The Board of Trustees of the University of Vermont and State Agricultural College held a meeting on Saturday, October 30, 2010 at 8:30 a.m. in the Silver Maple Ballroom, 401 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, Jeff Davis, Johannah Donovan, Daniel Fogel, John Hilton, Jr., Debbie McAneny, David Potter, Dale Rocheleau, Brian Roof, Brian Sozanky, Donna Sweaney, and Jeanette White

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

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, Vice President for State, Federal and Community Relations, Karen Meyer, Senior Advisor to the President John Evans and Associate Vice President for Development and Alumni Relations Michael Schultz

Chair Robert Cioffi called the meeting to order at 8:45 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the May 22, 2010 and June 14, 2010 meetings as presented.

Public Comment

Chair Cioffi opened the public comment period by requesting that all speakers identify themselves; state their title and the group or organization that they are representing, if any; and to adhere to the three-minute time limit allotted to each speaker under the protocol.

David Shiman, faculty member and President of United Academics (“UA”), addressed the Board on the topic of academic quality, sharing the results of a UA survey that has raised concerns among the faculty. The survey was issued this past fall to all members of the full-time union, approximately 450 faculty, with 160 responses returned. Concerns the faculty identified include:

- the decrease in the share of base budget since 2005 and its negative affect on academic programs
- significant increase in enrollment since 2002-- 42%--, whereas faculty funding by the general fund has only increased by 15%
- challenges faced by library, custodial and maintenance staff due to limited resources
- class size – smaller classes are not generally found anymore, and most undergraduate classes with enrollment under 15 students are being eliminated
• Faculty members are being asked to teach larger classes, take on more advisees, write more grant proposals and serve on more committees while they maintain their research productivity
• Faculty are making changes in homework assignments, more short answer evaluations, fewer classroom discussions, and fewer one-on-one sessions with students due to workload increases

Professor Shiman thanked the Board for the opportunity to bring these issues to their attention and requested they be kept in mind their role as guardians of academic quality as they move forward in their work.

The second person offering public comment, Jim Carter, faculty advisor and coach of the UVM club baseball team, reminded Trustees that he last addressed the Board in May regarding the elimination of the baseball program. Since then, he stated, he has been proactive in establishing the UVM baseball club. He reported that 52 students showed up for the first practice and that 26 players make up the team. Shane Tansey, a senior from Maine and member of the team, joined during Mr. Carter’s comments to share the success of the recently completed inaugural season, which resulted in the team winning the New England Club Baseball Association Championship. Mr. Carter concluded his remarks by stating how proud he is of the players and to offer an opportunity for Trustees to view the trophy recognizing the efforts of their first season.

Committee Reports

Educational Policy and Institutional Resources Committee (EPIR)

Chair Claire Ayer began her report by encouraging all Trustees to read the Provost’s report included as attachment 2 in the EPIR section of the Board materials, which outlines progress to date on current Provost’s Office initiatives including the Transdisciplinary Research Initiative (TRI), undergraduate student experience, academic program review, and strategic management initiatives.

The Committee’s discussion of TRI centered on the selection of the TRI Steering Committees, the faculty recruitments authorized as a result of the TRI process and the collaboration that will occur between the TRI Steering Committee, the Faculty Senate and the administration to define the metrics or standards that will be used to measure progress of each of the three spires.

The Academic Program Review (APR) process is undergoing final revision with input from the Council of Deans. Revisions will be submitted to the Faculty Senate Curricular Affairs Committee and then to the full Senate for approval, after which it will be submitted to the Board for adoption at the February 2011 meeting. The Viability Review, a separate process from APR, will identify in a timely way which programs may be at risk. The plan for reviewing programs for viability will be shared with EPIR for informational purposes at the February 2011 meeting.

Wanda Heading-Grant was introduced in her new role as Chief Diversity Officer. Ms. Heading-Grant shared her goals to build bridges of collaboration and partnership to help carry out the work of enriching the cultural and intellectual climate of the University.
The Committee continued discussing the goal of the First-Year Experience Program, which is to enhance the student experience by developing a comprehensive, integrated plan to focus on Student Success and Satisfaction (S3). The three outcomes expected from enhancing the student experience are to enhance academic and co-curricular engagement; prepare students for success as undergraduates; and prepare students to be successful graduates who exemplify the University’s mission and values.

