

MEMORANDUM

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

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

DATE: April 2, 2024

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

The Finance and Facilities Committee of the VSC Board of Trustees meets Friday, April 5, 2024. The meeting is scheduled to begin at 1:00 p.m. and will be held via Zoom at www.vsc.edu/botzoom.

The 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 and approval of the **Sophie Zdatny Endowment**. You will find the endowment request and purpose in your materials as **ITEM 2**.
3. Review of the **second pass of the FY25 budget**. This is the second 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 \$10.5 million, approximately \$500 thousand 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**. Dr. Campbell will discuss the recommendation put forth by the Executive Steering Committee and Stakeholders, which is in the materials as **ITEM 5**.

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

April 5, 2024 at 1:00 p.m.

AGENDA

1. Call to Order
2. Public Comment – signup for public comment at www.vsc.edu/signup²
3. Review and approval: *February 12, 2024 minutes*
4. Review and approval: *Sophie Zdatny Scholarship Endowment*
5. Review: *Second Pass Budget*
6. Review: *ERP Assessment Project - Recommendations from Steering Committee/Stakeholders*
7. Other Business
8. 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, February 12, 2024
- ITEM 2:** Sophie Zdatny Scholarship Endowment
- ITEM 3:** 2nd Pass System-Wide Budget
- ITEM 4:** Enterprise Resource Planning Steering/Executive Committee Recommendation

ITEM 1: Minutes of February 12, 2024

**Minutes of the VSCS Board of Trustees Finance and Facilities Committee meeting held
Monday, February 12, 2024 at 2:00 p.m. via Zoom – UNAPPROVED**

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on Monday, February 12, 2024 via Zoom.

Committee members present: David Silverman (Chair), Lynn Dickinson, David Durfee, Bill Lippert, Sue Zeller

Absent: Bob Flint, Shawn Tester

Other Trustees: Karen Luneau (2:16 p.m.)

Presidents: David Bergh, Joyce Judy

Chancellor's Office Staff: Beth Mauch, Chancellor
Jen Porrier, Administrative Director
Drake Turner, Director of Governmental & External Affairs

Shared Services: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Sarah Chambers, Director, Learning Technologies
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, VTSU
Kelley Beckwith, Vice President, Student Success, VTSU
Barb Flathers, Executive Assistant to the President, VTSU
Nicole Mace, Dean of Administration, CCV
Sarah Truckle, Vice President of Business Operations, VTSU
Littleton Tyler, Assistant Vice President, Finance & Compliance, VTSU
Beth Walsh, President, VSCUP, VTSU

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

Beth Walsh expressed her appreciation for the hiring of Assistant Vice President of People and Culture at VTSU, Gina Kelley, and looks forward to her assistance in supervisor training.

3. Approve December 11, 2023 Meeting Minutes

Trustee Zeller moved and Trustee Durfee seconded the motion to approve the December 11, 2023 minutes. The motion was approved with one abstention.

4. Review: *Second quarter financial results and forecast*

Chair Silverman noted that VSC performance system-wide is forecasted to be approximately \$7 million better than budget. While more than \$3.5 million of this improvement is due to extra budgetary sources, this is favorable news. Chief Financial and Operating Officer Sharron Scott shared positive 2nd quarter forecast numbers - \$7.3 million better than budget - due to one-time factors such as the sale of Educational Broadband Service licenses, receipt of bridge funds, and unexpectedly improved performance on unrestricted investment income. Revenues are \$6.4 million better than budget and expenses forecast is \$838,000 better than budget. Further information can be found [here](#) on pages 12-20.

5. Review: *First pass budget*

Chair Silverman shared this first look at the FY25 system-wide budget, found [here](#) on pages 22-29. The first pass of the budget has improved by nearly \$6 million from the FY24 budget. Detailed narratives for CCV can be found on page 27 and for VTSU on page 28. CFOO Scott shared details on the first pass budget overview, including the fact that revenues are forecasted consistent with the budget and expenses are forecasted \$6 million lower than current year budget and forecast.

