

MEMORANDUM

TO: VSCS Finance & Facilities Committee
David Silverman, Chair
Shawn Tester, Vice Chair
Lynn Dickinson
David Durfee
Bob Flint
Bill Lippert
Sue Zeller

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

DATE: October 13, 2023

SUBJECT: Finance and Facilities Committee Meeting scheduled for October 16, 2023

The Finance and Facilities Committee of the VSC Board of Trustees meets Monday, October 16, 2023. The meeting is scheduled to begin at 2:00 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 21, 2023, meeting. The Committee has three items up for approval, and one item up for review.

The first agenda item is approval of three endowment requests. The first is the **Florilla Ames Endowment (Item 2)** for Vermont State University. This endowment, provided as part of a bequest from Florilla Ames, will provide scholarships to undergraduate students attending Vermont State University's Lyndon Campus.

The next two items up for review and approval are endowment change requests. The first is for the **Bridges to Vermont Endowment (Item 3)**. Vermont State University requests adjustments to this scholarship to include the following changes: 1) restrict the scholarship to students attending campuses and sites historically associated with VTC, 2) include students who are not US citizens, 3) include third and fourth year students, and 4) move the GPA requirement from 2.5 to 2.0.

The second change is related to the two scholarship funded by the **Alumni Association Endowment, (Item 4)**. Vermont State University requests adjustments to the **George F. Wellman Scholarship** and **Edward F. Kibby Sports** awards funded by the Alumni Association Endowment. Adjustments to the

scholarships include the following changes: 1) renaming the George F. Wellman Scholarship to the VTCAA George F. Wellman Memorial Scholarship, 2) updating eligible majors from Dairy Farm Management to all agriculture programs, and 3) eliminating the Edward F. Kibby Sports Award.

Next, we will review and discuss **FY2023 financial performance**. In this section, we will share updated unrestricted performance and financial ratios. An overview of these topics is available as **Item 5** in your packet. **First Quarter financial** information will be available in November using the new chart of accounts. At that time, updated enrollment data and tuition discounting trends will be provided to the committee.

Lastly, the Committee will receive an update regarding the System's general fund request for FY2025, due to the Governor's office on October 17, 2023.

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

October 16, 2023

2:00 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/signup¹
3. Review & Approve: Minutes of the August 21, 2023, Finance & Facilities Committee meeting.
4. Review & Approve: Endowment Requests
5. FY2023 Financial Performance Review
6. Government Affairs Update
7. Other Business
8. Adjourn

¹ To make a public comment you must be logged into the live session at <https://www.vsc.edu/botzoom>. The rules for public comment may be found on the VSC website at <https://www.vsc.edu/wp-content/uploads/2022/08/VSC-BOT-Rules-for-Public-Comment.pdf>.

Meeting Materials

- ITEM 1:** Finance and Facilities Minutes, August 21, 2023

- ITEM 2:** Florilla Ames Endowment

- ITEM 3:** Bridges to Vermont Endowment Change

- ITEM 4:** Alumni Association Endowment Changes for the George F. Wellman Scholarship and Edward F. Kibby Sports Award

- ITEM 5:** FY2023 Financial Performance

ITEM 1: Minutes of August 21, 2023

Minutes of the VSCS Board of Trustees Finance and Facilities Committee meeting held Monday, August 23, 2023 at 1:00 p.m. via Zoom and in Room 306 at CCV-Winooski - 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 21, 2023 via Zoom and in person at CCV-Winooski.

