

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: February 8, 2024

SUBJECT: Finance and Facilities Committee Meeting scheduled for February 12, 2024

The Finance and Facilities Committee of the VSC Board of Trustees meets Monday, February 4, 2024. The meeting is scheduled to begin at 2:00 p.m. or immediately following the Audit & Risk Management Committee, whichever is later. The meeting will be held via Zoom at www.vsc.edu/botzoom.

In addition to review and approval of the minutes of the December 11, 2023 committee meeting the agenda includes the following items:

1. Review and approval of the **minutes of the last committee meeting**. You will find the minutes of the last meeting as **ITEM 1** in the materials.
2. Review of the **second quarter financial results and FY24 financial forecast**. You will find the second quarter forecast and institutional narratives as in your materials as **ITEM 2**.
3. Review of the **first pass of the FY25 budget**. This is the first of three passes of the budget the committee will review and represents the current worst likely performance of the system. At present the proposed budget deficit is approximately \$12.3 million, approximately \$2.3 million higher than the target for FY25. Detailed information regarding the budget current budget proposals are available in your packet as **ITEM 3**.

4. Kellie Campbell, Chief Information Officer, will be on hand to provide an update on the **Enterprise Resource Planning (ERP) Assessment Project**. A brief description of the project, progress to date, and the remaining schedule can be found your materials as **ITEM 4**.
5. The meeting will conclude with **an executive session** to discuss **real estate purchase or lease options**.

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

Zoom Meeting / YouTube Stream¹

February 12, 2024 at 2:00 p.m.

or immediately following Audit & Risk Management, whichever is later

AGENDA

1. Call to Order
2. Public Comment – signup for public comment at www.vsc.edu/signup²
3. Review and approval: *December 11, 2023 minutes*
4. Review: *Second quarter financial results and forecast*
5. Review: *First pass budget*
6. Review: *ERP assessment*
7. Other Business
8. Executive Session to discuss real estate
9. Adjourn

¹ The livestream link is on YouTube at www.vsc.edu/live

² 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, December 11, 2023
- ITEM 2:** 2nd Quarter Results
- ITEM 3:** 1st Pass System-Wide Budget
- ITEM 4:** ERP Assessment

ITEM 1: Minutes of December 11, 2023

**Minutes of the VSCS Board of Trustees Finance and Facilities Committee meeting held
Monday, December 11, 2023 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 11, 2023 via Zoom.

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

Absent: Bill Lippert

Other Trustees: Karen Luneau

Presidents: David Bergh, Joyce Judy

Chancellor's Office Staff: Drake Turner, Director of Governmental & External Affairs
Sophie Zdatny, Chancellor

Shared Services: Donny Bazluke, Network/Security Analyst
Sarah Chambers, Director, Learning Technologies
Wilson Garland, Director of Transformation Projects
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, Vermont State University
Mary Droege, Faculty, Vermont State University
Nicole Mace, Dean of Administration, Community College of Vermont
Denise Rhodes, Student Financial Support Specialists, Vermont State University
Michael Stevens, Assistant Vice President, Campus Operations, Vermont State 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, Vermont State University

From the Public: Gregory Janks, Co-Founder, DumontJanks

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

The committee heard public comment from Mary Droege and Beth Walsh.

3. Approve October 16, 2023 Meeting Minutes

Trustee Zeller moved and Trustee Tester seconded the motion to approve the October 16, 2023 minutes. The motion was approved with one abstention.

4. Review and Approve: Clair Fisher Heist & Mae Niles Scott Nursing Scholarship Endowment Request

Chair Silverman asked Vice President of Business Operations Sarah Truckle to provide information on the Claire Fisher Heist & Mae Niles Scott Nursing Scholarship Endowment. VP Truckle shared information about the formation of the Endowment, which is funded from an estate gift in the amount of \$100,000 from the Robert W. Chapman Trust. This scholarship will be used to provide support to students enrolled in the pre-nursing or nursing program on the Lyndon campus. Further information can be found [here](#) on pages 10-12.

Trustee Tester moved and Trustee Dickinson seconded the motion to recommend to the Board the approval of the Clair Fisher Heist & Mae Niles Scott Nursing Scholarship Endowment. The motion was approved unanimously.

5. Review and Approve: Vermont State University Academic Year 2024-2025 Tuition, Fees, Room & Board

Chair Silverman shared that the VSC has not raised tuition since 2020 in accordance with the Board's emphasis on affordability. Additionally, the Board approved a sizeable tuition decrease for VTSU that took effect for AY2023-2024. VTSU is now requesting a 3.5% increase to tuition and fees for the upcoming academic year consistent with their financial plans, as well as seeking to combine several fees to increase transparency.

VTSU President David Bergh shared that this increase is below inflationary increases and VTSU's tuition will remain at or below tuition at peer institutions. The consolidation of fees will decrease surprises for students and reduce administrative costs.

Trustee Silverman moved and Trustee Flint seconded the motion to recommend to the Board the approval of Resolution 2023-015: 2024-2025 Vermont State University Tuition, Fees, Room & Board. The motion was approved unanimously.

6. Review and Approve: Vermont State University One-to-One Device (Technology) Fee Recommendation

Chair Silverman noted that for the last two years VTSU has piloted the use of technology in the classroom to increase student performance in hybrid classes. The pilots have been very successful and VTSU now wishes to require that each incoming new student have a device available to them that meets certain minimum requirements. VTSU President Bergh explained that assistance can be provided to certain students experiencing hardships and circumstances where the fee may be waived. It was estimated that 70-80% of incoming students have a device that meets the technology requirements. Provost Atkins noted that the 1:1 device strategy has evolved based upon the experience gained through the pilot program, such that students and faculty do not all need to be using an identical device.

Trustee Silverman moved and Trustee Dickinson seconded the motion to recommend to the Board the approval of Resolution 2023-016: 2024-2025: Vermont State University One-to-One (Technology) Fee. The motion was approved unanimously.

