THE UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
BOARD OF TRUSTEES

BUDGET, FINANCE AND INVESTMENT COMMITTEE

Members: Chair Don McCree, Vice Chair John Dineen, President Suresh Garimella, Susan Brengle, Robert Brennan, Kevin Christie, Kisha Kalra, Ed Pagano, Shap Smith, and Catherine Toll

Representatives: Faculty Representatives Jane Knodell and Guillermo Rodriguez, Foundation Representative Bob Plante, Alumni Representative Myron Sopher, Staff Representatives Joshua Tyack and Douglas Dickey, Student Representatives Evan Siegel and Ashleigh Clark, and Graduate Student Representatives (vacant)

Friday, February 10, 2023
1:00 p.m. – 1:45 p.m.
Livak Ballroom (417-419), Dudley H. Davis Center

AGENDA

	Item	Enclosure	Discussion Leader(s)	Time
	Call to order			***1:00 p.m.**
1.	Approval of October 28, 2022 meeting minutes	Attachment 1	Don McCree	1:00-1:02
2.	Debt policy annual review • Resolution approving revisions to the Debt Policy • Annual financial ratios review	Attachment 2; Appendix A Attachment 3	Claire Burlingham Richard Cate	1:02-1:10
3.	Report of the Investment Subcommittee • Endowment performance update • Resolution reaffirming the Statement of Investment Policies & Objectives • Resolution approving reappointment of Investment Subcommittee advisors	Separate distribution Attachment 2; Appendix B Attachment 2	Rob Brennan	1:10-1:25
4.	Fiscal year 2024 budget • Preview of key budget assumptions		Richard Cate Shari Bergquist	1:25-1:35
5.	Vice President's report • Green Revolving Loan Fund	Attachment 4	Richard Cate	1:35-1:40
6.	Other business**		Don McCree	**1:45 p.m.**

*Times are approximate.
** Executive session as needed.

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, October 28, 2022 at 1:00 p.m., in the Livak Ballroom, 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Chair Don McCree, Vice Chair John Dineen, President Suresh Garimella[1], Susan Brengle, Robert Brennan[2], Kevin Christie, Kisha Kalra, Ed Pagano, Shap Smith, and Catherine Toll

REPRESENTATIVES PRESENT: Alumni Representative Myron Sopher and Student Representative Ashleigh Clark

PERSONS ALSO PARTICIPATING: Board of Trustees Chair Ron Lumbra[1], Vice President for Finance & Administration Richard Cate, University Budget Director Shari Bergquist, University Controller Claire Burlingham, and Vice President for Legal Affairs & General Counsel Trenten Klingerman

ABSENT: Foundation Representative Bob Plante, Faculty Representatives Jane Knodell and Guillermo Rodriguez, Staff Representative Joshua Tyack, Graduate Student Representative Alison Hall, and Student Representative Evan Siegel

[1] Departed the meeting at 1:26 p.m.
[2] Participated by phone.

Chair Don McCree called the meeting to order at 1:00 p.m. He began by welcoming new faculty representative Guillermo Rodriguez and student representative Ashleigh Clark to the committee.

Approval of minutes

A motion was made, seconded, and voted to approve the minutes of the May 20, 2022, meeting.

Fiscal year 2024 tuition and fees

President Suresh Garimella reiterated his commitment to easing the cost of education at the University of Vermont by proposing a freeze on tuition and fees. This is the fifth consecutive year at the same tuition rate, and the fourth consecutive year of flat room and board fees. He acknowledged that it has not been easy to balance a budget without increased tuition revenue, but it is necessary to do in today's economy. He expressed gratitude for the additional $10 million of state appropriations which has significantly helped make this proposal possible.

Vice President Richard Cate explained that controlling costs has been another key factor of having a balanced budget. Through analysis of expense data, refinancing debt, renegotiating vendor contracts, and other strategies, along with early enrollment projections, the administration is confident that a balanced budget will be presented in May.

University Budget Director Shari Bergquist introduced a series of resolutions on tuition and fees. Fiscal year 2023 comparator data on private and public institutions displayed at the meeting illustrated that UVM ranked above all but one public university comparator for out-of-state tuition and fees; however, UVM ranks amongst the lowest for room and board. All private university comparators ranked above UVM in both tuition and fees and room and board.

Trustees commended the President and the administration and encouraged them to broadly promote these good efforts whenever possible.

The following resolutions were presented to the committee:

Resolution approving tuition rates for fiscal year 2024

BE IT RESOLVED, that the Board of Trustees hereby approves the following tuition rates effective with the 2023-2024 academic year. These are the same rates as those charged beginning with the 2019-2020 academic year, except for the 2022-2023 academic year when in-state tuition was further reduced by $112.

In-state tuition $16,280 per year, or $678 per credit hour.
Out-of-state tuition $41,280 per year, or $1,720 per credit hour.
Medical student in-state tuition $37,070 per year.
Medical student out-of-state tuition $64,170 per year.