6. Review: *ERP assessment*

Chair Silverman introduced the Enterprise Resource Planning (ERP) Assessment project as a critical transformation related activity for the VSC. This is a regularly scheduled update for the committee. VSC Chief Information Office Kellie Campbell shared further information regarding the project, including that there are four phases to the project. The first phase has been completed – interviewing over 40 stakeholders across the system, in leadership and functional positions as well as general survey respondents. Phase 2 includes stepping back and observing the market based on the requirements from the system perspective to determine what might be

appropriate for the VSC. The report from phase 2 should be available in late March and will be presented at the April 15 Board meeting.

7. Other Business

Chancellor Mauch recognized this as Trustee Lippert's final Board of Trustees meeting and thanked him for his service. Trustee Dickinson echoed the sentiment and highlighted the great work Trustee Lippert has done both on this Board and in the legislature. Trustee Lippert shared some positive experiences and thoughts from his time on the Board and wished the VSC well.

8. Executive Session to discuss real estate

At 3:03 p.m. Trustee Zeller moved that the Board of Trustees enter executive session, pursuant to 1 V.S.A. § 313(a)(2) to consider the negotiating or securing of real estate purchase or lease options. Along with the members of the Board present at this meeting, in its discretion, the Board invited the Chancellor, the Chief Financial and Operating Officer, the Interim President of Vermont State University, and the Vice President of Business Operations at VTSU. Trustee Dickinson seconded the motion, and it was approved unanimously.

The committee exited executive session at 4:50 and took no action.

Chair Silverman adjourned the meeting at 4:50 p.m.

ITEM 2: Sophie Zdatny Scholarship Endowment



MEMORANDUM

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

FROM: Lynn Dickinson, Board Chair

DATE: April 3, 2024

SUBJECT: Endowment Scholarship for Sophie Zdatny

It is with great pleasure that I put forward a request to fund an endowment in the name of Sophie Zdatny, former Chancellor of the Vermont State Colleges. Sophie served as Chancellor of the VSC from 2020 to 2023 leading through a time of tremendous turmoil and change. With its very existence as the higher education backbone of Vermont on the line, throughout her tenure Sophie was a stalwart champion of the system's students, faculty, and staff. She worked tirelessly to forge a sustainable path forward that preserved the critical access and affordability mission of VSCS for our students, in service to our state.

To do this required her to lead the system through unparalleled but unavoidable change with compassion and resolve. Throughout the process, Sophie stayed true to her belief in the value of public higher education and the importance of keeping students at the center of the work, challenging others to build an educational experience that serves their needs now and more importantly into the future.

To honor this commitment, the Board of Trustees, colleagues, partners, and friends have created a scholarship in her name. As designed, this scholarship is a direct testament to Sophie's commitment to Vermont, Vermonters and the value of a public higher education. To that end, this scholarship will promote and support students taking advantage of transfer pathways between Community College of Vermont and Vermont State University.

Eligible students will receive a scholarship in their last term at CCV and in their first year at VTSU. The goal is to support student affordability and accessibility taking advantage of the high value transfer pathways between our two colleges.

The initial funding value of this scholarship is \$35,809.72. Pledge donations in the amount of \$11,040.28 are anticipated over the next three years. Additional donations will be sought to expand this valuable scholarship in the coming months. I am therefore requesting that this scholarship be endowed by the Board of Trustees.

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

VERMONT STATE COLLEGES

(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)

SOPHIE ZDATNY SCHOLARSHIP ENDOWMENT

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

Vermont State Colleges Board of Trustees Members, colleagues, and friends of Chancellor Zdatny

3) Purpose of endowment: (Attach supporting Documentation)

To promote and support students utilizing transfer pathways between Community College of Vermont and Vermont State University.

