

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 2, 2019, at 8:30 a.m. in the Livak Ballroom, 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Chair David Daigle, Vice Chair Ron Lumbra, Secretary Donna Sweeney, David Aronoff , Cynthia Barnhart, John Bartholomew, Otto Berkes, Robert Brennan, Frank Cioffi, Johannah Donovan, Carolyn Dwyer, Sidney Hilker, Jodi Goldstein, Bernie Juskiewicz, Curt McCormack, Don McCree, Caitlin McHugh, Anne O'Brien, Ed Pagano**, Shap Smith, Thomas Sullivan, and Tristan Toleno*

MEMBERS ABSENT: Briar Alpert, Governor Phil Scott, and Jeff Wilson

ALSO PARTICIPATING: Provost and Senior Vice President David Rosowsky, 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 Executive Operations Gary Derr, Chief Information Officer Simeon Ananou, Associate Chief Information Officer Julia Russell, Information Security Officer Mark Ackerly, Director of System Administration and Architecture Mike Austin, Chief Internal Auditor William Harrison, and Director of Compliance Services and Chief Privacy Officer Tessa Lucey

*Participated via phone.

**Departed the meeting at 9:45 a.m.

Chair David Daigle called the meeting to order at 8:45 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the October 27, 2018 meeting as presented.

Public Comment

There were no requests for public comment.

Committee Reports

Audit Committee

Chair Bernard Juskiewicz offered a summary report of meetings held on November 5, 2018 and January 31, 2019. At the November meeting, the Committee reviewed the draft Fiscal Year (FY) 2018 Annual Financial Report and audit. The audit resulted in no significant deficiencies or

material weaknesses and the financial statements were accepted and recommended for Board acceptance. A resolution accepting the financial statements appears on today's consent agenda for approval.

Also in November, the Committee received an audit update from Chief Internal Auditor (CIA) William Harrison who reported on internal audit projects and the status of open audit recommendations. CIA Harrison and Director of Compliance Services and Chief Privacy Officer Tessa Lucey presented their draft work plans noting that off-cycle enterprise risk management risk and opportunity updates would be added once the 2019 schedule was set.

At the meeting earlier this week, the Committee received a presentation on the FY 2018 NCAA Agreed-Upon Procedures Report and Management's Response. University Controller Claire Burlingham and KPMG reported no significant adjustments were identified as a result of the procedures performed. Controller Burlingham also reported the results of the Uniform Guidance audit pertaining to federally sponsored programs. No findings related to compliance and internal control were identified during the audit.

Director Lucey provided an update on compliance program activity since her last report in September and presented results from the 2018 compliance survey. It was noted that the 2018 results indicate that the culture on campus continues to move in the right direction.

Chief Risk and Public Safety Officer Al Turgeon reviewed the calendar year (CY) 2018 annual risk assessment process and results depicted in the UVM risk-opportunity portfolio-register heat map. He also reviewed the CY 2019 schedule of management response plan presentations by responsible officials to their assigned Board committees.

The Committee discussed the University's current disaster recovery and business continuity operations and plans for improvement with Chief Information Officer Simeon Ananou and his colleagues.

Lastly, the Committee reviewed results from the 2018 committee assessment survey. The results indicated agreement among members that the Committee performs effectively.

Educational Policy and Institutional Resources Committee (EPIR)

Committee Chair Donna Sweeney acknowledged that this would be her last report as Committee Chair. She offered highlights from the meeting, held yesterday afternoon, that 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
- Annual Vice President for Human Resources, Diversity & Multicultural Affairs Report
- Annual Information Technology Report
- Annual Student Affairs Report
- Capital Projects Progress Report - Director of Capital Planning and Management Robert Vaughan highlighted three small capital projects between \$1M and \$2M: 109 S. Prospect

Building Exterior Envelope Repairs, the Stafford Level 2 Renovation, and Billings Library and Votey Hall Sidewalk Replacement. He reported that although these projects do not require approval, at the Board's request, he will routinely report on projects of this size. Director Vaughan also reported that the Outing Club will need a new home and that while plans have yet to be developed, he wanted the Committee to know this project was under consideration and a proposal would be shared with the Committee.

Chair Sweaney reported the majority of the meeting was spent discussing progress made on the eight Academic Excellence Goals. Based on this review and assessment and the continued relevance of the eight goals going forward, it is recommended that these goals remain as stated. With the arrival of the new president comes the opportunity to reaffirm and/or modify these goals as appropriate.

