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

A meeting of the Budget, Finance and Investment Committee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Friday, May 18, 2007 at 10:15 a.m., in room 338 Memorial Lounge, Waterman Building.

MEMBERS PRESENT**:** Chair Debbie McAneny, Co-Vice Chair Robert Cioffi, Edwin Amidon, Jr., Bill Botzow, Ian Boyce, Harry Chen, Jeffrey Davis, Johannah Donovan, Daniel Fogel, John Hilton, Jr., Susan Hudson-Wilson, and Stirling Winder

REPRESENTATIVES PRESENT**:** Faculty Representative Albert Joy, Staff Representative Joan Kieran, and Student Representatives Sarah Shackett and Harry Mallory

ABSENT: Co-Vice Chair Robert Young, Faculty Representative Cory Teuscher, Alumni Representatives Samuel Bain and Meg Guzewicz, and Staff Representative Diane Trono

OTHER TRUSTEES PRESENT: Board Chair Carl Lisman and Board Vice Chair Frank Cioffi

PERSONS ALSO PARTICIPATING**:** Senior Vice President/Provost John Hughes, Vice President for Finance and Administration J. Michael Gower, Director of Capital Planning and Management Robert Vaughan, Associate Vice President for Budget and Resource Management Ted Winfield, Associate Vice President for Finance and Controller Bonnie Cauthon, Chris Cowen, Prager, Sealy & Co., LLC, John Malpiede, Citi, and Damon Pace, Orrick, Herrington & Sutcliffe LLP

Chair Debbie McAneny called the meeting to order at 10:15 a.m.

Chair McAneny began the meeting by welcoming and introducing new Trustees Harry Chen and Jeffrey Davis and new Student Representatives Sarah Shackett and Harry Mallory.

Approval of Minutes

A motion was made, seconded, and voted to approve the minutes of the March 30, 2007 meeting.

Acceptance of Gifts and Grants

The resolution to accept gifts and grants was approved unanimously by the Committee for recommendation to the full Board.

> **<u>Acceptance of Gifts and Grants</u>**
>
> RESOLVED, that the Board of Trustees hereby accepts gifts in the amount of $6,666,524 for the period December 30, 2006, through March 30, 2007, and grants and contracts in the amount of $18,049,300 for the period January 1, 2007, through March 31, 2007.

Debt - Refunding Opportunities

The Committee considered documentation and resolutions for an interest rate swap and for the issuance of bonds. Discussion was informed by an earlier presentation on debt, refunding and hedges at Committee of the Whole. The first resolution for an interest rate exchange agreement and accompanying materials would authorize an advance swap with an appropriate counter-party in order to preserve savings for the bond refunding opportunities in the event of a substantial change in the market. For the swap, once documents are executed, they may be utilized for future transactions -- but that the only potential transaction being approved at this time is a swap to hedge the 2007 bond issuance, if needed. Given the current rate environment and the impending issuance of bonds, it will likely result in not needing the swap at this time. The documents can be retained and be available as part of a "tool kit" with a shelf life of up to 30 years. There was discussion on the market standard for this type of document. Damon Pace, of Orrick, Herrington and Sutcliffe LLP (bond counsel) noted that UVM's agreement was favorable to the University and a "state of the art" document. Mr. Pace described that in the future a "Term Sheet" for a particular swap transaction will specify the terms, and will supercede the terms of the current agreement. Such a change from the terms of the agreement will need to be agreed upon by both the University and the financial institution (counterparty). If any one of the counterparties would propose a change that the University does not agree with, the University does not have to enter into a contract with that institution, but simply choose another one. There was also some discussion as to the cost of putting the Swap Agreement in place. It was more cost-effective and time-effective to have the documents in place either for use now or in the future. Once a swap is deemed desirable, it will only take minor updates and a small amount of time to enter into a swap, and no major legal fees would be required. Trustee Amidon asked about "Vermont Case Law" regarding delegation. Bond counsel recommends that all trustees be given access to the swap documents, and that the whole Board approve them. It was also pointed out that a Subcommittee authorized by the Committee had reviewed the documents, the differences between the counterparties, and the resolution. A motion was made, seconded, and passed to approve the resolution with an amendment to section 5. The amendment changed "consultation with the Swap Subcommittee" to "approval from the Ad-hoc Swap Subcommittee". This Ad-hoc Committee will have authority of future documents but not the use of the funds.

