

MEMORANDUM

TO: **Committee Members**
David Silverman, Chair
Shawn Tester, Vice Chair
Lynn Dickinson
David Durfee
Bob Flint
Marc Mihaly
Sue Zeller

Committee Liaisons
Alexis Anderson, VTSU Staff
Rick Arend, CCV Faculty
Ryan Dulude, CCV Staff
Marybeth Lennox-Levins, VTSU Faculty

FROM: Sharron Scott, Chief Financial & Operating Officer

DATE: February 5, 2025

RE: VSC Board of Trustees Finance and Facilities Committee, February 10, 2025

The VSC Board of Trustees Finance & Facilities Committee will meet on **Monday, February 10, 2025, at 1:30 p.m.** virtually via Zoom at www.vsc.edu/botzoom.

Please review the accompanying materials for the committee's discussion, including minutes from the meetings on September 16, 2024, December 9, 2024, and January 10, 2025. The packet also includes endowment approval documents from Vermont State University, an update on FY26 budget planning, and a review of FY25 second quarter performance.

After public comment and minute approval, the committee will review VTSU's endowment materials and vote to recommend approval to the full Board at its next meeting. The committee will then receive updates on FY26 budget planning and current year performance followed by a brief overview of the FY24 Composite Financial Index. After addressing any additional business, the committee will adjourn.

Note: Please be advised that the board has seven members. The quorum to start the meeting and to take any action is four members of the committee.

The board assistant may be reached at (802) 224-3021 for any questions.

Cc: Council of Presidents
 Finance & Facilities Committee Liaisons
 Vermont Department of Libraries
 VSC Board of Trustees

**Vermont State Colleges Board of Trustees
Finance & Facilities Committee Meeting
Zoom Meeting¹/YouTube Stream²
Monday, February 10, 2025 at 1:30 p.m.**

AGENDA

1. Call to Order
2. Public Comment³
3. Approve Minutes: *September 16, 2024; December 9, 2024; and January 10, 2025*
4. Vote/Recommend: *Vermont State University Endowments*
5. Report from the Investment Subcommittee
 - a. Vote/Recommend: *Investment Policy Statement*
6. Review/Discussion: *FY26 First Pass Budget Discussion*
7. Review/Discussion: *FY25 Second Quarter Performance*
8. Review/Discussion: *FY24 Composite Financial Index Review*
9. Other Business
10. Adjourn

MATERIALS

1. Minutes: September 16, 2024
2. Minutes: December 9, 2024
3. Minutes: January 10, 2025
4. Vermont State University Endowment Requests
5. Investment Policy Statement
6. FY26 First Pass Budget Overview
7. FY25 Second Quarter Performance
8. FY24 Composite Financial Index

¹ <https://www.vsc.edu/botzoom>

² www.vsc.edu/live

³ Public comment sign up - www.vsc.edu/signup. You must be logged in to the live session to make a comment.

ITEM 1: MINUTES OF SEPTEMBER 16, 2024

Minutes of the VSCS Finance and Facilities Committee meeting held Monday September 16, 2024 at 9:00 a.m. at Lake Morey Resort and Conference Center – UNAPPROVED

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

The VSCS Finance and Facilities Committee met on Monday, September 16, 2024 at Lake Morey Resort and Conference Center.

Committee Members present: Lynn Dickinson David Durfee, Bob Flint, Marc Mihaly, Shawn Tester (Vice Chair), Sue Zeller (9:16)

Other Trustees present: Megan Cluver, Shirley Jefferson, Karen Luneau, Jim Masland, Jason Musal

Absent: David Silverman

Chancellor: Elizabeth Mauch

Presidents: David Bergh, VTSU President
Joyce Judy, CCV President

Other Attendees: Alexis Anderson
Kelley Beckwith
Mary Collins
Ryan Delude
Kayla Dewey
Wilson Garland
Nicole Mace
Maurice Ouimet
James Page
Toby Stewart
Patty Turley
Drake Turner
Sen. Terry Williams

1. Call to Order

Vice Chair Tester called the meeting to order at 9:06 a.m.

2. Comments from the Public

Mary Collins asked questions regarding recruitment of faculty and students, commented on the need for transparency, and offered suggestions on recruitment and dorm use. She will provide her questions by email for follow-up.

3. Approval of May 20, 2024 Meeting Minutes

Trustee Dickinson moved and Trustee Durfee seconded the motion to approve the May 20, 2024. The motion was approved unanimously.

4. Endowment approval: *Helping Professions Scholarship*

Vice Chair Tester turned the meeting over to President Judy. President Judy introduced the Helping Professions Scholarship, a new scholarship made in the name of Montpelier community member, Ken Libertoff.

Trustee Dickinson moved and Trustee Mihaly seconded the motion to accept the *Helping Professions Scholarship*. The motion was approved unanimously.

5. FY2024 Unaudited Review of Unrestricted Performance

Vice Chair Tester turned the meeting over to Toby Stewart to provide the overview of FY2024 Unaudited Review of Unrestricted Performance. Overall FY2024 ended favorably with significant impact from bridge funding, which is essential to VSC's success.

6. AY2024-25 Enrollment Preview

President Bergh reports strong enrollment at VTSU. There is an increase in first year students by 14% year over year with overall enrollment up 5%. Transfer students, including those coming from CCV, have increased by about 33% year over year.

President Judy reported that CCV was expecting a 5% decrease in enrollment, but only saw a 3% decrease. The FAFSA roll out affected adult students, and CCV had to de-register 300 students because of it. Leadership is working with federal delegation to help improve the process. Summer enrollment was up 10%

7. Additional business

Trustee Dickinson requested that the system's deficit reduction of 5 million dollars per year be reflected in committee materials regularly so the Trustees can follow the progress and timeline.

8. Adjourn

Vice Chair Tester adjourned the meeting at 9:43 a.m.

ITEM 2: MINUTES OF DECEMBER 9, 2024

Minutes of the VSCS Finance and Facilities Committee meeting held Monday, December 9, 2024 at 11:00 a.m. via Zoom – UNAPPROVED

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

The VSCS Finance and Facilities Committee met on Monday, December 9, 2024 at 11:00 a.m. via Zoom.

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

Other Trustees present: Karen Luneau

Liaisons: Alexis Anderson (VTSU staff), Rick Arend (CCV faculty), Ryan Dulude (CCV staff), Marybeth Lennox-Levins (VTSU faculty)

Chancellor: Elizabeth Mauch

Presidents: David Bergh, VTSU President
Joyce Judy, CCV President

Other Attendees: Kellie Campbell, Chief Information Officer
Sarah Chambers, Direct of Learning Technologies
Kayla Dewey, Executive Assistant
Wilson Garland, Director of Transformation
Jason Kaiser, Learning Spaces Technology Specialist
Maurice Ouimet, VP of Admissions and Enrollment Services
Darrin Schmautz
Sharron Scott, Chief Operating and Finance Officer
Sarah Truckle, VP of Business Operations
Patty Turley, General Counsel
Meg Walz, Director of Project and Change Management

1. Call to Order

Chair Silverman called the meeting to order at 11:00 a.m.

2. Comments from the Public

There was no public comment.

3. Enterprise Resource Planning Project Update

Chair Silverman turned the meeting over to Kellie Campbell who provided a brief update on the timeline and progress of the Enterprise Resource Planning Project.

4. Executive Session

At 11:09 a.m. Trustee Zeller moved and Trustee Mihaly seconded that the Committee enter executive session, pursuant to 1 V.S.A. § 313(a)(1)(A) to discuss contracts because premature general public knowledge of these discussions would place VSC at a substantial disadvantage. The Board invited the following to attend the executive session: the VSC Chancellor, the Presidents of CCV and VTSU, the VSC Chief Financial & Operating Officer, the VSC General Counsel, the VSC Chief Information Officer, the VSC Director of Transformation Projects, and the Director of Project & Change Management. The motion was approved unanimously.