Vice President for Human Resource, Diversity and Multicultural Affairs Wanda Heading-Grant presented the Equal Employment Opportunity/Affirmative Action and the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statements for annual review by the Board for compliance purposes. She reported that as a result of a recent change to the Vermont Fair Employment Practices Act, the addition of "crime victim status" as a protected category has been added to the Equal Employment Opportunity/Affirmative Action Policy Statement. This change in Vermont law affects employment only, and not educational programs, therefore no changes are necessary to the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement. The Committee endorsed and reaffirmed both policy statements for referral to the Board.

The Committee also unanimously endorsed the following six new academic program proposals for referral to the Board:

- A new Bachelor of Arts (BA) in Dance in the College of Arts and Sciences. The proposed program will be the first and only BA in dance offered at a public institution in Vermont and addresses the strong interest in dance as an academic pursuit that has been built at UVM over the last twelve years. This BA will also address a gap in the fine arts offerings at UVM.
- A new Undergraduate Certificate in Community Music: Organ in the College of Arts and Sciences. This certificate is designed as a professional certificate to prepare students to work effectively as leaders in community-music making, can provide career opportunities, and increase UVM's impact on a broader community.
- A new Bachelor of Science (BS) in Anthropology in the College of Arts and Sciences. The proposed Anthropology BS will provide advanced training for undergraduates interested in fields that rely on scientific methods to analyze human biological and cultural diversity. Students will receive more analytical training and emerge better prepared for careers in archaeology, medicine, forensics, and biological anthropology.
- A new Undergraduate Certificate and a Continuing Education Academic Certificate in Integrative Health and Wellness Coaching in the College of Nursing and Health Sciences and Continuing and Distance Education. The primary goal of both proposed certificates is to

prepare students to become certified integrative health and wellness coaches to meet an emerging need in health care related to preventative health behaviors across the lifespan.

- An Undergraduate Certificate in Religious Literacy in Professions in the College of Arts and Sciences. The proposed certificate seeks to prepare students for encounters with diverse religions, religious individuals, and religious frameworks. It is primarily aimed at students seeking careers in education, journalism, social services business, and health fields.
- A new Minor in Reporting and Documentary Storytelling (RDS) in the College of Arts and Sciences. The proposed RDS minor is designed for students interested in pursuing careers or graduate study in journalism, nonfiction writing, editing and publishing, video, and digital media, but its learning outcomes apply to a broad range of careers and professional efforts.

A brief discussion followed regarding the analysis of underutilized majors or programs. Provost Rosowsky shared that his office, in collaboration with the Deans of the colleges and schools, is looking closely at efficiency such as combining programs or taking corrective action, as necessary.

Chair Sweaney concluded her report by sharing that she was able to tour the various Diversity & Equity Centers on campus and expressed her appreciation to the Directors of the Mosaic Center for Students of Color, Prism Center, Interfaith Center, and the Women's Center. She also thanked Senior Executive Director for Engagement and Professional Development Sherwood Smith for coordinating the tour. All Trustees were encouraged to visit the Centers should they have an opportunity to do so.

Budget, Finance and Investment Committee (BFI)

Chair Don McCree reported that the Committee unanimously endorsed four resolutions for Board approval including revisions to the Debt Policy, authorization to issue \$4 million in permanent debt or use savings from bond refunding to fund FY 2019-2020 deferred maintenance projects, the setting of student fees, and proposed revisions to the Cash Management & Liquidity Policy.

The Committee conducted its annual review of the Debt Policy. Controller Claire Burlingham reported the policy was reviewed by the University's external debt advisors and the proposed revisions include reporting the viability ratio as a leverage ratio calculated as spendable cash and investments to debt, as well as changing the leverage ratio limit from 0.8 to 1.0. She explained that the viability ratio was 0.21 as of December 31, 2018, below the policy target of 0.8, primarily due to the Governmental Accounting Standards Board (GASB) 45 liability. Without this liability, the University's viability ratio would have been 1.10. The Debt Policy also requires that the University's debt burden ratio will not be greater than 5.75%, and that by 2023 it will not be greater than 5.0%. As of December 31, 2018, the debt burden ratio was 4.94% with GASB 45/75 and 5.17% without GASB 45/75. It was therefore in compliance with the current policy requirements.