Interest Rate Exchange Agreement

WHEREAS, the University has evaluated the risks and exposures related to interest rate exchange agreements, including, but not limited to counterparty risk, termination risk, rollover risk, basis risk, tax event risk, and amortization risk; and

WHEREAS, the University has decided to approve the form of interest rate exchange agreements that may be entered into to manage its borrowings, reduce or hedge its exposure to changes in interest rates, and provide for a lower cost of borrowing; and

WHEREAS, in connection with the proposed issuance of refunding bonds, the University desires to authorize the execution and delivery of an interest rate exchange agreement between the University and a qualified counterparty pursuant to which, on a future date, the University would receive payments based on a variable rate and would make payments based on a fixed rate in accordance with the terms and conditions set forth in such agreement, or pursuant to which the

University could terminate the agreement and either receive a termination payment (if fixed rates have risen) or make a payment (if fixed rates have declined); and

WHEREAS, copies of the form of interest rate exchange agreement in substantially final form (including the master agreement, schedule, confirmation, and credit support annex) have been filed with the Board of Trustees of the University;

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. Qualified Counterparties. The Vice President for Finance and Administration and Treasurer of the University (the "Treasurer") is authorized to select one or more of the following firms (or affiliates thereof) to participate in the bidding of an interest rate exchange agreement:

Counterparty	Moody's Rating	S&P Rating	Fitch Rating
The Bank of New York	Aaa	AA	AA-
Citibank, N.A.	Aaa	AA+	AA+
JPMorgan Chase Bank, N.A.	Aaa	AA	AA-
Morgan Stanley Capital Services Inc. (guaranteed by Morgan Stanley & Co. Incorporated)	Aa3	A+	AA-
UBS AG	Aa2	AA+	

Section 2. Form of the Interest Rate Exchange Agreement. The form and content of the interest rate exchange agreement (including the master agreement, schedule, confirmation, and credit support annex, all of which, as modified and executed by the University and a qualified counterparty, shall be called the "Interest Rate Exchange Agreement"), is hereby approved, and the Treasurer is authorized to execute and deliver the Interest Rate Exchange Agreement with each of the counterparties specified in Section 1, with such changes, additions, deletions and modifications as he may deem necessary or desirable.

Section 3. Bidding Procedure. The Treasurer is authorized to approve the terms of the bidding procedure by which a qualified counterparty to an interest rate exchange agreement shall be selected.

Section 4. Ad-Hoc Sub-Committee on Swaps. The Chair of the Budget, Finance and Investment Committee is authorized to establish an Ad Hoc Sub-Committee on Swaps (the "Swap Sub-Committee") and appoint the members and chair of such Swap Sub-Committee.

Section 5. Terms of the Interest Rate Exchange Agreement. In connection with the proposed issuance of refunding bonds, the Treasurer (following approval from the Swap Sub-Committee) is authorized to execute a confirmation to the interest rate exchange agreement with the counterparty selected through the bidding procedures, pursuant to which the University will pay a fixed rate not to exceed 5.00% and receive a variable rate equal to the SIFMA Index or a percentage of LIBOR, in either case being a variable rate that is reasonably expected to be equivalent over time to the variable rate paid on tax-exempt variable rate general obligation bond issues of obligors of generally the same creditworthiness as the University. The term of the agreement shall not exceed the term of 31 years from the effective date and shall have a maximum notional amount not to exceed $210,000,000.

Section 6. Annual Review. The Budget, Finance and Investment Committee of the Board of Trustees will review, no less often than annually, the terms and conditions of the Interest Rate Exchange Agreement for purposes of compliance and to ensure its continuing suitability. That Committee may direct the Treasurer to consider additions, deletions, and modifications deemed necessary or desirable.

Section 7. No Personal Liability. No stipulation, obligation, or agreement herein contained or contained in the Interest Rate Exchange Agreement shall be deemed to be a stipulation, obligation or agreement of any officer, agent or employee of the University in his or her individual capacity, and no such officer, agent or employee shall be personally liable on the obligations under an interest rate exchange agreement or be subject to personal liability or accountability by reason of the University entering such agreement.

Section 8. Actions of Officers. The officers of the Board of Trustees of the University and the officers of the University are hereby authorized, empowered and directed to do any and all other acts and to execute any and all other documents, which they, in their discretion, deem necessary and appropriate to consummate the transactions contemplated by (i) this Resolution and (ii) the Interest Rate Exchange Agreement; except that none of the above shall be authorized or empowered to do anything or execute any document which is in contravention, in any way, of (a) the specific provisions of this Resolution, (b) the specific provisions of the Interest Rate Exchange Agreement, (c) any agreement to which the University is bound, (d) any rule or regulation of the University or (e) any applicable law, statute, ordinance, rule or regulation of the United States of America or the State of Vermont.

Section 9. Severability of Invalid Provisions. If any one or more of the agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or shall be determined to be against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining agreements and provisions and shall in no way affect the validity of any of the other agreements and provisions hereof or of the Interest Rate Exchange Agreement authorized hereunder.

Section 10. Conflicting Provisions. All resolutions or parts thereof of the Board of Trustees of the University in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 11. Effective Date. This Resolution shall take effect upon its adoption.

Bond Refunding

John Malpiede from Citi and Chris Cowen from Prager Sealy presented information concerning the proposed bond refunding. The current recommendation is to refund certain maturities currently outstanding from 1998 and 2002 bond issues, and to provide permanent financing for projects currently financed via commercial paper.

