A meeting of the Board of Trustees of the University of Vermont and State Agricultural College was held on Saturday, May 18, 2013 at 8:45 a.m. in the Livak Ballroom, 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Chair Robert Cioffi, Vice Chair Deborah McAneny, Secretary Joan Lenes, Bill Botzow, Carolyn Branagan, Christopher Bray, Robert Brennan, Sarah Buxton, Frank Cioffi, David Daigle, Carolyn Dwyer, Richard Gamelli, Dennis Mahoney, Anne O’Brien, David Potter, Kesha Ram, President Thomas Sullivan, Raj Thakrar, Lisa Ventriss, and Jeff Wilson.

MEMBERS ABSENT: Samuel Bain, Dale Rocheleau, Bill Ruprecht, Governor Peter Shumlin and Mark Young

Chair Robert Cioffi called the meeting to order at 8:48 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the March 11, 2013 meeting as presented.

Public Comment

Chair Cioffi opened the public comment period. He invited Caroline DeCunzo, a member of the Student Climate Culture (SCC), to speak regarding the fossil fuel divestment campaign. Ms. DeCunzo began by sharing statistics regarding the release of carbon from the fossil fuel industry noting that we recently passed the 350 ppm (parts per million) threshold of atmospheric carbon and are, as of last week, at 400ppm. She acknowledged the extreme weather that killed six people in Texas this week and displaced an entire community. She noted that NASA has predicted by 2050 that California and the southwest could have entire years without rain.

Since the last meeting, SCC continues to unite with the greater community. In addition to the support expressed earlier in the year by the Student Government Association, the Faculty Senate and Staff Council have expressed their support for SCC’s proposal. Additionally, Green Mountain College recently agreed to divest and over 350 other colleges and universities in the country have begun divestment campaigns.

Ms. DeCunzo suggested that by October, the Board could divest from the Blackrock All Cap Energy Fund and make the decision to commit to divestiture. She stated that SCC will be contacting donors about investing in the Responsible College Fund, an account that will limit the endowment’s access to these donations based on the status of fossil fuel divestment. She further noted that UVM and Harvard, with support from the Responsible Endowments Coalition, are the first universities in the country to launch such a fund.
Ms. DeCunzo concluded by stating that unlike fossil fuels, empowered young activists are a renewable resource and the energy of a clean future. She encouraged trustees to support their initiative.

Chairman Cioffi next invited Professor David Shiman, in his capacity as President of United Academics, to address the Board. Professor Shiman offered remarks about the faculty union noting the union is young and affiliated with both the American Federation of Teachers (AFT) and American Association of University Professors (AAUP) and was voted into existence in 2001. He further noted that over the course of the last year considerable energy has been devoted to reflection on the nature of community engagement.

Professor Shiman continued that while the primary focus of the union is on the terms and conditions of faculty employment, faculty are more than just a university guild, advocating and protecting themselves as workers.

He next shared concerns and responsibilities in areas often not associated with terms and conditions of employment. For example; faculty have expressed concerns regarding University policies related to faculty and program evaluation, tuition increases, diversity initiative, Sodexo labor policies, Davis Center fees for collaborative campus and community events, budget decision-making, academic quality, general education requirements, internationalization, distance learning and spires of excellences. While not contractual matters, faculty members are encouraged to be engaged in determining the direction of the University.

Professor Shiman recognized President Sullivan for his willingness to be open to union contributions to campus conversations on the future of the University. He commented on the activities union members have participated in including giving over 40 scholarships to students, marching in picket lines in various school districts, supporting public employees in Ohio, Illinois, and Wisconsin who have been under attack by anti-union forces, offered relief to the victims of Irene and Sandy, lobbied on behalf of early childhood education, and advocated for increased higher education funding in Montpelier. Today, as outlined in the resolution shared with Trustees, the faculty add their support to those students at UVM seeking to reduce campus dependence on oil to those opposing the tar sands pipeline by way of the resolution shared with Trustees.

Professor Shiman closed by acknowledging that his colleague Denise Youngblood, Professor of History, will be assuming the presidency of United Academics in the next academic year and that he enjoyed his work as president and appreciated the opportunity to work with the Trustees on behalf of the institution.

Following Professor Shiman’s remarks Chair Cioffi offered the following resolution in recognition of his service as President of United Academics and to the University of Vermont:

**Resolution Recognizing David Shiman**

WHEREAS, David Aaron Shiman joined the faculty of the University of Vermont and State Agricultural College in 1971;
WHEREAS, David Shiman has served with distinction as a faculty member in the College of Education and Social Services for over forty years as a teacher serving countless students and as a scholar interested in the role of education in the advancement of social justice goals; and

WHEREAS, David Shiman conducted research in Tanzania, Kenya, Costa Rica, China, Ghana, and South Africa and has led human rights education workshops in Guyana, Poland, Slovakia, South Africa, England the Palestine territories; and

WHEREAS, David Shiman has served as the President of United Academics for the Full-Time Faculty since 2003 and served as the President of United Academics for the Part-Time Faculty since 2003; and

WHEREAS, David Aaron Shiman has been a constructive advocate for the faculty of the University of Vermont and State Agricultural College;

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 Professor David Aaron Shiman as he completes his service as President of United Academics.