7. Review and Approve: Policy 403-A State General Fund Allocation Policy Adjustments

Chief Financial and Operating Officer Sharron Scott shared information regarding the proposed changes to Policy 403-A, which are intended to smooth out any significant swings in the allocation of the state appropriation by using a rolling average over five years, instead of three, and including a "throttle" of a maximum of a 1% swing in any given year. CFOO Scott also explained that the policy changes include reducing the set aside for strategic initiatives from 3% to 2% and enabling the Board to distribute any unexpended funds annually. The proposed changes to Policy 403-A are further outlined [here](#) on pages 22-25.

Trustee Tester moved and Trustee Zeller seconded the motion to recommend to the Board the approval of the changes to VSC Policy 403-A: System Annual Operating Budget-Allocation of State General and Capital Fund Appropriations. The motion was approved unanimously.

8. Review and Discussion: State Appropriation, Corporate, and Shared Services 1st Pass Budget

CFOO Scott provided this first pass of the state appropriation, corporate and shared services budgets, which are due in December, thereby providing adequate time for the institutions to prepare their budgets. A full explanation of the FY2025 State Appropriation Allocation recommendations can be found [here](#) on pages 27-32. CFOO Scott reminded the Committee that the first pass of the budget from the institutions will come before them in February, the second pass in April, with the last pass occurring late in May. This will aid in refining their revenue forecast and their expense forecast.

9. Review and Discussion: Vermont State University Master Plan Update

Chair Silverman invited Greg Janks from DumontJanks to provide an update on the master planning effort that VTSU launched last spring. Greg Janks shared updates on the ongoing work with the Master Planning Working Group, as well as the town hall meetings and specific focus groups, in concluding the Investigation Phase of the work. The investigation phase included campus visits, data review, analysis & evaluation, issue identification and initial ideas. The next phase will move into areas of opportunities for campuses and information and feedback will be sought with regards to focusing on strategic investments. Further information can be found [here](#) on page 34.

10. Review and Discussion: ERP Assessment Update

Chair Silverman invited Wilson Garland, the Director of Transformation Projects to provide the Committee with an update regarding the ERP assessment project. Mr. Garland shared that VSC is partnering with Ferrilli to assess the VSC Enterprise Resources Planning (ERP) system, Ellucian Colleague, and to create a roadmap to future sustainability. The first phase, or discovery phase, of the ERP Assessment is ending soon, with almost 40 interviews completed. The next phase will be focused on a full market analysis looking at the overall environment for cloud-based systems to assess the intended direction and next steps. The next update will be provided to this committee on February 12th, with the final assessment being completed by the April meetings of the Finance and Facilities Committee and the Board of Trustees. Further details can be found [here](#) on page 36.

11. Review and Discussion: 1st Quarter Results

CFOO Scott provided an update on First Quarter results, sharing that both VTSU and CCV are either on budget or better than budget. This budget is presented in a new format, with the creation of VTSU. Full details and metrics can be found [here](#) on pages 38-42.

12. Other Business

There was no other business.

Chair Silverman adjourned the meeting at 2:39 p.m.

UNAPPROVED

ITEM 2: 2nd Quarter Results

SECOND QUARTER FINANCIAL RESULTS

The Vermont State Colleges forecasts concluding the year at \$7.3 million better than budget.

Vermont State Colleges System			
	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	167,089	160,646	6,443
TOTAL EXPENSES	179,266	180,104	838
NET REVENUES/(DEFICIT)	(12,177)	(19,458)	7,281

This favorable improvement is due to the following primary factors:

1. Sale of electronic broad band services (EBS) licenses. This sale resulted in a one-time cash payment to Vermont State University equivalent to approximately \$1.5 million,
2. Unrestricted investment income stronger than budget
3. Budget adjustment of \$2.3 million related to retiree medical insurance; and,
4. Receipt of \$3.4 million in bridge funding as a general fund state appropriation that was unbudgeted

These revenue improvements were offset by the following factors:

1. Vermont State University:
 - a. Lower than budgeted net student revenue: tuition and fees plus room and board less scholarships
 - b. Greater employee turnover and attrition lowering salary and benefits forecasts
 - c. Higher than budgeted services, supplies, and travel
2. Community College of Vermont:
 - a. Higher than budgeted services, supplies, and travel related to bad debt, advertising, safety system upgrades, and student enrollment and retention services (ReUp).

SYSTEM-WIDE REVENUES

System-wide revenues are forecasted of \$6.4 million better than budget.

	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)
REVENUES			
Tuition and Fees	84,714	83,735	979
State Appropriation	52,977	49,586	3,391
Room and Board	18,023	20,314	(2,291)
Sales and Services	5,889	4,549	1,340
Gifts	894	1,135	(241)
Other Revenue	3,143	1,327	1,816
<i>Other Revenue-one time</i>	<i>1,448</i>	<i>-</i>	<i>1,448</i>
TOTAL REVENUES	167,089	160,646	6,443

Excluding the one-time sale of EBS licenses and bridge funding, the forecasted improvement is actually \$1.6 million (Total Revenues \$6.443 less EBS Licenses \$1.448 less General Fund Bridge \$3.392). Placed into context this is a 1.4% improvement in performance for FY25.

SYSTEM-WIDE EXPENSES

System-wide expenses are forecasted of \$838 thousand better than budget.

