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, February 6, 2015 at 10:30 a.m., in the Silver Maple Ballroom, 401 Dudley H. Davis Center.

MEMBERS PRESENT: Chair David Daigle, Vice Chair Robert Brennan, President Tom Sullivan, Joan Lenes, Donald McCree, Dale Rocheleau, Raj Thakrar, Lisa Ventriss, Jeff Wilson and Mark Young

REPRESENTATIVES PRESENT: Faculty Representatives Don Ross and Randy Headrick, Foundation Representative Richard Ader* and Alumni Representative Mike Reardon*, Staff Representative Cheryl Herrick, Student Representatives Roger DaGama and Maya Donoghue, and Graduate Student Representatives Nikisha Patal** and Mairi-Jane Fox

PERSONS ALSO PARTICIPATING: Provost David Rosowsky, Vice President for Finance and Treasurer Richard Cate, University Controller Claire Burlingham, University Budget Director Alberto Citarella, President and CEO of the UVM Foundation Rich Bundy, Director of Capital Planning and Management Robert Vaughan, Dean of College of Agriculture and Life Sciences Thomas Vogelmann, Director of State Relations and Special Assistant to the President Clarence Davis

ABSENT: Trustee Carolyn Branagan

*via conference phone
**joined the meeting at 1:15 p.m.

Chair David Daigle called the meeting to order at 10:45 a.m.

Approval of Minutes

Chair Daigle presented the minutes from the previous meeting for approval and requested the following amendment to the last paragraph on page 4:

The Endowment Budget Policy sets the percentage of the endowment to be spent.

A motion was made, seconded, and the Trustees voted to approve the minutes of the October 17th, 2014 meeting as amended.

Debt Policy and Ratio Annual Review

Controller Claire Burlingham reviewed the history of the Debt Policy over the past 10 years and highlighted changes made since the Policy was adopted. She explained that the University's Debt Policy, as revised in May 2013, states that the institution's debt burden ratio will not be greater than 5.75%, and that by 2023 it will not be greater than 5%. The debt ratio is currently 4.84% and therefore in compliance with the current policy requirements.

As required by the Debt Policy, Controller Burlingham reviewed the debt burden and viability ratios. The University's viability ratio is currently 0.78 as contrasted with the policy benchmark of .8. This noncompliance is primarily due to the GASB 45 liability. Without this factor, the University viability ratio would be in compliance at 1.11.

Vice President Cate explained that in FY 2018 the full impact of debt service comes into play with the bonding for the STEM project. At that point, the University's debt burden ratio will be approximately 5.3%.

There was further discussion of the long-term implications of paying debt service interest and how that will affect the University. Committee member Jeff Wilson questioned if the debt policy inhibited the University's investment decisions in the timeline of low debt service and if the Board should be doing these things now as opposed to later.

Chair David Daigle recommended amending the Debt Policy to correct a reference to the viability ratio from 1.0 to 0.8 on page 5. (Appendix A)

The following resolution was amended, and presented to the committee for approval for recommendation to the Full Board:

> **Resolution ~~Reaffirming~~ Approving Revision to Debt Policy ~~with No Changes~~**
>
> WHEREAS, in September 2004, the Board adopted a Debt Policy to guide the portfolio management of debt, to be reviewed annually; and
>
> WHEREAS, since its creation in 2006, the Budget, Finance, and Investment Committee has been charged with the annual review of the Debt Policy, which it most recently revised in February 2014;
>
> BE IT RESOLVED, that the Board hereby ~~reaffirms~~ approves the Policy as amended and ~~,~~ appearing as Appendix A to this document.

A motion was made, seconded, and the Trustees voted on the resolution: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolution was passed as amended.

Net Assets Annual Review

Vice President Cate opened the conversation explaining there are accounts such as legacy accounts, with specific obligations to how funds may be used, as well as other accounts that have been created by the Board for strategic purposes.

Controller Burlingham gave an overview of the University's net assets and discussed the table (Attachment 4) showing the University's net asset balances as of June 30, 2014 and two years prior. The University's net assets remain strong and total $189 million. She discussed each line item and its components in detail of both restricted and unrestricted net assets.

Vice Chair Brennan inquired about the Plant Net Assets. Vice President Cate explained that 1% of the cost of construction of new buildings is placed in the Plant Fund account each year as a replacement reserve. He noted $13 million was moved from Treasury Operations to the Green Revolving Loan Fund of which the University has committed $200,000 thus far to projects to date. This is in addition to the $3.0 million planned for the expansion of the Chiller Plant.

Board Chair Deb McAneny asked if there was a way to connect the net assets documents to the Annual Report and Vice President Cate explained the net assets documents are background documents.

Chairs McAneny and Daigle agreed that the administration should report back to the committee on obligations encumbered through the STEM project. Vice President Cate assured them this will happen.

