2019 Resolutions

February 2, 2019

1) Acceptance of Fiscal Year 2018 Audited Financial Statements
2) Resolution Approving Revision to the Equal Employment Opportunity/Affirmative Action Policy Statement and Reaffirmation of the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement
3) Resolution Approving the Creation of a Bachelor of Arts in Dance in the College of Arts & Sciences
4) Resolution Approving the Creation of a Certificate in Community Music: Organ in the College of Arts & Sciences
5) Resolution Approving the Creation of a Bachelor of Sciences in Anthropology in the College of Arts & Sciences
6) Resolution Approving the Creation of an Undergraduate Certificate and a Continuing Education Academic Certificate in Integrated Health & Wellness Coaching in the College of Nursing and Health Sciences and Continuing and Distance Education
7) Resolution Approving the Creation of an Undergraduate Certificate in Religious Literacy in Professions in the College of Arts & Sciences
8) Resolution Approving the Creation of a Minor in Reporting and Documentary Storytelling in the College of Arts & Sciences
9) Resolution Approving Revisions to the Debt Policy
10) Resolution Approving Revisions to the Cash Management and Liquidity Policy
11) Approval of Funding for the Fiscal Year 2019-2020 Deferred Maintenance Projects and Declaration of Official Intent of the University to Reimburse Certain Expenditures from Proceeds of Indebtedness
12) Resolution Setting the Fiscal Year 2020 Comprehensive Fee, Student Government Association (SGA) and Inter Residence Association (IRA) Fees
13) Retiring Trustee Resolution: Caitlin M. McHugh (2017-2019)
CONSENT AGENDA
February 2, 2019

COMMITTEE OF THE WHOLE

1. Acceptance of Fiscal Year 2018 Audited Financial Statements

WHEREAS, the Financial Statements of the University of Vermont and State Agricultural College for the Fiscal Year ended June 30, 2018, have been audited by KPMG LLP, Certified Public Accountants, in accordance with 16 V.S.A. Section 2281(a);

BE IT RESOLVED, that the Board of Trustees hereby accepts the FY 2018 Audited Financial Statements as recommended by the Audit Committee and presented today, and acknowledges receipt of the FY 2018 Financial Report.

EDUCATIONAL POLICY & INSTITUTIONAL RESOURCES


BE IT RESOLVED, that the Board of Trustees approves a revision to the Equal Employment Opportunity/Affirmative Action Policy Statement, appearing as Appendix A to this document, and reaffirms the policy as revised; and

BE IT FURTHER RESOLVED, that the Board of Trustees reaffirms the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement, appearing as Appendix B to this document.

3. Resolution Approving the Creation of a Bachelor of Arts in Dance in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a BA in Dance in the College of Arts & Sciences, as approved and advanced by the Provost and President on December 3, 2018.

4. Resolution Approving the Creation of a Certificate in Community Music: Organ in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a Certificate in Community Music: Organ in the College of Arts & Sciences, as approved and advanced by the Provost and President on December 3, 2018.
5. Resolution Approving the Creation of a Bachelor of Science in Anthropology in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a BS in Anthropology in the College of Arts & Sciences, as approved and advanced by the Provost and President on January 2, 2019.

6. Resolution Approving the Creation of an Undergraduate Certificate and a Continuing Education Academic Certificate in Integrated Health & Wellness Coaching in the College of Nursing and Health Sciences and Continuing and Distance Education

BE IT RESOLVED, that the Board of Trustees approves the creation of an Undergraduate Certificate and a Continuing Education Academic Certificate in Integrated Health & Wellness Coaching in the College of Nursing and Health Sciences and Continuing and Distance Education, as approved and advanced by the Provost and President on January 30, 2019.

7. Resolution Approving the Creation of an Undergraduate Certificate in Religious Literacy in Professions in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of an Undergraduate Certificate in Religious Literacy in Professions in the College of Arts & Sciences, as approved and advanced by the Provost and President on January 30, 2019.

8. Resolution Approving the Creation of a Minor in Reporting and Documentary Storytelling in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a Minor in Reporting and Documentary Storytelling in the College of Arts & Sciences, as approved and advanced by the Provost and President on January 30, 2019.

BUDGET, FINANCE & INVESTMENT

9. Resolution Approving Revisions to the Debt Policy

WHEREAS, in September 2004, the Board of Trustees adopted a Debt Policy to guide the portfolio management of debt, to be reviewed annually; and

WHEREAS, since its creation in 2006, the Budget, Finance, and Investment Committee has been charged with the annual review of the Debt Policy, which it most recently revised in February 2017;

BE IT RESOLVED, that the Board of Trustees hereby accepts revisions to the Policy, appearing as Appendix C to this document.
10. **Resolution Approving Revisions to the Cash Management and Liquidity Policy**

WHEREAS, in September 1993, the Board of Trustees adopted the Cash Management Policy to govern the investment of UVM pooled cash; and

WHEREAS, in February 2016, the Board of Trustees revised and re-named the scope of the Cash Management Policy as the Cash Management and Liquidity Policy to establish a minimum liquidity target for the University comprised of liquid funds that are unrestricted, unencumbered general fund net assets; and

WHEREAS, the Investment Subcommittee is charged with an annual review of the Cash Management and Liquidity Policy; and

WHEREAS, on December 19, 2018, the Investment Subcommittee reviewed revisions to the Cash Management and Liquidity Policy, as appended;

THEREFORE, BE IT RESOLVED, that the Investment Subcommittee hereby recommends that the Board of Trustees adopt the amended Cash Management and Liquidity Policy, appearing as Appendix D to this document.