Committee members present: David Silverman (Chair), Shawn Tester (Vice Chair), Lynn Dickinson, David Durfee, Bob Flint, Bill Lippert

Absent: Sue Zeller

Other Trustees Present: Karen Luneau

Presidents: Joyce Judy, Mike Smith (Interim)

Chancellor's Office Staff: Wilson Garland, Director of Transformation Projects
Jen Porrier, Administrative Director
Mike Stevens, Manager of Transformation Projects & Planning
Sophie Zdatny, Chancellor

Shared Services: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Sarah Chambers, Director, Learning Technologies
Pat Moulton, Executive Director, Workforce Development
Kathryn Santiago, Associate General Counsel
Sharron Scott, Chief Financial and Operating Officer
Toby Stewart, System Controller
Patty Turley, General Counsel
Meg Walz, Director, Project Management

From the Colleges: Nolan Atkins, Provost, Northern Vermont University
Kelley Beckwith, Vice President of Student Success, Castleton University
Nicole Mace, Dean of Administration, Community College of Vermont

Maurice Ouimet, Vice President of Admissions, Castleton University
Sarah Truckle, Vice President of Business Operations, Vermont State University
Littleton Tyler, Assistant Vice President, Finance & Compliance, Vermont State University
Beth Walsh, President, VSCUP, Northern Vermont University
Betsy Ward, Director of Grant Development & Award Management

From the Public: Ricardo Dumont, Landscape Architect/Co-Founder, DumontJanks
Gregory Janks, Analytics/Co-Founder, DumontJanks

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

There was no public comment.

3. Approve May 22, 2023 Meeting Minutes

Trustee Dickinson moved and Trustee Durfee seconded the motion to approve the May 22, 2023 minutes. The motion was approved unanimously.

4. Review and Approve: Policy 435: Financial Conflict of Interest in Research

Chair Silverman explained that Policy 435 is the system's Financial Conflict of Interest in Research policy and it has been updated to comply with the federal standards outlined by the Agency of Health and Human Services. He then asked Betsy Ward, Director of Grant Development & Award Management at Vermont State University to provide a brief overview of the policy. Ms. Ward shared that as the VSC legacy institutions have merged into VTSU, there is now one Institutional Review Board for reviewing study proposals and therefore the Policy must also reflect a single IRB. This Policy exists to protect students and human subjects so that no dishonorable research may occur. Further details about the updates to this policy are available [here](#) on pages 10-51.

Trustee Dickinson moved and Trustee Lippert seconded the motion to recommend to the Board the approval of VSC Policy 435: Financial Conflict of Interest in Research. The motion was approved unanimously.

5. Review: FY2023 Unaudited Financial Results & FY2024 Enrollment Forecast

Chief Financial and Operating Officer Sharron Scott presented the FY2023 Unaudited Financial Results. The presentation can be found [here](#). Ms. Scott noted that FY23 unrestricted performance ended favorably, with a total forecasted improvement of \$979,000 better than budget, which includes the pay-off of nearly \$11 million in the 2013 Series Bonds, and \$400 thousand in student debt payoff at CCV. These additional payments would not have been possible without bridge funding, which has been essential to the success of the VSC. Vermont State University President Mike Smith shared that VTSU new enrollment is down about 19%, and 9% down on total enrollment, but that could fluctuate over the next week or so. President Smith noted that VTSU's FY 2024 budget was built on the assumption that there would be a decline of 15%. There is reserve funding in place that can be used to counteract this deficit in FY2024, if necessary. President Smith will be bringing a strategic enrollment plan for VTSU to the upcoming Board retreat.

CCV President Joyce Judy shared that CCV is seeing slightly fewer students taking slightly more courses as compared to this time in the fall registration cycle as last year. CCV's summer enrollment was very strong, putting CCV in a good position heading into the fall semester.

6. Review: Vermont State University Facilities Master Plan Progress with DumontJanks

Chair Silverman invited Ricardo Dumont and Greg Janks to provide a progress report on the facilities master plan that has been underway since last April. That presentation can be found [here](#). Mr. Janks reviewed key data that has been shared with the working group including information regarding campus based headcount, room occupancy, broadband coverage, and other key data points. Trustee Durfee highlighted the broadband coverage map may be out of date and encouraged the team to update their information with the latest dataset and plans. The working group will next be evaluating the key elements of the space program across each campus taking into consideration the academic program scheduled for each location along with key issues related to place, community, teaching, learning, accessibility, and size of location. Mr. Janks previewed theoretical ways in which campuses could be reconfigured to reconcile the space profile with the student profile. DumontJanks will join the Board retreat in September to share the latest progress. A final report is anticipated by March of 2024.

