A meeting of the Board of Trustees of the University of Vermont and State Agricultural College was held on Saturday, October 22, 2011 at 8:30 a.m. in Memorial Lounge, room 338 Waterman Building.

MEMBERS PRESENT: Chair Robert Cioffi, Secretary Donna Sweaney, Samuel Bain, Bill Botzow, Ian Boyce, Interim President John Bramley, Carolyn Branagan, Christopher Bray, Frank Cioffi, David Daigle, Kyle DeVivo, Joan Lenes, Debbie McAneny, David Potter, Kesha Ram, Dale Rocheleau, Brian Sozansky, Lisa Ventriss, Jeanette White and Mark Young

MEMBERS ABSENT: Vice Chair Harry Chen, Jeff Davis, John Hilton, Jr., Bill Ruprecht, and Governor Peter Shumlin

ALSO PARTICIPATING: Vice President for Legal Affairs and Assistant Secretary to the Board Francine Bazluke, Provost Jane Knodell, Vice President for Executive Operations Gary Derr, Vice President for Finance and Administration Richard Cate, Vice President for Student and Campus Life Thomas Gustafson and Vice President for Development and Alumni Relations Richard Bundy

Chair Robert Cioffi called the meeting to order at 8:40 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the May 21, September 9-10, and September 12, 2011 meetings as presented.

Public Comment

Chair Cioffi opened the public comment period by requesting that 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 regarding the topic of collective bargaining. He reported that the negotiation process has had obstacles to overcome and apologized for his part in creating the ‘bump in the road’ as referred to by Interim President Bramley in a communication to the campus community earlier in the week. He stressed the need to build a climate of trust and collaboration and the importance of working together.

Sydney Stieler, an out-of-state junior, shared her experience with financial aid reduction, advising the Board that much of her annual $32,000 tuition is in loans. While she understands the importance of out-of-state student tuition in supporting the financial well-being of the institution, she stated that she does not understand the severance package offered to former
President Fogel or the new Business School Dean’s salary, both of which she found insulting to students, staff and faculty members. She concluded by asking the administration to consider negotiating a fair contract with faculty and expressing her appreciation for the opportunity to speak.

**UVM Partnership with Fletcher Allen Health Care (FAHC)**

Dr. John Brumsted, Interim Chief Executive Officer of FAHC and a UVM College of Medicine Professor offered an update on the partnership between UVM and FAHC. Dr. Brumsted has been at UVM since his residency in OBGYN in 1981. He noted that this is his second time serving as interim CEO of FAHC. He highlighted several facts about FAHC, from the number of beds for inpatient and outpatient care (420) to the number of births each year (2,200), as well as the number of annual emergency room visits (60,000) and annual number of meals served (1.4M). FAHC is one of 126 academic medical centers in the country, with 1,554 nurses and 500 joint faculty-physicians and is the state’s largest employer with 6,500 employees on four main campuses. FAHC has been a champion of quality for value, ranking in the top five of the most efficient.

He reported that the Deans of the College of Medicine and School of Nursing and Health Sciences serve *ex officio* on the FAHC Board and that the FAHC and the University share 500 faculty members. He said that he maintains a good working relationship with Interim President Bramley, the partnership is tightly bound, and he is excited for the future because of this opportunity to work together. He further noted that the cornerstone of the partnership is in fundamental activities like comprehensive education and clinical and translational research.

Chair Cioffi thanked Dr. Brumsted for joining the meeting and articulated his belief that the success of UVM, FAHC and the State of Vermont are intertwined. The Chair reported that he and Roger Stone, the Chair of the FAHC Board, are also meeting regularly to maintain a consistent relationship.

**Committee Reports**

*Educational Policy and Institutional Resources Committee (EPIR)*

Chair Donna Sweaney began by introducing Gayle Nunley, the new Associate Provost for Academic Affairs and Internationalization, to whom the Committee was introduced yesterday. Chair Sweaney reported that the Committee discussed current Provost Office initiatives, including the FY 2012 academic investments in which $800,000 have been committed in the following areas: the Trandisciplinary Research Initiative (TRI), Internationalization, Student Success & Satisfaction, and General Education. The Committee also received a report on recent faculty recruitments that advanced the University’s goals related to diversity & internationalization and supported the TRI.

