

**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 and State Agricultural College was held on Wednesday, November 7, 2012 at 3:45 p.m. in Memorial Lounge, 338 Waterman Building.

MEMBERS PRESENT: Chair Debbie McAneny, Vice Chair Samuel Bain, President Thomas Sullivan, Carolyn Branagan, Robert Brennan, David Daigle, Kyle DeVivo, Joan Lenes, Keshia Ram, Lisa Ventriss and Mark Young

REPRESENTATIVES PRESENT: Alumni Representatives Afi Ahmadi and Walt Blasberg, Staff Representatives Eric Hoefel and Tobey Clark, Student Representatives Samantha Holland and Andrew Dougherty, and Graduate Student Representative Elizabeth Pope

ABSENT: Faculty Representatives Albert Joy and Donald Ross, Graduate Student Representative Jennifer Rousseau

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Richard Cate, Controller Claire Burlingham, University Budget Director Alberto Citarella, and alternate Faculty Representative Rona Daley

Chair Debbie McAneny called the meeting to order at 3:48 p.m.

Chair McAneny began the meeting by acknowledging and welcoming the incoming staff, undergraduate and graduate student representatives Tobey Clark, Samantha Holland and Elizabeth Pope, as well as University Budget Director Alberto Citarella.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the May 18 and the August 10, 2012 meetings.

BFI Committee Charge

As part of the cyclical review process of committee charges, members endorsed the housekeeping amendments to the BFI Committee Charge with no additional changes recommended.

Chair McAneny presented the following resolution to the committee for approval:

Resolution Approving Amendments to the Budget, Finance & Investment Committee Charge

RESOLVED, that Board hereby approves amendments to the Budget, Finance & Investment Committee charge appearing as Appendix A to this document.

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

Use of a Portion of the Fiscal Year (FY) 2012 Fund Balance

At Chair McAneny's request, President Sullivan joined the committee for this discussion. President Sullivan explained that 75% of private colleges and 60% of public colleges are concerned with maintaining enrollment in the future and referred to his Strategic Action Plan, specifically the enrollment management initiatives to expand recruiting efforts domestically and internationally.

He stressed that immediate action was required in order to achieve the desired outcomes. That action includes preparing for an additional growth in financial aid costs due to the higher selectivity of applicants. These costs are beyond those originally anticipated for FY 14. Immediately expanding recruitment staff and the Enrollment Management operating budget are necessary steps as well.

Vice President Cate suggested using a one-time allocation of \$2.5 million of the FY 2012 fund balance as the source of funds for the above - \$2 million for a FY 2014 financial aid reserve, and \$500,000 for Enrollment Management's FY 2013 operating costs. These ongoing needs will be built into base of future operating budgets. The remainder of the approximately \$3.7 million fund balance will stay in the unobligated general reserves of the University.

President Sullivan acknowledged that using one-time money for ongoing costs is not customary; however, he believes this is a critical opportunity that the University cannot afford to miss. Trustee Bain remarked that this is a strategic and carefully thought-out move and is very comfortable going forward in this direction.

Trustee Lenes stated the importance of cultural support services for both domestic and international students as well as financial support to ensure that these students are successful.

Trustee Branagan suggested that if there are not enough qualified Vermont applicants, the University work with the state's high schools in raising, not lowering our standards.

Chair McAneny presented the following resolution for approval:

Resolution Approving the Use of a Portion of the FY 2012 Fund Balance

WHEREAS, the President has determined that the University would benefit from elevating its level of selectivity when deciding which undergraduate applicants should be admitted; and

WHEREAS, heightened selectivity will necessitate expanded recruiting efforts and additional financial aid;

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration; to allocate, from the FY 2012 general fund operating budget year-end balance, the sum of up to \$500,000 for additional expenses incurred by the Enrollment Management Division during FY 2013 and the sum of \$2 million to be placed in a financial aid reserve account for FY 2014.