7. Other Business

There was no other business.

8. Executive Session

At 2:37 p.m. Trustee Silverman moved that the Finance and Facilities Committee enter executive session pursuant to 1 V.S.A. § 313(a)(1)(A) to discuss contracts, and 1 V.S.A. § 313(a)(1)(F) to receive confidential attorney-client communications, because premature general public knowledge of these discussions would place VSC at a substantial disadvantage, it is appropriate for the Committee to enter executive session. Along with the members of the Board present at the meeting, the Committee invited the VSC Chancellor, the VSC Chief Financial Officer, and the VSC General Counsel to attend. Trustee Dickinson seconded the motion and it was approved unanimously.

The committee exited executive session at 3:01 p.m.

Chair Silverman adjourned the meeting at 3:01 p.m.

UNAPPROVED

ITEM 2: Florilla Ames Endowment



October 9, 2023

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

Dear Chancellor Zdatny,

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

Florilla Ames studied at Montpelier Seminary and then went on to receive her teaching credential from Lyndon Normal School in the early 1930's. Thereafter, she taught for two years in the one-room schoolhouse in Waterbury Center and then in Derby, VT, where she met her beloved husband, Darrel Ames.

Mrs. Ames was Vermont's oldest resident when she passed away in 2021 and left a generous bequest to the university in the amount of \$88,000, which will be used to establish a scholarship fund in her name.

In accordance with her wishes, the **Florilla Ames Scholarship Endowment** will provide scholarships to undergraduate students attending Vermont State University's Lyndon campus. There will be no other restrictions on this scholarship.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Smith", with a long horizontal line extending to the right.

Michael K. Smith
Interim President

Attachments: Funding Source C document

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

VERMONT STATE UNIVERSITY

(College Name)

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

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

THE FLORILLA AMES SCHOLARSHIP ENDOWMENT

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

A bequest gift from the Darrel and Florilla Ames Trust in the amount of \$88,000.

3) Purpose of endowment: (Attach supporting Documentation)

The Florilla Ames Scholarship Endowment will provide scholarships to undergraduate students attending the Lyndon campus. There are no other scholarship restrictions.

4) Proper accounting fund:

Regular
Endowment

Term Endowment

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

082-85574-00000-76300-000

6a) Date Endowment Reach Endowment Status:

June, 2023

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

None.

8a) Funding amount:

\$88,000.00

8b) One-time - OR

Ongoing funding (indicate timeframe:)

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

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

No.	Not Applicable
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- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

VERMONT STATE UNIVERSITY

(College Name)

10) If investment proceeds generated, indicate intended disposition:

Per Board Approved Spending Procedure

Fully expend for program as prescribed

Increase principal for inflation and expend remainder

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

Other (describe:)

11) <u>President:</u>	12) <u>Date to Ch's Ofc:</u> August 1, 2023	13) <u>Date Board Approved:</u>
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Version 4/17/2008

ITEM 3: Bridges to Vermont



October 9, 2023

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

Dear Chancellor Zdatny,

I am pleased to provide you with updated criteria for the existing **Bridges to Vermont Scholarship Endowment**. This endowment was approved and funded in 1995 by Vermont Technical College (VTC) alumnus and Alumni Association President, Richard M. Roderick. Upon our unification to become Vermont State University, Mr. Roderick reviewed his endowment and is requesting to update the criteria to make it accessible to more students.

Existing Criteria: The *Bridges to Vermont Scholarship* will be awarded annually to a non-Vermont resident attending Vermont Technical College and entering their second year at VTC or transferring to VTC after having completed at least one year at another college; who has at least a 2.5 GPA; and is actively involved in at least one college club, student government, or community organization. Preference will be given to applicants enrolled in associate's degree programs.

