

BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

A meeting of the Board of Trustees of the University of Vermont and State Agricultural College was held on Saturday, February 3, 2018, at 8:00 a.m. in the Livak Ballroom, 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Chair David Daigle, Vice Chair Ron Lumbra, Secretary Donna Sweaney, Briar Alpert, David Aronoff*, Robert Brennan*, Frank Cioffi, Johannah Donovan, Carolyn Dwyer, Bernie Juskiewicz, Curt McCormack, Caitlin McHugh, Don McCree, Anne O'Brien, Ed Pagano, Shap Smith, Tom Sullivan, Soraiya Thura, Lisa Ventriss and Jeff Wilson

MEMBERS ABSENT: Cynthia Barnhart, John Bartholomew, Richard Gamelli, Governor Phil Scott and Tristan Toleno

ALSO PARTICIPATING: Provost and Senior Vice President David Rosowksy, Vice President for Legal Affairs and General Counsel & Senior Advisor to the President Sharon Reich Paulsen, Vice President for Finance and Treasurer Richard Cate, Vice President for University Relations and Administration Thomas Gustafson, Vice President for Human Resources, Diversity & Multicultural Affairs Wanda Heading-Grant, Vice President for Executive Operations Gary Derr, and incoming Trustees Otto Berkes and Sidney Hilker

*participated via conference phone

Chair David Daigle called the meeting to order at 8:03 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the October 21, 2017 meeting as presented.

Public Comment

There were no public comments.

Before Committee Chairs offered their reports, Trustees viewed a video titled "A New UVM" highlighting and celebrating campus transformations and a few of the unforgettable moments that defined life at the University of Vermont in 2017. The video can be viewed at:

<https://www.uvm.edu/newsstories/news/new-uvm>

Committee Reports

Audit Committee

Vice Chair Jeff Wilson offered highlights from the Audit Committee meetings held on February 1, 2018 and on November 6, 2017. At the November meeting, the FY 2017 Annual Financial Report was presented. The audit resulted in no significant deficiencies or material weaknesses.

The Committee accepted and referred the FY 2017 audited financial statements to the full Board for acceptance at this meeting. An update on Compliance Program activity was provided and results from the annual compliance survey were shared. Survey results indicated an increase in both awareness and cultural measures. Chief Internal Auditor William Harrison and Director of Compliance Services Tessa Lucey presented their draft work plans noting the inclusion of proactive advisory services and the connection between the work plans and the Enterprise Risk Management (ERM) program. The Committee also reviewed its work plan for the coming year and agreed regular updates on information security should occur at each meeting.

At Thursday's meeting, KPMG reported on the results of the 2017 Uniform Guidance audit pertaining to federally sponsored programs. KPMG reported that no findings related to compliance and internal control were identified during the audit. KPMG also presented the FY 2017 NCAA Agreed-Upon Procedures Report noting no significant adjustments were identified as a result of the procedures performed. The Chief Internal Auditor provided updates on internal audit activity, significant current projects, the administrative review process, and the status of internal audit recommendations. Chief Risk & Public Safety Officer Al Turgeon provided the Committee with a status update on the ERM program. The Committee reviewed the CY 2017 annual risk assessment process and results depicted in the UVM Risk-Opportunity Portfolio-Register heat map. The CY 2018 schedule of Management Response Plan presentations by responsible officials to their assigned Board of Trustees' committee was also reviewed. Vice Chair Wilson presented an overview of the results of the 2017 Audit Committee Assessment survey, noting that overall, the survey participants agreed that the Committee performs effectively. Lastly, Chief Information Officer and Dean of University Libraries Mara Saule and Director of Systems Administration and Architecture Mike Austin provided an update on the Data Center Reliability Management Response Plan.

Board Chair Daigle inquired about KPMG's role with information security. Chief Internal Auditor Harrison advised KPMG's role is limited to internal controls and that an RFP for information technology auditing has been initiated to address information security and governance.

Educational Policy and Institutional Resources Committee (EPIR)

Committee Chair Donna Sweaney offered highlights from the meeting held yesterday afternoon. The meeting began with an opportunity for Committee members to offer comments and ask questions pertaining to the following written reports pre-distributed in the meeting materials: Provost's Report, Capital Projects Progress Report, and annual reports from the Vice President for Human Resources, Diversity & Multicultural Affairs and Student Affairs.

Director of Capital Planning and Management Bob Vaughan reviewed two capital projects which the Committee endorsed and referred to the Budget, Finance & Investment Committee. They include:

- A proposal for the Billings Building Envelope Restoration. This project supports the interior Library project by performing deferred maintenance work on the building envelope. It is estimated that the project will cost \$3.0 million. It is proposed to utilize

existing unrestricted deferred maintenance funds that currently exist in the Physical Plant budget.

- A proposal for the Torrey Building Envelope Restoration. This project includes renovation of the exterior of Torrey Hall. It is estimated that the project will cost 2.9 million, based on the current estimates. It is proposed to utilize existing unrestricted deferred maintenance funds that currently exist in the Physical Plant budget.

Provost David Rosowsky led an in-depth discussion of UVM's place in the current landscape of challenges and opportunities facing American higher education. The Committee discussed the increasing cost of education while support from the public is diminishing, engaging graduate students in the UVM community, dependency on "non-traditional" tuition, the current era of continually diminishing resources, and how to make it more affordable for students to attend UVM.