11. **Approval of Funding for the Fiscal Year 2019-2020 Deferred Maintenance Projects and Declaration of Official Intent of the University to Reimburse Certain Expenditures from Proceeds of Indebtedness**

WHEREAS, the Board of Trustees approved the deferred maintenance funding concept presented by the administration, at its meeting on February 4, 2017 (the “2017” Resolution); and

WHEREAS, the 2017 Resolution directed the administration to seek authorization for additional funding, consistent with goals of the deferred maintenance funding concept, at the winter meeting of the Board of Trustees each year for the next four years; and

WHEREAS, the deferred maintenance projects for FY 2019 and FY 2020 will require $4,000,000 in funding; and

WHEREAS, the University expects to pay certain expenditures (the “Reimbursement Expenditures”) for deferred maintenance projects included on the Deferred Maintenance Fiscal Year 2020 Plan (as it may be amended from time to time) (the “Project”) before the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, the University reasonably expects that debt obligations in an amount not expected to exceed $4 million will be issued, or that present value savings from a bond refunding will be available, and that certain of the proceeds of such debt obligations or savings will be used to reimburse the Reimbursement Expenditures; and
WHEREAS, Section 1.150-2 of the Treasury Regulations requires the University to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

THEREFORE, BE IT RESOLVED, that the Board of Trustees authorize $4,000,000 in expenditures to fund the FY 2019 and FY 2020 deferred maintenance projects, and;

BE IT FURTHER RESOLVED that the university hereby declares:

Section 1. The University finds and determines that the foregoing recitals are true and correct.

Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the University to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The University hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures.

Section 4. This declaration shall take effect from and after its adoption.

12. Resolution Setting the Fiscal Year 2020 Comprehensive Fee, Student Government Association (SGA) and Inter Residence Association (IRA) Fees

BE IT RESOLVED, that the Board of Trustees hereby sets the following fee rates:

<table>
<thead>
<tr>
<th>Fee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UG Student Government Association (SGA) Fee</td>
<td>$222</td>
</tr>
<tr>
<td>UG Inter Residence Association (IRA) Fee</td>
<td>$30</td>
</tr>
<tr>
<td>Comprehensive Fee</td>
<td>$2,188</td>
</tr>
</tbody>
</table>

13-16. Retiring Trustee Resolutions

Caitlin M. McHugh (2017–2019)

WHEREAS, Caitlin M. McHugh is nearing the completion of her term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Caitlin McHugh has been dedicated and insightful, participating actively and responsibly during her membership on Board Committees, including the Audit Committee, Budget, Finance and Investment Committee, Committee on Board Governance, and the Educational Policy and Institutional Resources Committee; and through her service on the Annual Review Subcommittee and the Multipurpose Events Center Work Group; with additional service to the University as a member of the Student Government Association’s Academic Affairs Committee and Committee on Student Affairs;
THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Caitlin M. McHugh.


WHEREAS, Anne T. O’Brien is nearing the completion of her term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Anne O’Brien has offered valuable support and articulated thoughtful perspectives during her service as Vice Chair and Secretary of the Vermont Agricultural College Board; in her membership on the Educational Policy and Institutional Resources Committee; and through her service on the Work Group on Medical, Nursing and Health Sciences Education and Research; and

WHEREAS, Anne O’Brien has advanced the University’s relationship with the state through her development of the annual UVM Legislative Policy Summit that allows faculty to share their expertise with decision makers to help create informed policy;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Anne T. O’Brien.


WHEREAS, Donna G. Sweaney is nearing the completion of her second term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Donna Sweaney has enriched the Board with her wise and thoughtful counsel and steadfast commitment, with unwavering good humor and diplomacy, as Secretary of the Board; through her Committee leadership as Chair and Vice Chair of the Educational Policy and Institutional Resources Committee, Vice Chair of the Committee on Board Governance, and Secretary of the Vermont Agricultural College Board; in her membership on the Executive Committee; and through her service on the ad hoc Labor Advisory Group, ad hoc Presidential Comprehensive Review Committee, Annual Review Subcommittee, and Board Governance Work Group;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Donna G. Sweaney.


WHEREAS, Jeff Wilson is nearing the completion of his term as Trustee of the University of Vermont and State Agricultural College; and
WHEREAS, Jeff Wilson has provided constructive and passionate viewpoints and practical ideas during his service as Chair and Vice Chair of the Audit Committee; in his membership on Board Committees, including the Budget, Finance and Investment Committee, Educational Policy and Institutional Resources Committee, and the Vermont Agricultural College Board; and through his service on the ad hoc Labor Advisory Group;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Jeff Wilson.
Equal Employment Opportunity/Affirmative Action Policy Statement

Policy Statement

The University of Vermont and State Agricultural College is committed to a policy of equal employment opportunity and to a program of affirmative action in order to fulfill that policy. The President of the University fully supports the University’s equal employment opportunity policy and the University’s affirmative action program.

The University will accordingly recruit, hire, train, and promote persons in all positions and ensure that all other personnel actions are administered without regard to unlawful criteria including race, color, religion, ancestry, national origin, place of birth, sex, sexual orientation, disability, age, positive HIV-related blood test results, genetic information, gender identity or expression, or status as a disabled veteran, recently separated veteran, active duty wartime or campaign badge veteran, or Armed Forces service medal veteran (collectively “protected veterans”), or crime victim status, as these terms are defined under applicable law, or any other factor or characteristic protected by law, and ensure that all employment decisions are based only on valid job requirements.

