

MEMORANDUM

TO: VSCS 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: September 20, 2018

SUBJ: Special Finance & Facilities Committee Meeting on September 26, 2018

The Finance and Facilities Committee of the Board of Trustees is scheduled to convene a short special meeting from 9:00 a.m. to 9:30 a.m. in the Waterlot Room at Lake Morey Resort in Fairlee.

The agenda includes approval of an endowment, an enrollments update, and then a continuation of last meeting's discussion and a vote to recommend approval of a proposed amendment to Policy 403, Annual Operating Budget to the full Board at its Business Meeting on Thursday.

The proposed changes to Policy 403 fall into three general categories: (1) ministerial changes, in order to define and consistently use capitalized terms, (2) changes related to reserves, in particular increasing limits and adding a reserve for capital funds, and most significantly (3) a change to the allocation of State appropriation and of Chancellor's Office expenses among Institutions, from the current flat percentages to a formula-based model.

Ministerial changes include defining both the "System Annual Operating Budget" and "Institutional Annual Operating Budgets;" replacing "colleges" with "Institutions" throughout; a new "Allocation Formula," which includes "Net Student Revenues" and "Degrees and Credentials," to replace the "Status Quo Allocation" used currently; and definitions of "Contingency Reserves" (which colloquially have been referred to as "Board-required reserves"), new "Construction, Renovation and Maintenance (CRM) Reserves" and existing "Carried Over Funds" which inconsistently have been called "carry-over" or "carry-forward" funds.

With respect to reserves, the proposed amendment clarifies that all limitations are expressed as a percentage of budgeted expenses. It also doubles the Strategic Reserve limit from 5% to 10%, and creates a new CRM Reserve limited to 15% of budgeted expenses. The purpose of the increased Strategic Reserve is both to build additional protection against enrollment-driven revenue volatility year-over-year, while also enabling Institutions to accumulate resources necessary for institutional advancement initiatives, in the absence of large endowments. The purpose of the CRM Reserve is to enable the accumulation of resources for upgrades, renovations and deferred maintenance without borrowing, and to create an Unrestricted fund for this purpose so that Institutions do not need to carry cash balances in their Plant Funds.

Finally, the new Allocation Formula for both the State appropriation and Chancellor's Office expenses addresses both an immediate policy concern and a long-standing strategic concern. The immediate concern is that Policy 403 currently allocates the State appropriation "to the colleges equally," which, with the creation of Northern Vermont University, results in a four-way instead of five-way division and an abrupt \$4.1 million reduction to what were Johnson and Lyndon State Colleges' appropriation shares. This would create an immediate 7% deficit in NVU's \$57 million operating budget, and is of course unrealistic.

While this could be solved simply by "grandfathering" the previous five-way allocation, with two-fifths going to NVU, the longer-term strategic concern is that the equal allocation, which has been in place since FY2002, has become increasingly and demonstrably inequitable. This is particularly true for Castleton University, but it presents a problem for the System generally because there is no underlying rationale for this allocation beyond precedent.

I will provide a separate memorandum describing the proposed Allocation Formula in greater detail in advance of next Wednesday's meeting. In the meantime, should you have any questions regarding these materials or any other matter, please contact me at stephen.wisloski@vsc.edu or (802) 224-3022. Thank you.

Attachments:

1. Consent agenda
2. Enrollments as of September 19
3. Proposed amendments to Policy 403, Annual Operating Budget
4. FY2019 Finance & Facilities Committee meetings schedule

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
September 26, 2018**

AGENDA

1. Call to order
2. Consent agenda and approvals:
 - a. Minutes of August 29, 2018 meeting
 - b. The Dick & Nancy Collins Endowment for the Vail Museum
3. Fall 2018 enrollment update
4. Discussion and approval of proposed amendment to Policy 403, Annual Operating Budget
5. Other business
6. Public comment
7. Adjourn

MEETING MATERIALS

1. Consent agenda
2. Projected enrollments as of September 19
3. Proposed amendments to Policy 403, Annual Operating Budget
4. FY2019 Finance & Facilities Committee meetings schedule

Attachment 1: Consent Agenda

Minutes of the VSC Board of Trustees Finance and Facilities Committee held Wednesday, August 29, 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 Wednesday, August 29, 2018 at the Office of the Chancellor, Montpelier, VT.

