

MEMORANDUM

TO: VSCS Finance & Facilities Committee
David Silverman, Chair
Adam Grinold, Vice-Chair
Lynn Dickinson
Jim Masland
Shawn Tester
Sue Zeller

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

DATE: August 19, 2021

SUBJECT: Finance and Facilities Committee Meeting scheduled for August 23, 2021

The Finance and Facilities Committee of the VSC Board of Trustees will meet between 1:00 p.m. and 3:00 p.m. on Monday, August 23, 2021. This meeting will be held via Zoom.

The following topics are included in this meeting.

1. Review and approval of the **minutes of the May 24, 2021 meeting**. The minutes for the last meeting are available in this packet as **ITEM 1**.
2. Northern Vermont University has two endowment requests for your consideration. The first request is to **create the Elizabeth Dolci Scholarship in Science Endowment**. This endowment, created in honor of Dr. Elizabeth Dolci, will support needy students in the sciences attending the Johnson Campus of Northern Vermont University.

The second request is to **modify an existing endowment**. The donor, Kerry Sedutto, requests changing the name of The Sugarman of Vermont, Inc. Endowment to The Kerry Sedutto Scholarship Endowment. Additionally, Ms. Sedutto requests the addition of “agriculture” to the list of preferred fields the recipient may aspire to work in upon graduation.

Further information regarding these requests can be found as **ITEM 2** of this packet.

3. Katherine Levasseur, Director of Governmental and External Affairs, will update the Finance and Facilities Committee on key state activities and priorities.

4. As with the State of Vermont, the ongoing pandemic and related economic crisis and unprecedented interventions, have created tremendous uncertainty for the VSC, making it difficult to predict our overall revenues and expenses. Therefore, it should come as no surprise that our estimated total year performance differs favorably from our most recent forecast. During the meeting, we will briefly review and discuss the **FY2021 Unaudited Financial Results** and provide an update on the **FY2022 Budget Forecast** based on current information. Supplemental information regarding this topic is included in this packet as **ITEM 3**.
5. Review and discuss **transformation projects relevant to the Finance and Facilities Committee**. Kellie Campbell, Chief Information Officer, and Wilson Garland, Director of Transformation Projects, will join me to present information regarding several key transformation efforts. These include an overview of the VSC's Information Technology Infrastructure and strategy, an update on the Transformation Project Budget, and a brief overview of the Business Affairs Council's approach to developing the Strategic Financial Plan and Ten Year Facilities Plan projects. In conclusion, the team will present a summary of the Annual Deficit Reduction goal. Background information is supplied as **ITEM 4** of this packet.
6. In recent years the Finance and Facilities Committee has considered **tuition and fees** for the upcoming academic year in the early fall. This year, we propose to delay setting tuition and fees until spring 2022 so that we are in a better position (legislatively and transformation-wise) to make an informed recommendation to the Board. Therefore, we will bring a formal request for tuition and fees to this committee at its April meeting. We will be available to answer any questions the Committee may have regarding the timing of this request as it differs from recent past practice.

Should you have any questions regarding these materials please contact me at Sharron.Scott@vsc.edu or 802.224.3022.

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

Finance and Facilities Committee

**August 23, 2021
1:00 – 3:00 p.m. via Zoom**

AGENDA

1. Call to Order
2. Review and approve minutes of the May 24, 2021 Meeting
3. Review and approve endowments for Northern Vermont University
 - a. Elizabeth Dolci Scholarship in Science
 - b. Sugarman – Sedutto Endowment Change Request
4. Government Affairs Update
5. Review and discuss FY2021 unaudited financial results and FY2022 budget forecast
6. Review and discuss transformation projects
 - a. Information Technology Infrastructure
 - b. Transformation Project Budget
 - c. Strategic Financial Plan
 - d. 10 Year Facilities Plan
 - e. Annual Deficit Reduction Goal
7. Discuss timing of tuition setting for FY2023
8. Other Business
9. Public Comment
10. Adjourn

Materials

ITEM 1: Minutes of the May 24, 2021 Board Meeting

ITEM 2: Endowments

- Elizabeth Dolci Scholarship in Science Endowment
- Sugarman – Sedutto Endowment Change Proposal

ITEM 3: FY2021 Unaudited Financial Performance
FY2022 Budget Forecast: Early Look

ITEM 4: Transformation Projects Supplemental Information

ITEM 1:
May 24, 2021 Meeting Minutes

Minutes of the VSCS Board of Trustees Finance and Facilities Committee held Monday, May 24, 2021 at 2:00 p.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 Monday, May 24, 2021 via Zoom.

