


MEMORANDUM

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

FROM: Steve Wisloski 

DATE: May 24, 2018

SUBJ: Finance & Facilities Committee Meeting on May 30, 2018

The Finance and Facilities Committee of the Board of Trustees is scheduled to meet from 3:00 p.m. to 5:00 p.m. in Conference Room 101 at the Chancellor's Office in Montpelier.

The meeting agenda and materials are attached. Similar to the April 30 meeting, the majority of this meeting will be dedicated to discussion and approval of final operating budgets for FY2019, and discussion of the initial proposal for FY2020 tuition, fees, room and board rates.

With respect to FY2019 budgets, the Chancellor recommends a System-level operating budget of \$171.98 million of revenues, \$173.96 million of expenses, and a deficit of \$1.98 million. This improves upon the "2nd pass" budgets by \$1.68 million, including a reduction of over \$1 million in expense due to a decrease from 4% to 3% for the increase in health insurance premiums (\$0.26 million), and an increase in the projected surplus from current year medical expenses (\$0.78 million). The budgets otherwise reflect latest-available projections with respect to incoming admissions, total enrollments, and staffing for the coming year.

At the Institution level, Vermont Tech is presenting a budget surplus of \$0.03 million, the Community College of Vermont a balanced budget, Northern Vermont University a \$1.00 million deficit and Castleton a \$1.01 million deficit. NVU projected a \$0.98 million deficit in the substantive change proposal approved by the New England Association of Schools and Colleges (NEASC), NVU's accreditor, in September 2017 and will fund this deficit with strategic reserves

and other discretionary funds. NVU anticipates submitting a structurally balanced budget by FY2020, also as presented in its substantive change proposal to NEASC.

Castleton University's \$1.01 million deficit is the residual of a \$4 million initial FY2019 deficit projection, and represents a substantial effort on the part of the new president to reduce expenditures including, significantly, those related to salary and benefits. Castleton has, through both layoffs and retirements, reduced its full-time headcount by 30 employees from FY2018 to FY2019, creating permanent structural savings of over \$2.5 million.

However, Castleton is projecting a one-time fund balance of only \$0.26 million at the end of FY2018, leaving an unfunded shortfall of \$0.75 million. To address this shortfall, and to provide additional operating flexibility during FY2019, the System will need to advance an internal loan commitment to Castleton in the amount of \$1.25 million. The meeting materials include a Resolution to this effect that is identical to those used in connection with the loans extended to Vermont Tech from 2013 to 2015. Castleton also anticipates submitting a structurally balanced budget in FY2020.

With respect to FY2020 tuition, fees, room and board the Chancellor recommends a System average increase of 2.9% to tuition, and 3.0% to fees, room and board. This recommendation seeks to strike a balance between the need to offset collectively-bargained increases to salaries and benefits, which generally exceed 3.0%, with the desire to maintain affordability for students, and to align with the Governor's stated goal of keeping cost increases at or below Vermont average wage growth and consumer price inflation.

This meeting will also include an update on the legislative session, a review of admissions (through May 29), and time permitting discussions of the System's process for allocating the State appropriation, and the recent report from S&P Global reaffirming the System's A- bond rating with a stable outlook. Finally, a proposed schedule of Committee meetings for FY2019 is included for your information.

Please contact me at stephen.wisloski@vsc.edu or (802) 224-3022 with any questions.

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
May 30, 2018**

AGENDA

1. Call to order
2. Consent agenda and approvals:
 - a. Minutes of April 30, 2018 meeting
 - b. Alyson Finn Memorial Rugby Scholarship Endowment (Johnson State College)
3. Legislative update re operations and capital support for FY2019
4. Review of admissions summary, budgeted student FTEs/FPEs, and employee headcounts
5. Discussion and approval of final FY2019 budgets, and Castleton internal loan commitment
6. Discussion of FY2020 tuition, fees, room and board proposal
7. Other business
 - a. Revision to State appropriation allocation – rationale and process
 - b. Annual surveillance from S&P Global Ratings
 - c. Review and discussion of FY2019 Committee meeting schedule and topics
 - d. Proposed amendment to Policy 429, Purchasing Standards
8. Public comment
9. Adjourn

MEETING MATERIALS

1. Consent agenda
2. May 15 admissions summary (May 29 provided at meeting), budget student full-time/paying (FTE/FPE) equivalents, and employee headcounts
3. Final FY2019 budgets and Castleton internal loan commitment resolution
4. Proposed FY2020 tuition, fees, room and board
5. Policy 403, Annual Operating Budget (for reference)
6. Bond rating report from S&P Global Ratings
7. Draft FY2019 Finance & Facilities Committee meetings schedule
8. FY2018 Finance & Facilities Committee meetings schedule

Item 1:
Consent Agenda Items

Minutes of the VSC Board of Trustees Finance and Facilities Committee held Monday, April 30, 2018 at the Office of the Chancellor, Montpelier, VT – UNAPPROVED

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 Monday, April 30, 2018 at the Office of the Chancellor, Montpelier, VT.

Committee members present: Church Hinds (Chair), Chris Macfarlane, David Silverman, Linda Milne, Mike Pieciak, Jerry Diamond, David Silverman

Absent: Bill Lippert

Other Trustees present: Karen Luneau

Presidents: Joyce Judy, Karen Scolforo, Pat Moulton, Elaine Collins

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
Todd Daloz, Associate Legal Counsel
Yasmine Ziesler, Chief Academic Officer
Harriet Johnson, Executive Assistant
Jen Porrier, Administrative Director

From the Colleges: 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
Maurice Ouimet, Dean of Enrollment, Castleton University
Barb Flathers, Johnson State College, VP, VSCUP
Todd Comen, Johnson State College, Grievance Chair of FTFF
Andy Pallito, Dean of Administration, Community College of Vermont

1. Chair Hinds called the meeting to order at 2:46 p.m.

A draft of future committee meetings was discussed while waiting for Trustee Silverman to arrive which he did at 2:56pm

2. Consent agenda and approvals:

a. Minutes of April 2, 2018 meeting

Trustee Macfarlane moved and Trustee Pieciak seconded the approval of the February 12, 2018 minutes. The minutes were approved unanimously.

3. Review of 3rd quarter FY2018 financial reports and June 30 projections

Mr. Wisloski presented a review of the 3rd quarter FY2018 financial reports and June 30 projections. The System's projected operating deficit is \$Z0.761 million or approximately 0.4% of budgeted expenses.

4. Legislative update re operations and capital support for FY2019

Ms. Coates gave a legislative update, indicating that the current draft of the Capital Bill includes an additional \$1 million for construction, maintenance and renovation, and that the Appropriations Bill includes \$350,000 to support the unification of Johnson State and Lyndon State into Northern Vermont University.

5. Review of admissions summary

Mr. Wisloski reviewed admissions results through April 15, and shared a hardcopy of updated data through April 26, with the caveat that the numbers from the prior year were as of May 1.

6. Review and discussion of next drafts of FY2019 budgets

Mr. Wisloski presented FY2019 draft budgets indicating a System-level deficit of \$3.661 million or 2.1% of budgeted expenses, for discussion. Mr. Wisloski also indicated that the budgets included an operating shortfall of \$1.091 million that would need to be addressed with a System loan, and that he would present a resolution to that effect to the Committee's May 30, 2018 meeting. Trustee Diamond requested an Executive Session to review budgets during the May 30th meeting.

7. Initial FY2020 tuition discussion

Mr. Wisloski presented data for an initial FY2020 tuition discussion. He indicated that a draft table of tuition, fees, and room and board rates would be presented for discussion at the May 30th Committee meeting, and a recommendation would be made for the Committee's approval and recommendation to the Board at the June 21st meeting.

8. Public Comment

Chair Hinds solicited comments from the public; none were received.

9. Other business

Trustee Milne read a resolution honoring Barbara Martin's service to Community College of Vermont and to the system. **Trustee Milne moved to approve the resolution. Trustee Macfarlane seconded. The resolution was unanimously approved.**

10. Adjourn

Chair Hinds adjourned the meeting at 5:11pm.

UNAPPROVED

May 9, 2018

Jeb Spaulding, Chancellor
Vermont State Colleges System
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 \$11,000 from family and friends of Alyson Finn, class of 2013, will be used to establish the endowment, which will fund an annual scholarship. Aly, who restarted the women's rugby club in 2011 and served as team captain leading the team to the national title that year, passed away in a car accident in 2014.

This scholarship will be awarded to a returning undergraduate student who meets the following eligibility requirements:

1. Recipient must be a member of the rugby club, with preference given to the women's club. In the case that there are no eligible recipients from the women's rugby club, members of the men's rugby club can be considered.
2. Recipient must be enrolled at Northern Vermont University with preference given to students enrolled on the Johnson campus.
3. Preference will be given to team leaders who demonstrate Aly's free spirit, humanitarian nature, love of adventure, and dedication to the sport.
4. Financial need and GPA will not be considerations when awarding this scholarship.

We thank you and the Vermont State Colleges System Board of Trustees for your review and consideration of this request.

Sincerely,



Elaine C. Collins, Ph.D.
President

Attachments: Funding Source C document

- 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) ALYSON FINN MEMORIAL RUGBY SCHOLARSHIP ENDOWMENT		
2) <u>Granting agency/donor/other funding source:</u> (attach support info) Family and Friends		
3) <u>Purpose of endowment:</u> (attach support information) To fund the Alyson Finn Memorial Rugby Scholarship to be awarded annually to a member of the rugby club		
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) 033-34674		
6a) <u>Date Endowment Reach Endowment Status:</u> 5/9/2018		
7) <u>Reporting requirements:</u> (format/to whom/frequency/other) None.		
8a) <u>Funding amount:</u> \$11,000	8b) <input checked="" type="checkbox"/> <u>One-time</u> - OR <input type="checkbox"/> <u>Ongoing funding</u> (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 <i>Elaine C. Collins</i>	12) <u>Date to Ch's Ofc:</u> 5-21-18	13) <u>Date Board Approved:</u>

Item 2:
May 15 Admissions Summary (May 29 provided at meeting),
Budgeted Student Full-Time/Full-Paying Equivalents, and
Employee Headcounts



**Vermont State Colleges System
Weekly Admissions Comparison
May 15, 2018 vs. Prior Year**

	Fall 2018 from 5/15/18	Fall 2017 from 5/15/17	Year-to-year % Change	Total from Fall 2017	% of Fall 2017 Total rec'd by 5/15/17
Applications					
Castleton University	2,483	2,501	-1%	2,670	94%
Northern Vermont University	2,528	2,741	-8%	3,183	86%
Johnson State College	1,268	1,279	-1%	1,584	81%
Lyndon State College	1,260	1,462	-14%	1,599	91%
Vermont Technical College	1,885	1,531	23%	1,756	87%
Total	6,896	6,773	2%	7,609	89%

Acceptances					
Castleton University	2,056	1,996	3%	2,172	92%
Northern Vermont University	2,018	2,189	-8%	2,601	84%
Johnson State College	1,005	1,034	-3%	1,322	78%
Lyndon State College	1,013	1,155	-12%	1,279	90%
Vermont Technical College	1,049	779	35%	1,037	75%
Total	5,123	4,964	3%	5,810	85%

Deposits					
Castleton University	507	428	18%	595	72%
Northern Vermont University	482	560	-14%	857	65%
Johnson State College	238	281	-15%	512	55%
Lyndon State College	244	279	-13%	345	81%
Vermont Technical College	530	467	13%	659	71%
Total	1,519	1,455	4%	2,111	69%

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 5/15/18	Summer 2017 from 5/15/17	Year-to-year % Change
Community College of Vermont			
Applications	2,174	2,176	0%
Acceptances	1,563	1,532	2%
Enrolled	0	0	N/A

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



**Vermont State Colleges
Enrollment Summary Report
Fall 2018 Budget Assumption at May 30 vs. Fall 2017 and Fall 2016 Actuals**

	Budgeted (for Fall) vs. Actual				Change vs. Fall 2017			Change vs. Fall 2016		
	Budget*	Final	Change	% Change	Last Year	Change	% Change	Last Year	Change	% Change
Full Time Equivalent (FTE) Students										
Castleton University	1,890	tbd	n/a	n/a	1,854	36	1.9%	2,015	-125	-6.2%
Northern Vermont University	2,155	tbd	n/a	n/a	2,243	-88	-3.9%	2,339	-184	-7.9%
NVU-Johnson	1,237	tbd	n/a	n/a	1,237	0	0.0%	1,223	14	1.1%
NVU-Lyndon	918	tbd	n/a	n/a	1,006	-88	-8.7%	1,116	-198	-17.7%
Vermont Technical College	1,309	tbd	n/a	n/a	1,339	-30	-2.2%	1,335	-26	-1.9%
Residential Subtotal	5,354	0	0	n/a	5,436	-82	-1.5%	5,689	-335	-5.9%

	Budget*	Projected	Change	% Change	Change vs. 2017		
Community College of Vermont							
Full Paying Equivalents (FPEs)	2,500	tbd	n/a	n/a	2,711	-211	-7.8%
Course Placements	10,000	tbd	n/a	n/a	10,845	-845	-7.8%

* Reflects Fall enrollment; budgeted enrollment for Spring typically is lower, and annual budget averages the two.