Committee members present: Churchill Hindes (Chair), Chris Macfarlane (Vice Chair), Jerry Diamond, Linda Milne (arrived at 2:08pm), Mike Pieciak, David Silverman

Absent: Rep. Bill Lippert

Other Trustees present: Rep. Lynn Dickinson, Karen Luneau

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

Chancellor's Office Staff: Jeb Spaulding, Chancellor
Tricia Coates, Director of External & Governmental Affairs
Todd Daloz, Associate General Counsel
Dick Either, Director of Facilities
Sheilah Evans, System Controller/Senior Director of Financial Operations
Jen Porrier, Administrative Director
Steve Wisloski, Chief Financial Officer
Sophie Zdatny, General Counsel
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Laura Jakubowski, Chief Budget & Finance Officer, Castleton University
Maurice Ouimet, Dean of Enrollment, Castleton University
Andy Pallito, Dean of Administration, Community College of Vermont
Sharron Scott, Dean of Administration, Northern Vermont University

1. Chair Hindes called the meeting to order at 12.54 p.m. in order to enter a joint Executive Session with the Education, Personnel and Student Living Committee.

2. Executive session

Trustee Richards moved that the Education, Personnel and Student Life Committee and the Finance and Facilities Committee of the VSC Board of Trustees enter executive session, pursuant to 1 V.S.A. § 313(a)(1)(B), for the purpose of discussing labor relations agreements with employees; and 1 V.S.A. § 313(a)(1)(C), for the purpose of discussing arbitration or mediation because premature general public knowledge of such discussions would place the VSCS at a substantial disadvantage. Trustee Hindes seconded. Along with the members of the Board present at this meeting, the Board invited the Chancellor, the Chief Financial Officer, the Chief Academic Officer, the Presidents, the members of the Business Affairs Council, the Administrative Director and VSCS General Counsel to attend. The Committees returned from executive session at 1:22 p.m. and took no action in open session.

Chair Hindes reconvened the meeting at 1:34p.m. (the EPSL Committee adjourned its meeting at 1:25p.m.)

3. Consent agenda and approvals:

- a. Minutes of June 21, 2018 meeting
- b. Karii Cloud Memorial Scholarship Endowment

President Collins explained that Karii Cloud was a former student at Johnson State College and her mother is still connected with NVU-Johnson. Due to her daughter's unfortunate passing she wanted to do something in her memory.

The consent agenda was approved unanimously.

4. Governmental Affairs update

Ms. Coates relayed that this is the time to begin conversations with members of the Administration to understand budget priorities and for them to understand our needs. There is an upcoming meeting with VSCS Presidents and the Governor. The Chancellor is considering a variety of possible funding requests. It is hoped the meeting with the Governor will help guide which proposals to bring to the Board of Trustees for their consideration. Last year VSCS received an additional \$1 million in one-time capital funds that brought the FY19 capital appropriations for the System to \$3 million. The VSCS will request that the additional \$1 million remain and become part of the annual capital appropriation. The Chancellor and Presidents will reiterate that adequate funding for the VSCS is critical for the success of the Governor's agenda. Trustee Silverman

asked how the Trustees can help in this cause. The response was that advice, guidance, and insights are all very helpful at this point. In addition, speaking with local legislators and Administration officials when our funding request is firmed up would be very helpful. Also, articulating how the VSCS is aligning with the Governor's priorities is productive.

5. Review preliminary FY18 financial results, discuss carry over requests

Chief Financial Officer Wisloski presented a first look at FY2018 results. He reiterated that these were still preliminary numbers and the final audited financials would not be available until the October committee meeting. VSCS closed the year with a \$1.8 million surplus, however this was due to a \$1.2 million surplus from prior fiscal year medical self-insurance and use of just under \$900,000 in one-time funds from Castleton University's Stafford earmark.