Resolution setting the undergraduate comprehensive fee, student government association and inter residence association fees for fiscal year 2024

BE IT RESOLVED, that the Board of Trustees hereby sets the following fee rates for undergraduate students:

Undergraduate comprehensive fee	$2,388
Student Government Association (SGA) fee	$222
Inter Residence Association (IRA) fee	$30

Resolution setting the graduate comprehensive fee for fiscal year 2024

BE IT RESOLVED, that the Board of Trustees hereby sets the following fee rates for full-time graduate students:

Graduate comprehensive fee	$2,036

Resolution approving graduate student senate fee for fiscal year 2024

BE IT RESOLVED, that the Board of Trustees sets the following rates for the graduate student senate fee:

Less than 5 credits, $7 per semester
5 or more credits, $10 per semester

Resolution approving the continuous registration fee for graduate students for fiscal year 2024

BE IT RESOLVED, that the Board of Trustees hereby sets the following rates for the varying graduate continuous registration fee:

Less than half-time, $100 per semester
Half to full-time, but not including full-time, $200 per semester
Full-time, $300 per semester

Resolution approving room and meal plan rates for fiscal year 2024

BE IT RESOLVED, that the Board of Trustees hereby approves the room and meal plan rates for the 2023-2024 academic year (the same rates that have been in effect since the 2021-2022 academic year) as follows:

Room Rates Per Year	
Private Single with Bath	$10,942
Private Double with Bath	$9,720
Private Triple with Bath	$8,058
Suite Single with Shared Bath	$10,500
Suite Double with Shared Bath	$9,168
Suite Triple with Bath	$7,664
Large Single with Shared Bath	$10,500
Traditional Single	$10,094
Traditional Double	$8,756
Traditional Triple	$6,934
Traditional Quad	$5,870
Meal Plan Rates	
Retail Points Plan	$4,568
Unlimited Access Plan	$4,568
Flex Plan	$5,104

A motion was made, seconded, and the resolutions were unanimously approved as presented for recommendation to the board.

Summer session tuition

University Budget Director Bergquist explained that with a 0% tuition increase, the proposal is for the 2023 summer session tuition rates to remain the same as the 2022 summer session rates. Summer session tuition is set at a 30% discount off regular tuition for both in-state and out-of-state students. She mentioned that the summer session tuition is brought forth at this time of the year to allow Enrollment Management to present a complete cost overview for early-decision students.

The following resolution was presented to the committee:

<u>Resolution approving summer session tuition</u>

BE IT RESOLVED, that the Board of Trustees hereby approves the tuition rate for summer session 2023 of $478 per credit hour for in-state students and $1,204 per credit hour for out-of-state students except that, with prior approval from the Provost, graduate programs may maintain summer tuition rates for 2022 in-state and out-of-state students equal to the prior fall and spring tuition rates for their program.

A motion was made, seconded, and the resolution was unanimously approved as presented for recommendation to the board.

Report of the Investment Subcommittee (ISC)

ISC Chair Rob Brennan referred committee members to the supplemental performance update report (sent under separate distribution) provided by Prime Buchholz, the university's investment advisor. He reported that in the current turbulent market, the university's overall performance was grim compared to last quarter. As of September 30, 2022, UVM's endowment balance was $695 million, down $37 million from the last report.

As recommended by the Investment Subcommittee, the committee was asked to reaffirm the Endowment Budget policy with no changes, and to approve the Endowment Administration Fee policy.

The following resolutions were presented to the committee for approval for recommendation to the board:

(*As recommended by the Investment Subcommittee on August 9, 2022)*

<u>Resolution reaffirming the Endowment Budget Policy</u>

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

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

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

Adopted by: *Board of Trustees - May 13, 1995*
Reaffirmed: *Board of Trustees - September 8, 2007*
Board of Trustees - September 5, 2008
Board of Trustees - October 24, 2009
Board of Trustees - October 30, 2010
Board of Trustees - October 22, 2011
Board of Trustees - November 8, 2012

	Board of Trustees - October 26, 2013
	Board of Trustees - October 18, 2014
	Board of Trustees - October 3, 2015
	Board of Trustees - October 22, 2016
	Board of Trustees - October 20, 2017
	Board of Trustees - October 27, 2018
	Board of Trustees - January 31, 2020
	Board of Trustees - September 25, 2020
	Board of Trustees - October 29, 2021
	Board of Trustees -

<u>Resolution approving revision to the Endowment Administration Fee Policy</u>

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

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves that an endowment management fee equal to 100 basis points, 80 of which shall flow to the University of Vermont Foundation and 20 of which shall flow to the University, shall be applied to the University endowment beginning as of July 1, 2022 and continuing through June 30, 2024~~2023~~; and

BE IT FURTHER RESOLVED, that calculation of the endowment management fee will be based on the average market value of the University endowment for the previous thirteen quarters ending December 31 of the prior calendar year; and