The second resolution and accompanying materials authorized the issuance of fixed rate bonds for the refunding of appropriate bonds from 1998, 2002, 2005 and for long-term financing for approved projects that are being carried on commercial paper. Recent moves in the bond market could result in sufficient savings to make refunding additional bonds in those series financially attractive. Only recallable bonds with a 3% savings in interest on bonds previously taken out should be included in the new 2007 Bond. Discussion ensued concerning interest rates being so attractive and the potential to borrow for future undetermined projects now. The issue of arbitrage was brought into the discussion. Trustee Hudson-Wilson asked – could potential projects be identified generically or do they have to be defined specifically? Damon Pace of Orrick clarified that due to tax-exempt status of the bonds, UVM must have approved projects to be financed. There was also discussion as to why the $15.4M of capital projects slated for May 2007 approval were not included in the Bond Refunding model as well as all the outstanding Commercial Paper Notes. The administration responded that since these projects had not been reviewed by the Board as of yet, they were not included in the modeling. A recommendation from the committee was made to add any projects approved at the current meeting. The new Bond amount could be up to $210M in refunding of existing bonds and $80M in new dollars borrowed. A motion was made, seconded, and passed to approve the resolution as amended to include projects approved at the current BOT meeting.

A request was made that Commercial Paper financing be added to the debt service charts that Chris Cowen presented (as a footnote) to capture all borrowings for capital projects.

General Obligation Bonds, Series 2007

WHEREAS, the University has decided to issue its General Obligation Bonds, Series 2007 (the "Series 2007 Bonds"), to provide funds (i) to refund all outstanding commercial paper notes of the University (including the payment of interest thereon), (ii) to refund a portion of the outstanding Series 1998 Bonds, Series 2002 Bonds and Series 2005 Bonds (defined herein) of the University (including the payment of interest and redemption premium thereon), (iii) to finance the cost of certain capital projects of the University which have been authorized by the Board prior to or on the date hereof and (iv) to pay the costs of issuance relating to the Series 2007 Bonds, which purposes have been found by the Board to be necessary and desirable; and

WHEREAS, the present value of the aggregate debt service savings from the refunding of the general obligation bonds of the University shall be at least 3% of the principal amount of the refunded bonds; and

WHEREAS, the University desires to authorize the issuance of the Series 2007 Bonds in an aggregate initial principal amount not to exceed $296.6 million; and

WHEREAS, the University has issued its General Obligation Bonds, Series 1990 (the "Series 1990 Bonds"), Series 1998 (the "Series 1998 Bonds"), Series 2002 (the "Series 2002

Bonds") and Series 2005 (the "Series 2005 Bonds") pursuant to the terms of an Indenture dated as of February 1, 1990 (the "Trust Indenture") between the University and The Bank of New York (as successor to TD Banknorth, N.A.), as trustee (the "Trustee"), as amended and supplemented by the Series 1998 and First Supplemental Indenture, the Series 2002 and Second Supplemental Indenture, and the Series 2005 and Third Supplemental Indenture), (the Trust Indenture, as amended, hereafter referred to as the "Indenture"), and

WHEREAS, the University proposes to issue the Series 2007 Bonds on a parity with the Series 1990 Bonds, the Series 1998 Bonds, the Series 2002 Bonds and the Series 2005 Bonds pursuant to the terms of the Indenture and a Series 2007 and Fourth Supplemental Indenture thereto (the "Fourth Supplemental Indenture") between the University and the Trustee; and

WHEREAS, the University desires to execute and deliver a Bond Purchase Agreement (the "Bond Purchase Agreement") between the University and Citigroup Global Markets Inc. and UBS Securities LLC (the "Underwriters"), pursuant to which the University will sell the Series 2007 Bonds to the Underwriters in accordance with the terms and conditions set forth therein; and

WHEREAS, in connection with the issuance and sale of the Series 2007 Bonds, a Preliminary Official Statement (the "Preliminary Official Statement") and a final Official Statement (the "Official Statement") will be prepared by the University, which will present information about the University, the terms of the Series 2007 Bonds and the security for the Series 2007 Bonds, among other things; and

WHEREAS, the University desires to execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") between the University and the Trustee, pursuant to which the University will be obligated to update certain information in the Official Statement and provide certain other notices to specified repositories in accordance with the terms and conditions set forth therein; and

WHEREAS, the University desires to execute and deliver an Escrow Agreement (the "Escrow Agreement") between the University and the Trustee, as escrow agent, pursuant to which the escrow agent shall purchase Government Obligations (as defined in the Indenture) and make a cash deposit to comply with the requirements of Article XI of the Indenture with respect to payment of the refunded bonds; and

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

1. the Fourth Supplemental Indenture;

2. the Bond Purchase Agreement;

