institution		Q2 FY18 Results		Morgan Stanley presentation, continue discussion with FFVSC					Investment policy annual review	
5	Mon, Feb 19, 2018		Meeting Cancelled												
6	Mon, Apr 2, 2018	7			Preliminary FY19 Budgets discussed	Discussion of net cost of attendance for in vs. out of state students	Expanded fund balances discussion		Regular quarterly report (per Policy 404)	Debt "201" discussion, compliance procedures				Policy 403 discussion	GASB 75/OPEB liability review
7	Mon, Apr 30, 2018	5			Preliminary FY19 Budgets presented	Initial FY20 Tuition discussion	Q3 FY18 Results					Deferred maintenance update			AGB Report update
8	Wed, May 30, 2018	3			Vote on FY19 Budgets	Preliminary FY20 Tuition request			Regular quarterly report, Annual Banking & Investment Resolution (per Policy 404)						
9	Wed, Jun 20, 2018 *	2				Vote on FY20 Tuition									AGB Report update

* Last meeting before quarterly Board of Trustees Meeting

Attachment

Fossil Free VSC

Jodi Neuman, CFA

Trillium Asset Management Presentation



FOSSIL FUEL FREE INVESTING

Two Financial Center | 60 South Street, Suite 1100 | Boston, MA 02111
www.trilliuminvest.com 617-423-6655

HISTORY & FIRM OVERVIEW

TRILLIUM OVERVIEW

- Boston based firm started in 1982
- \$2.6 billion in assets under management plus over \$300 million in model-driven platform assets (12/31/2017)
- Oldest investment advisor exclusively focused on sustainable and responsible investing (SRI)
- 55% institutional / 45% individual
- Employee owned, with broad distribution of shares
- Four person dedicated shareholder advocacy team
- Certified B Corporation member since 2008 and 'Best for World Overall' Honoree for five consecutive years

The B Corporation award is not indicative of the future performance of Trillium Asset Management. Past performance is not a guarantee of future results. B Lab, a non-profit organization helping companies manage corporate social responsibility, recognizes businesses that have earned an overall score in the top 10% of approximately 1,800 Certified B Corporations on the B Impact Assessment. The assessment analyzes a company's contributions to community development, employees, governance, and the environment.

FIDUCIARY DUTY

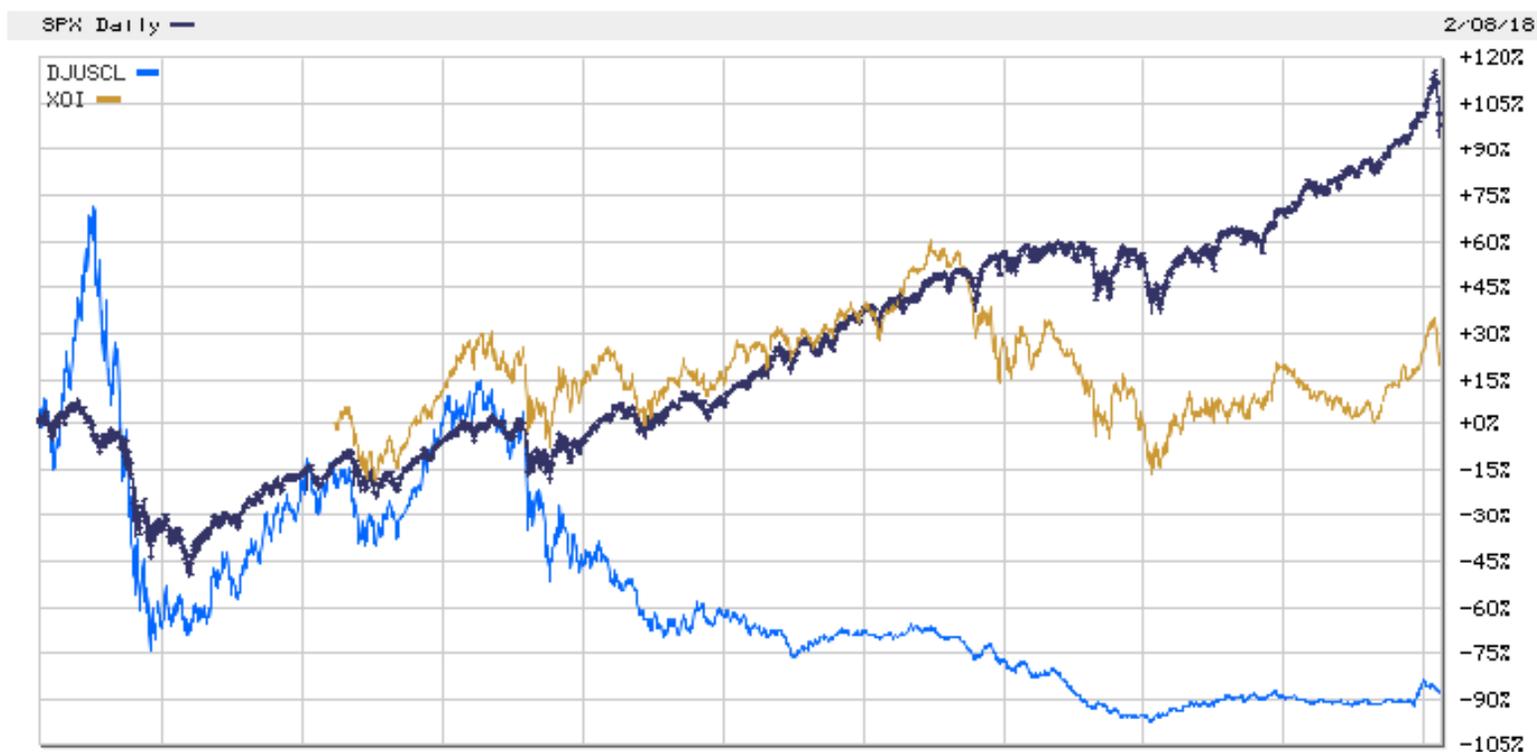
- Can a reasonable person expect a divested portfolio to perform similar to or better than a non-divested portfolio? If so, it meets the fiduciary duty standard.
- To answer this question, let's take a look backward and a look forward at the potential market behavior of the oil and gas industry.

LOOKING BACK

RECENT UNDERPERFORMANCE CYCLE

Chart of 10 Year Performance through 2/6/2018:

S&P 500 (Black), Oil & Gas (Gold), Coal Sector (Blue)



➤ Reviewing past ten years, avoidance of traditional energy and coal positive for investors

•Chart created at www.bigcharts.com

•The NYSE ARCA Oil Index (XOI) , represented by the gold line, is designed to measure the performance of the oil industry through changes in the prices of a cross section of widely held corporations involved in the exploration, production and development of petroleum.

•Dow Jones U.S. Coal index, represented by the gold line, is a subindex of the Dow Jones U.S. Indices and seeks to track all stocks classified in the coal subsector (1771) of the Dow Jones Sector Classification Standard traded on major U.S. stock exchanges.

INDEPENDENT STUDIES

- **Aperio**¹: Aperio found that over the 25-year period from 1988 through 2013 a portfolio excluding all fossil fuel companies outperformed its benchmark by a fraction of a percent (0.05%). In addition, Aperio estimated that over the same 25-year period, the fossil fuel free portfolio would have an annual tracking error from its Russell 3000 benchmark of just 0.77%.
- **Advisor Partners**²: Conducted another 25-year historical study which also found that removing fossil fuel stocks did not meaningfully change investment risk and return of a well-diversified portfolio.
- **University of Groningen**³: Over a period of 88-years, from before the Great Depression to after the Great Recession, “divestment did not reduce risk adjusted returns...these findings can be explained by the fact that fossil fuel company portfolios do not generate above-market performance and [fossil fuel companies] provide relatively limited diversification benefits.”

1) Patrick Geddes, Lisa Goldberg, Robert Tymoczko, Michael Branch. “Building a Carbon Free Portfolio”. Retrieved from <https://www.aperiogroup.com/resource/138/node/download>.