Faculty Senate Curricular Affairs Committee (CAC) Chair Laura Almstead presented six proposals to create new programs and one termination for the Committee's consideration. All were unanimously endorsed and are included on today's consent agenda. Proposals were inspired by students and include the following:

1. A new Master of Science (MS) in Biomedical Engineering (BME) in the College of Engineering and Mathematical Sciences in conjunction with the Graduate College. The general goals of the degree are to development in students a solid foundation in the quantitative methods of engineering and to provide opportunities to apply them to biomedical problems. The proposed MS in BME fills a present void between an established PhD program in Bioengineering and a newly introduced Bachelor of Science program in Biomedical Engineering.
2. A new Master of Science in Engineering Management in the College of Engineering and Mathematical Sciences in conjunction with the Graduate College. The proposed degree is designed for students who intend to pursue careers related to the management of engineering, largely in private sector industry or government service.
3. A new PhD in Complex Systems and Data Science in the College of Engineering and Mathematical Sciences in conjunction with the Graduate College. This transdisciplinary program will train students to understand and solve data-rich, complex systems problems across disciplines. A specific objective of the program is to prepare scientists versed in tools and techniques for data collection, hypothesis development, and analysis.
4. A new major and minor in Health and Society in the College of Arts and Sciences. The newly proposed major and minor are cross-college interdisciplinary programs that explore human health, focusing on the social sciences and employing a public health approach.
5. Creation of a Master of Professional Studies (MPS) degree and a request by the Rubenstein School of Environment and Natural Resources in conjunction with the

Graduate College to change the existing Leadership for Sustainability Concentration in the Master of Science in Natural Resources to a separate Master of Professional Studies in Leadership for Sustainability. MPS degrees provide a mechanism to deliver advanced curriculum and targeted skills development that keeps pace with the evolution of professional options in the workplace.

6. A new Undergraduate Certificate in Integrative Healthcare and a new Continuing and Distance Education Certificate in Integrative Healthcare in the College of Nursing and Health Sciences and Continuing and Distance Education. The proposed certificates seek to inform undergraduate students about the methods, evidence base, and philosophical underpinnings of integrative health and medicine.
7. Termination of the Certificate of Graduate Study in Sustainable Transportation Systems and Planning in the Graduate College. No students are currently enrolled in the program.

The Committee also reaffirmed the two policies due for annual review for compliance purposes: the Equal Employment Opportunity/Affirmative Action Policy Statement and the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement.

Associate Provost for Teaching and Learning Brian Reed offered a progress report on the assessment of the general education student learning outcomes. The assessment initiative is in the second year of establishing a University system to promote and support the assessment of student learning outcomes in the academic programs including general education. Good progress has been made toward assessing the outcomes. Associate Provost Reed provided a brief summary of the status of assessment for the following general education requirements: Foundational Writing and Information Literacy (FWIL), Diversity, Sustainability, and Quantitative Reasoning.

Lastly, Provost David Rosowsky, Vice President for Research Richard Galbraith, and Acting Director of the Gund Institute for Environment Donna Rizzo gave a presentation on the fourth Academic Excellence Goal which calls for increasing interdisciplinary teaching, research and scholarship.

Board Chair David Daigle shared he was present for the discussion of UVM's place in the current landscape of challenges and opportunities facing American higher education. He emphasized the need for this topic to continue to be discussed and the need to be mindful of warning signs.

Trustee Soraiya Thura inquired about the timeline for the assessment of learning outcomes of the general education requirements. Provost Rosowsky responded in 2016-17, Foundational Writing and Information Literacy's assessment focus was on Information Literacy. The method involved direct measures of student performance as rated by faculty and marked UVM's first large-scale assessment of a general education requirement. The Diversity Assessment Committee will conduct direct assessment of student outcomes in a cohort of D1 courses during the spring 2018 semester. The Sustainability Assessment Committee has taken a mixed methods approach that includes student focus groups, faculty interviews and end of semester surveys of faculty. The Committee expects to complete its data analyses by later this month. Quantitative Reasoning is

the newest of the general education requirements. It became effective for the current academic year (2017-2018) and the Quantitative Reasoning Assessment Committee is developing a rubric to determine the extent to which students are achieving the outcomes. He concluded by noting that the website for General Education is currently being redesigned and that the assessment timeline and outcomes will be available on the new site.

Budget, Finance and Investment Committee (BFI)

Chair Don McCree reported that as required by the Debt Policy, the Committee conducted its annual review of the policy and the debt burden and viability ratios. The University's viability ratio is currently 0.60 as contrasted with the policy benchmark of .8. This is primarily due to the GASB 45 liability. Without this factor, the University viability ratio would be 1.01. The Debt Policy also states that the institution's debt burden ratio will not be greater than 5.75%, and that by 2023 it will not be greater than 5%. The debt ratio is currently 5.25% and therefore in compliance with the current policy requirements. The Committee voted unanimously to reaffirm and refer the Debt Policy to the full Board.

Chair McCree offered Investment Subcommittee (ISC) Chair's report noting that as of December 31, 2017, the value of the endowment is \$528 million and due to market growth in 2017, the endowment ended the year stronger than expected. He added that the portfolio had outperformed the benchmarks in the total real asset category, the marketable alternatives, fixed income, and developed markets equity, but had under-performed in the US equity portfolio. In a couple of weeks, the ISC will meet in Boston to interview managers and discuss asset allocations after which any adjustments to the University's portfolio will be recommended to the Board.