6. Fall 2018 admissions and enrollment update

CFO Wisloski reviewed weekly admissions as of August 15 compared to the same date last year – and overall enrollment generally is as budgeted. Each President gave a short overview for their respective school.

- President Scolforo from Castleton University credited a large recruitment effort resulting in new student totaling 650 undergraduates and 57 graduate students with the overall enrollment up by 3.7%. Out of state enrollment is up 20% and 36 countries are represented in CU's student body.
- President Judy of Community College of Vermont is seeing the strongest application week since 2015. She credits the strong performance of the Early College Program and dual enrollment. She stated that last year 65% of the people in the early college program were first generation Vermonters and more than 40% were low income. VSCS serves a very diverse body of students and that is good for Vermont.
- President Collins of Northern Vermont University stated that while NVU's numbers are slightly below where they wanted to be in budget, there are still two large categories of data not yet included. The first is the clinical mental health counseling program from SNHU, being taught on the Williston Campus. The second category is the distance-learning classes which do not start until the following week, therefore, the enrollment is ongoing. The Lyndon campus has a large number of new starting students, and the Johnson campus has strong returning numbers with retention between 67-68%, which is up from years past.
- President Moulton of Vermont Technical College states that Vermont Tech is on budget based on enrollment. The number of out-of-state students has increased, and Vermont Tech is still enrolling for a couple of more weeks. Students using room and board are up, and retention is at 60+%.

Chair Hinds mentioned a UVM press release saying 1 in 5 new students were Vermonters and asked the Presidents to indicate approximately what percentage of their students were from Vermont. Vermont Tech indicated 80-85% Vermonters, CCV 95%,

Castleton University just under 70%, and NVU about 70%. Chancellor Spaulding noted that the System's Institutions confer more degrees to Vermonters than all other Vermont colleges combined, and Trustee Luneau added that the majority of these students also choose to remain in Vermont.

7. Changes to Policy 403, Annual Operating Budget, including alteration of allocation of State appropriation and Chancellor's Office expense reallocation

CFO Wisloski indicated that the proposed changes to Policy 403 generally fall into three categories: (1) editorial changes, including capitalizing and consistently defining terms; (2) increasing the permitted maximum amount of reserves, and defining and permitting a new Capital, Renovations and Maintenance (CRM) Reserve, and (3) changing the methodology for allocating the State appropriation to the Institutions. After considering more than a dozen metrics over the course of eight months, and as a result of extensive discussions with both the Council of Presidents and the Business Affairs Council, the Chancellor is proposing an allocation that is $\frac{1}{4}$ unchanged, $\frac{1}{2}$ based upon net student revenues, and $\frac{1}{4}$ based upon degrees and certificates – with the latter two measures based upon three-year rolling averages. The Chancellor further proposes phasing in the allocation over four fiscal years from FY2020 through FY2023. Several Trustees inquired about the allocation formula components and inquired as to both the degree of Presidents' involvement in the development of this new allocation and the degree the Presidents were in agreement with the proposed allocation. The Presidents all agreed there had been ample discussion and that they could implement the formula even if they were not completely satisfied with it. Chair Hindes indicated that further discussion of the proposed changes may occur at or around the Board retreat in September.

8. Discuss convening a brief Committee meeting on September 26

There will be a possible retooling of the agenda for the Board retreat in order to accommodate a brief Finance and Facilities Committee Meeting session to consider action to recommend (1) FY2018 Carry Forward proposals and (2) changes to Policy 403 to the full Board.

9. Capital projects update

This agenda item was discussed and Committee members were referred to the project descriptions in the meeting materials, and to CFO Wisloski or Facilities Director Ethier for further information.

10. Cash, investments and endowment update

This agenda item was discussed briefly, and CFO Wisloski noted that the fossil free screened portfolio pilot had been implemented on approximately 20% of the

endowment's market value as of August 1.

11. Other business

There was no other business

12. Public Comment

There were no public comments

13. Adjourn

Chair Hinds adjourned the meeting at 3:46 p.m.