A motion was made, seconded, and it was unanimously voted to approve the resolution.

Committee Reports

Educational Policy and Institutional Resources Committee (EPIR)

Chair Bill Botzow noted that the Committee received a report from the Chair of the Faculty Senate Curricular Affairs Committee on activities since the last meeting and the proposal, endorsed by the Faculty Senate yesterday afternoon, for an On-Line Post-Baccalaureate Pre-Masters Certificate of Study for Speech-Language Pathology. The Committee endorsed the proposal and recommends it for Board approval.

The Committee received an update on General Education, specifically a Foundational Writing and Information Literacy requirement, for all first-year, first-time students, starting Fall 2014. The Faculty Senate approved a pilot project that will involve several departments, from multiple colleges or schools, to test ways to identify, implement and assess writing and information literacy in the disciplines. UVM’s emphasis on the relationship between writing and information literacy is a point of distinction and innovation. Faculty development and assessment initiatives are now being extended beyond the pilot phase. Two additional General Education Committees, one focused on Sustainability and the other on Diversity, have been working on expanding the initiative. The Committee endorsed the resolution approving establishment of a Three-Credit Foundational Writing and Information Literacy Requirement and remits it for Board approval.
The Committee reviewed and endorsed for Board approval revisions to the Hazing Policy which includes additional language which describes in greater detail the range of hazing activities that include minor and more egregious forms of hazing. The policy was revised by a committee of staff and student representatives and was recently circulated to the campus community for comment.

The Committee received an update on further progress related to the University’s work with Study Group and the development of the UVM Global Gateway Program for international students. Marketing and an admissions strategies are under way, space has been located on campus to house the Global Gateway instructors and staff, and the core Global Gateway curriculum is being finalized in consultation with Deans’ Offices and the Registrar’s Office. The Program will welcome its first cohort of international pathway students in January 2014.

Chair Botzow reported that the Committee spent the greatest amount of time learning about the progress made over this past year on the Career Success Action Plan, an initiative currently under way to strengthen UVM’s career services efforts. The plan reflects consultation with numerous campus constituencies, including faculty, staff and students, review of best practices at other colleges and universities, and an extensive review of literature on career planning and success. Dean of the Honors College, Abu Rizvi, who prepared the plan, highlighted the proposed components with assistance from Pamela Gardner, Director of Career Services.

1. Enhance internships, on-campus student employment, and other experiential learning opportunities that lead to career and academic success.
2. Involve employers, alumni, parents, and other stakeholders and friends in supporting student career success.
4. Provide a central and accessible physical location for student engagement with careers and experiential learning very soon and work towards a unified student success center later.
5. Ensure accountability and progress tracking.

The Committee spent some time discussing the business plan and the challenges moving forward with resources and implementation of the deliverables.

The Committee continued discussions of academic quality and received an update on UVM’s efforts in the assessment of critical thinking at the University level. The strategy is to recruit representative samples of first-year and fourth-year students, randomly assign them to one of two assessment tools, the Collegiate Learning Assessment (CLA) and the Critical Thinking Assessment Test (CTAT), and then compare the scores of the fourth-year students to those of the first-year students. The collected data is now being analyzed and a report will be presented to the Committee at the October meeting.

Finally, the Committee received a report from Interim Provost Robert Low. He noted that Cynthia Belliveau’s role as Dean of Continuing Education has been expanded to include Distance Education; the examination of the division of responsibility between the Graduate College and individual graduate programs continues as does the evaluation of the possibility of a summer semester. Updates were also provided on the searches for the Dean of the Rubenstein School of Environment and Natural Resources, the Dean of the College of Engineering and Mathematical Sciences and for the Provost and Senior Vice President. Having reviewed the
Board of Trustees meeting, May 18, 2013

report from the Envisioning Environment work group, Provost Low reported the goal is the assignment of responsibility for developing a concrete plan to move forward by the end of the academic year.

An opportunity for questions and comments was offered. Trustee Frank Cioffi thanked President Sullivan for addressing the issue of career services; stressed the importance of the responsibility the University has to students in this area and advocated for regular updates at each meeting.

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

Chair McAneny began her report by stating that approval of the 2014 general fund budget has been postponed to allow for a more informed and accurate budget plan to be presented after receiving and analyzing more concrete enrollment data. The Board will convene a special meeting, via conference call, in June to vote on the budget.