3. the Continuing Disclosure Agreement;

4. the Preliminary Official Statement; and

5. the Escrow Agreement;

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. Issuance of Series 2007 Bonds. The Board hereby approves and confirms the issuance of the Series 2007 Bonds by the University in the initial principal amount of not more than $296.6 million (of which not more than $81.4 million shall be for the purpose of refunding outstanding commercial paper or financing the cost of projects authorized prior to or on the date hereof and not more than $215.2 million shall be for the purpose of refunding outstanding general obligation bonds of the University, in each case including the costs of issuance, insurance premium if any and other related expenses), bearing a true interest cost not exceeding 6.00% per annum and maturing not later than October 1, 2047 with a first maturity or sinking fund installment date not later than October 1, 2008 to provide funds (i) to refund all currently outstanding commercial paper notes of the University, (ii) to refund a portion of the outstanding Series 1998 Bonds, Series 2002 Bonds and Series 2005 Bonds of the University and (iii) to finance the cost of certain capital projects of the University which have been authorized prior to or on the date hereof. The Board hereby finds and determines that these purposes are necessary and desirable, and the President or Vice President for Finance and Administration and Treasurer of the University, subject to the limitations set forth herein, are authorized and directed to determine (i) whether a policy of municipal bond insurance should be obtained with respect to all or a portion of the Series 2007 Bonds (based on whether such policy will be cost effective considering both the interest cost of the Series 2007 Bonds if such a policy was obtained and the insurance premium, and based on whether the insurer will require that the University comply with certain covenants); and (ii) whether the Series 2007 Bonds should be issued as two or more sub-series of bonds (based on whether the issuance of the Series 2007 Bonds in two or more sub-series will facilitate debt management, marketing of the bonds, or compliance with federal tax law restrictions). Those officials are further authorized and directed to determine the terms of the Series 2007 Bonds subject to the limitations set forth above, including determining the redemption provisions of the Series 2007 Bonds based on financial or structural benefits to the University and marketing considerations. The form and content of the Series 2007 Bonds as set forth in the Fourth Supplemental Indenture are hereby approved and confirmed. The President or the Vice President for Finance and Administration and Treasurer and the Secretary or the Assistant Secretary of the Board are authorized and directed to execute and deliver the Series 2007 Bonds for and on behalf of the University, in substantially the form and content set forth in the Fourth Supplemental Indenture, but with such changes, additions or deletions as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of their approval of any and all such changes, additions or deletions.

Section 2. Authorization to Determine Bond Redemptions. The President or Vice President of Finance and Administration and Treasurer of the University is authorized and directed to determine which maturities (or portions of maturities) of the Series 1998 Bonds, Series 2002 Bonds and Series 2005 Bonds shall be refunded with the proceeds of the Series 2007 Bonds and the dates of redemption of such refunded bonds; provided that there are aggregate present value savings of at least 3% of the refunded par amount.

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

Section 4. Authorization of Bond Purchase Agreement. The Series 2007 Bonds shall be awarded and sold to the Underwriters pursuant to the terms of the Bond Purchase Agreement at an underwriters' discount or fee of not more than 0.5% ($5.00 per $1,000 bond) of the principal amount of the Series 2007 Bonds and the Series 2007 Bonds shall be authenticated and delivered to or upon the order of the Underwriters upon payment of the purchase price set forth in the Bond Purchase Agreement. The form and content of the Bond Purchase Agreement are hereby approved and confirmed. The President or Vice President of Finance and Administration and Treasurer of the University is hereby authorized and directed to execute and deliver the Bond Purchase Agreement for and on behalf of the University, in substantially the form and content presented to the University, but with such changes, additions or deletions as shall to him or her seem necessary, desirable or appropriate, his execution thereof to constitute conclusive evidence of his approval of any and all such changes, additions or deletions therein. From and after the execution and delivery of the Bond Purchase Agreement, the President and Vice President for Finance and Administration and Vice President of Finance and Administration and Treasurer and all other officers of the Board and the University are hereby authorized and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Bond Purchase Agreement as executed.

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

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

Section 7. Approval of Preliminary Official Statement and Official Statement. The form, terms and content of the Preliminary Official Statement and the Official Statement in substantially the form of the Preliminary Official Statement (but including the terms of the Series 2007 Bonds) are authorized, approved and confirmed, with such changes, additions or deletions therein as shall seem necessary, desirable or appropriate to the President or Vice President of Finance and Administration and Treasurer of the University. The use of the Preliminary Official Statement and of the Official Statement by the Underwriters in connection with the sale of the Series 2007 Bonds is hereby authorized, approved and confirmed. The President or Vice President of Finance and Administration and Treasurer of the University is authorized to execute the Official Statement on behalf of the University.

Section 8. Tax Certificates. The officers of the Board and the University are hereby authorized to execute a certificate in order to evidence the University's compliance with the Internal Revenue Code of 1986 and the applicable Income Tax Regulations thereunder.