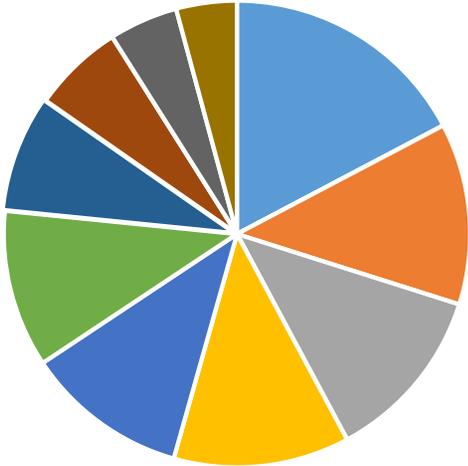
2) Jim Blachman, CFA, Gerard Cronin, CFA, Daniel Kern, CFA. “Fossil Fuel Divestment: Risks and Opportunities”. Retrieved from www.advisorpartners.com.

3)Trinks, Pieter Jan; Scholtens, Lambertus; Mulder, Machiel; Dam, Lammertjan: “Divesting Fossil Fuels: The Implications for Investment Portfolios”. University of Groningen. 2017

FORECAST OF OIL AND GAS SECTOR

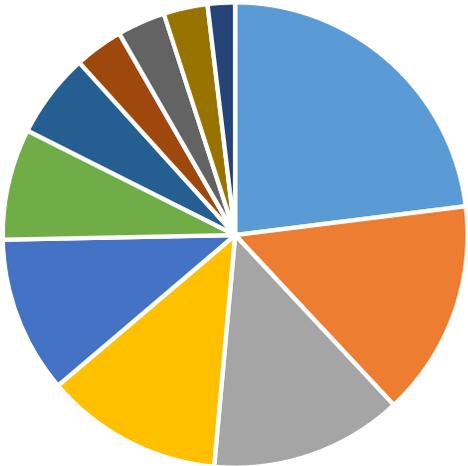
S&P 1500 SECTOR WEIGHTS:1997 VS. 2017

December 26, 1997



- Financials 17.3%
- Consumer Discretionary 12.6%
- Information Technology 12.3%
- Industrials 12.2%
- Consumer Staples 11.3%
- Health Care 10.9%
- Energy 8.1%
- Telecommunication Services 6.3%
- Materials 4.8%
- Utilities 4.2%

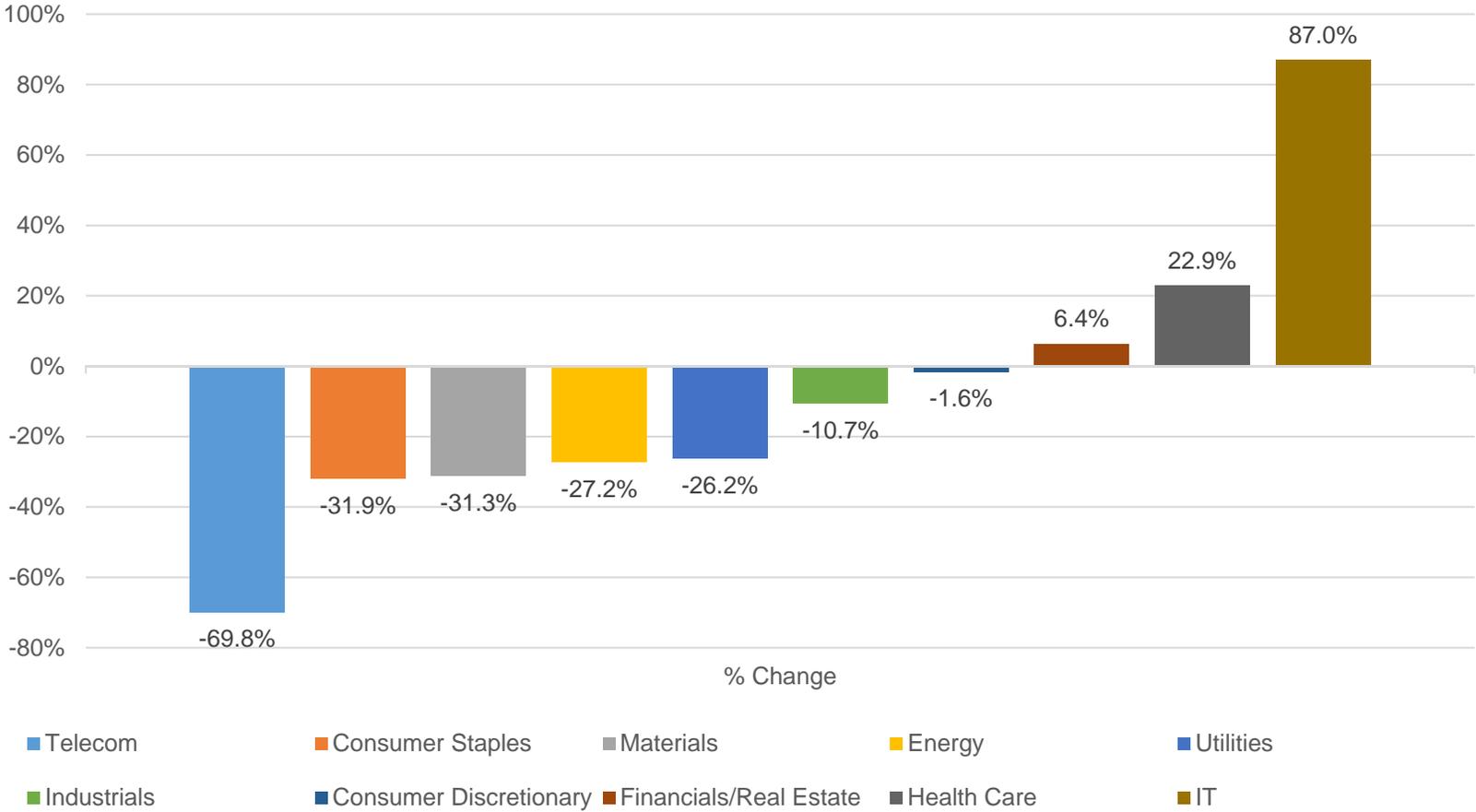
December 26, 2017



- Information Technology 23.0%
- Financials 15.0%
- Health Care 13.4%
- Consumer Discretionary 12.4%
- Industrials 10.9%
- Consumer Staples 7.7%
- Energy 5.9%
- Real Estate 3.4%
- Materials 3.3%
- Utilities 3.1%
- Telecommunication Services 1.9%

