The Committee of the Whole of the University of Vermont and State Agricultural College Board of Trustees met on Friday, October 29, 2010 at 8:00 a.m. and 4:15 p.m., in the Silver Maple Ballroom, Room 401 at the Dudley H. Davis Center.

MEMBERS PRESENT: Chair Robert Cioffi, Vice Chair Harry Chen, Secretary Bill Botzow, Claire Ayer, Samuel Bain, Ian Boyce, Carolyn Branagan, Christopher Bray, Frank Cioffi, David Daigle, Jeffrey Davis, Johannah Donovan (morning session only), Daniel Fogel, John Hilton, Jr., Debbie McAneny, David Potter, Dale Rocheleau, Adam Roof, Brian Sozansky, Donna Sweaney, Jeanette White and Mark Young

MEMBERS ABSENT: James Douglas, Susan Hudson-Wilson and Bill Ruprecht

ALSO PARTICIPATING: Interim Senior Vice President and Provost Jane Knodell, Faculty Senate President Jim Burgmeier, Staff Council President Ida Russin, Alumni Association Representative Meg Guzewicz (filling in for President Ted Madden), Student Government Association President Kofi Mensah, Graduate Student Senate President Dustin Evatt, Vice President for Finance and Administration Richard Cate, Vice President for Legal Affairs and General Counsel Francine Bazlueke, Vice President for Executive Operations Gary Derr, Vice President for Research Domenico Grasso, Assistant Professor Josh Bongard of the Department of Computer Science, Professor Stephen Higgins of the Department of Psychiatry, and Professor Jane Kolodinsky of the Department of Community Development & Applied Economics

Chair Robert Cioffi called the meeting to order at 8:09 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of May 21 & 22, 2010 meeting as presented.

Chair’s Report (see full report appended to minutes)

President’s Report (see full report appended to minutes)

Governance Leaders Reports

Faculty Senate President Jim Burgmeier provided an update of recent Senate business. He stated that the Senate has been working closely with the administration regarding the Transdisciplinary Research Initiative (TRI). The Senate is also currently reviewing and updating its bylaws. In addition, the Senate is collaborating with the Retired Faculty and Administrative Officers (Emeriti) organization regarding proposed revisions to the faculty grievance procedures. President Burgmeier stated that the Joint Committee on General Education has had excellent collaboration with the Senate, with members of the Committee attending meetings for each department on
campus to discuss General Education plans and to solicit comments, suggestions and criticism during each meeting. Updates on this activity will be given at each Senate meeting this semester. The Senate Financial and Fiscal Planning Committee continues to represent the perspectives of faculty in budget issues. At its meeting in November, the Senate will discuss the prospect of the University holding a formal December Commencement Ceremony, which has strong student interest. President Burgmeier concluded by stating that collaboration with administration has been productive.

Staff Council President Ida Russin began her report by stating that the Staff Council’s leadership, membership, and the Staff Council Office are strong this year. She shared from her written report several major themes outlining staff concerns regarding Post-Retirement Medical Benefit discussions. She thanked the administration for its efforts to include staff in this process and looks forward to continued collaboration.

Chair Cioffi thanked President Russin for the opportunity he had to meet with the Staff Executive Council recently. Trustee Bain commented on the concerns outlined in President Russin’s report and reiterated that management is looking for flexible ways to address this issue and is seeking the best outcome. Trustee Boyce sought elaboration regarding alleged staff “mistrust” of information the administration provides. President Russin responded that she believes most of this mistrust is due to a general external climate of distrust of large organizations and is likely not a direct result of the University’s efforts concerning this issue. Trustee Daigle asked President Russin to clarify why several of the themes in her report that seem to contradict each other; President Russin replied that the information was to capture the many different views of staff.

Alumni Association Representative Meg Guzewicz reported on President Ted Madden’s behalf. She highlighted Alumni House developments, indicating that the project will be the cover story of the November issue of Vermont Quarterly, and noting that there are efforts under way to create a network of alums to fund-raise for this project. Representative Guzewicz also described an ongoing initiative to broaden alumni engagement. She reported that there are ten admissions-related events planned to take place across the country. She reported on the decision to reschedule Reunion weekend from June to October to coincide with Parents’ Weekend, a change driven by alumni desire to engage with students while they are on campus. It was noted that College Of Medicine Reunion activities will continue to be held in June.

Student Government Association (SGA) President Kofi Mensah stated that the main goals of the SGA this year concern accountability, visibility, and the creation of a positive legacy for the organization. He stated that the SGA Academic Affairs Committee has been working on initiatives such as improving how priority registration is administered and providing course syllabi and course evaluations for students during the registration process. The SGA is also working on improving its accountability with initiatives such as enhancing the tracking system that monitors pay awarded to SGA executives. SGA continues to have conversations concerning the Student Vision document created last year and is using it as a tool for improving how SGA operates. President Mensah also addressed the increase of ALANA student enrollment, now 10.2% of the student body. He noted that students are concerned as to whether there is enough support to accommodate this increase; he cited the ALANA Student Center as an example of an area that may need more support. The SGA continues to improve engagement between students
and the Burlington community and the Committee on Legislative Action has been promoting a Student Neighborhood Initiative Grant of $1000 to encourage students to develop ideas for creating stronger community relationships. Trustee Adam Roof encouraged Board members to visit the SGA website, which reflects its phenomenal work.

Graduate Student Senate (GSS) President Dustin Evatt reported that the GSS is focusing on the following areas this semester: advocacy, community, communication and infrastructure. GSS will have a formal proposal to implement a graduate student fee and anticipates submission of this plan to the Board at the February Board meeting, with the fee to begin in Fall 2011, assuming its approval. The GSS will be planning more social and community service events as well as organizing a series of professional development workshops. President Evatt indicated that the GSS has begun strengthening communication through a new weekly newsletter. He took a moment to introduce the following five graduate student representatives recently appointed to the Board’s standing Committees: Sarah Surgula and Goodarz Ghanavati serving on the Educational Policy and Institutional Resources Committee; Eric Garza and Eduardo Cotilla-Sanchez serving on the Budget, Finance and Investment Committee; and Daniel Sanchez serving on the Audit Committee. President Evatt concluded by urging the Board to continue considering graduate students in their decision-making processes and to understand their unique needs. Trustee Bill Botzow asked what type of indicators might exist that could help the Board understand if graduate students feel valued and successful. President Evatt replied that he will report back on an indicators proposal.

**Action Items**

Audit Committee Chair Bill Botzow introduced proposed revisions to the Audit Committee Charter and pointed out that the changes are mostly housekeeping. He noted that the Charter will be reviewed annually henceforth. He also pointed out the inclusion of language based on the Committee of Sponsoring Organization (COSO) Internal Control-Integrated Framework. Additionally, he explained, a section was added regarding Compliance. The Charter was reviewed at both the August 9 and October 11, 2010, Audit Committee Meetings (Attachment A to these minutes).

Chair Botzow also introduced proposed revisions to the Code of Business Conduct Policy, (Attachment B to these minutes). He said that many changes are housekeeping, although there are substantive changes to the gifts and gratuities section.

Chair Botzow thanked Chief Compliance Officer Anna Drummond and Chief Internal Auditor William Harrison for their excellent work.

Trustee Claire Ayer inquired if the form included in the Code was something required of all members of the University community. President Fogel clarified that it only applies to senior management.

Board Governance Committee Chair Frank Cioffi introduced the amended *Guidelines for the Selection of University Trustees*, included as Attachment 7 in the meeting materials. He indicated that web links have been added to the Guidelines and that the Office of Board Coordinator has
drafted a supplemental document addressing workload expectation and time commitment. These materials are intended to be shared with prospective Trustees from all sources of appointment. Trustee Debbie McAneny expressed concern about the section outlining attendance at ceremonial and social events and recommended that the language be changed to show flexibility. General Counsel Francine Bazluke recommended the Guidelines be amended in a manner responsive to Trustee McAneny’s concern and then returned to the Board for approval tomorrow.

Vice President for Finance and Administration Richard Cate provided background on the two resolutions authorizing contracts. The first requests renewal of library acquisition contracts with EBSCO, Inc. and Elsevier, Inc. This resolution is reviewed annually and is required to continue making research materials available in the library. Authorization is being sought due to the contract cost when adjusted for inflation increases. The second requests contract approval in relation to the Presidio Networked Solutions for Residence Hall Wireless Project. This contract, for which funds will come from Residential Life, will allow for the purchase of wireless network access for certain areas of campus.

Trustee Debbie McAneny asked for elaboration on the inflation rate of the library contracts. Vice President Cate replied that the rate is an increase of about 5 or 6%. He added there are extremely limited options for finding other companies to provide these services.

Trustee Boyce inquired if the wireless network contract went out to bidding, to which Vice President Cate answered affirmatively.

Chair Cioffi reminded Trustees that resolutions for each of the previously discussed action items will be included on the consent agenda for full Board approval tomorrow.