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

FY 2014 Budget Process

Chair McAneny began the discussion by explaining that this was the introduction of a several-meeting budget process. Subsequent meetings include a projected tuition and financial aid levels discussion as well as a review of peer and aspirant schools in February, and a half-day meeting in April at which time the committee prepares a budget to recommend to the full Board in May.

Vice President Cate outlined the Administration's budget-building process which entails extensive conversations with the President and the Provost on how to align the budget with the President's priorities. He acknowledged the many challenges the University faces including limited non-tuition revenue growth, a less-than-3% tuition increase, marginal growth in undergraduate net tuition, and no growth from all other revenue sources. In addition, the University is facing rising costs: a 2.9% salary increase, increases in its benefits costs and other inflationary increases.

The President's Strategic Action Plan addresses the need for revenue enhancements and operational efficiencies through administrative and academic program (strategic value) reviews, researching three-semester programs and J-terms in order to maximize the University's facilities.

After the new year, Provost Knodell and Vice President Cate will discuss their overall budget strategy with the Deans and Vice Presidents. They will then follow up with individual Deans and Vice Presidents on their specific budgetary challenges for the next fiscal year and how best to address them.

Provost Knodell, Vice President Cate and University Budget Director Alberto Citarella will then develop a proposal for the President, incorporating strategic goals and a balanced budget.

Vice President Cate made it clear that none of the operational efficiency initiatives will involve the elimination of positions that are currently occupied, but rather through the consolidation of administrative activities across campus and reviewing positions as they become vacant. President Sullivan emphasized that this is about being strategic and that it will be an all-inclusive process.

Alumni Representative Ahmadi asked what some potential sources of revenue growth would be. Vice President Cate replied that tuition in areas beyond traditional means, such as summer offerings, distance education, January-terms and three-semester curriculums are possible sources.

Approval of Summer Session Tuition Rates

Consistent with past practice, University Budget Director Alberto Citarella proposed that the summer 2013 (FY 2014) tuition rates continue the 15% differential between summer credit hour cost and that of the balance of the year. This will increase the per credit hour cost by 3.5% (\$16) above summer 2012 tuition rates to \$472 for in-state students and \$40 to \$1,191 per credit hour for out-of-state students.

The US-Sino Pathways Program Bridge Program all-inclusive fee for Summer 2013 (including tuition, room and board and student fees) of \$15,480 was proposed as well.

Approval for Summer tuition fees are needed earlier than Fall tuition rates for planning purposes.

The following resolution was presented to the committee for approval:

Summer Tuition Resolution

RESOLVED, that the Board of Trustees hereby approves the change in tuition for the Summer Session from \$456 to \$472 per credit hour for in-state students and from \$1,151 to \$1,191 per credit hour for out-of-state students. The changes will become effective for the 2013 Summer Session.

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves an all-inclusive fee for the US-Sino Pathway Program (USPP) Bridge Program for Summer 2013 of \$15,480, pending re-approval of that academic initiative via the Educational Policy and Institutional Resources Committee.

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

Debt Policy & Ratio Annual Review

In light of President Sullivan's strategic goals, Vice President Cate recommended, and Chair McAneny agreed, that the Committee table this action until its February meeting.

Report of the Investment Subcommittee (ISC)

Endowment Performance Update

ISC Chair Bain began by thanking fellow ISC members David Daigle and Rob Brennan, as well as Cambridge Associates and the administration for all their good work. He then explained the reporting structure of the ISC, and pointed out that Rob Brennan is a trustee of both the University and the University of Vermont Foundation, providing an important and strategic bridge between the two entities.

ISC Chair Sam Bain updated the Committee on the University's endowment, up 1.9% in September, valued at \$347.6 million through September 30, and up 10.4% YTD 2012.

The ISC made a few manager changes as a result of interviews held in New York, and approved to move some funds from Rhumblin S&P 500 to a High Yield Manager. Chair Bain commented that the portfolio continues to be well diversified.

Upcoming work for the ISC includes reviewing its charge, its connections to the UVM Foundation, targeting benchmarks, a complete review of hedge funds, and considering measuring private equity and venture capital investments.