Source: Factset

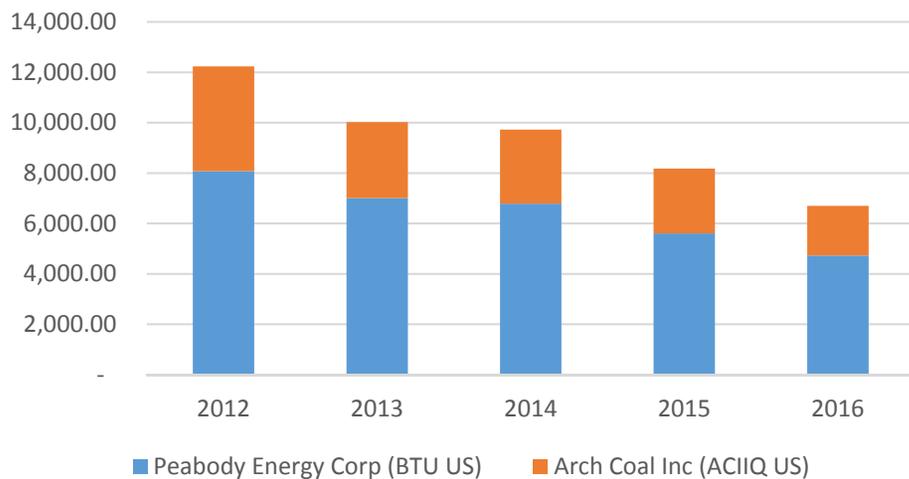
S&P 1500 SECTOR WEIGHTS: % CHANGE



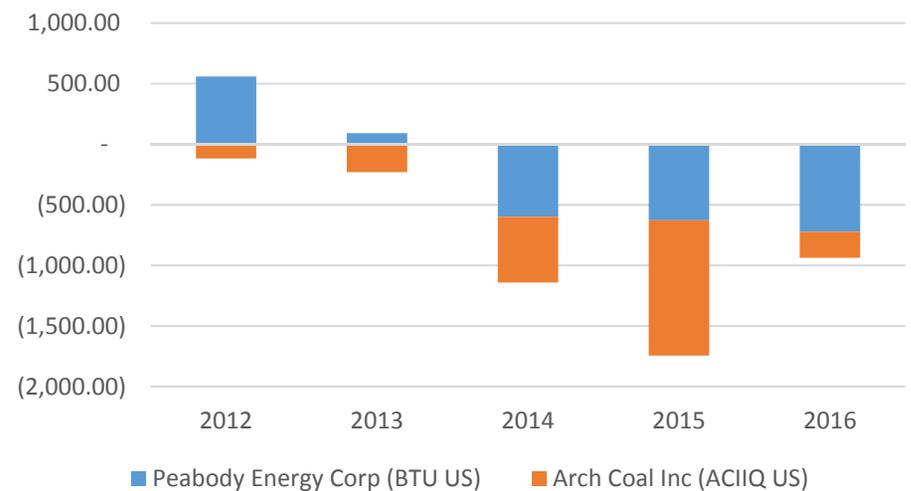
Source: Factset

COAL COMPANIES: REVENUE VS. NET INCOME – 5 YRS

Coal - Revenue

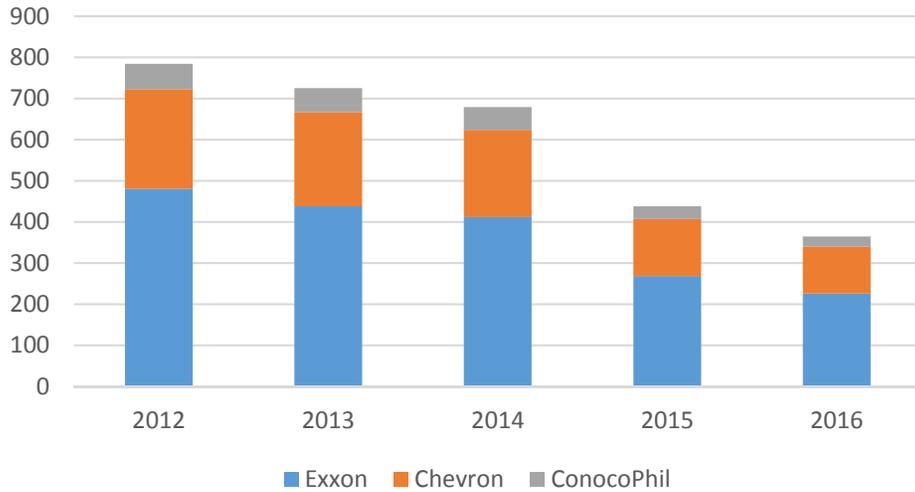


Coal - Net Income

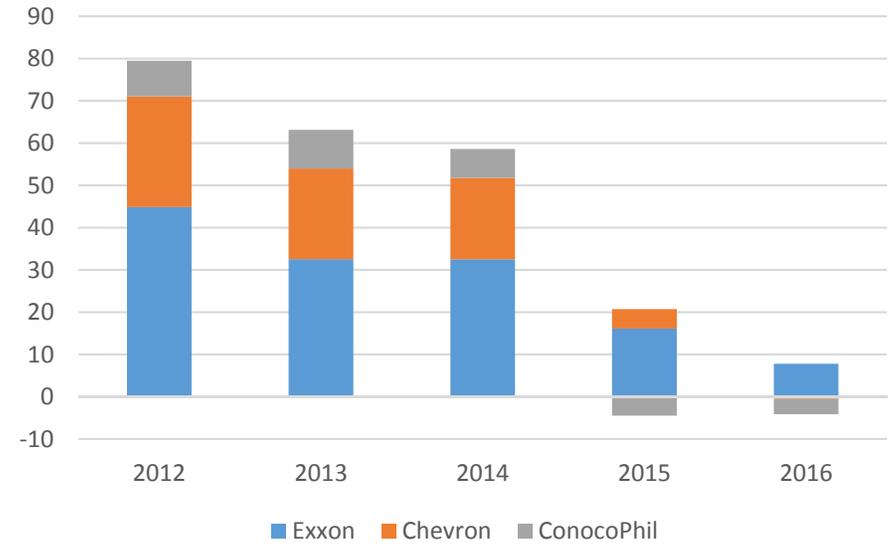


TOP 3 OIL COMPANIES: REVENUE VS. NET INCOME – 5YRS

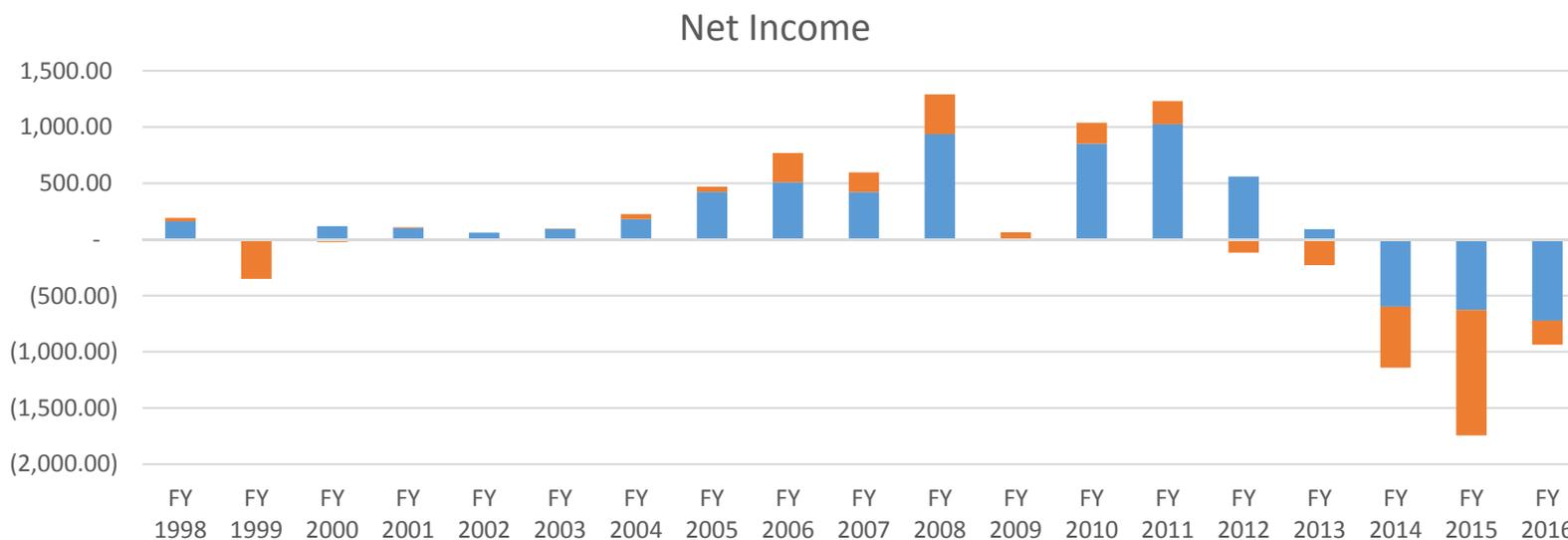
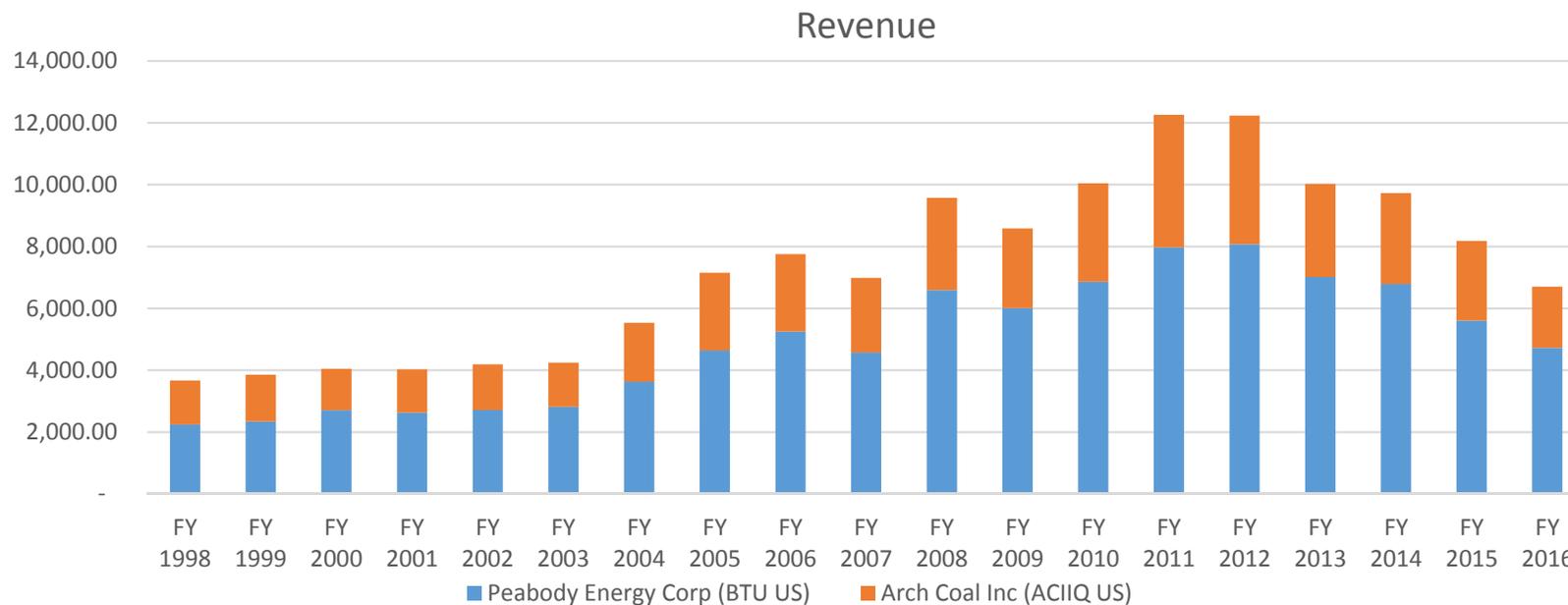
Revenue



