

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: February 10, 2023

SUBJECT: Finance and Facilities Committee Meeting scheduled for February 13, 2023

The Finance and Facilities Committee of the VSC Board of Trustees is scheduled to meet Monday, February 13, 2023 at 1:00 p.m. The meeting will be held via Zoom.

In addition to review and approval of the minutes of the December 12, 2022, meeting. The Committee has three items up for review.

- 1) Review of second quarter financial progress. The materials are available as **ITEM 2** in your packet.
- 2) Review the first pass budget. You will find the budget materials in your packet as **ITEM 3**.
- 3) The final agenda item is review the Financial Services (Investment) Subcommittee established by the Finance and Facilities Committee in October 2019. This subcommittee has been largely dormant since its inception and I am requesting the Finance and Facilities Committee review the charge to the subcommittee. If the Committee agrees the subcommittee continues to have merit, I am requesting appointment of members to the subcommittee. A summary of initial board discussion regarding this subcommittee and copy of the original resolution can be found as **ITEM 4** in your packet.

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

AGENDA

February 13, 2023

1:00 PM

1. Call to Order
2. Public Comment – signup for public comment at www.vsc.edu/signup
3. Review & Approve: Minutes of the December 12, 2022, Finance & Facilities Committee meeting.
4. Review & Discuss : 2nd Quarter Financial Results
5. Review & Discuss: 1st Pass FY2024 Budget
6. Review & Discuss: Launching Investment Subcommittee
7. Other Business
8. Adjourn

Meeting Materials

ITEM 1: Finance and Facilities Minutes, December 12, 2022

ITEM 2: Second Quarter Finances

ITEM 3: First Pass Budget

ITEM 4: Financial Services (Investment) Subcommittee & Resolution 2019-010

ITEM 1: Minutes of December 12, 2022

**Minutes of the VSCS Board of Trustees Finance and Facilities Committee meeting held
Monday, December 12, 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, December 12, 2022 via Zoom.

Committee members present: David Silverman (Chair), Adam Grinold (Vice Chair), Lynn Dickinson, Jim Masland (1:18 p.m.), Shawn Tester, Sue Zeller

Absent: Bill Lippert

Other Trustees Present: Megan Cluver, David Durfee, Mary Moran

Presidents: Parwinder Grewal, Joyce Judy

Chancellor's Office Staff: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Kathryn Levasseur, Director of Governmental and External Affairs
Pat Moulton, Executive Director, Workforce Development
Jen Porrier, Administrative Director
Sarah Potter, Chief Human Resources Officer
Sharron Scott, Chief Financial and Operating Officer
Mike Stevens, Manager of Transformation Projects and Planning
Toby Stewart, System Controller
Littleton Tyler, Lead Financial Analyst
Patty Turley, General Counsel
Meg Walz, Director, Project Management
Sophie Zdatny, Chancellor
Yasmine Ziesler, Chief Academic Officer

From the Colleges: Nolan Atkins, Provost, Northern Vermont University
Jae Basiliere, Chief Diversity Officer, Northern Vermont University
Sarah Chambers, Director of Learning Technologies, Castleton University
Andy Pallito, Dean of Administration, Community College of Vermont

Lauren Philie, Director, Development and Alumni Relations,
Northern Vermont University
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

From the public

Rachel Dern, Sustainability Specialist, Gordian
Laura Dowdy, Facilities Planning Analyst, Gordian

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

There was no public comment.

3. Approve October 17, 2022 Meeting Minutes

Trustee Zeller moved and Trustee Dickinson seconded the motion to approve the minutes of October 17, 2022. The motion was approved unanimously with one abstention.

4. Review and Approve: Endowment Requests
 - a. Renaming the Farm Family Fund to the Rolfe 1941 Farm Family Fund
 - b. New Funding for Mary Elizabeth Trudeau Baker Nursing Scholarship

Chair Silverman asked President Grewal to introduce the two Endowment requests to the committee. Vermont State University President Parwinder Grewal explained that the request to rename the Farm Family Fund to the Rolfe 1941 Farm Family Fund is being made at the behest of the Rolfe family because there is another endowment at Vermont Technical College with a similar title.

Trustee Dickinson moved and Trustee Zeller seconded the motion to recommend to the Board that it approve the name change of the Farm Family Fund to the Rolfe 1941 Farm Family Fund. The motion was approved unanimously.

President Grewal described the endowment to be titled the Mary Elizabeth Trudeau Baker Nursing Scholarship Endowment as a scholarship that will be awarded to students who are studying nursing through the legacy nursing program that originated at Vermont Tech. Former

President and current Executive Director of Workforce, Pat Moulton, shared additional information about the donor, a former nurse.

Trustee Dickinson moved and Trustee Tester seconded the motion to recommend to the Board that it approve the creation of the Mary Elizabeth Trudeau Baker Nursing Scholarship Endowment. The motion was approved unanimously.

5. Review and Approve: Policies – System Annual Operating Budget

Chair Silverman introduced the updated System Annual Operating Budget Policy and its sub-policies. The updated policies include revisions and clarifications to the budgeting process, an updated appropriation allocation methodology, a new process for sharing expenses across the system, and the addition of two new reserve funds.