ISC Chair Bain brought forth the following resolutions for Committee approval, which, he noted, were endorsed by the Investment Subcommittee:

Resolution Reaffirming the Endowment Budget Policy

RESOLVED, that the *Endowment Budget Policy* is reaffirmed as reads below:

BE IT RESOLVED, that the annual budget for spending from Endowment be set at 4.5 percent of the average market value for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the *Endowment Budget Policy* each year no later than ~~October~~ December 31.

Adopted by: Board of Trustees - May 13, 1995

Reaffirmed: Board of Trustees - September 8, 2007

Board of Trustees - September 5, 2008

Board of Trustees - October 24, 2009

Board of Trustees - October 30, 2010

Board of Trustees - October 22, 2011

Board of Trustees - November 8, 2012

Resolution Reaffirming the Endowment Administration Fee Policy

RESOLVED, that the *Endowment Administration Fee Policy* is reaffirmed as reads below:

BE IT RESOLVED, that the Board of Trustees hereby approves a 0.25 percent fee applied to the University endowment for FY ~~2012-2013~~ to cover reasonable costs associated with endowment administration, management and operation; and

BE IT FURTHER RESOLVED, that on a fiscal year basis, the fee will be reviewed and assessed annually as 0.25 percent of the average market value of the University endowment for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make a recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the *Endowment Administration Fee Policy* each year no later than ~~October~~-December 31.

Adopted by: Board of Trustees - September 13, 2003

Reaffirmed: Board of Trustees - September 8, 2007

Board of Trustees - September 5, 2008

Amended: Board of Trustees - October 24, 2009

Reaffirmed: Board of Trustees - October 30, 2010

Board of Trustees – October 22, 2011

Board of Trustees – November 8, 2012

A motion was made, seconded, and it was unanimously voted to reaffirm the two resolutions for recommendation to the full Board.

Socially Responsible Investing Work Group Update (SRIWG)

ISC Chair Bain reminded the Committee of the steps that led to the recommendation to dissolve the current SRIWG and establish a Socially Responsible Investing Advisory Council (SRIAC). He pointed out that the new Advisory Council will serve as a resource to bring forward issues related to proxy voting and shareholder initiatives. This restructuring of the SRIWG better aligns the University's structure with other public and private universities and puts a strong consistent process in place that includes many opportunities for comment and discussion. The SRIWG White Paper research concluded that best practices support proxy voting; however that does not necessarily limit other possibilities to include divestment.

Controller Burlingham further explained that a graduate student fellow will be hired to perform research on SRIAC-selected proposals to bring forth to the ISC for consideration. To ensure process consistency, SRIAC membership will mirror that of the SRIWG. As the SRIWG leader, Controller Burlingham said that members of SRIWG are looking forward to this new structure.

Trustee Ram inquired about how other institutions use their proxy votes to affect change. She also inquired about the effectiveness of proxy voting versus divestment.

ISC Chair Bain presented the following resolution for Committee approval, which, he noted, was endorsed by the Investment Subcommittee:

(AS RECOMMENDED BY THE INVESTMENT SUBCOMMITTEE - AUGUST, 22, 2012)

Resolution Authorizing the Establishment of a Socially Responsible Investing Advisory Council

WHEREAS, the Board on September 5, 2008 established the Socially Responsible Investing Work Group, whose charge was to consider specific investment policy proposals based on moral, ethical or social criteria, review the impact of any such proposal on current and potential University investments, solicit input on policy proposals from the campus community at large and forward its investment policy recommendations to the Investment Subcommittee which in turn shall report its recommendations to the Budget, Finance and Investment Committee; and

WHEREAS, the Investment Subcommittee subsequently instructed the administration to research how socially responsible investing recommendations are developed at other universities, as well as proxy voting practices, shareholder initiatives, and the screening and monitoring of existing investment portfolio for indications of social harm; and

WHEREAS, this research was completed and the Socially Responsible Investing Work Group (“Work Group”) made formal recommendations on May 2, 2012, specifically, that the Work Group be dissolved and a Socially Responsible Investing Advisory Council be established to support the Vice President for Finance and Administration in fulfilling his/her responsibilities as liaison to the Investment Subcommittee; and

