



*Evaluation of Strategic Financial
Plan
May 2004*

Project Overview



- PricewaterhouseCoopers was asked by the Board of Trustees to evaluate the University of Vermont's (UVM) ten year financial plan. The goals of this evaluation were to assess:
 - The overall financial plan including the logic and reasonableness of its underlying assumptions.
 - The linkage between the current financial position of the University and its ability to fund the investments required to support its strategic direction.
- The project included the following steps:
 - Met with UVM management responsible for developing each of the financial models to obtain an understanding of the plan and its assumptions;
 - Critically analyzed the logic and reasonableness of the assumptions underlying the financial projections based on industry knowledge and experiences at other institutions;
 - Assessed the plan to ensure the appropriate relationships have been made between the various components of the growth agenda; and
 - Reviewed the detailed mechanics of the financial model.

Executive Summary



We are impressed with UVM's management team and the progress they have made over the past eight months to translate the strategic vision for UVM into a detailed and complex financial plan.

- Restructured the business plan to move from an “*incremental approach*” to an “*all funds budget*” approach. This means the financial plan now includes all sources and uses of funds (including restricted funds).
- Established a “financial baseline” analysis to help understand current operations and to determine what would happen if the UVM chose not to take certain actions.
- Developed individual financial models to perform detailed analysis and profit & loss statement (P&L) projections for each major area of the “growth agenda” that can be layered on top of the baseline.
- UVM has made significant progress in defining the financial implications of the “growth agenda” and the overall strategic vision. This has included better definition of the size of the investments, sources of funding for new projects, expected revenues and expenses, and the timing of events.
- UVM has designed and built an integrated financial model that can now be used to help drive long range financial planning decisions.

Executive Summary



The strategic vision and goals of UVM's ten year plan appears logical and well thought-out. The plan defines at a high level a strategic direction we have seen taken by other quality academic institutions.

Market forces and critical drivers of the ten year plan:

- **Increase Value.** Competitive factors are driving institutions to make investments to strengthen their perceived “value” from both an academic quality and student life perspective. Institutions need to demonstrate that they are offering a better product that is worth the price.
- **Modest Tuition Growth.** Tuition income is under stress due to declines in household net worth, stagnant employment, and increased competition for students. UVM’s cost of attendance for both in-state and out-of-state students is in the high range and therefore the plan calls for modest tuition growth. Together with plans to advance academic quality and student life; UVM’s price-value equation will be strengthened.
- **Grow Undergraduate Enrollment.** The financial plan demonstrates that growth in undergraduate enrollment, particularly from out of state students, will improve UVM’s bottom line. While the number of high school graduates across the U.S. is growing, it is not evenly spread across the country. This means that UVM will need to have a broader and deeper demographic draw as it relies more on out-of-state students.
- **Improve Academic Quality.** UVM’s academic reputation will be vital to its ability to attract students who also consider its private school competitors. Planned growth in the masters and especially doctoral programs is a key element in growing UVM’s reputation and perceived value. Growth in graduate programs is part of the foundation for the ability to grow the size and quality of the undergraduate population as well as to attract and retain desired faculty.
- **Improve Student Life.** Many institutions are investing in new student-oriented facilities as they face heavy competition for students. The planned construction of the student commons, student housing and upgrade of academic facilities are essential to developing an effective competitive position to grow undergraduate enrollment.



Executive Summary



We believe that in maintaining “status quo,” UVM would risk loss of competitiveness and stature which could have financial implications on current projections.

- A financial baseline analysis was developed by management to understand UVM’s current operations - - together with current efforts and investments in ERP, renovations and miscellaneous capital projects - - to determine what would happen if the University chose not to take the major actions defined in the growth agenda.
- The baseline projections show UVM hovering around breakeven with losses occurring in FY05 and FY10 – FY13.
 - While cost cutting efforts could be taken to balance the budget, the projected operating margins offer very little flexibility to absorb unanticipated revenue constraints or expense pressures.
 - Decisions to delay renovations aimed at improving residential dorms and academic facilities could have an adverse impact on the UVM’s ability to compete.
- It is also important to note that the projections do not contemplate the competitive environment to attract students and the potential consequences should UVM decide not to make any major investments in student life. With heavy competition for students, many institutions have made investments in student-oriented facilities such as dormitories, campus centers, and athletic facilities in recent years. Given these factors, there is a compelling case to support the need to take some action.