Approval of meeting dates

Chair Cioffi asked for approval of proposed 2011-2013 meeting and retreat dates, as outlined in Attachment 8 of the meeting materials. The dates were approved as presented, with a request from Trustee Jeanette White to consider alternative dates for the 2012 Fall meeting.

Acceptance of Gifts & Grants Reports

A motion was made, seconded and unanimously voted to accept the Gifts and Grants reports.

Spires of Excellence Presentation

Interim Provost Jane Knodell invited three faculty members working in areas of research aligned with one of the three Spires of Excellence to present on their research and explain how it fits into the larger context of the Spire. She introduced the first presenter, Assistant Professor Josh Bongard of the Department of Computer Science, who is Vice Chair of the Complex Systems TRI Steering Committee. Professor Bongard began his presentation by stating that we live in a complex world, which must be analyzed in order to understand it and to incorporate new ideas. He also acknowledged the importance for researchers to bring their knowledge to the classroom, because teaching and research synergize. Professor Bongard presented several slides illustrating
the increases of large social and technology networks and discussed how local events can lead to unexpected global results with both negative and positive emergent behaviors. He passed to the Board table a robot he created, and showed a video of its abilities. In his research, Professor Bongard is studying how a group of these robots could teach and learn from each other. This research is a collaboration of several different disciplines, including biology, mathematics, psychology and philosophy. His last point concerned research funding and the competitiveness over award of these funds. He concluded that having the TRI at the University will assist it in competing for research dollars on a global level.

Interim Provost Knodell next introduced the second presenter, Professor Stephen Higgins, Department of Psychiatry. Professor Higgins is the Vice Chair of the Neuroscience, Behavior, and Health (NBH) TRI Steering Committee. He presented research on behavior-related chronic diseases and healthy behavior change to illustrate work done in his Spire. Examples of such diseases include cardiovascular disease, diabetes, and cancer. For substance abuse, research has proved that there is a neurotransmitter turned on when abusers use these substances and it is changes dopamine levels, making people want to continue these behaviors. Professor Higgins is currently involved with an incentive-based study that is giving vouchers to pregnant women smokers if they chose not to smoke. This system of incentives is growing in developed and developing countries. Professor Higgins concluded by stating that by developing new interventions and answering such why and how questions at the social, behavioral, neurobiological, and genetic level illustrates well the mission of the NBH spire.

Lastly, Interim Provost Knodell introduced the third presenter, Professor Jane Kolodinsky, Department of Community Development & Applied Economics, who is Chair of the Food Systems TRI Steering Committee. Professor Kolodinsky illustrated a food system from the viewpoint of influences on areas of food production and distribution, human health and well-being, and environmental impact. She stated that when looking at transdisciplinary work, one must start by understanding interactions and interrelationships. She noted that her own work is typically completed by working with a team of people from a variety of different types of disciplines. She concluded by described a white paper she recently completed with individuals from different disciplines.

Chair Cioffi thanked all three presenters. The Committee briefly took a break at 10:20 a.m. and reconvened at 10:29 a.m.

**Strategic Capital Plan ad hoc Committee Report**

Interim Provost Knodell reported on the recommendations made by the *ad hoc* Strategic Capital Plan Committee, an effort she led in collaboration with Vice President Richard Cate and Chair of the Faculty Senate Financial and Physical Planning Committee Donald Ross. They met over the course of the summer to review the criteria by which projects in the Strategic Capital Plan are ranked. The suggested revisions, and accompanying documents, are included as Report C in the meeting materials. To address concerns, the *ad hoc* Committee is recommending several changes to the ranking instrument. The first is the inclusion of two 20-point questions, (#1 and #14), which are useful in allowing strategic considerations to be recognized and rated, whether academic programs or in enrollment management. The scale for the remaining questions is increased from a
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3-point scale to a 5-point scale, allowing for more differentiation across projects and questions. Finally, questions #15 and #16 allow for distinctions related to deferred maintenance and unique funding circumstances. A pilot was run of the new instrument and results were positive. Preliminary findings were vetted with a small group of Trustees earlier this month.

Chair Cioffi reminded Trustees that a resolution adopting the proposed changes to the Strategic Capital Plan development process and ranking tool will be included on the consent agenda for full Board approval tomorrow.

**Long-Term Tuition Strategy Work Group Update**

In his earlier report, President Fogel stated, he had referenced issues around tuition setting and concluded there is no magic formula. He stated that the Long-Term Tuition Strategy Work Group is unresolved as to whether it is simply trying to create a cohort within the Board that is more deeply informed about these issues or whether it will be producing a specific deliverable. President Fogel said that he believes that the former objective would be most useful to pursue.

President Fogel also shared a suggestion that he received to reference an index when reviewing tuition. He explained that the administration currently reviews many different types of reference points, and could include an index among those materials. He invited Vice President Cate to comment.

Vice President Cate asked Trustees to clarify their expectations of when, and how, management should consult with them regarding tuition rates. He previewed that, at the February Board meeting, management will be asking the Board about the tuition level moving forward and he would like feedback on ways he can prepare Trustees for that discussion. Trustee Harry Chen said it would be helpful if alternatives are modeled when tuition rate is proposed. Vice President Cate replied that this is currently done in a preliminary way through the Budget, Finance and Investment (BFI) Committee, but that the administration could consider a means of doing so for the full Board.

Chair Cioffi suggested that that discussion could occur at the February Committee of the Whole meeting in the morning, and then be discussed later in the day by BFI. BFI Chair Debbie McAneny added that, at the annual Board retreat this year, there was a discussion that enhanced the Board’s knowledge of the overall operational model, that she thus endorsed Chair Cioffi’s suggestion. Chair Cioffi also suggested that tuition informational materials be distributed in advance of the February meeting.

Trustee Bain called to attention the Projected General Fund Budget information illustrated in Attachment 2 of the BFI materials, and encouraged Trustees to study this document. Vice President Cate cautioned that the base budget needs to be adjusted to allow more money for academic initiatives and deferred maintenance.

Trustee Johanna Donovan expressed concern that Vermont incomes are not increasing at same rate as tuition increases and urged the Board to give more consideration to Vermonters and their financial resources. Vice President Cate replied that the financial aid model helps to address this
problem. President Fogel pointed out that, as the University grows as a whole, Vermont does not produce enough high school graduates to keep their percentage of the student body growing at the same rate; his goal is to have a larger percentage of college-bound Vermonters enrolling at the University. Trustee Donovan acknowledged these challenges and indicated it would be helpful to see student debt statistics for Vermonters and across the United States.

**Post Retirement Medical Benefits Status Update**

Vice President Cate stated that discussion of the issue of post retirement medical benefits has been collaborative and has produced a significant amount of feedback and ideas. One challenge is resolving how to incorporate this information into the process. A larger challenge involves determining how to preserve this benefit in a way that is sustainable. Trustee Botzow asked if management is on track, from a time perspective, for getting from the general approach to the detailed approach in confronting this issue. Vice President Cate indicated it is on track.

A motion was made to enter Executive Session at 11:22 a.m. for the purpose of discussing collective bargaining and contracts. All were excused from the meeting with the exception of Interim Provost Jane Knodell, Vice President Cate, Vice President for Executive Operations Gary Derr and Vice President for Legal Affairs and General Counsel Francine Bazlukke.

The meeting was reopened to the public at 12:30 p.m. and immediately adjourned for lunch.

The meeting reconvened at 4:10 p.m.

**Dashboard Indicators Annual Review**

President Fogel presented the updated Dashboard Indicators, as illustrated in Attachment 9 of the meeting materials. There were two indicators marked as definite areas of concern. The first illustrated a decline in yield of First-year First-Time students. President Fogel said that he suspects that this number could have been affected by the number of fast-track VIP applications that were submitted. Moving forward, he said, the VIP application process will not be used, and all applications will be made through the general application process. The President stated that another other area of concern was the Viability Ratio indicator, which has been affected by economic factors and demands from Governmental Accounting Standards Boards requirements known as GASB 45. In the past, he noted, the Board has asked for three to five of the most important indicators, but he suggested that the following four might be deemed the most important: First-time First-Year Acceptance Rate; Six-Year Graduation Rate; Total Research Expenditures; and percentage of recent graduates saying they would attend UVM if they had to do it over again.

Trustee Cioffi asked President Fogel to comment regarding the statistics related to UVM graduates enrolled in Graduate Schools and UVM Graduates Employed Full-Time, as both figures showed decreases in percentage number, but were labeled as areas of caution rather than as areas of definite concern. President Fogel stated these two indicators could have been deemed areas of definite concern, but the assessment of these two indicators is a complicated process. He elaborated that the decrease of employment is not particularly surprising as it is in line with
national phenomena related to the current economy, but he could not give a definite explanation for the decrease of graduates enrolling into graduate schools.