4) Proper accounting fund:

Regular Endowment

Term Endowment

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

67015

6a) Date Endowment Reach Endowment Status:

DECEMBER 2023

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

Report annually to Sophie Zdatny the recipients

8a) Funding amount:

**\$35,809.72 in current donations
\$11,040.28 in pledged donations**

8b) One-time - OR

Ongoing funding (indicate timeframe:)

Pledged donations anticipated between 2024 and 2026

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

Yes

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

Allowed

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

VERMONT STATE COLLEGES

(College Name)

SOPHIE ZDATNY SCHOLARSHIP ENDOWMENT

10) If investment proceeds generated, indicate intended disposition:

- Per Board Approved Spending Procedure
- Fully expend for program as prescribed
- Increase principal for inflation and expend remainder
- All Investment earnings added for ____ years before expending for endowment purposes begins
- Other (describe:)

11) President:

/s Eileen "Lynn" Dickinson
Chair Board of Trustees

12) Date to Ch's Ofc:

13) Date Board Approved:

Version 4/17/2008

ITEM 3: 2nd Pass Budget

FY25 SECOND 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 second pass of the FY25 budget is a deficit of \$10.5 million, divided roughly as a deficit of \$500 thousand for Community College of Vermont and \$10 million for Vermont State University. While the second pass budgets currently reflect a 5% 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.

	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0
TOTAL REVENUES	160,646	167,088	163,854	159,616
TOTAL EXPENSES	180,105	179,263	176,063	170,114
NET REVENUES/(DEFICIT)	(19,459)	(12,176)	(12,208)	(10,498)

The second pass budget is a \$9 million improvement from the FY24 budget, and is a \$1.7M improvement from the second quarter forecast.

FY25 SECOND PASS REVENUE

Second pass revenue is forecasted at \$159.6 million or approximately \$1 million less than the current year budget, \$6.5 million less than the second quarter forecast, and \$4 million less than the first pass budget.

	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0
REVENUES				
Tuition and Fees	83,735	84,715	87,369	85,288
State Appropriation	49,586	52,977	49,999	50,774
Room and Board	20,314	18,023	19,375	19,011
Sales and Services	4,549	5,888	4,245	2,770
Gifts	1,135	894	1,174	1,175
Other Revenue	1,327	3,143	1,692	598
TOTAL REVENUES	160,646	167,088	163,854	159,616

Since the first pass of the budget, Vermont State University took the opportunity to rebuild its forecast from the bottom-up, evaluating each line of its budget. This allowed the University to refine both its revenues and expenses to values that are both realistic and conservative. For example, while the University continues to see strong enrollment indicators, it has downgraded its forecast as a hedge against unpredictable performance. Additionally, their State Appropriation was updated to reflect an adjustment to the Allied Health Global Commitment Funding approved via the budget adjustment act this winter.

Two additional numbers – sales and services and other revenues were also adjusted. At the first pass, sales and services represented a roll-forward of FY24 projections across the board at a 3% inflationary factor. With this second pass at the budget, “sales and services” have been adjusted to reflect a change in the recording of contractual revenue related to Kingdom County Productions to tuition. This along with a more conservative forecasting approach for conference and events revenue, accounts for the change on this line. Lastly, the “other revenue” line was recalculated using a three-year average of actual experience resulting in a downgrading of

this category to remove sales of college property. The result is a more conservative approach to revenue estimates.

FY25 SECOND PASS EXPENSES

For the second pass of the budget, system-wide expenses are budgeted at approximately \$10 million lower than the current year budget and \$9.2 million lower than the second quarter forecast. The change in expenses is a \$6 million improvement from the first pass of the budget.

	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0
EXPENSES				
Salaries and Benefits	103,869	102,056	98,535	98,626
Retiree Medical Expenses	9,294	7,000	7,700	7,700
Services, Supplies, Travel	40,654	42,973	40,586	36,994
Scholarships	8,133	9,770	9,130	9,501
Utilities	8,603	8,141	8,446	8,455
Other Expenses	3,795	3,795	3,608	3,608
Debt Service	7,865	6,826	8,054	8,445
Shared Services	(1)	(95)	(1)	(0)
Chancellor's Office	-	-	-	-
Other Transfers	(4,507)	(481)	(1,956)	(5,175)
<i>Other Transfers-one time</i>	-	(2,184)	-	-
Strategic Initiatives (3%)	1,440	1,440	980	980
Economic Stabilization (2%)	960	960	980	980
TOTAL EXPENSES	180,105	179,263	176,063	170,114

As noted with the first pass of the budget, 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.

