

MEMORANDUM

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

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

DATE: October 13, 2022

SUBJECT: Finance and Facilities Committee Meeting scheduled for October 17, 2022

The Finance and Facilities Committee of the VSC Board of Trustees is scheduled to meet Monday, October 17, 2022. The meeting is scheduled to begin at 2:45 p.m. or immediately following the Audit and Risk Management Committee meeting, whichever is later. The meeting will be held via Zoom.

In addition to review and approval of the minutes of the August 8, 2022, meeting. The Committee has two items up for approval, and several items up for review.

The first agenda item is approval of the **William Fosbrook Aviation Scholarship** for Vermont Technical College. This scholarship, provided by the estate of Mr. William Fosbrook, will provide annual scholarships for students in the Professional Pilot Program. You will find this scholarship request as **Item 2** in your packet.

Next, we will review and discuss **FY2022 financial performance**. In this section, we will share updated information regarding enrollment trends, system-wide discounting, net student revenue, and financial ratios. An overview of these topics is available as **Item 3** in your packet.

Up for review and approval are **institutional carryforward requests** from FY2022. Community College of Vermont is requesting a total of \$1,808,247 in carryforward to be used for a combination of professional development, security enhancements, continuous improvement, the double-filling of vacancies during a period of high turnover, and setting aside a contingency reserve as a hedge against future enrollment dips. Vermont Technical College is requesting use of \$400,000 of its existing reserves to support the creation of the Center for Agriculture and Food Entrepreneurship. While VTC does not have carryforward from

FY2022, it does have funds from prior years it would like to allocate to this purpose. You will find both requests as **Item 4** in your packet.

The colleges have worked quickly to provide the Finance and Facilities Committee with **First Quarter financial** information. We will review year-to-date performance and the FY2023 forecast. Information regarding this topic is available as **Item 5** of your packet.

Katherine Levasseur, Director of Government Affairs and External Relations, will provide the Committee with an update regarding the System's general fund and capital fund requests. These requests were submitted to the Governor's office the week of October 10, and we look forward to our conversation with the administration in early November.

Among the many aspects of transformation is transformation of the underlying allocation methods for shared expenses, shared revenues, and the **base appropriation**. During the meeting, we will be seeking the Committee's input on the principles and values associated with allocation of the Base Appropriation. **Item 6** of this packet outlines measures and metrics that could be used to allocate the base appropriation.

Lastly, at the September Retreat we reviewed several "what-if" scenarios. At the meeting we will provide the opportunity to identify additional scenarios. Lit Tyler, Lead Financial Analyst, will be on hand to share real-time adjustments if requested.

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 22, 2022

2:45 p.m.

(or upon conclusion of Audit & Risk Management Committee, whichever is later)
via Zoom

AGENDA

1. Call to Order
2. Public Comment – signup for public comment at www.vsc.edu/signup
3. Review & Approve: Minutes of the August 8, 2022, Finance & Facilities Committee meeting.
4. Review & Approve: Endowment Requests
5. FY2022 Financial Performance Review
6. Review & Approve: Institutional Carryforward Requests
 - Community College of Vermont
 - Vermont Technical College
7. FY2023 1st Quarter Review
8. Government Affairs Update
 - General Fund Budget Request
 - State Capital Budget Request
9. Base Appropriation Design Principles Discussion
10. What-If Scenario Discussion
11. Other Business
12. Adjourn

Meeting Materials

ITEM 1: Finance and Facilities Minutes, August 8, 2022

ITEM 2: Endowment Requests

ITEM 3: Institutional Carryforward Requests

- Community College of Vermont
- Vermont Technical College

ITEM 4: FY2022 Financial Performance

ITEM 5: First Quarter FY2023

ITEM 6: Base Appropriation Design Principles

ITEM 1: Minutes of August 8, 2022

Minutes of the VSCS Board of Trustees Finance and Facilities Committee meeting held Monday, August 22, 2022 at 1:00 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, August 22, 2022 via Zoom.

Committee members present: David Silverman (Chair), Adam Grinold (Vice Chair), Lynn Dickinson, Jim Masland, Shawn Tester, Sue Zeller

Absent: Bill Lippert, Sue Zeller

Other Trustees Present: Karen Luneau, Mary Moran

Presidents: Parwinder Grewal, Joyce Judy

Chancellor's Office Staff: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Wilson Garland, Director of Transformation Projects
Pat Moulton, Executive Director, Workforce Development
Jen Porrier, Administrative Director
Sharron Scott, Chief Financial and Operating Officer
Mike Stevens, Manager of Transformation Projects & Planning
Toby Stewart, System Controller
Littleton Tyler, Lead Financial Analyst
Patty Turley, General Counsel
Sophie Zdatny, Chancellor

From the Colleges: Sarah Chambers, Coordinator of Instructional Technology, Castleton University
Laura Jakubowski, Chief Budget & Finance Officer, Castleton University
Maurice Ouimet, Dean of Enrollment, Castleton University
Andy Pallito, Dean of Administration, Community College of Vermont
David Rubin, Dean of Administration, Vermont Technical College
Dannielle Spring, Chief Budget & Finance Officer, Northern Vermont University

David Tabaruka, Controller, Community College of Vermont
Beth Walsh, President, VSCUP, Northern Vermont University

1. Chair Silverman called the meeting to order at 1:00 p.m.
2. Public Comment

Chair Silverman explained that consistent with the new public comment rules for the Vermont State Colleges Board of Trustees, the Public Comment period has moved to the beginning of all meetings. A copy of these new rules can be found [here](#).

There was no public comment.

3. Approve May 23, 2022 Meeting Minutes

Trustee Dickinson moved and Trustee Grinold seconded the motion to approve the minutes of May 23, 2022. The motion was approved unanimously.

4. Review and Approve: CCV Correctional Post-Secondary Education Initiative

Chair Silverman shared that the Community College of Vermont has received a \$4.5M grant from the US Department of Education for its Correctional Post-Secondary Education Initiative. This grant expands access to post-secondary education to persons incarcerated in any of Vermont's six correctional facilities. Additionally, the program offers open access to college programs for Vermont Department of Corrections personnel. CCV President Joyce Judy added that CCV will implement this after Board Approval in September. President Judy made the correction that this grant is not from the Department of Education but instead from the Department of Justice.

Trustee Zeller moved and Trustee Tester seconded the motion to recommend to the Board the approval of the CCV Post-Secondary Education Initiative Grant Request. The motion was approved unanimously.

5. Review and Discuss: Life Insurance Policy Transfer

Chair Silverman explained that Northern Vermont University is seeking permission to transfer ownership of a life insurance policy to the University of Vermont Foundation. Further information can be found [here](#) on page 17.

Trustee Grinold moved and Trustee Dickinson seconded the motion to recommend to the Board the approval of the transfer of the ownership of Genworth Policy 8,287,111 to the University of Vermont Foundation as requested by Barbara Fiddler. The motion was approved unanimously.

6. Review and Discuss: FY2022 unaudited financial results & FY2023 budget forecast

Chair Silverman shared that the VSC is currently undergoing its financial audit and preliminary, unaudited results from FY2022 are now available. Chief Financial and Operating Officer Sharron Scott then gave a brief update on FY2022 and the forecast for FY2023. Ms. Scott's presentation can be found [here](#) on pages 1-7. Ms. Scott's presentation included information on operating revenues, that include student tuition, room, board, sales and services, that accounted for \$13.7 million of the improvement due to stronger than budgeted enrollment. Employee wages and benefits accounted for \$9.4 million of the improvement to budget and without HEERF/CRF monies, the net revenue was \$12.6 million, of which \$21 million was bridge funding – meaning the system as a whole had a deficit of \$8.4 million for the year.

7. Review and Discuss: VTSU Tuition Setting Design Principles

Chair Silverman shared that the first class for Vermont State University will enroll in Fall 2023 and to prepare for their arrival, VTSU is developing tuition strategies for the new university that strike a balance between student affordability and fiscal sustainability. President Grewal presented Vermont State University's initial conceptual models for tuition setting. That presentation can be found [here](#). The committee had a robust discussion about the pros and cons of the models presented and offered insight into the information necessary to make an informed decision regarding VTSU tuition. It is expected that there will be a formal tuition recommendation to the Board at its September retreat.

8. Review and Discuss: Shared Expense Allocation Design

Chair Silverman reminded the committee that in May it received the Business Planning Team's design principles that included three primary projects: allocation methodologies, budgeting and planning processes, and strategic planning processes. In the interim, the team has continued their work and has completed the design for the Shared Expense Allocation methodologies. These are described [here](#) on pages 34-36. CFOO Scott presented information on shared expense allocation and those slides are [here](#) on pages 8-13. The committee discussed the methodologies presented and concluded that allocating expenses based on consumption, where possible, makes sense.

9. Other Business

There was no other business.

