

MEMORANDUM

TO: VSCS Finance & Facilities Committee
Lynn Dickinson
Adam Grinold
Linda Milne
Michael Pieciak
David Silverman

FROM: Sharron R. Scott, Chief Financial and Operating Officer

DATE: August 21, 2020

SUBJECT: Finance and Facilities Meeting on July 23, 2020

The Finance and Facilities Committee of the Board of Trustees is scheduled to meet from 2:00 p.m. to 4:00 p.m. via Zoom, for which personalized instructions will be provided separately by e-mail.

The meeting scheduled for August 24 includes several critical topics for discussion, review, and/or action. These include the following:

1. **Approval of minutes** from the July 23, 2020 Finance and Facilities Committee meeting as found in Attachment 1.
2. **Update on Campus Reopening:** colleges and universities will provide brief updates to the Board regarding new and important campus reopening activities.
3. **Legislative Update:** the Chancellor will share an update regarding recent Legislative activity including an update in regards to testimony before the House Appropriations and Education Committees.
4. **FY2021 Budget Update:** I will provide an update regarding FY2021 budget development activity.
5. **Review and Discuss System-Wide Budgeting Process:** we will review and discuss the new system-wide budget process described in Attachment 2 of these materials. This discussion will include a preliminary conversation regarding high-level system-wide budget priorities and parameters for the upcoming fiscal year.
6. **Possible Executive Session:** a potential executive session is schedule to discuss potential land transactions for one of the institutions.

Should you have any questions regarding these materials or any other matter, please contact me at Sharron.Scott@vsc.edu or (802) 224-3022.

Attachments

CC: VSC Board of Trustees
Council of Presidents
Business Affairs Council

**Vermont State Colleges Board of Trustees
Finance and Facilities Committee Meeting
August 24, 2020
Via Zoom**

AGENDA

1. Call to order
2. Approve minutes of July 23, 2020
3. Update on Campus Reopening
4. Legislative Update
5. FY2021 Budget Update
6. Review and Discuss System-Wide Budgeting Process
7. Possible Executive Session to Discuss Land Transaction(s)
8. Other Business
9. Public Comment
10. Adjourn

Attachment 1:
July 23, 2020 Meeting Minutes for Approval

Minutes of the VSCS Board of Trustees Finance and Facilities Committee held Thursday, July 23, 2020 at 10:30 a.m. via Zoom - 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 Thursday, July 23, 2020 via Zoom.

Committee members present: Church Hides (Chair), David Silverman (Vice Chair), Lynn Dickinson (10:42 am), Adam Grinold (10:47 am), Linda Milne, Mike Pieciak

Other Trustees present: Megan Cluver (11:03 am), Ryan Cooney, Dylan Giambatista, (10:49 am), Bill Lippert

Presidents: Elaine Collins, Joyce Judy, Pat Moulton, Jonathan Spiro (Interim)

Chancellor's Office Staff: Kevin Conroy, Chief Information Officer
Sharron Scott, Chief Financial and Operating Officer
Todd Daloz, Interim General Counsel
Jen Porrier, Administrative Director
Meg Walz, Program Manager, Library Coordinator
Sophie Zdatny, Chancellor
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Michael Fox, Dean of Marketing and Enrollment, Northern Vermont University
Gisele Hodgdon, Administration, Community College of Vermont
Laura Jakubowski, Chief Budget & Finance Officer, Castleton University
Maurice Ouimet, Dean of Enrollment, Castleton University
Andy Pallito, Dean of Administration, Community College of Vermont
Sylvia Plumb, Director of Marketing and Communications, Northern Vermont University
Michael Stevens, Director of Facilities, Northern Vermont University
Toby Stewart, Dean of Administration, Northern Vermont University

Littleton Tyler, Dean of Administration, Vermont Technical College
Jamey Ventura, Associate Dean of Athletics, Northern Vermont University
Beth Walsh, President, VSCUP, Northern Vermont University

From the Public: Cyndi Miller, AFT Vermont
Amy Nixon, Reporter, Caledonian Record

1. Chair Hindes called the meeting to order at 10:34 p.m.

Chair Hindes introduced the new Chief Financial and Operating Officer at the Chancellor's Office, Sharron Scott. Ms. Scott gave a brief bio and thanked the Board and Chancellor for this opportunity.

2. Approve Consent Agenda
 - a. June 17, 2020 meeting minutes
 - b. Early Childhood Professional Development System Grant for CCV

Trustee Silverman moved and Trustee Pieciak seconded the motion to approve the June 17, 2020 meeting minutes and the Early Childhood Professional Development System Grant for CCV. The motion was approved unanimously.

3. Legislative Update

Chancellor Zdatny shared that the VSC received several sources of funding from the legislature prior to recess, including the following:

- 1) First quarter transitional budget state appropriation funded at 25% of the FY2020 base appropriation given in a lump sum;
- 2) \$12.515M in Coronavirus Relief Funds ("CRF") of which slightly more than \$5M is dedicated to room and board refunds, the remainder to spent on direct COVID expenses as soon as possible;
- 3) \$5M in bridge funding for the first quarter of FY2021; and
- 4) \$22.758M in CRF money to be spent on direct COVID expenses prior to December 30, 2020. The Chancellor explained that the CRF funds cannot be used for lost revenue; they can only be used for COVID-19 related expenses.