She went on to report that the Committee unanimously endorsed the following resolutions for Board approval:

- a 2.9% tuition rate increase for Vermont and out-of-state students, including medical students;
- a minimum rate of $572 and a maximum rate of $1,444 per credit hour for the 2013-2014 year for programs offered exclusively on-line; the rate will be determined by the Provost, based on demand for the program and assessment of the national market for similar on-line programs;
- a 2.9% increase in room rates and a 4.2% increase in meal plan rates; and
- an increase of $50 (2.6%) in student fees; continuation of the graduate student senate fee in the amount of $20; and an increase in the graduate continuous registration fee of $100 to $300 based on enrollment status;

In follow up to Committee discussions in February and April, the Committee unanimously endorsed the recommendation to revise the Debt Policy’s debt burden ration limit to be reduced to 5.75% from 6.0% and to extend the sunset provision to bring the ratio down to 5% from 2017 to 2023. Chair McAneny emphasized that this does not authorize the administration to borrow money; rather it creates the ability to borrow money. With the Committee’s endorsement, the Chair will appoint a Bond Refunding Work Group to further research bond refunding based on market opportunities. It was noted that any recommendations would be brought to the Board, or the Executive Committee, as appropriate, for approval.

Robert Brennan, Vice Chair of the Investment Subcommittee (ISC), reported that the current value of the University endowment is up 13% fiscal year-to-date at $371 million and up 4.7% quarter-to-date. He shared that the Subcommittee had a full day meeting in February to consider target allocations and reviewed changes made as a result of those discussions. At the recommendation of the Investment Subcommittee, the Committee unanimously voted to reaffirm divestiture from Sudan for Board approval.
The Committee received an update on the work of the Socially Responsible Investing Council (SRIAC) which is currently researching the Student Climate Culture’s proposal to divest from fossil fuel companies. The Council will present a report to Vice President for Finance & Administration Richard Cate by June 1, 2013, summarizing the research and providing recommendations for strategic investments in the energy sector.

Chair McAneny reported that the Committee received and reviewed the FY 2013 third quarter general fund budget to actuals report and that overall revenue and expenses are still tracking at levels consistent with prior years.

Vice President Cate offered his report that addressed follow up items from previous meetings including the University’s unencumbered net assets (just under $40 million) which are reserved to manage risks such as pandemic or a natural disaster that could create a barrier for the University’s revenue stream. The funds would also allow for investment opportunities without incurring additional debt. The Committee also received information on how the University finances its various risks through a combination of self-insurance and commercial insurance purchased in the name of the University.

Chair McAneny concluded her report by sharing topics brought forward by Committee members for future discussion:

1. Financial focus of deferred maintenance, including an historical perspective over the past 10 years.
2. The Affordable Care Act – how the University is responding and what the financial impact will be on the University.

An opportunity was offered for questions and comments.

In follow up to the update from the SRIAC Trustee Buxton inquired about the process following Vice President Cate’s receipt of the Council’s report. Chair McAneny explained that upon Vice President Cate’s endorsement of recommendation, the proposal would be considered by the Investment Subcommittee who in turn would make a recommendation to the Budget, Finance & Investment Committee en route to the full Board at the fall meeting.

Trustee Bill Botzow inquired if there was anything Trustees need to know leading up to the special Board meeting in June. President Sullivan responded that demographic and competitive challenges have created an increasingly dynamic recruitment market for students. The applicant pool at UVM, and other institutions, require more financial aid than previously anticipated. Over the course of the next few weeks more concrete data regarding enrollment and financial aid will be analyzed.

Trustee Anne O’Brien asked how the federal sequestration is affecting UVM. President Sullivan responded that research grants from the National Science Foundation (NSF) and the National Institutes of Health (NIH) have been cut by 5.2% at a time when market competition has increased and that indirect cost recovery is affecting colleges and universities directly. Additionally, a $51M cut in the federal work-study program is anticipated in FY 2014 and this will affect the number of students who will get work-study jobs.
Audit Committee

Committee member David Potter reported that the Committee met on April 29 and received a report from the Chief Internal Auditor regarding internal audit activity, results from the Grant Proposal Process and Senior Management Travel and Business Meal Expenses audits and an update on the restructuring of the Office of Compliance and Privacy Services as well as the FY 2013 Internal Audit Plan.

The Chief Compliance Officer reviewed the results of her FY 2013 Compliance Work Plan efforts with the Research Protections Office (RPO) and the Institutional Review Board (IRB). The offices worked together to identify areas of compliance enhancement through assessment, prioritize these areas, and create a work plan and time line for additional work to be completed. The Committee was provided with a number of reports including Ethics and Compliance Reporting and Help Line statistics and analysis, and an overview and analysis of the types of issues addressed in compliance and privacy consultations requested by University community members of her Office. This data helps to identify for the committee important compliance trends and issues.

Information Security Officer Dean Williams provided the Committee with an update on the assessment and penetration testing planned for the PeopleSoft system. Additionally, he reported on efforts in the areas of information security education, supporting compliance with the payment card industry data security standard (PCI DSS), and ongoing projects.

Senior Strategist for Enterprise Risk and Planning Al Turgeon shared a draft of the University’s first risk and opportunity portfolio and register and reviewed the Enterprise Risk Management timeline and process for finalizing and presenting the risk portfolio to the Board of Trustees.

Director of the Department of Risk Management and Safety Mary Dewey presented an overview of the University’s risk financing, risk control, and environmental, health and safety compliance efforts.