Net Income



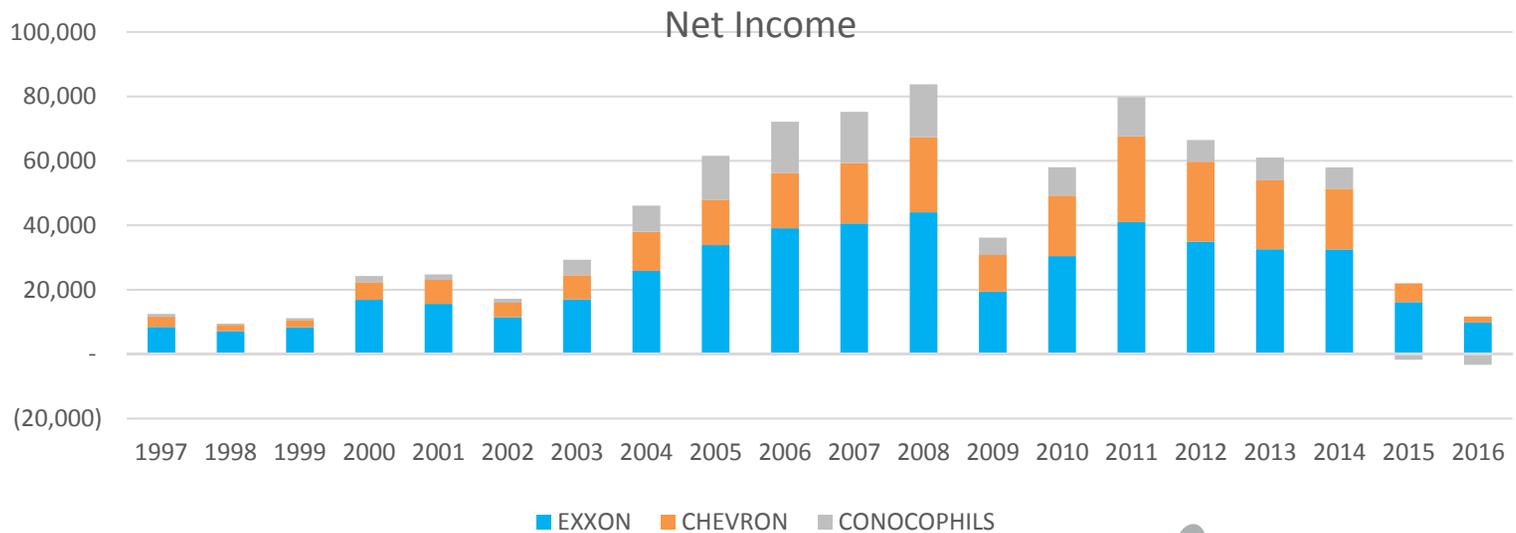
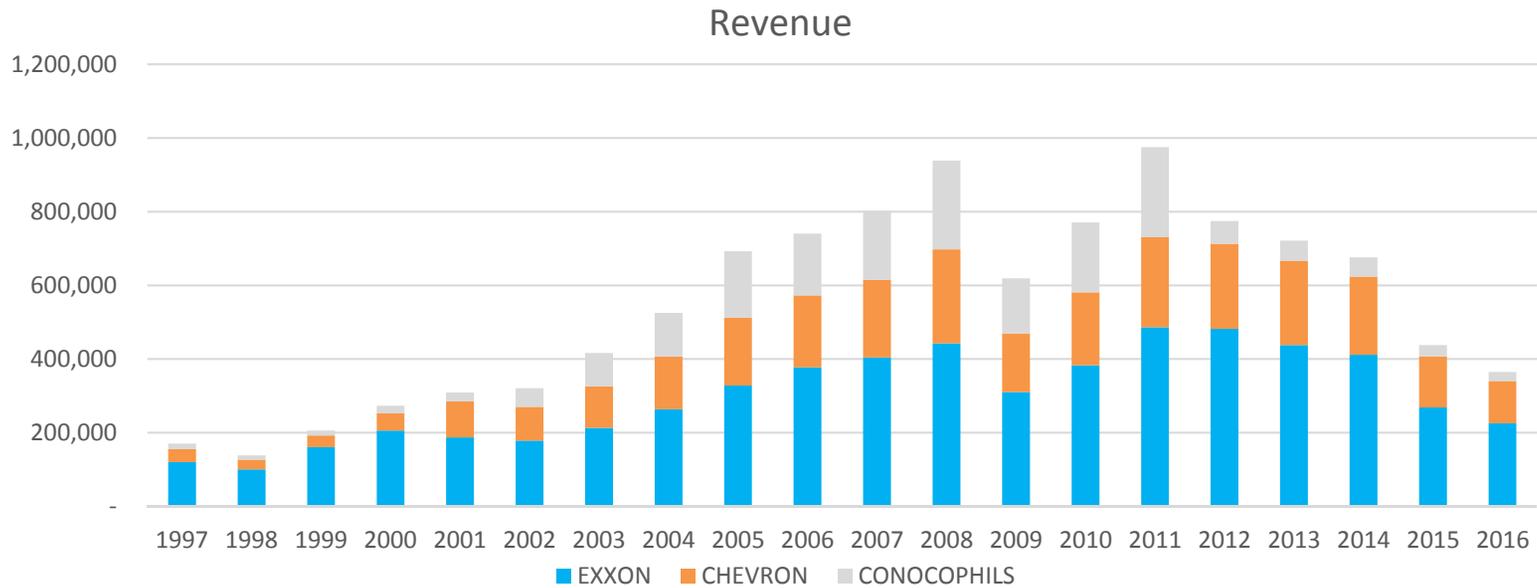
COAL COMPANIES: REVENUE VS. NET INCOME