At 12:13 p.m. the committee exited executive session and took no action.

5. Additional business

There was no additional business.

6. Adjourn

Chair Silverman adjourned the meeting at 12:14 p.m.

ITEM 3: JANUARY 10, 2025 MINUTES

**Minutes of the VSCS Finance and Facilities Special Committee meeting held Friday,
January 10, 2025 at 5:00 p.m. via Zoom – UNAPPROVED**

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

The VSCS Finance and Facilities Committee met on Friday, January 10, 2025 at 5:00 p.m. via Zoom

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

Other Trustees present: Megan Cluver, Jason Musal

Committee Liaisons: Alexis Anderson (VTSU staff), Rick Arend (CCV faculty), Marybeth Lennox-Levins (VTSU faculty)

Chancellor: Elizabeth Mauch

Other Attendees: Kelley Beckwith, VTSU VP of Student Success
Kellie Campbell, Chief Information Officer
Kayla Dewey, Executive Assistant
Wilson Garland, Director of Transformation
Kim Hannon-Brobst, VTSU Liaison Librarian
Jim Healy, ERP Account Manager at Oracle
Jason Kaiser, Learning Spaces Technology Specialist
Leslie Kanat, VTSU Dean of School of STEM
Sharron Scott, Chief Finance and Operating Officer
Patty Turley, General Counsel
Meg Walz, Director of Project and Change Management
Beth Walsh, VTSU Director, ROAD to Success Project
Bob Zelasko, Regional Manager at Oracle

1. Call to Order

Chair Silverman called the meeting to order at 5:00 p.m.

2. Comments from the Public

There was no public comment.

3. Enterprise Resource Planning Project Update

Chair Silverman turned the meeting over to Kellie Campbell and Wilson Garland who provided a brief update on the ERP project. Since their last update, the steering committee conducted final due diligence including follow up discussions with vendors on function and implementation procedures, reference calls, and contract negotiations. They will make a recommendation to the board.

4. Executive Session

At 5:04 p.m. Chair Silverman moved and Trustee Tester seconded the motion that the committee enter executive session, pursuant to 1 V.S.A. § 313(a)(1)(A) to discuss contracts because premature general public knowledge of these discussions would place VSC at a substantial disadvantage. The Board invited the VSC Chancellor, the VSC Chief Financial & Operating Officer, the VSC General Counsel, the VSC Chief Information Officer, the VSC Director of Transformation Projects, and the Director of Project & Change Management to attend the executive session. The motion was approved unanimously.

At 5:45 p.m. the committee exited executive session.

5. Vote on ERP Recommendation

At 5:47 p.m. Trustee Dickinson moved and Trustee Zeller seconded the motion to approve the ERP recommendation via Board Resolution 2025-001 and forward it to the full board for consideration at its January 13, 2025 special meeting. The motion was approved unanimously.

6. Additional business

There was no additional business.

7. Adjourn

Chair Silverman adjourned the meeting at 5:48 p.m.

ITEM 4: VTSU ENDOWMENT REQUESTS



January 31, 2025

Elizabeth Mauch, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601

Dear Chancellor Mauch,

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

The David H. Brown and Linda M. Hammer-Brown Scholarship Fund, in the amount of \$20,000, is funded by a gift from David H. Brown, Castleton Class of 1969, and Linda M. Hammer-Brown.

The David H. Brown and Linda M. Hammer-Brown Scholarship Fund will support financial aid for matriculated students studying at VTSU Castleton in the field of education. Support activities may include, but are not limited to, tuition, fees, room and board, and other costs of attendance.

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 "David Bergh", with a stylized flourish at the end.

David Bergh, Ed.D.
President

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

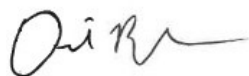
Vermont State University

(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 CAP'S)**DAVID H. BROWN AND LINDA M. HAMMER-BROWN SCHOLARSHIP FUND**2) Granting agency/donor/other funding source: (Attach supporting Documentation)**David H. Brown and Linda M. Hammer Brown**3) Purpose of endowment: (Attach supporting Documentation)

To support financial aid for matriculated students studying at VTSU Castleton in the field of education. Support activities may include, but are not limited to, tuition, fees, room and board, and other costs of attendance.

4) a. Proper accounting fund:☒ Regular Endowment☐ Term Endowmentb. Why was this fund selected?**To provide scholarship support as defined by the above criteria.**5) General Ledger Activity Code(s): (as proposed or assigned):6) a. Beginning date: **October 2024** b. Ending date: **None** c. Duration: **In perpetuity**7) Reporting requirements: (format/to whom/frequency/other): Annual to donors8a) Funding amount:**\$20,000.00**8b) ☒ One-time - OR☐ Ongoing funding (indicate timeframe :)9a) Is principal use allowed:
(w/Board OK?) **No**9b) If yes, is replenishment of principal
allowed or required:10) If investment proceeds generated, indicate intended disposition:☒ Per Board Approved Spending Procedure☐ Fully expend for program as prescribed☐ Increase principal for inflation and expend remainder☐ All Investment earnings added for ___ years before expending for endowment purposes begins☐ Other (describe:)11) President:12) Date to Ch's Ofc:13) Date Board Approved:



January 31, 2025

Elizabeth Mauch, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601

Dear Chancellor Mauch,

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

The Lyndon Faculty Federation Scholarship Fund, in the amount of \$25,000, is funded by donations from Lyndon faculty members.

The Lyndon Faculty Federation Scholarship Fund will provide scholarship support to students attending the Lyndon campus who display academic excellence or academic improvement and have financial need. Students will be nominated by the faculty and selected by Financial Aid.

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 "David Bergh", with a stylized flourish at the end.

David Bergh, Ed.D.
President

- 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 CAP'S)**LYNDON FACULTY FEDERATION SCHOLARSHIP FUND**2) Granting agency/donor/other funding source: (Attach supporting Documentation)**Donations from Lyndon faculty members**3) Purpose of endowment: (Attach supporting Documentation)**Provide scholarship support to students attending the Lyndon campus based on the following criteria:**

- **Academic Excellence**
- **and/or Academic Improvement (defined as having been on academic probation with subsequent dramatic improvement)**
- **Financial Need**

Students will be nominated by faculty and selected by Financial Aid.4) a. Proper accounting fund:

☒ Regular Endowment
☐ Term Endowment

b. Why was this fund selected?**To provide scholarship support as defined by the above criteria.**5) General Ledger Activity Code(s): (as proposed or assigned): **86060**6) a. Beginning date: **July 2024** b. Ending date: **None** c. Duration: **In perpetuity**7) Reporting requirements: (format/to whom/frequency/other): Annual to donors8a) Funding amount:**\$25,000**8b) ☒ One-time - OR☐ Ongoing funding (indicate timeframe :)9a) Is principal use allowed:
(w/Board OK?) **No**9b) If yes, is replenishment of principal
allowed or required:10) If investment proceeds generated, indicate intended disposition:

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

11) President:12) Date to Ch's Ofc:13) Date Board Approved:



January 31, 2025

Elizabeth Mauch, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601

Dear Chancellor Mauch,

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

The Lyndon Promise Scholarship Fund, in the amount of \$150,000, is funded with a gift from an anonymous donor.

The Lyndon Promise Scholarship Fund will provide scholarship support to first-in-family students from the Northeast Kingdom of Vermont (Orleans, Essex, Caledonia counties) and North Country of New Hampshire (Coos & Grafton counties) attending Vermont State University's Lyndon campus. This scholarship will be awarded to incoming students with strong academic standing and financial need and is renewable for up to four years. Students must be enrolled full-time on the Lyndon campus and maintain a 2.5 GPA.

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 "David Bergh", is written over a light gray rectangular background.