Trustee Debbie McAneny inquired if target numbers are commensurate with being a premier small research university, as the Board needs to measure the University within the context of its mission. President Fogel replied that it varied line-by-line and that he is open to discussing changes to the current methodology. For example, he stated, the target SAT score of 1220 is not in the range of premier small research universities, but is pertinent to the University as a whole because there is a need to be fair to Vermont students, whose numbers are likely not reach this level due to smaller numbers of population.

Trustee David Potter asked if there could be clearer statistics included measuring knowledge, because that is the product being offered by the University. President Fogel replied that this is a difficult area to measure and that, in some ways, this task is left to the faculty. He further observed that measures of student progress over the course of enrollment are hard to benchmark and even more difficult to compare to other institutions, but promised that the administration will strive to add measures for learning outcomes.

Trustee Jeanette White inquired as to why there were only four indicators measuring Faculty Research. President Fogel replied that data could be included for number of patents and such, but he was unsure how this could be translated into a single indicator. Trustee Carolyn Branagan added it would be nice to see economic impact related to research efforts.

**Other Business**

Chair Cioffi reminded Trustees that a resolution authorizing the President to offer and confer honorary degrees will be included on the consent agenda for Board approval tomorrow.

**Adjournment**

There being no further business, the meeting was adjourned at 4:52 p.m.

Respectfully submitted,

Bill Botzow, Secretary
Good morning, everyone, and welcome. We have a very full agenda over the next day and a half, so I will keep my Chair’s Report brief and I know that Dan will be covering a variety of issues in his President’s Report.

As we all know, this University and this Board faces numerous challenges that so many in this room grapple with every day. All of that comes with the territory of this complex and competitive enterprise of higher education. Although we always have room to improve and more work to do, it is important on occasion to recognize milestones and accomplishments. I would like to do that right now, reflecting the information that was conveyed yesterday in a press conference held in the McCrorey Gallery in the Bailey/Howe Library.

In case you missed the coverage, speaking at the press conference were:

- Fayneese Miller, Dean of our College of Education and Social Services and Chair of the Vermont Board of Education
- Armando Villeseca, Vermont Commissioner of Education
- Governor Jim Douglas
- President Dan Fogel

In addition to this distinguished group, I offered a few brief comments as well. And the subject of the press conference? The plain fact that we are by a number of measures at a high water mark in the 219 year history of The University of Vermont.

A few examples from the past year or two include:

- Our research funding came in at $146 million in 2010, an all-time high.
- Two more faculty earned Career Awards from the National Science Foundation in 2010, bringing the total number of Career Award winners to nine in the last six years.
- Applications have reached record levels, as has the academic quality of incoming classes.
- Our athletic teams are not only winning games, including post-season ones, they’ve earned an unprecedented sixth straight America East Academic Cup this year.

But what makes the picture of UVM’s success truly compelling are our graduation rates and those predictors of graduation-rates-to-be, retention rates. And while these numbers are a terrific reflection on all of our students, the accomplishments of our Vermont students is especially noteworthy.

First-to-second year retention for our overall student body was the second highest in our history: almost 87%, up seven full points from a decade ago, but first-year retention for in-state students was truly astonishing: a record 91%, tying last year’s all time high.

To put that number in context, if you look at statistics compiled last year by the U.S. Department of Education for the 163 public doctoral universities in America, most of whose students come from in-state – only 22 had better first year undergraduate retention rates than in-state students at UVM.
Another important number to highlight is six-year graduation rates. The six-year rate for all students who graduated in May 2010 was a record 76.3%, over 8 points higher than a decade ago and 22 points higher than the national average for publics. As good as that number is, the six-year graduation rate for Vermont students was even better: 80.5%, a figure that would rank us 17th among publics on the list I mentioned a minute ago.

Another key fact from our new fall enrollment report: undergraduate enrollment of ALANA students at UVM hit double digits this year for the first time ever. I think we all know how hard this University has worked on this issue, and 10% ALANA enrollment is an impressive considering that 10 years ago, the number was just over 4%. In real numbers, we have more than tripled the ALANA student population (from 445 to 1376). But as with our overall student population and Vermont students, we aren’t just bringing ALANA students to UVM in record numbers – they’re also staying here. We have more work to do, for certain, but our first-year retention rates for ALANA students this fall, an historic 91%, show we’re making good progress toward creating a place where students of color will succeed.

Why are these retention and graduation rate numbers so important? It’s not enough to simply attract students to college, which we’re very good at in the United States: what we’re not so good at nationally enabling students to succeed once they get to college. Nationally, we’re falling behind: Since the 1990s, the United States has dropped from first place among developed nations in the percent of its young workers with a college degree to 12th – with all the problems for global competitiveness that implies.

We’re succeeding at UVM in getting students to, and through college. Across the campus we see numerous efforts to promote student success, from expanded library technology and services, to the creation of additional learning communities, to promoting undergraduate research to planning a comprehensive First Year Experience, and it is the University’s goal to achieve even better numbers in years to come. Yes we still have work to do and there are areas that we can strive to improve for our students including academic advising, career assistance and strengthening the overall student experience, but we have come a long way and the retention numbers certainly demonstrate that.

Obviously these results represent of some very hard and creative work on many people’s parts, for which I am grateful, and this Board is grateful. And those who make us most proud of these accomplishments are our students themselves because they are the ones who are working hard, pursuing an excellent education, and graduating in record numbers.

Let me assure everybody that our University is not going to rest on these laurels. There is more to do and higher goals to reach. But it is also important to recognize our successes, and many of these have been a long time coming. I grew up in Vermont, and this is my University. Now live in Connecticut, I will tell you: from the perspective of those “from away,” the University of Vermont is viewed as a first-rate institution with a terrific reputation. And that’s a very good place to be, for the University, and for the State of Vermont.
Although we will have an opportunity for some more extensive recognition tonight at our dinner and tomorrow in the form of a resolution, I wish to close by thanking a departing Trustee who has given an extraordinary measure of his time, attention, and commitment to Vermont’s University and its Board. It is rare, maybe even unprecedented, to see the Governor of Vermont in attendance at nearly every Board meeting, and it means a great deal to me, to this Board, and to The University of Vermont. On behalf of all of us, thank you and Godspeed, Governor Douglas. This ends my report.
Chairman Cioffi, trustees, vice presidents, deans, faculty, students, staff, alumni, and friends:
good morning. My report has two major themes: our care for each other and the sustainability of
our University.

We cherish each member of our community. Our care extends to those who have retired—or
who one day will retire—from University service. As you know, I received some three weeks
ago the final report of the University Benefits Advisory Council (or UBAC) on post-retirement
medical benefits (or, for short, PRMB). We all owe thanks to the members of the UBAC and its
chair, Dr. Jan Carney, to the staff who supported the Council’s work, and to the many members
of UVM’s faculty and staff who entered into dialogue with the UBAC through correspondence
and participation in public forums. The good work of the UBAC will inform us as we seek to
modify the PRMB program.

Allow me to make just a few quick points on this challenging process. First, I believe it is now
evident that modifications to the program will be required because the current trajectory is not
financially sustainable. Second, in order to ensure UVM’s long-term viability most members of
the current work force will likely be affected in some way by program modifications. Third, we
plan to make recommendations for addressing the PRMB challenge that will be very mindful of
the interests of current retirees and those eligible to retire. Fourth, my recommendations will seek
maintenance for current benefits-eligible personnel of a PRMB program in which no one covered
by the program will exhaust the benefit by outliving it. And, fifth, we will seek means to provide
access to retiree benefits programs for employees who may not, in the future, be eligible for a
defined retiree benefits plan with employer-subsidized premiums. We will seek, in short, to keep
UVM sustainable and competitive while also ensuring that we remain a humane and equitable
organization that values the well-being and security of those who have devoted their professional
lives to UVM.

With more than 13,500 students and some 3,800 faculty and staff, our campus community of
more than 17,000 people would rank among the most populous cities in Vermont. Given that
scale, losses each year are sadly inevitable. Such knowledge, however, does not reduce the grief
we feel when faced with the tragedy of deaths that are by any measure premature. Since this
Board last gathered on our campus in May, we have mourned the passing from a variety of
causes of six currently or recently enrolled students. I would like to ask, please, for a moment of
silence in remembrance of these precious members of the UVM family.

We have no indication that any of these tragic events were the result of bias incidents, bullying,
or foul play, but the academic community nationally has been shaken of late by several student
deaths—notably those of gay members of other campus communities—that were the result of
cruel and malicious acts of harassment. I want to say once again what was affirmed in a memo
that went out nearly two weeks ago from Chief Diversity Officer Wanda Heading-Grant and me:
our campus, with its strong commitment to the values of Our Common Ground, holds acts of
intolerance and cruelty to be wholly unacceptable. Let the word go out to any who would
perpetrate or allow such acts: This community stands strong in condemning such behavior. There is no place for you here. And let me add that for any members of our community who are struggling and need help, our campus resources are numerous and available to you.