With the second pass of the budget, Vermont State University has made significant adjustments to its supplies, services, and travel line along with adjustments for other transfers. They continue to forecast favorable budgetary improvements relative to salaries and benefits related to the its optimization efforts.

The Shared Services and Chancellor's Office budgets, shared with Finance and Facilities on December 11, 2023, remain unchanged from the first pass budget. However, a modest improvement in expenses will be incorporated with the third and final pass of the budget.

FY25 Second pass Budget

Vermont State Colleges System				
	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0
REVENUES				
Tuition and Fees	83,735	84,715	87,369	85,288
State Appropriation	49,586	52,977	49,999	50,774
Room and Board	20,314	18,023	19,375	19,011
Sales and Services	4,549	5,888	4,245	2,770
Gifts	1,135	894	1,174	1,175
Other Revenue	1,327	3,143	1,692	598
TOTAL REVENUES	160,646	167,088	163,854	159,616
EXPENSES				
Salaries and Benefits	103,869	102,056	98,535	98,626
Retiree Medical Expenses	9,294	7,000	7,700	7,700
Services, Supplies, Travel	40,654	42,973	40,586	36,994
Scholarships	8,133	9,770	9,130	9,501
Utilities	8,603	8,141	8,446	8,455
Other Expenses	3,795	3,795	3,608	3,608
Debt Service	7,865	6,826	8,054	8,445
Shared Services	(1)	(95)	(1)	(0)
Chancellor's Office	-	-	-	-
Other Transfers	(4,507)	(481)	(1,956)	(5,175)
<i>Other Transfers-one time</i>	-	(2,184)	-	-
Strategic Initiatives (3%)	1,440	1,440	980	980
Economic Stabilization (2%)	960	960	980	980
TOTAL EXPENSES	180,105	179,263	176,063	170,114
	-	-	-	-
NET REVENUES/(DEFICIT)	(19,459)	(12,176)	(12,208)	(10,498)

FY25 Second pass Budget

	Community College of Vermont				Vermont State University			
	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0
REVENUES								
Tuition and Fees	22,000	22,288	21,899	21,899	61,735	62,427	65,470	63,389
State Appropriation	8,797	9,370	9,630	9,630	27,977	29,697	29,490	30,265
Room and Board	-	-	-	-	20,314	18,023	19,375	19,011
Sales and Services	1	2	1	1	4,548	5,886	4,244	2,769
Gifts	80	80	80	80	1,055	814	1,094	1,095
Other Revenue	183	183	183	199	1,144	511	1,509	399
TOTAL REVENUES	31,061	31,923	31,793	31,809	116,773	118,806	121,183	116,928
EXPENSES								
Salaries and Benefits	21,353	21,377	22,223	21,896	72,470	71,005	68,202	68,620
Retiree Medical Expenses	-	-	-	-	-	-	-	-
Services, Supplies, Travel	4,848	5,895	5,257	5,111	26,559	27,744	27,616	24,170
Scholarships	170	170	130	130	7,963	9,481	9,000	9,371
Utilities	352	352	321	321	8,221	7,778	8,113	8,122
Other Expenses	-	-	-	-	-	-	-	-
Debt Service	1,561	1,561	1,694	1,694	6,304	5,265	6,360	6,751
Shared Services	5,346	5,346	4,461	4,461	11,658	11,658	10,154	10,154
Chancellor's Office	-	-	-	-	-	-	-	-
Other Transfers	(2,569)	(2,205)	(1,334)	(1,304)	1,040	1,724	2,986	(263)
<i>Other Transfers-one time</i>	-	(365)	-	-	-	(1,819)	-	-
Strategic Initiatives (3%)	-	-	-	-	-	-	-	-
Economic Stabilization (2%)	-	-	-	-	-	-	-	-
TOTAL EXPENSES	31,061	32,133	32,752	32,309	134,215	132,836	132,431	126,925
NET REVENUES/(DEFICIT)	-	(211)	(959)	(500)	(17,442)	(14,030)	(11,248)	(9,997)