UVM Foundation CEO Shane Jacobson updated the Committee on the progress in fundraising for capital projects. He reported that of the \$11.0 million non-debt goal and total project cost for Ifshin Hall, \$8.1 million has been committed as of December 31, 2017. The STEM facility will be funded by a mix of private gifts and non-debt funding. As of December 31, 2017, the Foundation had commitments and receipts totaling \$10.5 million for this project. The remaining non-debt goal is \$15.5 million and the donor pipeline is still robust.

Vice President for Finance & Treasurer Richard Cate reported on the following:

- The first quarter general fund budget to actuals report indicates that 45% of budgeted revenue has been received and 29% of budgeted expenses have been expended. The budget is on track to end the year with a modest positive fund balance.
- The University Net Assets totaled \$225.2 million at the end of FY 2017. In keeping with the amendments to the Cash Management Policy, the unencumbered unrestricted liquidity pool exceeds \$30 million by \$7 million.
- In regards to the \$13 million Green Revolving Loan Fund, the University has committed \$712,481.00 and received \$239,564.00 in rebates from the utility companies for a net cost of \$472,917.00. Trustees were reminded that the Board approved using \$3 million of the Fund to help finance the Chiller Plan Expansion.

The Committee received an annual update on the strategic financial plan. The Division of Finance leadership, working with consultants from Kaufman Hall, have developed a strategic financial plan model that assists the administration and the trustees in analyzing the University's financial condition and the impact of any proposals for future projects that require funding. Vice President Cate presented a case scenario and offered a long-term strategy option.

The Committee reviewed the draft assumptions for the FY 2019 budget. This year, the Student Government Association (SGA) is proposing an increase of \$10.00, an increase of 4.9%, to accommodate salary and benefits and an increase in club funding. The maximum proposed comprehensive student fee, excluding the SGA and Inter Residence Association (IRA) fees, reflects a 4.6% increase. This year a fee for the City of Burlington Capital Projects was added to cover the new payment that the University is making to the City of Burlington. There are a few components of the comprehensive fee for which the proposed increases are over 3.0% for FY 2019: the Center for Academic Success, Library Facilities and Career Center. While these increases are substantially above inflation in this particular year, their increases in the past years have been marginal.

The Committee voted unanimously to approve a resolution setting the Comprehensive Fee, SGA, and IRA Fees for fiscal year 2019 for recommendation to the full Board.

In accordance with the deferred maintenance plan that was presented at the February 2017 meeting, the administration requested authority to borrow \$4.0 million for FY 2019 deferred maintenance projects that will be completed during FY 2018 and FY 2019. The Committee endorsed the resolution as amended and presented in the revised consent agenda distributed this morning.

The Committee also endorsed the administration recommendation for funding for the next phase of the Multipurpose Center project development work and permitting. The first phase includes the completion of design development and the initial permit applications. The estimated cost of phase one is \$1.5 million, which will be funded by the remainder of the cash receipts and pledges that the Foundation has received to date. The funding for the second phase would pay for the other components described above and would amount to \$2.0 million.

Lastly, the Committee authorized the funding for the Billings and Torrey Hall Building Envelope Restoration projects as referred by the EPIR Committee.

Board Governance Committee

Chair Frank Cioffi reported that the Committee convened on November 15, 2017 to initiate the nominations process. In advance of the meeting, a memo was issued to the Board reviewing the process. Following the meeting, Committee members communicated to individual trustees to solicit nominations. The Committee reconvened on December 12, 2017 and at the conclusion of that meeting, guided by the input of all participating Trustees, and its own deliberations, a memo was issued to the full Board advising of the following slate of officers for Board action:

Chair: David Daigle
Vice Chair: Ron Lumbra

Secretary: Donna Sweaney
Ass't Sec'y: Sharon Reich Paulsen

Following committee reports today, we will vote on the slate for Vice Chair, Secretary and Assistant Secretary. Additionally, the following slate of university officers will be recommended:

Provost: David Rosowsky
Treasurer: Richard Cate

In accordance with the University Charter, the Chair is elected at the first meeting after new Trustees terms begin on March 1st. The election of Chair will occur at a special Board meeting scheduled on March 5th at 1:00 p.m.

Vermont Agricultural College Board

Vice Chair Anne O'Brien reported President Tom Sullivan and Director of State and Federal Relations Wendy Koenig discussed items of importance to the University of Vermont as they pertain to the current legislative session, including the ask of \$1.5 million for low to lower-middle income Vermont student financial aid, and an additional \$1 million for the UVM Morgan Horse Farm. She thanked Chair Daigle and Vice Chair Lumbra for joining President Sullivan on Thursday to testify before the House and Senate Appropriations and Education Committees and for sharing their stories of being first generation Vermonters who have benefited from a UVM education.

Dean of the Agricultural College of Life Sciences (CALs) Tom Vogelmann provided an overview of recent notable events including reintegration with Extension and strengthening the College's land grant mission; revitalization of the historic Morgan Horse Farm and realignment with academic programs; and a description of the wide range of educational opportunities for students designed to create the next generation of citizens and leaders. She noted that 73% of student enrolled in the CALs are women.

Vice Chair O'Brien summarized the results of last year's legislative summit on water quality noting it was well attended with approximately 80 attendees and thanked the Provost's Office for funding. The Board also discussed a topic for the 2018 summit, and provisionally decided to explore The Sustainability of Vermont Rural Communities. They agreed to consult internally, and with the Legislative Rural Economic Development Caucus, about ideas related to the topic, and will evaluate the feasibility and match with UVM's research strengths before the next board meeting.

