A meeting of the Board of Trustees of the University of Vermont and State Agricultural College was held on Saturday, October 24, 2009 at 8:30 a.m. in Memorial Lounge, room 338 Waterman Building.

MEMBERS PRESENT: Chair Ian Boyce, Vice Chair Frank Cioffi, Secretary Bill Botzow, Claire Ayer, Samuel Bain, James Betts, Carolyn Branagan, Christopher Bray, Harry Chen, Robert Cioffi, Jeffrey Davis, Jason DePatie, Johannah Donovan, Daniel Fogel, John Hilton, Jr., Susan Hudson-Wilson, David Potter, Adam Roof, Bill Ruprecht, John Snow, Donna Sweaney, Jeanette White and Mark Young

MEMBERS ABSENT: James Douglas and Debbie McAneny

ALSO PARTICIPATING: Senior Vice President and Interim Provost Jane Knodell, Vice President for Legal Affairs and General Counsel Francine Bazluke, Vice President for Executive Operations Gary Derr, Vice President for Finance and Administration Richard Cate, and Vice President John Evans

Chair Ian Boyce called the meeting to order at 8:30 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the May 15 and 16, 2009 meetings as presented.

Public Comment

There were no requests for public comment.

Committee Reports

Educational Policy and Institutional Resources Committee

Chair Claire Ayer reported that Vice President Lucier described international education at UVM, in particular the U.S. Sino Pathways Program designed to recruit Chinese students and support their transition and academic success in higher education at an American university. Program highlights stated by Vice President Lucier included that the program is aligned with the University’s mission to build a diverse and globally aware university community and vision of becoming a premier small research university. Approximately 40-60 Chinese students are anticipated in the first year of the program, summer 2010, with an additional 100-120 student enrollment each year thereafter. The students will complete a one year foundation in China for their first year. Students who are admitted to UVM will attend a summer bridge program before enrolling as second year students. The Committee endorsed a resolution authorizing the administration to enter into a contract to establish a U.S. Sino Pathways Program at the University of Vermont.
Associate Provost for Curricular Affairs Brian Reed reported on the progress of the General Education Work Group charged with designing a system of general education that supports students’ academic options and ensures their ability to change majors and transfer among the schools and colleges without having to take additional credits. The Committee was introduced to the website created for the campus community to view the progress of the work group and ask questions. Three town meeting forums open to campus administrators, faculty, staff and students will be held in November. The Committee will receive a progress report on this initiative in February.

Vice President for Student and Campus Life Thomas Gustafson updated the Committee on the status of the Center for Health and Wellbeing. Both the Campus Life Task Force II and the New England Association of Schools and Colleges (NEASC) accreditation review highlighted that the University’s health programs are good, but that the health facilities have extremely limited space and are fragmented by being dispersed across campus. A new facility is a priority due to an increasing demand for services especially in the wake of a burgeoning flu pandemic. Vice President Gustafson explained that there are two funding options for raising non-debt resources: private philanthropy and accumulated fees funds (i.e., a portion of student fees allotted towards the new facility funds), the latter of which would require Board approval.

Cynthia Belliveau, Dean of Continuing Education, and Mara Saule, Dean of Libraries and Learning Resources, offered a segment on Megatrends in Teaching, Learning, and the Digital Age. Currently, UVM offers some courses online via Blackboard (online learning software) but does not have any undergraduate or graduate degrees online. The Deans stated that the student demand for convenience and multiple methods of delivery is increasing. The Committee expressed interest in learning more about strategic approaches to online learning.

The Committee completed Step One reviews of upgrades to Given Mechanicals and Infrastructure and renovations to Cook Physical Science and Simpson Residential Dining Hall and Retail Store. The first two projects await notification of grant awards from the National Institute for Health (Given) and the National Science Foundation (Cook). The Committee gave Step One approvals to all three upgrades. The Simpson project will be submitted to the Budget, Finance, and Investment (BFI) Committee for its financial review and approval at the February meeting; the Given and Cook projects will be submitted to BFI only if the grant funding is received.

Chair Ayer also reported that the Committee approved recommendations from the Faculty Senate Curricular Affairs Committee to establish a minor in Dance and to terminate the Biobehavioral Concentration for the Psychology Bachelor of Science. All action items appear on the consent agenda for Board consideration.

Budget, Finance and Investment Committee

Vice Chair Robert Cioffi reported that the Committee received status report of net assets recorded in the University financial statements at the end of FY 2008 and preliminary estimates for FY 2009. The Committee discussed the scale, nature and use of the net assets across the University with a focus on the degree of oversight and the decisions making process associated with spending decisions. The Committee also discussed the merits of changing the current reappropriation policy (which allows academic units to carry forward unspent general fund dollars from one fiscal year to the next to fund
multi-year commitments) to a proposed strategy to begin in FY 2010 that would transfer approved prior year-end general fund balances to a new fund type.

In addition, the Committee discussed the balance in Treasury Operations account that accrued as a result of the difference between the amount of money collected internally for debt service payments and that paid for external debt service obligations. Recognizing budget challenges in FY 2009, the administration amended the internal debt service payment structure so that internal funding collected more nearly equals external debt service obligations.