WHEREAS, the Budget, Finance and Investment Committee, following a favorable recommendation from the Investment Subcommittee, recommended that the Board accept the Work Group recommendations;

THEREFORE, BE IT RESOLVED, that the Board hereby dissolves the Work Group and authorizes the creation of the Socially Responsible Investing Advisory Council (“Council”) to be advisory to the Vice President for Finance and Administration, the Council charge to include assessment of investment issues involving ethical, moral, and socially responsible criteria using *Our Common Ground*, with a focus on proxy voting and shareholder advocacy.

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

Chair McAneny recessed the meeting at 4:54 p.m.

Chair McAneny reconvened the meeting at 9:17 a.m., November 8, 2012 in Memorial Lounge, 338 Waterman Building.

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

REPRESENTATIVES PRESENT: Alumni Representative Afi Ahmadi, Staff Representatives Eric Hoefel and Tobey Clark, Student Representative Samantha Holland, and Graduate Student Representative Elizabeth Pope

ABSENT: Faculty Representatives Albert Joy and Donald Ross, Alumni Representative Walt Blasberg, Student Representative Andrew Dougherty and Graduate Student Representative Jennifer Rousseau

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Richard Cate, University Budget Director Alberto Citarella, Director for Capital Planning & Management Robert Vaughan, Assistant Dean of Students Dennis DePaul, and College of Medicine Senior Associate Dean Ira Bernstein

Capital Projects Annual Deferred Maintenance Funding

Chair McAneny invited Capital Planning and Management Director Bob Vaughan, Assistant Dean of Students Dennis DePaul, and College of Medicine Senior Associate Dean Ira Bernstein to provide the project scope, costs and funding plan for the three deferred maintenance projects.

Director Vaughan explained that there was no debt associated with any of the projects. Living & Learning renovations include window replacements, bathroom and structural upgrades, paint and flooring and other aesthetic improvements. Arrangements to temporarily relocate the childcare center to Trinity campus were made. This \$3.5 million project is within the Residential Life budget.

The Given Atrium Dining area is a \$1 million project with upgrades to the servery and walk-in freezer.

The Stafford Research Lab renovation, a \$2.8 million project will repurpose the basement to a research wet lab for the recruitment of a new Chair of Neurological Sciences, which caused the higher square footage cost than average.

This project is being funded with equal shares from the UVM general fund and University Medical Education Associates (UMEA). College of Medicine Dean Rick Morin addressed the Committee regarding the start-up package he received and a conversation about this and UMEA ensued because the committee members were not aware of their existence. The Committee asked

Vice President Cate to provide a breakdown of the operating component line item so members can be aware of other commitments similar to this and to provide a more transparent process.

Vice President Cate clarified that the committee was being asked to approve the whole project since it is a University building as well as approving the use of \$1.4 million of general funds. They were not being asked to approve the UMEA portion of the funding for the project.

Bob Vaughan explained the project scope, costs and funding plan for the Living/Learning Building C, Given Atrium Dining, and Stafford Research Lab renovations.

Chair McAneny presented the following resolutions for Committee approval:

Resolution Approving Living and Learning Building “C” Renovations

WHEREAS, the Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of \$3,500,000 for the Living & Learning Building “C” Renovation (the “Project”) 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 has also endorsed the Project and remitted it to the Budget, Finance, and Investment Committee for financial review and approval; and

WHEREAS, the Division of University Relations and Campus Life has budgeted \$3,500,000 of its unrestricted plant 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 utilize the University Relations and Campus Life unrestricted plant funds to finance the \$3,500,000 Living & Learning Building “C” Renovation; and

BE IT FURTHER 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.

Resolution Approving Stafford Research Labs

WHEREAS, the Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of \$2,800,000 for the Stafford Research Lab Renovation (the “Project”) 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 has also endorsed the Project and remitted it to the Budget, Finance, and Investment Committee for financial review and approval; and,

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 utilize the College of Medicine general funds and University Medical Education Association funds to finance the \$2,800,000 Stafford Research Lab Renovation; and,

BE IT FURTHER 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.