Executive Session:

At 2:30 p.m. Trustee Grinold moved that the Finance & Facilities Committee enter executive session pursuant to 1 V.S.A. § 313(a)(1)(B) to discuss labor relations agreements with employees because premature general public knowledge would clearly place the public body involved at a substantial disadvantage. Along with the members of the Board present at this meeting, the Committee invited the Chancellor, the General Counsel and the Chief Financial and Operating Officer to attend. Trustee Dickinson seconded the motion and it was approved unanimously.

The committee exited executive session at 2:54 p.m. and took no action.

Chair Silverman adjourned the meeting at 2:55 p.m.

ITEM 2: Endowment Requests

VERMONT TECH

Office of the President
PO Box 500
Randolph Center, Vermont 05061

Tel: 802 728 1252
Email: president@vtc.edu

October 13, 2022

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

Dear Chancellor Zdatny,

I am pleased to provide you the New Funding Source Document required for establishing an endowment in the amount of \$22,437.31 to be titled the William Fosbrook Aviation Scholarship Endowment.

The endowment was funded with a personal check from William Fosbrook Estate and George W. Gedney Executor, totaling \$47,437.31. The check was mailed July 30th 2020 to the Vermont Technical College, Attention: Curtis Ostler, Associate Dean of Resource Development, P.O. Box 500, Randolph Center, VT 05061. Please note, that while we have already accepted the donation back in 2020, the endowment process was delayed due to the endowment charter being created with George Gedney and the transition from Curtis Ostler to now, Kelly Boulan, the Development and Alumni Relations Specialist. This request is to take \$22,437.31 to endow; and the remaining portion of \$20,000.00 is to be used for the expendable William Fosbrook Aviation Scholarship to award students while the endowment accrues interest.

I request that the Vermont State College's Board of Trustees accept the gift and approve the establishment of the William Fosbrook Aviation Scholarship Endowment.

Sincerely,



Parwinder Grewal, Ph.D.
President

- NEW FUNDING SOURCE DOCUMENT -
Vermont Technical College
(College Name)

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

1) Name of grant, endowment, or other activity: (type in all CAPs)

2) Granting Agency/donor/other funding source: (attach supporting documentation)

3) Purpose of Endowment: (attach supporting documentation)

4a) <u>Proper Account Fund:</u> _____ Regular Endowment _____ Term Endowment	4b) <u>Why this fund selected?</u>
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5) General Ledger account #: (as proposed or assigned)


6) Date Endowment Reach Endowment Status:

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

8) Funding Amount:
\$ _____ One-time - Or - _____ Ongoing funding (indicate time frame:)

9a) Is principal use allowed: (w/Board OK?) 9b) If yes, is replenishment of principal allowed or required?

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

11) <u>President:</u> 	12) <u>Date to Ch's Office:</u>	13) <u>Date Board approved:</u>
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October 14, 2022

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

Dear Chancellor Zdatny,

I am pleased to provide you the New Funding Source Document required for establishing an endowment in the amount of \$20,000 to be titled, *The Ian Muller Memorial Endowment*.

Ian Muller, a Danville, Vt., native, attended Lyndon State College prior to enlisting in the Marine Corps. An avid bodybuilder, athlete, and ski instructor at Burke Mountain, Muller was killed during combat operations in Helmand Province, Afghanistan, in March 2011.

The endowment is funded with donations from family and friends, proceeds from the annual Ian Muller Memorial Rail Jam held at Burke Mountain, and endowment matching funds. The endowment will provide scholarship support to NVU-Lyndon student veterans.

I request that the Vermont State College's Board of Trustees accept these gifts and approve the establishment of the *Ian Muller Memorial Endowment*.

Sincerely,



Parwinder Grewal, Ph.D.
President

ITEM 3: FY2022 Financial Performance

FY2022 Unrestricted Financial Performance

FY2022 Financial Performance was stronger than budget, with net revenues over expenses ending at a positive \$28.6 million with the use of one-time funds. Excluding all one-time sources, net revenue was \$3.8 million or 2.2% of total budget. Performance at Community College of Vermont, and the Office of the Chancellor¹ ended in positive territory, with the remaining three locations seeing negative balances ranging from -\$1.4 million to -\$5.8 million.²

Three key factors drove these results, the first is receipt of \$21 million in one-time bridge funding from the State of Vermont in the form of an American Rescue Plan Act grant for economic support. The second was the receipt of federal grants in the form of Higher Education Emergency Relief Funding (HEERF) and Coronavirus Relief Funds (CRF). Lastly, improved student revenues at all institutions and continued strong budget control by each institution within the VSCS improved performance relative to budget.

FY22 Unrestricted Fund	VSCS	CCV	CU	NVU	VTC	OC
Total Revenues	201,188	30,446	56,154	44,282	38,256	32,050
Total Expenses	172,587	28,639	57,560	50,113	36,602	(327)
Net Revenue/(Deficit)	28,601	1,807	(1,406)	(5,831)	1,654	32,377
<u>HEERF/CRF Funding</u>	3,802		711	2,929	162	
Net Revenue w/o CRF/HEERF	24,799	1,807	(2,117)	(8,760)	1,492	32,377
<u>Bridge Funding</u>	21,000					21,000
Net Revenue after all One-Time	3,799	1,807	(2,117)	(8,760)	1,492	11,377

Student revenues, in the form of tuition and fees and room and board, were better than budgeted as a system with all institutions seeing stronger than budgeted tuition and fee revenue. Room and board revenue was stronger at all three residential institutions.

From an expense perspective, overall expenses were lower than budget across nearly all categories with the greatest variances, in absolute value, in the area of Salaries and Benefits where actual spending was 8.4% less than budget. This reduction was caused a combination of faster than normal attrition and associated slowed hiring cycles and judicious rehiring practices by the presidents.

¹ Office of the Chancellor expenses ended with a -\$327 thousand balance, which is a “pick-up” in expense – carrying the same effect as a revenue. Therefore, the -\$327 thousand balance is added to the total revenues. Algebraically, this is (Revenues-(-Expense)) or (\$32,050-(-327) = \$32,377.

² VTC’s positive balance in this category is due entirely to the recognition of Advanced Manufacturing Center grant funding as part of Workforce Development. Actual performance for VTC operations was negative.

FY22 Actual as of June 30, 2022

(Amounts rounded to \$1,000)

	Vermont State Colleges System		Community College of Vermont		Castleton University		Northern Vermont University		Vermont Technical College		Chancellor's Office	
	Actual FY22	Budget FY22	Actual FY22	Budget FY22	Actual FY22	Budget FY22	Actual FY22	Budget FY22	Actual FY22	Budget FY22	Actual FY22	Budget FY22
REVENUES												
Tuition and Fees	104,010	95,462	23,396	19,125	35,415	32,600	22,441	21,516	22,757	22,221	1	-
State Appropriation	67,803	57,436	6,811	6,811	8,169	8,169	11,868	11,868	8,490	8,523	32,465	22,065
Room and Board	19,410	16,247	-	-	10,361	9,200	6,093	4,926	2,956	2,121	-	-
<i>CRF/HEERF: Room & Board</i>	<i>2,722</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>272</i>	<i>-</i>	<i>2,450</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Sales and Services	4,584	2,584	2	6	1,075	700	730	689	2,777	1,189	-	-
Gifts	1,361	825	142	50	540	400	315	275	358	100	6	-
Other Revenue	1,298	839	95	86	322	300	385	250	918	203	(422)	-
TOTAL REVENUES	201,188	173,393	30,446	26,078	56,154	51,369	44,282	39,524	38,256	34,357	32,050	22,065
EXPENSES												
Salaries and Benefits	101,884	111,287	21,447	21,138	27,764	29,900	27,772	31,976	23,344	23,701	1,557	4,572
<i>CRF/HEERF: Salaries</i>	<i>(968)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(439)</i>	<i>-</i>	<i>(382)</i>	<i>-</i>	<i>(147)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Services, Supplies, Travel	37,746	38,705	4,356	4,910	9,896	10,475	9,009	10,041	7,620	7,974	6,865	5,305
<i>CRF: Services/Supplies/Travel</i>	<i>(112)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(97)</i>	<i>-</i>	<i>(15)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Scholarships	20,200	18,086	98	170	12,190	11,635	5,416	4,659	1,582	1,622	914	-
<i>CRF: Scholarships</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Utilities	6,396	6,216	279	292	2,109	2,200	2,464	2,383	1,510	1,312	34	29
Other Expenses	4	10	-	-	-	10	4	-	-	-	-	-
Debt Service	12,725	12,575	1,823	1,823	3,061	3,061	2,338	2,338	778	778	4,725	4,575
Chancellor's Office	(1)	-	1,877	1,879	2,252	2,254	3,275	3,275	1,980	1,976	(9,385)	(9,384)
Other Transfers	(5,287)	(3,367)	(1,241)	(543)	727	807	314	509	(50)	956	(5,037)	(5,096)
<i>CRF: Other Transfers</i>	<i>-</i>	<i>(3,826)</i>	<i>-</i>	<i>(3,826)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
TOTAL EXPENSES	172,587	179,686	28,639	25,843	57,560	60,342	50,113	55,181	36,602	38,319	(327)	1
NET REVENUES/(DEFICIT)	28,601	(6,293)	1,807	235	(1,406)	(8,973)	(5,831)	(15,657)	1,654	(3,962)	32,377	22,064
TOTAL OPERATING RESULT	28,601	-	1,807	235	(1,406)	(8,973)	(5,831)	(15,657)	1,654	(2,172)	32,377	26,567
Unrestricted use of CRF ¹	(3,802)	(3,826)	-	(3,826)	(711)	-	(2,929)	-	(162)	-	-	-
Net Revenue without use of CRF	24,799	(10,119)	1,807	(3,591)	(2,117)	(8,973)	(8,760)	(15,657)	1,492	(3,962)	32,377	22,064