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

Adopted by:	*Board of Trustees - September 13, 2003*
Reaffirmed:	*Board of Trustees - September 8, 2007*
	Board of Trustees - September 5, 2008
Amended:	*Board of Trustees - October 24, 2009*
Reaffirmed:	*Board of Trustees - October 30, 2010*
	Board of Trustees - October 22, 2011
	Board of Trustees - November 8, 2012
	Board of Trustees - October 26, 2013
	Board of Trustees - October 18, 2014
	Board of Trustees - October 3, 2015
	Board of Trustees - October 22, 2016
	Board of Trustees - October 21, 2017
	Board of Trustees - January 31, 2020
	Board of Trustees - May 15, 2020
Amended:	*Board of Trustees - September 25, 2020*
	Board of Trustees – October 29, 2021
	Board of Trustees –

A motion was made, seconded, and the resolutions were unanimously approved as presented.

Vice President's Report

- **External audit update**
  University Controller Claire Burlingham reported that the university's external auditor, KPMG, is completing its fieldwork on the fiscal year 2022 financial statement audit, and she is expecting an unqualified opinion with no material weaknesses or significant deficiencies. The audit will be presented to the Audit Committee at its November 7, 2022 meeting.

  Chair McCree and ISC Chair Brennan congratulated the team on receiving a clean report for the 12th year in a row, which is an unprecedented record.

Vice President Cate presented the following updates:

- **Dual enrollment**
  The administration is required to report annually on the number of high school students who were enrolled in UVM classes in the past year. For fiscal year 2022, there were 397 high school students who took classes at UVM through the Dual Enrollment Voucher Program and 103 additional high school students were enrolled outside the program.

- **Project updates**
  Referencing attachment 4 of the committee packet, Vice President Cate explained that construction projects less than $2 million do not require board approval, but those costing more than $1 million but do have to be reported to the board. The attachment provided status updates on the following projects, most of which are under $2 million:
    - Firestone Medical Research Building
    - Hills Agricultural Science Building renovation
    - Wadhams House and barn
    - Multipurpose roof renovations
    - University Place sidewalk
    - Pomeroy Building demolition
    - Fleming Museum improvements

- **President's strategic initiatives fund**
  Established in 2015, the President's Strategic Initiatives Fund was used at the President's discretion and drew from non-operating one-time sources of revenue, such as the sale of property. Similarly, the President's Strategic Investment Fund (SIF) is used to support new and emerging university initiatives primarily focused on the academy and is built into UVM's budgeting model. Funds available through the SIF represent a short-term (one-time) investment. To increase efficiency, the administration is recommending transferring the remaining assets of the President's Strategic Initiatives Fund to the Strategic Investment Fund.

The following resolution was presented to the committee:

<u>Resolution approving the transfer of the President's strategic initiatives fund assets into the strategic investment fund</u>

WHEREAS, the Board endorsed the establishment of the President's Strategic Initiatives Fund on February 7, 2015; and

WHEREAS, the fund was established to allow for the accumulation of resources from one-time sources of revenue that are not part of the University's annual operating budgets; and

WHEREAS, over the course of the last several years the funds were used for the advancement of strategic initiatives that enhanced the quality and affordability of this institution; and

WHEREAS, the balance of the President's Strategic Initiatives Fund is $468,000; and

WHEREAS, the administration has no plans of using the Fund for this purpose in the future; and

WHEREAS, the administration is asking approval to transfer the President's Strategic Initiatives Fund assets into the Strategic Investment Fund;

THEREFORE, BE IT RESOLVED, that the Committee hereby endorses the transfer of the President's Strategic Initiatives Fund assets to the Strategic Investment Fund and recommends its approval by the Board of Trustees.

A motion was made, seconded, and the resolution was unanimously approved as presented for recommendation to the board.

Adjournment

There being no further business, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,

Don McCree, Chair

Attachment 2

BUDGET, FINANCE & INVESTMENT COMMITTEE

February 10, 2023

Resolution approving revisions to 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 2022;

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

Resolution reaffirming the Statement of Investment Policies and Objectives

WHEREAS, in February 2011, the Board of Trustees adopted a Statement of Investment Policies and Objectives to govern the investment of UVM's Long-Term Investment Pool, including the Endowment Fund; and

WHEREAS, the Investment Subcommittee is charged with an annual review of the Statement of Investment Policies and Objectives; and

WHEREAS, on December 14, 2022, the Investment Subcommittee reviewed the Statement of Investment Policies and Objectives,

BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends the Statement of Investment Policies and Objectives, appearing as Appendix B to this document, for reaffirmation and referral to the Board of Trustees.