	Vermont State Colleges System		
EXPENSES			
Salaries and Benefits	102,056	103,869	1,813
Retiree Medical Expenses	7,000	9,294	2,294
Services, Supplies, Travel	42,974	40,653	(2,321)
Scholarships	9,771	8,133	(1,638)
Utilities	8,142	8,603	461
Other Expenses	3,795	3,795	-
Debt Service	6,826	7,865	1,039
Shared Services	(94)	(1)	93
Chancellor's Office	-	-	-
Other Transfers	(3,604)	(4,507)	(903)
<i>Other Transfers-one time</i>	<i>(0)</i>	<i>-</i>	<i>0</i>
Strategic Initiatives (3%)	1,440	1,440	-
Economic Stabilization (2%)	960	960	-
TOTAL EXPENSES	179,266	180,104	838

The areas of greatest improvement are related to personnel, with a \$1.8 million forecasted improvement in salaries and benefits and a \$2.3 million improvement in retiree medical expenses. As noted at the December 11, 2023, Finance and Facilities meeting the retiree medical budget has been adjusted to reflect actual performance for the current year. This savings is expected to be ongoing and is built into the first pass of the FY25 budget.

The salaries and benefits improvement is largely related to staff turnover in both Vermont State University and Shared Services. Administrative and academic optimization efforts at Vermont State University are reflected in their first pass of the budget.

SYSTEM-WIDE PERFORMANCE EXCLUDING ONE-TIME ACTIVITIES

While the system’s forecasted net revenue for FY24 is \$7.3 million better than budget, when one-time activities are excluded, the system’s forecasted net revenue for FY24 is \$2.4 million.

	Vermont State Colleges System		
	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	167,089	160,646	6,443
TOTAL EXPENSES	179,266	180,104	838
NET REVENUES/(DEFICIT)	(12,177)	(19,458)	7,281
<i>NET EXCLUDING ONE-TIME</i>	<i>(17,023)</i>	<i>(19,458)</i>	<i>2,435</i>

While overall performance continues to be favorable, it is important to temper this good news by excluding activities that are not expected to persist into the following fiscal year as it shows there continues to be significant work necessary to achieve financial sustainability.

FIRST QUARTER METRICS

The FY24 budget is predicated on key values related to enrollment, room occupancy and employee wages. As part of the FY2024 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.

CCV’s full-paying equivalent enrollment for the current fiscal year is currently forecasted at 1.4% better than budget, with significantly stronger than budgeted out-of-state enrollment. Enrollment of Vermonters has remained strong at 1.4% better than budget due partially to the Vermont Tuition Advantage Program funded by the General Assembly.

Vermont State University’s net student revenue (tuition and fees plus room and board less scholarships) is currently estimated at 4.2% worse than budget while their full-paying equivalencies are 1.2% worse than budget. The larger difference in net student tuition as compared to full paying equivalency is due large to a shift in mix toward a greater proportion of in state students who are not living on one of the campuses of Vermont State University.

System-wide budget and forecast: 2nd Quarter FY24

	Vermont State Colleges System			Community College of Vermont			Vermont State University			Shared Services			Chancellor's Office		
	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)	Projected FY24	Budget FY24	Proj vs. Bud Fav / (Unfav)
REVENUES															
Tuition and Fees	84,714	83,735	979	22,288	22,000	288	62,427	61,735	692	-	-	-	-	-	-
State Appropriation	52,977	49,586	3,391	9,370	8,797	573	29,697	27,977	1,720	7,000	9,294	(2,294)	6,910	3,518	3,392
Room and Board	18,023	20,314	(2,291)	-	-	-	18,023	20,314	(2,291)	-	-	-	-	-	-
Sales and Services	5,889	4,549	1,340	2	1	1	5,887	4,548	1,339	-	-	-	-	-	-
Gifts	894	1,135	(241)	80	80	(0)	814	1,055	(241)	-	-	-	-	-	-
Other Revenue	3,143	1,327	1,816	183	183	-	511	1,144	(633)	-	-	-	2,449	-	2,449
<i>Other Revenue-one time</i>	<i>1,448</i>	<i>-</i>	<i>1,448</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1,448</i>	<i>-</i>	<i>1,448</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
TOTAL REVENUES	167,089	160,646	6,443	31,923	31,061	862	118,807	116,773	2,034	7,000	9,294	(2,294)	9,359	3,518	5,841
EXPENSES															
Salaries and Benefits	102,056	103,869	1,813	21,377	21,353	(24)	71,005	72,470	1,465	8,776	9,203	427	898	843	(55)
Retiree Medical Expenses	7,000	9,294	2,294	-	-	-	-	-	-	7,000	9,294	2,294	-	-	-
Services, Supplies, Travel	42,974	40,653	(2,321)	5,895	4,847	(1,048)	27,745	26,559	(1,186)	9,057	8,992	(65)	277	255	(22)
Scholarships	9,771	8,133	(1,638)	170	170	(0)	9,481	7,963	(1,518)	-	-	-	119	-	(119)
Utilities	8,142	8,603	461	352	352	(0)	7,778	8,221	443	10	10	-	1	20	19
Other Expenses	3,795	3,795	-	-	-	-	-	-	-	-	-	-	3,795	3,795	-
Debt Service	6,826	7,865	1,039	1,561	1,561	(0)	5,265	6,304	1,039	-	-	-	-	-	-
Shared Services	(94)	(1)	93	5,346	5,346	(0)	11,658	11,658	(0)	(17,099)	(17,005)	94	-	-	-
Chancellor's Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers	(3,604)	(4,507)	(903)	(2,205)	(2,569)	(364)	1,724	1,040	(684)	-	-	-	(3,124)	(2,978)	146
<i>Other Transfers-one time</i>	<i>(0)</i>	<i>-</i>	<i>0</i>	<i>(365)</i>	<i>-</i>	<i>365</i>	<i>(1,819)</i>	<i>-</i>	<i>1,819</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>2,184</i>	<i>-</i>	<i>(2,184)</i>
Strategic Initiatives (3%)	1,440	1,440	-	-	-	-	-	-	-	-	-	-	1,440	1,440	-
Economic Stabilization (2%)	960	960	-	-	-	-	-	-	-	-	-	-	960	960	-
TOTAL EXPENSES	179,266	180,104	838	32,133	31,060	(1,073)	132,838	134,215	1,377	7,744	10,494	2,750	6,551	4,335	(2,216)
NET REVENUES/(DEFICIT)	(12,177)	(19,458)	7,281	(211)	1	(212)	(14,031)	(17,442)	3,411	(744)	(1,200)	456	2,809	(817)	3,626
ONE-TIME FUNDS															
Carried Over Funds	211	9,135	-	211	-	-	-	-	-	-	-	-	-	9,135	-
Strategic Reserve	-	5,000	-	-	-	-	-	-	-	-	-	-	-	5,000	-
All Other	14,031	-	-	-	-	-	14,031	-	-	-	-	-	-	-	-
TOTAL ONE-TIME FUNDS	14,242	14,135	-	211	-	-	14,031	-	-	-	-	-	-	14,135	-
TOTAL OPERATING RESULT	2,065	(5,323)	7,281	0	1	(212)	-	(17,442)	3,411	(744)	(1,200)	456	2,809	13,318	3,626