In addition, the University of Vermont recognizes that discriminatory harassment and sexual harassment are forms of unlawful discrimination, and it is, therefore, the policy of the University that discriminatory harassment and sexual harassment will not be tolerated. The University also prohibits unlawful harassment on the basis of other characteristics protected by law.

Further, employees and applicants will not be subjected to harassment, intimidation, threats, coercion, or retaliation because they have engaged in or may engage in the following: filing a complaint or assisting or participating in an investigation regarding alleged discrimination or harassment as prohibited in the policy statement above; filing a complaint or assisting or participating in an investigation, compliance evaluation, hearing, or any other activity related to the administration of the Vietnam Era Veterans' Readjustment Assistance Act of 1974 ("VEVRAA"), Section 503 of the Rehabilitation Act of 1973 ("Rehabilitation Act"), or the Affirmative Action provisions of any other federal, state or local law; opposing any act or practice made unlawful by VEVRAA or any other federal, state, or local law requiring equal
employment opportunities for individuals with disabilities or protected veterans; or exercising any other rights protected by VEVRAA or the Rehabilitation Act. Additionally, the University will not discharge or in any other manner discriminate against employees or applicants because they have inquired about, discussed, or disclosed their own pay or the pay of another employee or applicant.

The University of Vermont maintains an audit and reporting system that: measures the effectiveness of the University’s affirmative action program; indicates any need for remedial action; determines the degree to which the University’s objectives have been attained; measures the University’s compliance with its affirmative action obligations; and determines whether individuals with disabilities and veterans have had the opportunity to participate in all University sponsored educational, training, recreational and social activities.

**Sources:** Titles VI and VII of the Civil Rights Act of 1964; the Immigration Reform and Control Act of 1986; Title IX of the Education Amendments of 1972; the Equal Pay Act of 1963; the Age Discrimination in Employment Act of 1967; the Age Discrimination Act of 1975; Sections 503 and 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; Section 402 of the Vietnam-Era Veterans Readjustment Assistance Act of 1974; Executive Order 11246; the Genetic Information Nondiscrimination Act of 2008; and the Vermont Fair Employment Practices Act, all as amended; and such other federal, state and local non-discrimination laws as may apply.

Note: This Statement of Policy is the official University of Vermont Equal Educational Opportunity Policy Statement and supersedes all prior policy statements regarding its subject matter. It may be modified only by written statement issued by the President as Chief Executive Officer of the University or by formal action by the University of Vermont and State Agricultural College Board of Trustees. This Policy Statement is designed to express the University’s intent and commitment to comply with the requirements of federal, state, and local non-discrimination laws. It shall be applied co-extensively with those non-discrimination laws and shall not be interpreted as creating any rights, contractual or otherwise, that are greater than exist under those laws.

**Contacts**

Questions regarding this policy statement or compliance with its provisions may be directed to:

Director, Office of Affirmative Action and Equal Opportunity
University of Vermont
428 Waterman Building
Burlington, VT 05405
(802) 656-3368
Questions about policies related to Title IX, including sex discrimination, sexual harassment, and all forms of sexual violence may be directed to the University’s Title IX Coordinator:

Nick Stanton, Office of Affirmative Action and Equal Opportunity
(802) 656-3368

Questions about disability related issues may be directed to the University’s ADA/Section 504 Coordinator:

Amber Fulcher, Office of Affirmative Action and Equal Opportunity
(802) 656-0945

Questions may also be directed to government agencies having oversight and enforcement authority with respect to the referenced laws. A complete listing of such agencies may be obtained from the Office of Affirmative Action and Equal Employment Opportunity.

The Vice President for Human Resources, Diversity and Multicultural Affairs is the University official responsible for the interpretation and administration of this policy.

The University has developed an Affirmative Action Plan. The portions of the plan required for disclosure are available for inspection during normal business hours; contact the University’s Public Records Officer at (802) 656-8937.

Related Documents/Policies

Discrimination and Harassment Policy
http://www.uvm.edu/~uvmppg/ppg/student/studentharas.pdf

Equal Opportunity in Educational Programs and Activities and Non-Harassment
http://www.uvm.edu/~uvmppg/ppg/student/equaledu.pdf

Procedures for Investigating and Resolving Discrimination Complaints
http://www.uvm.edu/sites/default/files/discrimination.pdf

Sexual Harassment & Misconduct Policy
http://www.uvm.edu/policies/general_html/sexharass.pdf

Effective Date

Reaffirmed as revised by the President: February 3, 2018
Reaffirmed as revised by the Chair of the Board of Trustees: February 3, 2018
Reaffirmed as revised by the President: February 2, 2019
Reaffirmed as revised by the Chair of the Board of Trustees: February 2, 2019
Equal Opportunity in Educational Programs and Activities and Non-Harassment

Policy Statement

The University of Vermont and State Agricultural College is committed to a policy of equal educational opportunity. The University therefore prohibits discrimination on the basis of unlawful criteria such as race, color, religion, national or ethnic origin, age, sex, sexual orientation, marital status, disability, or gender identity or expression, as those terms are defined under applicable law, in admitting students to its programs and facilities and in administering its admissions policies, educational policies, scholarship and loan programs, athletic programs, and other institutionally administered programs or activities made available to students at the University. The University also prohibits harassment, as defined in the Vermont Statutes at Title 16, section 11(a)(26). Unlawful harassment is a form of discrimination and is therefore prohibited. Sources: Title VI of the Civil Rights Act of 1964; Title IX of the Education Amendments of 1972; the Age Discrimination Act of 1975; Section 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Vermont Public Accommodations Act; and such other federal, state, and local non-discrimination laws as may apply.