Vermont Agricultural College Board

Chair David Potter reported that President Sullivan joined for a portion of the meeting to discuss upcoming issues for the 2014 legislative session. The Board began discussions regarding modification of the statutory requirement that restricts tuition for all in-state students to 40% of out-of-state tuition and allowing the University to establish tuition for on-line and graduate level courses that would provide access and affordability to Vermonters according to their ability to pay while focusing more on strategies to address appropriate financial aid. It was acknowledged that the world of higher education was different when the original “40% rule” was instituted in the mid-1950’s.

The Board also received a detailed update from Dean of the College of Agriculture and Life Sciences Tom Vogelmann on new initiatives and areas of research within the college.

The following officers were elected to serve one-year terms: David Potter, Chair; Chris Bray, Vice Chair; and Joan Lenes, Secretary.
University of Vermont Board

Chair David Daigle reported that the Board reviewed a summary of the Wilbur Trust Fund financial report from July 2012 through February 2013.

The following officers were re-elected to serve one-year terms: David Daigle, Chair; Bill Ruprecht, Vice Chair; and Sam Bain, Secretary.

The Board met in executive session for the remainder of the meeting to discuss trustee candidates.

Approval of Consent Agenda

Chair Cioffi offered an opportunity for discussion on any of the action items coming before the Board. The following resolution was requested to be removed from the consent agenda and voted on separately:

6) Resolution Authorizing Rental and Purchase of Certain Real Estate and Associated Buildings

RESOLVED, that the Board hereby authorizes the Vice President for Finance and Administration to engage in negotiations and enter into an agreement with respect to the rental and purchase of certain real estate and associated buildings on the material terms and conditions reported on this date.

A motion was made, seconded, and it was unanimously voted to approve the resolution as presented. Trustee Kesha Ram abstained from the vote.

There being no further discussion, Chair Cioffi presented the remainder of the revised consent agenda for approval, with new resolutions highlighted and one resolution deferred.

COMMITTEE OF THE WHOLE

1) Resolution Approving Contract with Dell Corporation

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is hereby authorized to execute a contract with Dell Corporation for the purchase of computer equipment, which will be resold, for a period of three years with the option of two one-year renewals, in an amount not to exceed $2.5 million per year.

2) Resolution Authorizing Lease Renewal Agreement with Fortieth Burlington, LLC, for Office Space at 128 Lakeside Avenue

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor, is hereby authorized to negotiate a five-year renewal of our existing lease with Fortieth Burlington, LLC, for Office Space at 128 Lakeside Avenue, at an aggregate rent not to exceed $800,000 (excluding certain potential increases in common area maintenance expenses beyond the Landlord’s control);
BE IT FURTHER 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.

3) Resolution Regarding Honorary Degrees

RESOLVED, that the President is hereby authorized to offer and confer honorary degrees for Academic Year 2013-2014 to the individuals recommended by the Honorary Degree Advisory Committee.

4) Resolution Authorizing Agreement with UVM Foundation Relative to Retiree Medical Benefits

RESOLVED, that the Board hereby authorizes the Vice President for Finance and Administration to enter into an agreement with the University of Vermont Foundation relative to retiree medical benefits on the material terms and conditions reported on this date.

5) Resolution Approving Recognition of University Medical Education Associates, Inc. as an Affiliated Organization

RESOLVED, that the Board hereby authorizes the recognition of University Medical Education Associates, Inc. (UMEA) as an affiliated organization of the University, and authorizes the Vice President for Finance and Administration to negotiate and enter into an affiliation agreement with UMEA on terms consistent with the University Affiliated Organization Policy.

7) Resolution Authorizing the Naming of College of Medicine Facility

RESOLVED, that the Board hereby authorizes the administration to implement the naming of a College of Medicine Facility for Dr. Robert and Helen Larner in recognition of their longstanding generosity as donors to the College, such facility to be designated by the Dean of the College.

EDUCATIONAL POLICY AND INSTITUTIONAL RESOURCES

8) Approval to Establish a Three-Credit Undergraduate Foundational Writing and Information Literacy Requirement

WHEREAS, on May 21, 2011 the Board of Trustees approved the General Education proposal as approved by

➢ the Curricular Affairs Committee of the Faculty Senate on April 14, 2011;
➢ the Executive Council of the Faculty Senate on April 20, 2011; and
➢ the Faculty Senate on May 19, 2011;

and as approved and advanced by the Provost and the President on May 19, 2011; and
WHEREAS, on April 8, 2013, the Faculty Senate voted approval of the proposed General Education requirement for a three-credit undergraduate foundational writing and information literacy course, the first component of the Communication and Informational Literacy General Education outcome;

THEREFORE, BE IT RESOLVED, that the Board of Trustees approves the establishment of a three-credit undergraduate foundational writing and information literacy requirement as approved by the Provost on April 26, 2013, and by the President on April 30, 2013.

9) **Approval to create an On-Line Post-Baccalaureate Pre-Masters Certificate of Study for Speech-Language Pathology**

RESOLVED, that the Board of Trustees approves the creation of an on-line Post-Baccalaureate Pre-Masters Certificate of Study for Speech-Language Pathology as approved and advanced by the Provost and President on May 16, 2013.