President Sullivan asked the committee to endorse the establishment of a President's Strategic Initiative fund to allow for the accumulation of resources from one-time sources that are not part of the University's annual operating budget. The use of this fund will be to deploy and invest in initiatives that support the University's Strategic Action Plan. The recent utilities reimbursement from the City of Burlington to the University is an example of sources for this fund. Accountability and transparency will be assured through annual reports from the Vice President for Finance, current policies in place, and annual audits.

Trustee Dale Rochelau asked how closely the President's Strategic Initiative Fund is connected to making Incentive-based Budgeting (IBB) work. President Sullivan explained that the IBB model focuses on the continuation of budgets and how the University manages them. The President's Strategic Initiative Fund is a one-time expenditure of funds and could be used to aid the leadership of the schools and colleges.

Chair Daigle presented the following resolution, as amended to the committee for approval for recommendation to the Full Board:

<u>Resolution Endorsing the Creation of the President's Strategic Initiative Fund</u>

WHEREAS, it is critical to the success and advancement of the University that resources be invested in strategic initiatives that enhance the quality and affordability of this institution; and

WHEREAS, it is consistent with this objective to establish a President's Strategic Initiative Fund ("Fund") to allow for the accumulation of resources from one-time sources that are not part of the University's annual operating budget; and

WHEREAS, the funds to be deposited in the account will consist of: non-operating individual receipts of less than $1 million deposited at the President's discretion, non-operating individual receipts of $1 million or more as authorized by the Board, and donor designated gifts of any amount; and the administration will provide to the Board an annual report detailing deposits into and withdrawals from the fund; and

WHEREAS, the use and expenditure of funds will be subject to customary governance expectations with respect to the allocation and utilization of resources, including without limitation such approvals as may otherwise be required by the Board; and

BE IT RESOLVED, that the Committee hereby endorses the establishment of the Fund, and recommends its approval by the Board of Trustees.

A motion was made, seconded, and the Trustees voted on the resolution: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolution was passed as amended.

Report of the Investment Subcommittee (ISC)

ISC Chair Robert Brennan gave a review of the performance of the University's portfolio as of December 31, 2014, noting that the value of the pooled endowment is $436 million. The performance does not yet reflect the private investment program. Cambridge Associates anticipates it will trend positively when included. The Hedge Fund Program is in line with its goal to reduce risk and find non-correlated sources of return away was from the general markets. He noted the ISC asset allocation meeting is in Boston at the end of this month.

Trustee Mark Young publically thanked past and current members of the ISC for their outstanding work and strong commitment to the University's endowment. He noted that thanks to the expertise of its members, the endowment has had remarkable growth.

Controller Burlingham gave an update for the Socially Responsible Investing Advisory Council (SRIAC) stating that Trustee Brennan and Trustee McCree had met with them to discuss socially responsible investing tools available to the group and issues of interest to the ISC. It was a productive meeting and the hope is to increase the dialogue with the ISC by holding meetings annually. She explained the council has been meeting regularly since the start of the spring semester. One area of focus is to engage in a discussion regarding how the University can think about social change more broadly. Another goal is to reach out to other groups within the University, such as the Office of Sustainability, to coordinate efforts regarding the green sustainable issue.

ISC Chair Brennan reinforced that the ISC is committed to listening and engaging on the issues raised by the SRIAC. He explained that during the meeting with SRIAC, the limitations of what BFI has to operate under were discussed. He stressed to the SRIAC that divestment cannot be the answer to every issue. An outcome goal of the meeting was to get the BFI committee on board to continue to consider ways the University can be more socially responsible with the endowment, while still meeting its mandate of strong risk adjusted returns.

Chair Daigle stated the first step is to engage in a way that helps address language differences between the messages of SRIAC and ISC. He stated there will be more to come on the topic.

Merger of Genesis Limited and Pinnacle Consortium of Higher Education

Controller Burlingham reviewed the history of the University's role as a part of Genesis Limited, an insurance and reinsurance captive domiciled in Bermuda, and Pinnacle Consortium, a Vermont-based risk retention group. She explained the administration is seeking approval to cast a shareholder's vote at an upcoming shareholders meeting to approve the merger of the Genesis Limited and Pinnacle Consortium.

Vice Chair Brennan inquired about what the tradeoff is in moving from an offshore account to an onshore account, now that the University will become a tax payer. Director of Risk Management Mary Dewey explained a tax analysis has been done and there would not be an impact on the University's federal tax obligations. Pinnacle would start paying tax to the State of Vermont and since the University is tax-exempt, it will not be responsible for paying any taxes.