Enrollment & Discounting

Currently, VSCS institutions use merit aid, need based scholarships, and scholarship allowances (tuition waivers) as a means of discounting tuition for students. The scholarship allowance is a contra-revenue and therefore lowers the gross tuition and fee revenue on the unrestricted fund. Scholarships & Fellowships are an expense. Combined, the scholarship allowance (contra revenue) and scholarship expense equal the total amount of aid and discounts offered to VSCS students as shown below.

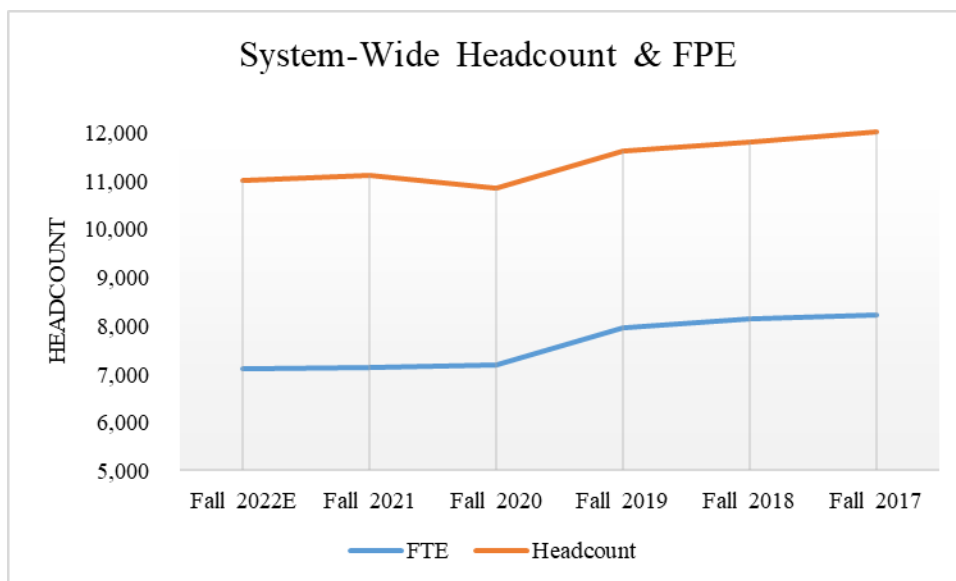
FY22 Actual Student Revenues					
(amounts rounded to \$1,000)					
	VSCS	CCV	CU	NVU	VTC
Gross Tuition & Fees ¹	107,370	23,987	35,897	23,748	23,738
Room & Board ²	19,410		10,361	6,093	2,956
Gross Student Rev (\$k)	126,780	23,987	46,258	29,841	26,694
Scholarship allowance (Waivers)	(3,361)	(591)	(482)	(1,307)	(981)
Scholarship & Fellowship Expense ³	(19,286)	(98)	(12,190)	(5,416)	(1,582)
Waivers, Discounts, Scholarships	(22,647)	(689)	(12,672)	(6,723)	(2,563)
Net Student Rev Total (\$k)	104,133	23,298	33,586	23,118	24,131
Discount %	-18%	-3%	-27%	-23%	-10%

¹ Includes \$187K of Workforce development tuition for VTC
² Excludes \$2.7M in HEERF for lost revenue
³ Excludes \$914K of Welcome Home Scholarships funded by State of Vermont

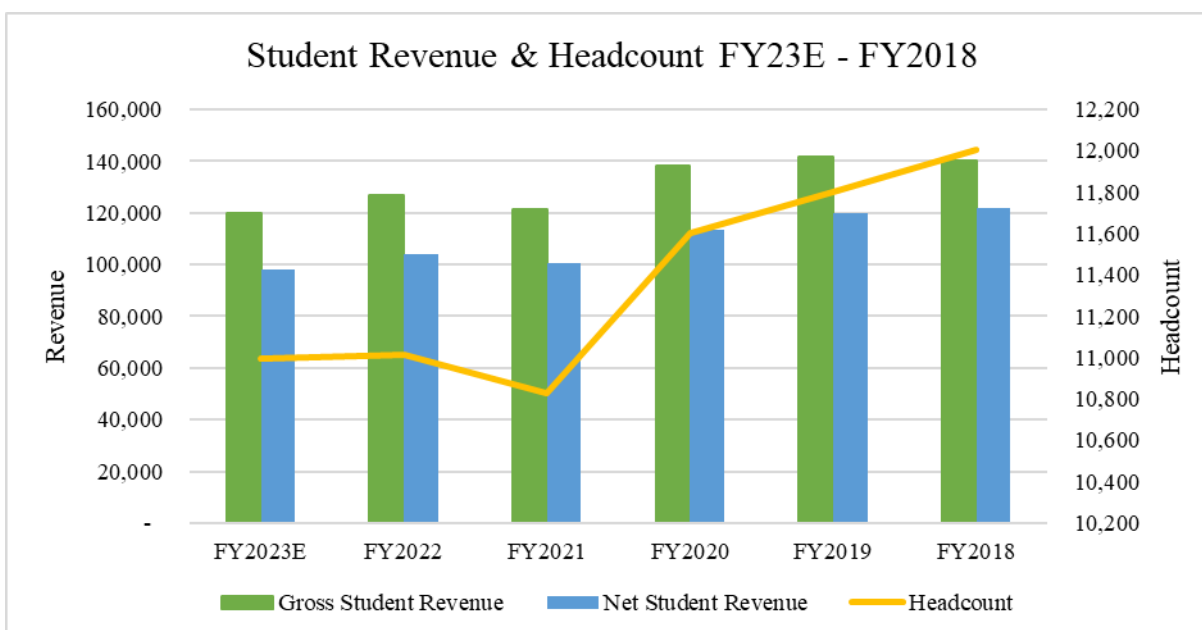
In FY2022, gross student revenue for the system was \$126.8 million and the VSCS offered \$22.6 million in various forms of aid to students. The net student revenue was \$104.1 million, for an overall 18% discount rate for the system. The discount rate by institution varies as shown above, with the lowest discount occurring at Community College of Vermont and the highest at Castleton University. Tuition discounting for FY2023 is budgeted comparably to FY2022 with slight increase in discounting anticipated for Castleton and a modest decrease in discounting for Northern Vermont University.

FY23 Budget Student Revenues					
(amounts rounded to \$1,000)					
	VSCS	CCV	CU	NVU	VTC
Gross Tuition & Fees	101,105	22,631	35,432	20,823	22,219
Room & Board	18,754		10,500	5,253	3,001
Gross Student Rev (\$k)	119,859	22,631	45,932	26,076	25,220
Scholarship allowance (Waivers)	(2,650)	(539)	(356)	(718)	(1,037)
Scholarship & Fellowship Expense	(19,366)	(170)	(13,000)	(4,728)	(1,468)
Waivers, Discounts, Scholarships	(22,016)	(709)	(13,356)	(5,446)	(2,505)
Net Student Rev Total (\$k)	97,843	21,922	32,576	20,630	22,715
Discount %	-18%	-3%	-29%	-21%	-10%