As a result of these discussions, the Committee requested more information be brought to the Committee in February on the following:

- Further details on the encumbrances against the University’s cash assets.
- Separate listings of cash and accounts receivable net assets.
- A description of the process for cash flows in and out of the net asset accounts.
- The appropriate balances for the various accounts.
- A cash management plan to be first vetted with the Investment Subcommittee.
- More details about the academic unit reappropriations process.
- A description of any outliers among the various subaccounts.

The Committee reviewed the proposal to proceed with the Greening of Aiken renovation originally approved in December 2007. Notwithstanding the Board’s approval, the project was not initiated because the non-debt financing requirement had not been met. The Committee discussed at length the different permanent financing methods that may be used to secure the funds to proceed with the Aiken project (tax exempt bonds at a rate of approximately 4.7%; taxable Build America Bonds with a rate of 3.55%; Recovery Zone Economic Development Bonds with a rate of approximately 3.0%). Additionally, up to $10M in new bonds would be combined with a potential tax exempt refunding of $22M of 1998 bonds, which are not eligible for Build America Bonds. The Committee also discussed the potential for using cash reserves versus new debt for the project, including the issuance costs and carrying costs associated with a bond issue. The Committee unanimously agreed to proceed with the Green of Aiken renovation project. By a vote of 8-3 the Committee recommended the resolution approving the financing plan as presented by the administration and amended by the Committee for Board approval.

Vice Chair Robert Cioffi offered a report of the Investment Subcommittee. He reported that at June 30, 2009, the aggregate market value of the endowment was $260 million. The portfolio had returns of 11.1% for the quarter and (-20.4%) for the fiscal year, which was favorable to the benchmark and peers. At August 31, 2009, the portfolio had returns of 1.5% for the month and 6.6% for the quarter. The endowment was up at the end of September with an aggregate market value approximating $280 million. The Subcommittee has made some changes to managers, and made minor adjustments to asset allocation targets. The Subcommittee met with several current managers in September in New York City. Members conducted the annual review of the Endowment Budget Policy and recommended reaffirming the spending rate of 4.5 percent of the average market value for the previous thirteen quarters ending December 31 for the prior calendar year. BFI unanimously approved the recommendation.
The Subcommittee also conducted the annual review of the Endowment Management Fee and presented a resolution reducing the fee from 50 basis points to 25 basis points and to rename the fee as the Endowment Administration Fee. The resolution was approved unanimously by BFI for recommendation to the Board.

The Committee performed an annual review of the University’s debt policy, which included amendments recommended by Chair McAneny that provide for actions that must be taken if University falls out of compliance with the debt policy. The administration reported that, due to the decline in value of the endowment and the new requirement to include the future liability associated with post retirement medical benefits, the viability ratio as of June 30, 20098 is 0.48 rather than 0.80 as required by the policy. The Committee recommended that “Budget, Finance, and Investment (BFI) Committee” be replaced throughout the document with a more generic committee reference, thus eliminating the need for a policy revision should the Committee structure change in the future. The Committee also directed that the sunset provision of the revised debt ratio be referenced in the Policy. The Committee unanimously approved the current debt ratio standards and the proposed amendments for recommendation to the full Board.

The Committee endorsed a resolution authorizing the President to submit the FY 2011 State Capital request and the recommended summer session tuition rates for recommendation to the Board. The summer tuition resolution includes an all-inclusive fee for the U.S. Sino Pathways Program for summer 2010.

Vice Chair Cioffi concluded his report by noting that negotiations for facilities and administration (F&A) rates are under way. The F&A is the overhead rate received on grants. This rate is used to reimburse grant and contracts for the indirect costs of sponsored programs. The Committee received a budget to actual report as of September 30, 2009, results of which have been certified by the President, Provost, Vice President for Finance and Administration, and academic deans. Revenues and expenditures are currently on track for the year. The Committee was informed that the planning phase of the third-party housing project at Redstone has been delayed temporarily and will likely be reinitiated in January.

Audit Committee

Chair Bill Botzow reported that Audit continues to meet monthly and highlighted activities since the May meeting including the status of the Chief Internal Auditor (CIA) search. The CIA Search Subcommittee conducted candidate interviews for the position of Chief Internal Auditor in June. The candidate identified for the position withdrew his candidacy. As a result, in July the Audit Committee sought and received authorization from the Executive Committee to retain a search firm to assist in filling this position, and the Subcommittee selected the firm of Witt/Kieffer in August. The firm composed a draft position advertisement, which has been posted on suitable higher education and auditor websites. The firm also drafted a leadership profile for recruiting purposes which will be distributed to all Trustees for informational purposes. It is anticipated that the firm will need approximately ten weeks to identify potential candidates. Review of candidates will take place in early December with campus visits for finalists projected for early January. Space has been identified in Billings for Audit Services and the Compliance Program. Members of the Audit Committee had an opportunity to tour the space in September.
At its July meeting, the Committee accepted the President’s recommendation that the Compliance Program report to him through the Office of General Counsel with a dotted line to the Audit Committee. The search for Chief Internal Compliance Officer was initiated in August and is being managed by Vice President for Legal Affairs and General Counsel Fran Bazluke. The Audit Committee reviewed and commented on the draft Compliance Program summary at its October 19 meeting.

The Audit Committee conducted an extensive review of the amended Code of Business Conduct Policy in July and endorsed it for Executive Committee approval. The Executive Committee accepted the recommendation and approved the Policy as amended at its August meeting.