Vice Chair Lumbra shared his thoughts on his visit to the Statehouse acknowledging it was a wonderful day and that he enjoyed seeing Trustees and the operations of citizens' governance in action. Following President Sullivan's outline of legislative priorities he and Chair Daigle had an opportunity to share their stories as first generation Vermonters to attend UVM, how the institution supported and nurtured them as a student, their current profession and why they are currently serving in leadership positions on the Board. He felt the conversation was very good and the people listened intently.

Chair Daigle shared that he too enjoyed the experience. President Sullivan thanked Trustee Donna Sweaney for attending and offering her support. Trustee Bernie Juskiewicz added that the presentation was well received and that he heard numerous positive comments.

University of Vermont Board

Chair Lisa Ventriss reported the Board reviewed and accepted the annual Wilbur Trust Grant & Scholarship Awards Report. The Wilbur Trust Fund currently has assets totaling \$22 million from which a portion is used to help make tuition more affordable for Vermont high school students. In academic year 2016-2017 one hundred forty two Vermont residents received grants totaling \$949,749.

The Board also reviewed a summary of the Wilbur Trust Fund financial report from July 1, 2017 through November 30, 2017.

Ron Lumbra and Briar Alpert were elected Chair and Secretary respectively to succeed Lisa Ventriss and Richard Gamelli who will complete their terms of service at the end of the month.

Election of Board Officers

Chair Daigle announced that the Board would next be electing the following Board officers: Vice Chair, Secretary and Assistant Secretary, along with University officers, and that each officer elected will take office effective March 1, 2018. Trustees were again reminded that, in accordance with the University Charter, the Chair is elected at the first meeting following the election of new Trustees.

He then asked Frank Cioffi, Chair of the Board Governance Committee, to identify the slate by office and proposed nominee.

Committee Chair Cioffi presented the following slate:

Chair: David Daigle [no action]
Vice Chair: Ron Lumbra
Secretary: Donna Sweaney
Assistant Secretary: Sharon Reich Paulsen

Chair Daigle asked for additional nominations. No further nominations were made.

A motion was made, seconded and Trustees voted unanimously to elect the proposed slate of Board officers.

In accordance with the Bylaws, Board Chair Daigle next entertained a motion for appointment of the following University officers by virtue of their office for a one-year term beginning March 1, 2018, or until their successors take office:

Provost: David Rosowsky
Treasurer: Richard Cate

A motion was made, seconded and Trustees voted unanimously to elect the proposed slate of University officers.

Chair Daigle acknowledged that Thomas Sullivan continues as President, his appointment as previously approved by the Board.

Approval of Consent Agenda

Chair Daigle introduced the revised consent agenda, noting that retiring Trustee resolutions have been included in addition to resolution #2 following recommendation by the Committee of the Whole yesterday. An opportunity for discussion was offered. There being none, the Chair presented the following resolutions to be voted on as a consent agenda:

COMMITTEE OF THE WHOLE

(As recommended by the Audit Committee, November 6, 2017)

1. Acceptance of Fiscal Year 2017 Audited Financial Statements

WHEREAS, the financial Statements of the University of Vermont and State Agricultural College for the Fiscal Year (FY) ended June 30, 2017, have been audited by KPMG LLP, Certified Public Accountants, in accordance with 16 V.S.A. Section 2281(a);

BE IT RESOLVED, that the Board of Trustees hereby accepts the FY 2017 Audited Financial Statements as recommended by the Audit Committee and presented today, and acknowledges receipt of the FY 2017 Financial Report.

2. Authorizing Resolution Related to UVM's Participation in the City of Burlington's Ten Year Capital Plan

RESOLVED, that the Board of Trustees hereby authorizes the Vice President for Finance and Treasurer, or his successor or designee, to execute an agreement with the City of Burlington with a twenty year term, regarding the University's participation in the City of Burlington's ten year capital plan, on material terms substantially consistent with the report and recommendations of the administration given on this date.

EDUCATIONAL POLICE & INSTITUTIONAL RESOURCES

3. Resolution Approving Billings Building Envelope Restoration

WHEREAS, the administration today reported on the strategic and operational need for the Billings Building Envelope Restoration Project and the associated program scope;

THEREFORE, BE IT RESOLVED, that the Committee hereby approves the project scope that the administration presented on this date and refers the Project to the Budget, Finance & Investment Committee for financial review and approval.

4. **Resolution Approving Torrey Building Envelope Restoration**

WHEREAS, the administration today reported on the strategic and operational need for the Torrey Building Envelope Restoration Project and the associated program scope;

THEREFORE, BE IT RESOLVED, that the Committee hereby approves the project scope that the administration presented on this date and refers the Project to the Budget, Finance & Investment Committee for financial review and approval.

5. **Resolution Approving the Creation of a MS in Biomedical Engineering in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a MS in Biomedical Engineering in the Graduate College, as approved and advanced by the Provost on December 8, 2017 and the President on December 10, 2017.

6. **Resolution Approving the Creation of a MS in Engineering Management in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a MS in Engineering Management in the Graduate College, as approved and advanced by the Provost on December 20, 2017 and the President on January 10, 2018.

7. **Resolution Approving the Creation of a PhD in Complex Systems and Data Science in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a PhD in Complex Systems and Data Science in the Graduate College, as approved and advanced by the Provost on December 20, 2017 and the President on January 10, 2018.

8. **Resolution Approving the Creation of a BA Major and a Minor in Health and Society in the College of Arts and Sciences**

RESOLVED, that the Board of Trustees approves the creation of a BA Major and a Minor in Health and Society in the College of Arts and Sciences, as approved and advanced by the Provost on December 20, 2017 and the President on January 9, 2018.