Resolution approving reappointment of Investment Subcommittee advisors

BE IT RESOLVED, that the Board of Trustees approves the reappointment of H. Whitney Wagner and David Aronoff as advisors to the Investment Subcommittee, for a one-year period commencing March 1, 2023, subject to the terms and conditions reported on this 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
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

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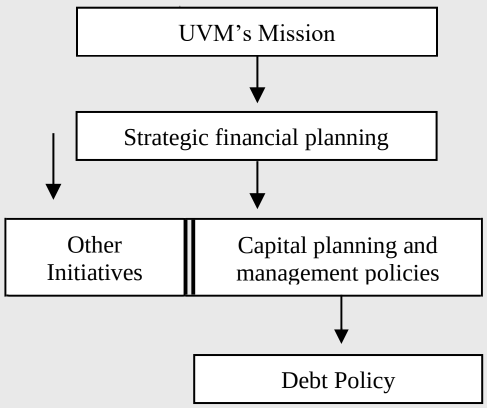
OVERVIEW

Purpose

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



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

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

1. Articulate UVM's philosophy regarding debt.
2. Establish objectives for debt policy.
3. Provide for regular review and potential update of policy to reflect evolving needs.

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 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.
   a. Operating Statement—Debt Burden Ratio.
   b. Balance Sheet Leverage—Leverage Ratio.
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 and leases 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 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.

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 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.

Ratio 1 – Debt Burden Ratio

This ratio measures the University's ability to repay debt service associated with all outstanding debt and leases 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.

$$\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL EXPENSES}} \quad <5.75\%$$

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 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 ~~Spendable~~ Total Cash and Investments to Debt)

This ratio indicates one of the most basic determinants of financial health by measuring the availability of ~~liquid and expendable assets~~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 1.25~~0~~ to ensure that sufficient balance sheet strength is maintained at all times.

TOTAL CASH & INVESTMENTS ~~– PERMANENTLY RESTRICTED NET ASSETS + PLEDGES CLASSIFIED AS PERMANENTLY RESTRICTED NET ASSETS~~ ~~=~~> 1.25~~0~~x

AGGREGATE DEBT

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

The 1.25~~0~~x 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 1.25~~0~~x.

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.

~~To further evaluate the leverage of the University, the Vice President for Finance and Administration will report the University's Expendable Financial Assets to Debt ratio. This ratio will be reviewed relative to prior years, peers and rating agency medians and will be calculated with and without the Governmental Accounting Standards for Other Post Retirement Benefits. The Vice President for Finance and Administration will report to the appropriate Board of Trustee committee on any existing conditions that cause notable year-over-year changes in this ratio, particularly relative to peers and rating medians.~~

~~UNRESTRICTED NET ASSETS + TEMPORARILY RESTRICTED NET ASSETS – EQUITY IN PLANT~~
~~AGGREGATE DEBT~~

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

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

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.

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.

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

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
>~~1.0x~~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 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.

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.

UNIVERSITY OF VERMONT

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

I. INTRODUCTION

This statement is issued by the Investment Subcommittee (the "ISC") of the Board of Trustees of the University of Vermont (the "Board"). The ISC was established by the Board and the Budget, Finance and Investment Committee in late 2006 and charged with oversight of investment strategy and investment managers for the Long-Term Investment Pool, including the Endowment Fund, collectively called the "Fund", of the University. The policy statement will be reviewed annually and modified by the ISC as conditions warrant.

II. FIDUCIARY STANDARDS

The Board, the ISC, the Treasurer and finance staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or finance staff as to investment strategy and management (any and all of whom may be referred to as "Responsible Parties") shall exercise their responsibilities with respect to the Fund's assets in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), enacted in the state of Vermont in 2009. In accordance with UPMIFA, key facets of the Responsible Parties' roles include:

- Acting in good faith, with the care an ordinarily prudent person would exercise;
- Incurring only reasonable costs in investing and managing charitable funds;
- Making decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
- Diversifying investments, unless due to special circumstances, the purposes of the Fund are better served without diversification;
- Disposing of unsuitable assets; and
- In general, developing an investment strategy appropriate for the Fund and the University.

III. RESPONSIBILITIES of the INVESTMENT SUBCOMMITTEE

Responsibilities and goals of the ISC include:

- Ensuring that current and future spending requirements are supported while also preserving the real purchasing power of the Fund;
- Achieving an optimum level of return within appropriate risk tolerances;
- Developing a sound and consistent investment policy including asset allocation, diversification and rebalancing guidelines;

- Selecting and maintaining qualified investment managers and advisors;
- Monitoring and evaluating results to ensure that policy guidelines are being adhered to and that policy objectives are being met; and
- Taking action under appropriate circumstances to discharge an investment manager or advisor for failing to perform in terms of stated expectations.

The ISC is authorized to delegate certain responsibilities to staff to assist in properly meeting the overall responsibilities as outlined above.

IV. CONFLICT OF INTEREST POLICY

In addition to the responsibilities set forth in the Board of Trustees' Conflicts of Interest policy, it is the responsibility of the ISC members to disclose to the ISC Chair any situation in which there may be reasonably construed to be a perceived or actual conflict of interest. The ISC Chair will work with the members to determine an appropriate response.

