

**BUDGET, FINANCE AND INVESTMENT COMMITTEE  
BOARD OF TRUSTEES  
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Budget, Finance and Investment Committee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Friday, February 6, 2026, at 1:45 p.m., in the Livak Ballroom, 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Vice Chair Kristina Pisanelli, Cynthia Barnhart, Susan Brengle, Frank Cioffi, Stanton Dodge<sup>1</sup>, Don McCree, Carol Ode, Ed Pagano<sup>1</sup>, Shap Smith<sup>2</sup>, Catherine Toll, and President Marlene Tromp

REPRESENTATIVES PRESENT: Faculty Representatives Guillermo Rodriguez and Andrey Ukhov, Alumni Representative Sophie Meyer<sup>1</sup>, Staff Representatives Kunie Renaud and Aimee Gale, Student Representatives Madeline Rice and Eloise Murphy, and Graduate Student Representative Frederick Pesek

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Alicia Estey<sup>1</sup>, University Budget Director Shari Bergquist<sup>1</sup>, and University Controller Lindsey Donovan

ABSENT: Committee Chair John Dineen, Trustee Scott Beck, UVM Foundation Representative Bob Plante, and Graduate Student Representative Vig Pai

<sup>1</sup> Joined the meeting via remote conferencing.

<sup>2</sup> Joined the meeting at 2:00 p.m.

Vice Chair Kristina Pisanelli called the meeting to order at 1:45 p.m. She welcomed new student representative Eloise Murphy and acknowledged remote attendees.

### **Approval of minutes**

A motion was made, seconded, and voted to approve the minutes of the October 17, 2025, meeting.

### **Debt Policy annual review**

Controller Lindsey Donovan noted that this committee is required to approve any recommended changes to, or reaffirm, the university's debt policy annually. The administration consulted with UVM's debt advisors, The Yuba Group, and is seeking reaffirmation of the policy, included as appendix A at attachment 2.

The following resolution was presented to the committee:

**Resolution reaffirming the Debt Policy**

WHEREAS, in September 2004, the Board of Trustees 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 most recently revised in February 2025;

BE IT RESOLVED, that the Board of Trustees hereby reaffirms the policy, appearing as Appendix A to this document.

A motion was made, seconded, and it was unanimously voted to refer the resolution to the Board for approval.

Referencing attachment 3 in the meeting packet, Controller Donovan reported on the university's debt policy ratios, which are based on generally accepted accounting principles and are consistent with ratios used in the higher education industry. The Total Cash and Investments to Debt is a leverage ratio. This ratio improved from 1.95 (FY24) to 2.10 (FY25), driven by a decrease in total debt from \$532M to \$518M, and an increase in cash and investments to \$1.1 billion. The ratio remains well above the 1.25 policy floor.

The Debt Burden ratio is a measure of debt service over aggregate operating expenses. This ratio improved from 4.69% (FY24) to 4.10% (FY25), remaining below the Board-established limit of 5.75%. Principal and interest payments have remained stable. Improvements in the ratio stem from growth in operating expenses, particularly compensation and benefits (\$86M) and supplies and services (\$25M).

**Bond refunding**

Vice President Alicia Estey referenced attachment 4 in the meeting packet as she presented a request to proceed with a refunding-only transaction (no new-money issuance) to issue Series 2026A bonds. The Vice President for Finance and Administration would be delegated execution authority in consultation with the BFI Chair. The preliminary estimated savings of \$15 million is now closer to \$19.5 million.

She will present a six-year capital improvement plan in the future, at which time a request to take on new debt will most likely accompany that discussion.