Vermont State Colleges System
Full Time Employee Headcount by College
Fall 2013 to Fall 2017, plus FY2019 Budgeted

College	2013	2014	2015	2016	2017	Budgeted FY19	Change 2013-2018:		Change 2017-2018:	
							No.	Pct	No.	Pct
CCV*	171	166	166	173	161	155	(16)	-9%	(6)	-4%
Castleton	288	293	276	281	271	241	(47)	-16%	(30)	-11%
Northern Vermont	353	330	318	306	291	271	(82)	-23%	(20)	-7%
Vermont Tech	222	205	194	220	204	202	(20)	-9%	(2)	-1%
Other	40	40	33	9	24	24	(16)	-40%	0	0%
Chancellor's Office	29	27	29	32	33	33	4	14%	0	0%
TOTAL	1,103	1,061	1,016	1,021	984	926	(177)	-16%	(58)	-6%
CCV Instructors	650	615	610	609	538	tbd	(112)	-17%	tbd	tbd

* Excludes Northern Lights Program



Vermont State Colleges System
Full Time Employee and CCV Instructor Headcount by Unit
Fall 2013 to Fall 2017, plus FY2019 Budgeted

Bargaining Unit	2013	2014	2015	2016	2017	Budgeted FY19	Change 2013-2018:		Change 2017-2018:	
							No.	Pct	No.	Pct
Full Time Faculty Federation	287	283	272	272	264	248	(39)	-14%	(16)	-6%
Prof/Admin/Tech-Supervisory	265	260	249	259	248	229	(36)	-14%	(19)	-7%
Represented Staff Federation	209	195	183	178	175	164	(45)	-22%	(11)	-6%
Non-Bargaining Unit*	342	323	312	312	297	285	(57)	-17%	(12)	-4%
	1,103	1,061	1,016	1,021	984	921	(177)	-16%	(58)	-6%
CCV Instructors	650	615	610	609	538	tbd	(112)	-17%	tbd	tbd

* Excludes Northern Lights Program

Item 3:
Final FY2019 Budgets and
Internal Loan Commitment

Unrestricted Revenues and Expenses
FINAL FY2019 Budgets
Vermont State Colleges System
(Amounts rounded to \$1,000)

EXECUTIVE SUMMARY

	FY2018 <u>Budget</u>	Outlook at <u>Mar 31</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > +3%
REVENUES					
Castleton University	49,194	48,155	50,906	1,712	*
Community College of Vermont	27,860	28,326	27,624	(236)	
Northern Vermont University	57,962	56,170	56,169	(1,793)	*
Vermont Technical College*	37,833	37,108	37,030	(803)	
Chancellor's Office	<u>250</u>	<u>250</u>	<u>250</u>	<u>-</u>	
TOTAL REVENUES	173,099	170,009	171,978	(1,121)	
EXPENSES					
Castleton University	49,710	48,562	51,915	2,205	*
Community College of Vermont	26,950	27,539	27,624	674	
Northern Vermont University	59,069	57,132	57,169	(1,900)	*
Vermont Technical College*	37,153	37,128	37,004	(149)	
Chancellor's Office	<u>250</u>	<u>410</u>	<u>250</u>	<u>-</u>	
TOTAL EXPENSES	173,132	170,771	173,962	830	
NET REVENUES/(DEFICIT)					
Castleton University	(516)	(407)	(1,009)	(493)	*
Community College of Vermont	910	787	-	(910)	*
Northern Vermont University	(1,107)	(962)	(1,000)	107	*
Vermont Technical College*	680	(20)	25	(655)	*
Chancellor's Office	<u>-</u>	<u>(160)</u>	<u>-</u>	<u>-</u>	
NET REVENUES/(DEFICIT)	<u>(33)</u>	<u>(762)</u>	<u>(1,984)</u>	<u>(1,951)</u>	*
	0.0%	-0.4%	-1.1%		

* Includes Workforce Development

Unrestricted Revenues and Expenses

FINAL FY2019 Budgets

Vermont State Colleges System

(Amounts rounded to \$1,000)

	FY2018 <u>Projection</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > +3%	<u>Notes</u>
REVENUES					
Tuition and Fees	109,918	111,614	1,696		FY19 System-average increase of 2.9% as approved by BOT in July 2017; varies by College
State Appropriation	28,934	28,933	(1)		No increase to base
Room and Board	23,715	23,786	71		FY19 increase of 3% as approved by BOT
Sales and Services	4,414	4,266	(148)	*	Provided by College
Gifts	1,153	1,230	77	*	Provided by College
Other Revenue	<u>1,875</u>	<u>2,149</u>	<u>274</u>	*	Provided by College
TOTAL REVENUES	170,009	171,978	1,969		
EXPENSES					
Salaries and Benefits	112,705	110,540	(2,165)		Increases of 3.25% PAT-SUP, 4% Staff, 0-3.25% NBU and 3% medical premiums
Services, Supplies and Travel	35,278	33,252	(2,026)	*	Provided by College
Scholarships and Fellowships	12,612	17,203	4,591	*	Provided by College
Utilities	6,190	6,545	355	*	Provided by College
Other Expenses	424	544	120	*	Provided by College
Debt Service	7,996	8,627	631	*	Provided by OC, 2nd of 4 years of debt relief from FY2017 restructuring
Chancellor's Office	-	0	0		Split evenly at 20% per College, \$7.64mm total, increase of 3.25% or \$240k
Other Transfers	<u>(4,434)</u>	<u>(2,750)</u>	<u>1,684</u>	*	Includes return of health insurance budget surplus of \$3.36mm (65% of FY17 amount)
TOTAL EXPENSES	170,771	173,962	3,191		
NET REVENUES/(DEFICIT)	<u>(762)</u>	<u>(1,984)</u>	<u>(1,222)</u>	*	
	-0.4%	-1.1%			
ONE-TIME FUNDS					
Carry-forward	523	-	(523)	*	Provided by College
Strategic Reserve	962	730	(232)	*	Provided by College
All Other	<u>(723)</u>	<u>505</u>	<u>1,228</u>	*	Provided by College
TOTAL ONE-TIME FUNDS	762	1,235	473	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>(749)</u>	<u>(749)</u>		

(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)

Unrestricted Revenues and Expenses
FINAL FY2019 Budgets
Chancellor's Office
(Amounts rounded to \$1,000)

	FY2018 <u>Projection</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > ±3%	<u>Notes</u>
REVENUES					
Tuition and Fees	-	-	-		
State Appropriation	250	250	-		\$250k hold-back for System-wide initiatives
Room and Board	-	-	-		
Sales and Services	-	-	-		
Gifts	-	-	-		
Other Revenue	-	-	-		
TOTAL REVENUES	<u>250</u>	<u>250</u>	<u>-</u>		
EXPENSES					
Salaries and Benefits	4,267	4,406	139	*	Increase of 3.25%
Services, Supplies and Travel	3,258	3,196	(62)		
Scholarships and Fellowships	-	-	-		
Utilities	35	39	4	*	Increase of 10%
Other Expenses	250	250	-		
Debt Service	-	-	-		
Chancellor's Office	(7,400)	(7,640)	(240)	*	Increase of 3.25%
Other Transfers	-	-	-		
TOTAL EXPENSES	<u>410</u>	<u>250</u>	<u>(160)</u>	*	
NET REVENUES/(DEFICIT)	<u>(160)</u>	<u>-</u>	<u>160</u>	*	
ONE-TIME FUNDS					
Carry-forward	-	-	-		
Strategic Reserve	-	-	-		
All Other	160	-	(160)	*	
TOTAL ONE-TIME FUNDS	<u>160</u>	<u>-</u>	<u>(160)</u>	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>-</u>	<u>-</u>		

(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)

Unrestricted Revenues and Expenses
FINAL FY2019 Budgets
Castleton University
(Amounts rounded to \$1,000)

	FY2018 <u>Projection</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > +3%	<u>Notes</u>
REVENUES					
Tuition and Fees	30,320	33,120	2,800	*	Based on current registration of current students and anticipated new student enrollment we are projecting 1,890 FTE for Fall in this budget. The Budget to Budget FTE increase is 4.4% Level Fund State Appropriation
State Appropriation	5,464	5,464	-		
Room and Board	9,921	9,962	41		
Sales and Services	1,300	1,260	(40)	*	No longer includes polling contracts or REDC contribution
Gifts	600	600	-		
Other Revenue	<u>550</u>	<u>500</u>	<u>(50)</u>	*	New Parking Fee Revenue \$115,000 and re-class of other revenue to transfers. FY18 includes \$100K insurance claim.
TOTAL REVENUES	48,155	50,906	2,751	*	
EXPENSES					
Salaries and Benefits	29,350	27,800	(1,550)	*	\$2,588,755 proposed restructuring savings in personnel reductions. (Positions identified.) Increases per contract. NBU 0% increase.
Services, Supplies and Travel	9,000	9,250	250		
Scholarships and Fellowships	5,500	8,900	3,400	*	Increased competition. This is based on actual known awards of returning and new students as of mid-May.
Utilities	1,975	2,000	25		
Other Expenses	25	25	-		
Debt Service	3,032	3,177	145	*	Per Schedule
Chancellor's Office	1,480	1,528	48	*	Estimated 3.25% increase
Other Transfers	<u>(1,800)</u>	<u>(765)</u>	<u>1,035</u>	*	Primary variance is medical reimbursement payment and use of Stafford funds. Regarding Stafford funds we plan to utilize \$900,000 in FY18 and \$600,000 in FY19.
TOTAL EXPENSES	48,562	51,915	3,353	*	
NET REVENUES/(DEFICIT)	<u>(407)</u>	<u>(1,009)</u>	<u>(602)</u>	*	
	-0.8%	-1.9%			
ONE-TIME FUNDS					
Carry-forward	-	-	-		
Strategic Reserve	-	-	-		
All Other	<u>407</u>	<u>260</u>	<u>(147)</u>	*	Board/Other Reserve projected balance
TOTAL ONE-TIME FUNDS	407	260	(147)	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>(749)</u>	<u>(749)</u>		
(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)					

Unrestricted Revenues and Expenses
FINAL FY2019 Budgets
Community College of Vermont
(Amounts rounded to \$1,000)

	FY2018 <u>Projection</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > +3%	<u>Notes</u>
REVENUES					
Tuition and Fees	22,583	21,858	(725)	*	Tuition increase 2.7%, enrollment reduced 5% from 2018 budgeted enrollment
State Appropriation	5,465	5,465	(0)		
Room and Board	-	-	-		
Sales and Services	5	50	45	*	Sales and Service decreased due to change to primarily 'for credit' contracted courses
Gifts	65	50	(15)	*	Budgeted flat to reflect expectations
Other Revenue	<u>208</u>	<u>201</u>	<u>(7)</u>	*	Increase due to new unrestricted contracts for non-credit services
TOTAL REVENUES	28,326	27,624	(702)		
EXPENSES					
Salaries and Benefits	21,898	21,323	(575)		
Services, Supplies and Travel	3,970	3,631	(339)	*	Decrease due to zero budgeted use of one time funds in FY19 and a general reduction in supplies related to decrease in enrollment
Scholarships and Fellowships	185	185	-		
Utilities	322	325	3		
Other Expenses	146	187	41	*	Increase from projection based on actual expected expenditures
Debt Service	1,276	1,439	163	*	Increase based on debt schedule
Chancellor's Office	1,480	1,528	48	*	Increase based on OC budget
Other Transfers	<u>(1,738)</u>	<u>(994)</u>	<u>744</u>	*	Decrease due to change in one time funds change in FY19
TOTAL EXPENSES	27,539	27,624	85		
NET REVENUES/(DEFICIT)	<u>787</u>	<u>0</u>	<u>(787)</u>	*	Decrease due to change in one time funds in FY19
	2.9%	0.0%			
ONE-TIME FUNDS					
Carry-forward	123	-	(123)	*	We are currently not budgeting the use of one time funds in FY19 however, we anticipate that we will use one time funds for facility safety and
Strategic Reserve	-	-	-		
All Other	<u>(910)</u>	<u>-</u>	<u>910</u>	*	IT improvements, etc.
TOTAL ONE-TIME FUNDS	(787)	-	787	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>0</u>	<u>0</u>		
(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)					