FY25 Second pass Budget

	Shared Services				Chancellor's Office			
	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0	FY2024 Budget	FY2024 Forecast	FY2025 Budget 1.0	FY2025 Budget 2.0
REVENUES								
Tuition and Fees	-	-	-	-	-	-	-	-
State Appropriation	9,294	7,000	7,700	7,700	3,518	6,910	3,179	3,179
Room and Board	-	-	-	-	-	-	-	-
Sales and Services	-	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	2,449	-	-
TOTAL REVENUES	9,294	7,000	7,700	7,700	3,518	9,359	3,179	3,179
EXPENSES								
Salaries and Benefits	9,203	8,776	7,317	7,317	843	898	793	793
Retiree Medical Expenses	9,294	7,000	7,700	7,700	-	-	-	-
Services, Supplies, Travel	8,992	9,057	7,288	7,288	255	277	425	425
Scholarships	-	-	-	-	-	119	-	-
Utilities	10	10	10	10	20	1	2	2
Other Expenses	-	-	-	-	3,795	3,795	3,608	3,608
Debt Service	-	-	-	-	-	-	-	-
Shared Services	(17,005)	(17,099)	(14,615)	(14,615)	-	-	-	-
Chancellor's Office	-	-	-	-	-	-	-	-
Other Transfers	-	-	-	-	(2,978)	(3,124)	(3,608)	(3,608)
<i>Other Transfers-one time</i>	-	-	-	-	-	-	-	-
Strategic Initiatives (3%)	-	-	-	-	1,440	1,440	980	980
Economic Stabilization (2%)	-	-	-	-	960	960	980	980
TOTAL EXPENSES	10,494	7,744	7,700	7,700	4,335	6,550	3,180	3,180
NET REVENUES/(DEFICIT)	(1,200)	(744)	-	-	(817)	2,809	(1)	(1)

FY2025 STATE APPROPRIATION ALLOCATION

As a reminder, FY25 is the second year of the new State Appropriation Allocation methodology.

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.

An additional adjustment to the State Appropriation, related to further refinement of the retiree medical obligation and corporate expenses is anticipated. The net effect of these changes are expected to positive impact CCV's budget by approximately \$135 thousand and VTSU's by approximately \$450 thousand. The final numbers will be presented in May.

	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 2.0

CCV's FY25 Pass 2.0 Budget projects a deficit of \$500k, an improvement from the Pass 1.0 budget deficit of \$959k. CCV maintains a 5% decrease in enrollment from FY23 actuals due to the change in Vermont demographics and the uncertainty of the Vermont Tuition Advantage.

While recent changes to Policy 403A direct more of the appropriation to the institutions, CCV is expected to receive 21% of the total appropriation in FY25, while serving 55% of the students in the VSC. Absorbing additional costs through shared services continues to place pressure on CCV's budget, creating a structural deficit for the college.

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.

The following changes were made to narrow the budget deficit between Pass 1 & 2.
Expense Reductions:

- Decrease in salaries and benefits to reflect five-year actual class size average
- Decrease in lease expenses due to adjustments in physical footprint as leases are up for renewal in FY25

VERMONT STATE UNIVERSITY

FY25 Budget, Pass 2.0

The University's second pass budget contemplates a \$10.0M 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 \$5.0M 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.

Student Revenue Assumptions:

- As of First Pass, VTSU assumed a 3.9% rebound in overall enrollment. While preliminary funnel data continues to look very promising, VTSU has created a \$2M contingency in the Second Pass tuition revenue target to account for allow for flexibility if the funnel does not convert as expected.
- 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. The First Pass estimate of \$9.0M in scholarship expense has been increased to \$9.4M, in accordance with our latest analysis.