UNAPPROVED



August 23, 2018

Jeb Spaulding, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601-0007

Dear Chancellor Spaulding,

I am pleased to send you the New Funding Source Document required for establishing an endowment in the amount of \$20,000 to be titled, *The Dick & Nancy Collins Endowment for the Vail Museum*.

The endowment is funded with \$10,000 from Dick and Nancy Collins. This gift has been matched by \$10,000 from Lyndon State College's Endowment Development Fund. The total amount available to establish this endowment is \$20,000.

I request that the Vermont State College's Board of Trustees accept these gifts and approve the establishment of the Dick and Nancy Collins Endowment for the Vail Museum.

Sincerely,

A handwritten signature in black ink that reads "Elaine C. Collins". The script is fluid and cursive.

Elaine C. Collins, Ph.D.
President

Appendix C

New Funding Source Document

College Name: Northern Vermont University-Lyndon

Submit to Chancellor's Office for all activities based upon a new funding source.

Place copy in front of any applicable master file.

1. Name of grant, endowment, or other activity: (type in all **CAPS**)
The Dick & Nancy Collins Endowment for the Vail Museum
2. Granting agency/donor/other/funding source: (attach support information)
Individual Donor
3. Purpose of activity:
Earnings to be utilized for professional services outside the expertise of the Manor Vail Society Committee such as curation, restoration, executive direction and or grant writing.

- | | |
|---|--|
| 4a) <u>Proper accounting fund:</u> | 4b) Why was this fund selected? |
| <input type="checkbox"/> General | To Support the Vail Museum at NVU-Lyndon |
| <input type="checkbox"/> Designated | |
| <input type="checkbox"/> Auxiliary | |
| <input type="checkbox"/> Restricted | |
| <input type="checkbox"/> Agency | |
| <input type="checkbox"/> Loan | |
| <input checked="" type="checkbox"/> Regular Endowment | |
| <input type="checkbox"/> Term Endowment | |
| <input type="checkbox"/> Unrestr'd Quasi-Endwmt | |
| <input type="checkbox"/> Restricted Quasi-Endwmt | |

5) **General Ledger account number: (as proposed or assigned)**

6a) Beginning date: 9/27/2018

6b) Ending date:

6c) Duration:

7) Reporting requirements: (format/to whom/frequency/other):

8a) Funding amount: 20,000

8b) One-time X OR Ongoing funding (indicate timeframe):

9a) If endowment, is principal use allowed? (w/Board OK?) ☐ Yes ☒ No

9b) If yes, is replenishment of principal allowed or required: ☐ Yes ☐ No

10) If investment proceeds generated, indicate intended disposition:

☐ Fully expend for program as prescribed

☒ Increase principal for inflation and expend remainder

☐ Fully apply to increasing principal

☐ Other (describe)

11) President:

12) Date to Ch's Ofc:

13) Date Board Approved:

Elaine A. Collins

Attachment 2: Enrollments as of September 19



**Vermont State Colleges
Enrollment Summary Report
Fall 2018 Budget (May 30) vs. Projected (Sep 19), and Fall 2017 and Fall 2016 Actuals**

| | Budgeted (for Fall) vs. Actual | | | | Change vs. Fall 2017 | | | Change vs. Fall 2016 | | |
|--|--------------------------------|--------------|-----------|-------------|----------------------|------------|--------------|----------------------|-------------|--------------|
| | Budget* | Projected | Change | % Change | Fall 2017 | Change | % Change | Fall 2016 | Change | % Change |
| Full Time Equivalent (FTE) Students | | | | | | | | | | |
| Castleton University | 1,890 | 1,890 | 0 | 0.0% | 1,854 | 36 | 1.9% | 2,015 | -125 | -6.2% |
| Northern Vermont University | 2,155 | 2,155 | 0 | 0.0% | 2,243 | -88 | -3.9% | 2,339 | -184 | -7.9% |
| Vermont Technical College | 1,309 | 1,323 | 14 | 1.1% | 1,339 | -30 | -2.2% | 1,335 | -26 | -1.9% |
| Residential Subtotal | 5,354 | 5,368 | 14 | 0.3% | 5,436 | -82 | -1.5% | 5,689 | -335 | -5.9% |