10) **Resolution Approving University Hazing Policy**

RESOLVED, that the Board of Trustees ratifies the Hazing Policy effective as of May 18, 2013, included here as Appendix A.

**BUDGET, FINANCE & INVESTMENT COMMITTEE**

11) **Tuition Charges for Fiscal Year 2014**

RESOLVED, that the Board of Trustees hereby approves increases in the following tuition rates effective with the 2013-2014 academic year:

a. In-state tuition from $13,344 to $13,728 per year, or $572 per credit hour.
b. Out-of-state tuition from $33,672 to $34,656 per year, or $1,444 per credit hour.
c. Medical student in-state tuition from $30,070 to $30,940 per year.
d. Medical student out-of-state tuition from $52,630 to $54,160 per year.

12) **Online Tuition Rate**

RESOLVED, that the Board of Trustees hereby approves the continuation of variable tuition rates for programs that are offered exclusively online. Consistent with the Board resolution in 2011, online tuition rates for the fall 2013 semester are set at a minimum rate of $572 and a maximum rate of $1,444 per credit hour for the 2013-14 academic year. The rate will be determined by the Provost, based on demand for the program and assessment of the national market for similar online programs.
13) **Room and Meal Plan Rates, Fiscal Year 2014**

RESOLVED, that the Board of Trustees hereby approves room and meal plan rates for Fiscal Year 2014 as follows:

<table>
<thead>
<tr>
<th>Room Type</th>
<th>Rate (per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Single with Bath</td>
<td>$8,544</td>
</tr>
<tr>
<td>Private Double with Bath</td>
<td>$8,346</td>
</tr>
<tr>
<td>Suite Single with Shared Bath</td>
<td>$8,078</td>
</tr>
<tr>
<td>Suite Double with Shared Bath</td>
<td>$6,978</td>
</tr>
<tr>
<td>Traditional Single</td>
<td>$7,882</td>
</tr>
<tr>
<td>Traditional Double</td>
<td>$6,844</td>
</tr>
<tr>
<td>Traditional Triple</td>
<td>$5,458</td>
</tr>
<tr>
<td>Retail Dining</td>
<td>$3,558</td>
</tr>
<tr>
<td>Residential Unlimited Access (+100 Points)</td>
<td>$3,558</td>
</tr>
<tr>
<td>Residential Unlimited Access (+300 Points)</td>
<td>$3,976</td>
</tr>
</tbody>
</table>

14) **Student Fees for Fiscal Year 2014**

RESOLVED, that the Board of Trustees approves increases to student fees from $1,940 to $1,990 effective with the 2013-2014 academic year.

15) **Graduate Student Senate Fee for Fiscal Year 2014**

RESOLVED, that the Board of Trustees approves a continuation of the Graduate Student Senate fee in the amount of $20 for the academic year.

16) **Graduate Continuous Registration Fee for Fiscal Year 2014**

RESOLVED, that the Board of Trustees approves a continuation of a varying Graduate Continuous Registration fee, effective with the 2013-2014 academic year, as follows:
- Less than half-time: $100 per semester
- Half to full-time: $200 per semester
- Full-time: $300 per semester.

**Fiscal Year 2014 Budget Planning Assumptions: General Fund** TABLED

RESOLVED, that the Board of Trustees hereby approves the budget planning assumptions for Fiscal Year 2014, which lead to a General Fund operating expense budget for the University of $303,223,000, and hereby authorizes the President to proceed with detailed budget preparation in accordance with these assumptions.

17) **Annual Review of Debt Policy**

WHEREAS, in September 2004 the Board adopted a University Debt Policy to guide the portfolio management of debt, to be reviewed annually; and since its creation in 2006, the Budget, Finance, and Investment Committee has been charged with the annual review of the Debt Policy, which it most recently reaffirmed in October 2011; and
WHEREAS, the University Debt Policy states that the debt ratio will not exceed 6%; the current debt ratio is 5.22%; and on December 1, 2007, the Board of Trustees adopted the following statement: “That the Board directs the Administration to develop and implement a plan to lower the debt burden ratio to 5% by 2017”; and

WHEREAS, the University’s Strategic Action Plan and Capital Project Priorities Plan call for addressing facilities needs for which the administration anticipates that some debt will be required;

NOW, THEREFORE, BE IT RESOLVED, that the University Debt Policy be amended to adjust the debt burden limit to 5.75% until June 30, 2023, after which time the limit will be 5%;

BE IT FURTHER RESOLVED, that the Board hereby reaffirms the Policy, as amended, appearing as Appendix B to this document.

(revised and recommended by ISC on 3/27/13)

18) **Reaffirm Divestiture from Sudan**

WHEREAS, the Board of Trustees approved a resolution for Divestment from Sudan on May 20, 2006;

WHEREAS, the resolution was amended by the Executive Committee on June 12, 2006, to include annual review and reaffirmation;

WHEREAS, the Committee on Socially Responsible Investing was dissolved as part of a new committee structure approved by the Board in September 2006 and implemented in November 2006; and

WHEREAS, the Board established a Socially Responsible Investing (SRI) Work Group in September 2008; and

WHEREAS, in November 2012 the Board dissolved the SRI Work Group and authorized the creation of the Socially Responsible Investing Advisory Council;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Sudan, as re-stated below.

BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee will review this resolution on an annual basis.

**Resolution for Divestment from Sudan**

WHEREAS, the University’s Policy Statement on Moral, Social and Ethical Considerations in Investment and Shareholder Resolutions holds that the primary objective of investment by the University is to provide a satisfactory return on
investment for the support of University operations based upon the Prudent Investor Rule; and

WHEREAS, the Policy Statement also holds, however, that the policy of fiscal prudence shall not preclude the University from considering moral, ethical, and social criteria in determining companies in which to invest; and

WHEREAS, a balanced group of the University community has been convened as the Committee on Socially Responsible Investing and has studied the issue of genocide in the Darfur region of Sudan and has made recommendations to the Investment Committee of the Board of Trustees;

THEREFORE, BE IT RESOLVED, that the University adopt and implement a policy of targeted divestment from companies doing business with or otherwise aiding the governing regime of Sudan based on the model developed by the Sudan Divestment Task Force;

BE IT FURTHER RESOLVED, that the University implement its divestment policy to the fullest extent consistent with its fiduciary responsibilities; and

BE IT FURTHER RESOLVED, that the Committee on Socially Responsible Advisory Council will review and, if appropriate, reaffirm this resolution

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

At 9:35 a.m., the Chair called for a brief break.

Executive Session

At 9:45 a.m., Chair Cioffi entertained a motion to enter into executive session to consider a contract and the evaluation of a public officer. He noted the session would last approximately 45 minutes with action anticipated following. The motion was made, seconded and approved. All in attendance were excused from the meeting with the exception of Trustees. Trustee Sarah Buxton departed the meeting.

President Sullivan was excused from the meeting at 10:20 a.m.

At 10:32 a.m., the meeting was re-opened to the public.

Other Business

Chair Cioffi presented the following resolution for approval:
Resolution Regarding Presidential Evaluation and FY14 Compensation

WHEREAS, on this date the annual review subcommittee (“the subcommittee”) has reported on the status of its work to this Board;

BE IT RESOLVED, that the Board hereby authorizes the Board Chair to finalize the President’s annual performance evaluation and compensation for FY14 following such additional consultation with the subcommittee as he deems necessary or desirable; and

BE IT FURTHER RESOLVED, that the Board Chair shall report his final actions to the Board in due course.

A motion was made, seconded, and it was unanimously voted to approve the resolution as presented.

Adjournment

There being no further business the meeting was adjourned at 10:35 a.m.

Respectfully submitted,

Joan Lenes, Secretary
Hazing

Policy Statement

It is the policy of the University of Vermont that no member of the University community may participate or be involved in hazing activities. Information that any member of the University community or student organization has allegedly violated this policy will be referred to the appropriate process for investigation and resolution. Any student or student organization will be referred through the student conduct process for an alleged violation of this policy. Faculty and staff will be referred to the appropriate review process in compliance with University policy or applicable collective bargaining agreement for any alleged violation of this policy.

Reason for the Policy

The University of Vermont is first and foremost an educational institution. Its hazing policy, prevention efforts, and response procedures for hazing incidents, must grow from, and embody, this educational mission.

Membership in organizations, teams, and other University-affiliated groups can increase leadership and service potential; provide athletic, recreational, intellectual, and spiritual opportunities; and otherwise contribute positively to personal and social development. When membership is linked with involvement in hazing activities, the educational purpose of the endeavor is compromised and can endanger the health and safety of students or other university community members.

Hazing is therefore prohibited at the University of Vermont.

Strategic Direction

This policy supports the following goal in the University's Strategic Plan

- Institutional Efficacy: As an institution, model the highest standard of ethical conduct, accountability and best practice, public service, and strong commitment to lifelong learning.
- Student Experience: Provide a distinctive university experience that prepares students for success as accountable leaders in the 21st century.
Applicability of the Policy

This policy applies to all members of the University community and their guests.

Definitions

*Hazing:* means any act committed by a person, whether individually or in concert with others, against a student in connection with joining/pledging, being initiated into, affiliating with, holding office in, or gaining or maintaining membership in any organization that is affiliated with the University; and has the effect of socially or physically isolating, humiliating, intimidating, or demeaning the student or having the effect of harming or potentially harming the mental or physical health of a student.

- Hazing also includes soliciting, directing, aiding, or otherwise participating actively or passively in such acts.
- Hazing occurs regardless of the consent or willingness of a person to participate in the activity.
- Hazing may occur on or off campus.
- Hazing unreasonably interferes with academic, programmatic, and employment activities.
- Hazing includes activities that are in violation of University policies and Vermont law.
- Hazing does not include any activity or conduct that furthers legitimate curricular, extracurricular, or military training program goals, provided that (1) the goals are approved by the organizations’ official advisor, coach, etc. at the University; and (2) the activity or conduct furthers the goals in a manner that is appropriate, contemplated by the University, and typical and customary for similar programs at other educational institutions.