In September, the Audit Committee selected Pricewaterhouse Coopers (PwC) for follow-up on internal controls related to specific transactions identified in the Deloitte Report of September 2008. PwC finished field work the week of October 12 and at the October 16 exit meeting indicated a generally favorable report on related management activities. The final written report on findings and recommendations is due by November 30, 2009. The Audit Committee will review the report prior to presentation to the Board. Also in September, the Audit Committee adopted the Committee of Sponsoring Organization (COSO) business model of internal controls.

The Committee receives regular updates on recent audit activity from Erica Heffner, Interim Internal Auditor. Chair Botzow publicly recognized and thanked Ms. Heffner for her leadership during this time of transition as well as Vice President Cate and Controller Claire Burlingham for the progress made this past year.

Representatives from KPMG provided a status report at the October 19 meeting with preliminary observations which were generally favorable. KPMG plans to issue the audited financial statement on October 30, 2009 with the NCAA audit to follow on December 31, 2009 and the A133 report on January 25, 2010. In preparation for Audit Committee review of the administration’s work on Enterprise Risk Management at the December Audit Committee meeting, Audit has formed a work group comprised of a subset of Audit Committee and Board members to work with the administration to understand ERM and how it is applied at UVM.

Chair Botzow concluded his report by stating that, in follow-up to a request by a constituent regarding the dissemination process of audit information, members of the administration will be meeting with representatives of constituent groups and a member of the Audit Committee to determine the best business practice to accomplish this.

Board Governance Committee

As reported at the Committee of the Whole yesterday, at the September meeting of the Committee on Board Governance, the Committee accepted President Fogel’s recommendation that governance status be accorded to the Graduate Student Senate and recommended this action to the full Board for approval along with a revision to the University Bylaws that accords the Graduate Student Senate governance group status. The resolution appears on the consent agenda for Board approval.

Chair John Snow reported that work groups have been appointed to examine two sets of issues. The first work group is assigned to review the delegation and retention of Board authority (including
housekeeping revisions proposed by the administration and areas identified for potential policy development including staff compensation and material changes to academic programs and academic quality). The second work group is assigned to review the current Committee structure effectiveness, including clarity of Committee charges, frequency of meetings, and redundancy of work. Trustees who are not Governance Committee members have been appointed the latter and the process will include interviewing current and former trustees as well as members of the administration.

Chair Snow concluded his report by advising trustees that the Committee will be initiating the nominations process for Board and University officers and that those nominations will be solicited shortly by means of a formal memorandum.

_**Vermont Agricultural College Board**_

Chair Johannah Donovan reported that President Fogel provided a historical overview of the land-grant mission at the University. The Board discussed opportunities for communicating the impact of the good work of the University through outreach opportunities to legislative county caucuses.

_**University of Vermont Board**_

Chair Susan Hudson Wilson reported that the Board reviewed the Wilbur Trust report and met in executive session for the remainder of the meeting to discuss the appointment and evaluation of public officers.

**Approval of Consent Agenda**

Chair Boyce presented the consent agenda. Trustee Frank Cioffi requested resolution 2 be voted on separately. Trustee John Snow requested resolution 10 be voted on separately. The remainder of the consent agenda was presented for approval:

**COMMITTEE OF THE WHOLE**

**(1) Resolution Regarding Graduate Student Senate**

BE IT RESOLVED, that on September 3, 2009, the Committee on Board Governance accepted President Fogel’s recommendation that governance body status be accorded to the Graduate Student Senate, and thus hereby recommends to the full Board that such status be granted; and

BE IT FURTHER RESOLVED, that the Committee on Board Governance recommends that the full Board approve a revision to the University Bylaws, as appended, that accords the Graduate Student Senate governance group status; and

BE IT FINALLY RESOLVED, that the Committee on Board Governance recommends that full Board approval be granted expressly conditional upon the submission by the Graduate Student Senate (GSS) and the Student Government Association (“SGA”) of GSS and SGA-approved governance documents reflecting the new status of the GSS and commensurate changes to SGA governance documents, such submissions to be made jointly at the May 2010 Board meeting.
(3) **Resolution for President to Confer Honorary Degrees**

RESOLVED, that the President be and hereby is authorized to offer and confer honorary degrees at the 2010 Commencement to the individuals recommended by the Honorary Degree Work Group.

**EDUCATIONAL POLICY AND INSTITUTIONAL RESOURCES COMMITTEE**

(4) **Given Mechanicals & Infrastructure Resolution**

WHEREAS, the Board of Trustees Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of $16,240,000 for the proposed Given Mechanicals & Infrastructure and finds it an institutional priority, consistent with the *Strategic Capital Plan*, and worthy of further review;

THEREFORE, BE IT RESOLVED, that the Educational Policy and Institutional Resources Committee hereby endorses the project and remits it to the Budget, Finance, and Investment Committee, following confirmation of National Institutes of Health grant award, for financial review and approval at their February 2010 meeting.

(5) **Cook Physical Science Renovation Resolution**

WHEREAS, the Board of Trustees Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of $2,204,000 for the proposed Cook Physical Science renovation and finds it an institutional priority, consistent with the *Strategic Capital Plan*, and worthy of further review;

THEREFORE, BE IT RESOLVED, that the Educational Policy and Institutional Resources Committee hereby endorses the project and remits it to the Budget, Finance, and Investment Committee, following confirmation of National Science Foundation grant award, for financial review and approval at their February 2010 meeting.