System-wide metrics: 2nd Quarter FY24

	Community College of Vermont				Vermont State University				Vermont State Colleges			
	FY24 Budget	FY24Q2	Var \$	Var %	FY24 Budget	FY24Q2	Var \$	Var %	FY24 Budget	FY24Q2	Var \$	Var %
Student Revenue & Wages (\$millions)												
Net Student Revenue	\$ 21,830	\$ 22,118	\$ 288	1.3%	\$ 74,086	\$ 70,969	\$ (3,117)	-4.2%	\$ 95,916	\$ 93,087	\$ (2,829)	-2.9%
Annual Employee Wages	\$ 15,719	\$ 15,719	\$ -	0.0%	\$ 46,655	\$ 47,012	\$ 357	0.8%	\$ 62,374	\$ 62,732	\$ 357	0.6%
Full Paying Equivalent Enrollment												
Annual FPE	2,932	2,973	41	1.4%	4,141	4,092	(49)	-1.2%	7,073	7,065	(8)	-0.1%
FPE by Term												
Fall	2,560	2,596	36	1.4%	4,280	4,318	38	0.9%	6,840	6,914	74	1.1%
Spring	2,224	2,270	46	2.1%	4,002	3,955	(47)	-1.2%	6,226	6,225	(1)	0.0%
Other	1,080	1,104	24	2.2%	-	-	-	0.0%	1,080	1,104	24	2.2%
FPE by Value Stream												
Vermonters	2,783	2,819	36	1.3%	1,693	1,673	(20)	-1.2%	4,476	4,492	16	0.4%
Out-of-State	116	126	11	9.2%	859	849	(10)	-1.2%	975	975	1	0.1%
NEBHE & Good Neighbor	39	40	2	4.3%	200	198	(2)	-1.0%	239	238	(1)	-0.1%
Nursing & Allied Health	n/a				545	539	(6)	-1.1%	545	539	(6)	-0.01101
Online	n/a				291	288	(3)	-1.0%	291	288	(3)	-1.0%
Graduate												
Vermonters	n/a				207	205	(2)	-1.0%	207	205	(2)	-1.0%
Out-of-State	n/a				60	59	(1)	-1.7%	60	59	(1)	-1.7%
Room Occupancy												
Annual Occupancy	n/a				1,650	1,464	(186)	-11.3%	1,650	1,464	(186)	-11.3%
Occupancy by Term												
Fall	n/a				1,751	1,562	(189)	-10.8%	1,751	1,562	(189)	-10.8%
Spring	n/a				1,550	1,375	(175)	-11.3%	1,550	1,375	(175)	-11.3%
Other	n/a				0		-	0.0%	-	-	-	0

COMMUNITY COLLEGE OF VERMONT

CCV's FY24 Fall and Spring semester enrollment revenue was higher than budget due to the Vermont Tuition Advantage (VTA) program. Since we awarded the full \$4m in VTA funds in the Fall and Spring semesters, we expect CCV's Summer semester tuition and fees to be consistent with budget. Therefore, CCV is projecting a \$288k increase in tuition and fees revenue over the FY24 budget. The amount of CCV's state appropriation is also anticipated to come in \$573k higher than budget due to adjustments in retiree medical expenses. Together these two developments mean CCV is projecting a \$861k increase in revenue over budget.

This increase in revenue will be offset by anticipated increases in our ReUp fees, bad debt expense, and marketing costs associated with the launch of the Vermont Tuition Advantage program. These expense increases are projected to total \$772k. As noted in Q1, CCV planned to use \$300k in carryforward funds to support critical safety and security upgrades. All other FY24 expenses for CCV remain on track with budget.

While the first half of the fiscal year saw strong enrollment in CCV programs, we are closely monitoring a growing trend of unpaid student tuition bills. Between FY2018 and FY2023, CCV saw a 30% increase in the amount of unpaid tuition bills. This is a trend seen across the country and coincides with the cessation of COVID funds that provided tuition assistance and debt forgiveness. CCV has embarked on a comprehensive, College-wide process to address this issue.

While there are still uncertainties regarding how the College will close FY24, at the mid-point of the fiscal year we are projecting a slight decrease in the amount of carryforward needed from \$300k to \$211k due to the improved revenue projections described above.

Revenues:

Tuition and Fees: Overall total tuition and fees are projected to come in \$288k higher than BOT approved budget

State appropriation: is anticipated to be \$573k higher than budget due to a recalculation of the state appropriation that takes into consideration the retiree medical adjustment

Sales & Services/Gifts/Other Revenues: Projecting a slight increase (\$1k) in sales and services revenue

Expenses:

Salaries & Benefits: No change.

Service, Supplies & Travel: \$1 million over budget due to planned safety and security upgrades, ReUp fees, VTA advertising, and bad debt expense.

Scholarships & Fellowships: No change.

Other Transfers: No change.

VTSU’s bottom-line projection, at Q2, is significantly favorable to budget, primarily as a result of \$5.0M of one-time and unexpected activity. Budgeting a \$17.6M deficit, the University projects a \$14.0M deficit.