<i>(in thousands)</i>	Baseline Financial Results										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total revenues	\$378,947	\$390,069	\$397,888	\$415,230	\$431,765	\$447,744	\$459,836	\$475,463	\$491,897	\$508,355	\$525,459
Total expenses	\$379,305	\$388,415	\$398,949	\$414,883	\$431,115	\$444,964	\$459,443	\$475,635	\$493,818	\$511,096	\$527,967
Net revenue over expenses	(\$358)	\$1,654	(\$1,060)	\$347	\$649	\$2,781	\$393	(\$172)	(\$1,921)	(\$2,741)	(\$2,508)



Executive Summary



The feasibility of UVM's strategic plan and capital expansion relies largely on a number of ambitious new initiatives. We have highlighted some of the major initiatives:

- **Undergraduate Enrollment.** Growth in undergraduate enrollment of 1,990 students is aggressive, but appears to be an achievable assumption – albeit one where there is very little margin for error. Growth in enrollment primarily from out of state students, and a generally modest increase in financial aid, are key drivers of the projections.
- **Graduate Student Growth.** An increase in graduate enrollment of 711 students is also ambitious, and results in the need for substantial general fund resources to support stipends and tuition allowances.
- **Sponsored Research.** Over the next ten years, \$68 million of sponsored research growth is projected. An estimated \$22 million of growth relates to the proposed Colchester Campus and 50 new research faculty. The remaining growth relates primarily to existing researchers and includes the implementation of a new multi-disciplinary research program.
- **Faculty Recruitment.** UVM plans to recruit 130 new faculty over the next 10 years - - 80 new faculty are associated with the Academic Growth Plan and 50 relate to the College of Medicine research growth plan. The research projections associated with the proposed Colchester Campus depend upon UVM's ability to recruit high quality scientists capable of generating significant research funding.
- **Major Construction Projects.** Total project costs of \$369 million are associated with the planned construction of the Student Commons, Residential Life, CALS, Colchester Campus, Parking, and addressing deferred maintenance and renovation of existing facilities.
- **Fundraising Goals.** Fundraising projections call for \$305 million of income over the next ten years. Accomplishment of the revenue (cash) goals within the timeframe projected will be essential to fund investments in programs, facilities and infrastructure.
- **Debt Financing.** The financial plan proposes to issue an additional \$374 million of bonds over the next 10 years. This estimate is contingent upon the successful achievement of capital fundraising goals and the receipt of federal and state funds to support project costs. The new debt will result in additional annual debt service payments of nearly \$25 million by 2013.



Undergraduate Enrollment Growth



- Planned growth in undergraduate enrollment is ambitious; and assumes UVM's ability to:
 - Increasing in-state penetration and growing out-of-state applicant pool,
 - Maintain or improve overall student quality,
 - Generally offer not much more financial aid than at present.
- Over the projection period, UVM will increasingly rely on OOS students to fuel the growth – while increasing the cost of attendance for OOS students to levels where there will be several highly attractive New England private school competitors.
- With 89% of the growth in undergraduate enrollment attributed to OOS students, the tuition dollars generated by out of state students are critical to supporting: financial aid requirements resulting from enrollment growth, cost of graduate student programs, and the costs of new faculty and administration. This revenue is also critical to funding the operations of new projects such as the Student Commons, Residential Life and Life Sciences.
- Critical Success Factors for implementation include:
 - Concerted target marketing efforts to attract more applicants from among the highest ACE score prospects – students who generally tend to have somewhat less financial need.
 - Timely completion of initiatives and projects to improve the undergraduate campus experience.
 - Monitoring of key indicators to determine as early as possible when results begin to stray off target. It will be critical for management to know not just what the variations are – but why they are occurring.
 - An intense determination to not just “make the class” but to “shape” it – making sure that targets for OOS students, financial aid profiles, and academic qualifications are met – rather than just “making the number”.
 - Acknowledging competing objectives, i.e. diversity goals, and reaching consensus on resulting priorities