The following resolution was presented to the committee:

**Resolution authorizing bond issuance** (General Obligation Bonds, Series 2026A)

WHEREAS, the University of Vermont and State Agricultural College (the “University”) previously issued its General Obligation Bonds, Series 1990 (the “Series 1990 Bonds”), Series 1998 (the “Series 1998 Bonds”), Series 2002 (the “Series 2002 Bonds”), Series 2005 (the “Series 2005 Bonds”), Series 2007 (the “Series 2007 Bonds”), Series 2009 (the “Series 2009 Bonds”), Series 2010A and Series 2010B (collectively, the “Series 2010 Bonds”), Series 2012A (the “Series 2012A Bonds”), Series 2014 (the “Series 2014 Bonds”), Series 2015 (the “Series 2015 Bonds”), Series 2016 (the “Series 2016 Bonds”), Series 2017 (the “Series 2017 Bonds”) and Series 2019A (Green Bonds) and Series 2019B (collectively, the “Series 2019 Bonds”) pursuant to the terms of an Indenture dated as of February 1, 1990 (the “Trust Indenture”) between the University and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Trust Company, N.A. and TD Banknorth, N.A.), as trustee (the “Trustee”), as amended and supplemented by the Series 1998 and First Supplemental Indenture dated as of September 1, 1998, the Series 2002 and Second Supplemental Indenture dated as of June 13, 2002, the Series 2005 and Third Supplemental Indenture dated as of September 27, 2005, the Series 2007 and Fourth Supplemental Indenture dated as of July 11, 2007, the Series 2009 and Fifth Supplemental Indenture dated as of April 16, 2009, the Series 2010A and Sixth Supplemental Indenture dated as of February 18, 2010, the Series 2010B and Seventh Supplemental Indenture dated as of February 18, 2010, the Series 2012A and Eighth Supplemental Indenture dated as of August 15, 2012, the Series 2014 and Ninth Supplemental Indenture dated as of October 30, 2014, the Series 2015 and Tenth Supplemental Indenture dated as of July 15, 2015, the Series 2016 and Eleventh Supplemental Indenture dated as of July 28, 2016 and the Series 2017, Twelfth Supplemental Indenture dated as of July 10, 2017 and the Series 2019 and Thirteenth Supplemental Indenture, dated as of August 21, 2019 (the Trust Indenture, as amended, is hereafter referred to as the “Indenture”); and

WHEREAS, the University’s Board of Trustees (the “Board”) has determined that it is necessary and desirable for the University to refund all or a portion of the outstanding Series 2012A Bonds, the Series 2014 Bonds and the Series 2015 Bonds (the “Refunded Bonds”); and

WHEREAS, the Board has determined that it is desirable to authorize the Vice President for Finance and Administration and Treasurer, or her successor or designee, to proceed toward the refunding of all or a portion of the Refunded Bonds, and to execute any and all contracts and documents

necessary for the issuance by the University of the Series 2026A Bonds (as defined below); and

WHEREAS, the Board has determined that in order to refund all or a portion of the Refunded Bonds and pay associated administrative costs, it is necessary and desirable to authorize (i) the issuance by the University of its General Obligation Bonds, Series 2026A in an amount not to exceed \$265 million aggregate principal amount (the "Series 2026A Bonds"), in one or more series, at one or more times, with anticipated net present value savings resulting from the issuance of the Series 2026A Bonds and costs of issuance not to exceed 1.25% of the par amount of the Series 2026A Bonds and (ii) the execution of a supplemental indenture between the University and the Trustee, establishing the amount of the Series 2026A Bonds and the details thereof and describing the Refunded Bonds; and

WHEREAS, the Board proposes to issue the Series 2026A Bonds on a parity with the outstanding Series 2010A Bonds, Series 2012A Bonds, Series 2014 Bonds, Series 2015 Bonds, Series 2016 Bonds, Series 2017 Bonds and Series 2019 Bonds (the Series 1990 Bonds, the Series 1998 Bonds, the Series 2002 Bonds, the Series 2005 Bonds, the Series 2007 Bonds, the Series 2009 Bonds and the Series 2010B Bonds being no longer outstanding) pursuant to the terms of the Indenture and one or more Supplemental Indentures thereto relating to the Series 2026A Bonds (collectively, the "Supplemental Indentures"), between the University and the Trustee; and

WHEREAS, the Board desires to authorize the execution and delivery of one or more Bond Purchase Agreements (collectively, the "Bond Purchase Agreements") among the University, BofA Securities, Inc., Loop Capital Markets LLC and RBC Capital Markets, LLC (the "Underwriters"), pursuant to which the University will sell the Series 2026A Bonds to the Underwriters in accordance with the terms and conditions set forth therein; and

