

**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, March 6, 2009 at 1:30 p.m., in the President's Conference Room, 351 Waterman Building.

MEMBERS PRESENT: Chair Debbie McAneny*, Vice Chair Robert Cioffi*, Bill Botzow*, Harry Chen*, Jason DePatie*, Susan Hudson-Wilson*, Bill Ruprecht*, John Snow*, and Donna Sweaney*

REPRESENTATIVES PRESENT: Staff Representative Rodman Cory and Faculty Representatives Albert Joy* and Bud Meyers*

OTHER TRUSTEES PRESENT: Board Chair Ian Boyce*

PERSONS ALSO PARTICIPATING: Senior Vice President and Provost John Hughes, Vice President for Finance and Administration Richard Cate, Associate Vice President for Budget and Resource Management Ted Winfield, and Director of Capital Planning Management Robert Vaughan

ABSENT: President Daniel Fogel, Trustees Samuel Bain and John Hilton Jr., Alumni Representatives Walter Blasberg and Meg Guzewicz, Staff Representative Kit Ardell, and Student Representatives Ben Porter and Kevin Issadore

*by means of conference telephone

Chair Debbie McAneny called the meeting to order at 1:32 p.m.

Capital Project Financial Feasibility Review

Vice President Cate reviewed the financial feasibility of the McAuley Hall Project, with the BFI committee which was previously reviewed and endorsed by the Educational Policy & Institutional Resources Committee in February. Funding for the project would come from a combination of residential life and general fund reserves. A payback to the reserves would occur from revenue generated over a ten-year period. There is also the possibility of receiving state capital appropriation for the project, thus lessening the amount of reserves needed. The outcome of the governor's recommended of \$3M state capital appropriation will be known in May.

Vice President Cate asked that the total project cost be amended from \$4M as indicated on the resolution to \$4.3M. He explained that the additional \$300K was to finance enhancements to its dining facilities and would be funded from residential life reserves. Trustee Botzow asked how much of the University's reserve capacity was being used for this project. Vice President Cate responded that the residential life reserve was currently \$12M with \$4-\$5M potentially being called upon to true-up the FY 2009 budget. Associate Vice President Winfield added that the recent revision to the

University's Treasury Operations policy with regard to internal debt service payments will improve residential life's reserve capacity. Chair McAneny stated that a thorough review of the University's reserves will occur at the May meeting. Trustee Ruprecht asked if the University requested that Sodexo contribute capital funds towards dining hall renovations. Vice President Cate replied that it is an ongoing topic and is part of the discussion/negotiation process with Sodexo. The \$4.3M project cost estimate for McAuley Hall does not include a capital contribution from Sodexo.

After further discussion, the Committee voted unanimously to approve the amended financing resolution, changing the total project cost to \$4.3M. The resolution will be brought forward for final approval at the Executive Committee meeting on March 9, 2009.

McAuley Hall Resolution

WHEREAS, the Educational Policy and Institutional Resources Committee carefully reviewed the program, scope, and preliminary estimate of \$4,000,000 for McAuley Hall (the "Project") at its February 2009 meeting and found it an institutional priority, consistent with the *Strategic Capital Plan* and worthy of further consideration; and,

WHEREAS, the Educational Policy and Institutional Resources Committee endorsed the Project at the same February 2009 meeting and remitted it to the Budget, Finance, and Investment Committee for financial review and approval at a subsequent meeting; and

WHEREAS, the State Capital Appropriation request for the FY2010 budget allocation has been recommended by the Governor at an amount of \$3,000,000; and

WHEREAS, the Division of Student and Campus Life has budgeted \$1,300,000 of its operating funds for this project;

NOW, THEREFORE, BE IT RESOLVED, that the Vice President for Finance and Administration and University Treasurer, or his successor or designee, is hereby authorized to apply General Fund cash reserves and, if available, funds from the FY 2010 State Capital appropriation totaling \$3,000,000 in combination with \$1,300,000 from the Division of Student and Campus Life reserves to finance the \$4,300,000 McAuley Hall Project; 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 people 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.

Underwater Endowment – Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Vice President Cate reported that \$39M of the University's restricted endowments is underwater. Spendable income from these endowments is approximately \$1.7M per year, of which half is dedicated to student financial aid. The University is looking into what portion of the income has been committed. Vermont's current UMIFA Law is unclear as to whether it is acceptable to spend when an endowment is underwater or whether no spending is allowed until the endowment comes above water.

Vice President Cate will bring an underwater endowment policy to the Investment Subcommittee for their approval. If approved, it will be moved forward to the Budget, Finance, and Investment Committee and on to the full Board. There was a policy brought before the Investment Committee in 2004 but was not acted on.

Trustee Botzow reported that the legislative language adopting UPMIFA (the successor to UMIFA) has been drafted, but the bill has not been introduced to the state legislature. UPMIFA looks at the entire endowment not just the portions underwater. Conservative interpretation of the current UMIFA law is that the principal of underwater endowments could not be spent without donor authorization.

Vice President Cate presented several options for the underwater endowments as follows:

- 1) Contact donor for authorization to spend while endowment is underwater (140 donors would need to be contacted under current circumstances).
- 2) Ask donor to contribute enough money to bring the principal above water.
- 3) Ask donor to contribute what the endowment would have generated for this year.
- 4) Borrow funds from the general fund.

The best case scenario would be for the UPMIFA bill to be passed into Vermont law in the near future. This would allow the University to look at the total corpus of the endowment. As long as the endowment assets are above water in total; it would allow continued spending on all endowments, even those underwater. Trustee Botzow stated that the UPMIFA bill is available on the Vermont Legislature web page. He suggested reaching out to other Vermont institutions with endowments to let the legislature know this is a high priority act. Faculty Representative Meyers requested a copy of the endowment spending policy to help the faculty understand the workings of the endowment. Vice President Cate agreed to send it to him.

Adjournment

There being no further business, the meeting adjourned at 2:05 p.m.

Respectfully Submitted,

Debbie McAneny, Chair