David Bergh, Ed.D.
President

- NEW FUNDING SOURCE DOCUMENT - ENDOWMENTS ONLY

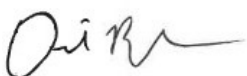
Vermont State University

(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 CAP'S)**LYNDON PROMISE SCHOLARSHIP FUND**2) Granting agency/donor/other funding source: (Attach supporting Documentation)**Donation from an anonymous donor**3) Purpose of endowment: (Attach supporting Documentation)

Provide scholarship support to first-in-family students from the Northeast Kingdom of Vermont (Orleans, Essex, Caledonia counties) and North Country of New Hampshire (Coos & Grafton counties) attending Vermont State University's Lyndon campus. This scholarship is awarded to incoming students with strong academic standing and financial need and is renewable for up to four years. Students must be enrolled full-time on the Lyndon campus and maintain a 2.5 GPA. Selection will be made by the Financial Aid Office.

4) a. Proper accounting fund:☒ Regular Endowment☐ Term Endowmentb. Why was this fund selected?**To provide scholarship support as defined by the above criteria.**5) General Ledger Activity Code(s): (as proposed or assigned): **86058**6) a. Beginning date: **July 2024** b. Ending date: **None** c. Duration: **In perpetuity**7) Reporting requirements: (format/to whom/frequency/other): Annual to donors8a) Funding amount:**\$150,000**8b) ☒ One-time - OR☐ Ongoing funding (indicate timeframe :)9a) Is principal use allowed:
(w/Board OK?) **No**9b) If yes, is replenishment of principal
allowed or required:10) If investment proceeds generated, indicate intended disposition:☒ Per Board Approved Spending Procedure☐ Fully expend for program as prescribed☐ Increase principal for inflation and expend remainder☐ All Investment earnings added for ___ years before expending for endowment purposes begins☐ Other (describe:)11) President:12) Date to Ch's Ofc:13) Date Board Approved:



January 31, 2025

Elizabeth Mauch, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601

Dear Chancellor Mauch,

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

The Streeter Scholarship Fund, in the amount of \$85,714.28, is funded by an estate gift from Jeannette Mann Streeter, Lyndon Class of 1988.

The Streeter Scholarship Fund will provide scholarship support to full-time students with financial need, preference given to students on the Lyndon campus.

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 "David Bergh", with a stylized flourish at the end.

David Bergh, Ed.D.
President

- 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) <u>Name of endowment:</u> (type in all CAP'S) STREETER SCHOLARSHIP FUND		
2) <u>Granting agency/donor/other funding source:</u> (Attach supporting Documentation) Estate gift from Jeannette Mann Streeter, Lyndon Class of 1988		
3) <u>Purpose of endowment:</u> (Attach supporting Documentation) Provide scholarship support to full-time students with financial need, with preference to students on the Lyndon campus.		
4) a. <u>Proper accounting fund:</u> <input checked="" type="checkbox"/> Regular Endowment <input type="checkbox"/> Term Endowment b. <u>Why was this fund selected?</u> To provide scholarship support as defined by the above criteria.		
5) <u>General Ledger Activity Code(s):</u> (as proposed or assigned): 86072		
6) a. Beginning date: July 2024 b. Ending date: None c. Duration: In perpetuity		
7) <u>Reporting requirements:</u> (format/to whom/frequency/other): Annual to donors		
8a) <u>Funding amount:</u> \$85,714.28	8b) <input checked="" type="checkbox"/> <u>One-time</u> - OR <input type="checkbox"/> <u>Ongoing funding</u> (indicate timeframe :)	
9a) <u>Is principal use allowed:</u> (w/Board OK?) No	9b) <u>If yes, is replenishment of principal allowed or required:</u>	
10) <u>If investment proceeds generated, indicate intended disposition:</u> <input checked="" type="checkbox"/> Per Board Approved Spending Procedure <input type="checkbox"/> Fully expend for program as prescribed <input type="checkbox"/> Increase principal for inflation and expend remainder <input type="checkbox"/> All Investment earnings added for ___ years before expending for endowment purposes begins <input type="checkbox"/> Other (describe:)		
11) <u>President:</u> 	12) <u>Date to Ch's Ofc:</u>	13) <u>Date Board Approved:</u>



January 31, 2025

Elizabeth Mauch, Chancellor
Vermont State Colleges System
PO Box 7
Montpelier, VT 05601

Dear Chancellor Mauch,

I am pleased to share the amended terms for the Dick and Pat Richardson Endowment at Vermont State University.

The Dick and Pat Richardson Full-Time Faculty Recognition Award Fund was originally established in May 2010 to support full-time faculty at Castleton University through contributions from Richard C. Richardson, a member of Castleton's Class of 1954.

In the fall of 2024, Mr. Richardson expressed a desire to amend the terms of the endowment. Moving forward, it will be known as the Pat and Dick Richardson Faculty Recognition Award Fund. The revised criteria will expand eligibility to include all Vermont State University faculty, including part-time and online faculty. Recipients will be evaluated based on their contributions to teaching, service, and scholarship. A selection committee, appointed by the president of VTSU, will oversee the award process in accordance with the amendment.

We are pleased to present this amendment to the VSC Board of Trustees for their approval. Additionally, we hope that Mr. Richardson's example will inspire other donors to consider broadening the criteria for their own endowments.

Sincerely,

A handwritten signature in black ink, appearing to read "David Bergh", with a stylized flourish at the end.

David Bergh, Ed.D.
President

ITEM 5: VSC INVESTMENT POLICY STATEMENT

INVESTMENT POLICY STATEMENT

For

The Endowed Funds of the

Vermont State Colleges

**Amended
September, 2014**

**Amended and Restated
March 31, 2017**

INVESTMENT POLICY STATEMENT

Purpose

The purpose of this Investment Policy Statement (the "IPS") is to assist the Vermont State Colleges (VSC) in effectively supervising, monitoring and evaluating the investment of the Endowed Funds of the VSC system. This IPS supports VSC Endowment Investment and Spending Policy #430.

The IPS represents the prudent investment process that implements the investment goals set by the Board of Trustees. The IPS sets forth the investment structure for managing assets, including appropriate asset classes, asset allocation and acceptable ranges. Together, these investment principles are expected to produce a sufficient level of overall diversification and total investment return over the long-term to meet the investment goals of the VSC.

The IPS is intended to comply with all applicable fiduciary, ethical and due diligence requirements that experienced investment professionals would employ. It will also adhere to all applicable laws, rules and regulations from various local, state, federal and international governmental entities that may impact the Plan's assets. It seeks to be in full compliance with all aspects of the Uniform Prudent Management of Institutional Funds Act as adopted in the State of Vermont.

Background

The VSC holds endowed funds to be managed for the benefit of VSC system. These assets are managed with a long-term time horizon of ten years or greater and are maintained and managed for perpetuity. Within this Investment Policy Statement these assets shall be referred to as the Fund.

Duties and Responsibilities of Involved Parties

The Vermont State Colleges Board of Trustees

The Board is responsible for setting overall Investment Policy and acting on advisory recommendations made by the Finance & Facilities Committee.

The Finance & Facilities Committee of the Board of Trustees

The Finance & Facilities Committee shall be responsible for developing advisory recommendations to the Board. The Finance & Facilities Committee may designate an Investment Subcommittee to assist in its responsibilities. These responsibilities include:

- Fiduciary oversight of the Fund.
- **Selecting and overseeing an advisor ("Advisor") for the Funds.**
- Investment objectives and policies of the Fund.
- Advising the Chancellor on the selection and retention of **investment asset** managers.
- Changes in investment policy, guidelines, and objectives.

- Providing Advisor with any information relevant to the objectives, cash flows, spending policy or risk tolerance of the Funds and any changes to this information.
- Responsibility to exercise all rights, including voting rights, as are acquired through the purchase of securities.