Proposed Changes:

- language that includes restricting the scholarship to students attending campuses and learning sites that were historically associated with Vermont Technical College,
- increasing eligibility to include students who are not United States citizens,
- increasing eligibility to include 3rd and 4th year students (when he created this, two year degrees were the only option at VTC), and
- decreasing the minimum GPA requirement from 2.5 to 2.0.

New Criteria: The *Bridges to Vermont Scholarship* will be awarded annually to a non-Vermont resident or non-United States citizen attending a campus that was historically part of Vermont Technical College and entering their second, third, or fourth year at VTC or transferring to VTC after having completed at least one year at another college; who has at least a 2.0 GPA; and is actively involved in at least one college club, student government, or community organization.

We look forward to the VSC Board of Trustees' approval of these proposed changes to the Bridges to Vermont Scholarship Endowment.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Smith", with a horizontal line extending to the right.

Michael K. Smith
Interim President

ITEM 4: Alumni Association Endowment Changes



October 9, 2023

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

Dear Chancellor Zdatny,

I am pleased to provide you with a proposal to update the criteria for the existing **Alumni Association Endowment** established by the Vermont Technical College Alumni Association (VTCAA) in 2005. This endowment was established with the intention of funding both the *George F. Wellman Scholarship* and the *Edward F. Kibby Sports Award*.

Mr. Wellman graduated from the Vermont School of Agriculture in 1947 and was a long-time manager of the college's farm. The George F. Wellman Scholarship was created to honor Mr. Wellman's dedication to Vermont agriculture.

The Edward F. Kibby Sports Award was intended to provide a \$100 award to a student-athlete, but has not been issued since its inception because NCAA Division III rules prohibit creating awards specifically for student-athletes.

Upon our unification to become Vermont State University, the Vermont Technical College Alumni Association reviewed their endowment and would like to update it to remove problematic criteria and make it more accessible to students. These proposed changes were voted on and approved by the Vermont Technical College Alumni Association this summer.

Existing Criteria: Applicants to the *George F. Wellman Memorial Scholarship* must meet the following eligibility requirements: any student enrolled in the Dairy Farm Management or Agribusiness programs who has completed his/her first year of college and has an unmet financial need to continue their education. Preference will be given to Vermont residents. Students must hold at least a 2.5 GPA to qualify.

Proposed Changes:

- Changing the name of the scholarship from "George F. Wellman Scholarship" to "VTCAA George F. Wellman Memorial Scholarship";
- Updating the eligible majors from Dairy Farm Management to all the agriculture programs: Center for Ag & Food Entrepreneurship, Forestry, Landscape Contracting, and/or Veterinary Technology;
- Eliminating the Edward F. Kibby Sports Award and honoring the original intent of the award by updating the language to say "preference given to a student involved in athletics". This would include students who are not varsity athletes, but may be involved in sports by coaching a youth soccer team, dancing, or playing a club sport.

New Criteria: Applicants to the *VTCAA George F. Wellman Memorial Scholarship* must meet the following eligibility requirements: any student enrolled in an agriculture program, including: Center for Ag & Food Entrepreneurship, Forestry, Landscape Contracting, and/or Veterinary Technology who has



completed his/her first year of college. Students must hold at least a 2.5 GPA to qualify. Preference will be given to student involved in athletics.

We look forward to the VSC Board of Trustees' approval of these proposed changes to the Alumni Association Endowment.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Smith", with a horizontal line extending to the right.

Michael K. Smith
Interim President

ITEM 5: FY2023 Financial Performance

FY2023 Unrestricted Financial Performance

As reported at the August 21, 2023 meeting of the Finance and Facilities Committee¹, FY2023 financial performance was stronger than budget. Since review, the Other Post-Employment Benefits (OPEB) calculation was adjusted. This adjustment results in a change in unrestricted performance. The new final unrestricted balance is a loss of \$587,000 with the use of \$14.9 million in bridge funding. Relative to budget, the Vermont State Colleges ended the fiscal year at \$492,000 favorable.