WHEREAS, the Board desires to authorize the execution and delivery of one or more Escrow Agreements (collectively, the "Escrow Agreements") between the University and the Trustee, in its capacity as Trustee for the Refunded Bonds, pursuant to which the University will direct the Trustee to purchase certain Eligible Securities (as defined in the Indenture) and deposit funds to be applied to pay the principal and interest on all or a portion of the Refunded Bonds when due and/or the redemption price for all or a portion of the Refunded Bonds on the applicable redemption date; and

WHEREAS, in connection with the issuance and sale of the Series 2026A Bonds, one or more Preliminary Official Statements (collectively, the

“Preliminary Official Statements”) and final Official Statements (collectively, the “Official Statements”) will be prepared by the University, which will present information about the University, the terms of the Series 2026A Bonds and the security for the Series 2026A Bonds, among other things; and

WHEREAS, the Board desires to authorize the execution and delivery of one or more Continuing Disclosure Agreements (collectively, the “Continuing Disclosure Agreements”) between the University and the Trustee, pursuant to which the University will be obligated to update certain information in the applicable Official Statement and provide certain other notices to the specified repository in accordance with the terms and conditions set forth therein; and

WHEREAS, copies of the forms of the following documents relating to the transactions described above have been filed with the University:

1. the Supplemental Indentures;
2. the Bond Purchase Agreements;
3. the Escrow Agreements;
4. the Preliminary Official Statements (including Appendix A thereto); and
5. the Continuing Disclosure Agreements;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. Issuance of Series 2026A Bonds.

(a) The Board hereby approves and confirms the issuance by the University of the Series 2026A Bonds, in one or more series, at one or more times, to provide funds to refund all or a portion of the outstanding Refunded Bonds of the University (including the costs of issuance, insurance premium and any other related expenses, including the Underwriters’ discount and their expenses, provided such costs shall not exceed 1.25% of the par amount of the Series 2026A Bonds). The Series 2026A Bonds shall bear a true interest cost not exceeding 5.00% per annum and the refunding shall result in net present value savings. The Series 2026A Bonds shall be in the initial principal amount of not more than \$265 million, shall mature not later than the final maturity date of the Refunded Bonds and shall have a weighted average maturity not exceeding the weighted average maturity of the Refunded Bonds by more than two years.

(b) If the Series 2026A Bonds are issued at more than one time, each issuance of the Series 2026A Bonds shall comply with the limitations contained in this Resolution; provided that the aggregate principal amounts of Series 2026A Bonds shall not exceed the limitations on

principal amount set forth herein. The Board hereby finds and determines that these purposes are necessary and desirable and hereby authorizes the Vice President for Finance and Administration and Treasurer, in consultation with the Chair of the Budget, Finance and Investment Committee, to determine (i) whether the Series 2026A Bonds should be issued as two or more sub-series of bonds, issued together or at different times (based on whether the issuance of the Series 2026A Bonds in two or more sub-series, issued together or at different times, will facilitate debt management or marketing of the Series 2026A Bonds or compliance with federal tax law restrictions or is expected to maximize present value savings or otherwise reduce interest rate or other costs); (ii) whether a policy of municipal bond insurance should be obtained with respect to all or a portion of the Series 2026A Bonds (based on whether such policy will be cost effective considering both the interest cost of the Series 2026A Bonds if such a policy was obtained and the insurance premium, and based on whether the insurer will require that the University comply with certain covenants) and (iii) the terms of the Series 2026A Bonds and the terms of the sale of the Series 2026A Bonds (including the maturity dates and amounts, the interest rates, the original issue premium or discount, the redemption provisions of the Series 2026A Bonds based on financial or structural benefits to the University and marketing considerations and the underwriters' compensation) subject to the limitations set forth in this resolution and the applicable Supplemental Indenture. The form and content of the Series 2026A Bonds as set forth in the applicable Supplemental Indenture are hereby approved and confirmed. The Vice President for Finance and Administration and Treasurer, and the Secretary or the Assistant Secretary of the Board are authorized and directed to execute and deliver the Series 2026A Bonds for and on behalf of the University, in substantially the form and content set forth in the applicable Supplemental Indenture, but with such changes, additions or deletions as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of their approval of any and all such changes, additions or deletions.