Source: Bloomberg

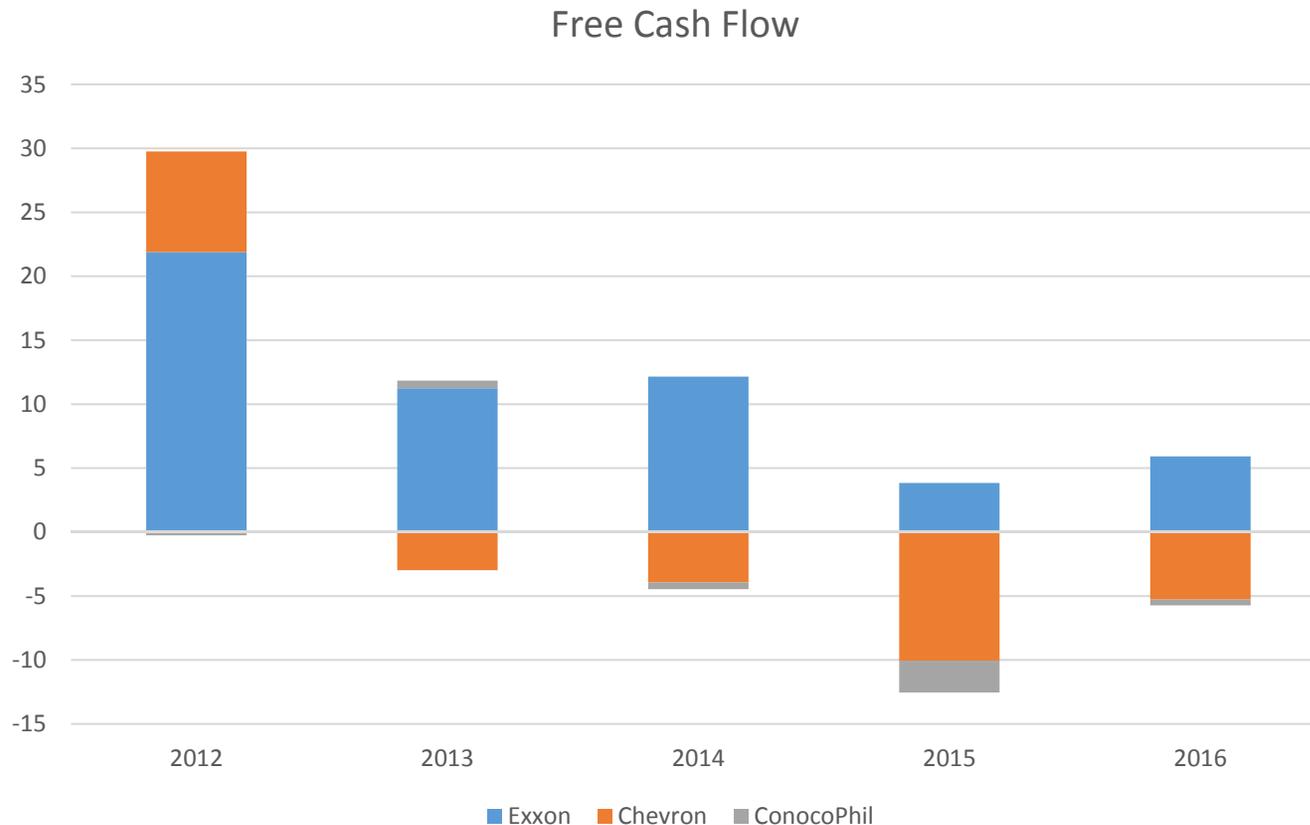
■ Peabody Energy Corp (BTU US)¹³ ■ Arch Coal Inc (ACIQ US)

TOP 3 OIL COMPANIES: REVENUE VS. NET INCOME

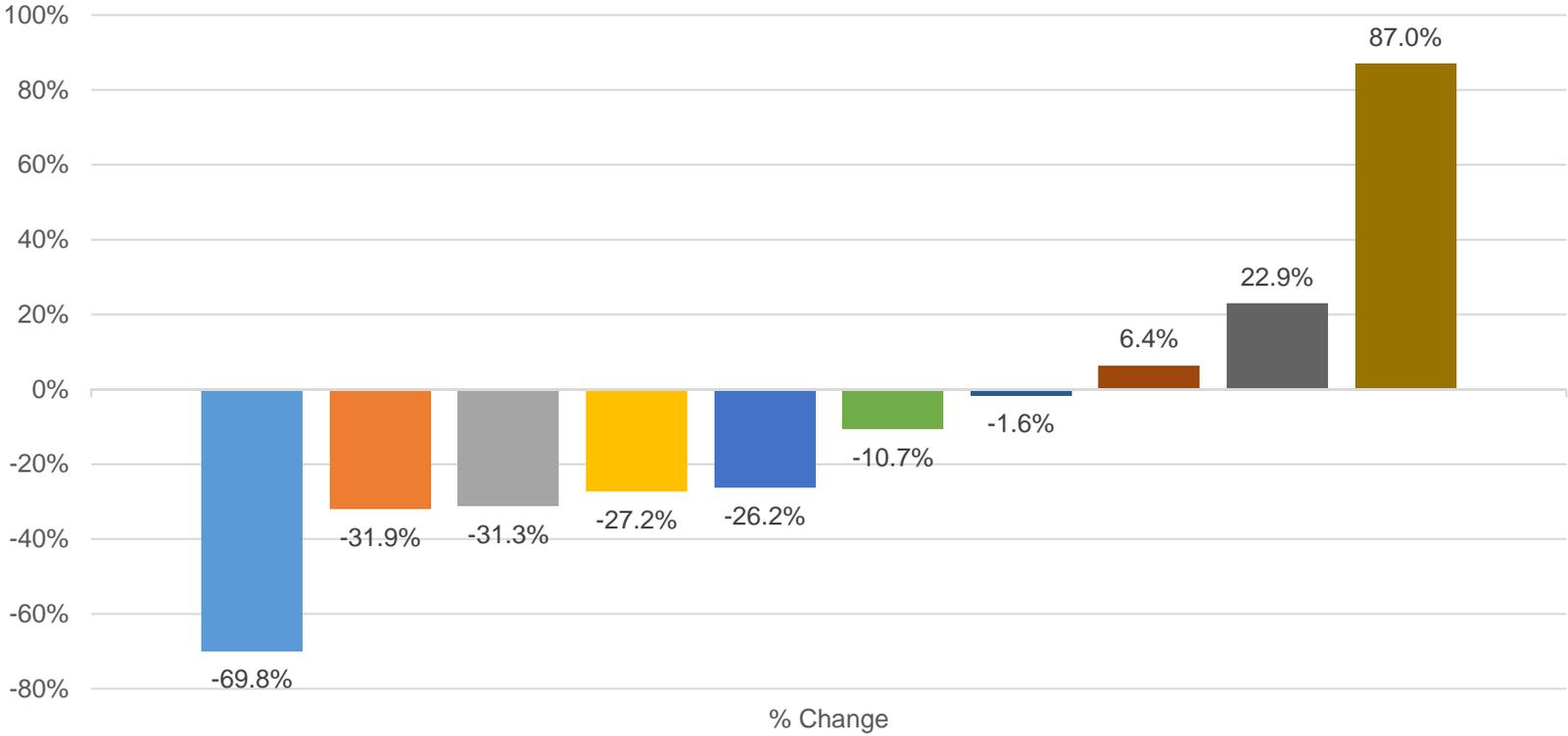


Source: Bloomberg

TOP 3 OIL COMPANIES: FREE CASH FLOW – 5 YRS



S&P 1500 SECTOR WEIGHTS: % CHANGE



- Telecom
- Consumer Staples
- Materials
- Energy
- Utilities
- Industrials
- Consumer Discretionary
- Financials/Real Estate
- Health Care
- IT