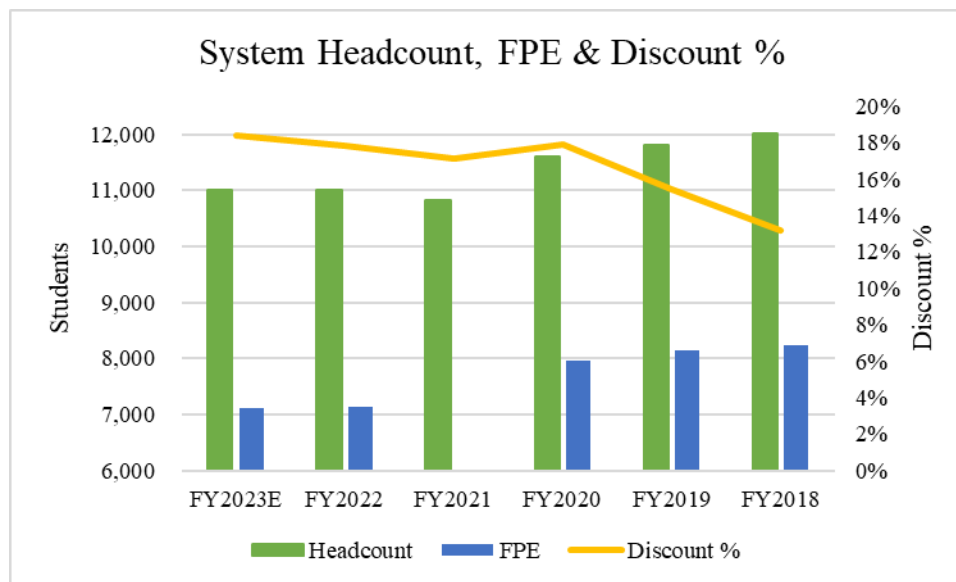
Since FY2017, System headcount has declined by approximately 900 students, or nearly 7.5%, with all institutions, except Castleton, seeing some degree of enrollment decline during this time. A corresponding decline in full-paying equivalency (FPE) has occurred at the same time. However, the rate of decline in FPE has been faster than the decline in headcount, suggesting that the VSCS is enrolling more students who are attending part-time. FY2022 saw recovery in enrollment at two of the four institutions post-pandemic. However, Northern Vermont University and Vermont Technical College continued to see depressed enrollments. This decline can, in part, be attributed to negative media attention in 2019 and 2020. However, early signs suggest that NVU is beginning a slow recovery in the fall of 2022.



Gross tuition revenues (tuition and fees plus room and board less all scholarships, waivers, and discounts) remained relatively steady between FY2018 and FY2020. FY2022 saw a slight positive increase in both gross and net student revenue, a welcome change in the prior fiscal year. FY2023's budget is proposed at less than FY2022 actual with early indications that the VSCS will surpass the budget.



The regional higher education landscape is highly competitive with significant competition from well-funded publics and privates. The Vermont State Colleges are competing with these institutions, and often that competition is based on price.



As shown on the chart above, tuition discounting increased steadily between FY2018 and FY2020 changing from average discount of 13% to an average discount of 18%. Since then, the discount rate has remained relatively constant at between 17% and 18%.

Financial Ratios

The Vermont State Colleges has established an accountability matrix that provides the Board of Trustees with necessary information to support the Board in its work. The following financial measures are included in the matrix:

- **Primary Reserve Ratio** – a measure of the overall financial strength of the organization
- **Net Operating Revenue Ratio** – measure of the organization’s ability to live within its means
- **Return on Net Assets Ratio** – a measure of the organization’s total economic return
- **Viability Ratio** - measures the availability of net assets to cover the organization’s debt

Combined these four ratios create the **Composite Financial Index (CFI)** a single measure that offers directional insight into the organization. These measures can help the Board answer critical questions such as:

- What is the system’s current capacity to carry out its work?
- What is the system’s expected capacity to carry out future programs?
- Is the trend improving or deteriorating?
- Are the VSCS’s resources sufficient and flexible enough to meet the mission?
- Do operating results indicate the system is living within available resources?
- Does financial asset performance support the strategic direction of the organization?

By reviewing these measures longitudinally, we can see where our actions, or lack thereof, can have a positive or negative impact on the whole organization.

Financial Ratio	Target	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13
Primary Reserve	>= 0.40	0.60	0.51	0.25	0.21	0.20	0.17	0.18	0.18	0.19	0.18
Net Operating Revenue	2% to 4%	15.5%	23.0%	3.4%	-0.8%	-1.4%	-1.2%	-3.1%	-1.2%	-2.7%	-5.2%
Viability Ratio	1.25 to 2.0	1.10	0.80	0.38	0.32	0.30	0.25	0.27	0.27	0.28	0.26
Return on Net Position	3% to 4%	19.6%	41.9%	6.6%	-1.1%	-1.3%	0.5%	-3.0%	-4.0%	-2.8%	8.4%

Net operating revenue and return on net position measures an organization’s ability to live within its means and the organization’s net return, met or exceeded the ratio targets for FY2022, FY2021, and FY2020 due largely to bridge funding and Higher Education Emergency Relief (HEERF) funding. The primary reserve ratio, a measure of the organization’s overall financial strength, met the target in FY2022 and FY2021, again due largely to bridge and HEERF funds. The viability ratio, a measure of the VSC’s ability to cover the organization’s debts, is nearing the low end of target.

The Composite Financial Index combines these four primary ratios into a single measure by standardizing the results on a scale between -1 and 10 and then weighting each ratio according to a formula suggested by the National Association of College and University Business Officers (NACUBO). As shown below, FY2022, FY2021, and FY2020 performance is significantly stronger than the previous seven years. This improved performance is again due to the receipt of one-time funds.

Measure	Target	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13
Primary Reserve	>=.40	1.59	1.35	0.65	0.54	0.53	0.46	0.46	0.48	0.49	0.48
Net Operating Revenue	2% - 4%	1.00	1.00	0.49	(0.12)	(0.20)	(0.17)	(0.44)	(0.17)	(0.38)	(0.74)
Viability Ratio	1.25 to 2.0	0.93	0.67	0.32	0.26	0.25	0.21	0.23	0.23	0.23	0.22
Return on Net Position	3% to 4%	1.96	2.00	0.66	(0.11)	(0.13)	0.05	(0.30)	(0.40)	(0.28)	0.84
Composite Financial Index		5.48	5.02	2.11	0.59	0.45	0.55	(0.05)	0.14	0.06	0.79

Comparing the VSC’s composite financial index to NACUBO’s composite financial index scale, at the years FY2013 to FY2019 suggested the organization should be considering its viability to survive. FY2022 and FY2021 improved to the point where the organization can and should be directing its resources to transform and to compete in the future.

Composite Financial Index Scale	
-1 to 1	Assess viability to survive
0 to 3	Reengineer
3 to 5	Direct resources to allow transformation
5 to 7	Focus resources to compete in future
7 to 9	Opportunities to experiment with new initiatives
8 to 10	Deploy resources to achieve robust mission

ITEM 4: Carryforward Requests



TO: Sophie Zdatny, Chancellor, Vermont State Colleges

FROM: Joyce Judy, President, Community College of Vermont *Joyce Judy*

DATE: October 4, 2022

SUBJECT: FY 2022 Carry Forward

Due to lower than anticipated expenses during the pandemic in FY 2022, better than expected enrollments and the drawdown of HEERF II and III funds, CCV ended the fiscal year with \$1,808,247 available in unrestricted net assets. I am requesting approval to carry the above funds forward into Fiscal Year 2023 to be used for the following purposes:

- CCV would like to reserve in carryforward \$200,000 to offset the ongoing effects of the pandemic on our position turnover. These funds will be used to fill vacancies (double fill) while we recruit and for other associated recruitment and retention expenses.
- CCV would like to carryforward \$200,000 towards additional marketing of our programs and to help further enhance enrollment.
- CCV would like to carryforward \$600,000 to further enhance security hardware equipment and for continuous improvements of infrastructure in our CCV centers.
- As part of the CCV organizational redesign, we would like to use \$200,000 for professional development for staff as their roles continue to evolve.
- CCV is still heavily feeling the effect on operations of COVID at all CCV centers. Going forward, we expect enrollment for every semester to remain a challenge particularly with the ongoing effects of the pandemic. Therefore, CCV would like to carryforward \$608,247 in an economic contingency fund for CCV to use to balance future budgets should enrollments fall short of budget.

Thank you for your consideration.

Bennington
802.447.2361

Middlebury
802.388.3032

Morrisville
802.888.4258

Rutland
802.786.6996

St Johnsbury
802.748.6673

Upper Valley
802.295.8822

Brattleboro
802.254.6370

Montpelier
802.828.4060

Newport
802.334.3387

St Albans
802.524.6541


Springfield
802.885.8360

Winooski
802.654.0505

October 10, 2022

MEMORANDUM

TO: VSCS Board of Trustees

FROM: Parwinder Grewal, Ph.D., President 

CC: Sharron Scott, Chief Financial Officer, VSCS
Patricia Moulton, Executive Director for Workforce

SUBJECT: FY22 Carry Forward and Reserves

Vermont Technical College is requesting Board of Trustees approval to carry forward \$400,000 from the sale of assets in FY22 and a portion of the FY21 surplus for use to transform its agricultural program and facilitate the creation of Center for Agriculture and Food Entrepreneurship at Vermont Tech and the future VTSU.