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Contacts

Questions regarding this policy statement or compliance with its provisions may be directed to:

- Dean of Students
  University of Vermont
  41-43 South Prospect Street
  Burlington, VT 05405
  (802) 656-3380

  or to:

- Director, Office of Affirmative Action and Equal Opportunity
  University of Vermont
  428 Waterman Building
  Burlington, VT 05405
  (802) 656-3368

Questions may also be directed to government agencies having oversight and enforcement authority with respect to the referenced laws. A complete listing of those agencies may be obtained from the Office of Affirmative Action and Equal Opportunity.

Title IX Coordinator

Questions about policies related to Title IX, including sex discrimination, sexual harassment, and all forms of sexual violence, may be directed to the University’s Title IX Coordinator:

- Nick Stanton, Office of Affirmative Action and Equal Opportunity
  (802) 656-3368

ADA/Section 504 Coordinator

Questions about disability related issues may be directed to the University’s ADA/Section 504 Coordinator:

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The Vice President for Human Resources, Diversity and Multicultural Affairs is the University official responsible for the interpretation and administration of this policy.
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Equal Employment Opportunity/Affirmative Action Policy Statement
http://www.uvm.edu/~uvmppg/ppg/general_html/affirm.pdf
Procedures for Investigating and Resolving Discrimination Complaints
http://www.uvm.edu/sites/default/files/discrimination.pdf
Sexual Harassment & Misconduct Policy
http://www.uvm.edu/policies/general_html/sexharass.pdf

Effective Date:

Reaffirmed as revised by the President: February 3, 2018
Reaffirmed as revised by the Chair of the Board of Trustees: February 3, 2018
Reaffirmed by the President: February 2, 2019
Reaffirmed by the Chair of the Board of Trustees: February 2, 2019
University of Vermont
Debt Policy
As Adopted by the Board of Trustees
September 2004, revised November 2005,
Revised, November 2006,
Revised, December 2007,
Reaffirmed, December 2008,
Revised, October 2009
Revised, October 2010
Reaffirmed, October 2011
Revised, May 2013
Revised, February 2014
Revised, February 2015
Reaffirmed, February 2016
Revised, February 2017
Reaffirmed, February 2018
Revised, February 2019

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OVERVIEW

Purpose

1. Articulate the role of UVM’s debt policy within the strategic planning process.

The University of Vermont’s strategic planning is a long-term process that establishes University-wide priorities as well as University and divisional programmatic objectives. The University’s strategic plan identifies specific goals and initiatives, including capital plans that identify necessary and desired University facility investments. To fund its plan, the University will continue to utilize a mix of financing sources including State and Federal sources, philanthropy, internal reserves, and external University-supported debt.

This policy, in conjunction with the strategic and capital planning, will aid management in ensuring that an appropriate mix and types of funding sources are utilized and that the University’s debt capacity is allocated strategically. A UVM-specific debt policy is appropriate to ensure adequate financial strength to service existing and proposed debt, maintain leverage within an acceptable risk tolerance while investing in priority capital projects, maintain a strong financial profile to ensure a competitive position relative to its peers, and maintain the budgetary capacity to invest in other initiatives.

Management and the Board of Trustees, acting through the appropriate Board of Trustee committee, will assess this policy on an ongoing basis to ensure that it remains responsive to UVM’s evolving academic, research and strategic priorities and financial position.

The University believes that financial discipline is a critical component of long-term debt management and that the Board and management, operating through the appropriate Board of Trustee committee should establish a limited number of financial ratios and limits in order to manage debt within acceptable ranges consistent with UVM’s objectives. These measures will be monitored and reported on in light of UVM’s evolving strategic initiatives and capital needs.
INTRODUCTION AND OBJECTIVES

<table>
<thead>
<tr>
<th>Purpose</th>
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<tbody>
<tr>
<td>1. Articulate UVM’s philosophy regarding debt.</td>
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<tr>
<td>2. Establish objectives for debt policy.</td>
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<tr>
<td>3. Provide for regular review and potential update of policy to reflect evolving needs.</td>
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Just as investments represent an integral component of assets, debt is viewed to be a long-term component of liabilities that therefore should be managed on a long-term portfolio-basis consistent with the institution’s policy objectives, with an overarching objective of managing the balance sheet. The objectives of the policy are to:

(i) Maintain the University’s access to capital. Management will utilize and issue debt in order to provide timely access to capital to fund project priorities that have been approved by the Board;

(ii) Manage the University’s credit to meet its long-term strategic objectives while maintaining creditworthiness consistent with the most favorable relative cost of capital and borrowing terms.

(iii) Limit risk of the University’s debt portfolio. Debt will be managed on a portfolio, rather than a transactional or project-specific, basis. Management’s continuing objective of incurring the lowest achievable long-term risk-adjusted cost of capital will be balanced with the goal of appropriately limiting exposure to market shifts within acceptable budgetary parameters. Various types of debt structures and financial instruments will be considered, monitored, and managed within the framework established in this policy and according to internal management procedures; and

(iv) Permit the optimization of the investment of the University’s working capital and cash balances. Management will explore various options and alternatives to internal cash holdings regarding the optimal funding mechanism for short-term equipment needs, bridge financing and cash requirements. Management recognizes that working capital requirements, debt management, and the investment of cash/net assets should be viewed comprehensively in order to optimize overall funding and investment return strategies.