Section 9. No Personal Liability. No stipulation, obligation or agreement herein contained or contained in the Series 2007 Bonds, the Indenture, the Fourth Supplemental Indenture, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Escrow Agreement or any other instrument related to the issuance of the Series 2007 Bonds shall be deemed a stipulation, obligation or agreement of any officer, agent or employee of the University in his or her individual capacity, and no such officer, agent or employee shall be personally liable on the Series 2007 Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

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

Section 11. Severability of Invalid Provisions. If any one or more of the agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining agreements and provisions and shall in no way affect the validity of any of the other agreements and provisions hereof or of the Series 2007 Bonds authorized hereunder.

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

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

Capital Project Resolutions

The Committee was asked to approve financing for five capital projects totaling $15.4M, which covers $14.6M of project costs, and up to $.292M of cost of issuance and $.511M of capitalized interest. The project amounts are:

- DeGoesbriand Fit-Up Phase II $1.6M
- Williams Hall Interim Renovations $2.0M
- Rowell Hall – Exercise Science Renovations $2.5M
- Research Labs Renovations $1.5M
- IT Infrastructure Renovations – FY 07 $7.0M

John Fogarty, Interim Dean for the College of Medicine, summarized the DeGoesbriand Fit-Up Phase II project. The project scope includes the continuing consolidation and expansion of College of Medicine activities. Eleanor Miller, Dean of the College of Arts and Sciences, outlined the immediate needs being addressed with the Williams Hall renovations. These include improving air quality, replacement of the gas kiln, and relocating of the wood shop. Betty Rambur, Dean of the College of Nursing and Health Sciences, illustrated the renovation project to reconfigure space in Rowell Hall for the new Department of Rehabilitation and Movement Science. Fran Carr, Vice President for Research and Graduate Studies, described research lab renovations in Votey Hall, Cook Science Building, and Farrell Hall. David Todd, Chief Information Officer, provided detail on IT renovations and projects associated with the Information Technology Strategic Plan.

Prior to voting on the project resolutions, there was a discussion regarding the impact on debt capacity in FY 2007 and FY 2008. Vice President Gower and Associate Vice President Winfield confirmed that the projects under consideration were not projected to exceed the current debt capacity as defined by the debt policy ratios. Chair McAneny added that it would be beneficial for the Committee to be provided with an analysis of the effect additional debt had on the debt ratios prior to voting on future projects.

A motion was made, seconded, and passed to approve the five project resolutions for recommendation to the full Board.

Capital Projects Resolutions:

DeGoesbriand Fit-up (Phase II)

WHEREAS, the University wishes to fit-up certain spaces in the DeGoesbriand building to be occupied by various functions from the College of Medicine currently housed in other University buildings and in off-campus leased space; and

WHEREAS, an allocation of $500,000 for phase I of this estimated $2,100,000 two-phase project was included in the *2007 Strategic Capital Plan* and approved at the February Board meeting; and

WHEREAS, phase II is ready to proceed at a cost of $1,600,000; and

WHEREAS, the University has adopted its Commercial Paper Note Resolution (the “Resolution”) on November 13, 2004, and thereby established a commercial paper program; and

WHEREAS, it may be beneficial to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued at the appropriate time;

NOW THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to commence the DeGoesbriand Fit-up Project (Phase II) and to execute any and all contracts and documents necessary to undertake the Project at a total cost not to exceed $1,600,000;

BE IT FURTHER RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued for the Project; and

BE IT FURTHER RESOLVED, that the external interim financing, including the use of commercial paper, shall be in an amount not to exceed $1,688,000, included in which shall be Costs of Issuance, as that term is defined in the Resolution, in an amount not to exceed $32,000, and capitalized interest in an amount not to exceed $56,000: and

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those persons appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern; and

WHEREAS, the University expects to pay certain expenditures (the “Reimbursement Expenditures”) in connection with 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 $1,688,000 will be issued and that certain of the proceeds of such debt obligations 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;

NOW, THEREFORE, the University of Vermont declares:

Section 1. The University of Vermont 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.

Williams Hall Renovations

WHEREAS, the University wishes to undertake certain improvements including upgrading mechanical ventilation systems and replacing a pottery kiln in Williams Hall; and

WHEREAS, an allocation of $2,000,000 for this project has been previously included in the *2007 Strategic Capital Plan*; and

WHEREAS, the University has adopted its Commercial Paper Note Resolution (the "Resolution") on November 13, 2004, and thereby established a commercial paper program; and

WHEREAS, it may be beneficial to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued at the appropriate time;

NOW THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to commence the Williams Hall Renovation Project and to execute any and all contracts and documents necessary to undertake the Project at a total cost not to exceed $2,000,000;

BE IT FURTHER RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued for the Project; and
BE IT FURTHER RESOLVED, that the external interim financing, including the use of commercial paper, shall be in an amount not to exceed $2,110,000, included in which shall be Costs of Issuance, as that term is defined in the Resolution, in an amount not to exceed $40,000, and capitalized interest in an amount not to exceed $70,000; and

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those persons appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern; and

WHEREAS, the University expects to pay certain expenditures (the “Reimbursement Expenditures”) in connection with 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 $2,110,000 will be issued and that certain of the proceeds of such debt obligations 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;

NOW, THEREFORE, the University of Vermont declares:

Section 1. The University of Vermont 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.