Chief Financial and Operating Officer Sharron Scott provided an overview of the changes proposed by the Business Affairs Council. Further details on these changes can be found [here](#) on pages 16-32.

Trustee Dickinson moved and Trustee Zeller seconded the motion to recommend to the Board the approval of Policy 403, System Annual Operating Budget, and sub-policies 403-A, 403-B, 403-C, and 403-D. The motion was approved unanimously.

6. Review and Approve: System Carryforward Requests

Chair Silverman explained that these requests directly support system financial sustainability by moving funds into the newly created Economic Stabilization Fund and the Information Technology Capital Fund. The requests also include the creation of a VSCS Strategic Reserve to fund strategic initiatives. Further information on the System Carryforward Requests can be found [here](#) on page 34.

Trustee Masland moved and Trustee Grinold seconded the motion to recommend to the Board that it approve the System Carryforward Request. The motion was approved unanimously.

7. Presentation: Return on Physical Assets (Gordian)

Chair Silverman welcomed our facilities consulting partners from Gordian, who have recently completed an update to the Return on Physical Assets study for Vermont State University. Rachel Dern, Sustainability Specialist, and Laura Dowdy, Facilities Planning Analyst, presented their findings to the committee. The presentation can be found [here](#) on pages 36-63.

The next step is the facilities master planning exercise which will kick off in February and will leverage the information learned from Gordian.

8. Other Business

There was no other business.

Chair Silverman adjourned the meeting at 2:41 p.m.

UNAPPROVED

ITEM 2: Second Quarter Finances

SECOND QUARTER FINANCIAL RESULTS

Second quarter results continue to be promising. Student revenues are forecasted 5.4% better than budget. Gifts and other revenue are on target. As discussed at first quarter, the state appropriation is forecasted higher than budget due to the addition of the transformation appropriation not previously budgeted.

Overall, enrollment system-wide is up 4% compared to budget. Community College of Vermont is up 2.4% compared to budget continuing its strong performance. Vermont State University is experiencing exceptionally strong enrollment at 5.3% better than budget. Individually, the institutions that comprise Vermont State University are also performing well, with increases compared to budget of 1.4% (Castleton), 2.8% (Vermont Tech), and 12.5% (Northern Vermont University).

In addition to strong overall enrollment, each enrollment value stream is strong. Compared to budget, enrollment of Vermonters is up 2.1% at CCV and 5.4% at Vermont State University. Additionally, out-of-state enrollment is also strong, up compared to budget by 6.1% for CCV and 4.6% for Vermont State University.

Expenses are currently forecasted \$5.8M higher than budget, driven largely by spending on transformation, the *Welcome Home Scholarship*, greater uptake on scholarships at Vermont State University, and Workforce Development expenses previously unbudgeted. As noted earlier, transformation spending is covered by the special appropriation regarding transformation and the *Welcome Home Scholarship* was funded via an appropriation in FY2022. Increased uptake in scholarships is directly related to enrollment increases largely at Northern Vermont University. Expenses related to the Workforce Development programs at Vermont Tech are fully covered by sales and services by their respective programs.

Overall, the Vermont State Colleges forecasts net revenue \$5.8M better than budget. With Community College of Vermont anticipating a \$380K improvement and Vermont State University (exclusive of Workforce Development) seeing an improvement of \$6.7M.

SECOND QUARTER METRICS

The FY2023 budget is predicated on key performance indicators related to enrollment, room occupancy and employee wages. These foundational metrics upon are one means for the Committee to gauge current year budget performance.

As noted above, CCV full-paying equivalent enrollment is 2.4% better than budgeted, with stronger than budgeted out-of-state enrollment. Fall enrollment was 3.6% better than budget and spring enrollment is currently estimated at 4.3% better than budget. However, CCV is currently anticipating a 4.5% decline, compared to budget, for summer enrollment.

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.

System-wide budget and forecast: Second Quarter FY2023

	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	102,721	98,456	4,266	22,654	22,093	562	80,067	76,363	3,704	-	-	-
State Appropriation	65,546	61,837	3,709	8,757	8,757	-	32,643	32,435	208	24,146	20,645	3,501
Room and Board	20,764	18,754	2,010	-	-	-	20,764	18,754	2,010	-	-	-
Sales and Services	4,802	2,356	2,446	4	1	3	4,798	2,355	2,443	-	-	-
Gifts	1,135	1,150	(15.09)	80	80	(0)	1,055	1,070	(15)	-	-	-
Other Revenue	745	647	97.68	197	92	105	341	555	(214)	207	-	207
TOTAL REVENUES	195,713	183,200	12,513	31,692	31,023	669	139,668	131,532	8,136	24,353	20,645	3,708
EXPENSES												
Salaries and Benefits	110,445	110,335	(110)	22,788	22,788	0	81,250	82,624	1,374	6,407	4,923	(1,484)
Services, Supplies, Travel	41,873	37,476	(4,397)	5,320	4,940	(380)	27,955	26,938	(1,017)	8,598	5,598	(3,000)
Scholarships	20,671	19,366	(1,305)	170	170	(0)	20,166	19,196	(970)	335	-	(335)
Utilities	8,580	7,884	(696)	353	353	(0)	8,215	7,531	(684)	12	-	(12)
Other Expenses	4,408	4,585	177	-	-	-	-	10	10	4,408	4,575	167
Debt Service	8,003	8,003	-	1,824	1,824	-	6,179	6,179	-	-	-	-
Chancellor's Office	(1)	(1)	(0)	2,108	2,108	(0)	8,412	8,412	-	(10,521)	(10,521)	-
Other Transfers	(3,940)	(3,370)	570	(1,161)	(1,161)	0	2,991	2,887	(104)	(5,770)	(5,096)	674
TOTAL EXPENSES	190,040	184,278	(5,761)	31,403	31,022	(380)	155,168	153,777	(1,391)	3,469	(521)	(3,990)
NET REVENUES/(DEFICIT)	5,673	(1,079)	6,752	289	0	289	(15,500)	(22,245)	6,745	20,884	21,166	(282)