The Chancellor

The Chancellor, or the Chief Financial Officer on behalf of the Chancellor, shall be responsible for implementing and monitoring the IPS, day-to-day oversight of the Fund, authorizing the selection and retention of investments or investment asset managers, day-to-day communications with the Advisor, authorizing actions as directed by the Board and making decisions not otherwise vested in the Board of Trustees.

The Advisor

The Advisor is a Registered Investment Advisor and shall act as the investment advisor to the Board of Trustees, the Finance and Facilities Committee and the Chancellor until it is decided otherwise.

The Advisor, at the direction of the Chancellor or his designee, may employ either investment asset managers that actively select securities or utilize index funds or vehicles that passively track an appropriate benchmark index.

The Advisor shall be responsible for:

- Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Advising the Board of Trustees, Finance & Facilities Committee, and Chancellor about the selection of and the allocation of asset categories.
- Identifying specific assets and investment asset managers within each asset category.
- Providing "due diligence", or research, on the Investment Asset Manager(s)
- Monitoring the performance of all selected assets the advisor consults to.
- Periodically reviewing the suitability of the investments for the Board of Trustees and/or Finance Committee.
- Being available to meet with the Board of Trustees and/or Finance & Facilities Committee at least four times each year.
- Being available at such other times within reason at the Board of Trustees and/or Finance Committee's request.
- Preparing and presenting appropriate reports.
- Assisting in the development and periodic review of investment policy.

~~The Advisor shall be responsible for:~~

- ~~• Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.~~
- ~~• Advising the Board of Trustees, Finance & Facilities Committee, and Chancellor about the~~

~~selection of and the allocation of asset categories.~~

- ~~• Identifying specific assets and investment managers within each asset category.~~
- ~~• Providing "due diligence", or research, on the investment manager(s)~~
- ~~• Monitoring the performance of all selected assets the advisor consults to.~~
- ~~• Periodically reviewing the suitability of the investments and report to the Board of Trustees and/or Finance & Facilities Committee thereon.~~
- ~~• Being available to meet with the Board of Trustees and/or Finance & Facilities Committee at least four times each year.~~
- ~~• Being available at such other times within reason at the Board of Trustees and/or Finance & Facilities Committee's request.~~
- ~~• Preparing and presenting appropriate reports.~~
- ~~• Assisting in the development and periodic review of investment policy.~~

The Advisor shall not:

- Have discretionary control of the portfolio.
- Have authority to withdraw funds from the Fund's accounts, except to cover payment of previously agreed to fees or to rebalance the portfolio or at the Board of Trustees or its designee's specific direction.
- Change the investment policy, including the targeted strategic asset allocation, of the Fund without the Board of Trustees prior approval.

The ~~Investment Asset~~ Manager(s)

Each ~~Investment Asset~~ Manager will have full discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Managers shall maintain the general investment style and risk level as stated at time of hiring unless VSC is specifically notified in advance otherwise. Specific responsibilities of the ~~Investment Asset~~ Manager(s) include:

- Implementing discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, periodic investment performance results.
- Communicating any major changes in investment strategy or any other factor which might affect implementation of investment process.
- Informing the Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy, etc.
- Voting proxies, unless otherwise directed by the Board of Trustees or the Chancellor.

Selection of ~~Investment Asset~~ Managers

The Chancellor or his designee, after the recommendation of the Advisor, will select appropriate ~~investment asset~~ managers to manage the fund assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of comparable investments, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Maintain minimum assets under management of \$250 million.

Plan Objectives and Time Horizon

Time Horizon

The investment time horizon of the Fund is ten years or greater, as the existence and obligations of the Plan are long term and ongoing. The Board of Trustees may alter this time horizon if factors change making shorter-term liquidity more important.

Risk Tolerances

In establishing the market risk tolerances of the Plan, the ability to withstand short and intermediate term variability was analyzed. The Board of Trustees and Finance Committee recognize that "moderate" risk and volatility, including periods of portfolio declines, must be assumed in order to achieve the long-term investment objective of prudent capital appreciation.

As a general guideline, the assumed risk on Fund assets is targeted to be less than the projected volatility of U.S. domestic equities as measured by the Standard & Poor's 500 Stock Index and greater than a portfolio comprised of 50% of the Standard & Poor's 500 Stock Index and 50% the Barclay's Aggregate Bond Index.

As a general guideline, the assumed risk on Fund assets is targeted to be less than the projected volatility of U.S. domestic equities as measured by the Standard & Poor's 500 Stock Index and greater than a portfolio comprising 50% of the Standard & Poor's 500 Stock Index and 50% the Barclay's Aggregate Bond Index.

Performance Expectations

The rate of return on the Fund is expected to meet or exceed the rate of return for the composite of 65%MSCI ACWI and 35% Barclay's Aggregate Bond Index.

Spending Policy

The Board of Trustees has set the annual maximum withdrawal and spending rate to be the lesser of 5% of the current market value or 5% of the average market value over the last three years. Actual spending will be limited by the amount of unspent earnings available at the time the spending allocation is made. Distributions from the Fund will be made as needed.

Strategic Asset Allocation

Asset allocation of the Fund will be determined based on the time horizon, moderate risk tolerances, performance expectations and investment objectives. The structure of the portfolio will follow modern portfolio theory and attempts to maximize return while limiting risk over time. The current allocation grid is set forth in Exhibit A. The asset allocation will be reviewed from time to time, but no less frequently than once per year. The Board of Trustees may adjust the Target Strategic Allocation in order to meet fund objectives.

Rebalancing of Plan Assets

The value of each asset class will change depending upon asset performance. When necessary and/or available, cash inflows/outflows will be deployed to rebalance the portfolio in a manner consistent with the Target Strategic Allocation of this IPS. Additionally, at the recommendation of the Advisor and with the approval of the Chancellor, the assets will be reviewed quarterly and rebalanced, in order to more closely align with the Target Strategic Allocation.

Asset Managers

The Chancellor may employ either asset managers that actively select securities or utilize index funds that passively track an appropriate benchmark index.

Duties and Responsibilities of the Asset Managers

The duties and responsibilities of each money manager or fund company retained by the Vermont State Colleges include the following:

- Managing the fund assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein.
- Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
- Passively tracking an appropriate benchmark index.

Investment Policies and Guidelines for the Investment Asset Managers

Every investment asset manager selected to manage fund assets must adhere to the following investment policy and guidelines. If mutual funds are employed, only those that meet the following relevant criteria shall be selected:

- Equity holdings in any one company should not exceed more than 3% of the market value of the Plan's equity portfolio.
- The manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. Cash is to be employed productively at all times by investment in short term cash equivalents to provide safety, liquidity and return. Nonetheless, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

Brokerage Policy

All transactions effected for the Fund will be subject to the best price and execution.

Monitoring of Investment Asset Managers

Quarterly performance will be evaluated to monitor progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with managers employing similar styles.

On a timely basis the Advisor will assess each asset manager relative to the following:

- Overall adherence to the IPS guidelines.
- Material changes in the managers' organization, investment philosophy and/or personnel.
- Comparisons of the managers' results to appropriate indices and peer groups.
- Comparison of Up/Down market capture ratios.
- Other comparisons as agreed to by the Chancellor and the Advisor.

Review of this Investment Policy Statement

The Finance and Facilities Committee will review these guidelines on an annual basis or in the interim whenever substantive changes to the guidelines are proposed by the Chancellor.