This policy is intended to be consistent with State law. The policy will be reviewed periodically and revised in light of legal developments and new insights.

*University official:* any person employed by the University and/or acting on behalf of the University.

Policy Elaboration

1. **Introduction: Understanding the Scope of Hazing Activities**

Members of University-affiliated organizations, clubs, and teams engage in a wide array of activities that positively nurture individual relationships, camaraderie, and team building; develop unity, connectedness, and a sense of belonging; and promote the development of self-esteem. However, because it is not always clear to individuals which activities are unacceptable and constitute hazing, student leaders and members of student groups are strongly encouraged to consult with the groups’ advisers, coaches, or other University officials responsible for the program or activity in advance of any planned event.
2. Activities that violate the hazing policy

A broad range of behaviors may be considered hazing. The range of activities crosses a continuum from minor to more severe forms of conduct. Severity of the hazing can be measured both by the level of pressure to engage in the conduct (e.g., expecting, encouraging, urging, requiring, coercing, forcing, etc.) and the type of the behavior involved (e.g., behavior that is very unlikely to cause physical or psychological harm to behavior that is very risky and almost always will result in some degree of harm).

Note: It is important to note that creating an expectation to participate in activities as a condition of joining, affiliating with, or maintaining membership in a group, where harm could result is likely to be considered hazing.

a. Types of Behavior (not an exhaustive list) that constitute hazing

i. The following set of examples of activities, if conducted as a condition of joining, affiliating with, or maintaining membership, represent hazing conduct that can diminish one’s sense of membership and/or breach reasonable standards of mutual respect within the team or organization. These activities can also be a warning sign of the risk of more dangerous behaviors being undertaken by member(s) of the group or organization:

- Participating in exercise unrelated to a sport, or considered extreme
- Associating with specific people, but not others
- Performing acts of servitude
- Shaving of the head or any other part of the body
- Conducting scavenger hunts or quests
- Engaging in public stunts that are potentially humiliating or degrading
- Wearing apparel that is conspicuous and not within community norms
- Making prank calls
- Needing to possess certain items at all times
- Depriving privileges granted to other members

ii. The following set of examples of activities, if conducted as a condition of joining, affiliating with or maintaining membership, represents hazing conduct considered aggravated due to the risk of harm created. These activities can place persons at risk of serious physical and/or psychological harm. Such conduct may result in more serious University sanctions as well as criminal prosecution.

- Undergoing tattooing, piercing, or branding
- Engaging in or simulating sexual acts
- Engaging in sexually violent or sexually harassing behavior
- Threatening or causing physical restraint or abuse, including but not limited to, being held down, tied up, taped, or confined in a small space
- Consuming any substance
- Kidnapping, or transporting and/or abandoning, a person
- Conducting interrogations
- Being nude in a public or private place
- Causing excessive fatigue through physical or psychological abuse
- Furnishing alcohol or illegal substances to minors, or facilitating consumption of alcohol or use of illegal substances by any person
- Damaging, destroying, or stealing property
- Identifying hazing targets or subjects on the basis of their actual or perceived race, color, religion, national or ethnic origin, age, sex, sexual orientation, marital status, disability, gender identity and expression, veteran status, or other legally protected classification.

Upon completion of a thorough investigation, determinations as to whether hazing occurred are made by the appropriate University official, hearing officer, or hearing body with due consideration of the relevant facts and circumstances.

3. Be Alert to Potential Hazing Situations

The questions below may aid the determination whether a particular activity is hazing and thus prohibited:

- Is this a team or group activity that members are encouraged or expected to attend and where minors are consuming alcohol?
- Is any one individual or group of individuals required or urged to complete tasks or activities that aren’t asked of other group members?
- Will current members refuse to participate with the new members?
- Does the activity risk emotional or physical harm?
- Is there a risk of injury or a question of safety?
- Would you have any reservations describing the activity to your parents, a professor, or a University official?
- Would you object to the activity being photographed or reported on the internet, a newspaper or local TV news?
- Will this activity be considered degrading or humiliating by any of the participants?
- Is the activity in violation of Vermont law or University policies?

Procedures

1. Reports of Hazing
   a. University officials are required to report possible hazing incidents in a prompt and effective manner to University Police Services. Students and other members of the University community are strongly encouraged to report possible hazing incidents as soon as possible to University Police Services.
   b. To maximize safety, all reports of hazing should first be directed to University Police Services.
   c. The Chief of Police Services, or designee, will promptly take steps to investigate and
respond to hazing reports consistent with the exercise of reasonable professional discretion, including the convening of responsible University administrators.

2. Benefits to Those Who Report
   a. Individuals who are victims of hazing and who truthfully report the activities shall not be individually charged with a violation of this regulation.
   b. Individuals who have knowledge of a hazing incident, but who did not participate, and truthfully report the activities shall not be individually charged with a violation of this regulation in relation to that particular incident.
   c. When reviewing a case, consideration will be given to whether an organization or group has self-reported a hazing behavior and identified individuals who are responsible for the hazing to an appropriate University Official or UVM Police Services.