Looking to what we hope will be the increasingly effective and influential intersection between the sustainability of UVM and of our planet, UVM subscribed in 2007 to the American College & University Presidents’ Climate Commitment. As you may recall, as one of our first steps in the Climate Commitment we modified our Green Building Policy, which had simply required LEED Certification in all new buildings and major renovations, to require a minimum LEED Certification of Silver (a standard we have exceeded in every subsequent project). Our investments in green buildings, along with continuing and increasing energy upgrades, have paid off, accounting in significant measure for the 14% reduction in energy costs we have achieved while expanding the campus by some 25% since the turn of the century.

We will submit in December the next step in the Climate Commitment: a preliminary climate action plan aimed at carbon neutrality by 2025 that will have four pillars: continuing pursuit of energy efficiency, increasing reliance on renewable sources of electricity, a move away from fossil fuels for heating and cooling toward more diversified energy sources, and finally, after we have taken all of those efforts as far as we can, the use of market mechanisms to offset remaining carbon sources and achieve net zero emissions. Developing and implementing such a plan is in my judgment an indispensable element of sustaining our reputation as a leading environmental university.

The benefits of climate planning, however, go well beyond averting risks to our environmental values and reputation. Climate planning means that UVM will be prepared for possible economic and weather disruptions related to climate change; means that we will be able to reduce substantial business risks incurred through reliance on fossil fuels; and means that we will be able to incorporate long-term energy and carbon costs into annual budgets to reduce future burdens. After submission of our preliminary plan in December, next steps will include integration of climate-related planning into UVM’s strategic, capital, financial, utilities, and campus master plans, into our next capital campaign, and into work plans and performance appraisals at the vice presidential level. Accordingly, we intend to develop a new Climate Action Plan based on these planning processes. Planning will need to engage the Faculty Senate through its Financial and Physical Planning Committee. And planning will call for the engagement of this Board as a whole and through its committees: I hope that we will be able to place this topic on our agendas in February as we work toward completion of a New Climate Action Plan by 2012. We welcome comments and questions about the Climate Commitment, which should be directed at this stage to Richard Cate.

Caring and sustainability are also the thematic poles around which I would submit the challenging issue of tuition-setting revolves. A joint work-group of administrators and trustees charged with examining long-term tuition strategy is continuing its deliberations. From my perspective, there is little doubt that tuition will long remain the primary source of funds for UVM. We also know that we all must hold ourselves accountable for constraining the growth of educational costs for students and families. We can affect tuition growth for students from Vermont and other states of the union by developing other revenue sources. We can also reduce
upward pressure on tuition by intensifying our efforts to implement rigorous, creative, and innovative strategies to contain operating expenditures. At the same time, we must deploy increasingly effective and sustainable financial aid strategies to address student needs and to maintain the quality and diversity of the student body, as well as accessibility for Vermont students. Without question, moreover, we have an obligation to our alumni, our students, our faculty and staff, and the citizens of Vermont to maintain the value of a UVM degree: in this regard, we must safeguard the University’s academic quality and reputation. We must be good stewards of the human, physical, and fiscal assets entrusted to us. We can only serve our students well by continuing to provide them with excellent faculty, with dedicated and supportive staff, and with a learning environment adequate to their intellectual, professional, and personal development. In short, within the highly competitive field of national universities, we must sustain academic quality at levels that justify students’ commitment of years of their lives and of hard-earned dollars. In this perspective, we must always balance our interest in keeping student cost increases down with the equally important goal of maintaining competitive quality. It is a complex and high-stakes balancing act with no magic formula that will relieve us of the difficult task of determining annually where that balance lies.

Our care for the future sustainability of UVM also extends to our efforts to build the University’s philanthropic resources through both current-use giving and endowment gifts for the long-term. With appreciation for the hard work of University faculty and staff and with gratitude to our very generous donors, I would note that FY ’10 saw voluntary support that exceeded every other year but one, and that was 2007, the climactic year of our last campaign. In 2010, we had a 4.2% increase over 2009 in voluntary support and a 14.6% increase in unrestricted annual giving. I am pleased to report that former trustee and alumnus Eugene Kalkin has agreed to chair the steering committee that will become the Board of the new UVM Foundation we plan to incorporate in calendar 2011. I also want you to know that since June we have briefed 140 individuals, engaging them in probing conversations about the future of UVM and the role of philanthropy in shaping that future. These discussions are an essential step in laying the groundwork for UVM’s next campaign. Our campaign consultants are already in the process of interviewing a little more than half of that number—roughly 75 individuals—as the basis for the campaign feasibility study that we should receive in mid-January and that we intend to bring to this Board and to Foundation leadership in February. Student scholarships and endowed faculty positions top the list of opportunities for giving we are discussing in these briefings—once again, as in our last campaign, the people who have made UVM such a distinctive and distinguished institution of higher education are our highest priority.

It is the people of the University on whom and for whom my twin themes of our care for each other and the sustainability of our University converge. Under the guidance of our wonderful faculty and staff, our students are achieving at extraordinarily high levels, as witness Rob’s report a few minutes ago on the record graduation rates achieved this spring—76.3% overall and, for our Vermont graduates, a truly stunning and gratifying 80.4%. I would like to close with a few quick vignettes of the exceptional people who are the University of Vermont.

Paul Hines, an assistant professor in the College of Engineering and Mathematical Sciences, is among the faculty whose research and teaching involve complex systems, designated as one of our three initial areas of focus as a Transdisciplinary Research Initiative. Professor Hines is one
of the nation’s leading experts on power systems, the vast electric grid. Working with Seth Blumsack, a colleague at Penn State, Professor Hines recently co-authored an article published in the journal *Chaos* that has challenged recent assertions about the relative vulnerability of the nation’s power system. Their work promises to guide the allocation of resources devoted to protecting the electric grid from sabotage. The study drew extensive national media attention, including *U.S. News & World Report* and many other outlets.

Thanks to the TREK program, nearly 250 of our new students arrived on campus in August wonderfully sweaty, dirty, worn out, and—most importantly—connected to new friends and UVM’s rich undergraduate experience. For nearly half of TREK’s 31 years at UVM, it has been led by John Abbott, our director of outdoor programs in Student Life. John is joined in this effort by Lu Mulvaney-Stanak, who oversees the community service aspects of TREK. Together, John and Lu work with their student leaders to plan the myriad logistics behind sending hundreds of young people out for a week of hiking the Long Trail, kayaking Lake Champlain, or working on Habitat for Humanity projects. Thanks to their efforts, TREK participants hit the ground running at UVM with strong ties already established to their fellow students, the University, the local community, and the State of Vermont.

Katie St. Denis, a twenty-two-year-old senior majoring in biology, has excelled in her coursework and in the research lab while balancing the challenges of raising her four-year-old son, Kieran. Professor Joseph Schall, one of the truly outstanding teachers at UVM, has been a mentor to Katie. He advised her as she conducted research in his lab through the McNair Scholars Program in the summer of 2009. Professor Schall saw in Katie what he considers the fundamental characteristics of an excellent scientist—curiosity, academic honesty, and a strong work ethic. Building upon their work together, Katie and Professor Schall co-authored an article published in the *Journal of Parasitology* that goes a long way toward substantiating a commonly held—yet unproven—belief about how to distinguish malaria parasite species. As she completes her senior year, Katie is in the process of deciding where to continue her studies in biology, with the goal of earning her PhD.

Karen Sentoff is a master's student in Environmental Engineering. Her work, funded by UVM's Transportation Research Center and led by Engineering Professor Britt Holmén, compares the toxic tailpipe emissions of hybrid and non-hybrid vehicles in northern climates. She collects her second-by-second data using state-of-the-art equipment and instruments that fill the backseat and trunk of the vehicles at the Transportation Air Quality Lab. Karen was named Outstanding Student of the Year by the Transportation Research Center, an honor that was acknowledged at a banquet at the National Academies Transportation Research Board meeting in Washington, D.C., and that was accompanied with a check for $1,000 and a plaque from the U.S. Department of Transportation. This week Karen is at a conference in Portland, Oregon, presenting her work on emissions along with the full research team.

Nicholas Aunchman is a Vermonter in the College of Medicine's Class of 2011. Nick, driven by his interest in providing care to underserved populations, volunteered for one of the first relief missions from Vermont to earthquake-ravaged Haiti earlier this year. This was Nick's second trip to Haiti, where he'd traveled long before the earthquake to work at a rural clinic as part of a group from the College of Medicine's Department of Surgery. This year, Nick spent a month in
Port-au-Prince and surrounding provinces, helping to treat medical conditions of a range and severity rarely seen in Vermont. Nick hopes to put his experiences to use after receiving his M.D. by treating underserved populations in the Green Mountain State.