(6) **Simpson Residential Dining Hall & Retail Store Resolution**

WHEREAS, the Board of Trustees Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of $7,200,000 for the proposed Simpson Residential Dining Hall and Retail Store renovation and finds it an institutional priority, consistent with the *Strategic Capital Plan*, and worthy of further review;

THEREFORE, BE IT RESOLVED, that the Educational Policy and Institutional Resources Committee hereby endorses the project and remits it to the Budget, Finance, and Investment Committee for financial review and approval at their February 2010 meeting.

(7) **Resolution Approving the Establishment of a Minor in Dance**

RESOLVED, that the Board of Trustees approves the establishment of a Minor in Dance, as approved and advanced by the Provost on May 29, 2009, and the President on June 3, 2009.
(8) **Resolution Approving the Termination of the Biobehavioral Concentration for the Psychology Bachelor of Science**

RESOLVED, that the Board of Trustees approves the termination of the Biobehavioral concentration for the Psychology Bachelor of Science, as approved and advanced by the Provost on May 29, 2009, and the President on June 3, 2009.

(9) **Resolution Authorizing Agreement to Establish U.S. Sino Pathways Program at University of Vermont**

RESOLVED, that the Board of Trustees hereby authorizes the President and/or Vice President for Enrollment Management to enter into a contract with Northeastern University and Shanghai Kai Bo Education Investment Management Co., Ltd, for the purpose of establishing a multi-component pathways program for students from the Peoples Republic of China (PRC) to begin studies in the PRC and complete them at the University of Vermont;

BE IT FURTHER RESOLVED, that the initial agreement shall be for a term of one year, with the parties’ intent to develop a multi-year program of students completing their studies at the University of Vermont.

**BUDGET, FINANCE & INVESTMENT COMMITTEE**

**(AS RECOMMENDED BY INVESTMENT SUB-COMMITTEE - OCTOBER 21, 2009)**

(11) **Resolution Reaffirming Endowment Management Administration Fee**

RESOLVED, that the Endowment Management Administration Fee Policy is reaffirmed as reads below:

BE IT RESOLVED, that the Board of Trustees hereby approves a **0.50.25** percent fee applied to the University endowment, to cover reasonable costs associated with endowment administration, management and operation; and

BE IT FURTHER RESOLVED, that on a fiscal year basis, the fee will be calculated, reviewed and assessed annually as **0.50.25** percent of the average market value of the University endowment for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the Endowment Management Administration Fee Policy each year no later than October 31.

*Adopted by:* Board of Trustees - September 13, 2003  
*Reaffirmed:* Board of Trustees - September 8, 2007  
Board of Trustees - September 5, 2008  
*Amended:* Board of Trustees - October 24, 2009
(AS RECOMMENDED BY THE INVESTMENT SUBCOMMITTEE - SEPTEMBER 10, 2009)

(12) Resolution Reaffirming the Endowment Budget Policy

RESOLVED, that the Endowment Budget Policy is reaffirmed as reads below:

BE IT RESOLVED, that the annual budget for spending from Endowment be set at 4.5 percent of the average market value for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the Endowment Budget Policy each year no later than October 31.

Adopted by: Board of Trustees - May 13, 1995
Reaffirmed: Board of Trustees - September 8, 2007
Board of Trustees - September 5, 2008
Board of Trustees - October 23, 2009

(13) Annual Review of Debt Policy

WHEREAS, in September 2004, the Board adopted a Debt Policy to guide the portfolio management of debt, which it updated most recently in December 2008; and

WHEREAS, the Debt Subcommittee of the Finance and Budget Committee was charged with the regular review of the Debt Policy;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the modified Debt Policy as appended.

(14) State Capital Appropriation Request - Fiscal Year 2011

RESOLVED, that the President be and is hereby authorized to request $2.0 million from the Governor and Legislature of the State of Vermont toward construction, renovation, and major facility maintenance in advancement of the mission of the University of Vermont.

(15) Summer Tuition Resolution

RESOLVED, that the Board of Trustees hereby approves the change in tuition for the Summer Session from $391 to $414 per credit hour for in-state students and from $987 to $1,046 per credit hour for out-of-state students. The changes will become effective for the 2010 Summer Session.

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves an all-inclusive fee for the US-Sino Pathway Program (USPP) Bridge Program for Summer 2010 of $13,099, pending approval of that academic initiative via the Educational Policy and Institutional Resources Committee.

The motion was seconded and it was unanimously voted to approve the consent agenda as presented.

Chair Boyce presented resolution 2 for approval:
(2) Vermont Department of Health/UVM Project Resolution

RESOLVED, that the Board endorses the University’s intention to work with the State of Vermont to develop a project for the Vermont Department of Health at the Colchester Business and Technology Park. The project would also include the common use of a portion of the Colchester Research Facility.

FURTHER RESOLVED, that the Board approves the allotment of up to $100,000 of the FY2011 State Capital Appropriation request towards the project.

A motion to move the resolution was made, seconded and approved by a vote of 22-0 with Trustee Frank Cioffi recusing from the vote.