In addition to the funding noted above, the Legislature created the Legislative Select Committee on Higher Education focused on the future of public higher education in Vermont. This Select Committee's primary focus will be on Vermont State Colleges. The Committee is currently being formed. The Joint Fiscal Office has issued an RFP for an external consultant to assist the work of the Select Committee. As designed, there is an eighteen-month timeline for the Committee's work; however, there are discussions regarding shortening this timeline.

4. Review FY2020 State Appropriation Request

Chancellor Zdatny shared that she and CFO/COO Scott have submitted a state appropriation request letter seeking \$30 million, with a possible additional \$10.3 million, in bridge funding. This request is consistent with the recommendation from Jim Page to the Joint Fiscal Office as part of his review in June 2020.

5. Review and Discuss Estimated FY2021 Performance

CFO/COO Scott gave a presentation on the FY2021 financial forecast as of July 17, 2020 sharing that the VSCS forecasts a total deficit of ~ \$30 million which is approximately 65% of the worst case scenario as described in the State Treasurer's report to the Joint Fiscal Office earlier this year. It is important to note that these numbers are changing daily and that the forecast presented here was the central tendency as of July 17, 2020. It should be considered, at this point, the VSCS's best likely scenario for the year. This forecasted deficit represents a substantial deviation in the VSCS's usual performance, and is outside of the capacity of the VSCS to manage without both substantial legislative support, and significant change at each institution.

CFO/COO Scott identified several areas of potential risk that could increase the budget deficit. These included such events as a government order requiring the closure or reduction in services on one or more of the campuses, cancellation of fall, winter, or spring athletics, a regional surge in COVID-19, or an unmitigated case of COVID-19 on one or more of the campuses. Potential opportunities that could reduce the deficit include external budget relief, the perceived safety of Vermont, continued and/or expanded residential programs and face-to-face offerings, as well as significant budget cuts.

Executive Session

At 11:15 a.m. Trustee Dickinson moved that the VSC Finance and Facilities Committee enter executive session pursuant to 1 V.S.A. § 313(a)(1)(B) to discuss labor relations agreements with employees. The motion stated that premature general public knowledge

of these discussions would place the VSC at a substantial disadvantage, therefore it is appropriate for the Committee to enter executive session. The motion further stated that the Committee would make any final decision in an open meeting and would explain the reasons for this final decision during the open meeting. Along with the members of the Board present at the meeting, the Board invited the Chancellor, the members of the Council of Presidents, the members of the Business Affairs Council, the VSC Chief Financial and Operating Officer, the VSC Chief Academic Officer and the VSC Interim General Counsel to attend. Trustee Silverman seconded the motion and it passed unanimously.

The Board exited Executive session at 12:02 p.m. and took no action.

6. Discuss and Approve Resolution waiving or revising policies or portions thereof:
 - a. VSC Policy 403
 - b. VSC Policy 407
 - c. VSC Policy 429

CFO/COO Scott discussed the reasoning behind revising the budgeting process, which in its current state emphasizes financial autonomy of the individual institution above System as a whole and incentivizes behaviors that are not always in the best interest of the VSCS.

CFO/COO Scott recommends the following:

1. A reconfirmation that the Chancellor is responsible for the development of the System Annual Operating Budget in collaboration with the Counsel of Presidents
2. Waive the appropriations formula for all extraordinary allocations from the state
3. Require the Chancellor to review and approve all institution tuition settings to confirm that sister institutions are not undercutting each other on price
4. Require approval by the Chancellor for all transactions over \$100,000 and multi-year contracts to encourage a great collaboration between institutions.

Accordingly, CFO/COO Scott recommended that the Board suspend Policy 403 and Policy 407.

Trustee Silverman moved to recommend the Board approve Resolution 2020-104, Establishing a System-Wide Budget. Trustee Pieciak seconded the motion. The motion passed unanimously.

7. Executive Session to Discuss Land Transaction(s)

Executive session:

At 12:11 p.m. Trustee Dickinson moved that the VSC Finance and Facilities Committee enter executive session pursuant to 1 V.S.A. § 313(a)(2) to discuss negotiating or securing real estate purchase or lease options. Along with the members of the Board present at the meeting, the Board invited the Chancellor, the President of Vermont Technical College, Dean of Administration of Vermont Technical College, the VSC Chief Financial and Operating Officer, and the VSC Interim General Counsel to attend. Trustee Milne seconded the motion and it passed unanimously.

The Board exited Executive session at 12:24 p.m. and took no action.

8. Public Comment

Beth Walsh made a public comment, stating her appreciation for the detailed information provided by the CFO/COO. She noted that the size of the projected deficit did not surprise her and that, if the State wishes to have a public higher education system, it will need to provide the necessary money.