UVM Foundation President & CEO Shane Jacobson updated the Committee on fundraising progress on the STEM Complex and Ifshin Hall. The STEM Complex will be funded by a mix of

private gifts and non-debt funding. As of January 31, 2019, the Foundation had secured \$11.6 million in non-debt funding. The remaining non-debt goal is \$14.4 million. As of the same date, \$9.6 million of the \$10.7 million non-debt goal and total project cost has been committed for Ifshin Hall.

The Committee previewed draft assumptions for the FY 2020 budget. Regarding the student fees endorsed for referral to the Board, the Student Government Association is proposing a 3.7% increase, amounting to \$8.00 per student, to accommodate increased club membership, the Food Pantry project, and forecasted costs of rental space. There are several activities within the Comprehensive Fee proposing no increases. All the components for which the administration is requesting increases seek to cover basic inflationary costs. There are a few components whose proposed increases are over 3.0% for Fiscal Year 2019: the Center for Health and Wellbeing, the Center for Academic Success, and the Career Center. These increases are intended to add capacity to serve students in each of these areas. At the request of the students, there is an additional Identity Center Fee of \$5.00 to support activities within the identity centers on campus.

Vice President for Finance and Treasurer Richard Cate presented the annual strategic financial plan update. Trustees were reminded that this planning model was developed two years ago, in consultation with Kaufman Hall, to assist the administration and trustees in analyzing the University's financial condition and the impact of any proposals for future projects that require funding. Vice President Cate discussed a series of scenarios utilizing the following three financial ratios to judge the University's financial standing: operating margin, operating cash flow margin, and debt service to operations.

Investment Subcommittee (ISC) Chair Robert Brennan offered a report noting that as of December 31, 2018, the value of the endowment is \$497.3 million, 6.2% less than December of 2017. He stated that the declines in the fourth quarter led to negative calendar year returns. He further noted that January was one of the best months in history and estimates the endowment balance will have gone up as a result. He concluded by underscoring the need to be patient and prepared for more volatility in the market.

At the ISC's recommendation, the Committee endorsed revisions to the Cash Management and Liquidity Policy for recommendation to the full Board. The revisions are related to performance objectives and allowable investments for short-term and intermediate-term pools.

Chair McCree concluded by reporting that as part of Vice President Cate's report, the Committee reviewed the first quarter budget-to-actuals. The Committee also conducted its annual review of net assets. In keeping with the amendments to the Cash Management and Liquidity Policy, the unencumbered unrestricted liquidity pool exceeds \$30 million by \$4.9 million. Additionally, a report on the Capital Projects Sources for Uses of Funds, created to provide transparency regarding the variety of funding mechanism the University uses for different activities, was reviewed. The Committee also received an annual report on the Green Revolving Loan Fund, the balance of which as of November 30, 2018 is \$9,461,875. It was noted that utilities saving from the Chiller Plant expansion have resulted in \$600,000 and those saving have been put back into the fund.

Board Governance Committee

Chair Frank Cioffi reported that the Committee convened on November 8, 2018 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 13, 2018 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 Board advising of the following slate of officers for Board action:

Chair: David Daigle
Vice Chair: Ron Lumbra
Secretary: Curt McCormack
Ass't Sec'y: Sharon Reich Paulsen

Following committee reports today, the Board 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 1. The election of Chair will occur at a special Board meeting scheduled on March 4, 2019, at 1:00 p.m.

Vermont Agricultural College Board

Vice Chair Shap Smith reported that the Board discussed the upcoming 2019 legislative session, including opportunities to further leverage funds for Vermont-based internships, in addition to the \$25,000 already designated to the Vermont Department of Labor.

The Board also discussed the Legislative Summit, an annual endeavor hosted by the University each fall. They discussed the beneficial networking opportunity it creates to connect research activities of UVM's faculty with policymakers around issues of great importance to the University and the State. The Board will consider topics for this year's Summit and choose a topic at the next meeting.

University of Vermont Board

Chair Ron Lumbra reported the Board reviewed a summary of the Wilbur Trust Fund financial report from July 1, 2017 through July 31, 2018 and reviewed and accepted the Wilbur Trust Grant Awards report. He reminded Trustees that the fund was established by James Benjamin Wilbur. When Mr. Wilbur died, in 1929, his estate came to UVM and included the Wilbur Trust. The fund currently has assets totaling \$22 million from which a portion is used to help make tuition more affordable for Vermont high school students. Chair Lumbra noted that in academic year 2017-2018, 161 Vermont residents received grants totaling \$776,203.