9. **Resolution Approving the Creation of a Master of Professional Studies and a Master of Professional Studies in Leadership for Sustainability in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a Master of Professional Studies in the Graduate College as approved and advanced by the Provost on January 8, 2018 and the President on January 16, 2018; and

BE IT FURTHER RESOLVED, that the Board of Trustees approves the creation of a Master of Professional Studies in Leadership for Sustainability in the Graduate College,

as approved and advanced by the Provost on January 8, 2018 and the President on January 16, 2018.

10. **Resolution Approving the Creation of Certificates in Integrative Health Care in the College of Nursing and Health Sciences and in Continuing and Distance Education**

RESOLVED, that the Board of Trustees approves the creation of Certificates in Integrative Health Care in the College of Nursing and Health Sciences and in Continuing and Distance Education, as approved and advanced by the Provost on December 8, 2017 and the President on December 10, 2017.

11. **Resolution Approving the Termination of the Certificate of Graduate Study in Sustainable Transportation Systems and Planning in the Graduate College**

RESOLVED, that the Board of Trustees approves the termination of the Certificate of Graduate Study in Sustainable Transportation Systems and Planning in the Graduate College, as approved and advanced by the Provost on December 20, 2017 and the President on January 10, 2018.

12. **Resolution Reaffirming Equal Opportunity Policy Statements**

RESOLVED, that the Board reaffirms the Equal Employment Opportunity/Affirmative Action Policy Statement, attached here as Appendix A; and

BE IT FURTHER RESOLVED, that the Board reaffirms the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement, attached here as Appendix B.

BUDGET, FINANCE & INVESTMENT

13. **Resolution Reaffirming 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 2017;

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

14. **Resolution Authorizing Short-Term Borrowing for Deferred Maintenance**

WHEREAS, the Board of Trustees approved the deferred maintenance funding concept, presented by the administration, at its meeting on February 4, 2017 (the “2017 Resolution”); and

WHEREAS, the ~~concept called for the issuance of \$4 million of short-term debt to fund deferred maintenance projects in FY 19~~ 2017 Resolution directed the administration to seek authorization for additional funding, consistent with goals of the deferred maintenance funding concept, at the winter meeting of the Board of Trustees in each of the next four years;

THEREFORE, BE IT RESOLVED, that the Board of Trustees authorizes \$4,000,000 of short-term borrowing to fund deferred maintenance projects for FY 18 and FY 19 with the understanding that the debt will eventually be converted to long-term, fixed-rate debt, the terms of such short-term borrowing to be approved by the Executive Committee of the Board of Trustees.

15. **Resolution Setting the Comprehensive Fee, SGA and IRA Fees**

RESOLVED, that the Board of Trustees hereby sets the following fee rates:

UG Student Government Association (SGA) Fee	\$214
UG Inter Residence Association (IRA) Fee	\$30
Comprehensive Fee	\$2,126

16. **Resolution Authorizing Expenditures for the ~~Completion of~~ Multipurpose Project Design, ~~Development-Construction Drawings,~~ and Permitting**

WHEREAS, on February 4, 2017, the Board of Trustees authorized the administration to take steps relating to an on-campus Multipurpose Center (Project), including initiation of the schematic design phase and generation of a Project cost estimate and funding plan; and

WHEREAS, on October 20, 2017 the Board authorized the expenditure of \$1 million of private funds for the first phase of design development for the project; and

WHEREAS, \$1.5 million is required to fund the next phase of design development and permitting;

THEN, BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends to the Board that it authorize the administration to undertake the next phase of design development and permitting for the Multipurpose Center project; and
BE IT FURTHER RESOLVED, that up to \$1,500,000 of private gift funds be used to fund this work.

17. **Resolution Approving Final Expenditures for Billings Building Envelope Restoration**

WHEREAS, the administration today reported on the estimated cost for the Billings Building Envelope Restoration Project and presented a funding plan,

THEN, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize \$3,000,000 in project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that the \$3,000,000 of funds for such expenditures be drawn from the unrestricted plant funds from Physical Plant.

18. **Resolution Approving Final Expenditures for Torrey Building Envelope Restoration**

WHEREAS, the administration today reported on the estimated cost for the Torrey Building Envelope Restoration Project and presented a funding plan,

THEN, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize \$2,900,000 in project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that the \$2,900,000 of funds for such expenditures be drawn from the unrestricted plant funds from Physical Plant.

19-21. **Retiring Trustee Resolutions**

Richard L. Gamelli, M.D. (2012–2018)

WHEREAS, Richard L. Gamelli is nearing the completion of his term as Trustee of The University of Vermont and State Agricultural College; and

WHEREAS, Richard Gamelli has provided the Board with significant knowledge, experience and active participation during his service as Secretary of the University of Vermont Board and Leader of the Work Group on Medical, Nursing and Health Sciences Education and Research; and in his membership on the Educational Policy and Institutional Resources Committee; and through his service on the Career Services Work Group, the University of Vermont Board, the University of Vermont and Fletcher Allen Health Care Affiliation Agreement Work Group; and the University of Vermont and University of Vermont Medical Center Joint Strategic Planning Group;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection and heartfelt best wishes to Trustee Richard L. Gamelli.