Unrestricted Revenues and Expenses

FINAL FY2019 Budgets

Northern Vermont University

(Amounts rounded to \$1,000)

	FY2018 <u>Projection</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > ±3%	<u>Notes</u>
REVENUES					
Tuition and Fees	33,115	32,623	(492)		Flat enrollment for NVU-J, 8.7% enrollment reduction for NVU-L
State Appropriation	10,930	10,930	-		
Room and Board	9,787	9,699	(88)		
Sales and Services	1,379	1,437	58	*	Adjusted sales and services targets
Gifts	384	480	96	*	Unrestricted gift goal increased by 25%
Other Revenue	<u>575</u>	<u>1,000</u>	<u>425</u>	*	Entrepreneurial revenue
TOTAL REVENUES	56,170	56,169	(1)		
EXPENSES					
Salaries and Benefits	33,759	33,286	(473)		Full-time employee headcount reduced by 7%
Services, Supplies and Travel	10,767	9,606	(1,161)	*	7.6% overall reduction in supplies, services, travel and equipment
Scholarships and Fellowships	5,308	6,048	740	*	Adjustments due to revised NVU packaging guidelines
Utilities	2,523	2,775	252	*	10% adjustment
Other Expenses	-	-	-		
Debt Service	2,393	2,376	(17)		
Chancellor's Office	2,960	3,056	96	*	3.25% increase as required by Chancellor's Office
Other Transfers	<u>(578)</u>	<u>21</u>	<u>599</u>	*	Annual adjustments per Chancellor's Office
TOTAL EXPENSES	57,132	57,169	37		
NET REVENUES/(DEFICIT)	<u>(962)</u>	<u>(1,000)</u>	<u>(38)</u>	*	
	-1.7%	-1.7%			
ONE-TIME FUNDS					
Carry-forward	-	-	-		
Strategic Reserve	962	755	(207)	*	
All Other	<u>-</u>	<u>245</u>	<u>245</u>		
TOTAL ONE-TIME FUNDS	962	1,000	38	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>0</u>	<u>0</u>		

(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)

Unrestricted Revenues and Expenses
FINAL FY2019 Budgets
Vermont Technical College
(Amounts rounded to \$1,000)

	FY2018 <u>Projection</u>	FY2019 <u>Budget</u>	<u>\$ Variance</u>	Var > +3%	<u>Notes</u>
REVENUES					
Tuition and Fees	23,900	24,013	113		2.9% increase, 2.25% enrollment decline
State Appropriation	6,397	6,397	(0)		level
Room and Board	4,007	4,125	118		3.0% increase, 0% residential enrollment change
Sales and Services	1,129	1,164	35	*	
Gifts	104	100	(4)	*	
Other Revenue	<u>526</u>	<u>439</u>	<u>(87)</u>	*	
TOTAL REVENUES	36,063	36,237	174		
EXPENSES					
Salaries and Benefits	22,590	23,067	477		rate increases per contracts, health care +3.0%
Services, Supplies and Travel	7,659	7,248	(411)	*	budgets level where not specified otherwise contractually
Scholarships and Fellowships	1,619	2,070	451	*	increasing utilization of new initiatives, including transfer and vertical marketing scholarships
Utilities	1,335	1,407	72	*	#4 fuel oil +27%
Other Expenses	-	-	-		
Debt Service	1,295	1,635	340	*	includes \$340,000 of operating loan repayment
Chancellor's Office	1,480	1,528	48	*	
Other Transfers	<u>114</u>	<u>(742)</u>	<u>(856)</u>	*	\$600k change in anticipated return of "medical reserve". proportional decrease in capital investment.
TOTAL EXPENSES	36,092	36,212	120		
NET REVENUES/(DEFICIT)	<u>(29)</u>	<u>25</u>	<u>54</u>	*	
	-0.1%	0.1%			
ONE-TIME FUNDS					
Carry-forward	400	-	(400)	*	
Strategic Reserve	-	(25)	(25)		
All Other	<u>(371)</u>	<u>-</u>	<u>371</u>	*	
TOTAL ONE-TIME FUNDS	29	(25)	(54)	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>0</u>	<u>0</u>		

(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)

Unrestricted Revenues and Expenses
FINAL FY2019 Budgets
Workforce Development
(Amounts rounded to \$1,000)

	<u>FY2018</u> <u>Projection</u>	<u>FY2019</u> <u>Budget</u>	<u>\$ Variance</u>	Var > ±3%	<u>Notes</u>
REVENUES					
Tuition and Fees	-	-	-		
State Appropriation	428	428	(0)		
Room and Board	-	-	-		
Sales and Services	601	355	(246)	*	
Gifts	-	-	-		
Other Revenue	<u>16</u>	<u>9</u>	<u>(7)</u>	*	
TOTAL REVENUES	1,045	792	(253)	*	
EXPENSES					
Salaries and Benefits	841	658	(183)	*	
Services, Supplies and Travel	624	321	(303)	*	
Scholarships and Fellowships	-	-	-		
Utilities	-	-	-		
Other Expenses	3	82	79	*	
Debt Service	-	-	-		
Chancellor's Office	-	-	-		
Other Transfers	<u>(432)</u>	<u>(269)</u>	<u>163</u>	*	
TOTAL EXPENSES	1,036	792	(244)	*	
NET REVENUES/(DEFICIT)	<u>9</u>	<u>-</u>	<u>(9)</u>	*	
	0.9%	0.0%			
ONE-TIME FUNDS					
Carry-forward	-	-	-		
Strategic Reserve	-	-	-		
All Other	<u>(9)</u>	<u>-</u>	<u>9</u>	*	
TOTAL ONE-TIME FUNDS	(9)	-	9	*	
TOTAL OPERATING RESULT	<u>-</u>	<u>-</u>	<u>-</u>		

(must sum to zero; positive net revenue must be absorbed by one or more one-time fund lines)

VERMONT STATE COLLEGES SYSTEM

BOARD OF TRUSTEES

RESOLUTION

FY2019 Vermont State Colleges System Operating Budget

WHEREAS, The Finance & Facilities Committee of the Board of Trustees has reviewed the FY2019 budget information presented for the Vermont State Colleges System, has discussed individual aspects of the proposals with Chancellor and the Presidents of the individual institutions, and endorses approval of the Chancellor's recommendation by the full Board; therefore, be it

RESOLVED, That the Board of Trustees of the Vermont State Colleges System hereby approves the Operating Budget of \$173.962 million, including a projected operating deficit of \$1.984 million, consistent with the attached materials.

June 21, 2018

VERMONT STATE COLLEGES SYSTEM

BOARD OF TRUSTEES

RESOLUTION

Internal Loan Commitment for Castleton University

- WHEREAS, Castleton University is projecting an FY2019 deficit before use of one-time funds of \$1,009,000; and
- WHEREAS, Prior to FY2018 the System has loaned to Castleton \$1,224,376 to cover its deficit; and
- WHEREAS, The Castleton community continues to remain entirely focused upon the work it needs to do to stabilize itself financially and achieve a position of fiscal balance; and
- WHEREAS, The Finance and Facilities Committee of the Board of Trustees has considered the System's and Castleton University's FY2019 budgets, and endorses approval of a \$1,250,000 loan commitment to Castleton by the full Board; therefore be it
- RESOLVED, That the Board of Trustees of the Vermont State Colleges System authorizes the Castleton internal loan of \$1,250,000.

June 21, 2018

Item 4:
FY2020 Tuition, Fees, Room and Board Proposal

VERMONT STATE COLLEGES SYSTEM
DRAFT FY2020 Proposed Tuition, Fees, Room & Board

Maximum Full Time Undergraduate Tuition

	Proposed FY2020	\$ Change	% Change	FY2019
<u>CCV (per credit hour)</u>				
Vermonters	276	8	3.0%	268
Non-Vermonters	552	16	3.0%	536
<u>Castleton University</u>				
<u>Regular programs</u>				
Vermonters	11,496	312	2.8%	11,184
Non-Vermonters	27,984	792	2.9%	27,192
<u>Nursing</u>				
Vermonters	15,024	408	2.8%	14,616
Non-Vermonters	27,984	792	2.9%	27,192
<u>Northern Vermont University</u>				
Vermonters	11,256	312	2.9%	10,944
Non-Vermonters	24,960	696	2.9%	24,264
<u>Vermont Technical College</u>				
<u>Regular programs</u>				
Vermonters	14,304	408	2.9%	13,896
Non-Vermonters	27,336	768	2.9%	26,568
International	31,440	888	2.9%	30,552
<u>Dental Hygiene</u>				
Vermonters	17,904	504	2.9%	17,400
Non-Vermonters	28,008	792	2.9%	27,216
International	32,112	912	2.9%	31,200
<u>Nursing</u>				
Vermonters	15,000	408	2.8%	14,592
Non-Vermonters	31,680	888	2.9%	30,792
International	35,784	1,008	2.9%	34,776
<u>SYSTEM AVERAGE</u>			2.9%	

Notes

1. Per credit rates are full time divided by 24, unless otherwise noted.
2. Non-Vermonters includes students who do not meet VT residency requirements, except for those in special programs with individually identified rates.
3. New England Board of Higher Education Board (NEBHE) rate is 150% of Vermonters rate (except CCV, for which NEBHE rate equals the Vermonters rate).
4. NVU and VTC Online rates are same as Vermonters rate for all students.
5. Credits in excess of 18 (19 for VTC) per term will be charged at the per credit rate
6. Summer rates are billed per credit and billed at the course college rate.

VERMONT STATE COLLEGES SYSTEM
DRAFT FY2020 Proposed Tuition, Fees, Room & Board

Maximum Full Time Graduate Tuition

	Proposed FY2020	\$ Change	% Change	FY2019
<u>Castleton University</u>				
Vermonter	15,246	432	2.9%	14,814
Non-Vermonter	15,246	432	2.9%	14,814
<u>Northern Vermont University</u>				
Vermonter	10,890	306	2.9%	10,584
Non-Vermonter	15,858	450	2.9%	15,408
<u>Vermont Technical College</u>				
Vermonter	13,410	378	2.9%	13,032
Non-Vermonter	25,650	720	2.9%	24,930
International	29,466	828	2.9%	28,638

Notes

1. Per credit and summer rates are full time divided by 18.
2. Non-Vermonter includes students who do not meet VT residency requirements, except for those in special programs with individually identified rates.
3. New England Board of Higher Education Board (NEBHE) rate is 150% of Vermont rate.
4. Credits in excess of 12 (9 for NVU) per term will be charged at the per credit rate
5. Summer rates are billed per credit and billed at the course college rate.

VERMONT STATE COLLEGES SYSTEM
DRAFT FY2020 Proposed Tuition, Fees, Room & Board

Fees, Room & Board

	Proposed FY2020	\$ Change	% Change	FY2019
<u>Individual Service Fees:</u>				
<u>Set by Board</u>				
Application	55	2	3.8% all	53
Graduation	104	3	3.0% all	101
Late Registration	68	2	3.0% all	66
Student Activity Fee	296	9	3.1% /yr	287
Change of Program or Course (after normal drop/add period)	27	1	3.8% all	26
Facilities Fee	870	25	3.0% /yr	845
<u>Set by Colleges</u>				
Orientation/Basic Skills Testing/Assessment			(can be adjusted for inflation as necessary)	
Course Fees				
Partial Payment				
Penalty Fees				
<u>Room Rates:</u>				
Double Room	6,504	192	3.0% /yr	6,312
Premium for a Single Room	1,734	51	3.0% /yr	1,683
Reduction for Tripling	(664)	(19)	2.9% /yr	(645)
Single Room Suite	9,062	267	3.0% /yr	8,795
<u>Board Rates:</u>				
Gold Plan/unlimited meals with \$100,	4,416	129	3.0% /yr	4,287
Base plan/12 meals/wk with \$150/yr	4,254	125	3.0% /yr	4,129
8 meals/wk with \$220/yr in DB	4,090	120	3.0% /yr	3,970

Item 5:
Policy 403, Annual Operating Budget



Manual of Policy and Procedures

Title	Number	Page
ANNUAL OPERATING BUDGET	403	1 of 4
	Date	
		7/21/2016

PURPOSE

The VSC Board of Trustees considers the annual Vermont State Colleges operating budget as the primary financial plan for operations of the System and its components for a given fiscal year (July 1 through ensuing June 30). This policy prescribes the dimensions of the development, adoption, and subsequent administration of the annual Vermont State Colleges operating budget and the annual operating budgets for the individual colleges plus the System Offices and Services within the Vermont State Colleges System.