The Board spent the remainder of the meeting in executive session for the purpose of discussing trustee recruitment. With respect to succession planning, Chair Lumbra reported that the Board discussed desired skillsets for the next class of trustees to provide the proper balance in Board membership.

President Sullivan and Board Chair Daigle recognized the return on investment associated with the Wilbur Trust, noting the fund is 90 years old and continues to provide financial assistance to thousands of Vermont students.

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, 2019. 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: Curt McCormack
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, 2019, 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.

Retiring Trustees

Chair Daigle recognized and thanked Trustees Caitlin McHugh, Anne O'Brien, Donna Sweeney and Jeff Wilson, whom will be completing their terms of service at the end of the month. He reported that Governor Phil Scott has reappointed Trustee Carolyn Dwyer for another six-year

term and thanked her for her continued service. Chair Daigle then read resolutions in recognition of each retiring Trustees' service and presented those in attendance with a framed copy.

The Chair called for a break at 8:43 a.m. The meeting resumed at 9:58 a.m.

Approval of Consent Agenda

Chair Daigle introduced the revised consent agenda, noting that retiring Trustee resolutions have been added. 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

1. Acceptance of Fiscal Year 2018 Audited Financial Statements

WHEREAS, the Financial Statements of the University of Vermont and State Agricultural College for the Fiscal Year ended June 30, 2018, 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 2018 Audited Financial Statements as recommended by the Audit Committee and presented today, and acknowledges receipt of the FY 2018 Financial Report.

EDUCATIONAL POLICY & INSTITUTIONAL RESOURCES

2. Resolution Approving Revision to the Equal Employment Opportunity/Affirmative Action Policy Statement and Reaffirmation of the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement

BE IT RESOLVED, that the Board of Trustees approves a revision to the Equal Employment Opportunity/Affirmative Action Policy Statement, appearing as Appendix A to this document, and reaffirms the policy as revised; and

BE IT FURTHER RESOLVED, that the Board of Trustees reaffirms the Equal Opportunity in Educational Programs and Activities and Non-Harassment Policy Statement, appearing as Appendix B to this document.

3. Resolution Approving the Creation of a Bachelor of Arts in Dance in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a BA in Dance in the College of Arts & Sciences, as approved and advanced by the Provost and President on December 3, 2018.

4. Resolution Approving the Creation of a Certificate in Community Music: Organ in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a Certificate in Community Music: Organ in the College of Arts & Sciences, as approved and advanced by the Provost and President on December 3, 2018.

5. Resolution Approving the Creation of a Bachelor of Science in Anthropology in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a BS in Anthropology in the College of Arts & Sciences, as approved and advanced by the Provost and President on January 2, 2019.

6. Resolution Approving the Creation of an Undergraduate Certificate and a Continuing Education Academic Certificate in Integrated Health & Wellness Coaching in the College of Nursing and Health Sciences and Continuing and Distance Education

BE IT RESOLVED, that the Board of Trustees approves the creation of an Undergraduate Certificate and a Continuing Education Academic Certificate in Integrated Health & Wellness Coaching in the College of Nursing and Health Sciences and Continuing and Distance Education, as approved and advanced by the Provost and President on January 30, 2019.

7. Resolution Approving the Creation of an Undergraduate Certificate in Religious Literacy in Professions in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of an Undergraduate Certificate in Religious Literacy in Professions in the College of Arts & Sciences, as approved and advanced by the Provost and President on January 30, 2019.

8. Resolution Approving the Creation of a Minor in Reporting and Documentary Storytelling in the College of Arts & Sciences

BE IT RESOLVED, that the Board of Trustees approves the creation of a Minor in Reporting and Documentary Storytelling in the College of Arts & Sciences, as approved and advanced by the Provost and President on January 30, 2019.