Graduate Student Growth



- Planned growth in graduate enrollment is ambitious; and results in the need for substantial general fund resources in support of stipends and tuition allowances. While most of the growth is within existing programs, the plan calls for expanded penetration of OOS markets for graduate students.
- Critical Success Factors for implementation include:
 - Assuring the availability of grant funding for certain tuition and stipends is an important factor in mitigating some of the costs of graduate program growth to the University. Therefore the availability and predictability of grant funding – largely from the federal government – is a critically important factor.
 - As UVM seeks to implement a plan for graduate program growth, management will need to implement mechanisms to closely manage and monitor graduate student costs. The rate of enrollment growth will need to be carefully linked and coordinated with:
 - Research program development and growth and availability of grant funding. If it is not linked, there it likely that the institution would need to fund an even higher proportion of graduate student education.
 - The availability of institutional dollars that are designated to support tuition and stipends not supported by grants (i.e., gifts & endowment, undergraduate OOS enrollment & tuition targets, etc.)
- While growth in graduate programs represents a net cost to UVM, growth in masters and especially doctoral programs is a key element in growing UVM's reputation and perceived value. Therefore, the ability to grow graduate programs is part of the foundation for the ability to grow the size and quality of the undergraduate population as well as to attract and retain desired faculty.
- Since graduate student growth comes at a net cost, management should begin now to assess the minimum level of growth needed to support the other elements of the plan. This would enable early thinking around the possibility of scaling back the graduate growth plan in the event other elements of the plan which are expected to generate revenue (most specifically undergraduate student population growth) begin to fall short of projected levels.

Residential Life, Student Commons & Parking



UVM's initiative to enhance the quality of life, including the construction of new dormitories and the Student Commons is vital to its competitive positioning to attract qualified students and meet enrollment targets.

Residential Life

- University Heights is slated to open 400 beds in Fall 2005 and another 400 beds in January 2006. Completion of the project *for opening* in Fall 2005 is critical to ensuring housing for UVM's planned growth in enrollment. Delays in the project could create a housing shortage for new students and negatively impact student quality of life.
- Catamount Apartments is slated to open 200 beds in the Fall 2005. Without the permitting process underway, it seems unlikely that UVM will be able to complete construction of the Catamount Apartments in time to open in the Fall 2005. The financial plan should be adjusted to reflect the potential impact of this delay on projected revenues.
- Due to delays in these two projects, UVM will pay \$1.75 million of interest expenses in FY05 on the 2002 bond without any offsetting sources of income. UVM should move to complete these projects as soon as possible.

Student Commons

- The decision to move forward with the facility should be considered together with the feasibility of the overall Academic Growth Plan given that the ability to absorb the increased costs of the Student Commons depends on largely on funding from growth in enrollment.
- While a \$14M fundraising target seems achievable, UVM currently does not have pledges in hand that will produce a predictable cash flow.
- Since the permit and approval process for the Commons will need to include parking, a commitment to move forward with this project should be considered together with a plan for Student Commons Parking.

Parking

- Management has indicated that planning around parking is preliminary and that additional work is underway to develop parking facility options, pricing, and the related financial implications.

Colchester Campus & College of Agriculture & Life Sciences



Colchester Campus – Research Expansion

- Planning for the Colchester Campus building and faculty recruitment is in its early stages and more work is needed to determine its financial feasibility.
- The plan to expand research through the purchase, renovation, and expansion of the Colchester Building in a phased approach gives the University a good deal of flexibility should unforeseen circumstances arise. It also provides a significant reduction in total project costs over previous options considered.
- We believe that it is unlikely that the financial results projected in the Colchester Campus P&L will be achievable in the scenario presented. Assumptions around space use and the number of faculty (and associated revenue) that can fit in the building; the costs of research core facilities and administrative positions to support new faculty; and expectations for the portion of faculty salaries to be support by grants will need to be revisited.
- The success of new faculty at attaining sponsored research funding goals is critical to the financial viability of the research facility. There is a possibility that the cost of recruiting high quality scientists, who are capable of achieving these goals, could come at a much higher cost to UVM.
- UVM should explore the possibility of developing an explicit set of fund raising targets for Life Sciences research growth that can defray the costs associated with new program initiatives, a sizable recruitment plan, and the Colchester building addition and renovations.
- Should further planning support a major investment in research, Management and the Board might consider the use of a set of “trigger points” and associated targets, which, if achieved, would commit the University to proceed with specific phases or elements of the research growth plan.

College of Agriculture & Life Sciences

- Funding for the construction of the CALS building is planned to come from the following sources: \$3 million federal support; \$7.7 million State capital appropriations; and \$20.5 million of financing.
- Management might consider the use of a set of “trigger points” or achievement of certain targets which, if achieved, would commit the University to proceed with this project.



Development/Endowment



- UVM's plans to receive \$304 million in gift income during the ten year projection is an integral factor in the ten year financial plan. While this is not an unreasonable assumption, it is a significant undertaking. The Board will need to be an active participant with the President and the Academic Deans to make the campaign a success.