Soraiya Thura (2016–2018)

WHEREAS, Soraiya Thura is nearing the completion of her term as Trustee of The University of Vermont and State Agricultural College; and

WHEREAS, Soraiya Thura has articulated clear and thoughtful perspectives and has participated actively and constructively during her service on Board Committees, including the Audit Committee, the Educational Policy and Institutional Resources Committee, the Budget, Finance and Investment Committee, and the Committee on Board Governance, and during her service on the ad hoc Presidential Comprehensive Review Committee, the Annual Review Subcommittee, and the Board Governance Work Group, all the while pursuing her medical degree;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection and heartfelt best wishes to Trustee Soraiya Thura.

Lisa M. Ventriss (2011–2018)

WHEREAS, Lisa M. Ventriss is nearing the completion of her term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Lisa Ventriss has provided constructive advice, insightful viewpoints and an abiding sense of respect and loyalty to the University during her service as Chair and Vice Chair of the University of Vermont Board; in her membership on Board Committees, including the Budget, Finance and Investment Committee and the Committee on Board Governance; and through her service on the Board Governance Work Group, the Career Services Work Group, the Internationalization Work Group, the Multipurpose Events Center Work Group, the University of Vermont and University of Vermont Medical Center Joint Strategic Planning Group, and the Work Group on Medical, Nursing and Health Sciences Education and Research;

WHEREAS, Lisa Ventriss has further helped to advance the University through her engagement with the Alumni Association over the span of numerous years and in a variety of capacities, all in service to her beloved alma mater and the greater good of UVM;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection and heartfelt best wishes to Trustee Lisa M. Ventriss.

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

Retiring Trustees

Chair Daigle recognized and thanked Trustees Richard Gamelli, Lisa Ventriss and Soraiya Thura, each of whom will be completing terms of service at the end of the month. He acknowledged that Trustee Rob Brennan has been appointed for another six-year term. Chair Daigle then read resolutions in recognition of retiring Trustees' service and presented those in attendance with a framed copy.

The Chair called for a break at 8:55 a.m.

Executive Session

At 9:15 a.m., Chair Daigle entertained a motion to enter into executive session to consider contracts, premature general public knowledge of which would clearly place the University at a substantial disadvantage. He noted that no action was anticipated following the session. The motion was made, seconded and approved.

Vice Presidents Rosowsky, Reich Paulsen, Cate, Gustafson, Heading-Grant, Derr and incoming Trustees Otto Berkes and Sidney Hilker were invited to remain.

Vice President Reich Paulsen departed the meeting at 9:43 a.m.

Trustee Shap Smith departed the meeting at 9:48 a.m.

At 10:08 a.m., the meeting re-opened to the public.

Adjournment

There being no further business, the meeting adjourned.

Respectfully submitted,

David A. Daigle, Chair



The University of Vermont

Policy V.7.3.11

Responsible Official: Vice President for Human Resources, Diversity and Multicultural Affairs

Effective Date: February 4, 2017

Equal Employment Opportunity/Affirmative Action Policy Statement

Policy Statement

The University of Vermont and State Agricultural College is committed to a policy of equal employment opportunity and to a program of affirmative action in order to fulfill that policy. The President of the University fully supports the University's equal employment opportunity policy and the University's affirmative action program.

The University will accordingly recruit, hire, train, and promote persons in all positions and ensure that all other personnel actions are administered without regard to unlawful criteria including race, color, religion, ancestry, national origin, place of birth, sex, sexual orientation, disability, age, positive HIV-related blood test results, genetic information, gender identity or expression, or status as a disabled veteran, recently separated veteran, active duty wartime or campaign badge veteran, or Armed Forces service medal veteran (collectively "protected veterans"), as these terms are defined under applicable law, or any other factor or characteristic protected by law, and ensure that all employment decisions are based only on valid job requirements.

In addition, the University of Vermont recognizes that discriminatory harassment and sexual harassment are forms of unlawful discrimination, and it is, therefore, the policy of the University that discriminatory harassment and sexual harassment will not be tolerated. The University also prohibits unlawful harassment on the basis of other characteristics protected by law.

Further, employees and applicants will not be subjected to harassment, intimidation, threats, coercion, or retaliation because they have engaged in or may engage in the following: filing a complaint or assisting or participating in an investigation regarding alleged discrimination or harassment as prohibited in the policy statement above; filing a complaint or assisting or participating in an investigation, compliance evaluation, hearing, or any other activity related to the administration of the Vietnam Era Veterans' Readjustment Assistance Act of 1974 ("VEVRAA"), Section 503 of the Rehabilitation Act of 1973 ("Rehabilitation Act"), or the Affirmative Action provisions of any other federal, state or local law; opposing any act or practice made unlawful by VEVRAA or any other federal, state, or local law requiring equal

employment opportunities for individuals with disabilities or protected veterans; or exercising any other rights protected by VEVRAA or the Rehabilitation Act. Additionally, the University will not discharge or in any other manner discriminate against employees or applicants because they have inquired about, discussed, or disclosed their own pay or the pay of another employee or applicant.

The University of Vermont maintains an audit and reporting system that: measures the effectiveness of the University's affirmative action program; indicates any need for remedial action; determines the degree to which the University's objectives have been attained; measures the University's compliance with its affirmative action obligations; and determines whether individuals with disabilities and veterans have had the opportunity to participate in all University sponsored educational, training, recreational and social activities.

Sources: Titles VI and VII of the Civil Rights Act of 1964; the Immigration Reform and Control Act of 1986; Title IX of the Education Amendments of 1972; the Equal Pay Act of 1963; the Age Discrimination in Employment Act of 1967; the Age Discrimination Act of 1975; Sections 503 and 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; Section 402 of the Vietnam-Era Veterans Readjustment Assistance Act of 1974; Executive Order 11246; the Genetic Information Nondiscrimination Act of 2008; and the Vermont Fair Employment Practices Act, all as amended; and such other federal, state and local non-discrimination laws as may apply.