Provost Knodell reported that plans for General Education have been modified on the basis of advice received at the American Colleges and Universities’ Institute on General Education and Assessment in June 2010. As a result, the General Education Committee has embarked on an engagement campaign to allow all stakeholders to be engaged in the process. Committee members are facilitating discussion among faculty, staff and students to get feedback for the final draft of the plan to be brought to the Faculty Senate Curricular Affairs Committee in February 2011, the full Faculty Senate in March 2011 the Board in May 2011.

The Committee received an overview of quality measures to assess the quality of the undergraduate educational experience. They include the characteristics of the student body that will lead to a better student experience; learning experience characteristics that produce a high level of student engagement; student success and progress including retention and graduation rates; and learning outcomes, which measure what the students have actually learned.

Action items endorsed by the Committee and included on the consent agenda for Board consideration are resolutions approving renovations to the Mason/Simpson/Hamilton Residential Complex and authorization for a one-year renewal of the U.S. Sino Pathways Program at UVM.

**Budget, Finance and Investment Committee (BFI)**

Chair Debbie McAneny reported that the Committee rigorously discussed the ten-year budget forecast, which included three budget projections illustrating alternative projections on the effects of a 3.0%, 4.5% and 6.0% tuition increase combined with conservative assumptions for expenditure increases over the next decade. The Committee discussed challenges in projecting and managing financial aid expenditures, including finding the balance between the financial aid necessary to build quality and diversity in a class while staying within a predictable and acceptable budget level. The Committee requested a detailed analysis of historical financial aid appending as well as the underlying assumptions of the ten-year projections. The University employs Noel Levitz, an enrollment management consulting firm, to predict financial aid expense against the quality and diversity of the incoming class. It was suggested that the firm be invited to attend the next meeting for this review.

Trustee Sam Bain, Chair of the Investment Subcommittee (ISC), reported that the endowment was up 6% at the end of September with an aggregate market value approximating $311 million, noting that September was the strongest positive month for the global equity markets in about 70 years. Since the last BFI Committee meeting, the ISC has re-engaged Cambridge Associates as the University investment advisor, and met in New York in July to meet with existing managers. Additionally, the Subcommittee has been re-writing the Investment Policy that will be brought forward for BFI consideration in February 2011. The Subcommittee continues to review asset allocation targets in the Long-Term Pool and will conduct the next annual review in January.
The Committee received a brief update on the work of the Socially Responsible Investing Work Group (SRIWG). The SRIWG is currently focused on reviewing and revising its procedure and protocols and developing a list of tasks that comprise its work plan. Proposals submitted in response to the fall 2010 call for proposals will not be reviewed this semester to allow the Work Group to establish clear procedures and guidelines and criteria for evaluation of proposals.

Action items recommended by the ISC and endorsed by BFI for inclusion on the consent agenda include reaffirmation of the Endowment Budget Policy and Endowment Administration Fee Policy.

The Committee conducted its annual review of the University’s Debt Policy. Included on the consent agenda is a resolution recommending reaffirmation of the current debt ratios and editing of the policy to streamline and update some language within it.

Additional action items endorsed by the Committee and included on the consent agenda for Board consideration are approval of Summer Session Tuition Rates, which includes an all-inclusive fee for the U.S. Sino Pathways Program contingent upon Board approval of EPIR’s recommendation that the program be renewed for one year. The Committee also endorsed the recommendation to reallocate $1,000,000 of unused Jeffords Hall project funds for the purpose of addressing deferred maintenance of the Waterman Building and Billings Library.

Chair McAneny concluded her report by stating that the Committee received a FY 2011 budget to actual report, as of September 20, 2010, and that overall revenue is tracking at or above budget and expenditures are tracking in line with the budget.

Audit Committee

Chair Bill Botzow reported that the Committee met on August 9 and October 11. At each meeting, the Committee received updates from Bill Harrison, Chief Internal Auditor, and Anna Drummond, Chief Compliance Officer. Since the last Board meeting, John Copoulu and Lixia Li have joined the Internal Audit Office as Lead Auditor and Senior Auditor.

As far as external audit activity, there have been several audits completed and additional ongoing audits in various stages. External Auditors from Altran Control Solutions have been hired to work on the Grant Proposal Audit and are working with the Office of Sponsored Programs.