Chair Boyce presented resolution 10 for approval:

(10) Resolution Approving Financing Plan for the Greening of Aiken

WHEREAS, the Trustees reviewed and authorized the renovation of Aiken Hall in November 2007 based on a total project cost of $13,400,000, with $5,000,000 to be funded from gifts and grants and $8,400,000 to be funded from long-term borrowing; and

WHEREAS, the need for and strategic and operational importance of the project remain high, and it is now appropriate to proceed with the project;

NOW, THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration, or their successors or designees, are hereby authorized to commence the Aiken Hall Project and to execute any and all contracts and documents necessary to undertake the Project at a total Project cost not to exceed $13,400,000 to be financed through use of the existing gift and grant support of at least $3,400,000 and long-term borrowing, financing of up to $10,000,000. The President and Vice President may immediately proceed to use the existing $3.4 million the available gift and grant funds for this purpose.

BE IT FURTHER RESOLVED, that the President and Vice President shall determine develop the precise character of the long-term bond financing proposal, to be subsequently submitted for approval by the Board, that will secure up to the remaining $10,000,000. These officials may include in the recommended financing package the use of taxable Build America Bonds and/or RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS to the degree that the Project is eligible for these federal programs. The financing proposal may also include the redemption and refinancing of up to $22,000,000 of bonds previously issued by the University. These bonding recommendations will be brought to the Executive Committee for action if they are fully developed before the February 2010 Board meeting, and that Committee is hereby authorized to approve a financing proposal that conforms with this resolution.

A motion was made and seconded and an opportunity for discussion offered.

Trustee Snow requested an additional amendment, suggesting that the words ‘long-term borrowing’ in the third paragraph be replaced with ‘financing’. He further suggested dividing the voting on the resolution into two parts.
Part 1: whether to proceed with the Greening of Aiken renovation project. The Board unanimously voted in favor of proceeding with the project.

Part 2: whether to approval the financing plan for the Greening of Aiken renovation project as presented by the administration and amended by the BFI Committee.

Discussion ensued regarding the potential for using cash reserves versus new debt for the project. Trustees Snow stated he was in favor of using the University’s cash reserves and Trustee Susan Hudson-Wilson agreed stating that she suspects more funding may be available in reserves than currently identified.

President Fogel stated that he is 100% behind the project and would support either borrowing or using University cash. He acknowledged that there needs to be more conversation with the Board to understand how much is available in reserves. He further stated that he sees merit in a rainy day fund for uncertainties that may lie ahead.

Trustee Sam Bain expressed his transition from opposition to support for this project and for debt financing, stating it is a good economic time to start the project, with availability of the EPA grant funding and the low cost of Build America Bonds.

At the conclusion of the discussion, the motion was moved and the resolution was approved by a vote of 20-3.

At 10:00 a.m. the Chair offered a 5 minute break.

Other Business

At 10:10 a.m. Chair Boyce asked for a motion to enter into executive session for the purpose of discussing contracts, collective bargaining, public safety, civil and personnel actions. The motion was made, seconded and approved. All in attendance were excused from the meeting with the exception of Vice Presidents Fran Bazluke, Richard Cate, Karen Meyer and Gary Derr and Senior Advisor to the President John Evans.

Adjournment

The meeting was re-opened to the public at 11:05 a.m. There being no further business the meeting was adjourned.

Respectfully submitted,

Bill Botzow, Secretary
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

UNIVERSITY BYLAWS

ARTICLE I: Name

Section 1.1. Name: The name of the corporation is the University of Vermont and State Agricultural College. These Bylaws refer to the corporation as the "University."

ARTICLE II: Purpose

Section 2.1. Purpose: The University shall be recognized and utilized as an instrumentality of the State of Vermont for providing public higher education, with all the rights and powers incident to corporations. The University shall not carry on any activity not permitted to be carried on by a corporation exempt from federal income taxation under Sections 501(a) and 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future federal tax code).

ARTICLE III: Offices

Section 3.1. Offices: The principal office of the University shall be located in Burlington, Vermont. The University Board of Trustees (hereinafter “Board of Trustees”) may designate other offices within or without the State of Vermont as the business of the University may require.

ARTICLE IV: Trustees

Section 4.1. Number and Qualification: The Board of Trustees shall consist of twenty-five (25) persons. The Board of Trustees shall be composed of the following members:

- Three (3) members shall be individuals appointed by the Governor of the State of Vermont with the consent of the Vermont Senate
- Nine (9) members shall be individuals elected by the Vermont Legislature, said nine members being the same individuals who constitute the Board of Trustees of the Vermont Agricultural College
- Nine (9) members shall be individuals elected by the Board of Trustees of the University of Vermont, said nine members being the same individuals who constitute the Board of Trustees of the University of Vermont
• Two (2) members shall be full-time students enrolled at the University (each of whom must be at least 18 years old) elected by the Associated Directors for the Appointment of the University of Vermont and State Agricultural College Student Trustees, Inc.

• One (1) member shall be the Governor of the State of Vermont, by virtue of the office ("ex officio")

• One (1) member shall be the President of the University, ex officio

Section 4.2. Manner of Appointment and Election: The trustees shall be appointed or elected in the manner set forth in Section 4.1 of these Bylaws and in the Charter.

