

**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, 2012 at 11:15 a.m., in the Silver Maple Ballroom, 401 Dudley H. Davis Center.

MEMBERS PRESENT: Vice Chair Samuel Bain, Interim President John Bramley, Carolyn Branagan, Robert Brennan, David Daigle, Kyle DeVivo, Joan Lenes, Kesha Ram, Lisa Ventriss and Mark Young

REPRESENTATIVES PRESENT: Faculty Representatives Albert Joy and Donald Ross, Alumni Representative Afi Ahmadi, Staff Representative Eric Hoefel, Student Representative William Vitagliano

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Senior Vice President and Provost Jane Knodell, Vice President for Finance and Administration Richard Cate, Associate Vice President for Budget and Resource Management Ted Winfield, Vice President of Enrollment Management Christopher Lucier, Controller Claire Burlingham and Staff Council member Michelle Smith

ABSENT: Chair Debbie McAneny, Alumni Representative Walt Blasberg, Graduate Student Representatives Eduardo Cotilla-Sanchez and Jennifer Rousseau, and Student Representative Andrew Dougherty

Vice Chair Bain called the meeting to order at 11:22 a.m.

His opening remarks focused on acknowledging Associate Vice President Ted Winfield, who is retiring from the University at the end of the fiscal year. Along with Vice President Cate, Vice Chair Bain presented Ted with a resolution from the Board of Trustees acknowledging his dedication to the University and personally congratulating him and thanking him for his assistance over the years.

Vice Chair Bain read the following appreciation resolution:

WHEREAS, Ted Winfield is retiring after serving in a distinguished manner in budgetary and financial management positions spanning 30 years at the University Health Center and at the University of Vermont; and

WHEREAS Ted has earned the trust, confidence, and respect of the Board of Trustees, the Administration, and the University community, with whom he worked selflessly, creatively, professionally and with good humor to facilitate our mission as a public research university; and

WHEREAS Ted has undertaken very difficult tasks with a calm and reassuring demeanor that has served him well in his relationships with people across the campus as well as those throughout the Green Mountain State; and

WHEREAS through his efforts we have made great strides in managing and planning the university budget and building a solid basis for the future during a time of great change; and

NOW THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of Vermont and State Agricultural College expresses its deep appreciation, genuine affection, and heartfelt best wishes to Ted Winfield on the occasion of his retirement from the University.

Vice Chair Bain noted that today Michelle Smith is filling in for the vacant staff representative position. He then recognized the service of outgoing Representatives William Vitagliano and Eduardo Cotilla-Sanchez who are both graduating this year.

Vice Chair Bain also mentioned that Chair McAneny was not available for today's meeting as she is attending her son's graduation, therefore he would be acting Chair.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the April 16, 2012 meeting.

Financial Aid Components

Vice President Cate directed members to Appendix A, a chart showing the financial aid commitments by class cohort and how those commitments have changed between FY 2012 and FY 2013. The analysis showed the likely change between the original budget for FY 2012 of \$85.6 million and the projected actual experience as of February 2012 at \$80.3 million.

Vice President for Enrollment Management Lucier joined the discussion about using financial aid as a tool to attract diverse groups of students that UVM values to become part of the University community. He indicated that prior year needs are the best predictors for future projections.

Vice President Cate pointed out that there is now available better quantifiable data to track financial aid history and projections. The financial aid growth curve is flattening somewhat and we should gradually see more normal levels of need; it is still increasing, but the need is not as great as it was in recent years. FY 2012 first-time, first year financial aid was budgeted at \$22.7 million, and we are projecting \$22.8 million for FY 2013.

Trustee Daigle expressed his interest in a smoothing mechanism for when actuals are not as favorable as projected numbers. Members agreed that continuous focus on finding a different, sustainable funding model is needed. Vice President Cate said that there has been discussion about creating a capital pool for that purpose. He foresees bringing more information to the Committee in October for further discussion. Interim President Bramley expressed his concern

about the current funding model. He mentioned the increasing demographic and competitive challenges the University faces. He urged the Committee to constantly look at untapped populations, delivery methods, revenue streams, and other opportunities.

FY 2013 Proposed General Fund Budget

Vice President Cate directed members to the Budget Proposal (Appendix D) summary and noted that the total is slightly lower than what was presented in April. The current total, \$299,575,000, reflects a 2.4% budget increase compared to the original proposal of a 2.6% at \$300,248,000. This new budget is based on the 3.5% tuition increase as was the April budget. The primary change is in the reduced expectation of unrestricted giving which dropped by \$444,000. A new line reflecting general fund support for the UVM Foundation (UVMF) was added at the request of Chair McAneny. Also added is a chart that indicates the funds flowing to and from the University and UVMF.