Vermont State University institutional budget and forecast: Second Quarter FY2023

	Vermont State University			Castleton University			Northern Vermont University			Vermont Technical College ²		
	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	80,067	76,363	3,704	35,565	35,075	490	22,615	20,105	2,510	21,887	21,183	704
State Appropriation	32,643	32,435	208	9,855	9,855	-	12,899	12,899	-	9,889	9,681	208
Room and Board	20,764	18,754	2,010	10,957	10,500	457	6,723	5,253	1,470	3,084	3,001	83
Sales and Services	4,798	2,355	2,443	1,042	900	142	1,045	1,045	-	2,711	410	2,301
Gifts	1,055	1,070	(15)	400	400	-	312	327	(15)	343	343	-
Other Revenue	341	555	(214)	154	250	(96)	132	250	(118)	55	55	-
TOTAL REVENUES	139,668	131,532	8,136	57,973	56,980	993	43,726	39,879	3,847	37,969	34,673	3,296
EXPENSES												
Salaries and Benefits	81,250	82,624	1,374	28,436	29,500	1,064	28,050	29,700	1,650	24,764	23,424	(1,340)
Services, Supplies, Travel	27,955	26,938	(1,017)	10,780	10,780	-	9,041	9,041	-	8,134	7,117	(1,017)
Scholarships	20,166	19,196	(970)	12,946	13,000	54	5,752	4,728	(1,024)	1,468	1,468	-
Utilities	8,215	7,531	(684)	2,792	2,775	(17)	3,393	2,885	(508)	2,030	1,871	(159)
Other Expenses	-	10	10	-	10	10	-	-	-	-	-	-
Debt Service	6,179	6,179	-	3,062	3,062	-	2,339	2,339	-	778	778	-
Chancellor's Office	8,412	8,412	-	2,668	2,668	-	3,492	3,492	-	2,252	2,252	-
Other Transfers	2,991	2,887	(104)	1,056	1,045	(11)	447	447	-	1,488	1,395	(93)
TOTAL EXPENSES	155,168	153,777	(1,391)	61,740	62,840	1,100	52,514	52,632	118	40,914	38,305	(2,609)
NET REVENUES/(DEFICIT)	(15,500)	(22,245)	6,745	(3,767)	(5,860)	2,093	(8,788)	(12,753)	3,965	(2,945)	(3,632)	687

System-wide metrics: Second Quarter FY2023

	Vermont State Colleges				Community College of Vermont				Vermont State University			
	FY23B	FY23Q2	Var \$	Var %	FY23B	FY23Q2	Var \$	Var %	FY23B	FY23Q2	Var \$	Var %
Student Revenue & Wages (\$millions)												
Net Student Revenue	\$ 97,844	\$103,050	\$ 5,206	5.3%	\$ 21,923	\$ 22,485	\$ 562	2.6%	\$ 75,921	\$ 80,565	\$ 4,644	6.1%
Annual Employee Wages	\$ 64,703	\$ 64,707	\$ 4	0.0%	\$ 15,925	\$ 15,925	\$ -	0.0%	\$ 48,778	\$ 48,782	\$ 4	0.0%
Full Paying Equivalent Enrollment												
Annual FPE	6,840	7,115	275	4.0%	2,967	3,037	70	2.4%	3,873	4,078	205	5.3%
FPE by Term												
Fall	6,590	6,895	305	4.6%	2,587	2,681	94	3.6%	4,003	4,214	211	5.3%
Spring	5,991	6,285	294	4.9%	2,248	2,344	96	4.3%	3,743	3,941	198	5.3%
Other	1,099	1,049	(50)	-4.5%	1,099	1,049	(50)	-4.5%	-	-	-	0.0%
FPE by Value Stream												
Vermonters	4,529	4,681	152	3.4%	2,812	2,872	60	2.1%	1,717	1,809	92	5.4%
Out-of-State	1,008	1,048	40	4.0%	117	124	7	6.0%	891	924	33	3.7%
NEBHE & Good Neighbor	234	256	22	9.2%	38	41	3	6.8%	196	215	19	9.7%
Nursing & Allied Health	557	571	-	0.0%					557	571	14	2.5%
Online	284	314	30	10.6%					284	314	30	10.6%
Graduate												
Vermonters	205	224	19	9.3%					205	224	19	9.3%
Out-of-State	62	66	4	6.5%					62	66	4	6.5%
Room Occupancy												
Annual Occupancy	1,580	1,757	177	11.2%					1,580	1,757	177	11.2%
Occupancy by Term												
Fall	1,675	1,865	190	11.3%					1,675	1,865	190	11.3%
Spring	1,487	1,652	165	11.1%					1,487	1,652	165	11.1%