Paul Hines, John Abbott, Lu Mulvaney-Stanak, Katie St. Denis, Karen Sentoff, and Nicholas Aunchman are a just a few representatives of the compelling human face of UVM. In their work, in the value they create every day, they embody and represent the overriding care we must take for the sustainable quality and vitality of the University of the Green Mountains, for their and for the future’s sake. I join Rob in heartfelt appreciation to Governor James H. Douglas for his commitment to education, his work on our Board, and a lifetime of public service to the citizens of Vermont. If there are questions, I will be happy to try to answer them. Thanks very much.
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

AUDIT COMMITTEE

Charter

This Charter sets forth the responsibilities of the University Board of Trustees Audit Committee.

I. Principal Responsibilities

The principal responsibilities of the Committee shall include:

a. promoting the development and monitoring the effectiveness of an institutional system of risk assessment and internal controls;

b. reviewing and, as appropriate, making recommendations to the Board, regarding institutional policies relevant to the scope of Committee responsibilities, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention;

c. ensuring that audit plans encompass significant and material aspects of University operations;

d. full authority and oversight of the internal audit function including appointment decisions, performance evaluations, and employment termination of the chief internal auditor;

e. implementing a selection process to and retaining the independent auditor and making a recommendation to the Board of Trustees for approval. Recommending such additional audits as the Committee and/or the Board must approve under the Board’s reserved authority;

f. maintaining direct and effective communication with independent auditors on behalf of the Board;

g. reviewing the results of internal and external audits (including the annually audited financial statements), and assessing the quality and timeliness of management’s response and corrective actions;

h. reviewing the effectiveness of the University’s practices related to monitoring its compliance with laws and regulations;

i. reviewing the results of management’s investigation and resolution of any reported, or otherwise discovered, significant instances of noncompliance;
j. evaluating the scope and quality of internal and independent audit services, and the degree of
coordination and appropriate degree of independence between them; and

k. reporting regularly and promptly to the Board regarding matters within the scope of the Committee
charge.

II. Membership

The University of Vermont Board of Trustees shall annually appoint at least 7 of its members to the
Committee. Its members shall be independent of management and the University including its
component units and affiliated organizations. For the purposes of this charter, “independence” is
defined as rendering a Trustee ineligible for Committee service if he or she is (1) is employed by the
University; (2) is a partner or employee of a firm retained to conduct an audit of the University; (3)
held such University employment or audit engagement at any time during the previous three years; or
(4) is receiving consulting, advisory, or other compensatory fees for services provided to the
University. Members of the Investment Subcommittee are eligible for appointment to the Audit
Committee, but no such member may serve as its Chair or Vice Chair. The University President is
ineligible for service as a member, ex officio or otherwise, of the Audit Committee, as a University
official and employee.

Committee members shall otherwise be subject to the Conflicts of Interest Policy in the conduct of
their work.

Members of the Committee shall receive orientation appropriate to their Committee membership.
They will have the goal of understanding general accounting, business and finance principles,
including the ability to read and understand institutional financial statements. If possible, at least one
member of the Committee will possess accounting or financial expertise.

III. Authority

The Committee is authorized to investigate any matter within the scope of its Charter, with full and
direct access to all pertinent University records, personnel, independent auditors and consultants.

IV. Adoption of Charter

This Charter shall be effective as of the date of its approval by the Board. The Committee will
periodically annually review the Charter and recommend to the Board revisions thereto, in view of
evolving accounting standards, legal developments and experience gained.
Audit Committee Guidelines

These Guidelines serve as an operational supplement to the Audit Committee Charter. They are intended to reflect generally accepted accounting industry standards and practices applicable to non-profit corporations and higher education institutions.

The Guidelines shall be reviewed annually by management, and management shall report annually to the Committee regarding the status of the Guidelines. The Committee shall make revisions to the Guidelines as necessary or appropriate in view of evolving accounting standards and practices, legal developments and experience gained.

I. Retention of the Independent Audit Firm

a. The Committee shall annually select and retain an independent audit firm to conduct a mandatory annual audit of the financial statements and/or compliance audits. In conjunction with such selection, the Committee will assess the independence and objectivity of the firm by obtaining statements from the firm on relationships between the firm and the University reviewing and assessing the letter the firm issues under Independence Standards Board Standard No. 1. The Committee will review and assess any relationships disclosed that may impact auditor objectivity and independence.

b. The Committee shall solicit requests for proposals relative to the mandatory annual audit of the financial statements and/or compliance audits from qualified independent audit firms no less than once every five years.

c. In the event that an independent audit firm is retained to conduct the mandatory annual audit of the financial statements and/or compliance audit for seven or more consecutive years, the Committee shall, as a condition of retention of the firm, require rotation of the lead audit partner on the University engagement.

II. Retention of Other Audit Services

a. The independent audit firm retained to conduct the mandatory annual audit of the financial statements and/or compliance audits generally shall not be eligible for University engagements to perform non-audit services that would violate the U.S. Government Accountability Office Independence Standard, including bookkeeping; financial information systems design, implementation or operation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; internal audit outsourcing services; management functions or human resources; broker or dealer, investment advisor, or investment banking services; legal services and expert services unrelated to the audit; or preparation of the indirect cost proposal or cost allocation plan. If, due to extenuating circumstances, and in the exercise of its reasonable discretion, management deems it to be in the best interests of the University to retain the independent audit firm for non-audit services, the proposed retention is subject to review and action by the Committee where the retention will result in fees of $10,000 or more.
b. Contracts for non-audit services with independent audit firms not already retained by the University to conduct the mandatory annual audit of the financial statements attestation and/or compliance audits are subject to review and recommendation by the Committee and subsequent Board consideration and action when such retentions will result in fees of $250,000 or more.

III. Oversight of Audits

The Committee will, no less than once annually, and otherwise periodically as necessary or desirable:

a. review annual audit plans developed by the Office of Institutional Risk Assessment and Audit Services, and receive regular progress reports relative to such plans;

b. review and approve audit plans developed in consultation with independent audit firms, including (i) the critical accounting policies and practices to be used; (ii) all alternative treatments of financial information discussed with management, ramifications of alternative treatment and the treatment preferred by the firm; (iii) other material communications between the firm and management; and (iv) required communications from the firm under Statement of Auditing Standards No. 114, as amended;

c. review and approve the mandatory annual audit of the financial statements attestation and/or compliance audit reports, including the annual audit reports on federal awards received as required by Office of Management and Budget Circulars (e.g., A-133 and the financial agreed upon procedures report of institutional National Collegiate Athletic Association programs);

d. resolve disagreements between management and the independent audit firm regarding financial reporting;

e. review the independent audit firm management letter comments regarding institutional financial internal controls, accounting policies and procedures, and management’s response to those comments;

f. review with management, the Office of Institutional Risk Assessment and Audit Services, and the independent audit firm their respective judgments about the quality of University accounting principles; the consistency, and the degree of aggressiveness or conservatism, in the application of accounting principles; the reasonableness of significant accounting judgments; and the clarity and completeness of the financial statements and related disclosures;

g. confirm with management, the Office of Institutional Risk Assessment and Audit Services and the independent audit firm respectively that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the University with unconsolidated entities or other persons that may have a material current or future effect on institutional financial condition, and the results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses;

h. receive reports from management, the Office of Institutional Risk Assessment and Audit Services and the independent audit firm, regarding new and significant accounting standards to understand their impact on institutional financial statements;
i. receive reports from the Office of Institutional Risk Assessment and Audit Services regarding any financial fraud which, in single incident or aggregate, results in an institutional uninsured or insured loss in excess of $10,000;

j. review the organizational structure, qualifications, independence, scope of services inclusive of office charter, and adequacy of resources of the University’s Office of Institutional Risk Assessment and Audit Services;

k. annually review the appointment, evaluate the performance and set the salary of the chief internal auditor;

l. identify and document specific administrative responsibilities relevant to the routine operations of the office of chief internal auditor that are assigned to the President;

m. ensure that regular quality assessment reviews of the internal audit operations are performed in accordance with Institute of Internal Auditors standards; and,

n. meet separately with both the internal and external auditors without management representatives present subject to the requirement of the Vermont open meeting laws.

IV. Internal Controls

The University’s executive management and the Board of Trustees Audit Committee have adopted the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework to help assess and enhance its internal control systems.

a. Certifications

i. The Committee will receive periodic reports from management on representations attestation it is rendering in conjunction with mandatory annual audit of the financial statements attestation and/or compliance audits as well as significant and material debt financing, such as issuance of bonds.

ii. Without limitation on IV4.a(i), the Committee will receive from the Vice President for Finance & Administration and University Treasurer, record of certification along with the annual financial statement report that:

a. He/she has approved the financial statements audit report,

b. Based on his/her knowledge, the report does not contain any material errors untrue statements or omissions,

c. Based on his/her knowledge, the financial statements materially present the financial condition and result of operations,

d. He/she is responsible for establishing and maintaining a system of internal controls over financial reporting, and that,

e. He/she has disclosed to the auditors and the Audit Committee all significant internal control deficiencies and changes that could materially affect financial data.
b. Policy Review.