In addition to establishing a framework relating to the administration of debt, the policy provides for periodic updates pertaining to UVM’s debt capacity and financial management to both internal and external parties.
OVERSIGHT

**Purpose**

1. Provide mechanism for oversight and review on periodic basis.
2. Provide management flexibility to make ongoing financing decisions within the framework of the policy.

By adopting this policy and regularly reviewing it with the appropriate Board of Trustee committee, management will follow and report on guidelines and requirements regarding debt utilization. With appropriate authorizations consistent with the policy, management will have flexibility to implement specific financial transactions and utilize approved financing vehicles in accordance with stated procedures.

The Office of the Vice President for Finance and University Treasurer will manage all funding sources, including debt, for capital projects authorized by the Board. The structure of any individual transaction (e.g., maturity, interest rate mode, use of derivative products, other financing structures) will be based upon overall University needs to ensure that (i) long-term costs to the University and its operating units are minimized consistent within the context of other strategic objectives and (ii) overall risk does not exceed acceptable levels as defined in this policy.

Because this debt policy is a living document, the appropriate Board of Trustee committee will review this policy on an annual basis and report any recommended changes or revisions to the Board of Trustees. This review process is necessary to ensure that the policy remains consistent with the University’s objectives and responsive to evolving practices, competitive pressures in the external environment, and financial indicators.

POLICY RATIOS

**Purpose**

1. Identify core ratios.
   b. Balance Sheet Leverage—Viability Leverage Ratio.
2. Clearly communicate with key parties such as rating agencies the University’s philosophy regarding debt and management’s ongoing assessment of debt capacity and affordability.

This policy establishes limits to measure the total amount of outstanding debt compared to University balance-sheet resources and the annual operating budget. These ratios can be derived from the financial statements and other information and are subject to review periodically. The ratios are to be calculated using annual audited financial statements of the University and should not include “Discretely Presented Component Units” of the University such as the University’s associated fundraising foundation.

The policy identifies ratios that (i) are based on current GAAP requirements and (ii) are consistent with ratios utilized in the higher education industry to permit benchmarking.

In addition to the two primary policy ratios below, the University may consider tracking other ratios in addition to the policy ratios. Listed below are the policy ratios and limits that will be followed.

*Ratio 1 – Debt Burden Ratio*

This ratio measures the University’s ability to repay debt service associated with all outstanding debt and the impact on the overall budget and includes all activities of the University. The defined limit for this ratio is intended to maintain the University’s long-term operating flexibility to fund existing requirements and new initiatives, although the University may target a desired ratio below this limit.

\[
\frac{\text{Annual Debt Service}}{\text{Total Expenses}} < 5.75\%
\]

The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g., no one-
time operating gifts, investment return, variability of State funding) and better reflect the operating base of the University. Management recognizes that a growing expense base would make this ratio appear more attractive. The limit for this ratio is not to be greater than 5.75% until June 30, 2023 and will revert to 5% thereafter. This ratio will be adjusted to include the impact of non-amortizing or non-traditional debt structures that could result in significant single year fluctuations, as well as an assumption of an appropriate variable rate.

**Ratio 2 - Viability Leverage Ratio (also called calculated as Expendable Financial Assets Spendable Cash and Investments to Debt)**

This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets compared to aggregate debt. The ratio measures the medium to long-term health of the University’s balance sheet and debt capacity and is a critical component of universities with the highest credit quality.

Many factors influence the viability leverage ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength. For example, a viability leverage ratio that is acceptable and entirely appropriate in one market condition may be relatively stronger or weaker in other market environments.

This policy establishes a debt policy limit (floor) for this ratio of $0.81.x$ to ensure that sufficient balance sheet strength is maintained at all times.

\[
\frac{\text{CASH & INVESTMENTS} - \text{PERMANENTLY RESTRICTED NET ASSETS} + \text{PLEDGES CLASSIFIED AS PERMANENTLY RESTRICTED NET ASSETS}}{\text{UNRESTRICTED NET ASSETS} + \text{TEMPORARILY RESTRICTED NET ASSETS} - \text{EQUITY IN PLANT}} > 0.81.x \quad \text{AGGREGATE DEBT}
\]

This ratio will include any financings that impact the University credit, including guarantees of third-party debt.

The $0.81.x$ limit is recognized as a limit, and not a long-term objective. Over time, to remain competitive and retain the flexibility to invest in future strategic initiatives, UVM will want to target and maintain a ratio above $0.81.x$

Annually, based on the results of the audited financial statements, the Vice President for Finance will report to the appropriate Board of Trustee committee on the actual ratio results and any existing conditions that put the University out of compliance with this policy. The Vice President of Finance will also report the ratio results showing the effect with and without the Governmental Accounting Standards for Other Post Retirement Benefits. In the event that the University is out of compliance with the policy, the appropriate Board of Trustee committee will take up the matter for consideration and make recommendations it deems appropriate to the Board of Trustees.