Vermont State University institutional Metrics: Second Quarter FY2023

	Castleton University				Northern Vermont University				Vermont Technical College			
	FY23B	FY23Q2	Var \$	Var %	FY23B	FY23Q2	Var \$	Var %	FY23B	FY23Q2	Var \$	Var %
Student Revenue & Wages (\$millions)												
Net Student Revenue	\$ 32,575	\$ 33,577	\$ 1,002	3.1%	\$ 20,630	\$ 23,586	\$ 2,956	14.3%	\$ 22,716	\$ 23,402	\$ 686	3.0%
Annual Employee Wages	\$ 17,133	\$ 17,414	\$ 281	1.6%	\$ 17,135	\$ 16,822	\$ (313)	-1.8%	\$ 14,510	\$ 14,546	\$ 36	0.2%
Full Paying Equivalent Enrollment												
Annual FPE	1,624	1,647	23	1.4%	1,227	1,380	153	12.5%	1,022	1,051	29	2.8%
FPE by Term												
Fall	1,678	1,701	23	1.4%	1,266	1,424	158	12.5%	1,059	1,089	30	2.8%
Spring	1,570	1,592	22	1.4%	1,188	1,336	148	12.5%	985	1,013	28	2.8%
Other	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%
FPE by Value Stream												
Vermonters	700	710	10	1.4%	554	623	69	12.5%	463	476	13	2.8%
Out-of-State	645	654	9	1.4%	176	198	22	12.5%	70	72	2	2.9%
NEBHE & Good Neighbor	30	30	-	0.0%	149	168	19	12.8%	17	17	-	0.0%
Nursing & Allied Health	148	150	2	1.4%	-	-	-	0.0%	409	421	12	2.9%
Online	-	-	-	0.0%	221	249	28	12.7%	63	65	2	3.2%
Graduate												
Vermonters	61	62	1	1.6%	144	162	18	12.5%	-	-	-	0.0%
Out-of-State	40	41	1	2.5%	22	25	3	13.6%	-	-	-	0.0%
Room Occupancy												
Annual Occupancy	842	879	37	4.4%	474	607	133	28.1%	264	271	7	2.7%
Occupancy by Term												
Fall	885	924	39	4.4%	510	653	143	28.0%	280	288	8	2.9%
Spring	800	835	35	4.4%	438	561	123	28.1%	249	256	7	2.8%

INSTITUTIONAL NARRATIVES

Community College of Vermont

Although, we still have summer enrollment to go, CCV's current FY23 enrollment is higher than anticipated leading to a slight increase over budget for tuition. The higher enrollment is likely due to a combination of workforce grants and the remaining HEERF funds still available to students. HEERF funding has been exhausted. We anticipate the summer session remains unchanged.

Overall FY23 expenses for CCV to slightly increase in general services due ReUP Education services that contributed to our tuition and fees.

Revenues:

- **Tuition and Fees:** Increase in tuition and fees in Q2 compared to the approved budget due to higher enrollment.
- **Sales & Services/Gifts/Other Revenues:** Increased in other revenue due to investment income.

Expenses:

- **Salaries and Benefits:** No change
- **Service, Supplies & Travel:** Mostly Increase services driven by ReUP Education services and IT.
- **Scholarships & Fellowships:** No change.
- **Other Transfers:** No change.

Castleton University

Revenues:

- **Tuition and Fees:** Overall, tuition and fees are projected to be \$490K (1.4%) better than budget. This is slightly lower than the forecasted revenue as of the first Quarter, but still positive when compared to budget. The increase, relative to budget, is driven by stronger than budgeted fall and spring enrollment.
- **Room & Board:** Revenue in this category continues to be stronger than budget with a modest increase (\$50K) compared to budget. The increase, relative to budget is directly correlated with stronger enrollment.
- **Other Revenues (Sales & Services, Gifts, Other):** As of Q2 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 approximately \$1M. This is primarily due to unfilled positions and attrition during the fall semester.

Northern Vermont University

Revenues:

- **Tuition and Fees:** Fall and spring enrollment are stronger than both budget and the first quarter forecast with total tuition and fees revenue estimated at \$2.5M better than budget and \$600K better than the second quarter forecast.
- **Room & Board:** The second quarter forecast continues to be strong at \$1.5M better than budget, nearly \$250K better than the first quarter forecast. This can be attributed to stronger than anticipated returning residential programming in the spring.
- **Other Revenues** (Sales & Services, Gifts, Other): As of Q1 it is projected that the overall revenue for this category is slightly under budget, largely related to the “other revenue” category.

Expenses:

- **Salary & Benefits:** Savings in this category is project to be \$1.65M. This is primarily due to unfilled positions and attrition.
- **Service, Supplies & Travel:** It is estimated that this category will be on budget.
- **Scholarships:** Are projected to be \$1M over budget. This increase is consistent with the increased enrollment relative to budget.