| | Budget* | Projected | Change | % Change | | | |
|--------------------------------|---------|-----------|--------|----------|-----------------|------|-------|
| Community College of Vermont | | | | | Change vs. 2017 | | |
| Full Paying Equivalents (FPEs) | 2,500 | 2,500 | 0 | 0.0% | 2,711 | -211 | -7.8% |
| Course Placements | 10,000 | 10,000 | 0 | 0.0% | 10,845 | -845 | -7.8% |

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

Attachment 3:
Proposed amendments to
Policy 403, Annual Operating Budget



Manual of Policy and Procedures

| | | |
|--|--|---------------------------|
| <p>Title</p> <p><u>SYSTEM</u> ANNUAL OPERATING BUDGET</p> | <p>Number</p> <p>403</p> | <p>Page</p> <p>1 of 4</p> |
| | <p>Date</p> <p><u>9/26/2018</u>7/21/2016</p> | |

PURPOSE

The ~~VSC~~ Board of Trustees considers the ~~annual~~ Vermont State Colleges System Annual Operating Budget as an essential oversight vehicle as well as the primary financial plan for operations of the System and its components for a given fiscal year (July 1 through ~~ensuing the following~~ 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 System as a whole, and for the individual colleges-Institutions plus and the System Chancellor's Offices and Services within the Vermont State Colleges System.

STATEMENT OF POLICY

1) Development of the System Annual Operating Budget

The Chancellor is responsible for Development-developing of the annual Vermont State Colleges-System Annual Operating Budget for recommendation to the Board of Trustees ~~is the responsibility of the Chancellor.- The System Annual Operating Budget~~ development will be conducted in a collaborative manner with the Council of Presidents to assure application of revenues, and expenditures, one-time funds and any other factors ~~as well as other dimensions~~ in a consistent fashion and appropriate to functioning as an integrated System.- The System Annual Operating Budget will be presented for individual Institutions, the Chancellor's Office, and as a consolidated budget for the entire 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 The Aannual general fund Operating Bbudget will embrace include the following key components and considerations:~~

State Operating Appropriations and Chancellor's Office Expense Allocation

After deductions as required by State law, and of additional amounts up to 3% for strategic initiatives at the discretion of the Chancellor, a
~~All State operating appropriations shall be allocated divided among to the colleges Institutions equally. based upon an Allocation Formula as follows:~~

(1) 25% based upon the Status Quo Allocation of 40% for Northern Vermont University, and 20% each for Castleton University, the Community College of Vermont, and Vermont Technical College;

(2) 50% based upon the average of the previous three fiscal years' Net Student Revenues, defined as tuition, fees, room and board minus scholarships, fellowships and waivers; and

•(3) 25% based upon the average of the previous three academic years' numbers of awarded Degrees and Credentials, with certificates multiplied by 0.6, associates degrees multiplied by 0.75, bachelor's degrees multiplied by 1, and master's degrees multiplied by 0.75.

The Allocation Formula will be phased in over four fiscal years as follows:

FY2020: 25% Allocation Formula, 75% Status Quo Allocation

FY2021: 50% Allocation Formula, 50% Status Quo Allocation

FY2022: 75% Allocation Formula, 25% Status Quo Allocation

FY2023: 100% Allocation Formula

System Office Allocation

• ~~The System budgeted expenses for the Chancellor's Offices & Services annual operating budget will be funded by a "System Services Charge" levied equally amongst the colleges the Institutions according to the phased-in Allocation Formula. 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~~Institution will retain all student tuitions & fees the ~~college~~Institution generates, and in consultation with the Chancellor can determine the use of these funds.
- During each year student tuitions ~~s &~~ and fees available to each ~~college~~Institution will be as actually generated, whether below or above budgeted levels.- Each ~~college~~Institution will assume responsibility for ~~confronting~~addressing the financial impacts from under-realized budgeted student enrollments, and for reporting additional revenues or from 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~~Institution 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~~Institution may set such waivers, merit aid programs, and need-based financial aid as the individual ~~presidents~~Presidents believe are best designed to maximize net tuition revenue and support overall enrollment.- Additionally, ~~the VSC System~~ as a whole may enter into a waiver program (~~for example: e.g.,~~ 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 Annual Operating B~~udget presented for Board approval. Actual tuition rates approved and implemented by each Institution will be included in the budget materials provided to the Board.— Each ~~college~~Institution will be responsible for the impact of the ~~college~~Institution'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 ~~college~~Institutions of all System investment income, returning this revenue to those whose funds produce it and doing so according to each ~~college~~Institution's monthly invested cash balances averaged over ~~12 months~~the fiscal year.
- Each ~~college~~Institution will retain all ~~entrepreneurial~~other revenues the ~~college~~Institution generates and, in consultation with the Chancellor, can determine the use of these funds.

Periodic Review of the ~~System Annual Operating Budget Model~~

- Because the public higher education environment will continue to evolve, the ~~Vermont State Colleges Annual Operating B~~udget model and its key components

should be ~~periodically~~ reviewed periodically and, if necessary, recommendations made to the Board for recalibration or changes.

2) Review and Adoption of the ~~System~~ Annual Operating Budget

The ~~VSC Board of Trustees~~ is responsible for reviewing the ~~Vermont State Colleges~~ System Annual Operating Budget recommendations by the Chancellor, and for adopting ~~the an~~ official System 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 System Annual Operating Budget recommendations are to include individual ~~college~~ Institutions plus ~~System Offices & Services~~ the Chancellor's Office and are to reflect combined System totals, within each current operating fund or group of VSC System activities.

3) Administration of the ~~System~~ Annual Operating Budget

On behalf of the Chancellor and Council of Presidents, the ~~System Chief Financial Officer in the Chancellor's Office and Business Affairs Council~~ the chief business officers at each college are expected to collaborate and work with other appropriate college Institution and System officials to assure the proper and effective administration of ~~all the System Annual Operating Budgets~~ as adopted by the Board.

Reporting

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

Contingency, Strategic and Construction, Renovation and Maintenance Reserves

~~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 To hedge unanticipated shortfalls in Institutional Annual Operating Budgets, each Institution will maintain Contingency Reserves in the amount of 2.5% of budgeted

expenses for the current fiscal year. Use of Contingency Reserves is subject to approval by the Chancellor, and depletion of an Institution's Contingency Reserves must be replenished in a timeframe determined in consultation with the Chancellor.
collegeInstitutions may reserve up to an additional 10% of budgeted expenses 5.0% as a Strategic or discretionary rReserve, and an additional 15% of budgeted expenses as a Construction, Renovation, and Maintenance (CRM) Reserve. Such reserves may be budgeted and expended by the president-President with concurrence from the Cehancellor.

Carried Over Funds

Upon the audited close of each fiscal year's books, any Cearried y-oOver Ffunds available (net of encumbrances forward, commitments forward, maintained college eContingency, and sStrategic and discretionary-CRM Rreserves) may be proposed by the president-President for one-time uses subject to concurrence of the Chancellor and approval by the Board of Trustees.

As circumstances confronting the System Aannual Ooperating Bbudget change over the course of a year, the Chancellor budget modifications may be authorizepropose budget modifications for consideration by the Board d-by the Chancellor's Office for the purpose of more realistically reflecting increases, decreases, or shifts among budgeted revenue and expenditure categories.

Signed
by:



Manual of Policy and Procedures

| | | |
|--|------------------------------|--------------------|
| Title SYSTEM ANNUAL OPERATING BUDGET | Number 403 | Page 1 of 4 |
| | Date 9/26/2018 | |

PURPOSE

The Board of Trustees considers the Vermont State Colleges System Annual Operating Budget as an essential oversight vehicle as well as the primary financial plan for operations of the System and its components for a given fiscal year (July 1 through the following June 30). This policy prescribes the development, adoption, and subsequent administration of the Annual Operating Budget for the System as a whole, and for the individual Institutions and Chancellor's Office.