To further evaluate the leverage of the University, the Vice President of Finance will report the University’s Expendable Financial Assets to Debt ratio. This ratio will be reviewed relative to prior years, peers and rating
agency medians and will be calculated with and without the Governmental Accounting Standards for Other Post Retirement Benefits. The Vice President for Finance will report to the appropriate Board of Trustee committee on any existing conditions that cause notable year-over-year changes in this ratio, particularly relative to peers and rating medians.

\[
\frac{\text{UNRESTRICTED NET ASSETS} + \text{TEMPORARILY RESTRICTED NET ASSETS} - \text{EQUITY IN PLANT}}{\text{AGGREGATE DEBT}}
\]

*Ratios as a Credit Factor*

The University has established its ratios and associated ratio limits based on internally-established guidelines. The ratios and limits are not intended to provide a long-term target or track a specific rating, but rather will enable the maintenance of the University’s competitive financial profile and complement the capital planning process.

The debt policy will be shared with external credit analysts and other third parties in order to provide them with the context regarding UVM’s assessment of self-determined debt capacity and affordability, which is subject to ongoing review.

<table>
<thead>
<tr>
<th>TYPES OF FINANCINGS</th>
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<tbody>
<tr>
<td><strong>Purpose</strong></td>
</tr>
<tr>
<td>1. Review of all potential funding sources for projects.</td>
</tr>
<tr>
<td>2. Maximize tax-exempt University-issued debt.</td>
</tr>
<tr>
<td>3. Commercial Paper program.</td>
</tr>
<tr>
<td>a. Provide bridge funding.</td>
</tr>
<tr>
<td>b. Provide continual access to capital.</td>
</tr>
<tr>
<td>c. Issuance on a taxable or tax-exempt basis.</td>
</tr>
<tr>
<td>4. Manage derivative products, including swaps.</td>
</tr>
<tr>
<td>5. Consider other financing sources.</td>
</tr>
<tr>
<td>a. Management will explore securitizations, joint ventures and other financial structures to provide for the optimal funding for any project.</td>
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</table>

The University recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources will be reviewed by management within the context of the debt policy and the overall portfolio to ensure that any financial product or structure is consistent with UVM’s objectives. Regardless of what financing structure(s) is(are) utilized, a full understanding of the transaction, including (i) quantification of potential risks and benefits, and (ii) analysis of the impact on University creditworthiness and debt capacity, will be required. Any financial transaction which, in management’s opinion utilizes the University’s credit, will be subject to the limits set forth in this policy regardless of source.

**Tax-Exempt Debt**

The University recognizes that debt will remain a long-term component of the University’s capitalization over the foreseeable future due in part to its continued need for capital and the substantial economic benefits associated with tax-exempt debt. Therefore, financial transactions will be managed on a portfolio basis with a long-term perspective. (In all circumstances, however, individual projects must continue to be identified and tracked to ensure compliance with all tax and reimbursement requirements).

Debt will be structured to meet the University’s comprehensive long-term objectives, and each project being financed will be required to provide a sound business plan, including the source of repayment for the debt and appropriate and realistic repayment terms. Among other things, the repayment terms will require that the loan term is no greater than the expected componentized useful life of the asset financed. Additionally, the financed project will be required to budget and fund principal payments on a fully amortized basis.

**Taxable Debt**
While all of the University’s capital projects may not qualify for tax-exempt debt, taxable debt should only be used in appropriate cases as it generally represents a more expensive source of capital relative to tax-exempt issuance.

**Commercial Paper**

The CP program can provide substantial financial flexibility to the University including the ability to manage and optimize cash balances, and provide an alternative to lease transactions, and other purposes. CP can offer the University interim financing for capital projects in anticipation of the receipt of funding either in the form of future philanthropy or the issuance of long-term debt for permanent financing, as well as offer greater flexibility regarding the timing and structuring of individual bond transactions.

**Derivative Products**

Management recognizes that derivative products may enable more opportunistic and flexible management of the debt portfolio. Derivative products, including interest rate swaps, may be employed primarily to manage or hedge the University’s interest rate exposure for a specific period of time. The University will utilize a framework to evaluate potential derivative instruments through consideration of (i) its variable rate allocation, (ii) market and interest rate conditions, (iii) impact on future financing flexibility, and (iv) the compensation for assuming risks, or the costs for eliminating certain risks and exposure. In addition, the University will analyze and quantify the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Under no circumstances will a derivative transaction be utilized that is not understood fully by management or that imposes inappropriate risk on the University. Risks include but are not limited to tax risk, interest rate risk, liquidity risk, counterparty credit risk, basis risk, and any other potential risks either imposed or removed through the execution of any transaction. In addition, management will consider and disclose the potential impact of any derivative product on the University’s financial statements and the appropriate treatment in calculating the debt policy ratios. The University will regularly report on the status and performance of its derivative products, if any, to the appropriate Board of Trustee committee. Given the risks and complexity associated with derivative products, they will be considered more seriously only when: (i) conventional financing sources are relatively more expensive (e.g. exceed the portfolio blended interest rate, and (ii) can achieve desired financial objectives more efficiently or at a significantly lower risk-adjusted cost than traditional structures. Management is required to present any recommended derivative product to the appropriate Board of Trustee committee and must receive Board approval prior to execution.

**Other Financing Sources**

The University recognizes that a variety of transactions, not limited to debt insured directly by UVM, may impact the University’s credit while the University’s limited debt capacity and substantial capital needs require the consideration of various financing alternatives, including possible opportunities for alternative and non-traditional transaction structures. The University recognizes these types of transactions may also impact the
University of Vermont
Debt Policy

University’s credit and also often can be more expensive than traditional University debt structures.