Rowell Hall Renovations

WHEREAS, the University wishes to undertake certain improvements in Rowell Hall to accommodate the teaching and research activities of the Rehabilitation and Movement Sciences Department; and

WHEREAS, an allocation of $2,500,000 for this project has been previously included in the *2007 Strategic Capital Plan*; and

WHEREAS, the University has adopted its Commercial Paper Note Resolution (the “Resolution”) on November 13, 2004, and thereby established a commercial paper program; and

WHEREAS, it may be beneficial to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued at the appropriate time;

NOW THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to commence the Rowell Hall Renovation Project and to execute any and all contracts and documents necessary to undertake the Project at a total cost not to exceed $2,500,000;

BE IT FURTHER RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued for the Project; and

BE IT FURTHER RESOLVED, that the external interim financing, including the use of commercial paper, shall be in an amount not to exceed $2,637,500, included in which shall be Costs of Issuance, as that term is defined in the Resolution, in an amount not to exceed $50,000, and capitalized interest in an amount not to exceed $87,500; and

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those persons appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern; and

WHEREAS, the University expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with 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 $2,637,500 will be issued and that certain of the proceeds of such debt obligations 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;

NOW, THEREFORE, the University of Vermont declares:

Section 1. The University of Vermont 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.

Research Laboratory Renovations

WHEREAS, the University wishes to undertake certain renovations in Votey Hall, Cook Physical Science Building, and Farrell Hall to enable new sponsored research; and

WHEREAS, the University has adopted its Commercial Paper Note Resolution (the "Resolution") on November 13, 2004, and thereby established a commercial paper program; and

WHEREAS, it may be beneficial to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued at the appropriate time;

NOW THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to commence the Research Laboratory Renovations Project and to execute any and all contracts and documents necessary to undertake the Project at a total cost not to exceed $1,500,000;

BE IT FURTHER RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued for the Project; and

BE IT FURTHER RESOLVED, that the external interim financing, including the use of commercial paper, shall be in an amount not to exceed $1,582,500, included in which shall be Costs of Issuance, as that term is defined in the Resolution, in an amount not to exceed $30,000, and capitalized interest in an amount not to exceed $52,500; and

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those persons appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern; and

WHEREAS, the University expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with 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 $1,582,500 will be issued and that certain of the proceeds of such debt obligations 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;

NOW, THEREFORE, the University of Vermont declares:

Section 1. The University of Vermont 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.

Information Technology Infrastructure Renovations

WHEREAS, the University wishes to undertake certain improvements in its information technology infrastructure, which includes its student information systems and its server and data storage facilities; and

WHEREAS, the University has adopted its Commercial Paper Note Resolution ("the Resolution") on November 13, 2004, and thereby established a commercial paper program; and

WHEREAS, it may be beneficial to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued at the appropriate time;

NOW THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to commence the Information Technology Renovation Project and to execute any and all contracts and documents necessary to undertake the Project at a cost not to exceed $7,000,000;

BE IT FURTHER RESOLVED, that the President and the Vice President for Finance and Administration and University Treasurer, or their successors or designees, are hereby authorized to obtain internal or external interim financing, including the use of commercial paper, until bonds can be issued for the Project; and

BE IT FURTHER RESOLVED, that the external interim financing, including the use of commercial paper, shall be in an amount not to exceed $7,385,000 included in which shall be Costs of Issuance, as that term is defined in the Resolution, in an amount not to exceed $140,000, and capitalized interest in an amount not to exceed $245,000; and

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those persons appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern; and

WHEREAS, the University expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with 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 $7,385,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, Section1.150-2 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;

NOW, THEREFORE, the University of Vermont declares:

Section 1. The University of Vermont 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 des 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 Expenses.

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

At 12:15 p.m. the Budget, Finance and Investment Committee recessed. The Committee reconvened at 1:45 p.m., in North Lounge, Room B300, Billings Student Center.

FY 2008 Budget – General Fund

Provost Hughes provided the Committee with a brief overview and timeline of the University's budget process. He noted that for FY 2008 a one percent budget recovery was instituted, totaling $2.275M. Budget dollars were returned by units for central redistribution to areas of strategic priorities. Associate Vice President Winfield continued with an overview of the FY 2008 total operating and general fund budgets. He referred the Committee to attachment 11. He explained that at the March meeting, the Committee reviewed updated budget projections and discussed the balanced budget that was presented, projecting a total of $250.8M in revenues and expenses. Since the March meeting, further review and refinement of the budget has occurred, resulting in a slight change in the total revenue and expenses to $251.0M. This change reflects the updated projection of medical tuition, as well as the projection of enrollment for the upcoming year.