Student Revenue. VTSU’s FY24 net student revenue is projected \$3.0M below budget.

- Tuition revenue is projected slightly down from the 5% year-to-year decline budgeted.
 - Revenue variance to budget of 1.2%.
- Auxiliary revenue (room and board) is significantly down from the 4% year-to-year decline budgeted. VTSU is projecting revenue of \$18.0M against \$20.3M budgeted
 - Residential enrollment down significantly: 1,744 in Fall ’22; 1,485 in Fall ’23, a 15% year-to-year decline.
 - This follows an ongoing trend at our residential campuses. Overall, VTSU is down 36% in residential enrollment when compared to the last pre-pandemic year, Fall ’19. Furthermore, only half of VTSU’s capacity is currently in use.

Campus	19FA	20FA	21FA	22FA	23FA	Delta, 22FA - 23FA	Delta, 19FA - 23FA	Current Total Capacity*	% of capacity in use
Castleton	993	423	867	893	809	-9%	-19%	1,115	73%
Johnson	448	281	257	274	213	-22%	-52%	692	31%
Lyndon	397	272	302	315	229	-27%	-42%	666	34%
Randolph	426	108	232	224	193	-14%	-55%	562	34%
Williston	58	23	37	38	41	8%	-29%	50	82%
All	2,322	1,107	1,695	1,744	1,485	-15%	-36%	3,085	48%

*current total capacity includes buildings that are "offline", such as Senator's North at Johnson Campus.

- Scholarships are outpacing budget: expense is projected to exceed budget by 19%.
 - As part of VTSU’s tuition restructuring, scholarship expense was expected to decline 59% year-to-year; VTSU has only realized a 51% decline.
 - FY23 scholarship expense was \$19.5M; VTSU budgeted \$8.0M; current projections suggest expense closer to \$9.5M.
 - The likely contributing factor is a shift in student mix.

Operating Expense. VTSU’s FY24 operational expenses (not including scholarships, addressed above), are projected at \$2.8M lower than budget.

- Salary and benefit lines are projected at ~3% below budget. (~\$2.1M) This is attributable to a higher than budgeted vacancy rate. Many of these vacancies are required to maintain smooth operations. The University is struggling to recruit amongst an extremely tight labor market. All severance packages associated with the Fall Reduction in Force have been accounted for in this projection.
- Q2 projections incorporate ~\$1.0M in savings from the recent bond buy-back, shown on the Debt Service & Capital Support line.
- Of note, Q2 projections **DO NOT** incorporate the transfer offsets of \$2M included in VTSU’s Q1 projection. VTSU is no longer requesting this transfer and has reversed the transaction with the systems office. Originally it was anticipated this reserve would be needed in light of the Fall enrollment; however, given the unanticipated and highly unusual amount of one time funding the University has seen in FY24 these funds are not needed at this time. VTSU will continue to maintain these funds in a

reserve as intended by the Board to mitigate future enrollment variations. Given the delays of the FAFSA, the upcoming FY25 budget will be incredibly difficult to project enrollment with the delays in being able to award financial aid. These reserve funds will mitigate risk as we look to the FY25 budget build.

One Time and Unexpected Activity. VTSU’s Q2 projections include several sources of one-time activity, cumulatively reducing the projected deficit by \$5.0M.

- One time. Asset sales, \$1.4M, impacting the “sales and services line”. This 1.4 M is primarily composed of the sale of broadband rights to T-Mobile (\$1.2M) and the Lyndon / National Guard land transaction (\$0.3M).
- One time. Medical reserve return, \$1.8M, impacting the “other transfers” line.
- Unexpected. Retiree medical reserve adjustment, \$1.7M, impacting the “appropriations” line.

SHARED SERVICES

Excluding retiree medical expenses, the Shared Services budget is currently forecasted to end FY24 \$456 thousand better than budget. This improvement is due to two factors. First, is higher than expected turnover in Shared Services coupled with slower than predicted time to hiring and the second is the temporary hiring of an external resource (contractor) to serve as Libraries Director.

Revenues:

State Appropriation: The state appropriation budgeted for Shared Services is directed solely to coverage of retiree medical costs. With the adjustment to the retiree medical budget, this line has been reduced.

Expenses:

Retiree Medical Expenses: Reductions are being realized in this area and a favorable \$2.3M variance to budgeted is being projected and this will continue to be monitored for trends throughout the year.

Salaries & Benefits: As noted above, staff turnover and the Library Director position have reduced the current year forecast.

Supplies, Services & Travel: The adjustment to this budget is directly related to the Library Director position.

Shared Services: the transfer into the Shared Services budget is forecasted at \$94 thousand higher than budget due to Vermont State University’s repayment of outside legal contracts related to the sale of EBS licenses.

The Chancellor's Office budget holds the expenses for functions of the corporation. In terms of personnel, this budget includes the Chancellor, Director of External Relations & Government Affairs, Assistant to the Chancellor, and Chief Academic Officer for the system. The unit's functions include system oversight, strategic affairs, government relations, board support, and system-wide academic affairs.

The FY24 budget forecast current estimates a \$3.6 million improvement to budget due to improvements in revenue offset by modest increases in costs.

Revenues:

State Appropriations: Non-ARPA portion of the FY24 Bridge Funding was not budgeted and is therefore shown as a \$3.4 million improvement to budget.

Other Revenue: Unrealized investment income that has not been distributed to the institutions.

Expenses:

Other Transfers – One-Time: This activity includes the transfer and distribution of the budgeted but unexpended portion of the FY23 medical reserve to the institutions.

ITEM 3: 1st Pass Budget

FY25 FIRST PASS BUDGET

The budget target for FY25 is a deficit of \$10 million, excluding one-time spending related to the “step-in” for computer system replacement. The first pass of the FY25 budget is a deficit of \$12.2 million, divided roughly as a deficit of \$1 million for Community College of Vermont and \$11.2 million for Vermont State University. While the first pass budgets currently reflect a 22% gap from target, both institutions are taking direct action to tighten up their forecasts. Additionally, the Chancellor’s Office and Shared Services budgets are being actively explored for areas of further savings.