Committee members present: David Silverman (Chair), Adam Grinold (Vice Chair) (2:05 p.m.), Lynn Dickinson, Jim Masland (2:02 p.m.), Linda Milne, Shawn Tester

Other Trustees present: Megan Cluver, Karen Luneau, Mary Moran

Presidents: Elaine Collins, Joyce Judy, Pat Moulton, Jonathan Spiro

Chancellor's Office Staff: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Katherine Levasseur, Director of Governmental & External Affairs
Jen Porrier, Administrative Director
Sharron Scott, Chief Financial and Operating Officer
Patty Turley, General Counsel
Meg Walz, Director, Project Management
Sophie Zdatny, Chancellor
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Sarah Chambers, Coordinator of Instructional Technology, Castleton University
Laura Jakubowski, Chief Budget & Finance Officer, Castleton University
Karen Madden, Director of Academic Support Services, Northern Vermont University
Tom Mauhs-Pugh, Provost, Castleton University
Andy Pallito, Dean of Administration, Community College of Vermont
Toby Stewart, Dean of Administration, Northern Vermont University
Littleton Tyler, Dean of Administration, Vermont Technical College

Beth Walsh, President, VSCUP, Northern Vermont University

1. Chair Silverman called the meeting to order at 2:01 p.m.

2. Approval of April 19, 2020 Meeting Minutes

Trustee Milne moved and Trustee Tester seconded the motion to approve the April 19, 2020 meeting minutes. The motion was approved unanimously.

3. Review and Approval: Glenn and Marga Sproul Endowment Modification Request

Chief Financial and Operating Officer Sharron Scott explained that this Endowment was established in 2013, has been growing since then and is now looking to expand to support faculty in the Mathematics and Sciences at Northern Vermont University - Johnson as well as other campuses in the VSCS.

Trustee Tester moved and Trustee Dickinson seconded the motion to recommend to the Board the approval of the expansion of the Glenn and Marga Sproul Endowment for Faculty in Mathematics and Sciences. The motion was approved unanimously.

4. Annual Banking and Investment Resolution

General Counsel Patty Turley explained the purpose for the new resolution as a standard authorization granting signature authority to perform banking transactions.

Trustee Dickinson moved and Trustee Grinold seconded the motion to recommend to the Board the approval of Resolution 2021-015: Banking and Investment. The motion was approved unanimously.

5. Review: 3rd Quarter Forecast

CFOO Scott presented a review of the 3rd Quarter Forecast, stating the anticipation of ending the year in a positive position due to the careful stewardship of resources, the receipt of HEERF II funds and better than anticipated spring enrollment. Further details can be found on pages 17-24 of the [materials](#) and the presentation can be found on pages 1-6 [here](#).

6. Review and Approval: FY2022 Budget Proposal

CFOO Scott presented the FY2022 Budget Proposal which can be found on pages 7-24 [here](#). The VSCS proposes a budget deficit, before the \$5 million increase to general fund base, \$21

million in bridge funding and \$3.8 million of HEERF II funding, of \$36 million. This deficit falls in the lower third of the budget range discussed during the first two passes of the budget shared with Finance and Facilities earlier this year. After the use of these additional funds, the VSC anticipates a budget deficit of \$6.3 million, all of which can be covered by carryover funds. Director of Governmental and External Affairs Katherine Levasseur gave an update on state funding, sharing the VSCS had received unprecedented support from the legislature this year, totaling \$88.9 million from all funding sources (details on [page 10](#)).

Trustee Grinold moved and Trustee Masland seconded the motion to recommend to the Board the approval of the FY2022 System Annual Operating Budget. The motion was approved unanimously.