EXHIBIT A

Asset Allocation	Min	Target	Max
US Equity	20%	50%	70%
International Equity	5%	12%	20%
Total Equity	25%	62%	90%
Fixed Income	15%	30%	70%
Alternatives	0%	7%	15%
Cash	0%	1%	50%

		Target		
Asset Allocation	Lower	Strategic	Upper	
	Limit	Allocation	Limit	
Large Cap Equities	15%	24%	50%	
Small/Mid Cap Growth Equities	3%	6%	10%	
Small/Mid Cap Value Equities	3%	6%	10%	
International Equities	10%	17%	25%	
International Emerging Equities	0%	7%	15%	
Domestic Fixed Income	10%	23%	45%	
High Yield Fixed Income	0%	5%	8%	
International Fixed Income	0%	4%	10%	
Alternative Investments	0%	8%	15%	
Cash	0%	0%	10%	

With the individual asset class maximum and minimum thresholds notwithstanding, the following broad sector limits shall not be violated:

Maximums: Equities — 75%; Fixed Income/Cash — 55%; Alternative — 12%

Minimums: Equities — 40%; Fixed Income/Cash — 25%; Alternative — 0%

Evaluation Benchmarks

Individual investments with asset classes will be compared to the most appropriate benchmark including but not limited to:

- Standard & Poor's 500 Stock Index
- MSCI All Country World Index
- Russell 1000 Large Capitalization Growth Index
- Russell 1000 Large Capitalization Value Index
- Russell 2000 Small Capitalization Growth Index
- Russell 2000 Small Capitalization Value Index
- MSCI EAFE Index
- MSCI Emerging Markets Index
- Barclay's Aggregate Bond Index
- Barclay's High Yield Bond Index
- JPM Non-US Govt. Index
- HFRI Fund of Funds Index – Conservative and/or Composite
- Dow Jones Real Estate Index
- S&P GSCI

The most appropriate benchmark will be used to evaluate individual manager performance.

ITEM 6: FY26 FIRST PASS BUDGET OVERVIEW

FY26 FIRST PASS BUDGET

Overview and Context

The FY26 budget target is to keep the deficit under \$5 million for all Vermont State Colleges entities. Since FY21, the VSC has made considerable progress in addressing its structural deficit. The transformative activities, including the merger of three colleges and universities into Vermont State University, the revamping of student services, restructuring of academic offerings, and modernization of operations, have been comprehensive and successful. Despite persistent demographic challenges in the Northeast, the small population of Vermont, and a highly competitive market, both Community College of Vermont and Vermont State University are maintaining their positions.

Expense pressures in the form of wages, benefits, supplies, and services continue to exert substantial pressure on the system. Under the direction of Chancellor Mauch and in collaboration with our collective bargaining units, the VSC has undertaken an effort to adjust its compensation structure to competitive wages and sustainable benefits. This work will continue over the next several years as we review and align our compensation packages to meet current and future market demands. We will engage in continuous dialogue with our employees, collective bargaining units, and stakeholders to ensure that adjustments are fair and beneficial. Additionally, we plan to engage in an effort to modernize our benefit options to enhance job satisfaction and retention in light of today's workforce needs and benefit environment. Our strategic approach involves regular assessments and feedback loops to refine compensation practices, ensuring they remain dynamic and responsive to changes in the higher education sector.

We anticipate that these changes will enhance the attractiveness of the Vermont State Colleges as an employer and provide our colleagues with greater choice and opportunity. By continuously enhancing our compensation packages and introducing innovative benefits, we aim to foster a more satisfied and productive workforce. Our goal is to improve employee retention rates, reduced turnover costs, and increased institutional knowledge as experienced staff choose to stay longer at our institutions. Additionally, these improvements should make Vermont State Colleges more attractive to prospective high-caliber candidates seeking stable and rewarding career opportunities in higher education.

Furthermore, by implementing these changes thoughtfully, we can ensure that our financial stability remains intact while still making meaningful progress towards becoming a leading employer in the region.

Revenue pressures, primarily resulting from demographic trends in Vermont and the Northeast, persist. In October 2024, the Vermont Legislative Joint Fiscal Office published a report titled *Vermont's Population Estimates for 2023*. This report highlights significant changes in population distribution despite an increase of 4,471 individuals since 2020. Notably, there are approximately 4,000 fewer children aged 0 to 17, representing a decline of more than 3%¹.

This demographic trend aligns with findings from the *2024 Vermont State Education Profile Report*, which indicates a 14.2% decline in K-12 enrollment since the 2003-2004 academic year, a 3.8% decline over the past decade, and a 0.9% decline since the pandemic.² Additionally, high school graduation rates have decreased since the 2017-2018 academic year. Specifically, the report notes that Vermont's 4-year graduation rate was 85 percent in 2017-18, peaking in 2018-19 before declining to 83 percent in 2022-23. The 6-year graduation rate

¹ Legislative Joint Fiscal Office, *Vermont's Population Estimates for 2023*, https://lifo.vermont.gov/assets/Publications/Issue-Briefs/Issue_Brief_VT_Demographics_in_2023.pdf p1

² State of Vermont, *2024 Vermont State Education Profile Report*, <https://education.vermont.gov/sites/aoe/files/documents/education-and-learn-state-education-profile-report-2024.pdf> p7

similarly declined from 90 percent in 2017-18 to 86 percent in 2022-23.³ These declining graduation rates serve as important indicators for post-secondary enrollment trends.

The traditional college-age demographic (ages 18 to 24) is decreasing in Vermont and the Northeast, with enrollment patterns at Vermont State Colleges reflecting this trend. The average age of students at these institutions is now 27, indicating a shift from traditional student populations. Both the Community College of Vermont and Vermont State University have embraced this challenge by creating certificates and credentials that allow learners to engage in higher education flexibly. Providing in-person, synchronous online, and asynchronous online options is essential, as is developing programs that address the needs of Vermont and its residents.

Vermont's Population Estimates for 2023 also reveal an increase of over 13,000 individuals aged 65 and above as of 2023.⁴ As these individuals retire, it is crucial to ensure that the workforce possesses the necessary knowledge, skills, and abilities to meet their needs and those of the broader Vermont community. The Community College of Vermont and Vermont State University are uniquely poised to meet these essential needs.

Budget Process

The Vermont State Colleges provide three progressively detailed budgets from January to June each year. The initial budget pass offers an aggregated perspective of the system's total budget, reflecting the "worst likely" scenario. Each entity dedicates several months to developing this preliminary budget, incorporating various planning factors such as recent enrollment and demographic trends, graduation rates, academic program adjustments, collective bargaining agreements, and known or anticipated contractual terms. The preliminary budget aims to establish the upper limit, barring any catastrophic or unexpected events akin to those experienced in 2020.

Subsequent versions of the budget incorporate current data. In addition to historical enrollment trends, the remaining two versions of the budget consider contemporary enrollment patterns, including student deposits and registrations, as well as adjustments to state and federal programs that affect enrollment. Furthermore, the final iteration of the budget considers the actual general fund appropriation.

³ 2024 Vermont State Education Profile Report, p13

⁴ Vermont's Population Estimates for 2023, p7

Preliminary Budget (1st Pass)

The budget target for FY26 is a deficit under \$5 million. The first pass of the FY26 budget is a deficit of \$6.4 million. While the first pass budgets currently reflect a 28% 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			
	FY2025 Budget	FY2025 Forecast	FY2026 Budget 1.0
TOTAL REVENUES	167,227	179,863	174,224
TOTAL EXPENSES	177,578	174,491	180,628
NET REVENUES/(DEFICIT)	(10,351)	5,372	(6,404)

The first pass budget is a \$3.9 million (FY25 budget \$10.3 million less FY26 first pass budget \$6.4 million) improvement from the FY25 budget and is \$11.8 million unfavorable with the second quarter forecast. However, it is important to recall that the second quarter forecast includes one-time budget improvements, that are not included in the first pass FY26 budget, such as the general fund bridge appropriation.

FY26 FIRST PASS REVENUE

First pass revenue is forecasted at \$174.2 million or approximately 4.2% higher than the current fiscal budget and approximately \$5.6 million less than the current year forecast.