Section 4.3. Term of Office: The term of office of each trustee, other than the two student members and the ex officio members, shall be six (6) years and until his or her successor has been duly elected or appointed. The term of office of each student trustee shall be two (2) years. The ex officio trustees shall have a term of office lasting for such period as they serve in their respective offices. The term of office for each trustee other than the ex officio trustees shall begin on March 1 of the initial year of such term and expire on the last day of February in the final year of said term.

Section 4.4. Duties and Powers: The Board of Trustees shall have the entire management and control of the property and affairs of the University. All corporate powers shall be exercised by or under the authority of the Board of Trustees. The trustees may adopt such rules and regulations for the conduct of their meetings and the management of the University as they deem proper, not inconsistent with law or these Bylaws. These Bylaws and resolutions of the Board of Trustees shall take precedence over other documents and policies of the University.

Section 4.5. Resignation: Any trustee may resign his or her office at any time by delivering written notice of the resignation to the Chair of the Board, the President, or the Secretary of the Board. Unless the notice of resignation specifies a later effective date, the resignation shall take effect immediately.

Section 4.6. Vacancies: Any vacancy occurring in the Board of Trustees by death, resignation, or otherwise shall be promptly filled by the appointing authority. The trustee thus chosen shall hold office for the unexpired term of his or her predecessor and until the election and qualification of his or her successor.

Section 4.7. Conflict of Interest Policy: The Board of Trustees shall adopt a written conflict of interest policy, by resolution, which policy shall be reviewed periodically and revised as determined to be necessary or desirable.

ARTICLE V: Meetings of the Board of Trustees

Section 5.1. Notice of Meeting: Notice of regular and special meetings of the Board of Trustees and its committees shall be given, and meetings shall be conducted, in accordance with the Vermont Nonprofit Corporation Act and the applicable state public access laws.
Section 5.2. Waiver of Notice: Whenever under the provisions of these Bylaws or of any statute any trustee is entitled to notice of any regular or special meeting, such meeting may be held without the giving of notice to trustees if every trustee entitled to notice waives the required notice in writing or by attendance at or participation in the meeting; provided, however, such waiver by trustees shall not affect the University's obligations, if any, to provide notice to persons other than trustees, including its obligations under state public access laws.

Section 5.3. Meetings: The regular meetings of the Board of Trustees shall include the annual meeting of the Board of Trustees shall be held in May of each year, the date and time to be fixed by the trustees by resolution. The annual meeting shall be held in Burlington, Vermont or such other place as the Board of Trustees may approve from time to time by resolution. Other regular meetings of the Board of Trustees shall be held at such times and places as the Board may determine at the annual meeting or from time to time. Special meetings of the Board of Trustees may be called by the Chair of the Board of Trustees, the President, or at the request of any five members of the Board of Trustees.

Section 5.4. Telephone Meetings: Members of the Board of Trustees and members of any committee appointed by the Board of Trustees may participate in a meeting of the Board or such committee by any means of communication, including audio conference or conference telephone call, by which all persons participating in the meeting may simultaneously hear each other, and participation in a meeting in such manner shall constitute presence in person at the meeting.

Section 5.5. Quorum; Vote Necessary for Action: At any meeting of the Board of Trustees, the presence of a majority of the Board shall be necessary to constitute a quorum for the transaction of business. The act of a majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board of Trustees, unless a greater vote is required by the Charter, these Bylaws, or by law. Should a quorum not be present, a lesser number may adjourn the meeting to some later time. At all meetings of the Board of Trustees, each trustee shall have one vote. Trustees are not entitled to vote by proxy.

ARTICLE VI: Officers

Section 6.1. Officers and Qualifications: The officers of the University shall be the Chair, Vice Chair, and Secretary of the Board of Trustees; the University President, Provost, and Treasurer; and such other officers as the Board of Trustees may determine. Any two or more offices may be held by the same person, except (a) the offices of President and Secretary and (b) the offices of President and Provost. The Chair Vice Chair, and Secretary of the Board of Trustees, and the President, shall be members of the Board of Trustees. No trustee may be initially elected Chair unless he or she has at least two years of his or her term as trustee remaining. The Provost shall be an individual nominated by the President.

Section 6.2. Election: All officers of the University other than the President and the Chair of the Board of Trustees shall be elected annually by the Board of Trustees at a regular meeting held in the month of February, or at such other time as is determined by the trustees by resolution. The Chair of the Board of Trustees shall be elected in a manner consistent with the Charter. The President shall be elected at a regular or special meeting and said election shall be for an unspecified term.
Section 6.3. Term of Office: Except where a vacancy is being filled pursuant to the requirements of these Bylaws, all officers of the University shall take office effective March 1. All officers shall hold office until their successors have been duly elected and have qualified, or until removed from office in accordance with such procedures as may be adopted by the Board of Trustees from time to time.

Section 6.4. Duties of Officers: The duties and powers of the officers shall be as follows and as set by resolution of the Board of Trustees from time to time:

(a) Chair of the Board. The Chair of the Board shall preside at all meetings of the Board of Trustees. If the Chair is absent, the Vice Chair of the Board shall preside. In the absence of both, the Secretary shall preside for the election of a chair pro tempore.