STATEMENT OF POLICY

1) Development of the System Annual Operating Budget

The Chancellor is responsible for developing the System Annual Operating Budget for recommendation to the Board of Trustees. The System Annual Operating Budget development will be conducted in a collaborative manner with the Council of Presidents to assure application of revenues, expenditures, one-time funds and any other factors in a consistent fashion and appropriate to functioning as an integrated System. The System Annual Operating Budget will be presented for individual Institutions, the Chancellor's Office, and as a consolidated budget for the entire System.

The Annual Operating Budget will include:

State Operating Appropriations and Chancellor's Office Expense Allocation

After deductions as required by State law, and of additional amounts up to 3% for strategic initiatives at the discretion of the Chancellor, all State operating appropriations shall be divided among the Institutions based upon an Allocation Formula as follows:

- (1) 25% based upon the Status Quo Allocation of 40% for Northern Vermont University, and 20% each for Castleton University, the Community College of Vermont, and Vermont Technical College;
- (2) 50% based upon the average of the previous three fiscal years' Net Student Revenues, defined as tuition, fees, room and board minus scholarships, fellowships and waivers; and
- (3) 25% based upon the average of the previous three academic years' numbers of awarded Degrees and Credentials, with certificates multiplied by 0.6, associates degrees multiplied by 0.75, bachelor's degrees multiplied by 1, and master's degrees multiplied by 0.75.

The Allocation Formula will be phased in over four fiscal years as follows:

FY2020: 25% Allocation Formula, 75% Status Quo Allocation

FY2021: 50% Allocation Formula, 50% Status Quo Allocation

FY2022: 75% Allocation Formula, 25% Status Quo Allocation

FY2023: 100% Allocation Formula

The budgeted expenses for the Chancellor's Office will be funded by the Institutions according to the phased-in Allocation Formula.

Student Tuitions & Fees

Each Institution will retain all student tuitions & fees the Institution generates, and in consultation with the Chancellor can determine the use of these funds.

During each year student tuition and fees available to each Institution will be as actually generated, whether below or above budgeted levels. Each Institution will assume responsibility for addressing the financial impacts from under-realized budgeted student enrollments, and for reporting additional revenues from 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 Institution is responsible for setting individual tuition rates, room and board program charges, and selected fees at or below the approved maximum rates. Further, each Institution 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 System as a whole may enter into a waiver program (e.g., 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 Annual Operating Budget presented for Board approval. Actual tuition rates approved and implemented by each Institution will be included in the budget materials provided to the Board. Each Institution will be responsible for the impact of the Institution's setting of rates, charges and fees, tuition waiver programs, and discounting practices.

Further Provisions

Incentive for sound cash management will be provided by allocation to the Institutions of all System investment income, returning this revenue to those whose funds produce it and doing so according to each Institution's monthly invested cash balances averaged over the fiscal year.

Each Institution will retain all other revenues the Institution generates and, in consultation with the Chancellor, can determine the use of these funds.

Periodic Review of the System Annual Operating Budget Model

Because the public higher education environment will continue to evolve, the Annual Operating Budget model and its key components should be reviewed periodically and, if necessary, recommendations made to the Board for recalibration or changes.

2) *Review and Adoption of the System Annual Operating Budget*

The Board is responsible for reviewing the System Annual Operating Budget recommendations by the Chancellor, and for adopting an official System Annual Operating Budget. This is consistent with the Board's ultimate fiduciary responsibility for the 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 System Annual Operating Budget recommendations are to include individual Institutions plus the Chancellor's Office and are to reflect combined System totals, within each current operating fund or group of System activities.

3) Administration of the System Annual Operating Budget

On behalf of the Chancellor and Council of Presidents, the Chief Financial Officer and Business Affairs Council are expected to collaborate and work with other appropriate Institution and System officials to assure the proper and effective administration of the System Annual Operating Budget as adopted by the Board.