Therefore all non-traditional financing structures including guarantees and third party debt can only be considered once the economic benefit and the likely impact on the University’s debt capacity and credit has been determined. Specifically, for any third-party or developer based financing, management will ensure the full credit impact of the structure is evaluated and quantified to the extent possible prior to execution and the analysis must be presented to the appropriate Board of Trustee committees and must receive Board approval prior to execution.

PORTFOLIO MANAGEMENT OF DEBT

<table>
<thead>
<tr>
<th>Purpose</th>
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<tbody>
<tr>
<td>1. Permit decisions regarding debt issuance and structure to be made on a portfolio basis, rather than on a per-project basis.</td>
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<tr>
<td>2. Manage variable rate exposure of the debt portfolio.</td>
</tr>
<tr>
<td>a. Limit variable rate exposure.</td>
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<tr>
<td>b. Manage the overall liquidity requirements associated with outstanding debt.</td>
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<tr>
<td>c. Target overall variable rate debt exposure.</td>
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<tr>
<td>3. Evaluate exposure to other financing vehicles and third parties on a portfolio-wide basis.</td>
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The University considers its debt portfolio holistically; that is, it optimizes the portfolio of debt for the entire University rather than on a project-by-project basis, and takes into account the University’s cash and investments.

Variable Rate Debt

It is recognized that a degree of exposure to variable interest rates within the University’s debt portfolio may be desirable in order to:

(i) take advantage of repayment/restructuring flexibility;

(ii) benefit from historically lower average interest costs; and

(iii) diversify the debt portfolio; and,

(iv) provide a hedge to short-term working capital balances

Management will monitor overall interest rate exposure, analyze and quantify potential risks, and coordinate appropriate fixed/variable allocation strategies. The portfolio allocation to variable rate debt may be managed or adjusted through (i) the issuance of debt (potentially new issues and refunding), (ii) and the use of interest rate swaps and other derivative products. While the utilization of commercial paper impacts the University’s variable rate exposure, outstanding CP will not be included in the ratio, given the expected interim financing purpose.

Recognizing the desire to manage interest rate risk, the amount of variable rate debt outstanding shall not exceed 35% of the University’s outstanding debt. This limit is based on the University’s desire to (i) limit annual variances in its debt portfolio, (ii) provide sufficient structuring flexibility to management, (iii) keep the University’s variable rate allocation within acceptable external parameters, (iv) utilize variable rate debt (and/or swaps) to optimize debt portfolio allocation and minimize costs, and (v) take into account liquidity needs and exposures for the portfolio, including consideration of the commercial paper program.

<table>
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<tr>
<th>VARIABLE RATE AND LIQUIDITY EXPOSURE</th>
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<tr>
<td>TOTAL LONG-TERM DEBT OUTSTANDING</td>
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</table>
The University will exclude from this calculation project-related commercial paper used in advance of expected long-term financing since this commercial paper is used for interim purposes and should not be included in the University’s desired long-term variable rate allocation calculation. The numerator, Variable Rate and Liquidity Exposure, is defined as including all variable rate debt, not adjusted for any floating to fixed swaps, if any, and plus any fixed to floating swaps, if any. Thus, any variable rate debt that is affected by floating-to-fixed interest rate swaps will be considered variable rate debt for the purposes of this calculation since it impacts the University’s liquidity requirements and exposes the institution to counterparty credit exposure. Note that this ratio measures interest rate exposure and liquidity exposure/requirements directly.

**GLOSSARY**

**Annual Debt Service** – refers to the planned principal and interest paid due on long-term debt in a fiscal year.

**Bridge Financing** – refers to any type of financing used to “bridge” a period of time. For universities, it generally refers to financings that provide funding in advance of a long-term bond issue or the receipt of gift funding.

**Capital Project** – refers to physical facilities or equipment or software that may be capitalized.

**Commercial Paper** – an alternative to bank line for stronger rated borrowers, commercial paper is short-term promissory notes issued on the open market as an obligation of the borrower. The maturity of commercial paper is less than 270 days, and for most universities, the average maturity of all paper is between 30-50 days. Registration and disclosure for commercial paper is significantly less than traditional university bonds.

**Derivative Products** – generally referred to transactions which are an exchange of specified cash flows for a period of time. The most common types of derivatives are floating-rate-to-fixed-rate or fixed-rate-to-floating-rate swaps.

**GAAP** – refers to Generally Accepted Accounting Principles.

**Leverage** – long-term debt as a component of the total assets of the University. “High leverage” indicates an institution that has a considerable portion of its assets that are debt financed.
CASH MANAGEMENT AND LIQUIDITY POLICY

Introduction

This Cash Management and Liquidity Policy governs the investment of UVM pooled cash and sets the minimum liquidity target for the University. The pooled cash includes all funds of the University other than the funds that are held in the University endowment and certain plant, restricted and loan reserves, for which separate investment guidelines have been established. This statement will be subject to periodic review and possible modification by the Budget, Finance and Investment Committee, as the Committee considers necessary to achieve cash management and investment and liquidity requirements.

I. Cash Management

Investment Objectives

University pooled cash for purposes of investment allocation shall be divided into three asset groups as follows:

Short-term pool: Cash that is expected to be needed for normal operating expenditures within a one-year period. The primary objective is preservation of principal and liquidity. Maximization of investment income without undue exposure to risk is a secondary objective.

Intermediate-term pool: Cash that is expected to be needed within a period of one year to six years. The primary objectives are preservation of principal and maximization of investment income without undue exposure to risk.