Fundraising (in millions)	Actuals FY99-FY03		Projections FY04-FY08		Projections FY09-FY13		10 Year Proj Total
	5 Year Total	5 Year Average	5 Year Total	5 Year Average	5 Year Total	5 Year Average	
Restricted Private Gifts	64.63	12.93	69.69	13.94	85.73	17.15	155.42
Unrestricted Private Gifts	12.27	2.45	14.27	2.85	18.11	3.62	32.38
Capital Gifts	3.63	0.73	10.72	2.14	10.28	2.06	21.01
Endowment Gifts	22.28	4.46	35.02	7.00	60.74	12.15	95.76
Total Income	\$ 102.82	\$ 20.56	\$ 129.71	\$ 25.94	\$ 174.86	\$ 34.97	\$ 304.57
% Growth from prior 5 year period			26%		35%		

- While many universities have been successful in meeting published fundraising goals, they are often less successful in meeting cash forecasts and expendable cash for specific program needs.
- A significant portion of the campaign results to date are bequest expectancies and therefore the cash payments are not expected in the projection period. While it benefits the University to eventually receive funds upon death of the donor, these gifts will most likely not help the support operating budget or new initiatives in the ten year plan.
- If UVM does not meet its cash goals for capital projects, it will need to rely on additional debt financing to fund facilities projects. It will be important for the Development and Finance Offices to work together to closely monitor the timing of cash receipts versus the projected requirements of the ten year plan.

Debt Financing



- Citigroup has presented UVM with a debt financing option that is based on the strength of UVM's balance sheet and credit rating as well as current economic conditions. The use of commercial paper offers flexibility in that it provides the University access to capital when needed and avoids capitalized interest on unexpended funds.
- UVM, as of FY03, had \$182 million outstanding in debt and proposes to issue an additional \$375 million in bonds over the next 10 years. Annual debt service payments associated with the new debt are nearly \$25 million by FY13.
- UVM's ability to access capital to meet debt service needs will be contingent on enhanced operating results and endowments to cover the incremental \$25 million in debt service. UVM will need to meet or exceed a number of critical variables incorporated into the current plan including, but not limited to, tuition revenues, increasing endowment contributions, and spending rates.
- If key targets are not met, UVM's ability to (1) meet growing levels of debt service associated with an increased debt load and (2) maintain its current credit rating could be compromised (which could in turn impact its cost of capital). Recognizing these issues, management has developed a phased financing approach - - using commercial paper and consolidation into periodic bond issues- - that enables management and the Board flexibility to adjust or delay project construction to meet economic conditions.
- It should be noted that Citigroup indicated they did not believe the credit rating would be reduced substantially and did not believe any moderate reduction would result in a higher cost of capital. Nonetheless, Citigroup has not performed a formal assessment of UVM's debt capacity.
- It will be important that the financing approach for the research facility be structured and documented to both optimize the research F&A rate and ensure compliance with the federal cost principles outlined in OMB Circular A-21.

Debt Financing



- While no formal assessment of debt capacity has been made, we have calculated the impact on the “debt service to operations” ratio based on the P&L projections only. The table below summarizes selected financial ratios -- debt service coverage and annual debt service to operations.
 - Debt service coverage ratio:* This measures the ability of an institution to meet debt service obligations from operating resources. A ratio of greater than one (or 100%) indicates that an institution is able to meet its debt obligations from current operating resources. UVM’s debt service coverage ratio is 2.11 in FY03 and declines to approximately 1.67 in FY13.
 - Annual debt service to operations:* This measures the percentage of debt service to total operating costs of the institution, including required principal payments on outstanding debt. The ratio is a relative measure of the effect of debt service on the overall costs of operations. UVM’s debt service to operations is 2.6% in FY03 and it grows to approximately 6.1% in FY13.