(b) President. The President shall be the chief executive officer of the University and his or her duties shall be those that commonly pertain to the office of the president of a university. The President shall be the administrative head of the University and its constituent parts and he or she shall have the power to veto any act or resolution of any committee or other collective body within the University or its constituent parts except for the Board of Trustees and committees of said Board, subject to such procedures as the Board may adopt from time to time. The President shall cause to be called regular and special meetings of the Board of Trustees in accordance with the requirements of the Vermont Nonprofit Corporation Act, these Bylaws, and applicable state public access laws. The President shall prepare the agenda for meetings of the Board of Trustees and the Executive Committee in consultation with the Chair of the Board. The President shall have authority to sign and execute all contracts in the name of the University and all notes, drafts, or other orders for the payment of money, unless restricted in any specific instance by resolution of the Board of Trustees.

(c) Treasurer. The Treasurer shall be responsible for the receipt and investment of funds. The Treasurer shall also be responsible for the management of cash and securities. The Treasurer shall ensure that all trustees receive financial statements from the University, including comparisons of revenues and expenditures with the budget of the University. The Treasurer shall have such other responsibilities as may be assigned to him or her by the President or the Board of Trustees from time to time.

(d) Secretary. The Secretary shall record all votes and proceedings of the Board of Trustees or any committee thereof, unless the Board later delegates such duties to another person. The Secretary shall be custodian of the records and seal of the University and shall authenticate records of the University when required, unless the Board later delegates such duties to another person. The Secretary shall cause the University to maintain an office in Burlington, Vermont where the corporate records of the University shall be kept, and the Secretary shall procure and file in said office certified copies of all papers required by law to be filed with the Secretary of State. The Secretary shall cause the University to make records and documents available to the public in accordance with the applicable requirements of state public access laws. The Secretary shall perform the duties incident to the office of the Secretary as specifically delegated from time to time by the Board of Trustees and as may be required by the laws of the State of Vermont.

(e) Provost. The Provost shall be responsible for academic and administrative duties assigned by the President. During the absence or incapacity of the President, or in the case of the death or resignation
of the President, the Provost shall assume the administrative duties of the President until such time as
the Board of Trustees shall, by resolution, determine who shall exercise said duties or until the
vacancy in the office of the President shall have been filled. When so acting, the Provost shall have all
the powers and shall be subject to all the responsibilities of the office of the President and shall
perform such duties and functions as the Board of Trustees may prescribe.

(f) **Other Officers.** Other officers shall perform such duties and such powers as may be assigned to
them by the Board of Trustees.

**Section 6.5. Vacancies:** All vacancies in any office shall be filled by the Board of Trustees, either at a
regular meeting or at a meeting specifically called for that purpose.

**ARTICLE VII: Committees**

**Section 7.1. Standing Committees:** The standing committees of the Board of Trustees shall be as
follows: Executive Committee, Investment Committee, Audit Committee, and other standing
committees established by the Board of Trustees from time to time. Any committees, including
standing committees, that include non-trustees shall be advisory in nature and shall not have the right
to exercise the authority of the Board of Trustees. The President of the University shall be an *ex officio*
member of all committees except for the Audit Committee. The chair of each committee other than the
Executive Committee shall prepare the agenda for meetings of the committees. The President shall
prepare the agenda for meetings of the Executive Committee in consultation with the Chair of the
Board.

**Section 7.2. Composition and Duties of Standing Committees:** The standing committees shall be
comprised of such members as may be determined by resolution of the Board of Trustees from time to
time. Appointment of members to each standing committee must be approved by a majority of all
trustees in office when the action is taken. Standing committees other than the Executive Committee
shall have such duties as may be determined by resolution of the Board of Trustees from time to time.

**Section 7.3. Duties of the Executive Committee:** During the intervals between meetings of the Board
of Trustees, the Executive Committee shall have all the powers of the Board of Trustees in
management of the property and affairs of the University and may exercise the authority of the Board
of Trustees except as may otherwise be provided by law. In addition to its authority to take action on
matters that cannot or should not be deferred to the next scheduled meeting of the Board of Trustees,
the Executive Committee shall oversee the work of committees of the Board of Trustees, University
planning processes, and the responsibility of the Board of Trustees to support the President and to
assess his or her performance.

**Section 7.4. Ad hoc Committees:** The Board of Trustees may create ad hoc committees and appoint
members to them from time to time. The creation of such committees and appointment of members
must be approved by a majority of all the trustees in office when the action is taken. Each committee
shall have at least two persons who are members of the Board of Trustees. If a committee includes
non-trustees, the committee shall be advisory in nature and shall not have the right to exercise the
authority of the Board of Trustees. The President of the University shall be an *ex officio* member of all
ad hoc committees.
Section 7.5. Liaisons and Representatives on Committees: The President shall designate one or more members of his or her administrative staff as liaison officer to each standing and ad hoc committee and specify their duties. The Faculty Senate, the Student Government Association, the Graduate Student Senate, the Alumni Council, and the Staff Council may respectively designate a representative to each of the committees at their discretion. The representatives may attend meetings of the committees and participate in discussions but shall not have any voting rights.

Section 7.6. Meetings, Notices, Quorum: The provisions set forth in Sections 5.1, 5.2, 5.4, and 5.5 of these Bylaws shall also apply to meetings of committees of the Board of Trustees.

Section 7.7. Vacancies: Any vacancy occurring on a committee by death, resignation, or otherwise may be filled by the Board of Trustees. Such appointments to fill vacancies must be approved by a majority of all the trustees in office when the action is taken.