She reported that the Committee discussed distance education, which is one of the revenue enhancement opportunities within the Strategic Initiatives Project. Under the auspices of a grant
designed to address the extreme shortage of Speech Language Pathologists in the State of Vermont, a pilot small-scale distance master’s degree in Speech Language Pathology (SLP) has been nearly completed. Patricia Prelock, Dean of the College of Nursing and Health Sciences, demonstrated the distance learning tools employed by the SLP program. Cynthia Forehand, Associate Dean of the Graduate College, reported on the role of the Graduate College and the Faculty Senate in oversight of these programs, and Cynthia Belliveau, Dean of Continuing Education, gave a report on working with the vendor. After discussion, the Committee approved a motion to acknowledge, and thereby endorse, the development of distance learning at UVM.

Cathy Paris, Faculty Senate Curricular Affairs Committee Chair, gave a brief report highlighting that the Committee and the Faculty Senate approved a proposal to change the name of the Department of Romance Languages to the Department of Romance Languages and Linguistics.

The Committee endorsed the following two action items for recommendation to the Board:

- Endorsement and subsequent referral to BFI for financial review of the proposed Phase II - Mason/Simpson/Hamilton renovation, with a preliminary estimate of $4,000,000.

- 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; and authorization to enter into a contract with Northeastern University and Kaplan Higher Education Academy PTE, Ltd., for the purpose of establishing a multi-component pathways program for students from Singapore and the Asia Pacific region (“Territory”) to begin studies in the Territory and complete them at UVM.

Chief Diversity Officer Wanda Heading-Grant gave a brief report on the status of the Campus Climate Survey, reporting that the Center for Rural Studies is working on the preliminary findings and plans to have all of the data analyzed by November 2011.

In the interest of time, the Academic Technology Plan status update was deferred to the February meeting.

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

Chair Debbie McAneny reminded Trustees that the Board was briefed on the FY 2013 budget process discussion at yesterday afternoon’s Committee of the Whole session. She noted that the Committee received the FY 2011 budget to actual report which showed a positive outcome, explaining that she has requested more in-depth analysis on final reappropriations and the general fund balance once determined.

The Committee voted unanimously to approve the following contracts for recommendation to the Board:
• RNW contract - to continue to provide start-up services related to the University’s Strategic Initiatives Project in the amount of up to $150,000 for a period through January 2012.

• Remi Group contract - for a three-year contract for Equipment Maintenance Management Insurance, with an optional two-year extension not to exceed a total for a five-year value of up to $1,800,000.

The Committee had a lengthy discussion regarding a funding proposal for the UVM Foundation. As a result of a discussion between BFI leadership and the Chairman of the Board, it is recommended that $3 million of the current $8.5 million balance of the unrestricted loan fund be provided to the Foundation ($1.5 million in each of FY 2012 and FY 2013) to cover required additional staffing and Campaign operating expenses. These one-time funds, plus the current general fund allocation of $7.35M, will provide sufficient resources to support staff growth needed to meet aggressive fund-raising targets. In FY 2014, the general fund appropriation to the Foundation will increase $1.5 million in order to continue the same level of support.

The Committee was advised by Vice President Bundy that the Foundation plans to use a Gift Administration Fee of 5% of actual receipts. He also explained that the Foundation’s benefits structure is in line with the University’s and reviewed the metrics that will be used to assess the success of fund raising. The Committee voted unanimously to approve the resolution for recommendation to the full Board.

The Committee conducted its annual review of the University’s Debt Policy. The debt burden ratio, which measures the ability to repay debt, is in compliance (5.2%). The viability ratio, which should be greater than or equal to 0.8, is currently 0.71. The University has been below target since 2008 but has been closing the gap each year; in FY 2010, the ratio was 0.62. Included on the consent agenda is a resolution recommending re-affirmation of the Debt Policy.