Section 2. Authorization to Determine Refunded Bond Redemptions. The Board hereby authorizes and directs the Vice President for Finance and Administration and Treasurer, in consultation with the Chair of the Business, Finance and Investment Committee, to determine which maturities (or portions of maturities) of the Refunded Bonds shall be refunded with the proceeds of the Series 2026A Bonds and the dates of redemption of such Refunded Bonds; provided that such refunding results in net present value savings (from each issuance of Series 2026A Bonds if issued at more than one time).

Section 3. Authorization of Supplemental Indentures. The Board hereby approves and confirms the form and content of one or more Supplemental Indentures. The Vice President for Finance and Administration and Treasurer, and the Secretary or Assistant Secretary of the Board are hereby authorized and directed to execute and deliver one or more Supplemental Indentures for and on behalf of the University, in substantially the form and content made available to the Board, but with such changes, additions or deletions as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of their approval of any and all such changes, additions or deletions. From and after the execution and delivery of the Supplemental Indentures, the Vice President for Finance and Administration and Treasurer, and the Secretary or Assistant Secretary of the Board and all other officers of the Board and the University are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Supplemental Indentures as executed.

Section 4. Authorization of Bond Purchase Agreements. The Series 2026A Bonds shall be awarded and sold to the Underwriters pursuant to the terms of one or more Bond Purchase Agreements at an aggregate underwriters' discount or fee to be determined by the Vice President for Finance and Administration and Treasurer in consultation with the Chair of the Business, Finance and Investment Committee, of not more than 0.30% (\$3.00 per \$1,000 bond) plus an additional amount to cover out-of-pocket expenses of the Underwriters. The Series 2026A Bonds shall be authenticated and delivered to or upon the order of the Underwriters upon payment of the purchase price set forth in the Bond Purchase Agreement. The form and content of the Bond Purchase Agreements are hereby approved. The Vice President for Finance and Administration and Treasurer is hereby authorized and directed to execute and deliver the Bond Purchase Agreements for and on behalf of the University, in substantially the form and content made available to the University, but with such changes, additions or deletions as shall to him seem necessary, desirable or appropriate, her execution thereof to constitute conclusive evidence of her approval of any and all such changes, additions or deletions therein. From and after the execution and delivery of the Bond Purchase Agreements, the Vice President for Finance and Administration and Treasurer and all other officers of the Board and the University are hereby authorized and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Bond Purchase Agreements as executed.

Section 5. Authorization of Escrow Agreements. The form and content of one or more Escrow Agreements are hereby approved. The Vice President for Finance and Administration and Treasurer is hereby authorized and directed to execute and deliver one or more Escrow Agreements for and on behalf of the University, in substantially the form and content made available to the Board, but with such changes, additions or deletions as shall to him seem necessary, desirable or appropriate, her execution thereof to constitute conclusive evidence of her approval of any and all such changes, modifications, additions or deletions. From and after the execution and delivery of the Escrow Agreements, the Vice President for Finance and Administration and Treasurer and all other officers of the Board and the University are hereby authorized and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Escrow Agreements as executed.

Section 6. Authorization of Continuing Disclosure Agreements. The form and content of one or more Continuing Disclosure Agreements are hereby approved. The Vice President for Finance and Administration and Treasurer is hereby authorized and directed to execute and deliver one or more Continuing Disclosure Agreements for and on behalf of the University, in substantially the form and content made available to the Board, but with such changes, additions or deletions as shall to him seem necessary, desirable or appropriate, her execution thereof to constitute conclusive evidence of her approval of any and all such changes, modifications, additions or deletions. From and after the execution and delivery of the Continuing Disclosure Agreements, the Vice President for Finance and Administration and Treasurer and all other officers of the Board and the University are hereby authorized and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Agreements as executed.