Vermont Technical College

Revenues:

- **Tuition and Fees:** Vermont Tech’s enrollment is stronger than both budget and the first quarter forecast with total tuition and fees revenue estimated at \$700K better than budget. This improvement is approximately \$900K better than the first quarter forecast and is attributable to stronger spring enrollment.
- **Room & Board:** The second quarter forecast continues to be favorable at \$83K better than budget
- **Other Revenues** (Sales & Services, Gifts, Other): Sales and Services is estimated to be \$2.3M better than budget due to the unbudgeted revenue associated with Workforce Development (WFD), inclusive of the Vermont Manufacturing Collaborative (VT-MC), Continuing Education and Workforce Development (CEWD), the Small Business Development Center (SBDC), and Vermont Manufacturing Extension Center (VMEC).

Expenses:

- **Salary & Benefits:** Unbudgeted expenses related WFD mean the salaries and benefits are forecasted \$1.3M higher than budget. These expenses are offset by the increase in Sales and Services revenue noted above.

- **Services, Supplies, Travel:** Unbudgeted expenses related to WFD mean the sales and services line is forecasted at \$1M more than budget. These expenses are offset by the increase in Sales and Services revenue noted above.

ITEM 3: First Pass Budget

FIRST PASS BUDGET

The board approved system-wide budgeting process includes three reviews of the Vermont State Colleges operating budget. The reviews typically occur during the first three Finance and Facilities committee meetings of each calendar year. The Committee is tasked with reviewing and approving the system-wide budget in advance of forwarding the budget to the full board for approval at the last meeting of the fiscal year.

In addition to the strategic goals of the Vermont State Colleges: affordability, accessibility, quality, and relevance, the VSC must also achieve the expectations of the State of Vermont in regard to transformation. As outlined in Act 74 of 2021, the “VSC shall reduce its structural deficit by \$5,000,000 per year for five years through a combination of annual operating expense reductions and increased enrollment revenues, for a total of \$25,000,000.” While the state has provided one-time support to the VSC to backfill the structural deficit and allow transformation to occur, the VSC must take meaningful steps to address the issue through operational efficiencies, strategic investments, and revenue growth. Achieving this requirement is vital to the success of the Vermont State Colleges financial sustainability.

With the FY2023 budget the Vermont State Colleges achieved the first \$5M in structural savings. The second \$5M must be achieved with FY2024 concluding with a fully balanced budget by FY2027.

BUDGET ASSUMPTIONS

The FY2024 budget is predicated on a series of assumptions. These assumptions will be revised in the coming weeks as more data is gathered and the forecasts are refined. The assumptions include:

1. **Enrollment** is estimated as the most likely realistic expectation of enrollment considering anticipated new students and current persistence trends. This assumption differs from recent history as previous Pass 1 Budgets were predicated on a more conservative worst likely position.

This change in presentation is necessary due to the high degree of variability relative to the newly forming Vermont State University. Historic enrollment patterns for each independent institution no longer apply making it challenging to assess, with a great degree of certainty, new student enrollment. Therefore, due to wide variation between the best and worst case scenarios a middle path was selected. Additional information regarding Vermont State University’s anticipated enrollment will be shared later in this document when discussing their independent budget.

2. **Tuition and Fees** revenue was adjusted to reflect Vermont State University’s new pricing model. It is important to note Vermont State University’s tuition is 15% lower for Vermonters. This change alone results in a substantial drop in student revenues. However, when combined with institutional aid (Scholarships and Fellowships) the resulting change is isolated solely to enrollment assumptions.
3. **Room and Board** revenue was adjusted to reflect the Board approved rate change of 4%. Overall room participation is estimated consistent with current and anticipated enrollment volume modified by housing constraints in each of our geographic areas.

4. **State Appropriation** allocation was updated to reflect the newly approved Policy 403-A: *Allocation of General and Capital Funds*. A detailed description of the calculation methodology can be found in the January 2023¹ Board packet.
5. **Gifts, Sales and Services, and Other Revenue** were budgeted according to best available information.
6. **Shared Expenses for Libraries and Information Technology** were moved from the institutional budgets to the Shared Services per the revised formula defined in Policy 403-B: *Shared Expense Allocation*.
7. **Retiree Medical Expenses** were moved from the institutional budgets to the Office of the Chancellor per the revised formula defined in Policy 403-A: *General and Capital Fund Allocations*. Expenses were then increased per recent trends in plan pricing and anticipated volume.
8. **Wages** were adjusted to reflect the terms of collective bargaining agreements. Additional adjustments for institutional need were also made. As noted above, the expenses associated with Libraries and Information Technology were moved from the institutions to the Shared Services budget.
9. **Benefits** were adjusted based on anticipated rate changes. Additionally, as noted above, retiree medical was moved to the Office of the Chancellor, and information technology and libraries were moved from the institutions to Shared Services.
10. **Scholarships** were adjusted to reflect the change in tuition pricing at Vermont State University. As shared at the September 2022 Board meeting, the change in the face value of tuition will be off-set by a corresponding adjustment to scholarship spending.
11. **Utilities** were adjusted to reflect current market conditions accounting for inflation.
12. **All other expenses** were adjusted based on institutional need.

SYSTEM-WIDE BUDGET

The total operating deficit, before the use of one-time funds is \$18.9M. The deficit is comprised of two components: 1) Vermont State University's proposed deficit of \$17.693M² and 2) a \$1.2M planned draw from the newly created Information Technology Capital Fund created as part of 403-D: *Reserves, Carryforward, and Miscellany*³.