STATEMENT OF POLICY

1) Development of the Annual Operating Budget

Development of the annual Vermont State Colleges operating budget for recommendation to the Board of Trustees is the responsibility of the Chancellor. Budget development will be conducted in a collaborative manner with the Council of Presidents to assure application of revenue and expenditure factors as well as other dimensions in a consistent fashion appropriate to functioning as an integrated System. Annual general fund budgets (also called operating budgets) will be developed for individual colleges plus System Offices & Services and are consolidated as the Vermont State Colleges operating budget.

Development of the annual general fund budget will embrace the following key components and considerations:

State Operating Appropriations

- All State operating appropriations shall be allocated to the colleges equally.

System Office Allocation

- The System Offices & Services annual operating budget will be funded by a “System Services Charge” levied equally amongst the colleges. The amount, basis, and administration of the “System Services Charge” shall be determined by the Chancellor and Council of Presidents, and shall be an integral part of the annual operating budget recommended to the Board.

Student Tuitions & Fees

- Each college will retain all student tuitions & fees the college generates, and in consultation with the Chancellor can determine the use of these funds.
- During each year student tuitions & fees available to each college will be as actually generated, whether below or above budgeted levels. Each college will assume responsibility for confronting the financial impacts from under-realized or over-realized student enrollments.
- The Board is responsible for approving not-to-exceed maximum tuition rates, room and board program charges, and selected fees. Each college is responsible for setting individual tuition rates, room and board program charges, and selected fees at or below the approved maximum rates. Further, each college may set such waivers, merit aid programs, and need-based financial aid as the individual presidents believe are best designed to maximize net tuition revenue and support overall enrollment. Additionally, the VSC as a whole may enter into a waiver program (for example: NEBHE) with the approval of the Chancellor in consultation with the Council of Presidents. The proposed impact of the rate setting and waivers must be shown in the materials included with the Vermont State Colleges operating budget presented for Board approval. Actual tuition rates approved and implemented will be included in the budget materials provided to the Board. Each college will be responsible for the impact of the college’s setting of rates, charges and fees, tuition waiver programs, and discounting practices.

Further Provisions

- Incentive for sound college cash management will be provided by allocation to the colleges of all System investment income, returning this revenue to those whose funds produce it and doing so according to each college’s invested cash balances averaged over 12 months.
- Each college will retain all entrepreneurial revenues the college generates and, in consultation with the Chancellor, can determine the use of these funds.

Periodic Review of the Operating Budget Model

- Because the public higher education environment will continue to evolve, the Vermont State Colleges operating budget model and its key components should be periodically reviewed and, if necessary, recommendations made to the Board for recalibration or changes.

2) Adoption of the Annual Operating Budget

The VSC Board of Trustees is responsible for reviewing the Vermont State Colleges operating budget recommendations by the Chancellor, and for adopting the official annual operating budget. This is consistent with the Board's ultimate fiduciary responsibility for the Vermont State Colleges System. Timing of the Chancellor's recommendations will allow the Board to conduct its review and take action no later than the final Board meeting of each fiscal year. The Chancellor's annual operating budget recommendations are to include individual colleges plus System Offices & Services and are to reflect combined System totals, within each current operating fund or group of VSC activities.

3) Administration of the Annual Operating Budget

On behalf of the Chancellor and Council of Presidents, the System chief financial officer in the Chancellor's Office and the chief business officers at each college are expected to collaborate and work with other appropriate college and System officials to assure the proper and effective administration of all annual operating budgets as adopted by the Board.

Actual operating results compared to budgeted results for activities will periodically be provided by each college through the Chancellor to the Board, by means of quarterly financial statements which reflect budgeted, projected actual, and variance to budget numbers for key enrollment, revenue, and expenditure areas.

To hedge shortfalls in annual operating budgets, each college will maintain college contingency reserves in the amount of 2.50% of unrestricted fund budget. Use of funded reserves is subject to approval of the Chancellor, and depletion of a college's reserves must be replenished by the college in a timeframe determined in consultation with the Chancellor.

The colleges may reserve up to an additional 5.0% as a strategic or discretionary reserve. Such reserve may be budgeted and expended by the president with concurrence from the chancellor.

Upon the audited close of each fiscal year's books, any carry-over funds available (net of encumbrances forward, commitments forward, maintained college contingency and strategic and discretionary reserves) may be proposed by the president for one-time uses subject to concurrence of the Chancellor and approval by the Board of Trustees.

As circumstances confronting the annual operating budget change over the course of a year, budget modifications may be authorized by the Chancellor's Office for the purpose of realistically reflecting increases, decreases, or shifts among budgeted revenue and expenditure categories.

Signed by: _____
Jeb Spaulding, Chancellor

Item 6:
Bond Rating Report from S&P Global Ratings

RatingsDirect®

Vermont State College System; Public Coll/Univ - Unlimited Student Fees

Primary Credit Analyst:

Ying Huang, San Francisco (1) 415-371-5008; ying.huang@spglobal.com

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Rationale

Outlook

Enterprise Profile

Financial Profile

Vermont State College System; Public Coll/Univ - Unlimited Student Fees

Credit Profile

1998, 2010A, 2010B and 2013 debt

Long Term Rating

A-/Stable

Current

Rationale

S&P Global Ratings assessed its long-term rating on Vermont State College System's (VSCS) general obligation debt. The rating is 'A-', and the outlook is stable.

We assessed VSCS' enterprise profile as strong, characterized by a stable management team and an improving acceptance ratio, offset by a decline in full-time-equivalent (FTE) enrollment in every year for the past six fiscal years. We assessed VSCS' financial profile as adequate, with consistently negative operating margins, increasing other postemployment benefit (OPEB) liabilities, and just sufficient available resources for the rating category. Combined, we believe these credit factors lead to an indicative stand-alone credit profile of 'bbb+'. As our criteria indicate, the final rating can be within one notch of the indicative credit level. In our opinion, the 'A-' rating on the system's bonds better reflects VSCS' status as a statewide system and its experienced management team, which has a close relationship with the state.

The rating reflects VSCS':

- Presence across the state, with four colleges in 20 locations throughout Vermont;
- Experienced and stable management team that continues to explore ways to improve the system's enrollment and financial performance;
- Plans to merge Lyndon State College and Johnson State College on July 1, 2018, to achieve expense reductions and increase student demand;
- Moderate maximum annual debt service (MADS) burden equal to 4.4% of 2017 operating expenses, coupled with no additional debt plans in the next three years; and
- Positive annual growth of net tuition revenue in four out of the past six fiscal years through fiscal 2017.

Offsetting credit factors include:

- Weakening demand in recent years, with FTE enrollment reaching a record low of 8,197 students as of fall 2017, down from a high of 10,126 students in fall 2010;
- High tuition dependency and limited, but relatively stable to increasing, state appropriations;
- High and growing OPEB liability, though the plan has been closed for all staff hired in the future; and
- Negative operating performance on a full-accrual basis for the past six fiscal years, although the operating deficit has

decreased in the last three years and is expected to continue to decline as the system manages its expenses.

VSCS maintains about \$116.92 million in long-term debt outstanding, and management reports no new debt plans. VSCS' bonds are a general obligation of the system, and the pledge includes all fees, including tuition. State appropriations are not pledged, but may be used to fund debt service.

VSCS, established in 1961, is a coeducational, state-supported institution that currently consists of four public institutions--Castleton University, Johnson State College, Lyndon State College, and Vermont Technical College (VTC)--all of which had earlier served as teacher colleges, as well as the Community College of Vermont, which was added to the VSCS in 1972. The four-year Castleton, Johnson, and Lyndon state colleges offer degrees through the master's level for professional programs, liberal arts, and sciences. VTC offers two-year and several four-year programs in engineering and technology-related fields, and a master's program in computer software engineering. The Community College of Vermont delivers two-year degrees in a range of fields through 12 sites around the state. Management states that Lyndon and Johnson State Colleges will be merged into the Northern Vermont University on July 1, 2018; a single president and leadership team for the two colleges started on July 1, 2017. About 84% of students are Vermont residents, and 83% of recent VSCS graduates stay in Vermont after graduation.

Outlook

The stable outlook reflects our expectation that the rate of enrollment declines at VSCS will moderate as management implements strategies to improve enrollment and retention at its campuses. The stable outlook also reflects our expectation that the full-accrual operating deficit will continue to decrease and the operational performance will likely remain positive on a cash basis, and available resources, though low, will not shrink drastically. No additional debt is expected over the next two years.

Downside scenario

We could consider a lower rating if enrollment continues to decline, if full-accrual-based operating losses accelerate, or if available resources decline further or additional debt is issued, or both.

Upside scenario

We do not believe a positive rating action is likely at this time, given the system's current operational and enrollment challenges. However, we could consider a positive rating action beyond the two-year outlook period if the system improves its enrollment and financial operations on a full-accrual basis, increases its available resources while reducing the OPEB liability, and issues additional debt only if there is corresponding growth in available resources.

Enterprise Profile

Industry risk

Industry risk addresses the higher education sector's overall cyclical and competitive risk and growth by applying various stress scenarios and evaluating barriers to entry, levels and trends of profitability, substitution risk, and growth trends observed in the industry. We believe the higher education sector represents a low credit risk when compared

with other industries and sectors.

Economic fundamentals

In our view, VSCS have a mostly local draw. About 84% of students are from Vermont, and the remaining 16% come from outside the state. Therefore, our assessment of VSCS' economic fundamentals is anchored by the Vermont GDP per capita.

Market position and demand

Enrollment at VSCS has been in a state of decline over the past seven school years, reaching a record low of 8,197 students as of fall 2017, down from a high of 10,126 students in fall 2010. Management states that VSCS is especially susceptible to the counter-cyclical nature of the higher education industry as a whole, but also notes that declining enrollment has pressured many higher education institutions in Vermont and may be symptomatic of larger demographic changes in the state. We believe that enrollment declines continue to pressure the rating.

Freshman applications has fluctuated in the past two years, and was down by 5.1% in fall 2017 at 6,578. The matriculation rate also weakened in the last five years, although it has remained above 30% during the period. We consider demand flexibility limited, with weak selectivity and a sufficient matriculation rate. Although the system's selectivity ratio improved in fall 2017 to 78% compared to 83% in fall 2014, it is still below the rating category medians.

Student quality is above the national average SAT score of 1020, but below rating category medians. The freshman-to-sophomore retention rate declined to 64% in fall 2017 from 71% in past two school years. Management plans to boost the retention rate through increased student interaction with faculty, and through a plan that establishes clear guidelines and pathways for graduation. The graduation rate has remained stable at 43% in fall 2017, though we note graduation rates were as high as 50% in fall 2012. In our view, the enrollment and demand profile is average, and though the selectivity ratio is improving, enrollment declines still do ultimately place greater pressure on VSCS.

Traditionally, VSCS has had limited fundraising capacity, but in 2016, it started a new Hall of Fame Celebration event to help kick-start its fundraising capacity. Management states that fundraising for this event has remained strong and that the system raised over \$200,000 for scholarships from its last two annual Hall of Fame Celebration events. We still view VSCS' fundraising plans as in their infancy, but expect that with a new focus on fundraising, fundraising at VSCS should fare better than in years past.

Management and governance

VSCS is governed by a 15-member board of trustees including the governor and five members who are appointed by the governor, and also includes one student, four legislative representatives, and as of 2018, four trustees appointed by the board. We understand there has been no board turnover outside of the typical term limit cycles. Chancellor George B. (Jeb) Spaulding, was appointed in 2014 and started in January 2015. Previously, Chancellor Spaulding served in various administrative capacities with the state for about 14 years and was a part-time state senator for 16 years. J. Churchill Hindes was elected board chair in January 2018. Dr. Hindes was a trustee for the Vermont State Colleges from 1987 to 2001. He was reappointed to the board in 2015, and he also chairs the Finance & Facilities Committee. Castleton University and Vermont Technical College welcomed two new presidents in 2017. The management team, in our view, is adequate, with minimal turnover, and continues to seek ways to operate efficiently given limited state

funding. Management has consolidated or plans to consolidate a number of the individual colleges' functions such as accounts payable, and centrally coordinate other functions such as information technology and human resources to realize efficiencies. In addition, management has implemented various strategic initiatives, including developing new programs and paths to graduation, reducing the OPEB liability by closing the group plan to new employees, and introducing various other cost reduction strategies. Finally, on July 1, 2018, management will merge its Lyndon and Johnson campuses into a single campus, Northern Vermont University, to decrease VSCS' expense base and increase enrollment.

VSCS operates under the guidance of a strategic plan whose goals include improving overall retention and graduation, operating as an integrated system, and increasing support provided by the state. We believe the system is making progress toward achieving its strategic goals, but faces an uphill battle given enrollment and operational pressures at VSCS. The system budgets for depreciation expenses and an operating contingency, which we view as a positive credit factor. In our view, the system has good financial practices and manages in a proactive manner.