Section 7. Approval of Preliminary Official Statements and Official Statements. The form, terms and content of the Preliminary Official Statements and the Official Statements in substantially the form of the Preliminary Official Statements (but including the terms of the Series 2026A Bonds) are authorized, approved and confirmed, with such changes, additions or deletions therein as shall seem necessary, desirable or appropriate to the Vice President for Finance and Administration and Treasurer. The use of the Preliminary Official Statements and of the Official Statements by the Underwriters in connection with the sale of the Series 2026A Bonds is hereby authorized, approved and confirmed. The Vice

President for Finance and Administration and Treasurer is authorized to execute the Official Statements on behalf of the University.

Section 8. Tax Certificates. The Vice President for Finance and Administration and Treasurer of the University is hereby authorized to execute certificates in order to evidence the University's compliance with the Internal Revenue Code of 1986 and the applicable Income Tax Regulations thereunder.

Section 9. No Personal Liability. No stipulation, obligation or agreement herein contained or contained in the Series 2026A Bonds, the Indenture, the Supplemental Indentures, the Bond Purchase Agreements, the Escrow Agreements, the Continuing Disclosure Agreements or any other instrument related to the issuance of the Series 2026A Bonds shall be deemed a stipulation, obligation or agreement of any officer, agent or employee of the University in his or her individual capacity, and no such officer, agent or employee shall be personally liable on the Series 2026A Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

Section 10. Actions of Officers. The officers of the Board and of the University are hereby authorized and directed to do any and all other acts and to execute any and all other documents, which they, in their discretion, deem necessary and appropriate in order to consummate the transactions contemplated by (i) this Resolution, (ii) the Indenture and the Supplemental Indentures and (iii) the documents presented to this meeting or made available for review: except that none of the above shall be authorized or empowered to do anything or execute any document which is in contravention, in any way of (a) the specific provisions of this Resolution, (b) the specific provisions of the Indenture or the Supplemental Indentures, (c) any agreement to which the University is bound, (d) any rule or regulation of the University or (e) any applicable law, statute, ordinance, rule or regulation of the United States of America or the State of Vermont.

Section 11. Severability of Invalid Provisions. If any one or more of the agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining agreements and provisions and shall in no way affect the validity of any of the other agreements and provisions hereof or of the Series 2026A Bonds authorized hereunder.

Section 12. Conflicting Provisions. All prior resolutions or parts thereof of the University in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 13. Effective Date. This Resolution shall take effect upon its adoption.

A motion was made, seconded, and it was unanimously voted to refer the resolution to the Board for approval.

### **Report of the University of Vermont Investment Management Company (UVIMCO)**

UVM Trustee and UVIMCO member Sue Brengle provided an update on the university's financial position. She reported that the university does not yet have final calendar year-end figures; however, the long-term investment pool continues to perform solidly against its objectives. The core mandate remains to meet the university's spending needs while supporting long-term growth. As of December 30, 2025, the pool stands at \$966M, an increase of \$25M from the prior quarter.

Despite continued volatility driven by geopolitical factors and some lingering tariff impacts, equity markets—both domestic and international—performed strongly during the July 1 to December 30 period, while fixed income markets remained stable. Corporate balance sheets remain healthy. Over this six-month period, the portfolio returned 6.4%, trailing its benchmark by a couple of percentage points. Over the long term, however, performance continues to outpace inflation and the university's spending policy.

The pool's relative performance falls around the median when compared with similarly sized endowments (\$250 million–\$1 billion). The liquidity profile remains strong, with 55% of assets available on a daily or monthly basis. UVIMCO continues to evaluate asset classes with an eye toward potential fee savings. Committee member Don McCree noted that market volatility could persist in the near term.

### **Action Items**

Vice President Estey presented the following resolutions for the committee's consideration and introduced an amendment to the duration of the infrastructure license agreement with the City of Burlington.

**Resolution authorizing an infrastructure license agreement with the City of Burlington**

BE IT RESOLVED, that the Vice President for Finance and Administration, or their successor or designee, is hereby authorized to negotiate and execute a ~~twenty~~-year license agreement, **with the option to extend for an additional ten years**, with the City of Burlington for use of City lands in Burlington, Vermont, for UVM infrastructure, subject to material terms and conditions reported on this date.