The Committee also approved summer session tuition rates and, upon endorsement by EPIR, the USSP Bridge Program all-inclusive fee for summer 2012. Both resolutions are included on the consent agenda for Board approval.

Chair McAneny reported that the Committee discussed distance learning, one of the components of the Strategic Initiates Projects. The University has been researching what other institutions are doing in this area and where UVM is compared to them. She acknowledged that there is a gap in terms of getting into this aspect of business and that this growing industry provides opportunities to those students who otherwise might never consider attending UVM. Additionally, it is a way to diversify revenue streams without making significant change to campus infrastructure. It is the Committee’s belief that, if done with expert consultants, it will be advantageous for the University.

Chair McAneny stated that, at an upcoming Executive Committee meeting, there will be additional information as background, leading to a request for approval of a contract with Bisk Education to partner with UVM to develop and implement this service for professional degree
programs. Bisk Education has helped UVM identify areas of expertise already in place or that could be developed.

Sam Bain, Chair of the Investment Subcommittee (ISC), provided a brief overview of the endowment market values. As of September, the endowment was valued at $330 million. He reported that the University’s endowment grew by 23% during FY 2011 despite an overall market drop of 8%, placing UVM among the top three percent of Cambridge Associates clients.

Action items recommended by the ISC and endorsed by BFI for recommendation to the Board include the re-affirmation of the Endowment Budget Policy and Endowment Administration Fee Policy.

The Committee was briefed on the Subcommittee’s ongoing review of asset allocation targets in the Long-Term Pool. ISC Chair Bain noted that the asset allocation is within approved ranges and that the next annual review of asset allocation is scheduled for January.

ISC Chair Bain noted that the Socially Responsible Investing Work Group continues to review organizational issues.

Chair McAneny concluded by reporting that the Committee also endorsed and recommends for Board approval a resolution approving Phase II of the Mason/Simpson/Hamilton Renovation project to be paid for with available unrestricted plant funds.

Audit Committee

Chair Mark Young offered brief highlights of the Audit Committee meeting held on September 12, 2011 and directed Trustees to review the written summary included in today’s meeting materials.

He noted that the Committee received a report from the Chief Internal Auditor regarding internal audit activity and remarked on the persistence of purchasing card issues, which were relevant when he served his previous trustee term.

The Chief Compliance Officer provided an update on the FY 2012 compliance work plan and current activities.

Chair Young reported that the Committee also received a report from Dean Williams, the new Information Security Officer, and that a security engineer is scheduled to join his team in January 2012.

KPMG offered a status update on the FY 2011 Financial Statement Audit, reporting that they are on target with the audit plan timeline and that no major adjustments have been identified. Trustee Sam Bain complimented Chair Young and his predecessor Bill Botzow on their Committee leadership and the transparency working with University leadership.
Committee on Board Governance

Chair Frank Cioffi reported that the Committee last met on July 1, 2011, for the purpose of conducting Committee orientation and to discuss planning for the September retreat. Additionally, Provost Knodell offered an update on long-term tuition strategy planning (now called the Strategic Initiatives Project) and informed the Committee of the five teams that had just been established and charged with initiating their efforts utilizing the work conducted with RNW consultants.

Mr. Cioffi reported that the Committee is next scheduled to meet on November 15, 2011. At that meeting, the Committee will have an opportunity to debrief regarding the September Board retreat and to begin discussing plans for the September 14-15, 2012 retreat. The Committee will review proposed amendments to the Trustees Conflict of Interest Disclosure Form and recommendations for streamlining the Trustee Exit Interview Process. At the request of the Board Chair, the Committee will re-visit the charge of the UVM/FAHC Affiliation Agreement Advisory Group to consider whether the charge should be expanded to include ‘health care’, as well as whether it should be a standing or ad hoc committee.

Mr. Cioffi also reminded Trustees that the Governance Committee serves as the Board and University officers’ Nominating Committee and the nominations process will be initiated next month with the goal of finalizing the slate at the next Committee meeting on December 12, 2011. Following the December meeting, the Board will be notified of the proposed slate of candidates. In view of provisions of the University Charter, the slate for Vice Chair and Secretary will be presented to the Board for approval at the February 4, 2012 Board meeting as well as the slate for University officers. The Board will hold a special meeting on March 12, 2012 at 1:00 p.m. to elect the Chair and to approve Committee and Chair assignments.