After further discussion, the FY 2008 general fund budget resolution was approved unanimously by the Committee for recommendation to the full Board.

Fiscal Year 2008 Budget Premises: General Fund

RESOLVED, that the Board of Trustees hereby approves the budget premises for Fiscal Year 2008, which lead to a General Fund operating budget for the University of $251,023,000, and authorizes the President to proceed with detailed budget preparation in accordance with these premises.

Tuition Rates for FY 2008

Tuition rate increases of 6.0% for both Vermont students and for out-of-state students were proposed. Also included in the resolution are proposed tuition rate increases for the College of Medicine of 4.0% for each of the four class years, for both Vermont and out-of-state students.

The following tuition rates resolution was approved unanimously by the Committee for recommendation to the full Board.

Tuition Charges for Fiscal Year 2008

RESOLVED, that the Board of Trustees hereby approves increases in the following tuition rates effective with the 2007-2008 academic year:

a. In-state tuition from $9,832 to $10,422 per year, or $590 per credit hour.
b. Out-of-state tuition from $24,816 to $26,306 per year, or $1,490 per credit hour.
c. Medical student in-state tuition from $24,480 to $25,460 per year for first-year students; from $24,480 to $25,460 for second-year students; from $24,480 to $25,460 for third-year students; and from $24,320 to $25,290 for fourth-year students.

   Medical student out-of-state tuition from $42,850 to $44,560 per year for first-year students; from $42,850 to $44,560 for second-year students; from $42,850 to $44,560 for third-year students; and from $42,550 to $44,250 for fourth-year students.

Room and Meal Rates for FY 2008

The predominate traditional double room rate is proposed to increase 5.4% to $5,426 for the 2007-2008 academic year and the proposed average meal plan rate will increase 4.3% to $2,598, for a total combined room and meal plan increase of 5% for FY 2008. The room and meal rate resolution was approved unanimously by the Committee for recommendation to the full Board.

Room and Meal Plan Rates, Fiscal Year 2008

RESOLVED, that the Board of Trustees hereby approves room and meal plan rates for Fiscal Year 2008 as follows:

	per year
Private Single with Bath	$6,774
Private Double with Bath	$6,616
Suite Single with Shared Bath	$6,406
Suite Double with Shared Bath	$5,532
Traditional Single	$6,248
Traditional Double	$5,426
Traditional Triple	$4,326
Traditional Quad	$3,624
Basic Meal Plan	$2,044
Average Meal Plan	$2,598
Carte Blanche Meal Plan	$2,906

Student Fees for FY 2008

An increase in student fees of $140 (9.4%), from $1,492 to $1,632, was proposed for FY 2008.

The student fees resolution was approved unanimously by the Committee for recommendation to the full Board.

Fees for Fiscal Year 2008

RESOLVED, that the Board of Trustees approves increases to student fees from $1,492 to $1,632 effective with the 2007-2008 academic year.

FY 2008 Budget - Morgan Horse Farm

The Morgan Horse Farm is a self-sustaining operation generating the majority of its revenue from the sale of horses. The FY 2008 budget of $362,584 represents a 1.62% decrease over FY 2007. The Morgan Horse Farm budget resolution was approved unanimously by the Committee for recommendation to the full Board.

Fiscal Year 2008 Operating Budget: Morgan Horse Farm

RESOLVED, that the Board of Trustees approves the recommended operating budget for the Morgan Horse Farm for Fiscal Year 2008 in the amount of $362,584.

Policy Review & Ratio Benchmarking

The Committee conducted its annual review of the University's debt policy. Mr. Cowen provided materials for discussion and reviewed comparable debt ratios at the institutions originally benchmarked.

For the benefit of new members, Mr Cowen explained that the debt policy ratios serve as a means for self-evaluating affordability of debt. The limits set by UVM do not reflect the market's view of a university's boundaries for assuming debt. The history of the University's debt ratio selection was reviewed, as well as the fact that UVM's ratios were set conservatively. The debt issued in 2005 pushed the maximum limit of the viability (balance sheet) ratio, which is based on the University's net expendable assets.

Discussion ensued about UVM's unique relationship to the state and its quasi-private attributes, both of which cast some doubt on the meaningfulness of peer comparisons; for instance, some peers are funded by off-book/off-credit state general obligation bonds. Mr. Cowen explained that the University's debt burden ratio is very similar to a private university, without the benefit of a large endowment. The University looks much less like the private institutions on the viability ratio since it lacks the large pool of net expendable assets. The Committee would like to review ratios for peer private institutions.