Source: Factset

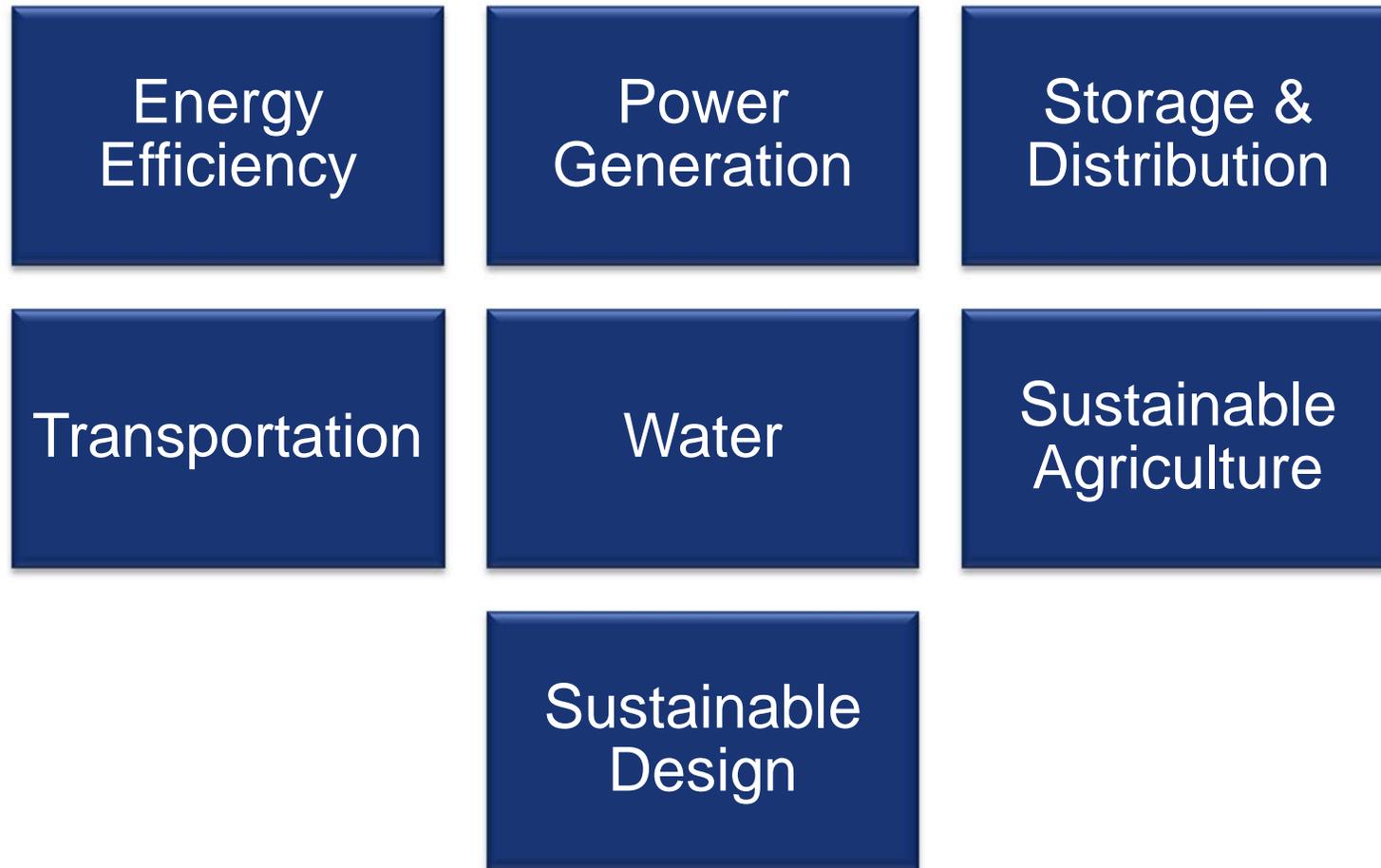
FORWARD LOOKING VIEW

- **Mercer: Assessing the Prospective Investment Impacts of a Low Carbon Economic Transition¹ – Conclusions**
 - “Investing in assets ex-Fossil Fuel improves portfolio return and risk”
 - “On balance, literature reviewed suggests that, at a minimum, there does not appear to be a performance penalty over the long term from the application of SRI criteria generally or fossil fuel screens specifically”
- **Deputy Governor of Norway’s Central Bank, Egil Matsen, made a similar point when divesting Norway’s \$1 trillion sovereign wealth fund. “Our perspective here is to spread the risks for the state’s wealth, we can do that better by not adding oil price risk through the fund.”**

1) Mercer LLC. “Assessing the Prospective Investment Impacts of a Low Carbon Economic Transition”. Retrieved from <https://www.mercer.com/our-thinking/assessing-the-prospective-investment-impacts-of-a-low-carbon-economic-transition.html>.

WHERE TO REINVEST

Trillium recommends a diversified approach to reinvestment that looks across sectors for companies working to mitigate climate change within these 7 Pillars:



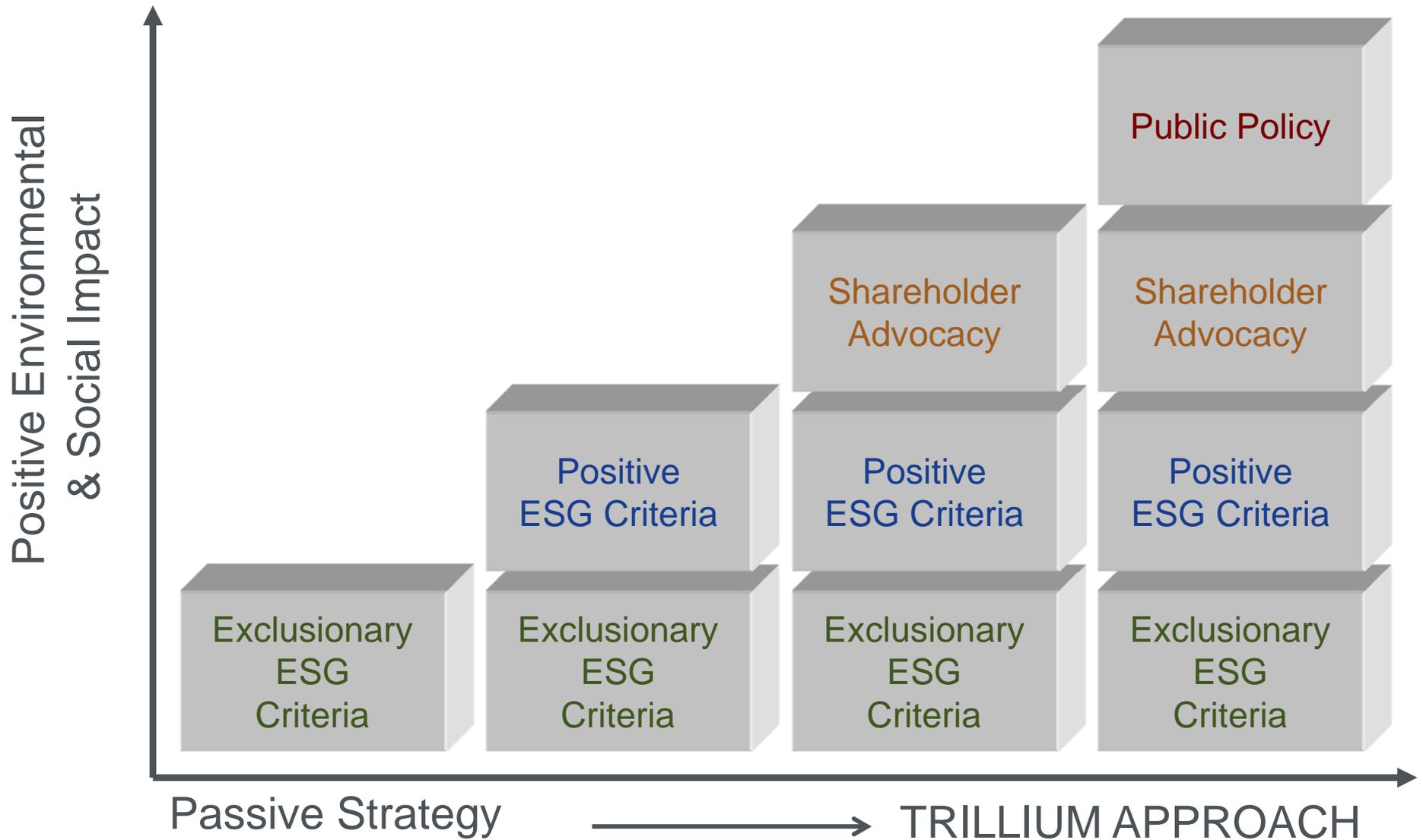
APPENDIX

HIGH QUALITY APPROACH

Trillium is a long-term investor, with a three to five year investment horizon seeking companies demonstrating high quality characteristics, such as:

- Financial Statement Integrity
- Conservative Debt Management
- Positive and Growing Cash Flow from Operations
- Above Peer Return on Invested Capital (ROIC)
- Sector-leading Policies and Performance Related to Key Environmental, Social, and Governance (ESG) Risks and Opportunities