Other Revenue Assumptions:

- Base appropriation as discussed at the December Finance and Facilities meeting and aligned with the Governor's recommendation for FY25.
- Retiree medical expense decreased by \$0.8M, in accordance with the latest calculations from the Chancellor's Office.
- Sales & services revenue 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 position-by-position based on anticipated staffing for FY2025.
- A 2% overall vacancy rate has been assumed.
- Inflationary increases associated related to faculty and staff wages to be finalized as part of our Collective Bargaining Negotiations taking place this spring.
- 0% supplies, services, & travel inflation target. (Level budgeted.) Operational budgets will be set with the expectation of level expense.
- 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.

The following changes were made to narrow the budget deficit between Pass 1 & 2.

- Increased appropriation target, reflecting \$0.7M new Allied Health Funding.
- Savings from open positions: planning on a 2% vacancy rate.
- Substantial reductions in Supplies & Services expense
 - Budgets “level funded”: reduction of inflationary factor from 3% to 0%
 - Recalculation of anticipated Sodexo cost based on FY2024 experience and anticipated FY2025 enrollment levels
 - Pullback on Travel and Equipment expenses in alignment with experience and to support our budgetary target.

**ITEM 4: ERP Steering Committee/
Stakeholder Recommendations**

Recommendation:

The Enterprise Resource Planning (ERP) Assessment Steering Committee (Committee) recommends moving forward with a new ERP solution recognizing that the current solutions are not meeting the VSC's system and institutional needs). The ERP Assessment reports from our partner Ferrilli highlighted many of the specific challenges our functional areas across the VSC face with manual entry, workflow, and customizations because Colleague was not designed for multi-institution systems. Given an upcoming requirement to move from on-premise Colleague to the cloud, doing nothing is not an option at this time. The Committee recommends the following action steps to move forward with an ERP replacement:

- Complete an Architecture Assessment of all impacted functional areas in Human Resources, Finance, and Student Information Systems (Registrar, Financial Aid, Student Billing)
 - The Committee recommends that the assessment include gathering requirements from subject matter experts at both institutions individually, followed by a crossover discussion to identify requirements that are both common to both institutions and unique to each institution.
 - The Committee recommends conducting user stories to ensure an understanding of student and employee user experiences and fully capture the requirements of student and employee users of the ERP system.
- Create a preliminary Resource Plan for ERP implementation with associated costs and recommendations for staffing, consulting, and other needs in recognition of the significant impact on working time for identified subject matter experts.
- Define a Governance Structure to determine decision-making authority for ERP requirements, implementation, and operations.
- Develop a Project Timeline to support implementation, prioritizing the Human Resources and Financial modules first, followed by the Student Information System. This timeline should span from pre-procurement through user acceptance testing (UAT).

After completing the above four tasks, the Committee recommends budget modeling to confirm that the Board-allocated funding is sufficient for the scope of the planned RFP. Upon completion of these tasks and the budget modeling, the Committee then recommends issuing a Request for Proposal (RFP) to replace the existing infrastructure.

Assumptions:

- The current ERP solution is not meeting either system or institution needs within the VSC, including workflow management, the necessity for significant overrides, customizations, and numerous manual entry requirements.
- Colleague does not meet VSC business needs because it was not designed to accommodate multiple institutions.
- The Vermont State Colleges will seek to identify a product that allows for one instance of an ERP solution in order to maximize economies of scale and in recognition of the interdependencies within the system.

- The existing software infrastructure is not sustainable in a future state as identified in the consultant reports and given the industry's migration to SaaS. Remaining on the current platform would still require migration to Colleague SaaS, including increased expense and a major implementation on par with implementing a new solution.
- A core value for choosing and implementing the new solution will be its ability to offer a streamlined and integrated user experience for students, employees, and functional area end users. Vendors who keep pace with change and leverage opportunities in the changing higher education landscape will be prioritized.
- Any new system should enable a culture of continuous improvement.
- We will be intentional about correcting inaccurate information stored in our existing systems before attempting to implement any new product.