Associate Vice President Winfield walked the Committee through the tuition and student fees proposals including a clarification of the graduate continuous registration fee. He reminded members that what they were acting on was the general fund budget only, not on the total University operating budget.

In regards to projected energy costs, Trustee Young commented on the past mild winter and whether projections were based on low heating costs. Vice President Cate explained that due to its highly efficient system, the University's heating bill does not represent the majority of the utilities costs, and appropriate rates and quantities of gas have been factored into the projection. Electricity makes up the majority of utility expense but since it is a regulated utility, staff will have advance notice of anticipated rate changes.

The following resolutions were presented:

Tuition Charges for Fiscal Year 2013

RESOLVED, that the Board of Trustees hereby approves increases in the following tuition rates effective with the 2012-2013 academic year:

- a. In-state tuition from \$12,888 to \$13,344 per year, or \$556 per credit hour.
- b. Out-of-state tuition from \$32,528 to \$33,672 per year, or \$1,403 per credit hour.
- c. Medical student in-state tuition from \$29,220 to \$30,070 per year. Medical student out-of-state tuition from \$51,150 to \$52,630 per year.

Online Tuition Rate

RESOLVED, that the Board of Trustees hereby approves the continuation of variable tuition rates for programs that are offered exclusively online. Consistent with the Board resolution in 2011, online tuition rates for the fall 2012 semester are set at a minimum rate of \$556 and a maximum rate of \$1,403 per credit hour for the 2012-13 academic

year. The rate will be determined by the Provost, based on demand for the program and assessment of the national market place for similar online programs.

Room and Meal Plan Rates, Fiscal Year 2013

RESOLVED, that the Board of Trustees hereby approves room and meal plan rates for Fiscal Year 2013 as follows:

	<u>per year</u>
Private Single with Bath	\$8,302
Private Double with Bath	\$8,110
Suite Single with Shared Bath	\$7,850
Suite Double with Shared Bath	\$6,780
Traditional Single	\$7,660
Traditional Double	\$6,650
Traditional Triple	\$5,304
Retail Dining – Lite Points	\$2,682
Retail Dining – High Points	\$3,414
Unlimited Access (+100 Points)	\$3,414
Unlimited Access (+250 Points)	\$3,816

Student Fees for Fiscal Year 2013

RESOLVED, that the Board of Trustees approves increases to student fees from \$1,896 to \$1,940 effective with the 2012-2013 academic year.

Graduate Student Senate Fee for Fiscal Year 2013

RESOLVED, that the Board of Trustees approves the Graduate Student Senate fee in the amount of \$20 for the academic year.

Graduate Continuous Registration Fee for Fiscal Year 2013

RESOLVED, that the Board of Trustees approves increases to the Graduate Continuous Registration fee from the same amount of \$100 per semester regardless of effort level to varying the fee at less than half-time \$100 per semester, half to full-time \$200 per semester and, full-time \$300 per semester effective with the 2012-2013 academic year.

Fiscal Year 2013 Budget Planning Assumptions: General Fund

RESOLVED, that the Board of Trustees hereby approves the budget planning assumptions for Fiscal Year 2013, which lead to a General Fund operating expense budget for the University of \$299,575,000, and hereby authorizes the President to proceed with detailed budget preparation in accordance with these assumptions.

A motion was made, seconded, and it was voted unanimously to approve all budget resolutions for recommendation to the full Board.

At 12:19 p.m., Vice Chair Bain recessed the meeting.

At 1:34 p.m., the meeting reconvened.

Bond Refunding

Vice Chair Bain reminded the Committee that the current dramatic drop in interest rates may be an opportunity for the University to save about \$4 million (present value), spread over the long term, by refunding up to \$82.3 million in bonds. This amount factors in account fees and services. He confirmed that the pending issuance would trigger a rating agency review, which is anticipated to have a favorable outcome.

Vice President Cate informed the Committee that since its April meeting, Chair McAneny appointed Sam Bain, David Daigle, Rob Brennan, and herself to a Bond Refunding Work Group. Based on data provided by Prager & Company, the work group sees value in refunding 1998 and 2002 bonds. However, market conditions would have to improve to move forward with re-issuing 2005 bonds to avoid negative arbitrage. All decisions are subject to Board approval via the Executive Committee. All refunded bonds will retain their original maturity date.

Vice President Cate assured Trustee Branagan that there was no threat of the University losing money through the refunding. The administration will only act within the parameters outlined in the resolution and proceed only if it is a benefit to UVM.

Trustee Young requested adding language to the resolution further clarifying that the Executive Committee has final approval of all decisions. It was decided that the Committee would vote on the resolution as written and if deemed necessary after General Counsel Bazluke's review an amended version of the resolution would be presented to the full Board for its approval.