Financial Profile

Financial management policies

The system has formal policies for endowment, investments, and debt. It operates according to a strategic plan, and has a formal reserve liquidity policy. The system meets standard annual disclosure requirements. The financial policies assessment reflects our opinion that, while there may be some areas of risk, the organization's overall financial policies are not likely to negatively affect its future ability to pay debt service. Our analysis of financial policies includes a review of the organization's financial reporting and disclosure, investment allocation and liquidity, debt profile, contingent liabilities, and legal structure and a comparison of these policies to those of comparable providers.

Financial performance

VSCS has maintained negative full-accrual operating margins of about 5% since fiscal 2012. Fiscal 2017 ended with an operating deficit of \$9.3 million, an improvement from a deficit of \$10.7 million in the previous fiscal year. Operations at the school have largely been pressured by enrollment declines and OPEB-related expenses. However, on a cash basis, if we normalize operations to exclude OPEB accrual and certain other one-time items, the system's performance has been positive for the past six years. Historically, VSCS' financial strength is reflected in its conservative budgeting, fully funded reserve funds, and budgeted contingency funds at each individual college equal to a maximum of 7.5% of budget. For fiscal 2018, management projects a \$1.8 million operating deficit due to below-budget enrollment and other strategic investments including the merger of Johnson State College and Lyndon State College as well as the reduction in force at Castleton University.

VSCS is dependent on student-generated fees: Tuition, fees, and auxiliary revenue generated 67% of fiscal 2017 adjusted revenue; continued enrollment changes have the potential to pressure net tuition revenue. We recognize that Vermont is committed to funding for public higher education, which is evident by its appropriations to VSCS of about \$26.8 million in fiscal 2017, up 4.4% from the prior year. Management indicates that state operating appropriations are expected to total about \$30 million for fiscal 2018. Also, the system received \$1.65 million in one-time funds from the state to support the launch of Northern Vermont University. Management expects state appropriations to remain

stable in fiscal 2019. Management has significant ties to the state legislature; the current chancellor of VSCS was formerly the Vermont State Treasurer and a state senator. The current chief financial officer was formerly the Deputy State Treasurer of Vermont; therefore, we expect that VSCS' expectations for appropriation levels are accurately presented. Capital appropriations were \$2.0 million in fiscal 2017, compared to \$3.0 million in fiscal 2016 and \$1.5 million in fiscal 2015. The capital appropriation has averaged about \$2.4 million over the past five fiscal years.

As a percentage of total revenue, VSCS' operating appropriation is significantly lower than what other public colleges and universities receive across the country: VSCS' state appropriations to revenue was 13.0% as of June 30, 2017, compared with the median for the rating category of 22.6%.

Tuition for fall 2017, including room and board, was lower than that of peer institutions. More specifically, tuition at VSCS for in-state students was \$11,412 for fall 2017, compared with \$15,096 at the University of Vermont, one of its main in-state competitors. VSCS increased tuition by 4.6% in fall 2017, and plans to modestly increase it over the next few years to help offset enrollment declines. The overall fiscal 2017 tuition discount rate remained what we consider standard, at 21.9%, compared to 21.3% for fiscal 2016, though we note the average discount rate has stayed between 20%-22% over the last five years. In our view, net tuition revenue growth could be pressured by growth in the discount rate and enrollment decreases if entering classes remain below target.

Available resources

Available resources for fiscal 2017 are low relative to the rating category, in our view. Available resources (as measured by adjusted unrestricted net assets) were weak, at \$21.2 million, as of fiscal year-end 2017 (June 30), equal to 9.9% of adjusted operating expenses and 18.2% of outstanding debt. Prior to this adjustment, the unrestricted net assets reported on VSCS' fiscal 2016 audit were negative \$43.7 million, prior to adding back the listed OPEB liability of \$64.9 million, representing a very weak negative 20.3% of operations and negative 37.4% of debt.

VSCS reported cash and investments of \$57.6 million for fiscal 2017, which was an increase from \$54.5 million reported for fiscal 2016. Over the past five fiscal years, average cash and investments were about \$57 million. As of fiscal 2017, cash and investments were 49.3% of debt.

The endowment at VSCS is small, and as of fiscal year end 2017 had a market value of approximately \$26.5 million, an increase from \$23.6 million in the previous fiscal year and \$19.0 million over the past six years. As of Dec. 31, 2017, the endowment further increased to \$28.6 million. In our view, the endowment asset allocation as of Dec. 31, 2017, was moderately conservative, with 68% equities, 27% in fixed income, and 6% in alternatives. The spending policy is 5% of a three-year moving average and, in our view, is sustainable. VSCS has consistently spent below its policy, and the actual endowment spend in fiscal 2017 was 5.0%.

Debt and contingent liabilities

VSCS had \$116.9 million of debt as of fiscal year-end 2017, consisting of the series 2010A, 2010B, 2013, and 2017 bonds. During fiscal 2017, VSCS issued the series 2017 bonds to refund all of its outstanding privately placed variable-rate debt and terminate interest rate swaps associated with the variable-rate debt. We view the current debt profile as conservative, with only fixed-rate debt outstanding. The MADS burden remains moderate, at 4.4% of fiscal 2017 expenses. Management doesn't plan to issue additional debt in the next two years.

While we view the debt restructuring in 2017 favorably, in our opinion, the financial profile cannot accommodate additional debt at the current rating, particularly as enrollment pressure has ultimately affected operations.

Management notes that VSCS does not have any defined-benefit pension liabilities, but that it does participate in a defined-contribution plan. However, OPEB liabilities represent a serious and growing credit pressure to the school; under their current iteration, VSCS administers a self-insured single-employer defined-benefit health care plan with provisions that are established through negotiations between VSCS and union representatives. VSCS contributes 100% of current-year utilization costs for eligible employees and spouses, and finances them on a pay-as-you-go basis. As of fiscal 2017, VSCS' net OPEB obligation was approximately \$64.9 million. VSCS closed this benefit as of 2015 for full-time faculty and as of 2012 for all other staff, which should eventually reduce this liability over time.

Vermont State College						
Enterprise And Financial Statistics						
	--Fiscal year ended June 30--					Medians for 'A' rated Public Colleges & Universities
	2018	2017	2016	2015	2014	2016
Enrollment and demand						
Headcount	11,446	12,009	12,036	12,305	12,656	MNR
Full-time equivalent	8,197	8,593	8,641	8,929	9,396	11,962
Freshman acceptance rate (%)	77.9	78.7	81.0	83.4	78.5	74.4
Freshman matriculation rate (%)	30.5	32.8	34.4	35.8	39.8	MNR
Undergraduates as a % of total enrollment (%)	96.0	94.7	95.5	96.4	96.7	84.5
Freshman retention (%)	64.0	71.0	71.0	67.0	68.0	77.0
Graduation rates (six years) (%)	43.0	43.0	44.0	N.A.	48.0	MNR
Income statement						
Adjusted operating revenue (\$000s)	N.A.	206,117	205,428	209,364	211,189	MNR
Adjusted operating expense (\$000s)	N.A.	215,457	216,106	220,873	225,957	MNR
Net adjusted operating income (\$000s)	N.A.	(9,340)	(10,678)	(11,509)	(14,768)	MNR
Net adjusted operating margin (%)	N.A.	(4.33)	(4.94)	(5.21)	(6.54)	(0.72)
Estimated operating gain/loss before depreciation (\$000s)	N.A.	12,161	11,841	13,896	10,810	MNR
Change in unrestricted net assets (UNA; \$000s)	N.A.	(7,556)	(6,747)	(6,370)	(7,349)	MNR
State operating appropriations (\$000s)	N.A.	26,831	25,703	27,222	27,331	MNR
State appropriations to revenue (%)	N.A.	13.0	12.5	13.0	12.9	22.6
Student dependence (%)	N.A.	67.1	66.3	65.0	65.0	53.2
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	6.4	6.6	6.3	6.7	MNR
Endowment and investment income dependence (%)	N.A.	0.5	0.5	0.5	0.6	0.4
Debt						
Outstanding debt (\$000s)	N.A.	116,920	120,793	125,314	128,935	164,127

Vermont State College (cont.)

Enterprise And Financial Statistics

	--Fiscal year ended June 30--					Medians for 'A' rated Public Colleges & Universities
	2018	2017	2016	2015	2014	2016
Proposed debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	116,920	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	4.29	4.73	4.31	4.23	MNR
Current MADS burden (%)	N.A.	4.35	3.28	3.21	4.70	4.40
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value (\$000s)	N.A.	26,548	23,590	23,512	23,904	81,992
Related foundation market value (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	111,376
Cash and investments (\$000s)	N.A.	57,602	54,451	59,062	58,006	MNR
UNA (\$000s)	N.A.	(43,671)	(36,115)	(29,368)	(22,998)	MNR
Adjusted UNA (\$000s)	N.A.	21,243	23,484	25,366	25,946	MNR
Cash and investments to operations (%)	N.A.	26.7	25.2	26.7	25.7	45.2
Cash and investments to debt (%)	N.A.	49.3	45.1	47.1	45.0	96.3
Cash and investments to pro forma debt (%)	N.A.	49.3	N.A.	N.A.	N.A.	MNR
Adjusted UNA to operations (%)	N.A.	9.9	10.9	11.5	11.5	26.8
Adjusted UNA plus debt service reserve to debt (%)	N.A.	18.2	19.4	20.2	20.1	52.0
Adjusted UNA plus debt service reserve to pro forma debt (%)	N.A.	18.2	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	18.1	15.9	11.2	10.2	14.0
OPEB liability to total liabilities (%)	N.A.	29.6	26.7	25.0	22.7	MNR

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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U.S. Public College And University Fiscal 2016 Median Ratios: Lower Rated Entities Pressured In An Otherwise Relatively Stable Sector

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U.S. Public College And University Fiscal 2016 Median Ratios: Lower Rated Entities Pressured In An Otherwise Relatively Stable Sector

Most rated U.S. public colleges and universities remained stable in fiscal 2016, except for the sector's lower rated schools, which experienced downward pressure. Enrollment and demand metrics were relatively stable across categories and as a sector, though financial performance metrics were more volatile. Similar to previous years, median values across categories generally follow rating distribution, with higher rated institutions having stronger demand and financial metrics than lower rated schools. Most demand and financial metrics were relatively flat in fiscal 2016, reflecting the 85% of ratings with stable outlooks in the sector over fiscal years 2016 and 2015. However, 9% of institutions maintained a negative outlook, and 5% were on CreditWatch negative, compared with just 8% of issuers with a negative outlook among private colleges and universities, thus reflecting the more pressured nature of public universities in fiscal 2016.

Overview

- Public college and university median ratios were stable in fiscal 2016, except for those institutions at the lower end of the ratings distribution.
- Enrollment and demand were stable, but financial performance was volatile.
- Although 85% of rated U.S. public higher education institutions had stable outlooks in the past two fiscal years, 9% had a negative outlook, which is higher than private colleges and universities.

Highlights of the fiscal 2016 medians include:

- A new speculative-grade median category, created largely because of state budgetary pressures at Illinois public universities;
- Endowment market values that declined across rating categories (except for the 'AA' category) during fiscal year-end 2016, largely reflecting market conditions;
- An increase in total outstanding debt across all categories, and for the sector, except for the 'BBB' category; and
- Operating margins that declined across most rating categories, and for the sector, during fiscal 2016.

Table 1

Selected Sectorwide Ratios For U.S. Public Colleges And Universities				
	2016	2015	2014	2013
Sample Size	152	158	163	161
Enrollment And Demand				
Total FTE Enrollment				
Median	19,446	18,308	17,971	17,877
Mean	33,766	29,834	29,690	29,834

medians should not be considered thresholds to achieve a particular rating.