Note: This Statement of Policy is the official University of Vermont Equal Educational Opportunity Policy Statement and supersedes all prior policy statements regarding its subject matter. It may be modified only by written statement issued by the President as Chief Executive Officer of the University or by formal action by the University of Vermont and State Agricultural College Board of Trustees. This Policy Statement is designed to express the University's intent and commitment to comply with the requirements of federal, state, and local non-discrimination laws. It shall be applied co extensively with those non-discrimination laws and shall not be interpreted as creating any rights, contractual or otherwise, that are greater than exist under those laws.

Contacts

Questions regarding this policy statement or compliance with its provisions may be directed to:

Director, Office of Affirmative Action and Equal Opportunity
University of Vermont
428 Waterman Building
Burlington, VT 05405
(802) 656-3368

Questions about policies related to Title IX, including sex discrimination, sexual harassment, and all forms of sexual violence may be directed to the University's Title IX Coordinator:

~~Director~~ Nick Stanton, Office of Affirmative Action and Equal Opportunity
(802) 656-3368

Questions about disability related issues may be directed to the University's ADA/Section 504 Coordinator:

~~Director~~ Amber Fulcher, Office of Affirmative Action and Equal Opportunity
(802) 656-09453368

Questions may also be directed to government agencies having oversight and enforcement authority with respect to the referenced laws. A complete listing of such agencies may be obtained from the Office of Affirmative Action and Equal Employment Opportunity.

The Vice President for Human Resources, Diversity and Multicultural Affairs is the University official responsible for the interpretation and administration of this policy.

The University has developed an Affirmative Action Plan. The portions of the plan required for disclosure are available for inspection during normal business hours; contact the University's Public Records Officer at (802) 656-8937.

Related Documents/Policies

Discrimination and Harassment Policy

<http://www.uvm.edu/~uvmppg/ppg/student/studentharas.pdf>

Equal Opportunity in Educational Programs and Activities and Non-Harassment

<http://www.uvm.edu/~uvmppg/ppg/student/equaledu.pdf>

Procedures for Investigating and Resolving Discrimination Complaints

<http://www.uvm.edu/sites/default/files/discrimination.pdf>

Sexual Harassment & Misconduct Policy

http://www.uvm.edu/policies/general_html/sexharass.pdf

Effective Date

~~Approved~~ Reaffirmed by the President: February 3, 2018 ~~February 4, 2017~~

~~Approved~~ Reaffirmed by the Chair of the Board of Trustees: February 3, 2018 ~~February 4, 2017~~



The University of Vermont

Policy V.7.4.11

Responsible Official: Vice President for
Human Resources, Diversity and
Multicultural Affairs

Effective Date: February 4, 2017

Equal Opportunity in Educational Programs and Activities and Non-Harassment

Policy Statement

The University of Vermont and State Agricultural College is committed to a policy of equal educational opportunity. The University therefore prohibits discrimination on the basis of unlawful criteria such as race, color, religion, national or ethnic origin, age, sex, sexual orientation, marital status, disability, or gender identity or expression, as those terms are defined under applicable law, in admitting students to its programs and facilities and in administering its admissions policies, educational policies, scholarship and loan programs, athletic programs, and other institutionally administered programs or activities made available to students at the University. The University also prohibits harassment, as defined in the Vermont Statutes at Title 16, section 11(a)(26). Unlawful harassment is a form of discrimination and is therefore prohibited. Sources: Title VI of the Civil Rights Act of 1964; Title IX of the Education Amendments of 1972; the Age Discrimination Act of 1975; Section 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Vermont Public Accommodations Act; and such other federal, state, and local non-discrimination laws as may apply.

Note: This Statement of Policy is the official University of Vermont Equal Educational Opportunity Policy Statement and supersedes all prior statements regarding its subject matter. It may be modified only by written statement issued by the President as Chief Executive Officer of the University or by formal action by the University of Vermont and State Agricultural College Board of Trustees. This Policy Statement is designed to express the University's intent and commitment to comply with the requirements of federal, state, and local non-discrimination laws. It shall be applied co-extensively with those non-discrimination laws and shall not be interpreted as creating any rights, contractual or otherwise, that are greater than exist under those laws.

Contacts

Questions regarding this policy statement or compliance with its provisions may be directed to:

Dean of Students
University of Vermont
41-43 South Prospect Street
Burlington, VT 05405
(802) 656-3380

or to:

Director, Office of Affirmative Action and Equal Opportunity
University of Vermont
428 Waterman Building
Burlington, VT 05405
(802) 656-3368

Questions may also be directed to government agencies having oversight and enforcement authority with respect to the referenced laws. A complete listing of those agencies may be obtained from the Office of Affirmative Action and Equal Opportunity.

Title IX Coordinator

Questions about policies related to Title IX, including sex discrimination, sexual harassment, and all forms of sexual violence, may be directed to the University's Title IX Coordinator:

~~Director~~ [Nick Stanton](#), Office of Affirmative Action and Equal Opportunity
(802) 656-3368

ADA/Section 504 Coordinator

Questions about disability related issues may be directed to the University's [ADA/Section 504](#) Coordinator:

~~Director~~ [Amber Fulcher](#), Office of Affirmative Action and Equal Opportunity
(802) 656-~~0945~~[3368](#)

The Vice President for Human Resources, Diversity and Multicultural Affairs is the University official responsible for the interpretation and administration of this policy.