BUDGET, FINANCE & INVESTMENT

9. 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 2017;

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

10. Resolution Approving Revisions to the Cash Management and Liquidity Policy

WHEREAS, in September 1993, the Board of Trustees adopted the Cash Management Policy to govern the investment of UVM pooled cash; and

WHEREAS, in February 2016, the Board of Trustees revised and re-named the scope of the Cash Management Policy as the Cash Management and Liquidity Policy to establish a minimum liquidity target for the University comprised of liquid funds that are unrestricted, unencumbered general fund net assets; and

WHEREAS, the Investment Subcommittee is charged with an annual review of the Cash Management and Liquidity Policy; and

WHEREAS, on December 19, 2018, the Investment Subcommittee reviewed revisions to the Cash Management and Liquidity Policy, as appended;

THEREFORE, BE IT RESOLVED, that the Investment Subcommittee hereby recommends that the Board of Trustees adopt the amended Cash Management and Liquidity Policy, appearing as Appendix D to this document.

11. Approval of Funding for the Fiscal Year 2019-2020 Deferred Maintenance Projects and Declaration of Official Intent of the University to Reimburse Certain Expenditures from Proceeds of Indebtedness

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 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 each year for the next four years; and

WHEREAS, the deferred maintenance projects for FY 2019 and FY 2020 will require \$4,000,000 in funding; and

WHEREAS, the University expects to pay certain expenditures (the “Reimbursement Expenditures”) for deferred maintenance projects included on the Deferred Maintenance Fiscal Year 2020 Plan (as it may be amended from time to time) (the “Project”) before the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, the University reasonably expects that debt obligations in an amount not expected to exceed \$4 million will be issued, or that present value savings from a bond refunding will be available, and that certain of the proceeds of such debt obligations or savings will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the University to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

THEREFORE, BE IT RESOLVED, that the Board of Trustees authorize \$4,000,000 in expenditures to fund the FY 2019 and FY 2020 deferred maintenance projects, and;

BE IT FURTHER RESOLVED that the university hereby declares:

Section 1. The University finds and determines that the foregoing recitals are true and correct.

Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the University to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The University hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures.

Section 4. This declaration shall take effect from and after its adoption.

12. Resolution Setting the Fiscal Year 2020 Comprehensive Fee, Student Government Association (SGA) and Inter Residence Association (IRA) Fees

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

UG Student Government Association (SGA) Fee	\$222
UG Inter Residence Association (IRA) Fee	\$30
Comprehensive Fee	\$2,188

13-16. Retiring Trustee Resolutions

Caitlin M. McHugh (2017–2019)

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

WHEREAS, Caitlin McHugh has been dedicated and insightful, participating actively and responsibly during her membership on Board Committees, including the Audit Committee, Budget, Finance and Investment Committee, Committee on Board Governance, and the Educational Policy and Institutional Resources Committee; and through her service on the Annual Review Subcommittee and the Multipurpose Events Center Work Group; with additional service to the University as a member of the Student Government Association's Academic Affairs Committee and Committee on Student Affairs;

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 Caitlin M. McHugh.

Anne T. O'Brien (2013–2019)

WHEREAS, Anne T. O'Brien is nearing the completion of her term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Anne O'Brien has offered valuable support and articulated thoughtful perspectives during her service as Vice Chair and Secretary of the Vermont Agricultural College Board; in her membership on the Educational Policy and Institutional Resources Committee; and through her service on the Work Group on Medical, Nursing and Health Sciences Education and Research; and

WHEREAS, Anne O'Brien has advanced the University's relationship with the state through her development of the annual UVM Legislative Policy Summit that allows faculty to share their expertise with decision makers to help create informed policy;

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 Anne T. O'Brien.

Donna G. Sweeney (2007–2013, 2014–2019)

WHEREAS, Donna G. Sweeney is nearing the completion of her second term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Donna Sweeney has enriched the Board with her wise and thoughtful counsel and steadfast commitment, with unwavering good humor and diplomacy, as Secretary of the Board; through her Committee leadership as Chair and Vice Chair of the Educational Policy and Institutional Resources Committee, Vice Chair of the Committee on Board Governance, and Secretary of the Vermont Agricultural College Board; in her membership on the Executive Committee; and through her service on the ad hoc Labor Advisory Group, ad hoc Presidential Comprehensive Review Committee, Annual Review Subcommittee, and Board Governance Work 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 Donna G. Sweeney.