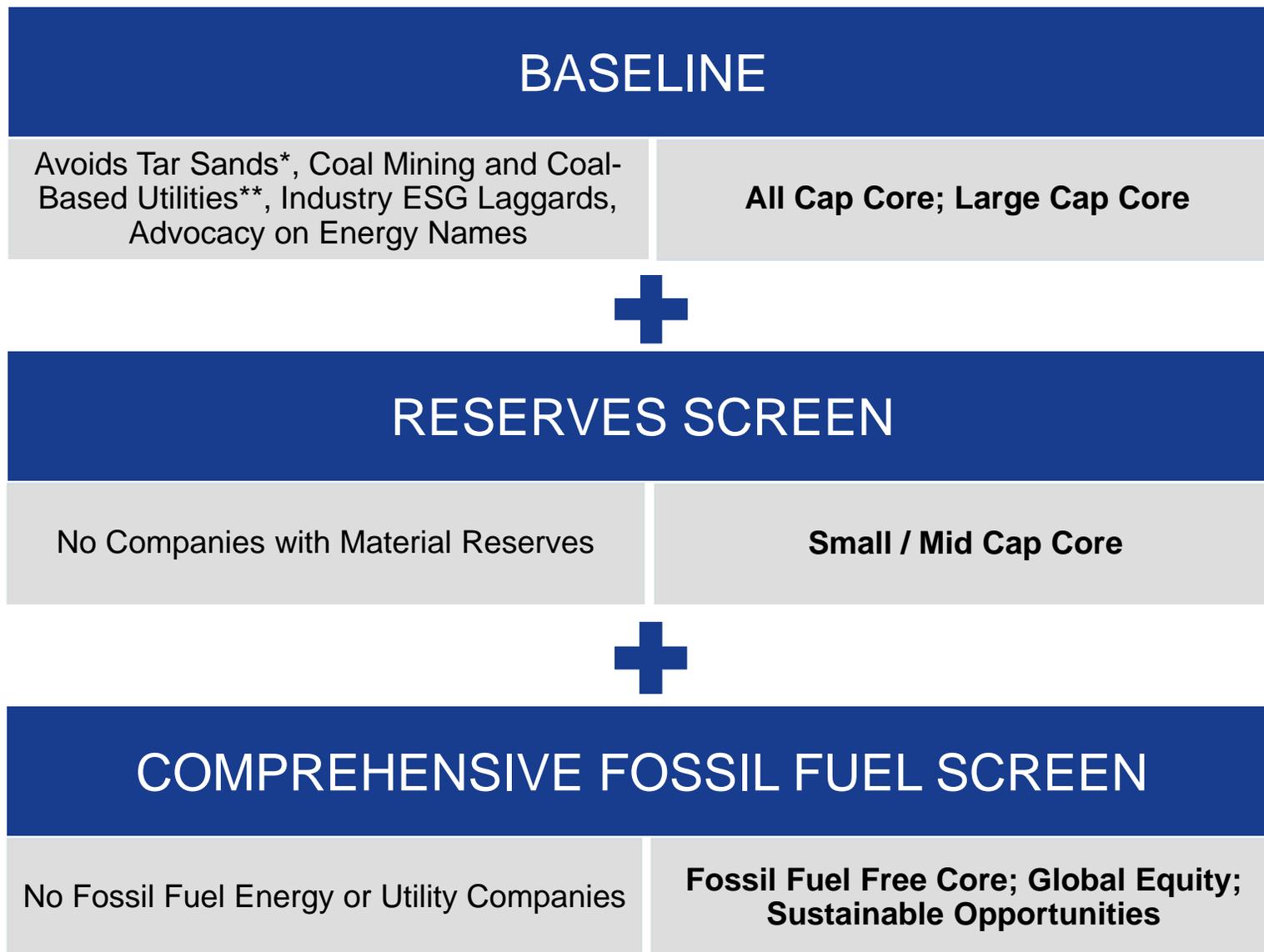
MULTIPLE APPROACHES MAXIMIZE SOCIAL DIVIDENDSSM



ESG CRITERIA

EXCLUSIONARY	POSITIVE
<p>Remove companies with material involvement in businesses that have higher risk, such as:</p> <ul style="list-style-type: none"> • Agricultural Biotechnology • Coal Mining • Hard Rock Mining • Nuclear Power • Tar Sands • Tobacco • Weapons/Firearms <p>Remove companies with major recent or ongoing controversies in areas such as:</p> <ul style="list-style-type: none"> • Animal Welfare • Environmental • Governance • Human Rights • Product Safety • Workplace 	<p>Seek companies with strong management of ESG opportunities and risks in areas important to their industry including:</p> <ul style="list-style-type: none"> • Board Diversity • Chemical Management • Clean Tech Opportunities • Climate Change Policy • Employee Relations • Executive Compensation • Healthier Products • Life Cycle Analysis • Product Safety • Resource Use • Supply Chain and Human Rights • Sustainable Agriculture • Water Use • Worker Safety

CARBON RISK MANAGEMENT APPROACHES



* Based on total “proved” reserves (>10%)

** Based on power generating capacity/revenues (>10%)

DISCLOSURE: IMPORTANT INFORMATION

The S&P Indices are widely recognized, unmanaged indices of common stock. It is not possible to invest directly in an index. The S&P 500 Index is recognized as a gauge of the large cap U.S. equities market. The S&P 1000 combines the S&P MidCap 400 and the S&P SmallCap 600, to form a benchmark for the mid-small cap universe of the U.S. equity market. The S&P 1500 combines three indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization.

The MSCI EAFE Index is a broadly recognized index to measure international equity performance. It comprises the MSCI country indexes capturing large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada.

The Russell 2500 Index is a broad index featuring 2,500 stocks that cover the small and mid cap market capitalizations. The Russell 2500 is a market cap weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities. The index is designed to be broad and unbiased in its inclusion criteria, and is recompiled annually to account for the inevitable changes that occur as stocks rise and fall in value.

Investments in smaller companies generally carry greater risk than is customarily associated with larger companies for various reasons, such as narrower markets, limited financial resources and less liquid stock.

The views expressed are those of the authors and Trillium Asset Management, LLC as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the authors on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is for informational purposes and should not be construed as a research report.

Attachment:
Memorandum from Jason Kaiser, Lyndon State College

To: The Finance and Facilities Committee of the VSC Board of Trustees

From: Jason Kaiser, Lyndon State College Department of Atmospheric Sciences Data Systems Administrator, M.S. Applied Meteorology, Fossil Free VSC member

Date: 12 February 2018

Re: Comments on memorandum: “Recommendation Regarding Fossil Fuel Divestment from Endowment”, dated February 7, 2018.

I want to first acknowledge and thank the Finance and Facilities Committee for working with the Chancellor’s Office staff and TIAA to offer the TIAA-CREF Social Choice Low Carbon fund Pax Global Environmental Markets fund. The crux of Fossil Free VSC’s endeavor is not only “to allow plan participants to invest their retirement funds in accordance with their objectives and values,” as stated on page 1 of the memorandum, but also to transition part or all of the Vermont State College Systems’ portfolio to a fossil-free approach, in order to uphold the objectives and values of our own System-wide institutions of higher education. The Vermont State Colleges System provides “affordable, high quality, student-centered, and accessible education” as stated in the Vermont State Colleges Mission Statement¹. In order to do this, at the core, we teach facts. For decades, the fossil fuel industry has been knowingly aware of the facts regarding their industry's direct effect on climate change through the release of greenhouse gas emissions, and yet they continue to favor their own profit, duplicitous to the world’s inhabitants. The Vermont State Colleges Mission is, in part, realized through “VSCS structures and delivery systems will be flexible enough to both anticipate and quickly adapt to shifting internal and external forces.” I believe that a full or partial fossil fuel divestment can be considered as a shifting external force, for reasons outlined here.