**Resolution authorizing acceptance of a bequest held by American General Life Insurance Company**

BE IT RESOLVED, that the University's Vice President for Finance and Administration and the University's Controller are authorized to claim death benefits on the annuity contract listed on documents sent by American General Life Insurance Company, The United States Life Insurance Company in the City of New York ("AGL/USL" or "the Life Company") to the University of Vermont regarding Contract Number SA8149002;

BE IT FURTHER RESOLVED, in the event of any change in the office or power of the designees listed above, the University will immediately certify those changes to AGL/USL in writing;

BE IT FURTHER RESOLVED, the Life Company is hereby released from any liability and shall be indemnified against any loss, liability or expense arising from honoring these Resolutions.

An opportunity for discussion was offered. There being none, a motion was made, seconded, and it was unanimously voted to refer the resolutions to the Board for approval.

**Fiscal year 2027 budget**

University Budget Director Shari Bergquist reviewed the key factors in developing the Fiscal Year (FY) 2027 budget thus far.

Revenue assumptions include:

- 2% in-state tuition increase, and 4.5% out-of-state tuition increase
- Full-time, first-year undergraduate class of 2700
- 3% increase in state appropriation
- No changes in Facilities & Administration rate
- Operating investment income held level

Items still in development include net graduate, summer and non-degree tuition.

Expense assumptions include:

- Administrative units submitted potential budget reduction scenarios of 1%, 1.25%, and 1.5% (more modest than FY26 exercise)
- The estimated full-time active employee fringe rate is 44.6% (lower than in FY26)
- Salary increases for all active collective bargaining agreements have been incorporated.
- Operating expenditures reflect a 7% increase with additional investments to be discussed in upcoming meetings.
- Utility costs have been increased 4.3%
- Facilities renewal funding was increased to accommodate acquisition of new buildings.

Administrative unit budgets will be finalized in mid-March. Academic unit multi-year workbooks will be distributed and due in March. Other projected revenue sources including graduate net tuition, nondegree tuition and summer tuition will be refined.

The administration will meet with academic deans in early April, and a structurally balanced FY27 budget will be presented for Board of Trustees' approval in May.

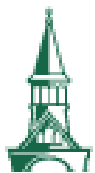
### **Vice President's Report**

Vice President Estey reminded members that her Vice President's report was submitted in the materials as attachment 6 and includes updates on the annual Energy Efficiency Revolving Loan Fund, UVM's net asset balance, and real property transactions requiring notice to the Board.

### **Adjournment**

There being no further business, the meeting was adjourned at 2:22 p.m.

Respectfully submitted,  
Kristina Pisanelli, Vice Chair  
(On behalf of Chair John Dineen)



## **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

Revised, February 2014

Revised, February 2015

Reaffirmed, February 2016

Revised, February 2017

Reaffirmed, February 2018

Revised, February 2019

Reaffirmed, January 2020

Reaffirmed, February 2021

Revised, February 2022

Revised, February 2023

Revised, February 2024

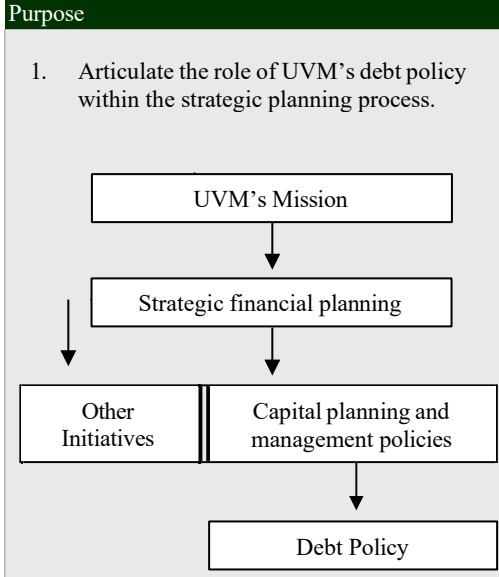
Revised, February 2025

Reaffirmed, February 2026

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**OVERVIEW**



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, public-private partnerships, and external University-supported debt, including leases and subscription-based information technology arrangements (SBITAs).