The Committee was presented with the following resolution for vote:

Resolution Approving Issuance of Up to \$82.3 Million of Bonds to Refund All or a Portion of the Series 1998, 2002 and 2005 Bonds

WHEREAS, based on current market conditions there is a favorable refunding opportunity commencing in June, 2012 for refunding all or a portion of the University's Series 1998, 2002 and/or 2005 Bonds through the issuance of not to exceed \$82.3 million principal amount of refunding bonds; and

WHEREAS, at its April 16, 2012 meeting, the Budget, Finance and Investment Committee instructed the Administration to work with Prager & Company to analyze the considerations relating to undertaking a refunding; and

WHEREAS, the Chair of the Budget Finance and Investment Committee has appointed a small working group of Trustees to review and advise the Administration on the final elements of the refunding;

NOW, THEREFORE, BE IT RESOLVED, that the President and the Vice President for Finance and Administration, or their successors or designees, are hereby authorized to proceed with such refunding in consultation with the working group and to execute any and all contracts and documents necessary to undertake the refunding through the issuance of not to exceed \$82,300,000 of refunding bonds, with anticipated net present value savings of not less than 3% of the par amount of the refunded bonds and costs of issuance not to exceed 1.25% of the par amount of the refunding bonds; and

BE IT FURTHER RESOLVED, that the President and Vice President shall develop the details of the refunding proposal, to be subsequently submitted for approval by the Board. These refunding recommendations will be brought to the Executive Committee for action if they are fully developed before the fall 2012 Board meeting, and the Executive Committee is hereby authorized to approve the issuance of refunding bonds and the refunding of the outstanding bonds consistent with the terms of this resolution in order that the refunding may expeditiously proceed to take advantage of appropriate market conditions.

A motion was made, seconded, and it was voted unanimously to approve the resolution for recommendation to the full Board.

Report of the Investment Subcommittee (ISC)

- **Endowment Performance Update**

ISC Chair Samuel Bain welcomed Trustee Rob Brennan to the Investment Subcommittee and provided a brief overview of endowment market values. Approximately two-thirds of the portfolio balance is in equities, a portion are in real assets and venture capital, with very little in bonds, which is by design. The ISC recently added Discovery and Neon in the emerging market space. The Subcommittee reviewed Schiller, who anticipates 8-10.5% of return in equity space in the next 10 years, based on Price to Earnings ratios. Year-to-date, the endowment is up 7.9%, compared to the Cambridge median which is up 6.9%.

At its July meeting, members will meet with three or four existing managers, including one or two hedge fund managers to assist with due diligence requirements. Chair Bain invited any and all members to call in to May's meeting which will focus on liquid fund managers. He noted that the University is well-invested right now and it is very fortunate to have Trustees Daigle and Brennan serving on the Subcommittee.

Socially Responsible Investing Work Group (SRIWG) Update

Socially Responsible Investing Work Group leader Claire Burlingham updated the Committee on the SRIWG governance white paper, which has been presented to Trustee Bain and will be reviewed by the ISC in the near future.

Despite the lack of response from the students who originally sponsored the proposal for recommendations, the SRIWG reaffirmed its recommendation for divestment from the Sudan. This was based on a review of conditions in the Sudan by a UVM political science professor whose concentration is in Central African study.

Controller Burlingham reported that the SRIWG discussed at length whether or not the review cycle for the resolution to reaffirm divestiture should be extended but concluded that they would not recommend a change. ISC Chair Bain has indicated that the ISC will review the possibility to moving to a three-year review cycle. He reminded members that they currently approve a motion on cluster munitions on a five-year cycle.

Vice Chair Bain presented to the Committee the affirmation resolution brought forth by the ISC.

Reaffirm Divestiture from Sudan

WHEREAS, the Board of Trustees approved a resolution for Divestment from Sudan on May 20, 2006;

WHEREAS, the resolution was amended by the Executive Committee on June 12, 2006, to include annual review and reaffirmation;

WHEREAS, the Committee on Socially Responsible Investing was dissolved as part of a new committee structure approved by the Board in September 2006 and implemented in November 2006; and

WHEREAS, the Board established a Socially Responsible Investing (SRI) Work Group in September 2008;

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Sudan, ~~as adopted by the Board on May 18, 2006, and amended by the Executive Committee on June 12, 2006~~ (as stated below);

BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee, will review this resolution on an annual basis.