Vermont State Colleges System			
	FY2025 Budget	FY2025 Forecast	FY2026 Budget 1.0
REVENUES			
Tuition and Fees	90,971	90,251	93,128
State Appropriation	51,232	62,730	55,745
Room and Board	19,011	17,921	18,889
Sales and Services	4,238	5,266	4,589
Gifts	1,177	1,175	1,262
Other Revenue	598	2,521	611
TOTAL REVENUES	167,227	179,863	174,224

Vermont State University prediction of a 9% increase for new students, combined with a proposed 3.5% tuition rate increase pull up the tuition and fees line from both the current year budget and the second quarter forecast. CCV's is currently anticipating tuition and fee revenue approximately flat with FY25 and is currently considering a possible \$10 per credit hour increase. Both CCV and VTSU will bring any tuition request to the Finance & Facilities Committee for consideration before any firm decision is made.

Additional improvement is expected from growth in the State Appropriation and Vermont State University's room and board revenue resulting from an increase in new students.

FY26 FIRST PASS EXPENSES

System-wide expenses are budgeted at approximately \$3.1 million higher than the current year budget and \$6.1 million higher than the second quarter forecast.

Vermont State Colleges System			
	FY2025 Budget	FY2025 Forecast	FY2026 Budget 1.0
EXPENSES			
Salaries and Benefits	103,363	102,529	106,889
Retiree Medical Expenses	7,250	6,598	7,250
Services, Supplies, Travel	40,477	39,222	40,338
Scholarships	9,501	8,916	9,895
Utilities	8,056	8,056	8,190
Other Expenses	3,608	3,608	3,387
Debt Service	8,446	8,445	7,777
Shared Services			
Other Transfers	(5,083)	(4,843)	(5,120)
Strategic Initiatives (3%)	980	980	1,011
Economic Stabilization (2%)	980	980	1,011
TOTAL EXPENSES	177,578	174,491	180,628

The most significant driver for the increased expenses are personnel-related assumptions. A wage growth of 4% and health insurance rate increases of 9.3% are assumed. Vermont State University has assumed \$0.8 million in personnel efficiencies, \$0.7 million in other efficiencies, and \$0.4 million in savings from resolution of the VTC legacy debt to the system.

FY26 First Pass Budget

Vermont State Colleges System			
	FY2025 Budget	FY2025 Forecast	FY2026 Budget 1.0
REVENUES			
Tuition and Fees	90,971	90,251	93,128
State Appropriation	51,232	62,730	55,745
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Economic Stabilization (2%)	980	980	1,011
TOTAL EXPENSES	177,578	174,491	180,628
NET REVENUES/(DEFICIT)	(10,351)	5,372	(6,404)

The Finance & Facilities Committee will review the next version of the FY26 budget at its meeting on April 14, 2025.

**ITEM 7: FY25 SECOND QUARTER
PERFORMANCE**



ITEM 7: FY2025 Second Quarter Performance

SECOND QUARTER FINANCIAL RESULTS

	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	179,863	167,227	12,636
TOTAL EXPENSES	174,491	177,578	3,087
NET REVENUES/(DEFICIT)	5,372	(10,351)	15,723

Second-quarter results are promising for Vermont State Colleges, with revenues projected at \$12.6 million above budget due to unbudgeted bridge funding, and expenses \$3.0 million below budget, resulting in a net improvement of \$15.7 million.

Vermont State University			
	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	123,865	124,920	(1,055)
TOTAL EXPENSES	132,662	134,920	2,258
NET REVENUES/(DEFICIT)	(8,797)	(10,000)	1,203

At Vermont State University, revenues are forecasted at \$1 million below budget, with expenses \$2.1 million lower, yielding a net improvement of \$1 million despite a 1.3% decrease in FPE enrollment and a 5.8% reduction in residential occupancy. A large portion of the shift in

Community College of Vermont			
	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	32,598	31,948	650
TOTAL EXPENSES	32,298	32,298	0
NET REVENUES/(DEFICIT)	300	(350)	650

Community College of Vermont's overall enrollment aligns with budget expectations. The Summer semester exceeded budget, while the Fall was below, influenced by reduced Tuition Advantage Program funding, increased unpaid student balances, and delayed FAFSA processing. However, the Spring semester projects a 6.1% increase. Performance has been positively influenced by investment income as well as this stronger enrollment. A one-time transfer, between CCV's unrestricted and capital funds occurred on July 1, 2024. This transfer, delayed from FY24 due to a miscommunication, does not affect overall system performance as it is internal between CCV's unrestricted and capital funds.

	Shared Services			Chancellor's Office		
	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)
TOTAL REVENUES	7,250	7,250	-	16,151	3,109	13,042
TOTAL EXPENSES	6,598	7,250	652	2,933	3,110	177
NET REVENUES/(DEFICIT)	652	-	652	13,218	(1)	13,219

The Chancellor's Office did not initially account for the \$10 million in Bridge Funding funded by the State of

Vermont or interest earnings causing a favorable variance in total revenues. Modestly lower than budgeted retiree medical expenses in the first half of the year has contributed to shared services overall predicted improved performance.

SECOND QUARTER METRICS

The FY2025 budget is based on essential values concerning enrollment, room occupancy, and employee wages. As part of the FY2025 budgeting process, each institution within the Vermont State Colleges provided the Finance and Facilities Committee with the core metrics upon which their budgets were constructed, allowing the Committee to assess current year budget performance.

As previously mentioned, CCV's full-paying equivalent enrollment for the fall term was below budget expectations, although out-of-state enrollment exceeded projections. However, both CCV's summer and spring enrollments surpassed budget forecasts, with summer being 10.5% above budget and spring estimated at 6.1% above budget.

Vermont State University's net student tuition revenue is currently projected to be \$1 million (1.6%) less than budgeted, closely aligning with its full-paying equivalent decrease of 1.3% for the year. Additionally, a reduction in institutional aid of \$585 thousand and a \$1 million (5.8%) shortfall in residential occupancy result in a \$1.6 million deficit in the institution's net student revenue. These shortfalls are positively offset by lower than budgeted wages and benefits, as well as improvements in other revenues such as interest income.

Unrestricted Revenues and Expenses
FY25 Second Quarter Projections
(Amounts rounded to \$1,000)

	Vermont State Colleges System			Community College of Vermont			Vermont State University			Shared Services			Chancellor's Office		
	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)	Projected FY25	Budget FY25	Proj vs. Bud Fav / (Unfav)
REVENUES															
Tuition and Fees	90,251	90,971	(720)	22,259	21,899	360	67,992	69,072	(1,080)	-	-	-	1	-	1
State Appropriation	62,730	51,232	11,498	9,769	9,769	0	31,104	31,104	0	7,250	7,250	-	14,606	3,109	11,497
Room and Board	17,921	19,011	(1,090)	-	-	-	17,921	19,011	(1,090)	-	-	-	-	-	-
Sales and Services	5,266	4,238	1,028	1	1	(0)	5,265	4,237	1,028	-	-	-	-	-	-
Gifts	1,175	1,177	(2)	80	80	(0)	1,095	1,097	(2)	-	-	-	-	-	-
Other Revenue	2,521	598	1,923	489	199	290	488	399	89	-	-	-	1,544	-	1,544
TOTAL REVENUES	179,863	167,227	12,636	32,598	31,948	650	123,865	124,920	(1,055)	7,250	7,250	-	16,151	3,109	13,042
EXPENSES															
Salaries and Benefits	102,529	103,363	834	22,594	22,282	(312)	72,346	73,492	1,146	6,796	6,796	-	793	793	-
Retiree Medical Expenses	6,598	7,250	652	-	-	-	-	-	-	6,598	7,250	652	-	-	-
Services, Supplies, Travel	39,222	40,477	1,255	5,067	5,085	18	26,257	27,709	1,452	7,328	7,328	-	571	355	(216)
Scholarships	8,916	9,501	585	130	130	0	8,786	9,371	585	-	-	-	-	-	-
Utilities	8,056	8,056	0	322	321	(1)	7,723	7,723	(0)	10	10	-	1	2	1
Other Expenses	3,608	3,608	-	-	-	-	-	-	-	-	-	-	3,608	3,608	-
Debt Service	8,445	8,446	1	1,694	1,694	0	6,751	6,752	1	-	-	-	-	-	-
Shared Services	-	-	-	4,192	4,192	0	9,942	9,942	-	(14,134)	(14,134)	-	-	-	-
Other Transfers	(4,843)	(5,083)	(240)	(1,699)	(1,406)	293	856	(69)	(925)	-	-	-	(4,000)	(3,608)	392
Strategic Initiatives (3%)	980	980	--	-	-	-	-	-	-	-	-	-	980	980	-
Economic Stabilization (2%)	980	980	-	-	-	-	-	-	-	-	-	-	980	980	-
TOTAL EXPENSES	174,491	177,578	3,087	32,298	32,298	0	132,662	134,920	2,258	6,598	7,250	652	2,933	3,110	177
NET REVENUES/(DEFICIT)	5,372	(10,351)	15,723	300	(350)	650	(8,797)	(10,000)	1,203	652	-	652	13,218	(1)	13,219