	Vermont State Colleges System		
	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0
TOTAL REVENUES	163,101	170,808	163,854
TOTAL EXPENSES	182,424	183,051	176,063
NET REVENUES/(DEFICIT)	(19,323)	(12,243)	(12,208)

The first pass budget is a \$7.1 million (FY24 budget \$19.3 million less FY25 first pass budget \$12.2 million) improvement from the FY24 budget, and is flat with the second quarter forecast. However, it is important to recall that the second quarter forecast includes one-time budget improvements, therefore the actual improvement can more accurately be considered \$4.8 million once the general fund bridge and sale of EBS licenses are excluded from the total.

FY25 FIRST PASS REVENUE

First pass revenue is forecasted at \$164 million or approximately 0.5% higher than the current fiscal year and approximately \$7 million less than the current year forecast.

	Vermont State Colleges System		
	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0
REVENUES			
Tuition and Fees	83,846	86,240	87,369
State Appropriation	50,014	53,405	49,999
Room and Board	20,314	18,023	19,375
Sales and Services	6,465	7,654	4,245
Gifts	1,135	895	1,174
Other Revenue	1,327	4,591	1,692
TOTAL REVENUES	163,101	170,808	163,854

Stronger than budgeted current year performance relative to enrollment coupled with current enrollment indicators predicting enrollment return for Vermont State University, pull up the tuition and fees line from both the current year budget and the second quarter forecast.

This improvement is offset by reduced state appropriation for next year due to the state’s transfer of general fund appropriation for approximately \$3.2 million in bridge funding in FY24. Additionally, room and board revenue for Vermont State University has been adjusted to reflect current year performance.

FY25 FIRST PASS EXPENSES

System-wide expenses are budgeted at approximately \$6.4 million lower than the current year budget and \$7 million lower than the second quarter forecast.

	Vermont State Colleges System		
	FY2024	FY2024	FY2025
	Budget	Forecast	Budget 1.0
EXPENSES			
Salaries and Benefits	105,781	104,593	98,535
Retiree Medical Expenses	9,294	7,000	7,700
Services, Supplies, Travel	40,992	43,654	40,586
Scholarships	8,133	9,770	9,130
Utilities	8,603	8,136	8,446
Other Expenses	3,795	3,795	3,608
Debt Service	7,865	6,826	8,054
Shared Services	(1)	(95)	(1)
Chancellor's Office	-	-	-
Other Transfers	(4,438)	(3,028)	(1,956)
Strategic Initiatives (3%)	1,440	1,440	980
Economic Stabilization (2%)	960	960	980
TOTAL EXPENSES	182,424	183,051	176,063

Community College of Vermont and Vermont State University have agreed to take on direct management and financial oversight of the VSC Libraries. Effective with FY25, the libraries budget will be moved from Shared Services to CCV and VTSU. This shift comes with a change in the distribution of expenses, with CCV taking on a smaller proportion of the cost for FY25 and VTSU picking up a greater proportion. This change reflects a memorandum of understanding between the institutions that distributes the costs in a way that is agreed to be fair and equitable to both parties.

Vermont State University is estimating a reduction in expenses, compared to the FY24 budget, of approximately \$2 million or 1.3% of its total expense budget. This total, driven largely in the category of salaries and benefits, is directly attributable to the University’s optimization efforts this this year. Their current budget proposal is essentially level with the second quarter forecast.

Community College of Vermont is estimating a \$1.6 million increase to its FY24 expense budget, a 5.4% increase in budgeted cost. The increase is approximately \$600 thousand higher than the second quarter forecast. The increases are driven largely by salaries and benefits (personnel) and a budgeted increase in debt service. A portion of the salary and benefits increase is due to resumption of library personnel by CCV and VTSU.

The Shared Services and Chancellor’s Office budgets, shared with Finance and Facilities on December 11, 2023, remain unchanged with the exception of the movement of library expenses from Shared Services to Community College of Vermont and Vermont State University.

FY25 First Pass Budget

	Vermont State Colleges System			Community College of Vermont			Vermont State University			Shared Services			Chancellor's Office		
	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0
EVENTUES															
Tuition and Fees	83,846	86,240	87,369	22,000	22,288	21,899	61,735	62,427	65,470	-	-	-	-	-	-
State Appropriation	50,014	53,405	49,999	8,797	9,370	9,630	27,977	29,697	29,490	9,294	7,000	7,700	3,518	6,910	3,179
Room and Board	20,314	18,023	19,375	-	-	-	20,314	18,023	19,375	-	-	-	-	-	-
Sales and Services	6,465	7,654	4,245	1	2	1	4,548	5,886	4,244	-	-	-	-	-	-
Gifts	1,135	895	1,174	80	80	80	1,055	814	1,094	-	-	-	-	-	-
Other Revenue	1,327	4,591	1,692	183	183	183	1,144	1,959	1,509	-	-	-	-	2,449	-
OTAL REVENUES	163,101	170,808	163,854	31,061	31,923	31,793	116,773	118,806	121,183	9,294	7,000	7,700	3,518	9,359	3,179
XPENSES															
Salaries and Benefits	105,781	104,593	98,535	21,353	21,377	22,223	72,470	71,005	68,202	9,203	8,776	7,317	843	898	793
Retiree Medical Expenses	9,294	7,000	7,700	-	-	-	-	-	-	9,294	7,000	7,700	-	-	-
Services, Supplies, Travel	40,992	43,654	40,586	4,848	5,895	5,257	26,559	27,744	27,616	8,992	9,057	7,288	255	277	425
Scholarships	8,133	9,770	9,130	170	170	130	7,963	9,481	9,000	-	-	-	-	119	-
Utilities	8,603	8,136	8,446	352	352	321	8,221	7,778	8,113	10	5	10	20	1	2
Other Expenses	3,795	3,795	3,608	-	-	-	-	-	-	-	-	-	3,795	3,795	3,608
Debt Service	7,865	6,826	8,054	1,561	1,561	1,694	6,304	5,265	6,360	-	-	-	-	-	-
Shared Services	(1)	(95)	(1)	5,346	5,346	4,461	11,658	11,658	10,154	(17,005)	(17,099)	(14,615)	-	-	-
Chancellor's Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers	(4,438)	(3,028)	(1,956)	(2,569)	(2,570)	(1,334)	1,040	(95)	2,986	-	-	-	(2,978)	(940)	(3,608)
Strategic Initiatives (3%)	1,440	1,440	980	-	-	-	-	-	-	-	-	-	1,440	1,440	980
Economic Stabilization (2%)	960	960	980	-	-	-	-	-	-	-	-	-	960	960	980
OTAL EXPENSES	182,424	183,051	176,063	31,061	32,131	32,752	134,215	132,836	132,431	10,494	7,739	7,700	4,335	6,550	3,180
ET REVENUES/(DEFICIT)	(19,323)	(12,243)	(12,208)	-	(208)	(959)	(17,442)	(14,030)	(11,248)	(1,200)	(739)	-	(817)	2,809	(1)