The Committee will receive for its review and comment and, if necessary, its recommendation to the Board, institutional policies relevant to its scope of work, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention.

c. Required Disclosures and Compliance Monitoring.

The Committee shall oversee compliance with the Board Reserved Rights and Delegated Authority resolution. Violations of the Board Reserved Rights and Delegated Authority resolution identified by management or the internal audit office shall be reported to the Committee.

d. Confidential Reporting.

The committee will ensure that the University has a mechanism that permits confidential communications from employees and others regarding potential financial or accounting improprieties or nonfeasance.

V. Compliance

a. Review with the Office of Compliance Services, the effectiveness of the University’s practices related to monitoring compliance with laws and regulations;

b. Review with the Office of Compliance Services and management, the results of management’s investigation and resolution of any reported, or otherwise discovered, significant instances of noncompliance;

c. Review with the Office of Compliance Services and management, the findings of any compliance examinations by regulatory agencies and any auditor observations;

d. Review with the Office of Compliance Services, the process for communicating the code of business conduct to University personnel and for monitoring compliance therewith;

e. Receive quarterly reports from the Office of Compliance Services on its activities;

f. Receive updates from the Office of Compliance Services and management on new and emerging compliance issues, including their impact to the University; and

g. Receive as needed, through the Audit Committee Chair, compliance matters communicated directly by the Chief Compliance Office (by virtue of the dotted line relationship).

As approved by the Board of Trustee: November 13, 2004
Approved as amended by the Board of Trustees: September 8, 2007
Revised by the Audit Committee: November 12, 2007
Approved as amended by the Board of Trustees: December 1, 2007
Revised by the Audit Committee: April 28, 2009
Approved by the Board of Trustees: May 16, 2009
Revised by the Audit Committee: October 11, 2010
Approved by the Board of Trustees: October 30, 2010
Code of Business Conduct

Policy Statement

This Code of Business Conduct requires all University personnel to assume responsibility for safeguarding and preserving institutional resources so as to advance the institutional mission. It is the responsibility of supervisors to ensure that personnel whom they supervise receive adequate information and training to understand all laws and regulations, and all University policies and procedures, relevant to the discharge of their duties. In addition, all University personnel are expected to assume personal responsibility and accountability for understanding and abiding by relevant laws and policies and for adhering to the spirit of this Code.

Reason for the Code

All University personnel play a role in ensuring that institutional resources are protected, preserved and enhanced. This Code sets forth the fundamental expectations relating to business and fiduciary conduct. It is not intended to modify or restate University policies otherwise applicable to specific types of conduct or activities (see “Related Policies” below), or to limit in any way any additional rules or regulations that an administrative or academic unit may, through appropriate officials and channels, promulgate. Rather, the Code is a statement of the underlying standards and principles under which the University expects those with business and fiduciary responsibilities to carry out their duties.

Strategic Direction

This Code supports the following goal in the University’s Strategic Plan:

- **Institutional Efficacy**: As an institution, model the highest standard of ethical conduct, public service, and strong commitment to lifelong learning.
Applicability of the Code

This Code applies to all employees, including administrators, staff, faculty, and student employees, who manage, supervise or conduct University business or financial transactions or activities (“personnel”), and to University-recognized organizations and affiliated entities.

Policy

Persons and entities who are not affiliated with the University may also use the Ethics and Compliance Hotline (https://secure.ethicspoint.com/domain/media/en/gui/24544/index.html) to report perceived violations of this Code.

Code Elaboration

Administrators are required to report suspected fraudulent or dishonest conduct to the Audit Services Office. In addition, administrators are responsible for maintaining a system of management controls that deter and/or detect fraudulent or dishonest conduct. Failure by an administrator to establish management controls or report misconduct within the scope of this policy may result in adverse personnel action against the administrator, up to and including dismissal.

All University personnel are expected to be aware of and comply with University and unit policies relevant to their work duties, including without limitation the principles and policies listed below. Confirmed violations will result in disciplinary action, up to and including dismissal, and/or termination of institutional recognition of University group or organization status or external affiliate relationships with the University. In some instances, civil claims and criminal charges may also result. Procedures for the investigation of suspected violations, imposition of disciplinary action, and the availability of grievance or appeal channels shall be governed by otherwise applicable University policies, handbooks, and collective bargaining agreements.

Personnel in certain professions or occupations may be subject to additional ethical and professional standards. Failure to adhere to those standards may constitute a job performance issue to be addressed through customary performance review processes.

Neither the University nor its employees may retaliate against a whistleblower with the intent or effect of adversely affecting the terms or conditions of employment or enrollment (including but not limited to, threats of physical harm, loss of job or educational status, punitive work assignments, or impact on salary or wages). Relative to non-affiliated entities or persons who act as whistleblowers, neither the University nor its employees may retaliate with the intent or effect of adversely affecting business or other opportunities with the University.
General Principles of Conduct

- Fraud, Theft or similar conduct – Any act that involves theft, fraud, embezzlement or misappropriation of the property of the University or any of its employees or suppliers is prohibited.

- Fair Dealing – University personnel must deal fairly with services and goods vendors. No unfair advantage shall be taken of prospective or current vendors through manipulation, concealment, abuse of privileged information, misrepresentation of material fact or any other unfair practice.

- Financial Reporting – All University accounts, financial reports, tax returns, expense reimbursements, timesheets, and other documents that must be completed in the course of the business of the University, including those due government agencies, must contain accurate information and be completed promptly by authorized personnel.

- Personnel Records – All University personnel must scrupulously ensure that all personnel records that they submit in connection with their employment (e.g., job applications; timesheets; vacation and medical leave records; benefits plan coverage or reimbursement requests) are accurate and completed promptly and in a manner consistent with applicable policies and procedures.

- Compliance – Supervisors must ensure that their supervisees receive adequate information and training to understand the laws and regulations, and University policies and procedures, relevant to the supervisees’ discharge of assigned duties. In addition, University personnel are expected to assume personal responsibility and accountability for understanding and abiding by relevant laws, regulations and policies in the discharge of their duties.

- Authority to Contract – University transactions must be authorized by appropriate officials in accordance with applicable institutional policies and procedures.

- Conflicts of interest and commitment – University personnel shall adhere strictly to institutional conflict of interest and commitment policies.

- Stewardship of University assets and resources – University assets and resources must be used prudently and effectively, and only for legitimate and authorized purposes. University property shall not be used, leased, donated, sold, or traded without proper authorization.

- Gifts and Gratuities – University personnel may prohibit and deter conflicts of interest or the appearance of a conflict of interest, University officials who have executive or management responsibility for a business or equivalent relationship with a services or products vendor shall not directly or indirectly give, offer, ask for, or accept for personal use, any gift or gratuity, in cash or in kind, from any current or potential vendor, or a regulatory authority, in connection with a business or comparable
relationship between the University and the other party. This rule does not prohibit
courtesy exchanges of gifts of equal and nominal value (such value not to exceed $50
annually from one source) as dictated by the cultural customs of foreign visitors or when
UVM personnel visit foreign countries; nor shall they directly or indirectly give, offer, ask
for, or accept for personal use, any gift or gratuity, in cash or in kind, from any potential
vendor. See below “Clarification on Gifts and Gratuities and Conflicts of Interest
Guidance.” If a courtesy gift of the nature just described exceeds nominal value, it must
be turned over to UVM within thirty (30) days through the Office of Vice President for
Finance and Administration. University personnel are responsible for determining the
customs rules applicable to such gifts when traveling out of the U.S.

- Bribery, Kickbacks and Payoffs – Acts of bribery, and kickbacks and payoffs related to
  the discharge of University duties are prohibited.

- Confidentiality – University personnel must use reasonable diligence to maintain the
  confidentiality of information entrusted to them by the University and/or its students,
  alumni, employees or others with whom the institution has a business or fiduciary
  relationship, except when disclosure is properly authorized or legally mandated. This
  confidentiality principle applies both to information designated as such under applicable
  law, and non-public University information that might be useful to competitors or
  harmful to the University if disclosed. University personnel must take reasonable steps to
  protect and restrict the transfer of such confidential information to unauthorized persons
  and must share such information within the University on a “need-to-know” basis—only—
  All relevant protocols applicable to the safeguarding of information, including computer
  use protocols, must be followed.

- Accuracy of Records – University personnel are responsible for the integrity and
  accuracy of records that they complete or maintain in the course of their duties regarding
  the business and/or financial operations of the University or a unit thereof. No false,
  misleading or artificial entries, or unauthorized alterations, shall be made on the
  University’s books and records or in reports the University is required to make as a
  matter of law or policy.

- Records Retention – Responsible University personnel must ensure that records are
  maintained and retained as required by University policy and governing law.