7. Executive Session

At 3:06 p.m. Trustee Grinold moved that the VSCS 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. Because premature general public knowledge of these discussions would place VSC at a substantial disadvantage, it was appropriate for the Committee to enter executive session. Along with the members of the Board present at the meeting, the Board invited the Chancellor, the VSCS Chief Financial and Operating Officer, and the VSCS General Counsel, as well as the President and Dean of Administration of Vermont Technical College to attend. Trustee Dickinson seconded the motion and it passed unanimously.

The Committee exited Executive session at 3:36 p.m. and took no action.

8. Other Business

There was no other business.

9. Public Comment

There was no public comment.

10. Adjourn

Chair Silverman adjourned the meeting at 3:37 p.m.

ITEM 2

Endowments



NorthernVermont.edu

Office of the President
Johnson Campus: 802.635.1240
Lyndon Campus: 802.626.6404

August 10, 2021

Sophie Zdatny, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601

Dear Chancellor Zdatny,

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

Leftover indirect grant funds totaling \$20,666.69 will be used to establish the **Elizabeth Dolci Scholarship in Science Endowment**. Professor Liz Dolci joined the Johnson State College faculty in 1992 after spending 15 years as a research scientist in cell biology at Yale University and the University of Vermont. Over the years, Professor Dolci has accumulated indirect grant funds from her work as a funded investigator with Vermont Biomedical Research Network (VBRN), as NVU's coordinator for VBRN, and as the program coordinator for this grant to UVM. She used these funds to compensate students for full-time research over the summers and to send students to conferences to present their research findings.

Professor Dolci has recently retired and she would like to carry on her support of students by establishing a scholarship for a hard working science major with financial need. The **Elizabeth Dolci Scholarship in Science Endowment** will fund the *Elizabeth Dolci Scholarship in Science*, which will be awarded to returning undergraduate students who meet the following eligibility requirements:

1. Recipient must be majoring in a scientific discipline at the Johnson campus.
2. Recipient must demonstrate unmet financial need.
3. Preference will be given to students who are hardworking and show grit.
4. GPA will not be a consideration when awarding this scholarship.

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

Sincerely,

A handwritten signature in black ink that reads "Elaine C. Collins".

Elaine C. Collins, Ph.D.
President

Attachments: Funding Source C document

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

NORTHERN VERMONT UNIVERSITY

(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) Name of endowment: (type in all CAPS)

THE ELIZABETH DOLCI SCHOLARSHIP IN SCIENCE ENDOWMENT

2) Granting agency/donor/other funding source: (Attach supporting Documentation)

Professor Elizabeth Dolci, using indirect funds from Vermont Biomedical Research Network (VBRN)

3) Purpose of endowment: (Attach supporting Documentation)

Professor Dolci has recently retired and she would like to carry on her support of students by establishing a scholarship for a hard working science major with financial need. The **Elizabeth Dolci Scholarship in Science Endowment** will fund the *Elizabeth Dolci Scholarship in Science*, which will be awarded to returning undergraduate students who meet the following eligibility requirements:

1. Recipient must be majoring in a scientific discipline at the Johnson campus.
2. Recipient must demonstrate unmet financial need.
3. Preference will be given to students who are hardworking and show grit.
4. GPA will not be a consideration when awarding this scholarship.

4) Proper accounting fund:

Regular Endowment

Term Endowment

5) General Ledger Activity Code(s): (as proposed or assigned)

TBD

6a) Date Endowment Reach Endowment Status:

August, 2021

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

Annual reporting to Elizabeth Dolci.

8a) Funding amount:

\$20,666.69

8b) One-time - OR

Ongoing funding (indicate timeframe:)

9a) Is principal use allowed:
(w/Board OK?)

No.

9b) If yes, is replenishment of principal
allowed or required:

Not Applicable

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

NORTHERN VERMONT UNIVERSITY

(College Name)

10) If investment proceeds generated, indicate intended disposition:

Per Board Approved Spending Procedure

Fully expend for program as prescribed

Increase principal for inflation and expend remainder

All Investment earnings added for ____ years before expending for endowment purposes begins

Other (describe:)

11) President:

See memo

12) Date to Ch's Ofc:

August 16, 2021

13) Date Board Approved:

Version 4/17/2008



NorthernVermont.edu

Office of the President
Johnson Campus: 802.635.1240
Lyndon Campus: 802.626.6404

July 1, 2021

Sophie Zdatny, Chancellor
Vermont State Colleges
PO Box 7
Montpelier, VT 05601

Dear Chancellor Zdatny,

In 2017, a generous gift was made by alumna Kerry Sedutto to establish The Sugarman of Vermont, Inc. Endowment.