FY2025 STATE APPROPRIATION ALLOCATION

As a reminder, FY25 is the second year of the new State Appropriation Allocation methodology. As discussed earlier in these materials, management proposes several modest adjustments to the formula to better reflect the intent of the appropriation distribution. The following calculation assumes the recommendations will be adopted. Should this not be the case, the calculation will be revised.

The state general fund allocation is a two-part calculation. First, the amount of general fund to be allocated is calculated. This is done by taking the total allocation to the Vermont State Colleges and deducting all of the following:

1. Legal Obligations
 - a. Special purpose appropriations such as Allied Health, VMEC, CCV Vermont Tuition Advantage, and other similar programs
 - b. Extraordinary and one-time funding not named to a specific purpose (i.e. bridge funding)
 - c. Retiree medical cost
2. Economic Sustainability and Strategic Initiatives
 - a. 2% for strategic initiatives as established by the Chancellor
 - b. 2% to create an economic stabilization fund
3. Corporate Functions
 - a. Chancellor and staff
 - b. Board Support
 - c. External Affairs/Government Relations

These deductions are necessary to guarantee the Vermont State Colleges meets its legal obligations, has the resources necessary to lead the corporation, and provides the funds necessary for a sustainable future.

The second step is to distribute the remaining funds, after deduction of the above items. The proportion of funding for each institution is based on their proportional share of academic and administrative need using a five-year look back. The academic and administrative need of each institution is calculated as follows:

1. Total Student Revenues: tuition, fees, room, and board; minus
2. Gross Unrestricted Expenses: all expenses excluding athletics, development, camps and conferences

By including only student revenue and expenses related to running the academic and administrative portions of the operations the calculation therefore focuses solely on the core functions of each institution. The calculation for FY2025 is listed on the next page.

	FY25 Pass 1	FY24 Budget
Allocated General Funds	65,585	49,086
a. Allocations named to a specific purpose	(1,586)	(1,586)
b. Extraordinary & one-time funding not named to a specific purpose	(15,000)	-
General Fund less Special Purpose and Extraordinary	49,000	47,500
c. Strategic Initiatives (2% of General Fund less a and b)	(980)	(1,425)
d. Economic Stabilization (2% of General Fund less a and b)	(980)	(950)
e. Estimated Retiree Medical Insurance	(7,700)	(9,294)
f. Corporate Functions	(1,219)	(1,118)
Deductions before Distribution	(10,879)	(12,788)
Balance to Allocate	38,121	34,712

As shown above, the total amount of state general fund appropriation to allocate for FY2025 is \$38.121M. This amount is \$3.409M higher than the budget for FY2024. This increase in available funds is due to three primary reasons, the first is a budgeted increase of 3% in the state general fund appropriation consistent with the Governor’s budget instructions, the second is the reduction from 3% to 2% for the strategic initiatives fund, and the third is a restatement of retiree medical insurance to better reflect current year actual performance.

Below is the updated distribution of state appropriation, using the available balance for FY2025. As shown here, Community College of Vermont will see a \$969K increase in its state appropriation, or 11.19%, and Vermont State University will see an increase of \$2.44M or 9.36%.

	FY25 Pass 1		FY24 Budget	
	CCV	VTSU	CCV	VTSU
5 Year Avg Academic & Administrative Need	\$ 5,917	\$ 17,506	\$ 5,202	\$ 15,646
Proportion of Total Need	25.26%	74.74%	24.95%	75.05%
FY25/FY24 Allocation	\$ 9,630	\$ 28,490	\$ 8,661	\$ 26,051
Year over Year \$ Change in Appropriation	\$ 969	\$ 2,440		
Year over Year % Change in Appropriation	11.19%	9.36%		

COMMUNITY COLLEGE OF VERMONT

FY25 Budget, Pass 1.0

The first pass of CCV's FY2025 budget illustrates many of the challenges forecasted in the FY2024 final budget narrative. While recent changes to Policy 403A direct more of the appropriation to the institutions, CCV is expected to receive just 21% of the total appropriation in FY25, despite serving 55% of the students in the VSC. Working with the Office of the Chancellor and the Shared Services team, we were able to identify some modest savings in the Shared Services budget line, but the expenses of this model continue to put significant pressure on CCV's operating budget. **For FY25, CCV's Pass 1.0 Budget projects a budget deficit of \$959k.**

CCV's tuition is twice the national average for two-year public colleges¹. The Vermont Tuition Advantage Program and philanthropic initiatives designed to make CCV a more affordable institution have prevented substantial enrollment drops at CCV, as our peer institutions have experienced. But these initiatives are short-term and unpredictable. As a key access point to the VSC system, we believe we should be taking all measures necessary to increase the affordability of Vermont's only community college. Therefore, this budget does not propose any tuition and fees increases.