Offsetting these deficits is one-time funding equaling \$15.2M. These one-time funds are comprised of three components: 1) Bridge Funding equaling \$9M, 2) the FY2023 advance on base appropriation equaling \$5M, and 3) a draw from the Information Technology reserve fund equaling \$1.2M.

The remaining balance, \$3.693M, shall be covered with unused bridge funding from FY2023.

¹ <https://www.vsc.edu/wp-content/uploads/2023/01/1-23-23-BOT-Materials-final.pdf> p17-18 description, p20 calculation

² To meet the structural deficit requirements established by the Vermont State Legislature, the Vermont State Colleges must have a budgeted deficit \$5M less than the prior year. The entirety of the structural deficit rests with Vermont State University, therefore the budgeted deficit for FY2024 must be no greater than \$17.673.

³ The Information Technology Reserve was funded during the January 2023 Board meeting with \$5.2M. The colleges will draw from this fund for three years as they build up to the annual investment of \$2.6M as part of the normal budgeting cycle.

System Wide: FY2024 Pass 1 Budget

Vermont State Colleges System			
	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0
REVENUES			
Tuition and Fees	98,456	102,621	86,288
State Appropriation	61,409	65,118	52,657
Room and Board	18,754	20,764	20,912
Sales and Services	2,356	2,719	2,581
Gifts	1,150	1,135	1,135
Other Revenue	647	744	409
TOTAL REVENUES	182,772	193,101	163,982
EXPENSES			
Salaries and Benefits	110,335	108,615	113,555
Services, Supplies, Travel	37,476	40,954	41,735
Scholarships	19,366	20,671	8,325
Utilities	7,884	8,595	9,163
Other Expenses	4,585	4,408	4,228
Debt Service	8,003	8,003	8,144
Shared Services			(0)
Chancellor's Office	(1)	(1)	-
Other Transfers	(3,370)	(4,033)	(4,649)
Strategic Initiatives (3%)			1,425
Economic Stabilization (2%)			950
TOTAL EXPENSES	184,278	187,212	182,875
	-	-	-
NET REVENUES/(DEFICIT)	(1,506)	5,888	(18,893)
ONE-TIME FUNDS			
Bridge Funding	-	-	9,000
FY2023 Advance on Base	-	-	5,000
IT Reserve Fund	-	-	1,200
TOTAL ONE-TIME FUNDS	-	-	15,200
TOTAL OPERATING RESULT	(1,506)	5,888	(3,693)

SHARED SERVICES AND OFFICE OF THE CHANCELLOR

Beginning with FY2024, the Shared Expense budgets will be directly shared with the Board of Trustees and approved as part of the standard process. Development of the Shared Services budget is a critical first step in the annual budgeting process as this is a large input to institutional budgets. While the budgets can, and likely will, change, they are based upon the delivered services.

The first pass of FY2024 incorporates one major change to spending in regards to Information Technology replacements. Beginning with this budget pass, annual replacement of technology is now budgeted fully. The estimated \$2.6M is a large increase in spending on technology. Over the next four years (beginning in FY2024), the institutions will fully step up to this amount. To defray the cost for FY2024, \$1.2M will be drawn from the Information Technology. Over the remaining three years the smaller draws will be taken from the fund as the colleges step into the new methodology.

The Office of the Chancellor Budget differs from prior years in that it consists solely of expenses related to the personnel and services necessary to run the corporation (Chancellor, External Affairs, Board Support, etc.), budgeted transformation expenses, retiree medical, and placeholders to fund the strategic initiatives and economic stabilization reserve funds.⁴

	Shared Services			Chancellor's Office		
	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0
REVENUES						
State Appropriation	-	-	-	20,645	24,146	16,787
Other Revenue	-	-	-	-	207	-
TOTAL REVENUES	-	-	-	20,645	24,353	16,787
EXPENSES						
Salaries and Benefits	-	-	8,670	4,923	6,407	11,887
Services, Supplies, Travel	-	-	9,006	5,598	8,598	2,525
Scholarships	-	-	-	-	335	-
Utilities	-	-	30	-	27	-
Other Expenses	-	-	-	4,575	4,408	4,228
Shared Services			(16,506)			
Chancellor's Office	-	-	-	(10,521)	(10,521)	-
Other Transfers	-	-	-	(5,096)	(5,770)	(4,228)
Strategic Initiatives (3%)						1,425
Economic Stabilization (2%)						950
TOTAL EXPENSES	-	-	1,200	(521)	3,484	16,787
NET REVENUES/(DEFICIT)	-	-	(1,200)	21,166	20,869	-

⁴ Policy-A: *General and Capital Fund Allocations* includes pre-funding from the state appropriation money for Economic Stabilization and Strategic Initiatives. The amounts are now stated on the face of budget for express review and approval by the Board of Trustees.

COMMUNITY COLLEGE OF VERMONT

Community College of Vermont’s Pass 1 Budget is balanced. Key assumptions include enrollment approximately flat with current year coupled with modest adjustments to other revenues. Salaries and benefits have been adjusted to reflect the movement of libraries and information technology budgets to Shared Services, and the movement of retiree medical from CCV’s books to the Office of the Chancellor. All other activities remain consistent with current year budget.