9. Other Business

Executive session:

At 12:28 p.m. Trustee Dickinson moved that the Finance and Facilities Committee of the VSC Board of Trustees enter executive session pursuant to 1 V.S.A. § 313(a)(3) to discuss the employment of a public official. The motion stated that the Board would make any final decision regarding any such public officer in an open meeting and would explain the reasons for this final decision during the open meeting. Along with the members of the Board present at the meeting, the Board invited the Chancellor, to attend portions of the executive session. Trustee Silverman seconded the motion and it passed unanimously.

The Board exited Executive Session at 12:50 p.m. and took no action.

10. Adjourn

Chair Hindes adjourned the meeting at 12:50 p.m.

Attachment 2:

Review & Discuss
System-Wide Budgeting Process

System-Wide Budgeting Process

At the August 17 Board meeting the Board of Trustees approved changes to *Policy 403: System Annual Operating Budget*, and *Policy 429: Contracting for Goods and Services*. In addition the Board reaffirmed the role of the Chancellor in the development of the System Annual Operating Budget. With these changes, the Board set the stage for the development of a system-wide budget that allows the System to drive initiatives or investments that are “appropriate to the functioning of an integrated system¹” as well as for projects and initiatives that may be important to the VSCS and Vermont as a whole. Further, it allows the development of a unified plan that balances the needs of the institutions with the responsibilities of the System to meet the needs of Vermont, and Vermonters, now and into the future.

An effective system-wide budgeting process takes into consideration the following questions:

1. Does the process drive initiatives and investments that align with board priorities?
2. Is resource allocation effective across the system?
3. Are there meaningful opportunities for budget administration and oversight by the Chancellor, Presidents, and Board built into the process?
4. Does the process offer the opportunity for multi-year budget evaluation?

With these questions in mind, we propose the following budget process and timeline as a starting point. We fully recognize that the process will change and grow as it is implemented.

September: Establish three or four Board initiatives and investments that align with the key strategic priorities developed by the Board. These strategic priorities should be developed using the following conditions:

- 1) Combined, the priorities should articulate the core of the VSC mission in the most positive and practical way possible
- 2) Each priority should be defined in terms of student or state success.
- 3) The priorities must be worthy of the Board’s undivided attention. When a non-routine matter arises, the first question should be: “Does this matter support our priorities, give us reason to adjust or change our priorities, or does this matter detract from our priorities?”

From these priorities, we will ask the Board to establish two to three focus areas for initiatives and investment for the coming fiscal year.

Establish high level parameters regarding revenue and expense categories.

October to December: Institutional budget development with opportunity for bi-weekly conversations between the members of the Business Affairs Council and Chief Financial and Operating Officer.

Multi-year budgets will include an emphasis on meeting Board initiatives, areas of investment and priorities

¹ [VSC Policy 403: System Annual Operating Budget](#) and [VSC Policy 429: Policy on Contracting for Goods and Services](#)

January: Preliminary first pass budgets delivered to Chancellor's Office. This multi-year budget will include a detailed narrative regarding the ways in which each institution will meet the Board priorities.

Institutional budget review and discussion between Chancellor, President, and designees including collaborative direction setting as needed. Institutions will apply budget changes as necessary.

Finance and Facilities reviews the first pass system-wide budget together with institutional budgets. Discussion is centered on how the institutions are meeting Board priorities.

February: Budget refinement and development, with opportunity for bi-weekly conversations between the members of the Council of Presidents, Chancellor, Business Affairs Council, and Chief Financial and Operating Officer

Institutional budget review and discussion between Chancellor, President, and designees including collaborative direction setting as needed.

System budget review and discussion between Chancellor, Council of Presidents, Business Affairs Council, and Chief Financial and Operating Officer including a review of the methods by which institutions and the system are meeting board priorities. Collaborative direction setting will be applied as needed.

March: Second pass budgets delivered to the Chancellor's Office.

Finance and Facilities reviews the second pass system-wide budget together with institutional budgets. Discussion is centered on how the system is meeting Board priorities with an emphasis on key performance metrics

April to

Early May: Further budget refinement. Continued opportunity for bi-weekly conversations between the members of the Council of Presidents, Chancellor, Business Affairs Council, and Chief Financial and Operating Officer

May: Final System budget review and discussion between Chancellor, Council of Presidents, Business Affairs Council, and Chief Financial and Operating Officer including a review of the methods by which institutions and the system are meeting board priorities. Collaborative direction setting will be applied as needed.

Third pass budgets delivered to the Chancellor's Office.

Finance and Facilities reviews the third pass system-wide budget. The packet will include institutional budgets, however, the emphasis will be on the overall performance of the system as a whole and the system's ability to meet the priorities, initiatives and areas of investment for the system.

For this year only – recommend revisions, as needed, to Policies 403 and 407

July: Develop strategic priority list for FY2023

As this will be the first year using this new budget development process, we recognize that it will be inherently messy. The Business Affairs Council and Chief Financial and Operating Officer will work collaboratively to develop a new process that meets the needs of a well-functioning system that meets the needs of Vermont and Vermonters.