The ISC will generally not consider investments in funds directly managed by a member of the ISC. In addition, a member of the ISC employed by an investment or other firm that provides services to the Fund will recuse him/herself from all discussions and votes on existing or potential investments or other services managed or provided by that firm. The ISC recognizes, however, that certain exceptions to this policy may be appropriate. Such exceptions will be made only upon a majority vote of the disinterested members of the ISC.

In the event that the ISC is considering an investment in an access-constrained investment opportunity, any ISC member wishing to invest for his/her own benefit in such an opportunity shall notify the ISC Chair in writing.

V. MORAL, SOCIAL AND ETHICAL CONSIDERATIONS IN INVESTMENT STRATEGY

The University Statement of Investment Policies and Objectives requires the Board, the Investment Subcommittee (ISC) of the Board Budget, Finance and Investment Committee, the Treasurer, and third parties such as investment managers, to exercise their responsibilities with respect to the Long-Term Investment Pool, including Endowment Fund assets, in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

Achieving the Financial and Investment Objectives of the Fund is essential to provide resources to fulfill the institutional mission of the University. The core responsibility of the ISC is to achieve the Financial and Investment Objectives of the fund in a manner consistent with the requirements of UPMIFA and prudent fiduciary practices.

The primary objective of achieving the Financial and Investment Objectives of the Fund does not preclude consideration of moral, ethical and social criteria in selecting investments or participating in shareholder resolutions that address moral, ethical or social issues. However, the core responsibility of the Board is to steward University assets in a manner consistent with prudent fiduciary practices.

Restrictions on the portfolio made via Board of Trustee resolutions, such as the Resolution on Socially Responsible Investing, may be found on the University of Vermont website (https://www.uvm.edu/trustees/resolutions).

VI. FINANCIAL & INVESTMENT OBJECTIVES

The overall financial objective of the Fund is to provide a stable and consistent level of ongoing support for the University's programs through a reasoned spending policy consistent with preserving and enhancing the real (i.e., inflation-adjusted) purchasing power of the Fund over time.

The primary long-term investment objective of the Fund is to attain a real total return[1] (net of investment management fees) that exceeds the amount being distributed for spending and administration, currently set at 5.50%. This will be measured over the long term, capturing a full market cycle, as it is unlikely that the Fund's return will meet or exceed the spending rate in each individual year. Other important investment objectives are to achieve annualized returns in excess of the strategic policy portfolio blended benchmark (defined herein), measured over a full market cycle; and to outperform the median return of a pool of endowment funds of similar size with broadly similar investment objectives and policies.

VII. ASSET ALLOCATION

The policy portfolio for the Fund is a target or set of investments, based on long-term return, risk and correlation assumptions that balance the organization's need for liquidity, preservation of purchasing power, and risk tolerance. The ISC, with input and assistance from staff and external advisors, shall periodically examine the policy portfolio targets and consider adjustments to the asset allocation as may be appropriate (for example, due to a material change in the capital market assumptions). Changes to the policy portfolio targets will be reviewed and approved by the ISC and presented to the Budget, Finance and Investment Committee and the Board, as necessary.

In addition to being diversified across asset classes, the Fund will be diversified within each asset class. This will provide reasonable assurance that the performance of any single security, issuer or class of securities, or active manager will not have a disproportionate impact on the total Fund performance.

The most current asset allocation/strategic policy portfolio for the Fund is attached as **Appendix A.**

[1] Real total return is the sum of realized and unrealized capital appreciation (or loss) and current income in the form of dividends and interest, adjusted for inflation as measured by the Consumer Price Index.

VIII. REBALANCING

The Fund's actual asset allocation will be monitored monthly and reviewed by the ISC at its regular meetings relative to established policy portfolio targets and allowable ranges. Adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but rebalancing efforts will be made as practicable. Cash flow in or out of the Fund may create an opportunity to shift the allocation closer toward policy targets. The ISC may at times authorize investments in new or developing asset classes that are not part of the strategic policy portfolio at the time of their adoption, with the intention of revising the policy portfolio shortly thereafter.

IX. PERFORMANCE EVALUATION, BENCHMARKS, and ASSET CLASS CHARACTERISTICS

The performance objectives for the Total Fund, each asset class and each manager are outlined below, with the purpose of establishing specific parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation is on longer time periods as represented by a full market cycle.

Total Fund

There are a number of different benchmarks for assessing performance at the Total Fund level:

Policy Index – this custom benchmark compares the total return of the Fund to a blended benchmark based on applying the target policy weights of each underlying asset class to the performance of the asset class benchmarks. The individual asset class benchmarks are discussed in the next section.

Actual Index – this benchmark is composed of the current allocations for each of the underlying composite asset classes weighted against the corresponding returns of their respective benchmarks.