This money will leverage and serve as needed match of sizable grant funding which has been approved and is in hand from State and Federal sources. VTC has been awarded an EDA grant of \$1.2M over 3 years to fund 3 critical faculty and staff positions to start and operate the Center for Ag and Food Entrepreneurship. This Center, as you will recall, is the result of over two years of study, planning and now implementation for the comprehensive overhaul of Vermont Tech's Ag program. The grant will fund three years of salaries and operations for the Ag Center Director, Internship Coordinator and Meat Lab Director.

A second grant, a \$250,000 Working Lands grant which is in hand together with a \$387,000 Legislative appropriation also in hand, will build and equip a new meat cutting training facility at the Randolph Campus. These funding sources together will fund the construction and equipping of a meat cutting lab enabling a continuation and significant expansion of the meat-cutting program in Randolph. That lab will support degree, continuing education and workforce students at VTSU and the VSCS.

The source of the \$400,000 which we seek to carry forward is three-fold. It includes \$112,000 realized from the sale of the Randolph dairy herd, \$169,000 from the sale of agricultural assets in Norwich Vermont, and \$119,000 left over from Vermont Tech's FY2021 Carry Forward.

This investment will allow Vermont Tech to continue the critical work of revitalizing its Agricultural offerings to best meet the needs of Vermont and our students. We have additional needs for farm renovations, greenhouse renovations and construction for which we are seeking grants with applications pending. This funding will help meet match and other needs while we move forward with all aspects of the revitalization of this critical program and asset for Vermont.

ITEM 5: FY2023 First Quarter

FIRST QUARTER FINANCIAL RESULTS

First quarter results are promising. While the first quarter is still early in the year, initial enrollment, student room participation, and expense data suggests net performance will be stronger than budget at Vermont State University¹ where revenue is forecasted at \$6.7 million better than budget and expenses are estimated to be approximately \$777 thousand dollars higher than budget. The net improvement for Vermont State University² is forecasted at \$5.9 million or 3.8% of budgeted expenses.

Transformation spending is an unbudgeted system expense, fully funded by a general fund appropriation from the State of Vermont. Last year, the VSCS received \$8 million and spent \$2.73 million during the fiscal year, and assigned approximately \$2.5 million for projects that extend into FY2023. The remaining value, \$2.8 million will be assigned to projects in early FY2023. The VSC received its second installment of transformation funding, \$4 million, at the start of this fiscal year. This amount was also unbudgeted and is reflected on these statements as an improvement on the state appropriation line. Corresponding expense adjustments have been forecasted in the Chancellor's Office budget to reflect anticipated spending in FY2023. Management anticipates that spending will accelerate commensurate with implementation activities.

Community College of Vermont, while seeing stronger enrollment than budget for both their summer and fall terms, is less confident of their revenues than VTSU due to the high variability in enrollment from term to term. While their revenue for the first half of the year is stronger than budget they have forecasted revenue consistent with budget for the first quarter as a conservative hedge against the future. The Finance and Facilities Committee should expect to see a clearer picture CCV's performance upon receipt of the second quarter results, when CCV has a clearer understanding of spring enrollments. As with VTSU, CCV is experiencing staff turnover that has resulted in lower than budgeted spending on salaries and benefits. As noted in their carryforward request, CCV seeks to accelerate the hiring of staff in key areas to ensure successful continued operations

FIRST QUARTER METRICS

The FY2023 budget is predicated on key values related to enrollment, room occupancy and employee wages. As part of the FY2022 budgeting process, each institution within the Vermont State Colleges supplied the Finance and Facilities Committee with the foundational metrics upon which their budgets were built as a means for the Committee to gauge current year budget performance.

As noted above, CCV full-paying equivalent enrollment for the fall term is 4.2% better than budgeted, with stronger than budgeted out-of-state enrollment. Overall, CCV has offset this increase in fall enrollment by reflecting lower than budgeted enrollment for the spring and summer 2023 terms. The data for spring will be firmed up with the spring semester.

Vermont State University's net student revenue is currently estimated at 4.3% better than budget as compared to a full-paying equivalent increase of approximately 3.8%. The additional improvement in student revenue is due to a sharp increase in out-of-state enrollment coupled with steady in state enrollment. The resulting effect is a modest, 0.5% uptick in student revenue. Compared to budget, room occupancy is currently estimated at 8.9% better than budget, with slightly stronger numbers for the fall as compared to the spring. Improvements in enrollment and room participation are reflected in the first quarter forecast.

¹ Recognizing the unified presidency of the three institutions that will form Vermont State University, all FY2023 narrative discussion will focus on the combined entity rather than the separate performance of each institution. However, finances and metrics will be available for both the unified entity and the individual institutions as part of these materials for the entirety of FY2023.

² Full-time faculty and bargaining unit staff at Vermont State University recently concluded salary negotiations for FY2023. Combined across all employee groups including non-bargaining unit administrators and part-time instructors, the total salary pool is approximately 0.80% higher than budgeted. The additional amount²⁶ is included in VTSU's forecast.

System-wide budget and forecast: first quarter FY2023

FY23 Q1 Projections
(Amounts rounded to \$1,000)

	Vermont State Colleges System			Community College of Vermont			Vermont State University			Chancellor's Office		
	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
REVENUES												
Tuition and Fees	100,902	98,456	2,446	22,093	22,093	0	78,809	76,363	2,446	-	-	-
State Appropriation	65,557	61,837	3,720	8,757	8,757	-	32,655	32,435	220	24,145	20,645	3,500
Room and Board	20,475	18,754	1,721	-	-	-	20,475	18,754	1,721	-	-	-
<i>CRF/HEERF: Room & Board</i>	-	-	-	-	-	-	-	-	-	-	-	-
Sales and Services	4,633	2,356	2,277	5	1	4	4,628	2,355	2,273	-	-	-
Gifts	1,150	1,150	-	80	80	-	1,070	1,070	-	-	-	-
Other Revenue	774	647	127.37	87	92	(5)	555	555	-	132	-	132
TOTAL REVENUES	193,491	183,200	10,292	31,022	31,023	(0)	138,192	131,532	6,660	24,277	20,645	3,632
EXPENSES												
Salaries and Benefits	110,077	110,335	258	22,788	22,788	0	81,616	82,624	1,008	5,673	4,923	(750)
Services, Supplies, Travel	41,645	37,476	(4,169)	4,940	4,940	-	27,857	26,938	(919)	8,848	5,598	(3,250)
Scholarships	20,431	19,366	(1,065)	170	170	-	19,968	19,196	(772)	293	-	(293)
Utilities	7,916	7,884	(32)	353	353	-	7,531	7,531	-	32	-	(32)
Other Expenses	4,585	4,585	-	-	-	-	10	10	-	4,575	4,575	-
Debt Service	8,003	8,003	-	1,824	1,824	-	6,179	6,179	-	-	-	-
Chancellor's Office	(1)	(1)	-	2,108	2,108	-	8,412	8,412	-	(10,521)	(10,521)	-
Other Transfers	(3,276)	(3,370)	(94)	(1,161)	(1,161)	0	2,981	2,887	(94)	(5,096)	(5,096)	-
TOTAL EXPENSES	189,380	184,278	(5,102)	31,022	31,022	0	154,554	153,777	(777)	3,804	(521)	(4,325)
	-	-	-	-	-	-	-	-	-	-	-	-
NET REVENUES/(DEFICIT)	4,111	(1,079)	5,190	0	0	0	(16,362)	(22,245)	5,883	20,473	21,166	(693)

Vermont State University institutional budget and forecast: first quarter FY2023

FY23 Q1 Projections
(Amounts rounded to \$1,000)

	Castleton University			Northern Vermont University			Vermont Technical College		
	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
REVENUES									
Tuition and Fees	35,800	35,075	725	22,000	20,105	1,895	21,009	21,183	(174)
State Appropriation	9,855	9,855	-	12,899	12,899	-	9,901	9,681	220
Room and Board	10,900	10,500	400	6,500	5,253	1,247	3,075	3,001	74
Sales and Services	900	900	-	1,045	1,045	-	2,683	410	2,273
Gifts	400	400	-	327	327	-	343	343	-
Other Revenue	250	250	-	250	250	-	55	55	-
TOTAL REVENUES	58,105	56,980	1,125	43,021	39,879	3,142	37,066	34,673	2,393
EXPENSES									
Salaries and Benefits	28,300	29,500	1,200	28,500	29,700	1,200	24,816	23,424	(1,392)
Services, Supplies, Travel	10,780	10,780	-	9,041	9,041	-	8,036	7,117	(919)
Scholarships	13,100	13,000	(100)	5,400	4,728	(672)	1,468	1,468	-
Utilities	2,775	2,775	-	2,885	2,885	-	1,871	1,871	-
Other Expenses	10	10	-	-	-	-	-	-	-
Debt Service	3,062	3,062	-	2,339	2,339	-	778	778	-
Chancellor's Office	2,668	2,668	-	3,492	3,492	-	2,252	2,252	-
Other Transfers	1,046	1,045	(1)	447	447	-	1,488	1,395	(93)
TOTAL EXPENSES	61,741	62,840	1,099	52,104	52,632	528	40,709	38,305	(2,404)
NET REVENUES/(DEFICIT)	(3,636)	(5,860)	2,224	(9,083)	(12,753)	3,670	(3,643)	(3,632)	(11)