The Chief Compliance Officer, who has a dotted line to the Audit Committee, reported on the status of the design and implementation of the Compliance Helpline, the Government Review Protocol, and the Compliance Work Plan and Communications Plan.

KPMG provided updates at both meetings regarding the status of the FY10 Financial Statement Audit. All field work was completed in early October and KPMG is on target with the audit plan timeline. KPMG shared several preliminary observations with the Committee and final results will be presented at the December 15 meeting. Regarding major programs to be tested in the A-133 audit, KPMG will complete field work for the research and development and financial aid clusters only.

The search for the Information Security Officer has been reopened after finalists declined the position. The Committee will receive a status update at its December meeting.
At the August meeting, the Audit Committee’s Enterprise Risk Management (ERM) Work Group was reconstituted with Trustees Dale Rocheleau, Carolyn Branagan and John Hilton appointed as members. The purpose of the Work Group is to serve, on behalf of the full Board, as a resource to management and the Board. The Work Group is working closely with Vice President Cate to ensure there is coherent knowledge of the University’s plans, progress and implementation of ERM. A consulting firm has been hired to benchmark the University’s proposed ERM policy against peer institutions. The firm will submit a final report to Vice President Cate, which the Audit Committee will have a chance to review. The Work Group has met to discuss an ERM presentation and process and will be meeting again on November 16 to review the consulting firm’s report and develop comments to present to the administration.

Included on the consent agenda for Board approval is a resolution approving amendments to the Audit Committee Charter, which would henceforth be reviewed annually. Proposed amendments also reflect changes associated with the separation of the audit function into the Office of Compliance Services and an Office of Audit Services. The Committee also endorsed and recommends for Board approval amendments to the Audit Charter that incorporate new language concerning the Chief Internal Auditor’s authority and responsibilities, the purpose of the Office of Audit Services, the reporting structure and new language on the Office’s adherence to professional standards and ethics.

Additionally, the Committee reviewed and recommends amendments to the Code of Business Conduct Policy. Along with housekeeping updates to the policy, revisions were made to the section pertaining to gifts and gratuities to ensure best practices in a matter that is practical for the campus at large.

**Board Governance Committee**

Chair Frank Cioffi reported that the Committee met on September 24 and engaged in a de-brief of the September Board retreat. As a result of discussions at the retreat, the Committee anticipates that there will be a collaborative effort among the administration and Board and Committee leadership to develop future agenda topics and work plans for Committees and the Board.

The Committee endorsed recommended amendments to the *Guidelines for Selection of University Trustees*, including the addition of a supplemental document addressing the time commitment and Trustee work load expectations. As a result of yesterday’s review at the Committee of the Whole meeting, the *Guidelines* have been further amended to add the words ‘as feasible’ to the end of the seventh bullet addressing the participation of trustees in the life of the University through attendance at ceremonial and social events.

At the conclusion of Committee Chair Cioffi’s report, the Board Chair entertained a motion to approve the *Guidelines for Selection of University Trustees* as amended. The motion was seconded and it was unanimously voted to approve the *Guidelines* as amended.

**Vermont Agricultural College Board**

Chair Jeanette White reported that the Board discussed the recruitment of Board members and agreed to meet at the Statehouse in early January to discuss its role and relationship with colleagues in the legislature as well as to consider scheduling an information session for prospective trustee candidates.
Thomas Vogelmann, Dean of the College of Agriculture and Life Sciences, updated Board members on the Dairy Center for Excellence, the Miller Research Facility, and other College of Agriculture and Life Sciences activities.

University of Vermont Board

Vice Chair John Hilton reported that the Board reviewed the Wilbur Trust report then met in executive session for the remainder of the meeting to discuss the evaluation and appointment of public officers.

Approval of Consent Agenda

Chair Cioffi presented the consent agenda for approval:

COMMITTEE OF THE WHOLE

(1) Resolution Approving Audit Committee Charter Revisions

WHEREAS, the Audit Committee Charter has been amended to incorporate new language on the Committee’s compliance responsibilities and recognizes the change from “The Institutional Risk Assessment and Audit Services Office” to “The Office of Audit Services”;

BE IT RESOLVED, that the Board hereby approves the revisions to the Audit Committee Charter as recommended by the Audit Committee and appearing as Attachment A to this document.