- Responsible Management of Government Funds – The University will strictly comply
  with government grants and contracts terms and conditions and expects its personnel to
  be knowledgeable about, and comply with, such terms and conditions as appropriate to,
  and required by, the nature of their duties.

- Political Endorsements – University personnel shall not, in their capacity as University
  personnel, endorse political candidates.

- Commercial Endorsements – University personnel shall not endorse commercial products
  or services except as specifically authorized in advance in an employment contract
executed by appropriate University officials on behalf of the University and also approved in advance by the Senior Vice President and Provost.

- Institutional Endorsements – Institutional endorsements will be handled in accordance with University policies and procedures regarding Trademarks and Licensing.

Clarification on Gifts and Gratuities Provision and Conflicts of Interest Guidance

Although all University employees are subject to conflicts of interest policies, the Gifts and Gratuities provision is intended to apply solely to University officials who have executive (e.g., Vice President or political candidate, senior) or management authority and responsibility with respect to specific commercial contracts, such as those with services or products vendors. Its purpose is to eliminate or avoid situations in which it appears that a University official is being, or could be, improperly influenced by the receipt, or prospect of, gifts or other gratuities in selecting a vendor. All purchasing decisions by UVM officials should be made on the basis of the vendor best suited to meet UVM’s needs and not based on personal or financial relationships.

The rule prohibiting gifts and gratuities does not apply to the following examples of situations:

- Mementos or other gifts of nominal value associated with volunteer services offered by a UVM employee to UVM or a charitable nonprofit (e.g., T-shirt for assisting with Move-In Day; “free” movie tickets from Red Cross for donating blood)

- Tokens of nominal value offered at fairs or information sessions available generally to UVM employees (e.g., pens, Post-Its, etc. displayed at a UVM Benefits fair or event)

- Items made generally available by a sponsor or a vendor at a professional conference (e.g., tote bag; mug)

- Hospitality made generally available to attendees at a professional conference or event by a sponsor or a vendor (e.g., refreshments; evening reception; meal made available to attendees or a discrete subset of them, such as New England higher education admissions counselors)

- Courtesy gifts of nominal value (such value not to exceed $50 annually from one source) as dictated by the cultural customs of foreign hosts or visitors. If a courtesy gift of the nature just described exceeds nominal value, it must be turned over to UVM within thirty (30) days through the Office of Vice President for Finance and Administration. University personnel are responsible for determining the customs rules applicable to such gifts when traveling out of the U.S.

- Business meals and similar amenities with a significant business purpose, such as would be eligible for expense reimbursement under the applicable UVM Policy: http://www.uvm.edu/~uvmppg/ppg/procure/businessmeals.pdf. If the amenities are being
extended to a University official, their receipt must be associated with a business purpose, appropriate as to time and place, and must not influence or give the appearance of influencing the recipient. Thus, in the latter case, a UVM official having executive or management authority for a contract or business relationship with the person(s) hosting the meal or similar amenity may accept the offer only (1) if it would otherwise be reimbursable under the UVM Business Meal and Amenity policy were the hospitality being offered by the UVM official; and (2) the UVM official declares the business meal or similar amenity on the disclosure form appended to this Code.

- Subsidization or reimbursement of business travel by a professional association or other nonprofit organization that is not a services or products provider to UVM through business arrangements over which the UVM official has executive or management authority and responsibility. In the event that the subsidy or reimbursement is being offered by a services or products provider to UVM through business arrangements for which the UVM official has executive or management authority and responsibility, the official may seek advance approval from his or her supervisor for UVM coverage of such travel expenses if the supervisor concludes that the University’s interests would be best served by the official participation in the event.

Definitions

“Administrator” is a University official who has managerial or supervisory responsibility for another University employee or other University employees.

“Appropriate responsible official” is the individual by whom the possible violator is supervised. If the person making the report has reason to believe that the otherwise appropriate responsible official is aware of, or sanctioning, the violation, the report should be made to the next-level supervisor of the appropriate official.

“Contracting authority” is the University official who, under Procurement protocols or the Contract Approval and Signatory Authority, is authorized and required to approve and execute a contract. Contract authority for specified and limited purposes may be delegated under the procedures outlined in Procurement protocols or the Contract Approval and Signatory Authority.

“Good Faith” means honest belief, with the absence of malice or intent to defraud or seek unscrupulous advantage.

“Retaliation” includes any adverse action taken against University personnel because such person made a good faith report of a possible violation of this Policy. Examples of adverse action include, but are not limited to, threats of physical harm, implementing unfavorable changes in employment or educational status, punitive assignments, or negative impact on grades, salary or wages.

“Whistleblower” is a term used for an employee, individual or student who files a report of suspected wrongful conduct that he or she believes is believed in good faith to constitute a violation of this Policy.
Procedures

Administrators must report perceived or demonstrated Code of Business Conduct violations to an appropriate responsible official or, the Office of Audit Services, or the Office of Compliance Services. Non-administrator personnel are strongly encouraged to report perceived or demonstrated violations to an appropriate official or to the Office of Audit Services, the Office of Audit Services or the Office of Compliance Services. Reports may also be made using the Ethics and Compliance Reporting and Help Line (https://secure.ethicspoint.com/domain/media/en/gui/24544/index.html). Customary channels will be used in the investigation of alleged violations of this Code and any imposition of related disciplinary or administrative action.

The University cannot guarantee confidentiality to persons making reports of suspected violations (“whistleblowers”). The investigating office will nonetheless strive to keep the identity of a whistleblower confidential unless:

- The whistleblower agrees to be identified;
- Identification is necessary to allow University or law enforcement officials to investigate or respond effectively to the report;
- Identification is required by law; or
- The person accused of the violation is entitled to the information in disciplinary proceedings as a matter of legal or policy right.

Whistleblowers who believe they have been retaliated against may file a written complaint with the Audit Services Office or the Office of Compliance Services, which shall refer the report promptly to the immediate supervisor(s) of any person(s) accused of retaliation. If the whistleblower alleges that an immediate supervisor engaged in the retaliation, Audit Services or the Office of Compliance Services shall refer the retaliation report to the next level of administration that supervisor’s immediate supervisor for investigation.

If investigation determines that retaliation occurred, disciplinary action against the offender will be initiated through normal channels. If it is determined that retaliation has not occurred, the appropriate University official will so notify the whistleblower and explain the rationale for the conclusion. A whistleblower is not entitled to be informed of the nature and extent of any disciplinary action taken against personnel found to have engaged in retaliation.

This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

Allegations of suspected violations made in bad faith may give rise to disciplinary action against the whistleblower and personal liability in response to external legal claims filed by an individual
wrongfully accused of misconduct. The fact that a report of suspected violation has been investigated and found unsubstantiated is not necessarily indicative of bad faith.

The Ethics and Compliance Reporting and Help Line


Forms

N/A

Business Hospitality Annual Disclosure Form (link TBD)

Contacts and Responsible Official

The Vice President for Finance and Administration (VPFA) is the University official responsible for the interpretation and administration of this Code. The VPFA may be contacted as follows:

VP Finance & Administration
Waterman Bldg. 350B
802 656-0219
Richard.Cate@uvm.edu

Suspected violations of this Code may be reported to the appropriate responsible official or to the following officials:

Chief Internal Auditor
Audit Services
Billings B158, 48 University Place
802-656-0568
William.Harrison@uvm.edu

Chief Compliance Officer
Office of Compliance Services
Billings B159, 48 University Place
802 656-0847
Anna.Drummond@uvm.edu
Related Documents/Policies

Audit Services Investigative Protocol
http://www.uvm.edu/~uvmppg/ppg/general_html/related_docs/invprotocol.pdf

Code of Business Conduct FAQ
http://www.uvm.edu/~uvmppg/ppg/general_html/related_docs/businesscodefaq.pdf

Computer and Network Use
http://www.uvm.edu/~uvmppg/ppg/cit/compuse.pdf

Conflict of Interest and Commitment Policy
http://www.uvm.edu/~uvmppg/ppg/general_html/conflictinterest.pdf

Contract Approval and Signatory Authority

Effort Management and Reporting on Sponsored Awards
http://www.uvm.edu/~uvmppg/ppg/grants/effortreporting.pdf

FERPA Rights Disclosure
http://www.uvm.edu/~uvmppg/ppg/student/ferpa.pdf

Health Insurance Portability and Accountability Act (HIPAA)
http://www.uvm.edu/~complian/compliance/?Page=HIPAA_UVM.html

Intellectual Property
http://www.uvm.edu/~uvmppg/ppg/general_html/intellectualproperty.pdf

Loans to or Guarantees for Trustees and Officers
http://www.uvm.edu/~uvmppg/ppg/otherdoc/botloans.pdf

Misconduct in Research and Other Scholarly Activities – revisions pending
http://www.uvm.edu/~uvmppg/ppg/grants/researchmisconduct.pdf

Names, Symbols, Letterhead and Other Proprietary Indicia of Affiliation
http://www.uvm.edu/~uvmppg/ppg/general_html/letterhead.pdf

Political Activity
http://www.uvm.edu/~uvmppg/ppg/general_html/political_activity.pdf

Procurements and Contracts Policy – revisions pending
http://www.uvm.edu/~uvmppg/ppg/procure/procurement.pdf

Records and Documents Requests
http://www.uvm.edu/~uvmppg/ppg/general_html/record_request.pdf

Records Retention
http://www.uvm.edu/~uvmppg/ppg/general_html/recordretention.pdf

Related Significant Financial Interest in Research and Scholarly Activity
http://www.uvm.edu/~uvmppg/ppg/grants/researchcoi.pdf

Trademarks
http://www.uvm.edu/~uvmppg/ppg/general_html/trademark.pdf

Travel
Effective Date

Approved by:

_______________________    President

_________________    Date

Daniel M. Fogel

Version 4.0.2.3 approved by the President on July 20, 2009

Version 4.0.2.3 Revised by the Audit Committee on July 13, 2009 and approved by the Board of Trustees Executive Committee on July 17, 2009.