System-wide metrics: Second Quarter FY2025

	Community College of Vermont					Vermont State University					Vermont State Colleges				
	FY25 Budget	FY25Q2 FCST	Var \$	Var %		FY25 Budget	FY25Q2 FCST	Var \$	Var %		FY25 Budget	FY25Q2 FCST	Var \$	Var %	
Student Revenue & Wages (\$millions)															
Net Student Revenue	\$ 21,769	\$ 22,128	\$ 359	1.7%		\$ 76,669	\$ 75,306	\$ (1,363)	-1.8%		\$ 98,438	\$ 97,434	\$ (1,004)	-1.0%	
Annual Employee Wages	\$ 15,894	\$ 15,894	\$ -	0.0%		\$ 47,309	\$ 46,751	\$ (559)	-1.2%		\$ 63,203	\$ 62,644	\$ (559)	-0.9%	
Full Paying Equivalent Enrollment															
Annual FPE	2,926	2,997	71	2.4%		4,259	4,204	(55)	-1.3%		7,184	7,201	17	0.2%	
FPE by Term															
Fall	2,540	2,431	(108)	-4.3%		4,481	4,423	(58)	-1.3%		7,020	6,854	(166)	-2.4%	
Spring	2,209	2,344	135	6.1%		4,116	4,063	(53)	-1.3%		6,325	6,407	82	1.3%	
Other	1,102	1,219	117	10.6%				-	0.0%		1,102	1,219	117	10.6%	
FPE by Value Stream															
Vermonters	2,756	2,845	89	3.2%		1,741	1,719	(22)	-1.3%		4,497	4,564	67	1.5%	
Out-of-State	126	111	(15)	-11.8%		883	872	(11)	-1.2%		1,009	983	(26)	-2.6%	
NEBHE & Good Neighbor	43	40	(3)	-7.0%		206	203	(3)	-1.5%		249	243	(6)	-2.4%	
Nursing & Allied Health	n/a					560	553	(7)	-1.3%		560	553	(7)	-1.3%	
Online	n/a					299	295	(4)	-1.3%		299	295	(4)	-1.3%	
Graduate															
Vermonters	n/a					213	210	(3)	-1.4%		213	210	(3)	-1.4%	
Out-of-State	n/a					62	61	(1)	-1.6%		62	61	(1)	-1.6%	
Room Occupancy															
Annual Occupancy	n/a					1,492	1,406	(86)	-5.8%		1,492	1,406	(86)	-5.8%	
Occupancy by Term															
Fall	n/a					1,583	1,492	(91)	-5.7%		1,583	1,492	(91)	-5.7%	
Spring	n/a					1,402	1,322	(80)	-5.7%		1,402	1,322	(80)	-5.7%	
Other	n/a					0		-	0.0%		-	-	-	-	0

Community College of Vermont

CCV's FY25 Summer semester enrollment revenue was higher than anticipated while Fall semester tuition and fees came in under budget. Spring enrollment has largely rebounded, coming in at 6.1% over budget. We are therefore projecting a \$360k increase (2%) in tuition and fee revenue compared to budget. We are also projecting a \$290k increase in investment income over budget.

With expenses expected to come in line with the budget we are forecasting a surplus of \$300k as opposed to the \$350k deficit we budgeted.

REVENUES

Tuition and Fees:	Overall total tuition and fees \$360K higher than BOT approved budget.
Sales & Services/ Gifts/Other Revenues:	Investment income projected to come in \$290k higher than budget.

EXPENSES

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

Vermont State University

As of the second quarter, VTSU's financial projections indicate a slightly more favorable outcome than the budgeted figures. Originally budgeting for a \$10 million deficit, the University now projects a \$9.1 million deficit, with both total revenue and total expenses trending below budget.

REVENUE

Net student revenue (tuition, fees, room and board, net of scholarship expense) is projected to be approximately level with the budget. The projection is \$76.3M, compared to the budgeted \$75.3M, representing a 1.8% difference.

Tuition & Fees: Two factors impacted Tuition & Fees revenue. First, enrollment was flat year over year, falling short of the 4% increase budgeted for FY25, with fall 2024 full-time equivalent at 4,288 compared to 4,291 in fall 2023. It should be noted that the FY25 budget for tuition revenue included a \$1 million hedge against enrollment shortfalls, as well as \$2.6 million in anticipated revenue for the University's new One to One (1:1) device initiative. Participation in the 1:1 program was substantially lower than budgeted at \$400 thousand. The combined effect is tuition revenue estimated at \$1 million lower than budget.

Room and Board: The FY25 budget anticipated that room occupancy would remain at the same level as FY24. Although fall semester enrollment is similar to the previous year, residential occupancy has decreased by approximately 5.8%. Consequently, there is a reduction in room and board revenue amounting to \$1.1 million.

Scholarships: As students who received substantial scholarship packages prior to the tuition restructuring are graduating, a portion of the scholarship award budget is becoming available. The University projects that scholarship expenditures will be approximately \$550 thousand under budget.

Other revenue. Appropriation, sales and services, and other University revenue lines are currently projected to be approximately \$1 million better than budget due largely to unanticipated investment income.

EXPENSE

Salary and benefits. The projected amount is \$69.1 million, which is a 1.4% decrease from the budgeted \$70.0 million, primarily due to savings from vacancies.

Supplies and Services. Net supplies and services expenses are anticipated to be \$1.5 million better than the budget. While there are various factors contributing to this adjustment, the most significant one is the lower than expected uptake of the 1:1 device program. Expenses for this program were budgeted at \$2.8 million; however, only \$600

thousand will be spent. VTSU is seeing an uptick on expenses related to the meal contract, academic trips and equipment accounting for the additional variance.

Transfers. Transfers are anticipated to be higher than initially budgeted. This increase is primarily attributed to a \$790,000 transfer from the University to the Office of the Chancellor for the purpose of settling the outstanding loan provided by the system to Vermont Technical College.

OFFICE OF THE CHANCELLOR & SHARED SERVICES**REVENUES**

- State Appropriations:** For FY25, the State of Vermont appropriated \$10 million in Bridge Funding to support the System as it completes its five year transformation. These funds were not budgeted as part of the annual process.
- Other Revenue:** Unanticipated investment income associated with the Vermont State Colleges' longer term investments was stronger than budgeted.
- Retiree Medical Expenses:** Retiree medical expenses for the first half of FY25 were lower than projected. Rate increases, effective January 1, 2025, are expected to align the expense with the budget for the second half. However, a slight pick-up to budget is anticipated due to the first half's performance.