Jeff Wilson (2013–2019)

WHEREAS, Jeff Wilson is nearing the completion of his term as Trustee of the University of Vermont and State Agricultural College; and

WHEREAS, Jeff Wilson has provided constructive and passionate viewpoints and practical ideas during his service as Chair and Vice Chair of the Audit Committee; in his membership on Board Committees, including the Budget, Finance and Investment Committee, Educational Policy and Institutional Resources Committee, and the Vermont

Agricultural College Board; and through his service on the ad hoc Labor Advisory 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 Jeff Wilson.

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

Executive Session

At 10:02 a.m., Chair Daigle entertained a motion to enter into executive session for the purpose of discussing security measures, the 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 that is expected to last approximately thirty (30) minutes. The motion was made, seconded and approved.

The following persons were invited to remain: Vice Presidents Rosowsky, Reich Paulsen, Cate, Derr and Gustafson; Chief Information Officer Simeon Ananou; Associate Chief Information Officer Julia Russell; Information Security Officer Mark Ackerly; Director of System Administration and Architecture Mike Austin; Chief Internal Auditor William Harrison; and Director of Compliance Services and Chief Information Officer Tessa Lucey.

At 10:35 a.m., the meeting re-opened to the public.

Adjournment

There being no further business, the meeting adjourned.

Respectfully submitted,

David Daigle, Chair



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"), or crime victim status, 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:

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:

Amber Fulcher, Office of Affirmative Action and Equal Opportunity
(802) 656-0945

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/~uvmpg/ppg/student/studentharas.pdf>

Equal Opportunity in Educational Programs and Activities and Non-Harassment

<http://www.uvm.edu/~uvmpg/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

Reaffirmed [as revised](#) by the President: February 3, 2018

Reaffirmed [as revised](#) by the Chair of the Board of Trustees: February 3, 2018

[Reaffirmed as revised by the President: February 2, 2019](#)

[Reaffirmed as revised by the Chair of the Board of Trustees: February 2, 2019](#)



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:

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:

Amber Fulcher, Office of Affirmative Action and Equal Opportunity
(802) 656-0945

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/~uvmpg/ppg/student/studentharas.pdf>

Equal Employment Opportunity/Affirmative Action Policy Statement

http://www.uvm.edu/~uvmpg/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:

Reaffirmed as revised by the President: February 3, 2018

Reaffirmed as revised by the Chair of the Board of Trustees: February 3, 2018

Reaffirmed by the President: February 2, 2019

Reaffirmed by the Chair of the Board of Trustees: February 2, 2019



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

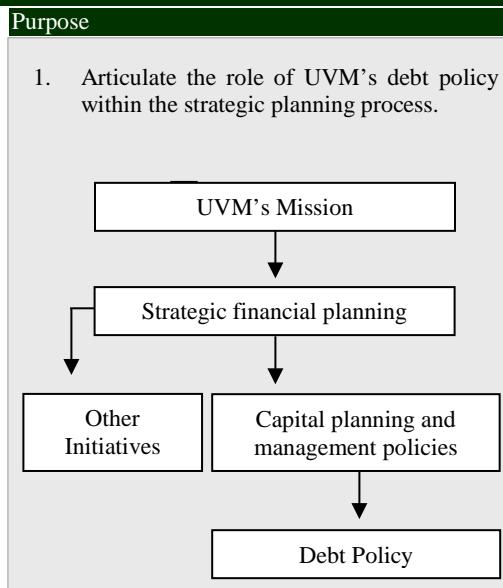
Reaffirmed, February 2018

Revised, February 2019

TABLE OF CONTENTS

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

OVERVIEW



The University of Vermont's strategic planning is a long-term process that establishes University-wide priorities as well as University and divisional programmatic objectives. The University's strategic plan identifies specific goals and initiatives, including capital plans that identify necessary and desired University facility investments. To fund its plan, the University will continue to utilize a mix of financing sources including State and Federal sources, philanthropy, internal reserves, 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	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:
<ol style="list-style-type: none">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.	<ul style="list-style-type: none">(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. <p>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.</p>



OVERSIGHT

Purpose	Background Information
<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. 	<p>By adopting this policy and regularly reviewing it with the appropriate Board of Trustee committee, management will follow and report on guidelines and requirements regarding debt utilization. With appropriate authorizations consistent with the policy, management will have flexibility to implement specific financial transactions and utilize approved financing vehicles in accordance with stated procedures.</p> <p>The Office of the Vice President for Finance and 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.</p> <p>Because this debt policy is a living document, the appropriate Board of Trustee committee will review this policy on an annual basis and report any recommended changes or revisions to the Board of Trustees. This review process is necessary to ensure that the policy remains consistent with the University's objectives and responsive to evolving practices, competitive pressures in the external environment, and financial indicators.</p>