Reporting

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

Contingency, Strategic and Construction, Renovation and Maintenance Reserves

To hedge unanticipated shortfalls in Institutional Annual Operating Budgets, each Institution will maintain Contingency Reserves in the amount of 2.5% of budgeted expenses for the current fiscal year. Use of Contingency Reserves is subject to approval by the Chancellor, and depletion of an Institution's Contingency Reserves must be replenished in a timeframe determined in consultation with the Chancellor. Institutions may reserve up to 10% of budgeted expenses as a Strategic Reserve, and an additional 15% of budgeted expenses as a Construction, Renovation, and Maintenance (CRM) Reserve. Such reserves may be budgeted and expended by the President with concurrence from the Chancellor.

Carried Over Funds

Upon the audited close of each fiscal year's books, any Carried Over Funds available (net of encumbrances forward, commitments forward, maintained Contingency, Strategic and CRM Reserves) may be proposed by the President for one-time uses subject to concurrence of the Chancellor and approval by the Board.

As circumstances confronting the System Annual Operating Budget change over the course of a year, the Chancellor may propose budget modifications for consideration by the Board for the purpose of more realistically reflecting increases, decreases, or shifts among budgeted revenue and expenditure categories.

Signed
by:

Attachment 4:
FY2019 Finance & Facilities Committee
meetings schedule

Finance and Facilities Committee
Meeting Schedule for Fiscal Year 2019
as of September 26, 2018

September 26, 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 | Exec. Session/ Special Topics | MEETINGS ON SAME DATE |
|-------|---|-------------|--|------------------------------------|--|--|--|-----------------|---|-----------------------|---|---|-------------------------------|-----------------------|
| 1 | Wed, Aug 29, 2018 (12:54pm - 3:46pm) | 7 | | | FY18 results, Fall 2018 admissions and enrollments update | Discuss outlook for Budget Adjustment, Big Bill and Capital Bill | Regular quarterly report (per Policy 404) | | Capital projects update | | Karii Cloud Memorial Scholarship Endowment (NVU-Johnson) | Review of Policy 403, Annual Operating Budget | Faculty bargaining | EPSL |
| 2 | Wed, Sep 26, 2018 * | 3 | | | Fall 2018 enrollments update | | | | | | Dick & Nancy Collins Endowment for the Vail Museum (NVU-Lyndon) | Amendment to Policy 403 re: State Appropriation and Expense Allocation | | LRPC, BOT |
| 3 | Wed, Oct 24, 2018 | 4 | Vote to approve FY18 carry-over proposals | | Review final Fall 2018 enrollment, Q1 FY19 results, reserves | Possible vote to approve legislative requests | | | Possible vote to approve capital projects list | | | | | AUDIT |
| 4 | Thu, Dec 6, 2018 * | 2 | FY2019 and 3-year initial System outlook | | | | Regular quarterly report (per Policy 404) | | | | | | | BOT |
| 5 | Mon, Jan 14, 2019 | 1 | | | | | | | | | | Annual review of Endowment and Investment Spending Policy 430 | | EPSL |
| 6 | Mon, Feb 11, 2019 * | 3 | 3-year enrollment and budget outlooks by Institution | | Q2 FY19 Results | | Regular quarterly report (per Policy 404) | | | | | | | AUDIT |
| 7 | Mon, Apr 1, 2019 | 1 | Preliminary FY20 Budgets "1st pass" | | | | | | | | | | | LRPC |
| 8 | Mon, Apr 29, 2019 | 3 | Preliminary FY20 Budgets "2nd pass" | Initial FY21 Tuition discussion | Q3 FY19 Results | | | | | | | | | AUDIT |
| 9 | Wed, May 29, 2019 | 3 | Vote on FY20 Budgets | 2nd FY21 Tuition request | | | Quarterly report, Annual Banking & Investment Resolution (Policy 404) | | | | | | | EPSL |
| 10 | Thu Jun 20, 2019 * | 2 | | Vote on FY21 Tuition | | | | | | | | Annual review of Debt Management Policy 433 | | BOT |