Selected Financial Ratios:	Actuals	Actuals	Projections									
	FY02 ⁽¹⁾	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Excess (deficiency) of revenues over expenses ^G	\$ (8,275)	\$ 1,364	\$4,084	\$2,214	\$4,322	\$6,992	\$6,165	\$3,016	\$4,970	\$6,477	\$7,802	\$9,941
Plus:												
Depreciation Expense	12,217	11,458	11,458	11,947	14,261	18,777	21,358	22,493	23,654	24,762	25,364	25,468
Interest Expense	3,757	7,753	8,473	9,896	12,021	14,509	18,146	19,664	21,058	23,390	24,247	24,736
Net Income available for Debt Service	\$ 7,699	\$ 20,575	\$ 24,015	\$ 24,057	\$ 30,604	\$ 40,278	\$ 45,669	\$ 45,173	\$ 49,682	\$ 54,628	\$ 57,414	\$ 60,146
Annual Debt Service	\$ 5,289	\$ 9,734	\$ 11,172	\$ 12,781	\$ 16,457	\$ 20,595	\$ 24,726	\$ 28,212	\$ 30,197	\$ 32,751	\$ 34,714	\$ 35,948
Debt Service Coverage Ratio	1.46	2.11	2.15	1.88	1.86	1.96	1.85	1.60	1.65	1.67	1.65	1.67
Total Operating Expenses	\$ 340,914	\$ 369,066	\$ 384,699	\$ 399,824	\$ 425,327	\$ 450,570	\$ 478,763	\$ 504,492	\$ 530,098	\$ 553,758	\$ 573,796	\$ 592,035
Actual Debt Service to Operations	1.6%	2.6%	2.9%	3.2%	3.9%	4.6%	5.2%	5.6%	5.7%	5.9%	6.0%	6.1%
<small>* Moody's Investor Services, July 2003, Public University Medians for FY2002, A1 credit rating. Debt Service Coverage Ratio 2.90 Actual Debt Service to Operations 2%</small>												
<small>(1) UVM issued new debt in FY02 and defeased a portion of existing debt (2) This represents Net Revenue over Expenses plus Interest received on student loans (in the projections) or Income before capital and endowment additions (in the financial statements)</small>												

- UVM may lose flexibility in operations, especially in the later years, with \$30-35 million in debt service payments annually.



Debt Financing



As management recognizes, it will be important that the next phase of the planning process include the following steps:

- Develop projected balance sheets and cash flows for each year of the plan.
- Perform sensitivity analyses on a number of key variables (i.e., earnings on investments, contributions, interest rates on new borrowing, etc.) to understand the financial impacts that these assumptions have on the overall performance and financial position of the University going forward.
- Engage a debt advisor to perform a debt capacity analysis at each point in the plan during which incremental borrowing is contemplated based on current economic indicators as well as the results of any sensitivity analyses performed.
- Develop an understanding of those factors and conditions that can put UVM's credit rating and associated cost of capital at risk and determine the extent to which those factors are controllable or influenced by management courses of action (i.e. spending, fundraising, and enrollment as opposed to interest rates, competition and State appropriations).
- Develop contingency plans to be enacted (from a project cost or timing perspective) in the event that economic conditions (internal and/or external) preclude accessing capital at a key stage of the business plan.



Executive Summary



Acknowledging that no plan is without risks, UVM's strategy to grow undergraduate enrollment and enhance student life through the construction of new facilities is a plausible means to achieve financial stability.

- Construction of a Student Commons and student housing is appropriate and necessary to grow enrollment.
- Given the existence of internal and external risks associated with the overall strategic plan, the University would be well served by establishing a phased-in approach for certain elements of the plan.

<i>(in thousands)</i>	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Net Revenues over Expenses											
Baseline	(\$358)	\$1,654	(\$1,060)	\$347	\$649	\$2,781	\$393	(\$172)	(\$1,921)	(\$2,741)	(\$2,508)
Academic Growth Model	\$0	\$3,042	\$4,715	\$7,818	\$9,958	\$11,064	\$11,824	\$13,878	\$16,242	\$18,242	\$19,554
Student Commons	\$10	\$224	\$1,387	\$2,000	\$2,137	(\$989)	(\$954)	(\$688)	(\$450)	(\$276)	(\$137)
Life Sciences/CALS	\$0	(\$1,635)	(\$2,164)	(\$4,061)	(\$4,619)	(\$5,829)	(\$7,791)	(\$7,868)	(\$7,517)	(\$7,831)	(\$7,691)
Residential Life Growth	\$0	(\$400)	(\$1,751)	(\$2,626)	(\$1,604)	(\$1,424)	(\$1,233)	(\$1,019)	(\$791)	(\$543)	(\$288)
Parking	\$0	\$164	\$53	(\$190)	(\$564)	(\$473)	(\$255)	(\$195)	(\$122)	(\$84)	(\$24)
Net Revenues over Expenses	(\$349)	\$3,049	\$1,179	\$3,288	\$5,957	\$5,131	\$1,984	\$3,936	\$5,442	\$6,768	\$8,906



Executive Summary



While we believe the overall strategy is sound, there is no question that the results of the ten year plan as currently projected are boldly ambitious given that many of the assumptions are ambitious as are the critical elements of timing.