POLICY RATIOS

Purpose	Background Information
<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—<u>Viability Leverage</u> 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. 	<p>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. <u>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.</u></p> <p>The policy identifies ratios that (i) are based on current GAAP requirements and (ii) are consistent with ratios utilized in the higher education industry to permit benchmarking.</p>

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 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 Leverage Ratio (also called calculated as Expendable Financial Assets Spendable 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 ~~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 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 viability 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 0.81.0 to ensure that sufficient balance sheet strength is maintained at all times.

$$\frac{\text{CASH \& INVESTMENTS} - \text{PERMANENTLY RESTRICTED NET ASSETS} + \text{PLEDGES CLASSIFIED AS PERMANENTLY RESTRICTED NET ASSETS}}{\text{UNRESTRICTED NET ASSETS} + \text{TEMPORARILY RESTRICTED NET ASSETS} - \text{EQUITY IN PLANT}} > \underline{0.81.0}$$

AGGREGATE DEBT

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

The 0.81.0x 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 0.81.0x

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.

To further evaluate the leverage of the University, the Vice President of Finance 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 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.

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

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
<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.

VARIABLE RATE AND LIQUIDITY EXPOSURE
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 planned principal and interest paid 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.



UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
BOARD OF TRUSTEES

CASH MANAGEMENT AND LIQUIDITY POLICY

Introduction

This Cash Management and Liquidity Policy governs the investment of UVM pooled cash and sets the minimum liquidity target for the University. The pooled cash includes all funds of the University other than the funds that are held in the University endowment and certain plant, restricted and loan reserves, for which separate investment guidelines have been established. This statement will be subject to periodic review and possible modification by the Budget, Finance and Investment Committee, as the Committee considers necessary to achieve cash management and investment and liquidity requirements.

I. Cash Management

Investment Objectives

University pooled cash for purposes of investment allocation shall be divided into three asset groups as follows:

- | | |
|-------------------------|---|
| Short-term pool: | Cash that is expected to be needed for normal operating expenditures within a one-year period. The primary objective is preservation of principal and liquidity. Maximization of investment income without undue exposure to risk is a secondary objective. |
| Intermediate-term pool: | Cash that is expected to be needed within a period of one year to six years. The primary objectives are preservation of principal and maximization of investment income without undue exposure to risk. |
| Long-term pool: | Cash that is not expected to be needed for operational purposes for a period exceeding six years and/or that may be designated as a permanent core. The primary investment objective is to achieve consistent long-term growth of the pool with limited exposure to risk. |

Maturity Guidelines

- | | |
|------------------|---|
| Short-term pool: | The average weighted maturity for a short-term portfolio shall be between one day and one year. |
|------------------|---|

Intermediate-term pool:	The average weighted maturity for intermediate-term portfolio shall be between one year and six years.
Long-term pool:	Permanent core cash may be invested in any investment that is allowable under the University's <i>Statement of Objectives and Policies</i> for the Endowment Fund and that meets the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

Performance Objectives

Short-term pool:	The benchmark for the short-term portfolio shall be total return that meets or exceeds the yield of three-month U. S Treasury securities.
Intermediate-term pool:	The benchmark for intermediate-term portfolio shall be total return that meets or exceeds the Bloomberg Barclays <u>31</u> -5 Year U.S. Treasury Bond Index.
Long-term pool:	The benchmark for the investment of the long-term pool shall correspond to the benchmarks for each asset class as specified in the University's <i>Statement of Objectives and Policies</i> for the Long Term Investment Pool, including the Endowment Fund.

Allowable Investments for Asset Groups

For all of the asset groups described below, the Treasurer will develop in conjunction with the Board of Trustees Investment Subcommittee (ISC) a list of approved funds and fund managers from which the Treasurer may select managers as appropriate. This list will be reviewed and approved annually by the ISC.