Undiversified Benchmark – this simple market benchmark helps the ISC evaluate the value added from a sophisticated investment program versus a portfolio that could be easily replicated through investment in index funds.

NACUBO-TIAA Study of Endowments (NTSE) – a universe of over 700 institutions, a broad peer universe against which the ISC compares the Fund's return. In addition to this specific annual study, the ISC may also compare the Fund's results to other relevant institutional investor comparisons.

Asset Classes & Managers

Each manager will be expected to outperform (net of fees) a benchmark that is appropriate based on the asset class and style of the manager, over a full market cycle. Performance results will be reviewed with the ISC at its regular meetings and in an interim period when there is a major event (personnel change, for example) at the firm. The manager will be evaluated on long-term performance so that shorter-term failure to meet the benchmark target returns is not an automatic basis for manager termination.

Due to the broad nature of the asset classes and the unique style of managers, it is important to note that the specific benchmark of the individual manager may not necessarily be the same as the benchmark for the particular asset class composite as defined below. For example, the Public Global Equity benchmark is MSCI ACWI but US equity managers, for example, will be compared to an appropriate US equity benchmark.

Asset Class	**Market Index Used in Policy Index**[2]	**Underlying Investments**
Public Global Equity	MSCI AC World Index (Net)	Portfolios are expected to focus on public global, US, international developed, and/or emerging markets.
Marketable Alternatives	Hedge Fund Research Inc. (HFRI) Fund of Funds Composite Index	Investment mandates may include: multi-strategy arbitrage, event arbitrage, distressed securities, credit/capital structure arbitrage and long/short equity investments in global markets.
Private Investments	MSCI ACWI, lagged	This asset class includes private investment strategies of all types, including but not limited to buyouts, venture capital, secondaries, distressed, real estate, private energy, and similar strategies. Market values and return information is lagged by one quarter, or more, as the underlying investments are not readily valued at the close of the latest quarter.
Fixed Income	Bloomberg Barclays U.S. Aggregate Bond Index	Holdings may consist of U.S. Treasury, U.S. government/agency, asset-backed, and corporate credit securities.
Cash	Self-benchmarked	Cash and cash equivalents

[2] Indices used in Policy Index are effective as of February 5, 2022.

Individual manager accounts will be monitored for consistency of each manager's investment philosophy and process, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. In the broadest sense, the monitoring process is intended to confirm that the reasons the manager was initially retained still hold true.

X. MANAGER GUIDELINES

Investment managers will be hired for a specific skill set, and the resulting investments will be made either through separately managed accounts or pooled vehicles. Each manager of a separate account will adhere to the firm's stated philosophy and investment strategy. Where investments are in commingled funds, mutual funds, off-shore funds or limited partnerships, the permissible investments are governed by the appropriate fund prospectus or offering memorandum. Some of these products permit the use of derivatives for certain investment strategies and in instances where a manager has demonstrated skill in effectively utilizing these instruments. For example, they may be used in reducing risk or replacing positions to gain flexibility and efficiency.

A. MANAGER REPORTING

Each investment manager of marketable assets will provide monthly portfolio valuations and total return net of all commissions and fees. On a quarterly basis, managers will report current holdings at market value, and purchases and sales for the quarter. Traditional marketable managers with whom UVM is invested through a separate account may be required to reconcile records of holdings, transactions, and dividend/interest income with the Fund's custodian on a periodic basis. Specialty managers (who manage hedge funds and non-marketable partnerships) will report on portfolio details with as much transparency as possible. Each of these managers will provide annually their most recent audited financial statements, which include the basis of accounting and the auditor's opinion. In addition, each specialty manager will disclose its respective valuation policies and procedures on an annual basis.

Regular communication from all managers concerning investment strategy and outlook is expected. The ISC will regularly review a Watch List that is maintained to highlight managers' relative performance when it is outside the normal range or expected returns, new organizational issues, and/or any significant changes in strategy that raise concerns. Additionally, managers are required to inform the University of Vermont of any significant change in firm ownership, organizational structure, professional personnel, or fundamental investment philosophy. Managers will also send a copy of their form ADV to the University at least annually.

B. PROXY VOTING GUIDELINES

University of Vermont's Endowment Accountant votes the shareholder proxies.

C. GUIDELINES FOR TRANSACTIONS

As a general guideline that should apply to all assets managed, transactions should be entered into on the basis of best execution, which is interpreted normally to mean best realized price.