	Community College of Vermont		
	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0
REVENUES			
Tuition and Fees	22,093	22,655	22,000
State Appropriation	8,757	8,757	8,661
Sales and Services	1	4	1
Gifts	80	80	80
Other Revenue	92	196	83
TOTAL REVENUES	31,023	31,692	30,825
EXPENSES			
Salaries and Benefits	22,788	22,788	21,239
Services, Supplies, Travel	4,940	5,320	4,327
Scholarships	170	170	170
Utilities	353	353	351
Debt Service	1,824	1,824	1,840
Shared Services			5,315
Chancellor's Office	2,108	2,108	-
Other Transfers	(1,161)	(1,161)	(2,417)
TOTAL EXPENSES	31,022	31,402	30,825

VERMONT STATE UNIVERSITY

Vermont State University currently estimates a 10% decline in new student enrollment for the 2024-2025 academic year. This is a challenging number to derive and is the midpoint between the best case, at flat enrollment and worst likely at a 20% decline in new student enrollment. While we normally counsel presenting the worst likely scenario at Pass 1 of the budget, the difficulty in estimating fall enrollment due to a lack of historical data, compounded by the launching of a new University and brand, makes this challenging. As a result the swing between best and worst likely is significant. We have therefore taken the middle course, expecting that course corrections, positive or negative, may be required in the coming months.

The estimated change in enrollment, coupled with the reduced tuition pricing model results in student tuition and fees approximately \$15.7M less than the current forecast and \$12M less than the current budget. However, scholarships are estimated at \$12M less than budget and \$11M less than budget.

Room and board is estimated essentially flat with current year forecast which equates to \$2.1M higher than the FY 2023 budget. The combined effect on net student revenue is a reduction of \$3.5M compared to current year forecast, or down 4.4%.

Vermont State University			
	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0
REVENUES			
Tuition and Fees	76,363	79,966	64,289
State Appropriation	32,007	32,215	27,209
Room and Board	18,754	20,764	20,912
Sales and Services	2,355	2,715	2,580
Gifts	1,070	1,055	1,055
Other Revenue	555	341	326
TOTAL REVENUES	131,104	137,056	116,370
EXPENSES			
Salaries and Benefits	82,624	79,420	71,758
Services, Supplies, Travel	26,938	27,036	25,877
Scholarships	19,196	20,166	8,155
Utilities	7,531	8,215	8,782
Other Expenses	10	-	-
Debt Service	6,179	6,179	6,304
Shared Services			11,191
Chancellor's Office	8,412	8,412	-
Other Transfers	2,887	2,898	1,996
TOTAL EXPENSES	153,777	152,326	134,063
NET REVENUES/(DEFICIT)	(22,673)	(15,270)	(17,693)

Other changes to the Vermont State University budget include the movement of libraries and information technology to Shared Services and retiree medical expenses to the Office of the Chancellor. These are large movements, especially on the wages and benefits line, and reflect a significant downward shift in salaries and benefits.

The overall deficit for FY2024 for Vermont State University is estimated at \$17.693M. This number is extremely close to their target deficit of \$17.673. However, the next several months will be crucial as VTSU continues its enrollment cycle. VTSU is prepared to make further budget adjustments as new data is learned regarding the enrollment cycle. The Committee should anticipate that there will be adjustments to VTSU's budget over the next two passes.