Chart 1

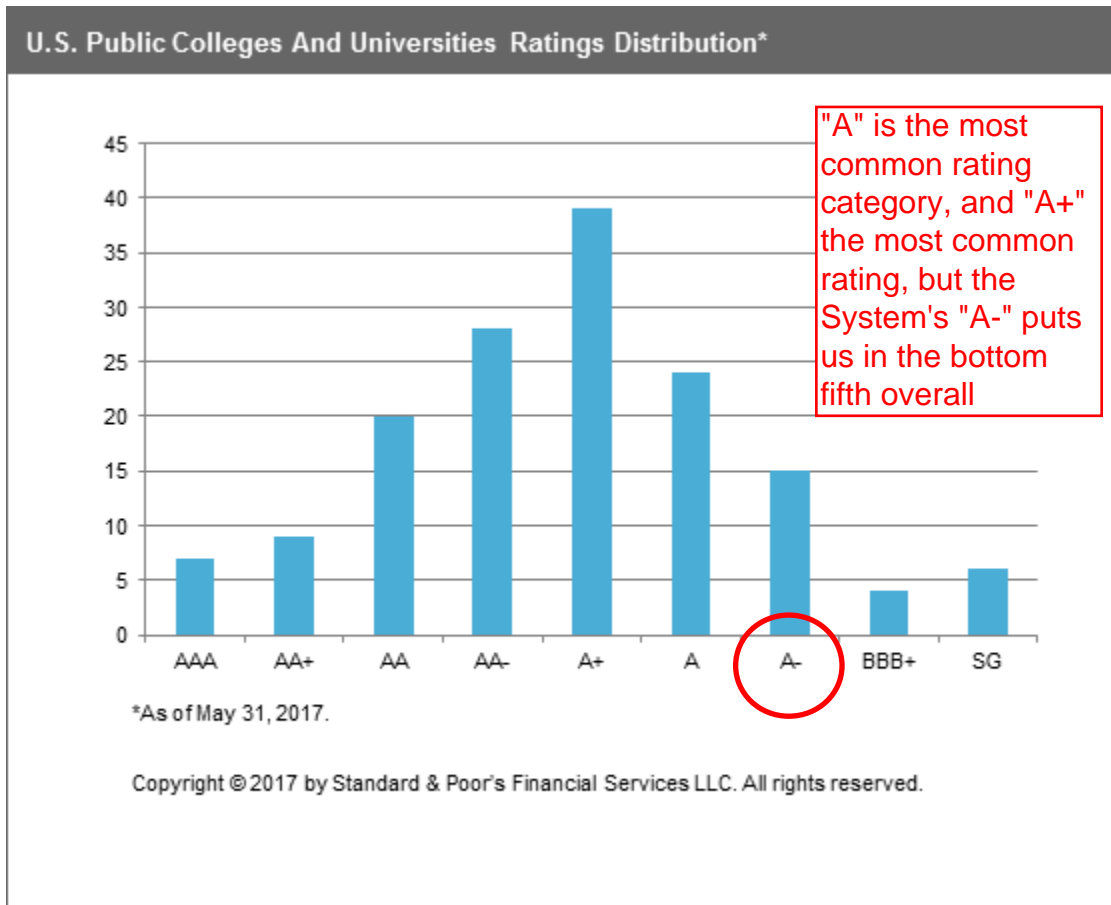


Table 3

U.S. Public Colleges And Universities Outlook Distribution	
	Percentage
Stable	85
Negative	9
CreditWatch Negative	5
Positive	2

Enrollment And Demand Medians

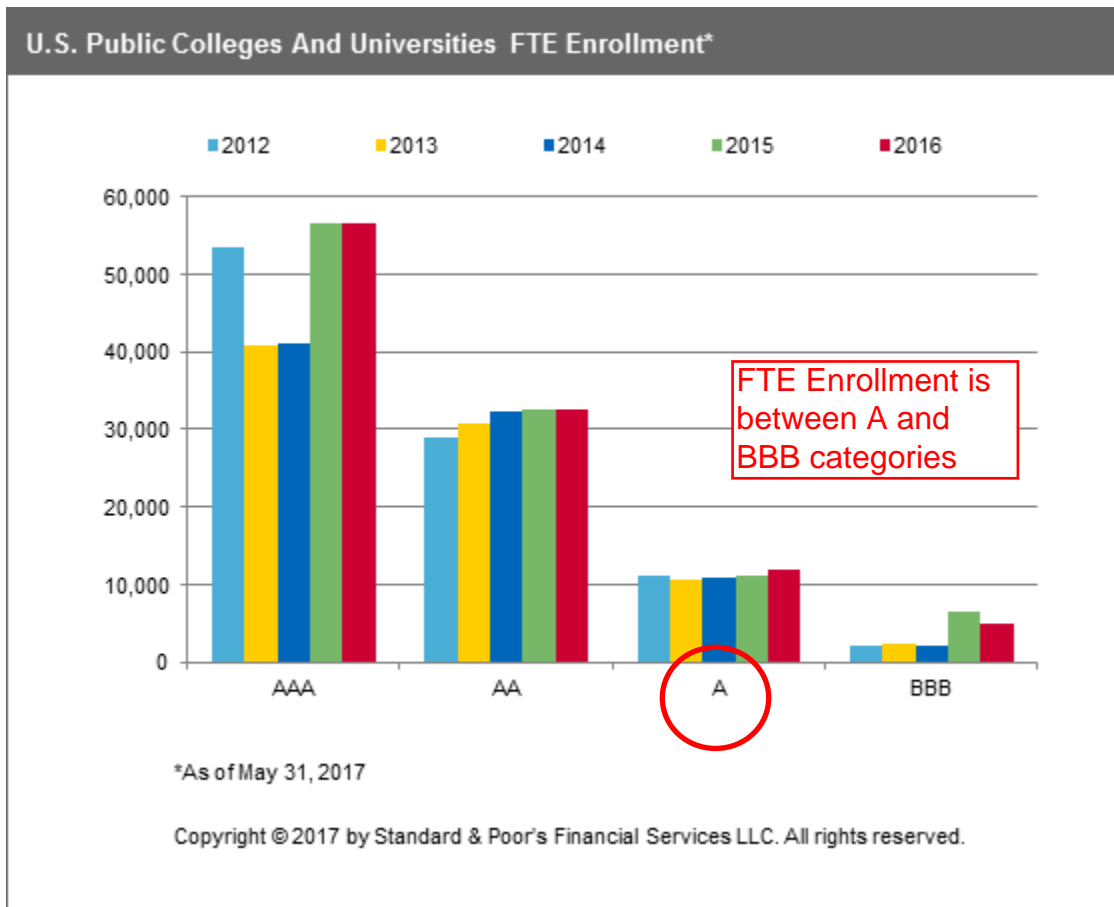
Enrollment trends

Median full-time equivalent (FTE) enrollment was flat for both 'AAA' and 'AA' public colleges and universities in fiscal 2016, reflective of the strong demand for these institutions. Conversely, lower-rated public colleges and universities, specifically in the 'BBB' and speculative-grade categories, experienced declines in full-time enrollment in fiscal 2016. Enrollment declines at lower-rated public colleges and universities, specifically those in the 'BBB' and

speculative-grade categories, can be attributed to the pressures of an already highly competitive regional landscape coupled with the weaker external reputation of these colleges and universities. Five of six issuers in the speculative-grade category are from Illinois, as such, state funding uncertainties have negatively affected FTE at these institutions.

The only rating category with significant FTE growth was the 'A' category, which achieved a 7.5% growth in FTE from the previous fiscal year. The 'A' rating saw a drop in sample size to 78 issuers from 86, with most leaving the 'A' category having small FTE and thus shifting the FTE median upward through a change in the sample, rather than a change in the overall credit quality of these institutions. The sector-wide FTE median increased by 6.2% to 19,446 FTE compared with 18,308 in fiscal 2015. This is the third straight year of FTE increases for the sector as a whole, reflecting the continued growth in demand for higher education in general, even as individual schools may struggle to meet enrollment projections.

Chart 2



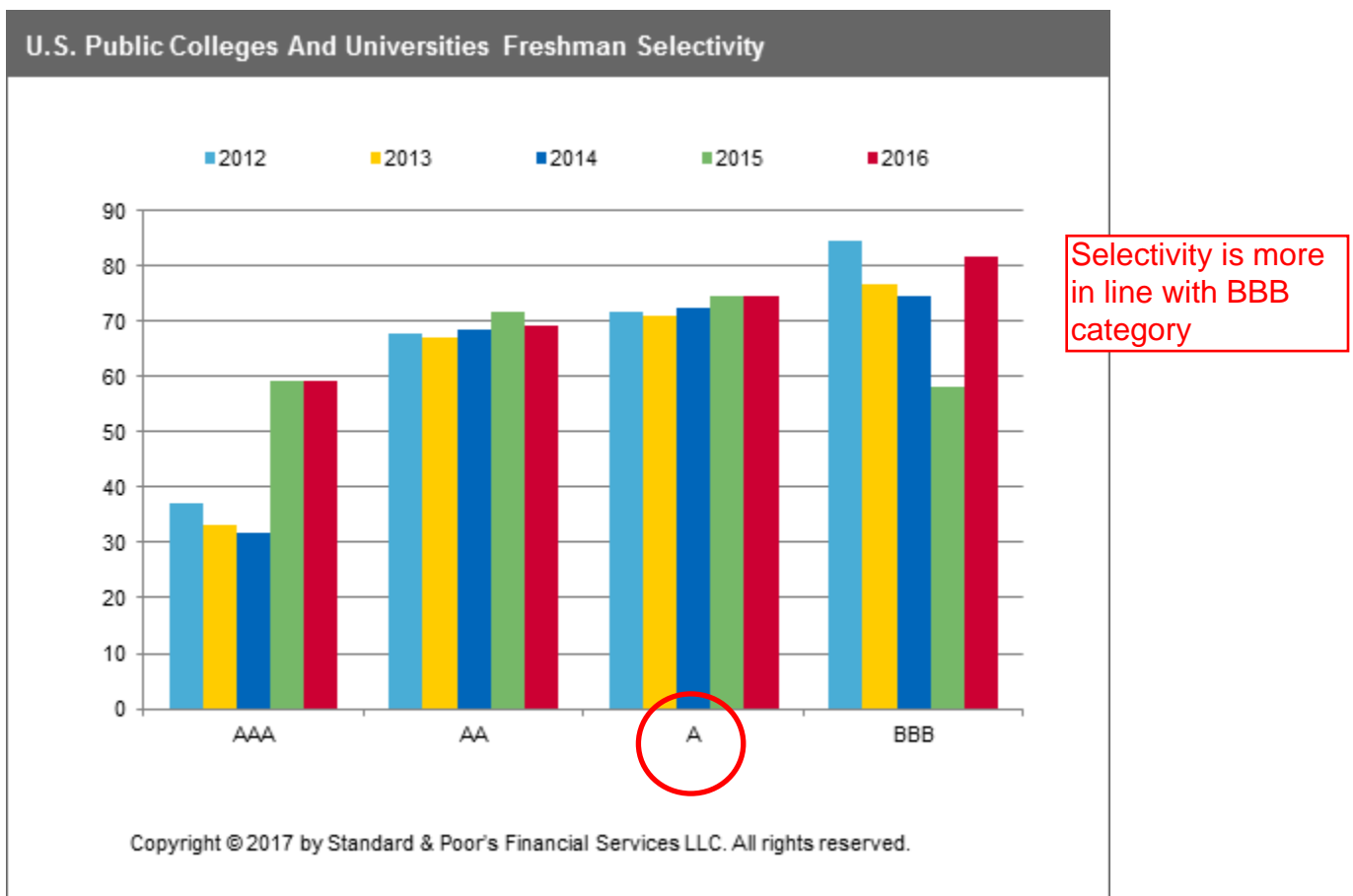
Selectivity And Other Demand Related Trends

Selectivity shows correlation to rating quality, with higher-rated institutions being more selective, and lower-rated institutions being less selective. Across rating categories, selectivity as measured by freshman acceptance rate was

relatively stable, with significant changes in selectivity only occurring in the 'BBB' category. The 'BBB' category medians saw a significant decrease in sample size during fiscal 2016, thus skewing some results.

As a sector, public colleges and universities have become slightly less selective over time since fiscal 2013, the first year we began collecting sector-wide data. In fiscal 2016 the freshman acceptance rate was 71.7% compared with 68.5% in fiscal 2013. As a sector, the percentage of in-state students has decreased, with 78.6% of students classified as in-state in fiscal 2016 compared with 81.5% in fiscal 2013. Standardized test scores remained essentially static from fiscal 2013 through fiscal 2016. Given that standardized test scores were flat, and given that the percentage of in-state students decreased, we believe freshman selectivity decreased as a sector as institutions sought to increase revenues, especially those from out-of-state students who often pay a higher tuition rate than in-state students.