Ms. Sedutto was the owner of The Sugarman of Vermont, Inc., but recently sold her successful business and, therefore, wishes for the name of her endowment to be changed. Her proposed new name is The Kerry Sedutto Scholarship Endowment.

The original intent of this fund will not change substantially, except to add "agriculture" to the list of preferred fields the recipient might aspire to work in.

The Kerry Sedutto Scholarship will be awarded to a full-time undergraduate student attending classes on the Johnson and/or Lyndon campus, who is either employed or has been employed by The Sugarman of Vermont, Inc. or to students enrolled in a business or accounting degree program who aspire to work in a business, agriculture, or manufacturing setting, or have experience in those fields. Preference will be given to those who demonstrate leadership skills, participate in community service, and enjoy the outdoors.

We look forward to the Vermont State College Board of Trustees' approval of the proposed changes to this wonderful endowment.

Sincerely,

A handwritten signature in black ink that reads "Elaine C. Collins".

Elaine C. Collins, Ph.D.
President

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

NORTHERN VERMONT UNIVERSITY

(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) Name of endowment: (type in all CAPS)

CURRENT: The SUGARMAN OF VERMONT, INC. SCHOLARSHIP ENDOWMENT

PROPOSED: The KERRY SEDUTTO SCHOLARSHIP

2) Granting agency/donor/other funding source: (Attach supporting Documentation)

Kerry Sedutto, Alumna '06

3) Purpose of endowment: (Attach supporting Documentation)

CURRENT: The Sugarman of Vermont Scholarship will be awarded to a full-time undergraduate student attending classes on the Johnson and/or Lyndon campus. Priority will be given to students who are or have been employed by The Sugarman of Vermont, Inc. If there are no applicants who are or have been employed by The Sugarman of Vermont, Inc., the scholarship will be available to women enrolled in a business or accounting degree program and who aspire to work in a business or manufacturing setting, or have experience in those fields.

PROPOSED: The Kerry Sedutto Scholarship will be awarded to a full-time undergraduate student attending classes on the Johnson and/or Lyndon campus, who is either employed or has been employed by The Sugarman of Vermont, Inc. or to students enrolled in a business or accounting degree program who aspire to work in a business, agriculture, or manufacturing setting, or have experience in those fields. Preference will be given to those who demonstrate leadership skills, participate in community service, and enjoy the outdoors.

4) Proper accounting fund:

Regular Endowment

Term Endowment

5) General Ledger Activity Code(s): (as proposed or assigned)

033-37060

6a) Date Endowment Reach Endowment Status:

Gift made in December, 2017 and endowment approved in 2018.

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

No change to reporting requirements.

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

NORTHERN VERMONT UNIVERSITY

(College Name)

8a) <u>Funding amount:</u> Established in 2017 with \$10,000	8b) <input type="checkbox"/> <u>One-time</u> - OR <input checked="" type="checkbox"/> <u>Ongoing funding</u> (indicate timeframe:)
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9a) <u>Is principal use allowed:</u> (w/Board OK?) No Change	9b) <u>If yes, is replenishment of principal allowed or required:</u> Not Applicable
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10) If investment proceeds generated, indicate intended disposition:
 Per Board Approved Spending Procedure
 Fully expend for program as prescribed
 Increase principal for inflation and expend remainder
 All Investment earnings added for ___ years before expending for endowment purposes begins
 Other (describe:)

11) <u>President:</u> See Memo	12) <u>Date to Ch's Ofc:</u> August 16, 2021	13) <u>Date Board Approved:</u>
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Version 4/17/2008