3. Administrative Response
   a. The University’s response to hazing allegations will occur through the processes outlined in the Code of Student Rights and Responsibilities, the Staff Handbook, the Officers’ Handbook, or the applicable collective bargaining agreement.
   b. Since hazing may violate the policy(ies) of more than one governing body, the same incident may be referred to more than one hearing body or go through more than one process.
   c. University Police Services may refer conduct that may constitute a violation of criminal law to appropriate law enforcement officials, subject to the requirements of governing law.
   d. Student groups and organizations are also subject to suspension or revocation of University recognition for policy violations or while an investigation is on-going and until such time that the case is resolved.

4. Sanctions
   a. Factors that may be considered in imposing sanctions

Hearing officials or bodies responsible for imposing sanctions upon individuals and/or organizations for hazing policy violations may consider factors such as the following:

- Nature of the offense, including whether aggravated conduct occurred
- Severity of the harm or damage resulting from the offense
- The respondent’s role in the hazing incident
- Disciplinary history of the respondent(s)/organization
- Whether the respondent(s)/organization cooperated during the proceedings, responded honestly to questions, and promptly accepted responsibility for one’s actions
- Any leadership role or seniority of the respondent(s) in the organization or team relative to which hazing occurred
- Whether any offense involved behavior directed at another person because of actual or perceived race, color, religion, national or ethnic origin, age, sex, sexual orientation, marital status, disability, gender identity and expression, veteran status, or other legally protected classification
b. Examples of sanctions

Hearing officials or bodies responsible for imposing sanctions will do so exercising reasonable discretion in light of factors such as those just described above.

Examples of sanctions that may be imposed upon individual students are:
- Disciplinary suspension or dismissal, or suspension or termination of employment
- Attendance at educational programs or other trainings
- Monetary Fines
- Restitution; and/or
- Participation in alcohol, drug, or other counseling services

Examples of sanctions that may be imposed upon organizations that knowingly permit, authorize, or condone hazing are:
- Probation
- Revocation or suspension of the organization’s existence or recognition;
- Cancellation of some or all the organization’s activities or events (e.g., intercollegiate or intramural sports contests); and/or
- Decrease in, or restriction of, the organization’s privileges

Forms

None

Contacts

To maximize safety, all reports of hazing should first be directed to University Police Services. Anonymous information may be reported to Police Services for investigation via Internet or phone:

**UVM TIP LINE 2** - (802) 656-TIPS (8477)

Additional resources for any UVM student wishing to speak privately and in confidence about a hazing incident include:
- **Center for Health and Wellbeing – Counseling and Psychiatry Services:** (802) 656-3340 (24 hrs/day)
- **Center for Health and Wellbeing – Student Health Services:** (802) 656-3350 (24 hrs/day)

Faculty and staff may contact the [Employee Assistance Program](http://www.uvm.edu/police/?Page=reportcrime/index.php) (EAP) via the Wellness Corporation at: 1-800-828-6025. Because other University officials are required to report possible hazing violations for investigation, communications outside of the Counseling and Psychiatry Services and EAP are not guaranteed to be confidential.

Please note: Counseling and Psychiatry Services, Student Health Services, and the Employee Assistance Program are designed to be confidential resources for individuals who report hazing
incidents. Under current Federal law, CAPS and EAP are exempted from reporting these incidents to law enforcement. Medical clinicians in Student Health Services are required to report hazing incidents, although they may do so without providing identifying information about the reporter.

For additional information regarding this policy and related matters, please contact the Dean of Students Office at (802) 656-3380.

The University official responsible for oversight of the policy when a student or student organization commits a violation is the Dean of Students. The University official responsible for oversight of the policy when a staff or faculty member commits a violation is the Provost.

**Related Documents / Policies**

Group and Organization Recognition Policy

**Effective Date**

Approved by:

________________________________________  ____________  ____________
Robert Cioffi  Title  Date

________________________________________  ____________  ____________
Tom Sullivan  Title  Date
University of Vermont Debt Policy
As Adopted by the Board of Trustees
September 2004, revised November 2005,
Revised, November 2006,
Revised, December 2007,
Reaffirmed, December 2008,
Revised, October 2009
Revised, October 2010
Reaffirmed, October 2011
Revised, May 2013

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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. 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

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

The objectives of the policy are to:

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

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

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

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

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

Purpose

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

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

The Office of the Vice President for Finance and 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.

\[
\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL EXPENSES}} < 0.75\%
\]
The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g., no one-time operating gifts, investment return, variability of State funding) and better reflect the operating base of the University. Management recognizes that a growing expense base would make this ratio appear more attractive. The limit for this ratio is not to be greater than 6.0% until June 30, 2023 and will revert to 5% thereafter. 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.

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

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

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

**Variable Rate Debt**

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

(i) take advantage of repayment/restructuring flexibility;

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

(iii) diversify the debt portfolio; and,

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

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

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

<table>
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<tr>
<th>VARIABLE_RATE_AND_LIQUIDITY_EXPOSURE</th>
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<tr>
<td>TOTAL_LONG_TERM_DEBT_OUTSTANDING</td>
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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.