Version 4.0.2.4 Revised by the Audit Committee on October 11, 2010 and approved by the Board of Trustees on October 30, 2010.
BUSINESS HOSPITALITY ANNUAL DISCLOSURE FORM

NOTE: THIS FORM IS TO BE COMPLETED ONLY BY A UNIVERSITY OFFICIAL WHO HAS RECEIVED BUSINESS HOSPITALITY OR SIMILAR AMENITIES (“AMENITIES”) AND HAS EXECUTIVE OR MANAGEMENT AUTHORITY FOR A CONTRACT OR BUSINESS RELATIONSHIP WITH THE PERSON(S) OFFERING THE AMENITIES (“HOST”). ACCEPTANCE OF THE AMENITIES IS PERMISSIBLE ONLY IF AMENITIES WOULD OTHERWISE BE REIMBURSABLE UNDER THE UVM BUSINESS MEAL AND AMENITY POLICY WERE THE HOSPITALITY OFFERED TO THE HOST BY THE UVM OFFICIAL.

NAME:

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<tr>
<th>EVENT DATE</th>
<th>HOST COMPANY</th>
<th>HOST NAME(S)</th>
<th>PURPOSE OF EVENT</th>
<th>APPROX. COST OF AMENITY</th>
<th>PRIOR APPROVAL OBTAINED? Y/N</th>
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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 to guide principles and practices. 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.

As the University continues to balance the significant need for both current and future facilities investment, research, teaching, student, and other important needs and competing initiatives for capital from limited resources, the University is implementing this debt policy. This policy, in conjunction with the Strategic Financial Plan 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. Additionally, this policy will provide the foundation for internal procedures to ensure that appropriate reporting and management requirements are in place in order to meet objectives outlined in this policy, and to provide a more efficient process for the ongoing external and internal management of debt in order to optimize its utilization on campus.

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. Additionally, a set of operating procedures will be established in order to implement the objectives set forth in this policy. The procedures will outline management roles and responsibilities including internal operating controls and fiduciary responsibilities consistent with the long-term objectives of this policy.

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

Purpose

1. Articulate UVM’s philosophy regarding debt.
2. Establish objectives for debt policy.
3. Provide for regular review and potential update of policy to reflect evolving needs.

Over time, appropriate financial leverage serves an important role in funding the University’s capital investments and should be considered a long-term component of UVM’s balance sheet. 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. Debt, especially tax-exempt debt, provides a limited low cost source of funding for capital projects in order to achieve the University’s mission and strategic objectives, and, together with other limited resources, should be utilized and allocated appropriately, strategically, judiciously, and equitably.

This 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. Maintaining the highest acceptable credit rating will permit the University to continue to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives;

(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 its results and appropriateness 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 (e.g., commercial paper) in accordance with stated procedures.

The Office of the Vice President for Finance and Administration and 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.

In addition, the appropriate Board of Trustee committee will hold regular meetings in order to review short and intermediate term financing needs, market opportunities, and financial performance. This regular review will help the University determine appropriate financial decisions as well as review capital investments and the timing of financing plans responsive to market conditions.

**Policy Ratios**

**Purpose**

1. Identify core ratios.
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 policy identifies ratios that (i) are based on current GAAP requirements, including the GASB 34/35 reporting format and (ii) are consistent with ratios utilized in the higher education industry to permit benchmarking.

In addition to the two 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.

\[
\text{ANNUAL DEBT SERVICE} \quad \frac{<6\%}{\text{TOTAL EXPENSES}} \quad *.
\]

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 6.0%. If more than 6.0% of the University’s annual budget were committed to debt service expense, flexibility to devote resources to fund other objectives could be diminished. 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.

*As adopted by the Board of Trustees, December 1, 2007: “That the Board directs the Administration to develop and implement a plan to lower the debt burden ratio to 5% by 2017”

**Ratio 2 - Viability Ratio (also called Expendable Financial Assets 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 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 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 1.0x to ensure that sufficient balance sheet strength is maintained at all times.

\[
\text{UNRESTRICTED NET ASSETS} + \text{TEMPORARILY RESTRICTED NET ASSETS} \quad \frac{<0.8x}{\text{EQUITY IN PLANT}} \quad \text{AGGREGATE DEBT}
\]

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

The 0.8x 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 0.8x

Annually, based on the results of the audited financial statements, the Vice President for Finance and Administration 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. 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 what recommendations it deems appropriate to the Board of Trustees.

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.

TYPES OF FINANCINGS

<table>
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<tr>
<td>1. Review of all potential funding sources for projects.</td>
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<td>2. Maximize tax-exempt University-issued debt.</td>
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<tr>
<td>3. Commercial Paper program.</td>
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<tr>
<td>a. Provide bridge funding.</td>
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<td>b. Provide continual access to capital.</td>
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<td>c. Issuance on a taxable or tax-exempt basis.</td>
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<td>4. Manage derivative products, including swaps.</td>
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<td>5. Consider other financing sources.</td>
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<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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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. Management will manage the debt portfolio to maximize its utilization of tax-exempt debt relative to taxable debt whenever possible. (In all circumstances, however, individual projects must continue to be identified and tracked to ensure compliance with all tax and reimbursement requirements).

Recognizing the inherent benefit provided by tax-exempt borrowing, the University will prefer to consider maximizing the external maturity of any tax-exempt bond issue, subject to prevailing market conditions and opportunities, budgetary constraints, the useful life of projects being financed, and other considerations. Although 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. Issuing taxable debt reduces the University’s overall debt affordability due to higher associated interest expense.

When utilized, taxable debt will be structured to provide maximum repayment flexibility and rapid external principal amortization.

**Commercial Paper**

The University is establishing a commercial paper program, which will include both a tax-exempt and taxable series. 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. At this time, however, the University is limiting the use of the program to providing the CP can offer the University with 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, providing as well as offer greater flexibility regarding the timing and structuring of individual bond transactions. It is expected that the University may consider expanding the permitted use of the CP program at some point in the future.

The University recognizes that the amount of project-related commercial paper is limited by the ratios established by this debt policy, and the University’s available liquidity support however, the University will not include outstanding CP in the variable rate debts exposure, given the expected short-term nature of the CP. The existence and utilization of the commercial paper program has influenced the decision to limit variable rate exposure to no more than 35% of the long-term debt portfolio.

**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’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

**Purpose**

1. Permit decisions regarding debt issuance and structure to be made on a portfolio basis, rather than on a per-project basis.
2. Manage variable rate exposure of the debt portfolio.  
   a. Limit variable rate exposure.  
   b. Manage the overall liquidity requirements associated with outstanding debt.  
   c. Target overall variable rate debt exposure.
3. Evaluate exposure to other financing vehicles and third parties on a portfolio-wide basis.

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. Therefore, management will make decisions regarding project prioritization, variable rate allocation, and financing structures within the context of the overall needs and circumstances of the University.

**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 (i) 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.

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<th>VARIABLE RATE AND LIQUIDITY EXPOSURE</th>
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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.

### Overall Exposure

The University recognizes that it may be exposed to short-term interest rates, third-party credit, and other potential risks in areas other than direct University debt (e.g., non-traditional transactions, exposure in the investment portfolio, etc.) and, therefore, exposure will be considered on a comprehensive University-wide basis.

The University recognizes that during some periods it may be desirable to maintain a lower variable rate allocation within its 35% limit, depending on prevailing long-term rates and/or opportunities in the short-term market.
GLOSSARY

Annual Debt Service – refers to the principal and interest 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.

GASB 34/35 – Government Accounting Standards Board Statement Nos. 34 and 35. These statements dramatically changed the reporting format for the University effective Fiscal 2002 by consolidating fund balances into net assets and consolidating university-wide activity instead of distinct fund groups. The Statements also require a statement of cash flows and a change in representation of state appropriation and investment income.

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.