ITEM 3

Preliminary FY2021 Unaudited Financial Results

FY2022 Budget Forecast: Early Look

Preliminary FY2021 Unaudited Financial Results

To quote from the consensus revenue forecast of the state's economists “We are in the midst of an epic economic experiment, with unprecedented fiscal and monetary intervention in the nation’s economy. The absence of historical precedent with respect to the scope, magnitude and timing of such an intervention creates considerable future uncertainty, relegating these forecasts to more “order-of-magnitude” guidance than point forecasts. The long-term impacts of these measures may ultimately be transformationally beneficial or disastrous, but the near-term impacts on the State economy and revenues are incontrovertibly positive.”¹

While the previous quote was from the state’s economists in their July 2021 report to the Emergency Board, the same can be said for the Vermont State Colleges. The ongoing pandemic and related economic crisis have created tremendous uncertainty for the VSC making it difficult to predict our overall revenues and expenses. Intervention by the state and federal government in the form of Coronavirus Relief Funds (CRF) from the Legislature, Higher Education Emergency Relief Funds (HEERF) from the US Department of Education, stronger spring enrollment, the sale of property at CCV and VTC, and extreme austerity measures taken by each of our institutions, has resulted in better than predicted performance. As outlined in our FY2021 budget, we anticipated a \$2M surplus. We currently project that our surplus will be approximately \$38M. As you may recall, at the end of the third quarter we anticipated a surplus of approximately \$26M inclusive of a \$10M set aside for unfunded transformation expenses.

FY2021 Unaudited Financial Results		
as of 8/17/2021		
	FY2021 Budget	FY2021 Unaudited
Revenues	178,045	190,625
Expenses	176,019	152,405
Net Revenue	2,026	38,220

Overall, revenues system-wide are currently \$12.6M, or 7% better than originally budgeted. Slightly more than half of this increase can attributed to the receipt of HEERF funds, while the remaining half is attributable to stronger enrollment at CCV, and the sale of property at both CCV and VTC.

On the expense side of the equation, expenses are currently \$23.6M or 13% better than originally budgeted. This improvement is due to three primary factors. The first is receipt of CRF/HEERF funds more than \$7.1M better than budget. Second is a \$10M improvement in Salaries and Benefits and third is a \$6M improvement in Supplies and Services. The savings in salaries, benefits, supplies and services are due to the extreme austerity measures the institutions put in place throughout FY2021. Many of these measures, such as the reduction in Supplies and Services, were possible because of pandemic-related restrictions on in-person gatherings, lack of

¹See <https://lifo.vermont.gov/assets/Subjects/Consensus-Revenue-Forecasts-Legislative-Economic-Outlook/577acac1ec/July-2021-Economic-Review-and-Revenue-Forecast-Update.pdf>

travel, et cetera. In other words, this level of savings is not sustainable in the long run as we return to more normal operations.

As noted previously, the challenge of forecasting the VSC’s finances this year cannot be overstated. Enrollment fluctuations, exacerbated by the unpredictability of the pandemic, economic challenges facing students and their families, and the public perception of the institutions last spring and summer, coupled with the challenges of addressing the pandemic from a public health and safety perspective, and the contradictory guidance given on the use of federal HEERF funds and how much would be available for deficit reduction, made predicting overall performance distinctly challenging. Conflicting--and delayed--guidance from the US Department of Education made it difficult to determine when and how HEERF II funds could be applied to the institutional budgets.

While performance this year was more favorable than we anticipated, the VSC continues to have a significant structural deficit. As shown below, had the VSC not received CRF, HEERF, and Bridge Funding, the VSC would have been in deficit by nearly \$6M. While this year’s performance gives the VSC some breathing room, it does not solve its long-term problems, and it would be premature to declare victory. This additional funding was mostly in one-time funding. Although the funding was extremely welcome and helpful, we cannot expect to receive comparably large influxes of money moving forward. Legislatively, our continued focus must be on securing a permanent increase to the VSC’s annual base appropriation from the state.