- Having seen many institutions embark on new strategic directions, we have found that success is dependent not only on the soundness of the plan, but how carefully the implementation is managed. Intensive diligence must be exercised in monitoring the plan, in carefully phasing its execution, and in adjusting its implementation for both sub-optimal performance on one or more parameters and for inevitably changing circumstances.
- As management continues to refine projections, a selected combination of “moderate” or “conservative” assumptions should be considered for key areas of the plan. In addition, sensitivity analyses of key variables will help to evaluate potential opportunities and vulnerabilities and formulate plans to mitigate risks.
- The next stage of the planning process involves preparation of a full set of pro forma financial statements, including balance sheet and statement of cash flows, to evaluate the aggregate impact of the ten year plan on cash flow requirements and debt capacity.
- UVM should engage a debt advisor to perform a debt capacity analysis based on current economic indicators, balance sheet projections, and the results of sensitivity analyses. It will also be important to seek advice regarding the factors and conditions that could put UVM’s credit rating and associated cost of capital at risk.

Executive Summary



The planning around certain components of the ten year plan need further refinement to assess their individual feasibility and to understand their financial impact on the overall plan.

- **Life Sciences Colchester Campus.** Continued planning will need to occur to further define research program initiatives, resource requirements (faculty, core facilities, space, administrative support, etc.) and associated revenues and expenses. As the Colchester Campus plan is revised, it will be important to assess the potential impact on the F&A rate.
- **Parking.** Management will need to develop designs and site options for the Student Commons parking garage to understand the financial implications of the facility. Since the permit and approval process for the Commons will need to include parking, it is important to ensure a feasible plan exists for parking.
- **Catamount Apartments.** Without the permitting process underway, it is unlikely that UVM will be able to complete construction in time to open in the Fall 2005. The financial plan should be adjusted to reflect the potential impact of this delay on projected revenues.
- **Other Adjustments.** During our work, PwC found several other adjustments that will need to be incorporated into the financial model. We have discussed these adjustments with management. They are not presented in the report as they do not have a material impact on the projected P&L results.

Executive Summary



Achieving the plan's goals is dependent on leadership's vision, competence, and perseverance as well as the soundness of the plan itself.

- UVM has strong leadership and we are impressed with the dedication, expertise and depth of the management team.
- Given the many complex and demanding new initiatives, we are concerned that even with a strong management team, it may be difficult to successfully execute so many large projects simultaneously. Dedicated projected management will be necessary to ensure success.

Major Initiatives									
FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Undergraduate Enrollment Growth									
277	163	220	270	315	300	245	180	45	
Recruit 50 New COM Faculty									
	8	10	9	7	6	5	3	2	
Recruit 80 New Academic Faculty									
			13	21	18	15	11	2	
Fundraising Campaign (FY02-FY07)									
Student Commons									
	Residential Life Growth								
	Residential Life Phase II								
					Residential Life Phase III				
Gutterson Garage									
	Commons Garage								
					Other Major Renovation Projects				
				Colchester Campus					
		CALS Building							



Conclusions



- Acknowledging that no plan is without risks, UVM's plan to grow undergraduate enrollment and enhance student life through the construction of new facilities is a logical strategy to achieve financial strength. Should UVM decide to maintain "status quo," it is likely that the University would risk loss of competitiveness and stature which could have financial implications on current baseline projections.
- While we believe the overall strategy is sound, there is no question that the results of the ten year plan as currently projected are boldly ambitious given that many of the assumptions are ambitious as are the critical elements of timing.
- We believe it is important to move forward with the elements of the plan that support enrollment growth. However, other elements of the plan will require further study and definition (particularly the proposed growth in research and expansion of the Colchester Facility).
- Given the existence of internal and external risks associated with the overall strategic plan, the University would be well served by establishing a phased in approach for certain elements of the plan.
- Intensive diligence must be exercised in monitoring the plan, in carefully phasing its execution, and in adjusting its implementation in the event that elements of the plan begin to fall short of projected levels. It will be critical for management to perform regular sensitivity analyses as part of the monitoring and adjustment process in response to actual performance and changing circumstances.
- As next steps in the process, preparation of a full set of pro forma financial statements, including balance sheet and statement of cash flows, will be necessary to understand the aggregate impact of the ten year plan on cash flow requirements and debt capacity.
- Next steps will also include the development of a detailed implementation plan including:
 - The timing of events, management directives, key variables to be monitored and a regular process for assessing actual results and updating the overall plan.
 - Establishment of contingency plans on where UVM would need to scale back in the event elements of the plan begin to fall short of projected levels.