Resolution Approving Given Atrium Dining Renovations

WHEREAS, the Educational Policy and Institutional Resources Committee has carefully reviewed the program, scope, and preliminary estimate of \$1,000,000 for the Given Atrium Dining Renovation (the "Project") 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 has also endorsed the Project and remitted it to the Budget, Finance, and Investment Committee for financial review and approval; and,

WHEREAS, the Division of University Relations and Campus Life has budgeted \$1,000,000 of its unrestricted dining facility 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 utilize the University Relations and Campus Life unrestricted dining facility funds to finance the \$1,000,000 Given Atrium Dining Renovation; and,

BE IT FURTHER 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.

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

Vice President's Report

Vice President Cate apologized for not providing the FY 2012 budget to actual report as expected. He explained that he detected an issue with the reporting methodology and was not able to reconcile it in time for this meeting.

He assured the Committee that this has no impact on the bottom line and further stated that the report will indicate that revenue is above projections with an approximate fund balance of over \$3 million. He will send the final report to BFI members and to the Executive Committee before the December Executive Committee meeting. Chair McAneny requested that along with the FY 2012 budget to actuals report the FY 2013 first quarter budget to actuals report be sent as well.

Vice President Cate reported that the FY 2012 External Audit by KPMG found no significant deficiencies. Minor observations focused on increased IT security, and continuing the reconciliation of benefit costs. He commended Controller Burlingham and her staff for their good work. This is the second consecutive year with no findings, however, the administration will continue to improve areas of concern and risk.

In response to Trustee Bain's inquiry as to whether he expects a fund balance for FY 2013, Vice President Cate said that it is not anticipated and the actuals will come in very close to budget.

Other Business

Chair McAneny reminded Vice President Cate that he will provide a financial aid tutorial at the February meeting.

Trustee Ram questioned if the Committee should look deeper into the revenue enhancements initiative on off season use of campus facilities, Chair McAneny suggested that to be more appropriate for the full Board to discuss as a strategic issue.

Chair McAneny thanked the committee and reminded members to fill out their meeting assessment surveys.

Adjournment

There being no further business, the meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Debbie McAneny, Chair

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

COMMITTEE ON BUDGET, FINANCE AND INVESTMENT

The Committee shall have responsibility for overseeing the development of strategic, long-range institutional financial plans and related plan objectives. It shall engage in ongoing assessment of the current and long-range financial status of the institution.

The Committee shall oversee the formation and approval of annual budgets. It shall oversee the creation, implementation, and periodic review and revision of financial, treasury, investment and debt management policies.

The Committee shall retain investment managers and financial advisors as necessary and desirable in the conduct of its work.

The Committee will exercise its charge in a manner consistent with University governance, including the Board's reserved rights and delegations of authority.

Approved by the Board of Trustees: September 9, 2006

Approved as amended by the Board of Trustees: November 8, 2012

Operational Elaboration of Charge

The subject matter of the Committee may include:

- Strategic financial planning, including short and long-range financial status assessment
- The annual capital and operating budgets, and quarterly institutional financial statements
- State appropriations and capital requests
- ~~Gifts and grants; Wilbur Fund reports~~
- Fund investment decisions (such as those relating to the endowment and similar funds, agency funds, trusts and, as lawfully available, funds from bonds, loans, and other sources in excess of immediate debt payment requirements), including assets management and allocation, and policies relating to socially responsible investment
- ~~Purchase, retention, sale, transfer, exchange, investment or reinvestment, or other disposition of securities or similar investments~~
- ~~Endowment and investment manager performance, and the retention and termination of investment managers and advisors~~
- Debt management, including the adequacy of assets to meet external debt obligations
- Cash, central bank, and commercial paper policies
- Dissolution, merger, sale, pledge, or transfer of all or substantially all of institutional assets
- Such other matters consistent with its charge as may be referred to the Committee by the Board Chair