Most of the concerns on page three of the memorandum are valid concerns, but I do not believe that they should be taken as simply the end of this dialogue, for the these reasons (responses to each numerical point on page three of the memorandum):

1. Divestment of fossil fuels themselves do and should not imply that there is no reinvestment in other comparable fossil-free assets (and therefore subsequent portfolio diversification). I would consider a fossil free divestment approach that did not involve reinvesting in additional fossil fuel-free assets as irresponsible. Fossil Free VSC is advocating for the divestment of fossil fuel assets *and* reinvestment in fossil fuel-free assets.
2. Regarding “Staff and the Committee do not possess the investment expertise to select (or de-select) market sectors” -- I see this as as opportunity, and not an impasse. I recommend to the Chancellor Office and/or Committee staff to explore making a decision to choose different

¹ <https://www.vsc.edu/system-facts/mission-vision/>

professional advisors/managers who *do* share a fossil-free divestment thesis.² These professional advisors/managers do exist. (If they did not, the 35+ higher education institutions in the U.S. alone who have either decided to divest from fossil fuels, either partially or fully, would likely not have been able to do so without their own professional advisors/managers who have experience with divestment.) I strongly encourage exploratory research into these higher education institutions to determine who their professional advisors/managers are, and what processes they are following to divest their assets from fossil fuels.³

I am concerned that Morgan Stanley currently has a conflict of interest regarding research into and offering fossil fuel-free assets, as Fossil Free VSC has provided to the Committee documentation⁴ that “Morgan Stanley is listed as providing \$225 million or 2.2% of the \$10.25 billion of total financing to the Energy Transfer Family of firms,” i.e. that Morgan Stanley is knowingly funding fossil fuel infrastructure. I propose screening for fossil fuel assets using a third party, the The Carbon Underground 200™ list, “compiled and maintained by Fossil Free IndexesSM, [which] identifies the top 100 coal and the top 100 oil and gas publicly-traded reserve holders globally, ranked by the potential carbon emissions content of their reported reserves.”⁵ There are just 100 companies responsible for 71% of global emissions⁶. The Carbon Underground 200™’s intent is to identify those companies that have shown to be most responsible for climate change due to their potential greenhouse gas emissions based on their reported reserves. While screening using only The Carbon Underground 200™ likely leaves many fossil fuel companies in the portfolio, The Carbon Underground 200™ by definition causes the elimination of these 200 fossil fuel companies from a portfolio to indeed make an impact. Several of the 35+ higher education institutions in the U.S. that have partially divested their portfolios of fossil fuel assets have done so using only The Carbon Underground 200™ as the screening tool. It should be noted that use of The Carbon Underground 200™ list by asset managers and consultants is only permissible with a paid subscription.⁷

3. I would like to know *how* exactly Morgan Stanley proposes to screen the portfolios. I would assume this determines -- nearly directly -- to what percentage the fees are increased. I hope this will be discussed and clarified at the February 12 meeting.

² This is the second of [the Fossil Free VSC proposals](#) presented to the Vermont State Colleges System Board in March, 2017.

³ Please refer to <https://gofossilfree.org/divestment/commitments/> for a list institutions who have divested (either partially or fully) from fossil fuel assets.

⁴ The [Discussion of Fossil Free VSC Requests](#) memorandum, dated November 21, 2017.

⁵ <https://fossilfreefunds.org/carbon-underground-200/>

⁶ <https://www.theguardian.com/sustainable-business/2017/jul/10/100-fossil-fuel-companies-investors-responsible-71-global-emissions-cdp-study-climate-change>, which cites: <https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf>

⁷ <http://fossilfreeindexes.com/divestinvest/>

Finally, to address the concern over "setting a precedent." Divesting from fossil fuels by definition sets a precedent. I would also argue the ethical protests and divestment surrounding the ending of apartheid set a precedent. By 1988, a total of 155 colleges had at least partially divested⁸. There is nothing inherently wrong with setting a precedent. I suggest building into the process ways to reduce risk from "less-than-optimal investment returns" from hypothetical future initiatives. There *is* something inherently and morally wrong with

“the continued exploitation of fossil fuel reserves alone [having] the potential to increase greenhouse gases and global temperature well beyond the 2°C threshold required to prevent the worst effects of climate change. ... The necessity to keep the resources in the ground has a direct impact on the valuation of fossil fuel industry assets. They are predominantly influenced not only by production, but also by the value of proven fossil-fuel reserves. In other words, if these resources cannot be exploited, their value will depreciate. ... Investors withdraw their funds to either mitigate financial risks or for ethical reasons. But the question remains whether divestment and divestment announcements have a financial impact on the share price of fossil fuel companies.”

A team of researchers at the School of Environment, Enterprise and Development (SEED) at the University of Waterloo conducted an analysis that suggests divestment announcements have a statistically significant negative impact on the price of fossil fuel shares. Their study aggregates the impact of more than 20 announcements across 200 publicly traded fossil fuel companies.

“The results suggest that share prices dropped on the days that institutional investors announced they were divesting of fossil fuels.

We’ve concluded that investors, and the market as a whole, perceive divestment as integral to the long-term valuation of the fossil fuel industry. Lower share prices increase the costs of capital for the fossil fuel industry, which in turn decreases their ability to explore new resources and exploit proven resources.

And if the majority of proven reserves remains in the ground, we may be able to meet our climate change goals.”⁹

I completely agree that the job of a CFO and a fiduciary is to have a fiduciary responsibility to the institution and/or people they represent, which includes, as part of that responsibility, to reduce the risk of "less-than-optimal investment returns.” The concern here is that divesting portfolios from fossil fuel assets implies a higher risk of "less-than-optimal investment returns" than the status quo. Several studies (cited below) have determined this argument is not a valid concern, in fact the opposite is highly probable:

⁸ <https://www.investopedia.com/articles/economics/08/protest-divestment-south-africa.asp>

⁹ <https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147>

“Divesting from fossil fuels may benefit investors financially in both the long and short term. According to global index provider MSCI, sustainable strategies have often performed in line with or even better than their traditional counterparts over shorter and longer time periods.”¹⁰

“Corporations that are actively managing and planning for climate change secure an 18% higher return on investment (ROI) than companies that aren’t – and 67% higher than companies who refuse to disclose their emissions. The findings could help answer the long-debated industry question of whether sustainability undermines or improves financial results.”¹¹

Furthermore,

“the necessity to keep the resources in the ground has a direct impact on the valuation of fossil fuel industry assets. They are predominantly influenced not only by production, but also by the value of proven fossil-fuel reserves. In other words, if these resources cannot be exploited, their value will depreciate.

A sudden depreciation would lead to a burst of the so-called carbon bubble, leaving fossil fuel investments stranded.

To avoid the risk of stranded assets, a number of influential private and institutional investors have pledged to reduce their fossil fuel investments or divest from the fossil fuel industry entirely.”⁸

Please refer to page 43 of the 2014 World Energy Investment Outlook Special Report¹² that answers the question in detail of how large the risk is of stranded energy sector investment.

In early 2018, it cannot be disputed that the international fossil fuel divestment movement's momentum continues to grow¹³ (e.g. New York City’s plan to divest \$5 billion from fossil fuels¹⁴). If the Vermont State Colleges System chooses at this point in time not to divest, either partially or fully, from fossil fuels, I believe there is a higher risk of stranded assets to the current portfolio mix, as the fossil-free divestment movement as a whole eventually causes a depreciation value of fossil fuel assets.

Ultimately, we owe it to future generations of Vermont State Colleges System students -- and subsequently the vitality of the System itself -- for them to have some semblance of a habitable world

¹⁰ <https://divestmentguide.org/how-to/myths-and-facts-about-fossil-fuel-free-investing/>

¹¹ Granted, this *Guardian* article specifically references "sustainability strategies" but I would argue that divestment from fossil fuels can and should be considered part of a "sustainability strategy." This *Guardian* article cites this study: <https://web.archive.org/.../CDP-SP500-leaders-report-2014...> (the link from the article no longer exists).

¹² <https://www.iea.org/publications/freepublications/publication/WEIO2014.pdf>

¹³ <https://www.newyorker.com/news/daily-comment/the-movement-to-divest-from-fossil-fuels-gains-momentum>

¹⁴ <https://www.theguardian.com/us-news/2018/jan/10/new-york-city-plans-to-divest-5bn-from-fossil-fuels-and-sue-oil-companies>

and lifestyle. Partial or full divestment of the endowment from fossil fuel assets, and reinvestment in comparable fossil fuel-free assets, while a complex process, is therefore a highly effective way to be an institutionally proud leader in the State of Vermont, by standing up to the fossil fuel industry, and hindering their capability to produce greenhouse gas emissions.

Respectfully submitted,

Jason Kaiser