Board Chair Robert Cioffi remarked that next year’s retreat focus will likely be on the Presidential transition.

Vermont Agricultural College Board

Chair Jeanette White reported that Deans Rick Morin and Patty Prelock provided an overview of the work currently taking place in the Neuroscience, Behavior and Health Spire.

She concluded by publicly thanking Vice President for Federal, State and Community Relations for her valuable service to the Vermont Agricultural College Board over the years.

University of Vermont Board

Chair David Daigle reported that the Board elected Lisa Ventris to fill Susan Hudson-Wilson’s unexpired term. It is the Board’s intent to re-elect Ms. Ventris in February 2012 for a full six-year term. The Board is also working on two additional appointments to be made in February 2012.

The Board reviewed the Wilbur Trust report, a fund begun in 1928 which is presently is entirely invested in the endowment. As of June, the fund had $20M in assets.
Approval of Consent Agenda

Chair Cioffi presented the consent agenda for approval:

(1) **Resolution Approving Policy on Presidential Spouse or Partner Services**

BE IT RESOLVED, that the Board hereby adopts the Policy on Presidential Spouse or Partner Services, as recommended by the ad hoc Report Oversight Committee and appearing as Appendix A.

BE IF FURTHER RESOLVED, that the Committee on Board Governance shall review the policy two years after adoption, and thereafter no less often than once every three years.

(2) **Resolution Regarding UVM Foundation Memorandum of Understanding**

RESOLVED, that the Board hereby authorizes the administration to execute a Memorandum of Understanding with The University of Vermont Foundation on terms and conditions consistent with those reported on this date.

(3) **Continuing Authorization relative to Collective Bargaining**

BE IT RESOLVED, that the Board hereby re-authorizes the administration to negotiate and, as appropriate, resolve, collective bargaining agreements with United Academics governing the employment of faculty in the certified unit; the Teamsters governing police services staff; and with United Electrical governing service and maintenance workers in the certified unit, such the terms and conditions of such agreements to be consistent with the material terms the administration has described to the Board.

**EDUCATIONAL POLICY AND INSTITUTIONAL RESOURCES**

(4) **Mason/Simpson/Hamilton Renovation – Phase II 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 Renovation – Phase II 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.
(5) **Resolution Authorizing One-Year Renewal of U.S. Sino Pathways Program at the University of Vermont and Authorizing Contract with Northeastern University and Kaplan Higher Education Academy PTE, Ltd.**

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;

BE IT FURTHER RESOLVED, that the Board of Trustees hereby authorizes the President and/or Vice President for Enrollment Management to enter into a contract with Northeastern University and Kaplan Higher Education Academy PTE, Ltd., for the purpose of establishing a multi-component pathways program for students from Singapore and the Asia Pacific region ("Territory") to begin studies in the Territory and complete them at the University of Vermont.

**BUDGET, FINANCE & INVESTMENT**

(6) **Resolution Approving RNW Contract**

BE IT RESOLVED, that the Vice President for Finance and Administration is authorized to enter into a contract with RNW Consulting to provide services related to the University’s strategic initiatives project in the amount of up to $150,000 for a period through January 2012.

(7) **Resolution Approving Agreement with The Remi Group, LLC**

BE IT RESOLVED, that the Vice President for Finance and Administration is authorized to enter into a three-year Agreement with The Remi Group, LLC, for Equipment Maintenance Management Insurance, with an optional two-year extension for a total value of up to $1,800,000.