With a staff to FTE student ratio of 1:41, reducing staff positions to close this budget gap would have a substantial impact on operations and our ability to serve students. One potential area to achieve ongoing operational savings is through continued reduction in our physical footprint, which we do on an annual basis and as leases come up for renewal. In FY24 we substantially reduced our leased square footage in Morrisville and St. Johnsbury. We are in the process of identifying additional sites where we might continue to reduce our physical footprint in FY25.

Revenue Assumptions:

- 5% reduction in enrollment and corresponding tuition and fees
- 21% of base appropriation to VSC (assumes 3% increase to the base amount)
- No increase in tuition

Expense Assumptions:

- 4% increase in staff wages, 7% increase in health insurance
- Faculty wage increases as negotiated
- Other assumptions as indicated by OC

VERMONT STATE UNIVERSITY

FY25 Budget, Pass 1.0

The University's first pass budget contemplates a \$11.2M deficit during FY2025. This deficit will be funded through current year and prior year state-provided bridge funding, and follows VTSU's multi-year plan to financial sustainability, which began with the FY2023 budgetary deficit of \$22.7M, and, if implemented, will continue with deficit targets of \$6.2M and \$0.0M in Fiscal Years 2026 and 2027 respectively.

The two largest variables in this budget—as in any Vermont State University budget—are Student Revenue and Salary and Wages, which comprise 75% of our unrestricted revenue and 55% of our unrestricted expense respectively. In FY2025, as in past years, tuition rate increases have failed to keep up with anticipated wage and health care increases, representing the single most consistent challenge to achieving long-term balance & sustainability. In other words, under the pressure of out-of-sync inflationary factors, significant budgetary action is required each year to avoid losing ground.

Regarding Student Revenue, and its leading indicator Enrollment, as of January 31st it is still too early in the recruitment funnel to have solid predictive data regarding our incoming class next fall. However, our funnel reports suggest the possibility of solid gains, with current reports indicating double-digit rebounds in applications & acceptances. This first pass budget contemplates a successful conversion of these early indicators, with a strong incoming class leading the way to a 3.9% aggregate increase in FTE enrollment. We plan to monitor the admissions funnel closely throughout the recruitment cycle, recalculating our enrollment projections bi-weekly between now and fall add-drop period, and reacting to new information accordingly.

Regarding Salary and Wages, the University's first pass budget assumes that overall staffing level remains substantively unchanged after implementing the substantial changes of last fall's "Optimization 2.0" initiative, which resulted in savings from faculty and staff reductions.

Other aspects of this budget are, where not otherwise noted, largely a pro forma exercise, rolling forward existing expenses and revenues at likely inflationary rates. Below, please find some key assumptions & inflationary rates.

Student Revenue Assumptions:

- 3.9% rebound in overall enrollment
- 3.5% increase in tuition & fee rates as approved by the Board on January 22nd
- incoming class discounted at lower rate than graduating class, consistent with our approved financial aid and scholarship strategy

Other Revenue Assumptions:

- base appropriation as discussed at the December Finance and Facilities meeting and aligned with the Governor's proposed Gov Rec FY25 budget.
- sales & services increasing according to general inflation (*see expense assumptions)
- 3y average in gift revenue and other operating revenue
- no investment income

Expense Assumptions:

- Workforce levels as set following the "Optimization 2.0" buy-outs
- Inflationary increases associated related to faculty and staff wages to be finalized as part of our Collective Bargaining Negotiations taking place this spring.
- Inflationary increase associated with the health insurance rates.

- 3% general inflation (based on 3y CPI compound avg.)
- 4.3% fuel inflation (based on 3y CPI compound avg.)

Over the coming months VTSU will further refine its revenue and expense projections based on available data and internal prioritization of funding needs from its respective divisions. Pass 2 will incorporate refined details on expenses and further refine our projections of the Fall 2024 incoming class.

ITEM 4: ERP Assessment Update

ERP ASSESSMENT UPDATE

As previously announced as part of an update shared at the Board meeting on November 13, 2023, the Vermont State Colleges (VSC) is partnering with the enterprise systems consultant, Ferrilli, to assess the VSC Enterprise Resources Planning (ERP) system, Ellucian Colleague, and create a roadmap to future sustainability. The assessment will look at our whole ERP environment *and* include a review of software systems connected to our ERP. This assessment is not a commitment to change or move away from our ERP system but an investigation of our current state and today's technology marketplace to understand the opportunities we must position ourselves for the future. We have drafted answers to some frequently asked questions, and you can find those on our VSC transformation website at <https://transformation.vsc.edu/administrative-operations/erp-assessment-faq/>

The first phase of the ERP Assessment has been completed, with close to 40 interviews completed with institutional leaders and key functional stakeholders as part of our current state assessment. We appreciate the responses so far from over 50 individuals and welcome more if you have them: kcampbell@vsc.edu.

We are currently in phase 2 of the effort, focused on a full market analysis. This phase is inclusive of gathering insights into how ERP systems in the market might be able to address our identified limitations *and* align with our documented priorities outlined in phase 1. This assessment will consider the requirements of both CCV and VTSU in addition to the broader system requirements. Looking ahead in the timeline, Ferrilli will deliver the Assessment Report, including market analysis and recommended roadmap, in early April.

As shared at the November 13 Board meeting, an approved resolution and governance model for reviewing the assessment report in the spring is being advanced. We will be working with both VTSU and CCV to ensure the executive steering committee is organized. This governance structure will be used as we make decisions on how to implement Ferrilli's recommendations concerning the future ERP roadmap and you can find a high-level overview of the governance structure on the transformation website as well. We will continue to provide updates to the Board at the Finance and Facilities meeting.