It is important to note that the end of year performance was affected by the payoff of the Series 2013 Bond at approximately \$11 million. The payoff was possible due to performance that was more favorable than originally budgeted, allowing the colleges to reduce ongoing debt-service obligations for FY2024 to FY2033 by slightly more than \$1 million per year. Additionally, this early payoff eliminated approximately \$2 million in interest payments that would have been made over the remaining life of the bond.

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	Preferred Metric	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
Primary Reserve	≥ 0.40	0.62	0.63	0.51	0.25	0.21	0.20	0.17	0.18	0.18	0.19
Net Operating Revenue	2% to 4%	-0.8%	15.5%	23.0%	3.4%	-0.8%	-1.4%	-1.2%	-3.1%	-1.2%	-2.7%
Viability Ratio	1.25 to 2.0	1.25	1.10	0.80	0.38	0.32	0.30	0.25	0.27	0.27	0.28
Return on Net Position	3% to 4%	11.4%	19.1%	41.9%	6.6%	-1.1%	-1.3%	0.5%	-3.0%	-4.0%	-2.8%

¹ August 21, 2023 meeting materials are available at: <https://www.vsc.edu/wp-content/uploads/2023/08/2023-08-21-F-and-F-Materials-final.pdf>. Results for FY2023 are reported on pages 53-57. Final audited results do not differ from the unaudited results shared with the committee in August.

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. As shown here, the Vermont State Colleges returns to its pre-pandemic net operating revenue ratio. This was not unexpected, give the VSC’s budgeted deficit for FY2023.

The primary reserve ratio, a measure of the organization’s overall financial strength, met the target in FY2023, FY2022 and FY2021. For FY2021 and FY2022, this was largely to the receipt of bridge and HEERF funds. However, for FY2023, the continued improvement, can be attributed, in part, to the payoff of the Series 2013 Bonds.

The viability ratio, a measure of the VSC’s ability to cover the organization’s debts, met the target for the first time in FY2023. This ratio measures the availability of the net assets to cover the organizations debts and the improvement in FY2023 is wholly related to the payoff of the Series 2013 Bonds.

The return on net position continues to be strong. This is due to the large influx of new general fund appropriation in FY2023 coupled with continued bridge funding.

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, FY2023, FY2022, FY2021, and FY2020 performance is significantly stronger than the previous six years. This improved performance is largely due to the receipt of one-time funds in the form of bridge funding, ARPA, and HEERF grants. However, continued improvement can be attributed to strong cash management policies and the payoff of the Series 2013 bond.

Measure	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
Primary Reserve	1.62	1.66	1.35	0.65	0.54	0.53	0.46	0.46	0.48	0.49
Net Operating Revenue	(0.12)	1.00	1.00	0.49	(0.12)	(0.20)	(0.17)	(0.44)	(0.17)	(0.38)
Viability Ratio	1.05	0.92	0.67	0.32	0.26	0.25	0.21	0.23	0.23	0.23
Return on Net Position	1.14	1.91	2.00	0.66	(0.11)	(0.13)	0.05	(0.30)	(0.40)	(0.28)
Composite Financial Index	3.69	5.49	5.02	2.11	0.59	0.45	0.55	(0.05)	0.14	0.06

For the years FY2021 to FY2023, the Composite Financial Index suggests the Vermont State Colleges should direct resources to allow transformation. Fortunately, this is the work the VSC is undertaking today. Looking back to the years FY2014 to FY2019, the Vermont State Colleges should have been assessing its viability to survive. To prevent a recurrence of this poor performance it is imperative that the system continue to take all necessary steps to preserve its financial viability so as to deliver on its academic mission for decades to come.

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