(8) **Resolution Approving UVM Foundation Funding Proposal**

WHEREAS, the Board of Trustees has formed the UVM Foundation for the purpose of expanding the fund-raising capacity of the University and the Foundation is going into full operation on January 1, 2012; and,

WHEREAS, additional staff and financial resources are necessary in order to support the upcoming capital campaign;
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 transfer to the UVM Foundation: for FY 2012 – the unexpended balance of the FY 2012 Development and Alumni Relations (DAR) general fund operating budget, up to $1 million in DAR operating reserves, and $1.5 million in one-time funds from the University’s unrestricted loan fund; for FY 2013 – $7.295 million from the general fund operating budget and $1.5 million from the unrestricted loan fund; and for FY 2014 – $8.795 million from the general fund operating budget; and thereafter – using the spreadsheet included as Appendix B as a reference guide, funds from the general fund operating budget in the amount authorized by the Board in its approval of the annual operating budget.

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.

(9) **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 2010;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby reaffirms the Debt Policy, appearing as Appendix C.

(10) **Summer Tuition Resolution**

RESOLVED, that the Board of Trustees hereby approves the change in tuition for the Summer Session from $431 to $456 per credit hour for in-state students and from $1,088 to $1,151 per credit hour for out-of-state students. The changes will become effective for the 2012 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 2012 of $15,250, pending re-approval of that academic initiative via the Educational Policy and Institutional Resources Committee.
(AS RECOMMENDED BY INVESTMENT SUBCOMMITTEE – August 24, 2011)

(11) 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
Board of Trustees – October 22, 2011

(12) 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
Reaffirmed: Board of Trustees - September 8, 2007
Board of Trustees - September 5, 2008
Amended: Board of Trustees - October 24, 2009
Reaffirmed: Board of Trustees - October 30, 2010
Board of Trustees – October 22, 2011
WHEREAS, the Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of $4,000,000 for the Mason/Simpson/Hamilton Renovation – Phase II (the “Project”) and found it an institutional priority, consistent with the Strategic Capital Plan and worthy of further consideration; and,

WHEREAS, the Educational Policy and Institutional Resources Committee has endorsed the Project and remitted it to the Budget, Finance, and Investment Committee for financial review and approval; and,

WHEREAS, the Division of Student and Campus Life has budgeted $4,000,000 of its unrestricted plant funds for Phase II of this project;

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 utilize the Student and Campus Life unrestricted plant funds to finance the $4,000,000 Mason/Simpson/Hamilton Renovation - Phase II; 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.

An opportunity for discussion was offered. There being none, a motion was made, seconded and it was unanimously voted to approve the consent agenda as presented.

Executive Session

At 10:00 a.m. Chair Cioffi entertained a motion to enter into executive session to consider personal information relating to an individual and contracts. The motion was made, seconded and approved. All in attendance were excused from the meeting with the exception of Senior Vice President and Provost Jane Knodell, and Vice Presidents Fran Bazluke, Richard Cate, Thomas Gustafson, and Gary Derr. Vice President Bundy was invited to remain for the first item.

At 10:45 a.m. the meeting was re-opened to the public.

Adjournment

There being no further business the meeting was adjourned.

Respectfully submitted,
Donna Sweaney, Secretary
POLICY ON PRESIDENTIAL SPOUSE OR PARTNER SERVICES

On behalf of the University, the Board welcomes participation by a President’s spouse or partner (“partner”) in University activities. A partner is not, however, obligated or expected to participate in such endeavors.

If a partner is seeking employment with the University, the same policies and procedures that govern other UVM job-seekers apply.

If a partner wishes to offer ongoing volunteer services to the University, the procedures below apply.

PARTNER VOLUNTEER SERVICES

At an appropriate time during the process of recruiting a president, the University shall, in writing, provide the candidate(s) with a copy of this policy. The University shall not, however, ask candidates about their (marital or) partner status.

A partner who wishes to offer volunteer services must contact the Vice President for Executive Operations, who will in turn contact the appropriate University official(s)\(^1\). The official(s) will then meet with the partner about prospects for a suitable assignment in view of the interests, qualifications and experience of the partner. The official(s) shall obtain the approval of the Board Chair before offering a volunteer appointment to the partner. A final volunteer appointment letter must describe the nature and extent of any proposed services, including his or her reporting line, and be signed by the partner and the appropriate official(s), including the Board Chair.