Adopted by the Board of Trustees on February 5, 2011, to replace the former "Statement of Investment Objectives and Policies," as revised most recently on November 11, 2006.
Approved as revised by the Board of Trustees: February 9, 2013
Approved as revised by the Board of Trustees: February 8, 2014
Approved as revised by the Board of Trustees: February 6, 2016
Approved as revised by the Board of Trustees: February 3, 2017
Approved as revised by the Board of Trustees: May 19, 2018
Approved as revised by the Board of Trustees: October 27, 2018
Approved as revised by the Board of Trustees: May 18, 2019
Reaffirmed by the Board of Trustees: May 15, 2020
Approved as revised by the Board of Trustees: February 5, 2021
Approved as revised by the Board of Trustees: June 4, 2021
Approved as revised by the Board of Trustees: February 5, 2022
Reaffirmed by the Board of Trustees:

Appendix A

ASSET ALLOCATION POLICY TARGETS

April 2021

Asset Class	Target (%)	Allowable Range (%)
Public Global Equity	*45.0*	30-65
Marketable Alternatives	*10.0*	5-15
Private Investments	*35.0*	15-45
Fixed Income	*8.0*	5-25
Cash & Cash Equivalents	*2.0*	0-5

Targets last revised by Investment Subcommittee: April 21, 2021

Attachment 3

UNIVERSITY OF VERMONT
DEBT & LEVERAGE RATIOS
FY22

DEBT BURDEN RATIO:

Financial Statement Item	Ratio Position	FY22	FY21	FY20	FY19	FY18
Interest Due	Numerator	(22,863)	(23,847)	(22,832)	(23,659)	(23,316)
Principal Due	Numerator	(13,118)	(13,160)	(12,790)	(9,545)	(9,780)
Total Debt Service		**(35,981)**	**(37,007)**	**(35,622)**	**(33,204)**	**(33,096)**

Financial Statement Item	Ratio Position	FY22	FY21	FY20	FY19	FY18
Operating Expenses	Denominator	(698,237)	(674,863)	(696,530)	(681,320)	(668,359)
Interest Due	Denominator	(22,863)	(23,847)	(22,832)	(23,659)	(23,316)
Total Expenses		**(721,100)**	**(698,710)**	**(719,362)**	**(704,979)**	**(691,675)**
Debt Burden Ratio		**4.99%**	**5.30%**	**4.95%**	**4.71%**	**4.78%**

TOTAL CASH AND INVESTMENTS TO DEBT:

Financial Statement Item	Ratio Position	FY22	FY21	FY20	FY19	FY18
Cash and Cash Equivalents	Numerator	237,804	218,290	186,426	163,121	153,491
Operating Investments	Numerator	169,940	180,943	154,738	139,132	122,654
Endowment Cash, Cash Equivalents, and Investments	Numerator	461,862	497,741	392,725	405,763	409,822
Investments for Capital Activities	Numerator	63,022	63,934	46,778	44,420	41,247
Total Spendable Cash and Investments		**932,628**	**960,908**	**780,667**	**752,436**	**727,214**

Financial Statement Item	Ratio Position	FY22	FY21	FY20	FY19	FY18
Bonds and leases payable - Current	Denominator	16,827	15,140	15,268	14,420	11,165
Bonds and leases payable - Noncurrent	Denominator	541,865	555,176	570,994	530,972	545,391
Total Long-Term Debt		**558,692**	**570,316**	**586,262**	**545,392**	**556,556**
Spendable Cash and Investments to Debt Ratio		**1.67**	**1.68**	**1.33**	**1.38**	**1.31**

Attachment 4

The University of Vermont

Office of the Vice President for
Finance and Administration

Vice President's Report

February 10, 2023

Board of Trustees
Budget, Finance and Investment Committee

Prepared By
Richard H. Cate, Vice President for Finance and Administration

Moody's Credit Review

Moody's Investors Service recently conducted its annual credit review of the University and reaffirmed our Aa3 rating. The highlights, extracted directly from the report, appear below. (EBIDA refers to Earnings Before Interest, Depreciation, and Amortization)

Credit strengths

» Vermont's flagship and land-grant university, including an academic medical center affiliation, located in the state's economic center of Burlington
» Strong wealth and liquidity relative to operations with fiscal 2022 total cash and investments to expenses of 1.5x and 318 monthly days cash on hand
» Demonstrated track record of expense discipline with consistently solid EBIDA margins and very good debt service coverage
» Manageable leverage at 2.0x times wealth to debt and limited additional debt plans

Credit challenges

» Constrained tuition setting flexibility given very high net tuition per student, rising financial aid needs and highly competitive student market
» Very low state support at 6.5% of operating revenue and less than $2 million in annual capital appropriations
» Highly competitive federal research funding environment
» Some exposure to healthcare volatility related to its affiliated partner, UVM Health Network

Rating outlook
The stable outlook reflects our expectation that UVM's disciplined financial management will maintain positive operating performance despite modest state funding and a highly competitive student market.

Factors that could lead to an upgrade
» Substantial improvement in wealth relative to operations and debt
» Improved student demand, including stronger matriculation and consistent growth of net tuition revenue

Factors that could lead to a downgrade
» Sustained deterioration of operating cash flow and debt service coverage
» Substantial new debt issuance absent growth of revenue and reserves
» Material erosion of liquidity

Annual Green Revolving Loan Fund Update

The Vice President for Finance and Administration is required to provide an annual update on the $13.0 million Green Revolving Loan Fund. The following list of projects represents those that have been initiated, are underway, or are completed. The University has committed $5,594,527. We received $340,488 in rebates from the utility companies for projects, for a net cost of $5,254,039. The projects have an average annual savings to the general fund of $998,953. Utilities savings from the Chiller Plant expansion has already resulted in $3,000,000 of which $600,000 has been paid back to the fund in 2022. The balance in the fund as of December 31, 2022, is $11,784,433.