Committee members discussed that the University may not have the money to do everything it needs to do to be competitive. The need to strike a balance between what UVM should do (such as addressing deferred maintenance) and what it can afford was expressed. The need for more concrete information about the real impact of incrementally moving the ratio limits was identified. The Committee wants to assess several versions of ratio scenarios and what level of the capital plan could be funded with each in order to evaluate changes, if any, to the current debt ratio policy levels. This assessment will be prepared for the September meeting.

Report of the Investment Subcommittee

Performance

Investment Subcommittee Chair Cioffi reviewed the performance for the most recent quarter and fiscal year to date. The endowment is at an all-time high of $327 million, including $22 million for the Wilbur Trust. UVM returns were 13.6% for the fiscal year-to-date and 3.1% for the last quarter, outperforming the composite index (S&P 500 75%/LB Agg 25%) for the fiscal year-to-date (+11.8%) by 180 bps and for the quarter (+.9%) by 220 bps. The UVM long term pool also did well in comparison to the Cambridge (CA) endowment median, exceeding the CA median for the quarter (+2.7) by 40 bps and for the FYTD (+12.6%) by 100 bps.

Tobacco/Sudan Free Indexed Fund

Chair Cioffi brought to the Committee findings that Vice Chair Snow had reported to the Investment Sub-Committee. He stated that there had not been any improvement that would indicate the University should change its position regarding Sudan and that the situation appears to have actually deteriorated. A motion was made, seconded and approved for reaffirmation of the Resolution for Divestiture from Sudan.

> **Reaffirm Divestiture from Sudan**
>
> RESOLVED, that the Board of Trustees approves the re-affirmation of the resolution for Divestment from Sudan adopted by the Board of Trustees on May 18, 2006 and amended by the Executive Committee on June 12, 2006;
>
> BE IT FUTHER RESOLVED that the Budget, Finance and Investment Committee, as successor to the Committee on Socially Responsible Investing, will review and reaffirm this resolution on an annual basis.

Chair Cioffi also reported that the Investment Subcommittee has moved ahead to hire an investment manager, Rhumbline, to manage separate indexed S&P 500 Tobacco/Sudan Free funds for both the Long Term Pool and the Wilbur Trust. This will replace the current investment in a commingled Tobacco Free fund at State Street.

Endowment Management Fee Review (50 bps)

Chair Cioffi reported that the Subcommittee discussed the current practice that charges 50 bps against the endowment to support the costs of the capital campaign. There was not time at the Subcommittee to fully discuss the issue. Accordingly, a change to the current June 30, 2007 deadline for Committee review was proposed. A motion was made, seconded and approved, as amended, for an extension to the June 30, 2007 deadline for the review and recommendation to the BFI Committee, with the extension date amended from August 31 to September 30. The Investment Subcommittee Chair will select a 2-3 person taskforce to work on recommendations concerning the continuation of the 50 basis point fee and present it to the BFI committee at the September meeting.

<u>Endowment Management Fee Resolution</u>

BE IT RESOLVED, that the Board of Trustees hereby approves a 0.5 percent fee applied to the University endowment to cover reasonable costs associated with endowment management and operation; and

BE IT FURTHER RESOLVED that, on a fiscal year basis beginning July 1, 2003, the fee will be calculated and assessed annually as 0.5 percent of the average market value of the University endowment for the four (4) quarters ending December 31 of the prior calendar year, starting with January 1, 2002, through December 31, 2002; and

BE IT FINALLY RESOLVED, that continuation of the fee beyond June 30, 2008, shall be contingent upon Board re-authorization, following Budget, Finance and Investment Committee review and recommendation to be completed no later than September 30, 2007.

Investment Advisor Contract Renewal

A motion was made, seconded and approved to continue the contract with Cambridge Associates at the current negotiated proposal of approximately $204,000 for the fiscal year July 1, 2007 through June 30, 2008. This is the last year for a three year agreement and the committee will consider by September whether to enter into an RFP process for the subsequent fiscal year.

<u>Resolution Regarding Investment Advisory Services</u>

BE IT RESOLVED, that the President, Provost, Vice President for Finance and Administration, Associate Vice President for Finance and Controller, or any officer holding the above positions on a interim basis, singly is authorized to enter into a contract with Cambridge Associates LLC for the purpose of serving as an investment advisor to the University for the period July 1, 2007 to June 30, 2008, at a fee of $204,000.

This resolution supersedes all previous authorizations.

Vice President's Report

The Committee was asked to review the current budget projection for FY 2007 and the quarterly review of Treasury Operations, included in the Board materials.

Other Business

Chair McAneny reviewed the Committee workplan and agenda items to be covered at the September Board meeting. A meeting assessment was completed by the Committee members.

Adjournment

There being no further business, the meeting was adjourned at 3:45 p.m.

Respectfully submitted,

Debbie McAneny, Chair