(2) Approval of Amended Code of Business Conduct Policy

WHEREAS, the University’s Code of Business Conduct Policy has been amended to incorporate necessary reporting provisions, whistleblower protections currently in the Fraudulent and Dishonest Conduct Policy, clarification on the Gifts and Gratuities provision and conflicts of interest guidance, and the Audit Committee’s recommendations regarding leave recording, timeliness of reports and institutional endorsements;

BE IT RESOLVED, that the Board hereby approves the Code of Business Conduct Policy as recommended by the Audit Committee and appearing as Attachment B to this document.

(3) Resolution Approving Renewal of Library Acquisition Contracts with EBSCO, Inc. and Elsevier, Inc.

BE IT RESOLVED, that the Vice President for Finance and Administration, in consultation with the Dean of Library and Information Services, be authorized to renew the contracts with EBSCO, Inc. and Elsevier, Inc. as subscription agents for library acquisitions. The contract for EBSCO, Inc. shall not exceed $2,265,000 and the contract for Elsevier, Inc. shall not exceed $1,300,000 for calendar year 2011.

(4) Resolution Approving Contract with Presidio Networked Solutions

BE IT RESOLVED, that the Vice President for Finance and Administration, in consultation with the Vice President for Student and Campus Life, is authorized to enter into a contract with Presidio Networked Solutions for wireless technology equipment in the Residence Halls for a not-to-exceed amount of $965,000.
(5) Resolution Endorsing Revisions to Strategic Capital Plan Development Process and Ranking Instrument

WHEREAS, in September 2007, the Board approved a Strategic Capital Plan projects ranking model that contained criteria by which projects are assessed; and

WHEREAS, the administration, in consultation with a small group of trustees, reviewed the Strategic Capital Plan development process and ranking instrument; and

WHEREAS, as a result of the review process, refinements have been made to address areas of concern including the apparent weighting of criteria against student life projects; the absence of rules in the ranking system for differentiating projects fundable without the use of debt from those for which the University would have to bond; and the status of deferred maintenance within the overall capital plan;

NOW, THEREFORE, BE IT RESOLVED, that the Board endorses the revisions to the Strategic Capital Plan development process and ranking instrument presented as Report D in the meeting materials; and

BE IT FURTHER RESOLVED, that the Board reaffirms its direction to the administration to institute the model and report to the Board and its Committees annually and in due course on the model’s application and progress, including any changes in the rankings, in conjunction with reports on the Strategic Financial Plan; and

BE IT FINALLY RESOLVED, that the administration shall continue to present any proposed substantive changes to the model, including its criteria, to the Board for review and approval.

(6) Resolution for President to Confer Honorary Degree

RESOLVED, that the President be and hereby is authorized to offer and confer honorary degrees at the 2011 Commencement to the individuals recommended by the Honorary Degree Work Group.

EDUCATIONAL POLICY AND INSTITUTIONAL RESOURCES

(7) Mason/Simpson/Hamilton Residential Complex Renovation Resolution

WHEREAS, the Board of Trustees Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of $4,000,000 for the proposed Mason/Simpson/Hamilton Residential Complex 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 2011 meeting.
(8) **Resolution Authorizing One-Year Renewal of U.S. Sino Pathways Program at The University of Vermont**

RESOLVED, that the Board of Trustees hereby authorizes the President and/or Vice President for Enrollment Management to enter into a renewal of the existing contract with Northeastern University and Shanghai Kai Bo Education Investment Management Co., Ltd, for the purpose of continuing for a one year period the 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.

**BUDGET, FINANCE & INVESTMENT**

(9)** 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 24, 2009  
Board of Trustees – October 30, 2010

(10) **Resolution Reaffirming Endowment Administration Fee Policy**

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

BE IT RESOLVED, that the Board of Trustees hereby approves a 0.25 percent fee applied to the University endowment for FY 2012 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 reviewed and assessed annually as 0.25 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 a recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the *Endowment Administration Fee Policy* each year no later than October 31.

*Adopted by:* Board of Trustees - September 13, 2003
(11) **Annual Review of Debt Policy**

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

WHEREAS, since its creation in 2006, the Budget, Finance, and Investment Committee has been charged with the annual review of the Debt Policy, which it revised most recently in October 2009;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby reaffirms the current ratios and approves recommended edits to streamline and update language within the Debt Policy, appearing as appended as Attachment C to this document.