One-Time Sources of Funds	FY2021	FY2021
	Budget	Unaudited
Unrestricted use of CRF/HEERF	(1,634)	(15,260)
Bridge Funding		(28,800)
Net Revenue without use of CRF or Bridge	392	(5,840)

In October, upon receipt and approval of the FY2021 Audited Financial Statements, the institutions of the VSC will come to the Finance and Facilities Committee to request use of the Carryforward Funds. In addition to setting aside the funding necessary to address this year’s anticipated budget deficit, it is expected that these additional funds will be used to address areas of need identified in the Final Report of the *Select Committee on the Future of Public Higher Education in Vermont*.² For example, one likely recommendation will be to create a Capital Expenditure Fund (CapEx) to address the System’s ongoing need to repair and maintain its physical assets, such as property, plant, technology, and equipment. Additionally, the VSC must consider setting aside funding for additional transformation activities such as Enterprise Resource Planning (ERP) upgrades or replacement, as well as consider how best to use these funds to eliminate its ongoing structural deficit.

A complete view of the FY2021 unaudited financial results is shown on the following page.

² See <https://lifo.vermont.gov/assets/Uploads/c2ef482057/Final-Report-of-the-Select-Committee-on-the-Future-of-Public-Higher-Education-in-Vermont-Submitted.pdf>.

FY21 Unaudited Actuals August 17, 2021

(Amounts rounded to \$1,000)

	Vermont State Colleges System		Community College of Vermont		Castleton University		Northern Vermont University		Vermont Technical College ²		Chancellor's Office	
	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021
	Budget	Unaudited	Budget	Unaudited	Budget	Unaudited	Budget	Unaudited	Budget	Unaudited	Budget	Unaudited
REVENUES												
Tuition and Fees	102,520	105,395	20,517	22,373	34,400	34,895	25,053	25,090	22,550	23,036	-	1
State Appropriation	60,237	60,210	6,020	6,020	6,821	6,821	11,006	11,006	7,590	7,563	28,800	28,800
Room and Board	11,905	12,253	-	-	5,000	5,749	5,983	5,431	922	1,073	-	-
<i>CRF/HEERF: Room & Board</i>	-	6,555	-	-	-	2,336	-	2,814	-	1,405	-	-
Sales and Services	1,841	2,016	6	5	560	695	250	147	1,025	1,169	-	-
Gifts	850	1,030	50	107	420	382	250	183	130	340	-	18
Other Revenue	692	3,166	86	1,157	400	341	150	670	56	1,119	-	(121)
TOTAL REVENUES	178,045	190,625	26,679	29,662	47,601	51,219	42,692	45,341	32,273	35,705	28,800	28,698
EXPENSES												
Salaries and Benefits	110,496	100,531	20,497	20,392	29,495	27,813	32,400	29,331	23,555	22,388	4,549	607
<i>CRF/HEERF: Salaries</i>	(1,091)	(5,565)	-	(2,054)	(330)	(1,198)	(587)	(1,722)	(174)	(591)	-	-
Services, Supplies, Travel	37,116	30,796	4,870	4,737	10,158	7,111	9,135	7,107	7,782	6,307	5,171	5,534
<i>CRF: Services/Supplies/Travel</i>	(543)	(1,994)	-	(1)	(200)	(628)	(343)	(1,029)	-	(336)	-	-
Scholarships	19,240	18,268	170	146	11,600	11,635	5,290	5,119	2,180	1,368	-	-
<i>CRF: Scholarships</i>	-	(1,146)	-	-	-	(1,089)	-	(40)	-	(17)	-	-
Utilities	5,955	5,174	325	241	2,000	1,631	2,158	2,030	1,433	1,236	39	36
Other Expenses	4,827	-	-	-	-	-	-	-	-	-	4,827	-
Debt Service	6,000	5,618	1,034	1,034	2,096	2,097	1,756	1,763	1,114	724	-	-
Chancellor's Office	(23)	8,100	1,622	1,622	1,837	1,837	2,965	2,964	1,653	1,677	(8,100)	-
Other Transfers	(5,958)	(7,377)	(1,839)	(1,145)	1,255	912	549	674	1	1,847	(5,924)	(9,665)
<i>CRF: Other Transfers</i>	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	176,019	152,405	26,679	24,972	57,911	50,121	53,323	46,197	37,544	34,603	562	(3,488)
NET REVENUES/(DEFICIT)	2,026	38,220	-	4,690	(10,310)	1,098	(10,631)	(856)	(5,271)	1,102	28,238	32,186
Unrestricted use of CRF ¹	(1,634)	(15,260)	-	(2,055)	(530)	(5,251)	(930)	(5,605)	(174)	(2,349)	-	-
Bridge Funding		(28,800)										(28,800)
Net Revenue without use of CRF	392	(5,840)	-	2,635	(10,840)	(4,153)	(11,561)	(6,461)	(5,445)	(1,247)	28,238	3,386