Resolution for Divestment from Sudan

WHEREAS, the University's Policy Statement on Moral, Social and Ethical Considerations in Investment and Shareholder Resolutions holds that the primary objective of investment by the University is to provide a satisfactory return on investment for the support of University operations based upon the Prudent Investor Rule; and

WHEREAS, the Policy Statement also holds, however, that the policy of fiscal prudence shall not preclude the University from considering moral, ethical, and social criteria in determining companies in which to invest; and

WHEREAS, a balanced group of the University community has been convened as the Committee on Socially Responsible Investing and has studied the issue of genocide in the Darfur region of Sudan and has made recommendations to the Investment Committee of the Board of Trustees;

THEREFORE, BE IT RESOLVED, that the University adopt and implement a policy of targeted divestment from companies doing business with or otherwise aiding the governing regime of Sudan based on the model developed by the Sudan Divestment Task Force;

BE IT FURTHER RESOLVED, that the University implement its divestment policy to the fullest extent consistent with its fiduciary responsibilities; and

BE IT FURTHER RESOLVED, that the Committee on Socially Responsible Investing will review and reaffirm this resolution on an annual basis.

The Committee voted unanimously to reaffirm the resolution to the full Board.

Contract Approvals

The following resolutions were presented:

Resolution Approving Contract with Apple, Inc. for Computer Depot Equipment Resale Purchase

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is hereby authorized to execute a contract with Apple, Inc. for Computer Depot equipment resale purchase for a period of three years, in an amount not to exceed \$2,500,000 per year. Contract dates are July 1, 2012, through June 30, 2015.

Resolution Approving Contract with Presidio Networked Solutions

BE IT RESOLVED, that the Vice President for Finance and Administration, in consultation with the Chief Information Officer, is authorized to enter into a contract with Presidio Networked Solutions for Cisco systems network equipment through December 31, 2013 in an amount not to exceed \$2,500,000.

Resolution Approving Contract with Sodexo Inc.

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is authorized to exercise the three-year renewal option of the Sodexo contract from 2002, including the related collection and transmission of fees and charges associated with the operation of the meal plan for students and any related services defined under the contract. As renewed on July 1, 2012, the contract will run until June 30, 2015, in an amount not to exceed \$55,000,000, all of which will be funded by student fees.

Resolution Approving Contract with Staples, Inc.

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is hereby authorized to execute a contract with Staples, Inc. for general office supplies for the period of two years, starting July 1, 2012, through June 30, 2014, at a not-to-exceed amount of \$2 million.

Resolution Approving Contract with Philips Medical Capital

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is authorized to enter into a two-year renewal lease option with Philips Medical Capital, for the lease of a Magnetic Resonance Imaging magnet beginning August 1, 2012, through July 31, 2014, for an amount not to exceed \$862,536.

Resolution Approving Agreement with TIAA-CREF

BE IT RESOLVED, that the Vice President for Finance and Administration, or his successor or designee, is authorized to enter into a three-year agreement with TIAA-CREF for the management of a Voluntary Employee Beneficiary Association (VEBA) plan beginning July 1, 2012, for a fee not to exceed \$75,000 and contributions on behalf of employees in the amount stipulated in the relevant employment contracts and agreements, which is estimated to be approximately \$2,500,000 over the contract period.

The Committee voted unanimously to approve all contract resolutions for recommendation to the full Board.

Vice President's Report

The Committee reviewed the FY 2012 budget to actual report as of March 31, 2012 distributed at the meeting. Overall revenue and expenses are still tracking at budget. Vice President Cate reported that after taking into consideration anticipated revenues and expenses there should be a very modest positive balance at the end of the fiscal year.

Trustee Brennan asked for explanation of the other income/internal charges which shows a 191% increase. Associate Vice President Winfield explained that this line item reflects activity that is in addition to the operating budget; they are not excess funds.

Vice President Cate informed the Committee that Sodexo has been awarded the three-year non-exclusive UVM Beverage Vending contract. Beginning on January 1, 2013 unflavored, non-carbonated bottled water will not be sold on campus and at least 30% of drinks offered on campus will be healthy drinks.

Other Business

Vice Chair Bain reminded the Committee that at the November 7 BFI meeting they will be looking at summer session rates, endowment policies, asset allocation and debt policy. He stressed the importance of BFI members to understand and stay abreast of the UVMF operations and its partnership with the University.

Vice Chair Bain then invited members to bring forth items to be addressed either now or in the future.

Trustee Ram inquired about how the MOU with UVM and the City of Burlington fits into the purview of BFI. Vice President Cate remarked that negotiations have not yet begun beginning and the Committee will be apprised of future actions.

Trustee Young asked about the possibility of working with Burlington Electric to decrease the number of meters on campus. There will be a re-evaluation of the pros and cons after the smart meter transition is implemented.

Trustee Ventriss would like the Committee to keep its attention on ways to shift the current funding model.

Adjournment

There being no further business, the meeting adjourned at 2:24 p.m.

Respectfully Submitted,

Sam Bain, Vice Chair