(12) **Summer Tuition Resolution**

RESOLVED, that the Board of Trustees hereby approves the change in tuition for the Summer Session from $414 to $431 per credit hour for in-state students and from $1046 to $1088 per credit hour for out-of-state students. The changes will become effective for the 2011 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 2011 of $15,250, pending re-approval of that academic initiative via the Educational Policy and Institutional Resources Committee.

(13) **Reallocation of Existing Capital Project Funds Resolution**

WHEREAS, the University wishes to manage its debt in the most cost-effective way in accordance with its Board-adopted Debt Policy; and

WHEREAS, in September 2007, the Board of Trustees authorized funds totaling $55,700,000 for the construction of the Jeffords Hall capital project; and

WHEREAS, the Jeffords Hall project has been completed to a level whereby a balance of funds will not be expended; and

WHEREAS, in May 2010, the Board of Trustees authorized the reallocation of $1,500,000 to support deferred maintenance projects; and

WHEREAS, the University now wishes to authorize an additional expenditure of $1,000,000 from the Jeffords Hall project towards priority deferred maintenance projects,

NOW, THEREFORE, BE IT RESOLVED, that the Vice President for Finance and Administration and University Treasurer, or his successor or designee, is hereby authorized to reallocate $1,000,000 from the Jeffords Hall project to finance priority deferred maintenance projects, and
BE IT FINALLY RESOLVED, THAT THE Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those people appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern.

FULL BOARD

(14) **Retiring Trustee Resolution**

*James H. Douglas (2003-2010)*

WHEREAS, James H. Douglas is nearing the completion of his term as Governor of the State of Vermont and as an *ex-officio* member of the University of Vermont and State Agricultural College Board of Trustees; and

WHEREAS, as Governor and as a Trustee, Jim Douglas has been a fully engaged member of the Board and of the University community, making an extraordinary commitment to faithfully attend Board meetings, and has actively supported and encouraged The University of Vermont with reason, conviction, attentiveness, and good humor for nearly seven and one-half years,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee James H. Douglas.

A motion was made, seconded and it was unanimously vote to approve the consent agenda as presented.

Executive Session

At 9:30 a.m. Chair Cioffi entertained a motion to enter into executive session for the purpose of discussing contracts, civil actions, and personnel matters. The motion was made, seconded and approved. All in attendance were excused from the meeting with the exception of Trustees and Vice Presidents Jane Knodell, Fran Bazlukes, Richard Cate, Karen Meyer and Gary Derr and Associate Vice President for Development and Alumni Relations Michael Schultiz.

Associate Vice President for Development and Alumni Relations was excused from the meeting at 9:45 a.m. and Chris Lucier, Vice President for Enrollment Management, was invited to join the meeting.

At 10:05 a.m., Vice President Lucier was excused from the meeting and John Evans, Special Assistant to the President, joined the meeting.

At 10:25 a.m., all were excused from the meeting with the exception of Interim Provost Knodell and Vice Presidents Bazlukes and Derr.

Interim Provost Knodell was excused for the remainder of the meeting at 10:40 a.m.
At 10:50 a.m. the meeting was re-opened to the public.

**Adjournment**

There being no further business the meeting was adjourned.

Respectfully submitted,

Bill Botzow, Secretary
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 and retention 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) employed by the University; (2) 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 a 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 attested to it is rendering in conjunction with mandatory annual audit of the financial statements and/or compliance audits as well as significant and material debt financing, such as issuance of bonds.

ii. Without limitation on IV.4.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 or untrue statements or omissions,

   c. Based on his/her knowledge, the financial statements materialistically 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, time sheets, 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 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 matter.

So as to 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 matter.
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 candidates 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 to 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 is alleging 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:

Daniel M. Fogel  President  Date

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.

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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
Revised, October 2010

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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 it—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.

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

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.

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

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 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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<th>Purpose</th>
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<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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<td>3. Commercial Paper program.</td>
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<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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<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>
</tr>
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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.

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.

\[
\text{VARIABLE RATE AND LIQUIDITY EXPOSURE} \quad \text{<35%}
\]

\[
\frac{\text{Variable Rate and Liquidity Exposure}}{\text{TOTAL LONG-TERM DEBT OUTSTANDING}} < 35\%
\]

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, \( \text{Variable Rate and Liquidity Exposure} \), 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.