System-wide metrics: first quarter FY2023

	Community College of Vermont				Vermont State University				Vermont State Colleges			
	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %
Student Revenue & Wages (\$millions)												
Net Student Revenue	\$21,923	\$ 21,923	\$ -	0.0%	\$75,921	\$ 79,215	\$ 3,294	4.3%	\$97,844	\$101,138	\$ 3,294	3.4%
Annual Employee Wages	\$15,925	\$ 15,925	\$ -	0.0%	\$48,778	\$ 47,503	\$ (1,275)	-2.6%	\$64,703	\$ 63,428	\$ (1,275)	-2.0%
Full Paying Equivalent Enrollment												
Annual FPE	2,967	2,955	(12)	-0.4%	3,873	4,016	143	3.7%	6,840	6,971	131	1.9%
FPE by Term												
Fall	2,587	2,695	108	4.2%	4,003	4,156	153	3.8%	6,590	6,851	261	4.0%
Spring	2,248	2,124	(124)	-5.5%	3,743	3,878	135	3.6%	5,991	6,002	11	0.2%
Other	1,099	1,090	(9)	-0.8%	-	-	-	n/a	1,099	1,090	(9)	-0.8%
FPE by Value Stream												
Vermonters	2,812	2,790	(22)	-0.8%	1,717	1,733	16	0.9%	4,529	4,523	(6)	-0.1%
Out-of-State	117	125	8	6.9%	891	1,016	125	14.0%	1,008	1,141	133	13.2%
NEBHE & Good Neighbor	38	39	1	1.6%	196	129	(67)	-34.2%	234	168	(66)	-28.3%
Nursing & Allied Health	n/a	n/a	n/a	n/a	557	564	10	1.8%	156	564	n/a	n/a
Online	n/a	n/a	n/a	n/a	284	276	(8)	-2.8%	284	276	(8)	-2.8%
Graduate												
Vermonters	n/a	n/a	n/a	n/a	205	233	28	13.7%	205	233	28	13.7%
Out-of-State	n/a	n/a	n/a	n/a	62	68	6	9.7%	62	68	6	9.7%
Room Occupancy												
Annual Occupancy	n/a	n/a	n/a	n/a	1,580	1,721	141	8.9%	1,580	1,721	141	8.9%
Occupancy by Term												
Fall	n/a	n/a	n/a	n/a	1,675	1,827	152	9.1%	1,675	1,827	152	9.1%
Spring	n/a	n/a	n/a	n/a	1,487	1,614	127	8.5%	1,487	1,614	127	8.5%
Other	n/a	n/a	n/a	n/a	0	0	0	n/a	-	-	n/a	n/a

Vermont State University institutional Metrics: first quarter FY2023

	Castleton University				Northern Vermont University				Vermont Technical College			
	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %
Student Revenue & Wages (\$millions)												
Net Student Revenue	\$32,575	\$33,600	\$1,025	3.1%	\$20,630	\$23,100	\$2,470	12.0%	\$22,716	\$22,515	\$(201)	-0.9%
Annual Employee Wages	\$17,133	\$16,715	\$ (418)	-2.4%	\$17,135	\$16,278	\$ (857)	-5.0%	\$14,510	\$14,510	\$ -	0.0%
Full Paying Equivalent Enrollment												
Annual FPE	1,624	1,632	8	0.5%	1,227	1,371	144	11.7%	1,022	1,013	(9)	-0.9%
FPE by Term												
Fall	1,678	1,691	13	0.8%	1,266	1,415	149	11.8%	1,059	1,050	(9)	-0.8%
Spring	1,570	1,573	3	0.2%	1,188	1,328	140	11.8%	985	977	(8)	-0.8%
Other	-	-	-	n/a			-	n/a	n/a	n/a		
FPE by Value Stream												
Vermonters	700	679	(21)	-3.0%	554	595	41	7.4%	463	459	(4)	-0.9%
Out-of-State	645	650	5	0.8%	176	297	121	68.8%	70	69	(1)	-1.4%
NEBHE & Good Neighbor	30	39	9	30.0%	149	73	(76)	-51.0%	17	17	-	0.0%
Nursing & Allied Health	148	158	10	6.8%	n/a	n/a	n/a	n/a	409	406	n/a	n/a
Online	n/a	n/a	n/a	n/a	221	213	(8)	-3.6%	63	63	n/a	n/a
Graduate												
Vermonters	61	58	(3)	-4.9%	144	175	31	21.5%	-	-	n/a	n/a
Out-of-State	40	49	9	22.5%	22	19	(3)	-13.6%	-	-	n/a	n/a
Room Occupancy												
Annual Occupancy	842	892	50	5.9%	474	558	84	17.7%	264	271	7	2.7%
Occupancy by Term												
Fall	885	940	55	6.2%	510	600	90	17.6%	280	287	7	2.5%
Spring	800	844	44	5.5%	438	515	77	17.6%	249	255	6	2.4%
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

FY23 Q1 Projections
(Amounts rounded to \$1,000)

	Community College of Vermont			Castleton University			Northern Vermont University			Vermont Technical College			Chancellor's Office		
	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)	Projected FY23	Budget FY23	Proj vs. Bud Fav / (Unfav)
REVENUES															
Tuition and Fees	22,093	22,093	0	35,800	35,075	725	22,000	20,105	1,895	21,009	21,183	(174)	-	-	-
State Appropriation	8,757	8,757	-	9,855	9,855	-	12,899	12,899	-	9,901	9,681	220	24,145	20,645	3,500
Room and Board	-	-	-	10,900	10,500	400	6,500	5,253	1,247	3,075	3,001	74	-	-	-
<i>CRF/HEERF: Room & Board</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and Services	5	1	4	900	900	-	1,045	1,045	-	2,683	410	2,273	-	-	-
Gifts	80	80	-	400	400	-	327	327	-	343	343	-	-	-	-
Other Revenue	87	92	(5)	250	250	-	250	250	-	55	55	-	132	-	132
TOTAL REVENUES	31,022	31,023	(0)	58,105	56,980	1,125	43,021	39,879	3,142	37,066	34,673	2,393	24,277	20,645	3,632
EXPENSES															
Salaries and Benefits	22,788	22,788	0	28,300	29,500	1,200	28,500	29,700	1,200	24,816	23,424	(1,392)	5,673	4,923	(750)
Services, Supplies, Travel	4,940	4,940	-	10,780	10,780	-	9,041	9,041	-	8,036	7,117	(919)	8,848	5,598	(3,250)
Scholarships	170	170	-	13,100	13,000	(100)	5,400	4,728	(672)	1,468	1,468	-	293	-	(293)
Utilities	353	353	-	2,775	2,775	-	2,885	2,885	-	1,871	1,871	-	32	-	(32)
Other Expenses	-	-	-	10	10	-	-	-	-	-	-	-	4,575	4,575	-
Debt Service	1,824	1,824	-	3,062	3,062	-	2,339	2,339	-	778	778	-	-	-	-
Chancellor's Office	2,108	2,108	-	2,668	2,668	-	3,492	3,492	-	2,252	2,252	-	(10,521)	(10,521)	-
Other Transfers	(1,161)	(1,161)	0	1,046	1,045	(1)	447	447	-	1,488	1,395	(93)	(5,096)	(5,096)	-
TOTAL EXPENSES	31,022	31,022	0	61,741	62,840	1,099	52,104	52,632	528	40,709	38,305	(2,404)	3,804	(521)	(4,325)
NET REVENUES/(DEFICIT)	0	0	0	(3,636)	(5,860)	2,224	(9,083)	(12,753)	3,670	(3,643)	(3,632)	(11)	20,473	21,166	(693)