Guardrails:

- If a single, shared instance of an ERP is selected, a new ERP solution must provide functionality to support the distinctive functional needs of multiple institutions, specifically a community college with certificate, two-year programs, secondary education programs, and work-based learning programs, and a university with certificate programs, two-year, four-year, and graduate degrees with a complex array of learning modalities
- A new ERP must support seamless integration across functional areas, including HR, finance, and the Student Information System.
- A new ERP must support seamless integration between other VSC systems, including external vendors, that support business needs.
- Resourcing planning and budgeting needs to be addressed during preplanning phase before moving forward.

Risks:

- Resource capacity of existing staff with subject matter expertise required to implement a new ERP solution.
- Change fatigue in recognition of the significant pace of transformation on all of the impacted areas.
- Subject Matter Expertise limitations with broad-based IT systems change within the respective institutions.
- Many of our data points are the products of the exact kinds of customizations and workarounds that we need to resolve in a new ERP. Without a clearer understanding of our data we risk replicating these issues in a new ERP.
- IT Programming and Data expertise and capacity limitations within the system to facilitate change.
- Readiness for this change is at varying levels within departments and across institutions.
- Ellucian will no longer support the on-premise version of Colleague in the future, so we do not have the option to wait much longer before beginning some sort of ERP transition. No date has been announced by Ellucian, but they have made it known that the only option for the future will be cloud.

VERMONT STATE COLLEGES SYSTEM

BOARD OF TRUSTEES

RESOLUTION 2023-013

ERP PROJECT IMPLEMENTATION GOVERNANCE

- WHEREAS, The Chancellor of the Vermont State Colleges has recommended assessment or review with possible replacement of the Vermont State Colleges long-standing Enterprise Resource Planning software, *Colleague*; and
- WHEREAS, The Chancellor’s recommendation includes development of a strategic roadmap that supports the full scope of all core business operations; and
- WHEREAS, The proposed project emphasizes cost containment, administrative consolidation, increased efficiency, and streamlined processes and procedures; and
- WHEREAS, The proposed project expects unified implementation of processes and procedures wherever possible, but recognizes that a modest amount of institutional customization may need to be accommodated, and
- WHEREAS, The Board of Trustees agrees with the Chancellor’s recommendation and has already set aside \$10 million of funding to support a well-crafted replacement project; and
- WHEREAS, The Board of Trustees has a fiduciary responsibility to oversee all efforts of significant size and scope; and
- WHEREAS, The size and scope of this replacement project extends to every aspect of the work of the Vermont State Colleges system and each member institution; and
- WHEREAS, The Chancellor has recommended that the Board of Trustees serve as the project sponsor and serve as the critical decision maker for issues governance; and
- WHEREAS, The Chancellor has recommended that the Finance and Facilities Committee of the Board of Trustees receive project updates as a standing agenda item at each regularly scheduled meeting; and

WHEREAS, The Chancellor has recommended that the Council of Presidents, Chief Financial and Operating Officer, and Chief Information Officer serve as the project stakeholders; and

WHEREAS, The Chancellor has recommended that the Chief Information Officer establish a Steering Committee comprised of key members with recognized subject matter expertise from the Community College of Vermont, Vermont State University, and Shared Services; and

WHEREAS, The Board of Trustees agrees with the Chancellor's recommendations; therefore, be it

RESOLVED, That the Board of Trustees directs the Chancellor to develop a strategic roadmap that supports replacement of the current ERP solution with new or updated software that supports the full scope of all core business operations of the Vermont State Colleges system; and be it further

RESOLVED, That the Board of Trustees establishes the following guiding principles:

1. Project governance shall include the Board of Trustees as project sponsors.
2. The Finance and Facilities Committee shall receive regular updates regarding the project and shall bring material issues of consequence to the full board where necessary.
3. Project decisions shall be made in the best interest of the system as a whole. Emphasis shall be placed on cost containment, administrative consolidation, increased efficiency, and streamlined processes and procedures.
4. The default expectation is that unified processes across all entities will be established, while recognizing that, where essential to the mission of an institution, customization may be considered.

THEREFORE BE IT,

Approved: November 13, 2023

Eileen M Dickinson

Eileen "Lynn" Dickinson, Chair of the Board of Trustees