$13M Green Energy Revolving Fund Project Tracking (01-00001-110-105501-601-0000-0000-0000)- December 31, 2022

Project Number	Project Description	Type	Lifespan (Yrs)	Project Create Date	Project Completion	Project Start Year	First Payback Year	Initial Total Project Cost	Initial Rebate	Enter Final project cost less final rebate, i.e. final from Loan Fund, if diff from original plan	Initial Total From Loan Fund	Total Interest	Total Payback	Est. Cost Per Unit	No. Units (MCF for Gas, kWh for Electric)	Annual Savings Estimate
026909	LUMEC Ext Lighting Phase I	Electric	15.00	3/5/2012	9/30/2012	2012	2014	31,237.78	21,525.00		9,712.78	-	9,712.78	0.148	34,932	5,169.94
026916	Simpson Hall Insulation HVAC	Gas	20.00	3/6/2012	7/31/2012	2012	2014	16,160.00	8,221.00		7,939.00	-	7,939.00	5.15	1,343	6,916.45
026971	L/L Mechl/Elect THERMAXX	Gas	20.00	3/28/2012	5/31/2012	2012	2013	24,633.00	7,883.00		16,750.00	-	16,750.00	5.15	919	4,732.85
027168	Shoebox LED Ext Lighting	Electric	15.00	4/26/2012	9/30/2012	2012	2014	26,615.00	17,675.00		8,940.00	-	8,940.00	0.148	69,365	10,266.02
027261	Bollard LED Ext Lighting	Electric	10.00	5/25/2012	7/31/2012	2012	2014	6,353.27	-		6,353.27	-	6,353.27	0.148	27,815	4,116.62
027262	UH South-Thermal Blankets	Gas	20.00	5/25/2012	8/31/2012	2012	2014	18,315.92	4,560.00		13,755.92	-	13,755.92	5.15	456	2,348.40
027263	KIM LED Exterior Lighting	Electric	15.00	5/25/2012	7/31/2012	2012	2014	8,088.80	3,325.00		4,763.80	-	4,763.80	0.148	4,322	639.66
027264	UH North-Thermal Blankets	Gas	20.00	5/25/2012	6/30/2012	2012	2013	14,751.00	6,390.00		8,361.00	-	8,361.00	5.15	639	3,290.85
027475	LUMEC Ext Lighting Phase II	Electric	15.00	7/26/2012	8/31/2012	2013	2014	24,668.00	17,080.00		7,588.00	-	7,588.00	0.148	34,932	5,169.94
027481	Christie - Blankets Phase I	Gas	20.00	7/30/2012	9/30/2012	2013	2014	19,498.05	4,925.00		14,573.05	-	14,573.05	5.15	695	3,579.25
027482	Christie-Blankets Phase II	Gas	20.00	7/30/2012	9/30/2012	2013	2014	13,065.03	3,300.00		9,765.03	-	9,765.03	5.15	602	3,100.30
031072	Energy Improvements Waterman	Gas/Electric	various	7/28/2015	6/30/2016	2016	2017	467,095.00	119,680.00	241,899.52	347,415.00	-	241,899.52			55,623.00
032767	Miller Research Farm Solar	Electric		10/24/2016	6/30/2018	2017	2019	42,000.00	25,000.00		17,000.00	-	17,000.00			2,437.00
031749	Attain Net Metering	Gas		3/3/2016	6/30/2018	2016	2017	800,000.00	-		800,000.00	-	800,000.00			114,285.71
029781	Chiller Plant Expansion	Gas/Electric	25.00	6/11/2014	6/30/2016	2014	2018	3,000,000.00	-		3,000,000.00	-	3,000,000.00			600,000.00
035941	Staffod 2nd Fl Fume Hood Upgr	Gas		3/20/2019	8/13/2021	2019	2022	115,013.94	40,924.00		74,089.94	-	74,089.94			37,277.00
038582	CFR 13M Revolving Fund Project	Gas/Electric		4/20/2021		2021		967,032.24	60,000.00		907,032.24	-	907,032.24			140,000.00
Subtotal Active Projects								**5,594,527.03**	**340,488.00**	**241,899.52**	**5,254,039.03**	**-**	**5,148,523.55**			**998,952.98**
									-		-	-	-			
									-		-	-	-			
Subtotal Planned Projects								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total - Active & Planned Projects								**5,594,527.03**	**340,488.00**		**5,254,039.03**	**-**	**5,148,523.55**			**998,952.98**