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**

Purpose
<ol style="list-style-type: none"><li>1. Articulate UVM's philosophy regarding debt.</li><li>2. Establish objectives for debt policy.</li><li>3. Provide for regular review and potential update of policy to reflect evolving needs.</li></ol>

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) Manage risk of the University's debt portfolio within acceptable limits. 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;
- (iv) Permit the University to engage in refunding/restructuring of its outstanding debt for cashflow and/or net present value savings, within acceptable limits and aligned with IRS and regulatory guidelines. The University will evaluate debt service and net present value savings/costs of individual maturities and the overall transaction to determine whether certain maturities should be included/excluded and the tradeoffs of certain structuring decisions. The University will consider the overall debt portfolio and budgetary needs to align decisions to long-term financial health and strategic purposes.
- (v) 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	
<ol style="list-style-type: none"> <li>1. Provide mechanism for oversight and review on periodic basis.</li> <li>2. Provide management flexibility to make ongoing financing decisions within the framework of the policy.</li> </ol>	<p>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.</p> <p>The Office of the Vice President for Finance and Administration 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.</p> <p>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.</p>

**POLICY RATIOS**

Purpose	
<ol style="list-style-type: none"> <li>1. Identify core ratios.             <ol style="list-style-type: none"> <li>a. Operating Statement—Debt Burden Ratio.</li> <li>b. Balance Sheet Leverage—Leverage Ratio.</li> </ol> </li> <li>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.</li> </ol>	<p>This policy establishes limits to measure the total amount of outstanding debt, leases, and SBITAs compared to University balance-sheet resources and the annual operating budget.</p> <p>These ratios can be derived from the financial statements and other information and are subject to review periodically. The ratios are to be calculated using annual audited financial statements of the University and should not include “Discretely Presented Component Units” of the University such as the University’s associated fundraising foundation.</p> <p>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.</p> <p>In addition to the two primary 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.</p> <hr/> <p><i>Ratio 1 – Debt Burden Ratio</i></p> <p>This ratio measures the University’s ability to repay debt service associated with all outstanding debt, leases, and SBITAs 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.</p> $\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL EXPENSES}} < 5.75\%$ <p>The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g., no one-</p>

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 5.75%. 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.

*Ratio 2 - Leverage Ratio (calculated as Total Cash and Investments to Debt)*

This ratio indicates one of the most basic determinants of financial health by measuring University resources 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 leverage 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 leverage 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 1.25x to ensure that sufficient balance sheet strength is maintained at all times.

$$\frac{\text{TOTAL CASH \& INVESTMENTS}}{\text{AGGREGATE DEBT, LEASES, \& SBITAs}} \geq 1.25x$$

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

The 1.25x 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 1.25x.

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**

Purpose
<ol style="list-style-type: none"><li>1. Review of all potential funding sources for projects.</li><li>2. Maximize tax-exempt University-issued debt.</li><li>3. Commercial Paper program.<ol style="list-style-type: none"><li>a. Provide bridge funding.</li><li>b. Provide continual access to capital.</li><li>c. Issuance on a taxable or tax-exempt basis.</li></ol></li><li>4. Manage derivative products, including swaps.</li><li>5. Consider other financing sources.<ol style="list-style-type: none"><li>a. Management will explore securitizations, joint ventures and other financial structures to provide for the optimal funding for any project.</li></ol></li></ol>

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. Examples of appropriate cases to utilize taxable debt include timing, fees and rates relative to tax-exempt rates, the nature of the project being funded, and private use, among others.

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*Commercial Paper (CP) & Lines of Credit (LOCs)*

The CP program and lines of credit 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 and LOCs 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.

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*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.

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*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.

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

## PORTFOLIO MANAGEMENT OF DEBT

### Purpose

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

The University considers its debt portfolio holistically; that is, it optimizes the portfolio of debt for the entire University rather than on a project-by- project basis and takes into account the University's cash and investments.

### 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;
- (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 service, (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.

VARIABLE RATE AND LIQUIDITY EXPOSURE >35%  
 TOTAL LONG-TERM DEBT OUTSTANDING

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 planned principal and interest paid on long-term debt, principal and interest payments on Leases, and principal and interest payments on SBITAs 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 short-term 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 lines 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.

**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.