Long-term pool: Cash that is not expected to be needed for operational purposes for a period exceeding six years and/or that may be designated as a permanent core. The primary investment objective is to achieve consistent long-term growth of the pool with limited exposure to risk.

Maturity Guidelines

Short-term pool: The average weighted maturity for a short-term portfolio shall be between one day and one year.
Intermediate-term pool: The average weighted maturity for intermediate-term portfolio shall be between one year and six years.

Long-term pool: Permanent core cash may be invested in any investment that is allowable under the University’s Statement of Objectives and Policies for the Endowment Fund and that meets the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

**Performance Objectives**

Short-term pool: The benchmark for the short-term portfolio shall be total return that meets or exceeds the yield of three-month U. S Treasury securities.

Intermediate-term pool: The benchmark for intermediate-term portfolio shall be total return that meets or exceeds the Bloomberg Barclays 31-5 Year U.S. Treasury Bond Index.

Long-term pool: The benchmark for the investment of the long-term pool shall correspond to the benchmarks for each asset class as specified in the University’s Statement of Objectives and Policies for the Long Term Investment Pool, including the Endowment Fund.

**Allowable Investments for Asset Groups**

For all of the asset groups described below, the Treasurer will develop in conjunction with the Board of Trustees Investment Subcommittee (ISC) a list of approved funds and fund managers from which the Treasurer may select managers as appropriate. This list will be reviewed and approved annually by the ISC.

**Short-term and Intermediate-term Pool:** Investments in the short-term and intermediate-term portfolio are restricted to U.S. Treasury and government agency securities, money markets, high quality corporate and asset-backed securities, and commercial and bank paper, where as the intermediate-term pool may have maturities up to six years. Investments shall be in marketable securities of the following types and with the noted credit ratings:

1. Debt securities rated Aaa, Aa, A or Baa by Moody’s Investor’s Service, Inc. or AAA, AA, A or BBB by Standard & Poor’s Corporation.

2. Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.
3. Obligations of, or guaranteed by, national or state banks or bank holding companies rated B or better. No more than 20% of the funds held in the cash pool shall be invested in debt obligations of institutions within any single holding company.

4. Asset-backed securities (ABS) rated Aaa by Moody’s Investor’s Service, Inc. or AAA by Standard & Poor’s Corporation.

4.5 Commercial paper rated A-1 or higher by Standard and Poor’s or Prime-1 (P1) by Moody’s Investor’s Service, Inc.

5.6 Bankers’ acceptances or negotiable certificates of deposit issued by banks rated B or better. No more than 20% of the funds held in the cash pool shall be invested in certificates of deposit, bankers’ acceptances or floating rate notes of the institutions within any single holding company.

6.7 Repurchase agreements of banks having Fitch ratings no lower than B secured by the U.S. government and federal agency obligations with market values of at least 100% of the amount of the repurchase agreement.

7.8 Commingled funds may be used if they are in compliance with the above guidelines.

89. The Commonfund, a non-profit provider of investment products for colleges and universities.

Long-term pool: Investment of the long-term pool shall be restricted to those that are allowable under the University’s Statement of Objectives and Policies for the Endowment Fund and that meet the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

Moral, Ethical and Social Considerations

Cash balances will be invested consistently with the moral, social and ethical criteria adopted by the Board of Trustees on recommendation of its Budget, Finance and Investment Committee as related to the Long Term Investment Pool, including the Endowment Fund. Criteria for socially responsible investing shall include, where advisable and consistent with investment quality, return, and safety guidelines, the use of community and State institutions for investment purposes. Where returns are reasonably equal (within 10 basis points), preferences will be given to Vermont-based financial institutions.
Investment Management Responsibility and Structure

Cash management and investment responsibility resides with the Vice President for Finance and Treasurer through the Controller.

1. Investments may be made internally using allowable instruments and institutions; OR,

2. Investment managers may be engaged to invest University assets consistent with this Policy. Subject to this Policy and a written agreement between the University and the investment manager, the investment manager will be given discretion to select individual securities and to make adjustments to the structure of the portfolio.

I. Liquidity

This Cash Management and Liquidity Policy establishes a Minimum Liquidity Target for the University of $30 million, subject to future modification by the Budget, Finance, and Investment Committee. Liquid funds that are unrestricted, unencumbered General Fund Net Assets (as such capitalized term is used in the audited financial statements of the University) shall be used to satisfy the Minimum Liquidity Target. For the purposes of this Policy, General Fund Net Assets that are restricted in their use, or otherwise encumbered by Board or administrative action, shall not be available to satisfy the Minimum Liquidity Target. The objective of this policy is to ensure that the University operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs.

II. Administration and Reporting

A. The Treasurer will report to the Budget, Finance and Investment Committee annually, the following:

1. Cash balances in each asset group;

2. Investments in each asset group by manager and investment type or fund; and

3. Performance of each individual investment type within each asset group.

4. A schedule of unrestricted, unencumbered General Fund Net Assets compared to the Minimum Liquidity Target.

B. As delegated by the Board of Trustees through its resolutions, specified University officials, including the Treasurer, are authorized to open accounts with banks, investment firms, or commercial paper institutions, and/or to execute purchases and sales, in order to implement this Cash Management and Liquidity Policy.

C. This Cash Management and Liquidity Policy will be subject to annual review by the Investment Subcommittee and the elements of the policy related to liquidity will be subject to annual review by the Budget, Finance, and Investment Committee.