ITEM 8: FY24 COMPOSITE FINANCIAL INDEX

FY2024 Unrestricted Financial Performance

At the September 19, 2024, meeting of the Finance and Facilities Committee, it was reported that FY2024 financial performance exceeded the budget. The final unrestricted balance showed a gain of \$3.8 million. Compared to the budget, the Vermont State Colleges finished the fiscal year \$23.3 million favorable, with 73% of this being attributed to one-time and extraordinary activities. Examples include \$8.6 million in bridge funding, \$3.1 million savings from budgeted retiree medical insurance, \$3.8 million from unanticipated interest income, and \$1.5 million from the sale of assets. It is important to note that these improvements are all due to one-time activities.

Financial Ratios

In 2021, the Vermont State Colleges established an accountability matrix using the Composite Financial Index (CFI) and its underlying ratios to assess financial health. The CFI provides a comprehensive view of the institution's financial status at a specific point in time. It is constructed from the values of four component ratios:

- **Primary Reserve Ratio:** This measures the level of financial flexibility.
- **Viability Ratio:** This assesses the organization's ability to cover debt with available resources.
- **Return on Net Assets Ratio:** This evaluates overall asset return and performance.
- **Net Income Ratio:** This gauges operating performance.

After calculating each of the four ratios, a further process is undertaken to assess the relative strength and significance of the score within the composite scoring framework. This process yields a weighted score for each indicator, which are then aggregated to form the Composite Financial Index (CFI). The strength factors and CFI scores are standardized on a scale ranging from -4 to 10.

It is crucial to acknowledge that a CFI score of 3 represents the benchmark for institutional financial health.

1. The **Primary Reserve Ratio**, which accounts for 35 percent of the CFI, assesses an institution's financial condition by comparing its accumulated reserves to its annual operating demands. This ratio is determined by dividing expendable resources at the end of a period by the operating expenses incurred during that period. Expendable resources are defined as financial net assets or the institution's financial equity, excluding physical assets like buildings and equipment, as well as financial resources restricted for plant purposes. The calculation subtracts what the institution owes from what it owns, with the balance representing its net assets. Operating expenses include the costs related to instruction, institutional support, student services, etc., such as salaries, utilities, and supplies. By comparing expendable resources to operating expenses, one can determine the duration an institution could continue operations without generating new revenues. A minimum ratio of .4 indicates approximately 140 days or one semester of operating expenses. The maximum value considered in the CFI calculation is 500 days of operating expenses, signifying that an institution could sustain operations for 1.4 years without new revenue.
2. **Viability Ratio**, representing 35 percent of the Composite Financial Index (CFI), is closely related to the primary reserve ratio. It also employs expendable resources for its calculation. However, rather than focusing on operating demand, indicated by operating expenses, it considers long-term debt associated with facilities. To calculate the viability ratio, expendable resources are divided by the total amount of

debt and other obligations related to facilities, typically in the form of bonds, capital leases, or asset retirement obligations. This ratio demonstrates the extent of debt that could be repaid solely from reserves. The minimum acceptable financial health for this ratio is 1.25, indicating that reserves exceed total obligations by one quarter. The maximum value credited when calculating the CFI is 4.2, indicating that reserves exceed total obligations by a factor of just over four.

3. **Return on Net Assets Ratio**, accounting for 20 percent of the CFI, measures if an institution's financial position has improved over a period. This ratio is determined by dividing the change in total net assets for the period by the beginning net assets for the period. A minimum financial health benchmark for the ratio is a 3 percent return on net assets, indicating that net assets have grown by 3 percent of the beginning net assets over the year. The maximum value recognized when calculating the CFI is 20 percent.
4. **Net Operating Revenues Ratio**, which makes up 10 percent of the CFI, indicates whether an institution can cover its operating activities using only the operating revenues generated during the period. An institution that achieves this will contribute to reserves by generating more operating revenues than operating expenses. Operating revenues include tuition, fees, grants, endowment income available for spending, and non-endowment gifts. (Endowment gifts are revenues but not available for operations.) The ratio is calculated by dividing the net operating revenues by the operating revenues. In other words, after subtracting operating expenses from operating revenues, the remaining amount is divided by operating revenues. A ratio of 2 percent indicates minimal financial health, meaning that operating revenues exceed operating expenses by 2 percent of operating revenues. The maximum value credited when calculating the CFI is 4 percent.

The combination of the four ratios results in a CFI score on a ten-point scale. **A score of three represents minimal financial health, aligning with the minimums described above for each ratio.** Scores below three, including negative scores, indicate financial stress. Conversely, higher scores, particularly those above six, reflect strong financial health, suggesting that the institution is capable of enduring financial challenges and/or investing in new programs and activities.

Reviewing these measures over time shows how our actions affect the organization positively or negatively.

Financial Ratio	Preferred Metric	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Primary Reserve	≥ 0.40	0.81	0.70	0.63	0.51	0.25	0.21	0.20	0.17	0.18	0.18
Net Operating Revenue	2% to 4%	1.7%	-1.0%	15.5%	23.0%	3.4%	-0.8%	-1.4%	-1.2%	-3.1%	-1.2%
Viability Ratio	1.25 to 2.0	1.66	1.40	1.10	0.80	0.38	0.32	0.30	0.25	0.27	0.27
Return on Net Position	3% to 4%	8.1%	11.3%	19.1%	41.9%	6.6%	-1.1%	-1.3%	0.5%	-3.0%	-4.0%

Net operating revenue and return on net position reflect an organization's ability to operate within its financial means. The System's net operating revenue met or exceeded the target ratio of 2% to 4% for FY2022, FY2021, and FY2020, primarily due to bridge funding and Higher Education Emergency Relief (HEERF) funding. As indicated, the Vermont State Colleges reverted to its pre-pandemic net operating revenue ratio in FY23 due to its budgeted deficit and approached the preferred metric in FY24 due to a significant amount of favorable one-time and extraordinary items.

The primary reserve ratio, a key indicator of the organization's overall financial health, has consistently met the target of 0.40 or higher since FY2021. This achievement in FY2021 and FY2022 was largely attributable to the receipt of bridge and HEERF funds. Starting from FY2023 and continuing into FY2024, additional contributing factors include the repayment of the Series 2013 Bonds and reductions in the OPEB liability.

The viability ratio, which assesses the VSC's capability to cover its debts, achieved the target for the first time in FY2023 and sustained this performance into FY2024. This ratio evaluates the sufficiency of net assets to meet the organization's liabilities, serving as a critical measure of long-term financial stability. The improvement noted in FY2023 was primarily due to the repayment of the Series 2013 Bonds, with further enhancement in FY2024 driven by the growth in the system's expendable net assets.

The return on net position remains robust. The Vermont State Colleges' Net Position increased by \$120.4 million from FY2020 to FY2024. While the increase in FY2024 was smaller compared to the previous three years, an 8.1% return is still double the preferred metric of 3% to 4%. This positive outcome was largely influenced by the year-over-year growth in net assets discussed above.

Measure	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Primary Reserve	2.14	1.84	1.66	1.35	0.65	0.54	0.53	0.46	0.46	0.48
Net Operating Revenue	0.24	(0.15)	1.00	1.00	0.49	(0.12)	(0.20)	(0.17)	(0.44)	(0.17)
Viability Ratio	1.39	1.18	0.92	0.67	0.32	0.26	0.25	0.21	0.23	0.23
Return on Net Position	0.81	1.13	1.91	2.00	0.66	(0.11)	(0.13)	0.05	(0.30)	(0.40)
Composite Financial Index	4.58	3.99	5.49	5.02	2.11	0.59	0.45	0.55	(0.05)	0.14

For the years FY2021 to FY2024, the Composite Financial Index indicated that the Vermont State Colleges should allocate resources towards transformation. This is an effort the VSC undertook seriously then, and continues to do so now. Reflecting on the years FY2015 to FY2019, it is evident that the Vermont State Colleges should have been evaluating their viability for survival. To avoid repeating this performance, it is crucial that the system continues to take all necessary actions to maintain its financial stability and fulfill its academic mission in the coming decades.

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