Institutional metrics: first quarter FY2023

	Community College of Vermont				Castleton University				Northern Vermont University				Vermont Technical College			
	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %	FY23B	FY23Q1	Var \$	Var %
Student Revenue & Wages (\$millions)																
Net Student Revenue	\$21,923	\$21,923	\$ -	0.0%	\$32,575	\$33,600	\$1,025	3.1%	\$20,630	\$23,100	\$2,470	12.0%	\$22,716	\$22,515	\$(201)	-0.9%
Annual Employee Wages	\$15,925	\$15,925	\$ -	0.0%	\$17,133	\$16,715	\$ (418)	-2.4%	\$17,135	\$16,278	\$ (857)	-5.0%	\$14,510	\$14,510	\$ -	0.0%
Full Paying Equivalent Enrollment																
Annual FPE	2,967	2,955	(12)	-0.4%	1,624	1,632	8	0.5%	1,227	1,371	144	11.7%	1,022	1,013	(9)	-0.9%
FPE by Term																
Fall	2,587	2,695	108	4.2%	1,678	1,691	13	0.8%	1,266	1,415	149	11.8%	1,059	1,050	(9)	-0.8%
Spring	2,248	2,124	(124)	-5.5%	1,570	1,573	3	0.2%	1,188	1,328	140	11.8%	985	977	(8)	-0.8%
Other	1,099	1,090	(9)	-0.8%	-	-	-	n/a	-	-	-	n/a	n/a	n/a		
													#REF!			
FPE by Value Stream																
Vermonters	2,812	2,790	(22)	-0.8%	700	679	(21)	-3.0%	554	595	41	7.4%	463	459	(4)	-0.9%
Out-of-State	117	125	8	6.9%	645	650	5	0.8%	176	297	121	68.8%	70	69	(1)	-1.4%
NEBHE & Good Neighbor	38	39	1	1.6%	30	39	9	30.0%	149	73	(76)	-51.0%	17	17	-	0.0%
Nursing & Allied Health	n/a	n/a	n/a	n/a	148	158	10	6.8%	n/a	n/a	n/a	n/a	409	406	n/a	n/a
Online	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	221	213	(8)	-3.6%	63	63	n/a	n/a
Graduate																
Vermonters	n/a	n/a	n/a	n/a	61	58	(3)	-4.9%	144	175	31	21.5%	-	-	n/a	n/a
Out-of-State	n/a	n/a	n/a	n/a	40	49	9	22.5%	22	19	(3)	-13.6%	-	-	n/a	n/a
Room Occupancy																
Annual Occupancy	n/a	n/a	n/a	n/a	842	892	50	5.9%	474	558	84	17.7%	264	271	7	2.7%
Occupancy by Term																
Fall	n/a	n/a	n/a	n/a	885	940	55	6.2%	510	600	90	17.6%	280	287	7	2.5%
Spring	n/a	n/a	n/a	n/a	800	844	44	5.5%	438	515	77	17.6%	249	255	6	2.4%
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

INSTITUTIONAL NARRATIVES

Community College of Vermont

CCV's FY23 Fall semester enrollment was higher than anticipated leading to a slight increase over budget for tuition. Compared to the BOT approved tuition and fees budget, the Fall semester is projected to close 5% higher than budget. The higher enrollment is likely due to a combination of workforce grants and the remaining HEERF funds still available to students. Now that HEERF funds have been exhausted, we anticipate Spring enrollment to be less than budgeted and therefore are projecting our overall tuition and fees to match the FY23 budget. We anticipate that the summer sessions combine to remain unchanged.

Overall FY23 expenses for CCV remain on track with budget.

Revenues:

- Tuition and Fees: Overall total tuition and fees to remain the same as BOT approved budget
- Sales & Services/Gifts/Other Revenues: Remains the same as budget

Expenses:

- Service, Supplies & Travel: No change.
- Scholarships & Fellowships: No change.
- Other Transfers: No change.

Castleton University

Revenues:

- **Tuition and Fees:** This budget was created using a projected fall enrollment FTE count of 1,678 and a spring melt projected FTE of 1,570. Fall FTE is up at 1,691 and we are now projecting a spring FTE of 1,573. In addition to these traditional students the Center for Schools revenue is also included here and is experiencing a solid, consistent student enrollment count. The overall projected revenue for tuition and fees is projected to be \$725k better than budget.
- **Room & Board:** This budget was created using 842 residential students living on the main campus, Rutland apartments and Killington site. As of Q1, we project an annual average count of 892 residential students and the overall revenue for this category is projected to be \$400k better than budget
- **Other Revenues** (Sales & Services, Gifts, Other): As of Q1 it is projected that the overall revenue for this category will be on budget.

Expenses:

- **Salary & Benefits:** Savings in this category is project to be \$1.2M. This is primarily due to unfilled positions and attrition. Please note, at the time of this submission not all current year payroll adjustments (*i.e.* raises) have been posted and many VTSU shared positions and allocation of these positions are still a work in progress.

Northern Vermont University

Revenues:

- **Tuition and Fees:** This budget was created using a projected fall enrollment FTE count of 1,266 and a spring projected FTE of 1,188. Fall FTE is up at 1,419 and we are now projecting a spring FTE of 1,332. The overall projected revenue for tuition and fees is projected to be \$1.895M better than budget.
- **Room & Board:** This budget was created using 474 residential students. As of Q1, we project an annual average count of 558 residential students and the overall revenue for this category is projected to be \$1.247M better than budget.
- **Other Revenues (Sales & Services, Gifts, Other):** As of Q1 it is projected that the overall revenue for this category will be on budget.

Expenses:

- **Salary & Benefits:** Savings in this category is project to be \$1.2M. This is primarily due to unfilled positions and attrition. Please note, at the time of this submission not all current year payroll adjustments (*i.e.* raises) have been posted and many VTSU shared positions and allocation of these positions are still a work in progress.
- **Service, Supplies & Travel:** It is estimated that this category will be on budget.
- **Scholarships:** Are projected to be \$672k over budget. The scholarship value partially offsets NVU's increase in student revenue.

Vermont Technical College

Revenues:

- **Tuition and Fees:** This budget was created using a projected fall enrollment FTE count of 1,059 and a spring projected FTE of 985. Fall FTE is down at 1,050 and we are now projecting a spring FTE of 977. The overall projected revenue for tuition and fees is projected to be \$275K less than budget. There are positive indicators that suggest this slight deficit will be corrected to original budgeted amount.
- **Room & Board:** This budget was created using 264 residential students. As of Q1, we project an annual average count of 271 residential students and the overall revenue for this category is projected to be \$74k better than budget.
- **Other Revenues (Sales & Services, Gifts, Other):** Sales and Services is anticipated to be \$190k better than budget. This is primarily due to some unbudgeted revenue in the area of other farm income.

Expenses:

- **Salary & Benefits:** Savings in this category is anticipated to be \$438k. This is primarily due to unfilled positions and attrition. Please note, at the time of this submission not all current year payroll adjustments (*i.e.* raises) have been posted, and many VTSU shared positions and allocations of these positions are still a work in progress.

ITEM 6: Base Appropriation Design Principles

BUSINESS PLANNING DESIGNS

At the May Finance and Facilities Committee meeting, the Business Planning & Administration Transformation Team introduced three key business planning projects to the Committee. These projects included 1) allocations for shared expenses, base appropriation, and shared revenues; 2) Multi-level strategic planning; 3) Planning budgeting and management.

The Base Appropriation Allocation must be revised to reflect the changing face of the Vermont State Colleges. In advance of preparing a proposal, the Business Affairs Council seeks input from the Finance and Facilities Committee regarding the *purpose* and *goals* of the base appropriation.

BASE APPROPRIATION CURRENT FORMULA

The current base appropriation formula includes the following components¹:

1. 25% of the appropriation is shared five equal ways across the five former VSCS institutions. The result is:

Institution / Location	Share	% of Appropriation
Castleton University	20%	5%
Community College of Vermont	20%	5%
Northern Vermont University (J & L)	40%	10%
Vermont Technical College	20%	5%

2. 50% of the appropriation is shared according to each institution’s previous three years net student revenues (tuition + fees + room + board – waivers – scholarships) as a proportion of the whole.

Institution / Location	Share	% of Appropriation
Castleton University	29.2%	14.6%
Community College of Vermont	18.7%	9.4%
Northern Vermont University (J & L)	31.3%	15.7%
Vermont Technical College	20.8%	10.4%

3. 25% of the appropriation is shared according to each institution’s previous three years of awarded degrees and credentials as a proportion of the whole using the following weighting factors: .6 for each certificate, .75 for each associates, 1.0 for each bachelors, and .75 for each masters awarded.

Institution / Location	Share	% of Appropriation
Castleton University	23.0%	5.8%
Community College of Vermont	22.8%	5.7%
Northern Vermont University (J & L)	30.2%	7.6%
Vermont Technical College	24.0%	6.0%

These combined factors result in an allocation by institution:

¹ The base appropriation allocation formula is described in Policy 403: System Annual Operating Budget. With the exception of the phase-in of the “status quo” calculation the policy is in abeyance, meaning sections two and three have not been recalculated since FY2020.

Institution / Location	Share	% of Appropriation
Castleton University	20%	25.4%
Community College of Vermont	20%	20.0%
Northern Vermont University (J & L)	40%	33.2%
Vermont Technical College	20%	21.4%

Each factor of the allocation formula was intended to serve a specific purpose.

The **status quo calculation** was a proxy for the inherent costs associated with owning geographically dispersed facilities at Northern Vermont University. Additionally, it acknowledges the structural expense of needing separate administrative structures at four institutions.

The **net student revenue calculation** is intended to incentivize cost effectiveness and strategic scholarships.