FY2022 Budget Forecast: Early Look

With classes for three of four institutions starting on Monday, August 23, now is an opportune time to assess the validity of the system's revenue budget for FY2022. In June, the Board of Trustees approved a total revenue budget of \$147M. Early information regarding current enrollment suggests that tuition and fee revenue will likely fall within one-half of one percent (0.05%) of the projected budget for Castleton, Northern Vermont University, and Vermont Technical College for FY2022. Revenue for the Community College of Vermont is more unpredictable. However, early indicators suggest that student course placements are up approximately 16% year-over-year, which is significantly higher than originally budgeted. In all cases, the institutions are benefiting from the generous one-time scholarship programs authorized by the Legislature and signed into law by Governor Scott.

ITEM 4

Transformation Projects Update

Information Technology Infrastructure

The Vermont State College’s Information Technology infrastructure is the literal backbone upon which the institutions reside. The systems touch every student, faculty, and staff member throughout the VSC, and our success is dependent upon the success of these critical systems. Currently, the total replacement value of all IT systems (excluding software) is estimated at approximately \$18.9M. A typical replacement schedule of five to seven years for all hardware infrastructure would suggest annual funding for IT in the range of \$2.9M to \$3.8M. For FY2019, the last year prior to the pandemic, the Vermont State Colleges expended less than \$1M on these purchases. Historically, the VSC has used one-time funds to make these large investments in computing equipment, using carryforward funds as the primary source of funding. In recent years, where budgets have been extraordinarily tight, this has been more and more difficult.

Additionally, the VSC’s Enterprise Resource Planning (ERP) system was installed more than twenty years ago. The software has served the institutions well over these last two decades; however, the current version of the software has been heavily customized for the four (formerly five) college system, and is difficult to maintain in a modern environment. As the VSC continues its transformational journey, we will begin the discovery process to assess the next appropriate strategic steps regarding our ERP.

Kellie Campbell, Chief Information Officer, and Wilson Garland, Director of Transformation Projects will give a brief overview of the existing complexity of our IT Infrastructure and provide a more detailed picture of the strategy for some of our core administrative systems.

Transformation Project Budget Update

The Legislature has set aside \$20M for the transformation of the Vermont State Colleges. These funds, available on a reimbursed basis, shall be used to accomplish the critical activities of transformation according to the following schedule:

FY22	FY23	FY24	FY25	Total
8.0	7.0	3.0	2.0	20.0

In a recent Board of Trustees meeting, Wilson Garland shared the overall project structure of Transformation Projects. By category, the primary project areas are Academic Operations, Student Experience, Administrative Operations, and Workforce. The transformation project budget is allocated to the primary project areas as follows:

Category	Estimated Cost	Percent of Budget
Academic Operations	4.4	22%
Student Experience	8.1	41%
Administrative Operations	2.2	11%
Project Management	3.6	18%
Uassigned	1.7	9%

During the Finance and Facilities Committee, Wilson will provide an overview of the Transformation Budget and how these financial resources will be allocated to the critical project areas.

Strategic Financial Plan Update

A critical activity of the Business Affairs Council (BAC) is to create a Strategic Financial Plan for the Vermont State Colleges. After significant review of planning models, the team has selected a simplified form from NCHEMS, the consulting firm that worked closely with the *Select Committee on the Future of Public Higher Education in Vermont*. This format was selected for its ease of use and accessibility of the data. While not as detailed as many of the models considered, its primary advantage is that it can provide an order of magnitude assessment giving you, as the Board, a better sense as to the financial direction of the System as a whole.

During the meeting, Sharron Scott will provide an overview of the planning process and set the stage for future conversations with this committee to discuss the level of investment necessary to support the successful function and operation of the Vermont State Colleges.