Chart 3



Financial Medians

Operating performance

Operating performance in the public university sector is often difficult to determine based on the varying audit presentation styles and the interaction and support (or lack thereof) from the related state government. We normalize operations year-over-year to reduce variability resulting from one-time revenues and expenses and investment-related

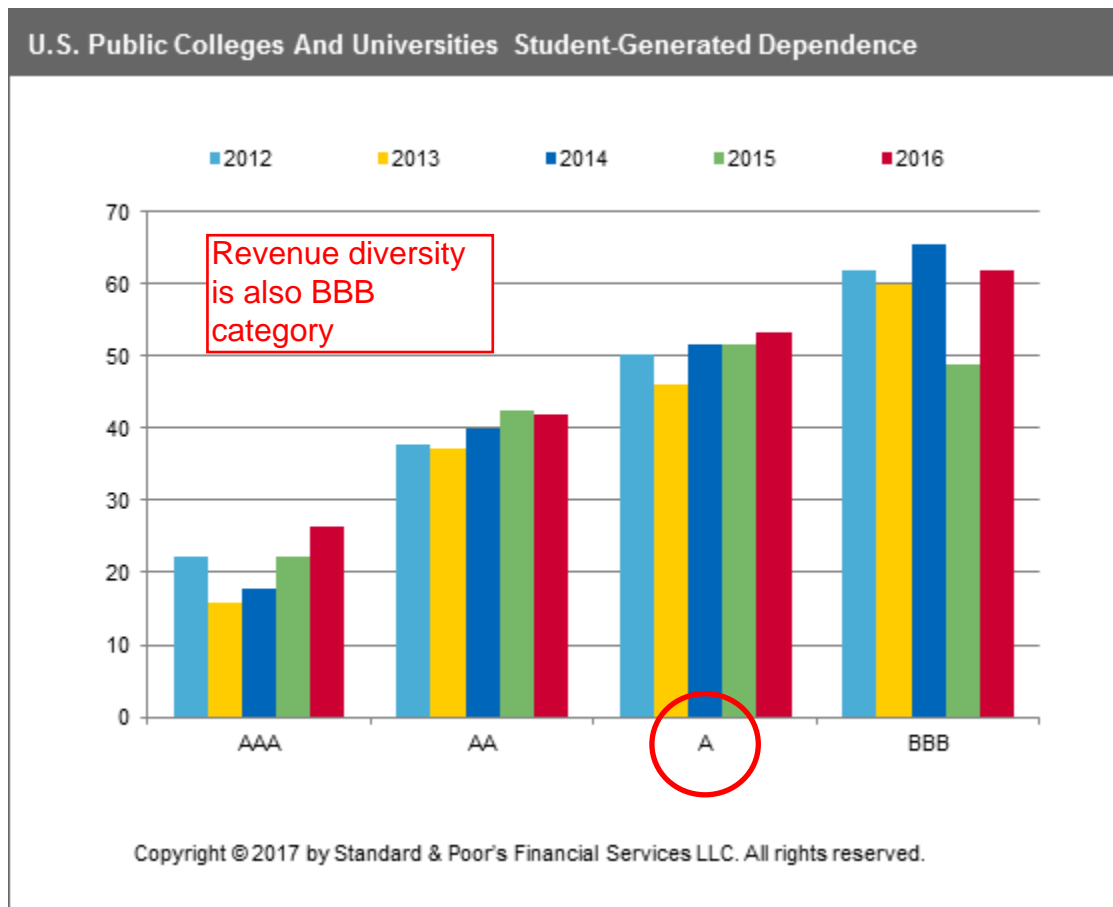
gains and losses.

Operating margins declined across most rating categories and as a sector during fiscal 2016, though the 'AAA' and 'AA' categories continue to post operating surpluses. The 'BBB' category did experience a slight improvement in operating performance, though 'BBB' operating margins remain negative on a generally accepted accounting principles basis. We believe the decline in operating performance across rating categories and as a sector reflects ongoing operating challenges facing the sector as institutions struggle to balance enrollment growth, program offerings, and facility needs against minimal tuition increases and significant competition for students. We expect operating margins will continue to face pressure.

Revenue Diversity

Across rating categories in fiscal 2016, we saw increased dependence on student-generated revenues, with the exception of the 'AA' category, which remained relatively flat. As a sector, student generated revenue dependence increased to 49% in fiscal 2016 from 46.5% in fiscal 2013. Aside from student generated revenue, there is relative stability in grants and contracts, gifts and pledges, and investment income to revenue across rating categories and as a sector. The increase in student-generated revenues dependence offsets declines in state appropriation revenue.

Chart 4



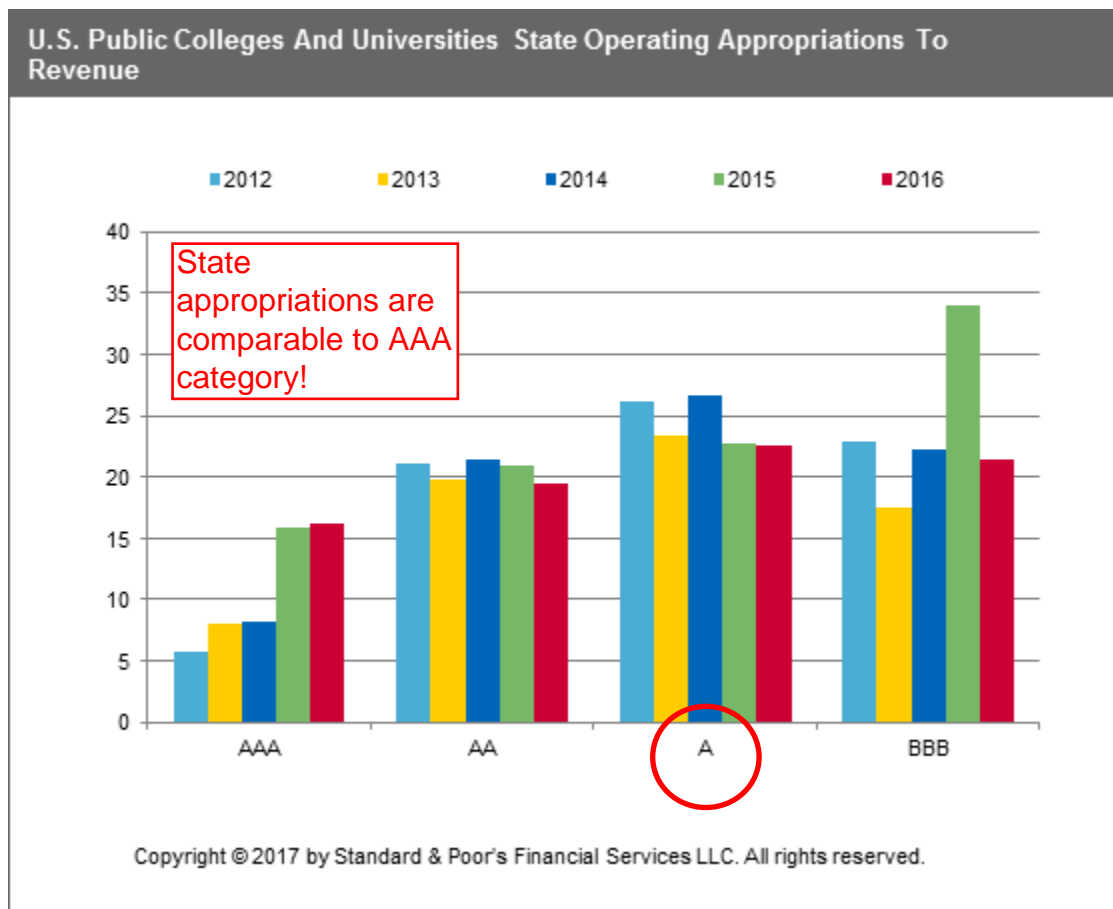
State Appropriations

We noted decreases in state appropriations as a percentage of operating revenue across all rating categories except for 'AAA', with a significant decrease in state appropriations across the 'BBB' and speculative-grade rating categories. We attribute the decrease in state appropriations as a percentage of operating revenue, especially at the lower end of the rating distribution, to uncertain, and in some cases, highly pressured state funding environments.

At the 'BBB' level state appropriations to revenue partially decreased because of movement of several 'BBB' issuers to the speculative-grade category. The sample size for 'BBB' is now too small to make meaningful comparisons with prior years. At the speculative-grade level, state appropriations mainly decreased as a result of the highly gridlocked state budget battle in Illinois, which ultimately caused us to place five Illinois public universities on CreditWatch with negative implications.

We did not include the University of Puerto Rico in our median report this year due to lack of available data for fiscal 2016 due to Puerto Rico's debt crisis. Illinois and Puerto Rico are good examples of the extreme pressure that a weak state funding environment can exert on a public university. As a sector, median state appropriations declined slightly, indicating that state funding pressures are being felt across the sector.

Chart 5



Endowments

Public college and university endowments were challenged in fiscal 2016, with declines in endowment market value across all rating categories except for 'AA', illustrating that fundraising and investment returns were generally unable to offset annual endowment draw needs for many institutions. The 'AA' category improved largely due to shifts within the rating category rather than true growth in endowment. These results largely align with average market returns of negative 1.9% according to the fiscal 2016 National Association of College and University Business Officers (NACUBO) Commonfund Study of Endowments, published on Jan. 31, 2017. The NACUBO study includes 805 institutions, while we include just 152 in our public university median report. In addition, our medians reflect overall endowment values, not investment returns. As a sector, median endowment market value increased; however, this increase is primarily due to the discontinuation of ratings for institutions with lower endowment values than the median, and not a reflection of a change in credit quality for the sector.

Table 4

U.S. Public Colleges And Universities Endowment Market Value (\$000s)						
	2016	2015	2014	2013	2012	2011
AAA	4,117,446	4,374,764	6,974,052	6,036,267	5,559,648	8,122,000
AA	748,837	642,929	668,000	597,650	500,482	405,338
A	81,992	85,533	76,344	56,300	45,580	47,952
BBB	27,556	37,845	38,815	33,571	29,717	8,222
SG	74,132	-	-	-	-	-

Endowment is squarely BBB category, but in part due to our small size

Available resource ratios

Available resource ratios are paramount to our analysis, as they reflect the relative strength of the university's balance sheet. Adjusted unrestricted net assets (UNA) relative to debt and adjusted UNA relative to total adjusted operating expenses followed the same pattern; both had mixed results. At the tails, both 'AAA' and 'BBB' issuers experienced declines in UNA to operations and debt, while in the middle, 'AA' and 'A' rated issuers experienced modest increases in these metrics. We attribute declines in 'AAA' medians to growth in both operating expenses and debt, while shifts to 'A' and 'BBB' ratios reflect changes in the number and make up of institutions rated within those categories rather than a shift in credit quality.

Chart 8

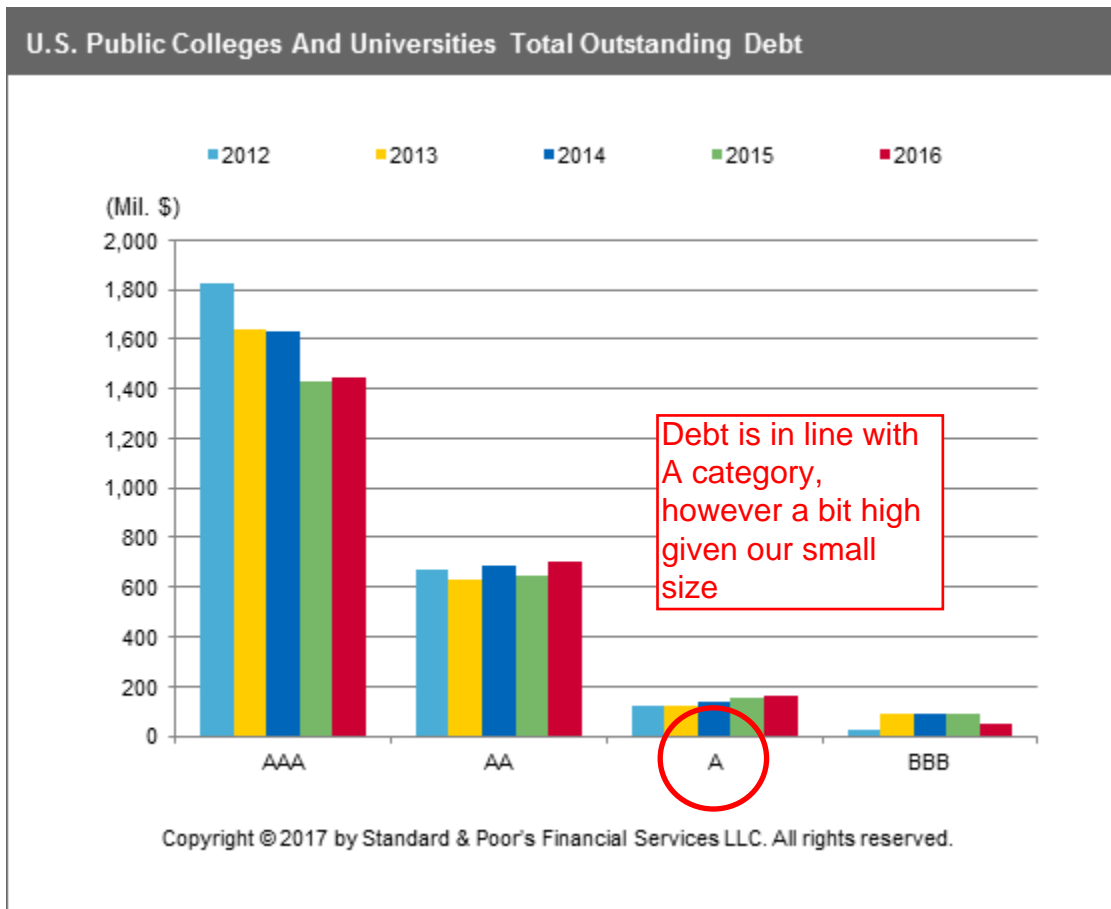


Table 5

Ratings On U.S. Public Colleges And Universities			
Org	State	Rating	Outlook
AAA			
Indiana University	IN	AAA	Stable
Purdue University	IN	AAA	Stable
Texas A&M University	TX	AAA	Stable
University of Michigan	MI	AAA	Stable
University of North Carolina At Chapel Hill	NC	AAA	Stable
University of Texas System Board of Regents	TX	AAA	Stable
University of Virginia	VA	AAA	Stable
AA+			
Michigan State University	MI	AA+	Stable
Texas A&M - College Station	TX	AA+	Stable
Texas Tech University System	TX	AA+	Stable
University of Delaware	DE	AA+	Stable
University of Missouri System	MO	AA+	Stable