The **awarded credentials calculation** was an outcomes measure that is intended to reward student persistence and achievement.

CURRENT FORMULA – WHAT’S NOT WORKING

As shared last May, the team identified several issues with the current formula that may not result in the most effective calculation. For example, net student revenue is the single greatest driver of appropriation in this model, thus favoring larger institutions over smaller institutions. Additionally, the model does not directly account for the fixed costs associated with owning facilities or having a large number of retirees.

DESIGN PRINCIPLES

Replacement of the base appropriation model is a critical and strategic issue. The model must be grounded in the principles and values of the Vermont State Colleges. The Business Affairs Council recommends these principles:

- Formula must be predictable, resulting in changes over several years, rather than annually
- Inputs should be minimized, and automated for ease of implementation
- Vermonters should be at the heart of the appropriation allocation
- Incentivizes student outcomes
- Periodic review and adjustment of formula to address unintended consequences and operational realities
- Formula must support financial sustainability for the system as a whole
- Before distribution of the appropriation, certain deductions should be considered – specifically for those items for which an institution has no control.



Are there additional design principles that should be considered?

PURPOSE OF THE STATE APPROPRIATION

The allocation is vitally important to the financial health of the Vermont State Colleges System. There are many interpretations regarding what the state appropriation should fund. Recently, the Business Affairs Council considered the question: what is the purpose of the state appropriation? Their thoughts are listed below:

- Support the education of Vermonters
- Reduce the cost of higher education of Vermonters
- Close the gap between what the colleges can generate and what we need to run the organization
- Support and create access throughout Vermont
- Support rural access to higher education throughout Vermont



What should the state appropriation fund? What should it incentivize?

POSSIBLE MEASURES

Ultimately, the allocation methodology is an expression of the values of the Vermont State Colleges, and the expectations of the State of Vermont. The measures used to calculate the methodology must support these values and expectations in a meaningful way. The BAC identified the following potential measures:

Square Footage of Owned Facilities:

Owned facilities are expensive to manage. Institutions have full responsibility for deferred maintenance, repair, and replacement. The facilities come with substantial costs for landscaping and plowing. The category is separated into academic and administrative facilities, with a separate category for student and residence life facilities.

Facilities	CCV	VTSU	Total	CCV %	VTSU %
Academic Facilities	80,400	199,992	280,392	29%	71%
Administrative Facilities	39,300	789,698	828,998	5%	95%
Parking/Sidewalk/Roads (estimated in square feet)	42,240	633,680	675,920	6%	94%
Academic, Administrative, Parking, Sidewalks, Roads	161,980	1,623,370	1,785,310	9%	91%
Residential, Student Life & Athletic Buildings		1,237,566	1,237,566	0%	100%

Credentials Issued:

Receipt of a credential is the primary outcome of education. The number of credentials earned is related to retention and persistence. This measure would consider a rolling three-year average of credentials issued, counting a maximum of one credential per student each year.

Credentials Issued (3 Year Average)	CCV	VTSU	Total	CCV %	VTSU %
Associates	437	348	785	56%	44%
Bachelors	-	927	927	0%	100%
High School, Licensure, Certificates	67	219	286	24%	76%
Masters	-	120	120	0%	100%
All Students	504	1,614	2,118	24%	76%

Headcount Fall 2021:

Reflects the actual number of students in attendance at an institution for a given year. Represents the number of students requiring advising and administrative services. Typically, these costs vary based on number of students serve. Initially contemplated on a proportional basis, this measure could be considered in terms of dollars per students served, instead of as a proportion of the whole.

Headcount Fall 2021	CCV	VTSU	Total	CCV %	VTSU %
Headcount: In State Fall 2021	4,979	3,509	8,488	59%	41%
Headcount: Out-of-State Fall 2021	346	1,403	1,749	20%	80%
Headcount: All Students Fall 2021	5,325	4,912	10,237	52%	48%

Full-Time Equivalency Fall 2021:

Full-time equivalent is estimates the number of students enrolled in twelve or more credits (full-time enrollment). Full-time equivalency is a proxy for the volume of teaching needed for an institution.

Full-Time Equivalency Fall 2021	CCV	VTSU	Total	CCV %	VTSU %
FTE: In State	2,455	3,027	5,482	45%	55%
FTE: Out-of-State	171	1,299	1,470	12%	88%
FTE: All Students	2,626	4,326	6,952	38%	62%

Student Credit Hours (3 Year Average):

The student credit hour volume is the sum of all enrolled credits for all students for an entire year. This is a direct measure of teaching volume and roughly correlates to full-time equivalency.

Student Credit Hours (3 year average)	CCV	VTSU	Total	CCV %	VTSU %
SCH: In State	62,713	102,318	165,031	38%	62%
SCH: Out-of-State	4,733	41,265	45,998	10%	90%
All Students	67,446	143,583	211,029	32%	68%

Pell Eligible Students (3 Year Average):

Receipt of a Pell Grant is directly correlated to income status. Students receiving a Pell Grant are lower income and thus often require significantly greater supports.

Pell Eligibility: (3 year average)	CCV	VTSU	Total	CCV %	VTSU %
All Students	1,525	2,050	3,575	43%	57%

Retiree Medical Insurance

The Vermont State Colleges System has an extraordinarily generous retiree medical insurance program. While the group has been closed to new employees for many years, it will be decades before the benefit ends for all retirees. The cost of retiree payments is currently borne 100% by each institution. This is not an expense that can be reduced or minimized by a president and is a candidate for inclusion in in the allocation methodology.

Retiree Medical Insurance FY2023 Budget	CCV	VTSU	Total	CCV %	VTSU %
Retiree Medical: FY2023 Budget	802,425	6,910,109	7,712,534	10%	90%



As you think of the purpose of the state appropriation, are there measures you feel we have missed?

ILLUSTRATIVE EXAMPLES

The importance of individual measures can be established by providing a weighting. For example, to achieve an allocation similar to today's formula, one could assign an allocation of 62% to the facilities category and 38% based to in state credit hours² category.

	Proportion of Whole		Status Quo		
	CCV %	VTSU %	Allocation	CCV	VTSU
Facilities: Admin, Academic, Road Surfaces	9%	91%	62%	2,185,802	21,906,191
Student Credit Hours: In State	38%	62%	38%	5,611,212	9,154,848
			Impact	7,797,013	31,061,039
			% of Total	20%	80%
			Variance to FY2023 Allocation	25,403	(25,403)

By changing the weightings for categories, one alters the allocation assigned to each institution. For example, assigning a 15% weight to the in state headcount, Pell Eligibility, and overall number of credentials issued categories, the appropriation shifts toward CCV by approximately \$1.5M.

	Proportion of Whole		Scenario A		
	CCV %	VTSU %	Allocation	CCV	VTSU
Facilities: Admin, Academic, Road Surfaces	9%	91%	55%	1,939,018	19,432,911
Headcount: In State	59%	41%	15%	3,419,078	2,409,630
Pell Eligibility	43%	57%	15%	2,486,372	3,342,336
Credentials: All	24%	76%	15%	1,387,001	4,441,707
			Impact	9,231,469	29,626,583
			% of Total	24%	76%
			Variance to FY2023 Allocation	1,459,859	(1,459,859)

Alternatively, by looking at overall headcount and student credit hours, and adding in retiree medical costs, the appropriation shifts toward Vermont State University by \$1.2M.

	Proportion of Whole		Scenario B		
	CCV %	VTSU %	Allocation	CCV	VTSU
Facilities: Admin, Academic, Road Surfaces	9%	91%	60%	2,115,292	21,199,539
Headcount: All	52%	48%	5%	1,010,643	932,259
Student Credit Hours: All	32%	68%	15%	1,862,886	3,965,822
Credentials: All	24%	76%	15%	1,387,001	4,441,707
Retiree Medical	10%	90%	5%	202,143	1,740,760
			Impact	6,577,966	32,280,086
			% of Total	17%	83%
			Variance to FY2023 Allocation	(1,193,645)	1,193,645



The relative weighting of individual measures identifies what we value and wish to fund are there areas that should be emphasized?

² These scenarios all use the same calculation method: Allocation % * Institutional % of Whole * Total Assignable Value.

PRE-ALLOCATION ADJUSTMENTS TO THE APPROPRIATION

Today, prior to allocating the base appropriation, up to 3% of the appropriation is set aside for strategic initiatives as determined by the Chancellor. With the creation of shared services functions, which will be allocated according to consumption, several functions defy easy reallocation. For these functions, it may be helpful to deduct these functions from appropriation prior to distribution.

Candidates for this concept include:

- **Corporate Functions:** Chancellor, Board of Trustees, Government Affairs, Assistant to the Chancellor, Chief Financial Officer
- **Workforce Development:** Executive director and support staff
- **Retiree Medical Insurance:** Medical insurance for retirees across the system regardless of original employment location



Which functions should be deducted from the appropriation before distribution?