System Wide All Entities: FY2024 Pass 1 Budget

	Vermont State Colleges System			Community College of Vermont			Vermont State University			Shared Services			Chancellor's Office		
	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0	FY2023 Budget	FY2023 Forecast	FY2024 Budget 1.0
REVENUES															
Tuition and Fees	98,456	102,621	86,288	22,093	22,655	22,000	76,363	79,966	64,289	-	-	-	-	-	-
State Appropriation	61,409	65,118	52,657	8,757	8,757	8,661	32,007	32,215	27,209	-	-	-	20,645	24,146	16,787
Room and Board	18,754	20,764	20,912	-	-	-	18,754	20,764	20,912	-	-	-	-	-	-
Sales and Services	2,356	2,719	2,581	1	4	1	2,355	2,715	2,580	-	-	-	-	-	-
Gifts	1,150	1,135	1,135	80	80	80	1,070	1,055	1,055	-	-	-	-	-	-
Other Revenue	647	744	409	92	196	83	555	341	326	-	-	-	-	207	-
TOTAL REVENUES	182,772	193,101	163,982	31,023	31,692	30,825	131,104	137,056	116,370	-	-	-	20,645	24,353	16,787
EXPENSES															
Salaries and Benefits	110,335	108,615	113,555	22,788	22,788	21,239	82,624	79,420	71,758	-	-	8,670	4,923	6,407	11,887
Services, Supplies, Travel	37,476	40,954	41,735	4,940	5,320	4,327	26,938	27,036	25,877	-	-	9,006	5,598	8,598	2,525
Scholarships	19,366	20,671	8,325	170	170	170	19,196	20,166	8,155	-	-	-	-	335	-
Utilities	7,884	8,595	9,163	353	353	351	7,531	8,215	8,782	-	-	30	-	27	-
Other Expenses	4,585	4,408	4,228	-	-	-	10	-	-	-	-	-	4,575	4,408	4,228
Debt Service	8,003	8,003	8,144	1,824	1,824	1,840	6,179	6,179	6,304	-	-	-	-	-	-
Shared Services			(0)			5,315			11,191			(16,506)			
Chancellor's Office	(1)	(1)	-	2,108	2,108	-	8,412	8,412	-	-	-	-	(10,521)	(10,521)	-
Other Transfers	(3,370)	(4,033)	(4,649)	(1,161)	(1,161)	(2,417)	2,887	2,898	1,996	-	-	-	(5,096)	(5,770)	(4,228)
Strategic Initiatives (3%)			1,425												1,425
Economic Stabilization (2%)			950												950
TOTAL EXPENSES	184,278	187,212	182,875	31,022	31,402	30,825	153,777	152,326	134,063	-	-	1,200	(521)	3,484	16,787
NET REVENUES/(DEFICIT)	(1,506)	5,888	(18,893)	1	289	-	(22,673)	(15,270)	(17,693)	-	-	(1,200)	21,166	20,869	-
ONE-TIME FUNDS															
Bridge Funding	-	-	9,000	-	-	-	-	-	-	-	-	-	-	-	8,693
FY2023 Advance on Base	-	-	5,000	-	-	-	-	-	-	-	-	-	-	-	-
IT Reserve Fund	-	-	1,200	-	-	-	-	-	-	-	-	1,200	-	-	-
TOTAL ONE-TIME FUNDS	-	-	15,200	-	-	-	-	-	-	-	-	1,200	-	-	8,693
TOTAL OPERATING RESULT	(1,506)	5,888	(3,693)	1	289	-	(22,673)	(15,270)	(17,693)	-	-	-	21,166	20,869	8,693
Unrestricted use of CRF ¹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue without use of CRF	(1,506)	5,888	(18,893)	1	289	-	(22,673)	(15,270)	(17,693)	-	-	(1,200)	21,166	20,869	-

FINANCIAL SERVICES (INVESTMENT) SUBCOMMITTEE

During the October 2019 meeting of the Finance & Facilities Committee, resolution 2019-010: *Creation of a Financial Services Subcommittee of the Finance & Facilities Committee* was presented and approved.

The minutes of the August 26, 2019, meeting, where the concept was initially discussed, shared the following purpose of the subcommittee. “To be in charge of ‘deep dives’ into financial matters – such as endowment oversight, cash and investment management, banking and financial services, and debt management that the Finance and Facilities Committee typically is unable to accomplish with the time constraints of regularly-scheduled meetings.”¹

The subcommittee itself was approved during the October 26, 2019, Finance and Facilities Committee meeting.² Since establishment of the subcommittee in 2019, it has been largely dormant due to the COVID-19 pandemic and transformation related work.

Because the subcommittee has been dormant, management requests the Finance and Facilities Committee review the original charge to the subcommittee, as outlined in resolution 2019-010: *Creation of a Financial Services Subcommittee of the Finance & Facilities Committee* found on the next page of this packet. Should the committee agree the subcommittee continues to have merit, we request the appointment of members to the subcommittee. An initial meeting will be scheduled at a mutually agreeable time.

¹ <https://www.vsc.edu/wp-content/uploads/2019/10/2019-08-26-Finance-and-Facilities-Committee-Meeting-Minutes-APPROVED-1.pdf>

² <https://www.vsc.edu/wp-content/uploads/2019/12/2019-10-21-Finance-and-Facilities-Committee-Meeting-Minutes-APPROVED.pdf>

VERMONT STATE COLLEGES SYSTEM

FINANCE AND FACILITIES COMMITTEE OF THE BOARD OF TRUSTEES

COMMITTEE RESOLUTION 2019-010

Creation of a Financial Services Subcommittee of the Finance & Facilities Committee

WHEREAS, The areas of responsibility of the Finance & Facilities Committee of the Board of Trustees include recurring oversight of cash and investments, the endowment, debt management and related financial services; and

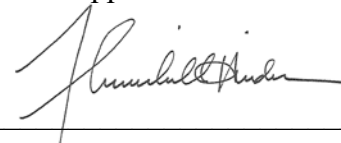
WHEREAS, Oversight of the aforementioned financial services often entails a working knowledge of specialized topics including but not limited to banking services, institutional asset management, financial markets, and debt instruments, the reviews of which would be prohibitively time consuming if conducted during the Committee's regular meetings; and

WHEREAS, Article IV, Section 7 of the Vermont State Colleges By-Laws states that "Unless prohibited by the resolution establishing the Committee, any Committee may establish one or more subcommittees by majority vote of voting Committee members," and no such prohibition exists for the Committee; therefore, be it

RESOLVED, That the Committee hereby establishes a Financial Services Subcommittee consisting of three (3) Committee members, selected by the Committee Chair, which Subcommittee shall be charged with oversight of financial services including those generally governed by Policy 404, Cash and Investment Management; Policy 430, Endowment Investment and Spending Policy; and Policy 433, Debt Management; and be it further

RESOLVED, That the Subcommittee shall report its activities to the Committee at least twice annually, or more frequently as needed.

Approved: October 21, 2019



J. Churchill Hindes, Chair of the Finance and Facilities Committee