Table 5

Ratings On U.S. Public Colleges And Universities (cont.)			
Org	State	Rating	Outlook
University of Pittsburgh	PA	AA+	Stable
University of Utah	UT	AA+	Stable
University of Washington	WA	AA+	Stable
University System of Maryland	MD	AA+	Stable
AA			
Clemson University	SC	AA	Stable
College of William & Mary	VA	AA	Stable
Florida State University System	FL	AA	Stable
Florida State University	FL	AA	Stable
Iowa State University of Science and Technology	IA	AA	Stable
North Carolina State University at Raleigh	NC	AA	Stable
Ohio State University	OH	AA	Stable
Pennsylvania State University	PA	AA	Stable
State University of Iowa (SUI)	IA	AA	Stable
University of Alabama Birmingham	AL	AA	Stable
University of Alabama	AL	AA	Stable
University of California System	CA	AA	Stable
University of Florida	FL	AA	Stable
University of Houston	TX	AA	Stable
University of Kentucky	KY	AA	Stable
University of Minnesota	MN	AA	Stable
University of Mississippi	MS	AA	Stable
University of Nebraska System	NE	AA	Stable
University of New Mexico	NM	AA	Stable
Virginia Polytechnic Institute & State University	VA	AA	Stable
AA-			
Arizona State University	AZ	AA-	Stable
Auburn University	AL	AA-	Stable
Ball State University	IN	AA-	Stable
California State University System	CA	AA-	Stable
City University of New York	NY	AA-	Stable
East Carolina University	NC	AA-	Stable
Florida International University	FL	AA-	Stable
Minnesota State College & University	MN	AA-	Stable
Nevada System of Higher Education	NV	AA-	Stable
New Mexico State University	NM	AA-	Stable
North Dakota State University	ND	AA-	Stable
Oklahoma State University	OK	AA-	Stable
South Dakota State University System	SD	AA-	Stable
State University of New York	NY	AA-	Stable

Table 5

Ratings On U.S. Public Colleges And Universities (cont.)			
Org	State	Rating	Outlook
University of Alaska	AK	AA-	Negative
University of Arizona	AZ	AA-	Stable
University of Central Florida	FL	AA-	Stable
University of Cincinnati	OH	AA-	Stable
University of Connecticut	CT	AA-	Negative
University of Kansas	KS	AA-	Stable
University of Louisville	KY	AA-	Stable
University of Maine System	ME	AA-	Stable
University of Massachusetts	MA	AA-	Stable
University of Oregon	OR	AA-	Stable
University of South Florida	FL	AA-	Stable
University of Wyoming	WY	AA-	Stable
Virginia Commonwealth University	VA	AA-	Stable
University System of New Hampshire	NH	AA-	Stable
A+			
Washington State University	WA	A+	Stable
Boise State University	ID	A+	Stable
Bowling Green State University	OH	A+	Stable
Central Michigan University	MI	A+	Positive
Cleveland State University	OH	A+	Stable
Colorado School of Mines	CO	A+	Stable
Colorado State University System	CO	A+	Stable
Florida Atlantic University	FL	A+	Stable
Grand Valley State University	MI	A+	Stable
Idaho State University	ID	A+	Stable
Kansas State University	KS	A+	Stable
Kent State University	OH	A+	Stable
Miami University	OH	A+	Stable
Missouri State University	MO	A+	Positive
Montana State University	MT	A+	Stable
Morgan State University	MD	A+	Stable
New Mexico Institute of Mining & Technology	NM	A+	Stable
Northern Arizona University	AZ	A+	Stable
Ohio University	OH	A+	Stable
Old Dominion University	VA	A+	Stable
Rutgers University	NJ	A+	Stable
Temple University	PA	A+	Stable
Texas Womans University	TX	A+	Stable
Troy University	AL	A+	Negative
University of Alabama Huntsville	AL	A+	Stable

Maine and New Hampshire Systems include their UVM equivalent State flagships (UMaine Orono and UNH)

Table 5

Ratings On U.S. Public Colleges And Universities (cont.)

Org	State	Rating	Outlook
University of Central Missouri	MO	A+	Stable
University of Idaho	ID	A+	Stable
University of Illinois	IL	A+	CreditWatch Negative
University of Montana	MT	A+	Stable
University of Montevallo	AL	A+	Negative
University of North Carolina at Charlotte	NC	A+	Stable
University of North Carolina at Greensboro	NC	A+	Stable
University of Oklahoma	OK	A+	Stable
University of Rhode Island	RI	A+	Stable
University of South Alabama	AL	A+	Stable
University of Southern Mississippi	MS	A+	Stable
University of Vermont & State Agricultural College	VT	A+	Stable
Wayne State University	MI	A+	Stable
Youngstown State University	OH	A+	Stable
A			
College of New Jersey	NJ	A	Stable
Emporia State University	KS	A	Stable
Ferris State University	MI	A	Positive
Florida Gulf Coast University	FL	A	Stable
Illinois State University	IL	A	CreditWatch Negative
Jacksonville State University	AL	A	Stable
Metropolitan State University of Denver	CO	A	Negative
Minot State University	ND	A	Stable
Nebraska State College	NE	A	Stable
New Jersey Institute of Technology	NJ	A	Stable
Northern Kentucky University	KY	A	Stable
Northern Michigan University	MI	A	Negative
Ramapo College	NJ	A	Stable
Rowan University	NJ	A	Stable
Saginaw Valley State University	MI	A	Stable
Southeast Missouri State University	MO	A	Stable
University of North Alabama	AL	A	Stable
University of Northern Colorado	CO	A	Negative
University of Northern Iowa	IA	A	Stable
University of Southern Indiana	IN	A	Stable
University of Toledo	OH	A	Stable
West Virginia University	WV	A	Stable
Western Michigan University	MI	A	Stable
Worcester State University	MA	A	Stable

The System was also rated A+ stable, UVM's current rating, until May 30, 2014, before being downgraded to A with a negative outlook, and then downgraded again on August 31, 2015 to the current A- stable rating. The current rating was reaffirmed on January 10, 2017 and again on May 22, 2018.

Table 5

Ratings On U.S. Public Colleges And Universities (cont.)

Org	State	Rating	Outlook
A-			
Delaware State University	DE	A-	Stable
Eastern Kentucky University	KY	A-	Stable
Fayetteville State University	NC	A-	Stable
Indiana University of Pennsylvania	PA	A-	Stable
Kean University	NJ	A-	Stable
Mayville State University	ND	A-	Negative
Missouri Western State University	MO	A-	Negative
Pittsburg State University	KS	A-	Stable
University of Louisiana at Lafayette	LA	A-	Stable
University of North Carolina At Pembroke	NC	A-	Stable
University of North Florida	FL	A-	Stable
Valley City State University	ND	A-	Negative
Vermont State College	VT	A-	Stable
Western Kentucky University	KY	A-	Stable
Winston-Salem State University	NC	A-	Negative
BBB+			
Missouri Southern State University	MO	BBB+	Stable
Eastern Michigan University	MI	BBB+	Negative
Lake Superior State University	MI	BBB+	Stable
Nicholls State University	LA	BBB+	Stable
Speculative Grade			
Governors State University	IL	BB	CreditWatch Negative
Southern Illinois University	IL	BB	CreditWatch Negative
Western Illinois University	IL	BB-	CreditWatch Negative
Alabama State University	AL	B	Negative
Eastern Illinois University	IL	B	CreditWatch Negative
Northeastern Illinois University	IL	B	CreditWatch Negative

IUP is the 2nd largest college in the PA State System (PASSHE), which is much larger, but otherwise similar in structure and challenges to the VSCS

Table 6

Glossary Of Ratios And Terms

Metric or Ratio	Definition
Enrollment and Demand ratios	
FTE enrollment	Total students enrolled on a full-time equivalent basis
Percent undergraduate (%)	Total number of undergraduate students/total students
Freshman acceptance rate (%)	Number of freshman accepted/total number of freshman applications
Average SAT scores	Average combined math and reading SAT scores for entering freshman
Average ACT scores	Average ACT scores for entering freshman
Retention rate (%)	Freshmen students who matriculated for sophomore year/total freshman who completed their first year
6 year graduation rate (%)	Students who graduate from the university within 6 years/total students in the freshman cohort

Item 7:
Draft FY2019 Committee Meeting Schedule

Finance and Facilities Committee
DRAFT Meeting Schedule for Fiscal Year 2019
as of May 30, 2018

Mtg #	Date	Topic Count	FY2020 Budget Development	FY2021 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	MEETINGS ON SAME DATE
1	Wed, Aug 29, 2018	*	4		FY18 results, reserves and system loans, admissions as of Aug 15	Discuss outlook for Budget Adjustment, Big Bill and Capital Bill	Regular quarterly report (per Policy 404)		Capital projects list review					
2	Wed, Oct 24, 2018		5	Initial discussion informed by Q1 FY19 results	Review final Fall 2018 Enrollment, Q1 FY19 Results, Reserves	Possible vote to approve legislative requests			Vote to approve capital projects list					AUDIT
3	Thu, Dec 6, 2018	*	4	FY2019 and 3-year initial System outlook		Vote to approve carryover, System funds discussion	Regular quarterly report (per Policy 404)							BOT
4	Mon, Jan 14, 2019		1				Annual review of Endowment and Investment Spending Policy 430							
5	Mon, Feb 11, 2019	*	4	3-year enrollment and budget outlooks by Institution	Q2 FY19 Results		Regular quarterly report (per Policy 404)							AUDIT
6	Mon, Apr 1, 2019		1	Preliminary FY20 Budgets "1st pass"										
7	Mon, Apr 29, 2019		4	Preliminary FY20 Budgets "2nd pass"	Initial FY21 Tuition discussion	Q3 FY19 Results								AUDIT
8	Wed, May 29, 2019		3	Vote on FY20 Budgets	2nd FY21 Tuition request		Quarterly report, Annual Banking & Investment Resolution (Policy 404)							
9	Thu Jun 20, 2019	*	3		Vote on FY21 Tuition			Annual review of Debt Management Policy 433						BOT

* Meeting on same day as, or last meeting before, quarterly Board of Trustees Meeting

Item 8:
FY2018 Committee Meeting Schedule

Finance and Facilities Committee
Meeting Schedule for Fiscal Year 2018
as of May 30, 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 (2:15pm - 5:30pm)	5			3-year enrollment and budget outlooks by Institution		Q2 FY18 Results		Morgan Stanley presentation, continue discussion with FFVSC					Votes to approve new Policy 434 and amended Policy 301	Vote to approve partial fossil fuel screening pilot
	Mon, Feb 19, 2018		Meeting Cancelled												
5	Mon, Apr 2, 2018 (1:03pm - 3:12pm)	4			Preliminary FY19 Budgets "1st pass"		Expanded "all funds" discussion		Regular quarterly report (per Policy 404)						Admissions review
6	Mon, Apr 30, 2018 (2:46pm - 5:11pm)	4			Preliminary FY19 Budgets "2nd pass"	Initial FY20 Tuition discussion	Q3 FY18 Results	Legislative update							
7	Wed, May 30, 2018	6			Vote on FY19 Budgets	Preliminary FY20 Tuition request	Review of Admissions, Budgeted Enrollments, and F/T Headcount			S&P annual surveillance recap				Policy 403 discussion	Review of draft FY2019 Committee calendar
8	Wed, Jun 20, 2018 *	5				Vote on FY20 Tuition			Quarterly report, Annual Banking & Investment Resolution (Policy 404)	Debt "201" discussion, compliance procedures		Deferred maintenance update			AGB Report update

* Last meeting before quarterly Board of Trustees Meeting