Related Documents/Policies

Discrimination and Harassment Policy

<http://www.uvm.edu/~uvmppg/ppg/student/studentharas.pdf>

Equal Employment Opportunity/Affirmative Action Policy Statement

http://www.uvm.edu/~uvmppg/ppg/general_html/affirm.pdf

Procedures for Investigating and Resolving Discrimination Complaints

<http://www.uvm.edu/sites/default/files/discrimination.pdf>

Sexual Harassment & Misconduct Policy

http://www.uvm.edu/policies/general_html/sexharass.pdf

Effective Date:

~~Approved~~ Reaffirmed by the President: February 3, 2018 ~~February 4, 2017~~

~~Approved~~ Reaffirmed by the Chair of the Board of Trustees: February 3, 2018 ~~February 4, 2017~~



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

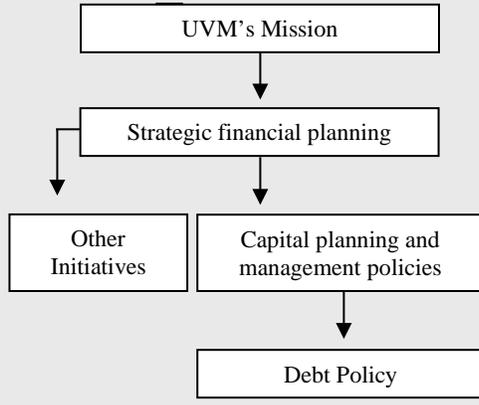
TABLE OF CONTENTS

Overview	1
Introduction and Objectives.....	2
Oversight.....	3
Policy Ratios	3
Types of Financings	5
Portfolio Management of Debt	7

OVERVIEW

Purpose

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



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

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

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

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



INTRODUCTION AND OBJECTIVES

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
<ol style="list-style-type: none"> 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 University Treasurer will manage all funding sources, including debt, for capital projects authorized by the Board. The structure of any individual transaction (e.g., maturity, interest rate mode, use of derivative products, other financing structures) will be based upon overall University needs to ensure that (i) long-term costs to the University and its operating units are minimized consistent within the context of other strategic objectives and (ii) overall risk does not exceed acceptable levels as defined in this policy.

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

POLICY RATIOS

Purpose
<ol style="list-style-type: none"> 1. Identify core ratios. <ol style="list-style-type: none"> a. Operating Statement—Debt Burden Ratio. b. Balance Sheet Leverage—Viability 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 compared to University balance-sheet resources and the annual operating budget. These ratios can be derived from the financial statements and other information and are subject to review periodically.

The policy identifies ratios that (i) are based on current GAAP requirements and (ii) are consistent with ratios utilized in the higher education industry to permit benchmarking.

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

Ratio 1 – Debt Burden Ratio

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

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

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% until June 30, 2023 and will revert to 5% thereafter. 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 - Viability Ratio (also called Expendable Financial Assets to Debt)

This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets compared to aggregate debt. The ratio measures the medium to long-term health of the University's balance sheet and debt capacity and is a critical component of universities with the highest credit quality.

Many factors influence the viability ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength. For example, a viability ratio that is acceptable and entirely appropriate in one market condition may be relatively stronger or weaker in other market environments.

This policy establishes a debt policy limit (floor) for this ratio of 0.8 to ensure that sufficient balance sheet strength is maintained at all times.

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

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

The 0.8x limit is recognized as a limit, and not a long-term objective. Over time, to remain competitive and retain the flexibility to invest in future strategic initiatives, UVM will want to target and maintain a ratio above 0.8x

Annually, based on the results of the audited financial statements, the Vice President for Finance 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. The Vice President of Finance will also report the ratio results showing the effect with and without the Governmental Accounting Standards for Other Post Retirement Benefits. 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"> 1. Review of all potential funding sources for projects. 2. Maximize tax-exempt University-issued debt. 3. Commercial Paper program. <ol style="list-style-type: none"> 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. <ol style="list-style-type: none"> 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.

Commercial Paper

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



Derivative Products

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

Other Financing Sources

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

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



PORTFOLIO MANAGEMENT OF DEBT

Purpose
<ol style="list-style-type: none"> 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. <ol style="list-style-type: none"> 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; and
- (iii) diversify the debt portfolio; and,
- (iv) provide a hedge to short-term working capital balances

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

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

$$\frac{\text{VARIABLE RATE AND LIQUIDITY EXPOSURE}}{\text{TOTAL LONG-TERM DEBT OUTSTANDING}} < 35\%$$

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



GLOSSARY

Annual Debt Service – refers to the principal and interest due on long-term debt in a fiscal year.

Bridge Financing – refers to any type of financing used to “bridge” a period of time. For universities, it generally refers to financings that provide funding in advance of a long-term bond issue or the receipt of gift funding.

Capital Project – refers to physical facilities or equipment or software that may be capitalized.

Commercial Paper – an alternative to bank line for stronger rated borrowers, commercial paper is short-term promissory notes issued on the open market as an obligation of the borrower. The maturity of commercial paper is less than 270 days, and for most universities, the average maturity of all paper is between 30-50 days. Registration and disclosure for commercial paper is significantly less than traditional university bonds.

Derivative Products – generally referred to transactions which are an exchange of specified cash flows for a period of time. The most common types of derivatives are floating-rate-to-fixed-rate or fixed-rate-to-floating-rate swaps.

GAAP – refers to Generally Accepted Accounting Principles.

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.

