

**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, September 25, 2019 at 8:35 a.m. The meeting was held via remote conferencing due to the COVID-19 pandemic.

MEMBERS PRESENT: Chair Don McCree, Vice Chair Briar Alpert, President Suresh Garimella, David Aronoff, Robert Brennan, Kevin “Coach” Christie, John Dineen, David Gringeri, Ed Pagano and Tristan Toleno

REPRESENTATIVES PRESENT: Faculty Representatives Jane Knodell and Terri Donovan¹, Foundation Representative Bob Plante, Alumni Representative Myron Sopher², Staff Representatives Joshua Tyack and Renee Berteau, Graduate Student Representatives Aayudh Das and Avery Rasmussen

PERSONS ALSO PARTICIPATING: Board Chair Ron Lumbra, Vice President for Finance and Administration Richard Cate, University Controller Claire Burlingham, University Budget Director Shari Bergquist, Foundation President/CEO Shane Jacobson, Director of Athletics Jeff Schulman and Director of Planning, Design and Construction Paula Carlaccini

OTHER TRUSTEES IN ATTENDANCE: Cynthia Barnhart, John Bartholomew, Joey Donovan, Carolyn Dwyer, Jodi Goldstein, Carol Ode³, Shap Smith, Berke, Tinaz and Samuel Young

ABSENT: Student Representatives Sophie Smith and Lana Al-Namee

¹ Joined the meeting at 8:41 a.m.

² Joined the meeting at 9:13 a.m.

³ Joined the meeting at 8:44 a.m.

Chair Don McCree called the meeting to order at 8:38 a.m. He began by welcoming new representatives Jane Knodell, Bob Plante, and Aayudh Das to the committee.

Approval of minutes

A motion was made, seconded and voted to approve the minutes of the May 15, 2020 meeting.

Fiscal Year (FY) 2021 budget

Chair McCree opened the discussion by emphasizing that the University’s financial challenges go beyond the current year. He reminded committee members that because of the uncertainty regarding undergraduate and graduate enrollment due to the COVID-19 pandemic, the board approved an interim budget through September 30, 2020. He stressed that there is still much work to do to solve ongoing COVID-19-related and other structural budget issues.

Vice President Richard Cate then presented an overview of the FY 2021 operating budget of \$741 million, as presented in attachment 2 of the meeting materials.

Thirty percent (\$225.4 million) of the operating budget are restricted funds, which includes \$33.4 million of state and federal COVID funding. Funds received directly from the state must be used for COVID-related purchases by December 30, 2020.

Referring to the details of the full-year general fund budget proposal (\$370.3 million), Vice President Cate reported that most of the revenue streams, other than net tuition, are projected to be similar to last year's numbers. However, he pointed to the decline in in-state and out-of-state tuition as a significant issue. Given the current level of the university's reserves, Chair McCree emphasized that the goal is to use as little of those reserves as possible to make up this deficit, which means that this will most likely be an additional strain on the operating budget moving forward.

Vice President Cate indicated that the university is closing the budget gap through salary reductions, base-budget (permanent) reductions, and other means. Support centers budgets already have been reduced by \$11.4 million; academic units have a \$9.5 million gap to cover. Board leadership stressed the need to develop an organizational structure that does not rely on the use of one-time reserves to address ongoing budget challenges.

Vice President Cate and Chair McCree commended University Budget Director Shari Bergquist and her team on their excellent work throughout this difficult budget process.

Summer session tuition

Vice President Cate explained that with a 0% tuition increase, the proposal is for summer session tuition rates to remain the same as the FY 2020 rates.

The following resolutions were presented to the committee.

Resolution approving Fiscal Year 2021 budget planning assumptions: general fund

RESOLVED, that the Board of Trustees hereby approves the budget planning assumptions for Fiscal Year 2021, which lead to a General Fund operating expense budget for the University of \$370,334,000, and hereby authorizes the President to proceed with detailed budget preparation in accordance with these assumptions.

Resolution approving summer session tuition

BE IT RESOLVED, that the Board of Trustees hereby approves the tuition rate for summer session 2021 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 2021 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 resolutions were unanimously approved as presented for recommendation to the board.

Report of the Investment Subcommittee (ISC)

ISC Chair Robert Brennan referred committee members to the supplemental performance update report provided by Cambridge Associates. As of July 31, 2020, the University's endowment balance was \$557 million.

As recommended by the Investment Subcommittee, the committee was asked to reaffirm the Endowment Budget policy with no changes, and to approve a revision to the Endowment Management Fee policy to include the fiscal year end date for which the administrative management fee shall be applied to the University endowment.

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

(As recommended by the Investment Subcommittee on August 12, 2020)

Resolution reaffirming the Endowment Budget policy

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

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

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

Resolution approving revisions to the Endowment Administration Fee policy

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

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves an endowment management fee equal to 25 basis points to be applied to the University endowment from July 1, 2020 through December 31, 2020, and which shall flow to the University; and

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 January 1, 2021 and continuing through June 30, 2022; 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

Amended: Board of Trustees - May 15, 2020

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 regarding the FY 2020 financial statement audit. To date, there are no material weaknesses or significant deficiencies, and it appears that UVM will once again receive a "clean" audit. Vice President Cate noted that this report was due to the excellent work of Controller Burlingham and her team.

- **Dual enrollment**

University Budget Director Shari Bergquist presented a dual enrollment update per the annual reporting requirement. As of September 25, 2020, for FY 2020, 424 students took classes at UVM through the Dual Enrollment Voucher program. This compares to 403, 371 and 450 Dual Enrollment students in FY 2019, FY 2018 and FY 2017 respectively. In FY 2020, there were another 100 high school students who took classes at UVM outside of the Dual Enrollment voucher program. This compares to 97, 51 and 116 high school students in FY 2019, FY 2018 and FY 2017 respectively.

Champlain Community Sailing Center

The University wishes to enter into a lease amendment with Lake Champlain Community Sailing Center to allow extension of the current agreement for leased space for up to three additional three-year terms. This extension puts the aggregate time over five years, which requires board approval.

The following resolution was presented to the committee for approval for recommendation to the board:

Resolution authorizing lease agreement extension with Champlain Community Sailing Center

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is hereby authorized to negotiate and execute three optional three-year extension terms of the existing lease with Lake Champlain Community Sailing Center for storage space at 505 Lake Street, Burlington, Vermont, for use by UVM Sailing Club, subject to material terms and conditions reported on this date. The lease extension will begin November 1, 2020, and end October 31, 2029, if all renewal terms are exercised.

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

Executive Session: On-Campus Multipurpose Center update

At 9:32 a.m., Chair McCree entertained a motion to enter into executive session for the purpose of discussing contracts, premature public knowledge of which would clearly place the university at a substantial disadvantage.

Public members listening to the meeting were advised that the session would last for approximately 20 minutes with no action anticipated following.

The motion was seconded and approved. Everyone was excused from the meeting with the exception of Trustees, Provost & Senior Vice President Patricia Prelock, Vice President for Legal Affairs & General Counsel and Chief of Staff to the President Sharon Reich Paulsen, Vice President for Finance and Administration Richard Cate, Foundation President/CEO Shane Jacobson, Director of Athletics Jeff Schulman, Director of Planning, Design and Construction Paula Carlaccini and Special Assistant to the Chief of Staff Erin Dickinson.

The meeting re-opened to the public at 10:02 a.m.

Adjournment

There being no further business, the meeting was adjourned.

Respectfully submitted,

Don McCree, Chair