The Key Set of Budget Decisions & Trade-Offs

				Costs		Revenues	
	Quality	Quantity	Utilization	Unit Cost	Total Cost	Total Revenue	Revenue Sources
Assets							Student Fees
Personnel							State Budget Appropriations
Facilities							Govt. Grants
Equipment							Private Gifts
Collections							Endowment
Finances							Sales & Services
Program Updates							Other Revenues
Consumables							Reserves
Personnel							
Services							
Supplies							
Utilities							
Contingency							
New Initiatives							
Total						=	

Source: NCHEMS

As shown in the chart above, the planning format looks at the costs and revenues of the organization. The costs, broken into assets, consumables, contingency, and new initiatives, will be developed with an eye toward what our actual investment should be. For example, offering a realistic and prudent IT replacement and deferred maintenance schedule. Naturally, this will mean that the System’s revenues will be out of balance with its expenses.

This committee will play a critical role in the development of the Strategic Financial Plan. Your input will be necessary in determining the amount of required investment in our capital equipment, as well as the level of reserves the system will be allowed to maintain, the availability of annual contingency, and the level of investment you expect in new initiatives. It is expected that policy changes will likely result from the Strategic Financial Plan.

10 Year Facilities Plan Update

The Vermont State Colleges will bring a preliminary 10 Year Facilities Plan to this committee for consideration in December 2021. In preparation for this work, the VSC has launched the Facilities Planning Team, comprised of key faculty and staff members from throughout the Vermont State Colleges. This team will be responsible for developing the plan in

consultation with each institution and project sponsors (Presidents and Chancellor). To facilitate this work, the following subprojects have launched:

1. The VSC has hired **SAS** to complete a **deferred maintenance study** for Northern Vermont University-Johnson and Castleton University. This study will augment studies recently completed by SAS for Vermont Technical College (2020) and Northern Vermont University-Lyndon (2016)
2. Gordian (formerly Sightlines) was hired to conduct a Return on Physical Assets (ROPA) benchmarking study and a Space Utilization study. Gordian will present their findings to both the Facilities Planning Team and to this committee.

Combined these three work products will provide critical benchmarks and data points for the Facilities Planning Team.

Annual Deficit Reduction Goal

A critical element of the transformation projects is structural deficit reduction. The goal, as outlined by the *Select Committee for the Future of Public of Higher Education in Vermont* and affirmed by the State of Vermont, requires a reduction of \$5M per year, (a cumulative \$25M reduction) in the expenses, or a corresponding increase in revenue, over the next five years. It is important that the VSC not lose sight of this critical activity.

As shared at the May 24, 2021 Finance and Facilities Committee, the VSC's multi-year budget estimate projects cumulative savings of \$25M. A copy of the pro-forma multi-year budget is shown on the next page.

FY22 Budget: Multi-Year Budget Estimate						
	FY2022 Budget	FY2023E Budget	FY2024E Budget	FY2025E Budget	FY2026E Budget	FY2027E Budget
Total Revenues (all sources)	173,393	156,457	161,457	163,957	163,957	163,957
Total Expenses (all sources)	(179,686)	(178,908)	(174,460)	(171,098)	(166,265)	(161,723)
Net Revenue/(Deficit)	(6,293)	(22,451)	(13,002)	(7,141)	(2,307)	2,234
One-Time Funds						
Carried Over Funds	1,790	-	-	-	-	-
HEERF III	-	10,000	-	-	-	-
Additional Bridge	-	14,900	16,500	10,000	5,000	-
All Other Sources	4,503	-	-	-	-	-
Total One-Time Funds	6,293	24,900	16,500	10,000	5,000	-
Total Operating Result	(0)	2,449	3,498	2,859	2,693	2,234
Unrestricted Use of CRF	(3,826)					
Net Revenue without Use of CRF	(3,826)	2,449	3,498	2,859	2,693	2,234

The budget shown above was developed using the following assumptions:

1. Revenues were increased only based on the Select Committee’s recommended increase in base appropriations through the year FY2025. All other revenues were held flat.
2. Expenses received inflationary increases in the salaries and benefits, utilities, services, and supplies categories. These combined categories were then decreased by \$5M annually between FY23 and FY27.
3. HEERF III funds, are estimated at approximately \$10M which can be used for deficit reduction.
4. Additional bridge funding is estimated as noted on the above chart. This schedule of bridge funding is necessary to successfully navigate the transformation period.