Short-term and Intermediate-term Pool:	Investments in the short-term and intermediate-term portfolio are restricted to U.S. Treasury and government agency securities, money markets, high quality corporate <u>and asset-backed</u> securities, and commercial and bank paper, whereas the intermediate-term pool may have maturities up to six years. Investments shall be in marketable securities of the following types and with the noted credit ratings:
	<ol style="list-style-type: none"> 1. Debt securities rated Aaa, Aa, A or Baa by Moody's Investor's Service, Inc. or AAA, AA, A or BBB by Standard & Poor's Corporation. 2. Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.

3. Obligations of, or guaranteed by, national or state banks or bank holding companies rated B or better. No more than 20% of the funds held in the cash pool shall be invested in debt obligations of institutions within any single holding company.

4. Asset-backed securities (ABS) rated Aaa by Moody's Investor's Service, Inc. or AAA by Standard & Poor's Corporation.

4.5 Commercial paper rated A-1 or higher by Standard and Poor's or Prime-1 (P1) by Moody's Investor's Service, Inc.

5.6 Bankers' acceptances or negotiable certificates of deposit issued by banks rated B or better. No more than 20% of the funds held in the cash pool shall be invested in certificates of deposit, bankers' acceptances or floating rate notes of the institutions within any single holding company.

6.7 Repurchase agreements of banks having Fitch ratings no lower than B secured by the U.S. government and federal agency obligations with market values of at least 100% of the amount of the repurchase agreement.

7.8 Commingled funds may be used if they are in compliance with the above guidelines.

89. The Commonfund, a non-profit provider of investment products for colleges and universities.

Long-term pool:

Investment of the long-term pool shall be restricted to those that are allowable under the University's *Statement of Objectives and Policies* for the Endowment Fund and that meet the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

Moral, Ethical and Social Considerations

Cash balances will be invested consistently with the moral, social and ethical criteria adopted by the Board of Trustees on recommendation of its Budget, Finance and Investment Committee as related to the Long Term Investment Pool, including the Endowment Fund. Criteria for socially responsible investing shall include, where advisable and consistent with investment quality, return, and safety guidelines, the use of community and State institutions for investment purposes. Where returns are reasonably equal (within 10 basis points), preferences will be given to Vermont-based financial institutions.

Investment Management Responsibility and Structure

Cash management and investment responsibility resides with the Vice President for Finance and Treasurer through the Controller.

1. Investments may be made internally using allowable instruments and institutions; OR,
2. Investment managers may be engaged to invest University assets consistent with this Policy. Subject to this Policy and a written agreement between the University and the investment manager, the investment manager will be given discretion to select individual securities and to make adjustments to the structure of the portfolio.

I. Liquidity

This Cash Management and Liquidity Policy establishes a Minimum Liquidity Target for the University of \$30 million, subject to future modification by the Budget, Finance, and Investment Committee. Liquid funds that are unrestricted, unencumbered General Fund Net Assets (as such capitalized term is used in the audited financial statements of the University) shall be used to satisfy the Minimum Liquidity Target. For the purposes of this Policy, General Fund Net Assets that are restricted in their use, or otherwise encumbered by Board or administrative action, shall not be available to satisfy the Minimum Liquidity Target. The objective of this policy is to ensure that the University operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs.

II. Administration and Reporting

- A. The Treasurer will report to the Budget, Finance and Investment Committee annually, the following:
 1. Cash balances in each asset group;
 2. Investments in each asset group by manager and investment type or fund; and
 3. Performance of each individual investment type within each asset group.
 4. A schedule of unrestricted, unencumbered General Fund Net Assets compared to the Minimum Liquidity Target.
- B. As delegated by the Board of Trustees through its resolutions, specified University officials, including the Treasurer, are authorized to open accounts with banks, investment firms, or commercial paper institutions, and/or to execute purchases and sales, in order to implement this Cash Management and Liquidity Policy.
- C. This Cash Management and Liquidity Policy will be subject to annual review by the Investment Subcommittee and the elements of the policy related to liquidity will be subject to annual review by the Budget, Finance, and Investment Committee.

Adopted by the Board of Trustees, October 15, 1993

Revised by the Board of Trustees October 12, 2002

Revised by the Board of Trustees August 27, 2005

Revised by the Board of Trustees November 11, 2006

Revised by the Board of Trustees February 5, 2010

Revised by the Board of Trustees October 3, 2015

Revised by the Board of Trustees: February 6, 2016

Revised by the Board of Trustees: February 4, 2017

Revised by the Board of Trustees: February 2, 2019