Due to his or her status as a volunteer, the partner is not, and shall not be, authorized to enter into negotiations or contracts on behalf of the University. In addition, the partner shall not have supervisory authority over University employees or the right to direct the actions of a University employee in any way. Thus, University employees who are assigned to assist the partner in his or her performance of volunteer work shall be supervised by, and report to, their department head or next-level supervisor.

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\(^1\) The officials must minimally include the senior-most person responsible for the activity, operations or program, such as a Vice President.
The University will provide the same insurance coverage otherwise maintained for volunteers to cover the activities of a partner while he or she is engaged in volunteer services assignments. The University shall also cover or reimburse the business travel and entertainment expenses of the partner in accordance with otherwise applicable University policies.

The Board Chair shall meet at least once annually with the partner and the appropriate officials to discuss the ongoing suitability of the volunteer assignment and any adjustments to the assignment that the partner or the officials wish to request. The partner is free to withdraw from his or her volunteer role with reasonable notice to the responsible officials and the Board Chair. Any decision to decline further volunteer services from the partner shall be made by the Board Chair.

To carry out the volunteer duties assumed, the partner may opt for any or all of the following:

- *University ID*
- *University Email account*
- *Business Cards*
- *Parking Permit*

The Board Chair must approve any other consideration including equipment purchases, in advance and in writing.
## UVM Foundation Operating Budget

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### Purposes

For UVM Operating Budget Foundation—Time UVM Subtotal

### Agreement Fund

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<td>52,000</td>
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<td>11,000</td>
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<td>Gifts</td>
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<td>Other</td>
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<td>77,000</td>
<td>77,000</td>
<td>79,000</td>
<td>80,000</td>
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<tr>
<td>Subtotal General</td>
<td>263,000</td>
<td>268,000</td>
<td>272,000</td>
<td>276,000</td>
<td>279,000</td>
<td>285,000</td>
<td>289,000</td>
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### REVENUES

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<tbody>
<tr>
<td>10,292,000</td>
<td>11,005,000</td>
<td>11,252,000</td>
<td>11,572,000</td>
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<td>12,356,000</td>
<td>12,676,000</td>
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<td>13,047,000</td>
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### EXPENSES

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<tbody>
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<td>11,976,000</td>
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<td>11,800,000</td>
<td>12,034,000</td>
<td>12,322,000</td>
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<td>12,614,000</td>
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### GRAND TOTAL REVENUES

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<td>13,047,000</td>
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### GRAND TOTAL EXPENSES

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<td>12,322,000</td>
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<td>12,614,000</td>
<td>12,798,000</td>
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### Appendix B
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
Reaffirmed, October 2011

<table>
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<tr>
<th>TABLE OF CONTENTS</th>
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</thead>
<tbody>
<tr>
<td>Overview.......................... 1</td>
</tr>
<tr>
<td>Introduction and Objectives ..........2</td>
</tr>
<tr>
<td>Oversight.......................... 3</td>
</tr>
<tr>
<td>Policy Ratios........................ 3</td>
</tr>
<tr>
<td>Types of Financings ................... 5</td>
</tr>
<tr>
<td>Portfolio Management of Debt........... 7</td>
</tr>
</tbody>
</table>
OVERVIEW

Purpose

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

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

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

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

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

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

The objectives of the policy are to:

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

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

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

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

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

Purpose

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

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

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

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

Policy Ratios

Purpose

1. Identify core ratios.
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 and (ii) are consistent with ratios utilized in the higher education industry to permit benchmarking.

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

Ratio 1 – Debt Burden Ratio

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

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

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

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.
Debt Policy

Ratios as a Credit Factor

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

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

TYPES OF FINANCINGS

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

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

Tax-Exempt Debt

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

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

Taxable Debt

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

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

**Derivative Products**

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

**Other Financing Sources**

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

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

PORTFOLIO MANAGEMENT OF DEBT

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

Variable Rate Debt

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

(i) take advantage of repayment/restructuring flexibility;
(ii) benefit from historically lower average interest costs; and
(iii) diversify the debt portfolio; and,
(iv) provide a hedge to short-term working capital balances

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

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

\[
\text{Variable Rate and Liquidity Exposure} \leq 35\%
\]

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