ARTICLE VIII: Fiscal Year

Section 8.1. Fiscal Year: The fiscal year of the University shall begin on the 1st day of July in each year and end on the 30th day of June in each year or such other dates as the Board of Trustees may determine from time to time by resolution.

ARTICLE IX: Indemnification

Section 9.1. Mandatory Indemnification: The University shall indemnify any individual who is or was a trustee or officer of the University to the extent that such indemnification is required under the Vermont Nonprofit Corporation Act.

Section 9.2. Discretionary Indemnification: The University may indemnify a trustee, officer, employee, or agent of the University to the extent permitted by the Vermont Nonprofit Corporation Act. The determination as to whether the University will consider providing discretionary indemnification shall be made by resolution of the Board of Trustees, provided that the determination as to whether an individual has met the standard of conduct necessary to entitle him or her to be indemnified shall be made in the manner specified by the Vermont Nonprofit Corporation Act.

Section 9.3. Advance for Expenses: The University may pay for or reimburse the reasonable expenses incurred by a trustee, officer, employee, or agent of the University in advance of the final disposition of the proceeding in accordance with the Vermont Nonprofit Corporation Act.

Section 9.4. Insurance: Nothing herein shall affect the University's right to purchase and maintain insurance on behalf of an individual who is or was a trustee, officer, employee, or agent of the University. No individual for whom indemnification is intended hereunder shall be indemnified for any expenses or liability for which coverage is provided and reimbursement is paid under an insurance policy.
ARTICLE X: Amendments

Section 10.1. Amendments: The Bylaws may be amended by an affirmative vote of a majority of all of the members of the Board of Trustees. The Bylaws may be amended at any meeting of the trustees, provided that the notice of the meeting at which proposed amendments to the Bylaws are to be considered must state that the purpose, or one of the purposes, of the meeting is to consider proposed amendment to the Bylaws. The notice must also contain or be accompanied by a copy or summary of the amendment.

ARTICLE XI: Miscellaneous

Section 11.1. References to Vermont Act: All references in the Bylaws to the Vermont Nonprofit Corporation Act shall mean and include said Act as it may be amended, supplemented, or replaced from time to time.

Section 11.2. References to the Charter: All references in the Bylaws to the Charter shall mean the Charter of the University of Vermont and State Agricultural College as it may be amended, supplemented, or replaced from time to time.

Section 11.3. Inconsistencies with Charter: To the extent that any provision of the Bylaws is inconsistent with the Charter, the Charter shall govern.

Adopted by the Board of Trustees: February 7, 1998
Revised and adopted by the Board of Trustees: September 8, 2007
As further revised and adopted by the Board of Trustees: October 24, 2009
University of Vermont
Debt Policy
As Adopted by the Board of Trustees, September 2004
Revised, November 2005,
Revised, November 2006,
Revised, November 2007,
Reaffirmed, December 2008,
Revised, October 2009

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OVERVIEW

Purpose

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

--- UVM’s Mission

\[ \text{Strategic Financial Plan} \]

Other Initiatives

Capital planning and management policies

Debt Policy

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 Trustee Budget, Finance and Investment Committee 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 Trustee Budget, Finance and Investment Committee 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. 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 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 Trustee Budget, Finance and Investment Committee 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 Trustee Budget, Finance and Investment Committee 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 Trustee Budget, Finance and Investment Committee 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 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.

<table>
<thead>
<tr>
<th>ANNUAL DEBT SERVICE</th>
<th>TOTAL EXPENSES</th>
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<tbody>
<tr>
<td>&lt;6% *</td>
<td></td>
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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

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.

<table>
<thead>
<tr>
<th>UNRESTRICTED NET ASSETS + TEMPORARILY RESTRICTED</th>
<th>NET ASSETS – EQUITY IN PLANT</th>
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<tr>
<td>&gt;0.8x</td>
<td>&gt;0.8x</td>
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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 Budget, Finance, and Investment Committee (BFI) 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 BFI 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>
<thead>
<tr>
<th>Purpose</th>
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<tbody>
<tr>
<td>1. Review of all potential funding sources for projects.</td>
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<tr>
<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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<tr>
<td>b. Provide continual access to capital.</td>
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<tr>
<td>c. Issuance on a taxable or tax-exempt basis.</td>
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<tr>
<td>4. Manage derivative products, including swaps.</td>
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<tr>
<td>5. Consider other financing sources.</td>
</tr>
<tr>
<td>a. Management will explore securitizations, joint ventures and other financial structures to provide for the optimal funding for any project.</td>
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</table>

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

### Tax-Exempt Debt

The University recognizes that debt will remain a long-term component of the University’s capitalization over the foreseeable future due in part to
its continued need for capital and the substantial economic benefits associated with tax-exempt debt. Therefore, financial transactions will be managed on a portfolio basis with a long-term perspective. 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, 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, 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 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 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 Trustee Budget, Finance, and Investment Committee 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 Trustee Budget, Finance, and Investment Committee appropriate Board of Trustee committee and must receive the Subcommittee’s recommendation and 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 Trustee Budget, Finance and Investment Committee appropriate Board of Trustee committees and must receive and must receive the Subcommittee’s recommendation and 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 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) consideration of the commercial paper program.
VARIABLE RATE AND LIQUIDITY EXPOSURE
TOTAL LONG-TERM DEBT OUTSTANDING

<35%

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.

*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.
**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.