The following resolution was presented to the committee for approval for recommendation to the Full Board:

> **<u>Resolution Approving Merger of Genesis Limited and Pinnacle Consortium of Higher Education</u>**
>
> WHEREAS, the University, beginning in July of 2003, began obtaining its general liability and other related insurance coverage through Genesis Limited ("Genesis"), an insurance and reinsurance captive domiciled in Bermuda, of which UVM is a member and shareholder; and
>
> WHEREAS, in 2004 the sixteen (16) shareholders of Genesis established a Vermont-based Risk Retention Group (RRG), as an unincorporated association that functions as a reciprocal insurance company, qualifying as an RRG under Vermont law, as well as jointly formed, and became shareholder members of a Vermont limited liability corporation ("L.L.C.") that acts as an "attorney in fact" for the RRG in accordance with the requirements of Vermont law; and
>
> WHEREAS, in the next eighteen (18) months, Genesis and its (now) 17 shareholders wish to close Genesis and merge its off-shore operations and assets into its Vermont RRG for purposes of greater administrative efficiencies and cost savings; and
>
> WHEREAS, such merger requires the unanimous vote of all seventeen (17) shareholders; and

> WHEREAS, University administrators have performed due diligence with respect to issues involved in such a merger, and consider the advantages and disadvantages;
>
> NOW THEREFORE, BE IT RESOLVED, that the Board authorizes the Vice President for Finance and Treasurer, through UVM’s duly authorized Director on the Genesis Board of Directors and UVM’s duly authorized Subscriber on the RRG’s Subscribers Committee, to cast UVM’s vote in an upcoming shareholder meeting to approve such a merger, having concluded that it would be in UVM's best interests to authorize the merger of the companies; and
>
> BE IT FURTHER RESOLVED, that the Board authorizes the President, Provost or Vice President for Finance and Treasurer, or their successors, to execute and deliver any necessary association agreements, shareholder or subscriber agreements, operating agreements, and all other necessary agreements, instruments and documents necessary to effect such merger and to take all other appropriate steps to obtain the full benefit of participation in such merger in a manner that they or their duly authorized designees deem to be in the University's best interests in light of appropriate fiduciary and business considerations.

A motion was made, seconded, and the Trustees voted on the resolution: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolution was passed as presented.

Vice President’s Report

Vice President Cate reported the first-quarter general fund budget to actuals report indicates that revenue is over 91% of budget and expenses are at 41%. These percentages are on track.

He noted that the annual Green Revolving Loan Fund report was included in his report as well.

Chair Daigle asked how the University is getting ideas for potential projects that could be funded through this fund. Vice President Cate explained suggestions and ideas come from deans, physical plant, administration units, and faculty.

Chair Daigle asked if there is anything happening this year that is forcing the University to rethink tuition rates for the upcoming fiscal year. President Sullivan explained that there is still a discussion around this topic. He emphasized that student numbers look promising, but the University will still have budget challenges. The goal is to try and hold down the growth of tuition rates, but this could cause reductions in the budget.

Chair Daigle then recessed the meeting at 12:00 p.m.

The meeting was reconvened at 1:22 p.m.

Incentive-based Budget Implementation

Provost David Rosowsky opened the conversation by reminding the Trustees why the University is moving to the Incentive-based Budgeting (IBB) model and explaining the development process of the Steering Committee for IBB. He explained how IBB is connected to the University's academic excellence goals and reviewed the guiding principles for IBB, and explained that a 7th guiding principle emerged: fosters interdisciplinary scholarly and teaching activity. He explained the key messages from the Steering Committee including: the faculty and staff called for a new budget model that incentivized strategic growth; IBB has no agenda, but has the potential to harness the whole campus; and transparency, communication, and working together are key goals of IBB.

Provost Rosowksy encouraged the committee to visit the IBB website, linked to the Provost's webpage, which goes into much greater detail.

Vice President Cate explained the four implementation project objectives and project status. He went into detail of how he and IBB Implementation Project Manager Emily Stebbins-Wheelock met with each Vice President and Dean in the University to discuss how the implementation of IBB would affect their college or division, which led to a 54-page recommendation that then went to the Provost and President. He noted that some of the Cost Centers are concerned about how they would manage their own budget. Vice President Cate ensured Cost Centers that there will be people in place looking at each center's budget to help manage them.

Vice President Cate noted the University is on track for implementation on July 1st and explained what is still ahead including: transition of Continuing and Distance Education (CDE) to a hybrid cost center; conversion of F&A sharing to new methodology; implementation of full benefits-responsibility; implementation of transition support plans are on-going.

University Budget Director Alberto Citarella went into detail of what the revenue budget would look like in the shadow year and explained how the University is not creating money, but is moving money around in the budget. One of these moves will be the shifting of CDE's revenue and expenses into the general fund.

Trustee McAneny questioned if there were any behavioral changes within the colleges due to the implementation of IBB. Provost Rosowksy noted that the University will be issuing observations next week. He explained that each school and college has looked at the implementation differently by considering initiatives including proposing new academic programs, increasing marketing on existing graduate programs, considering hybrid courses, and expanding summer programs.

Trustee McAneny asked if there are any negative consequences. Provost Rosowsky ensured Trustees that the University is doing what it can do be ahead of any negative consequences. Thus far, the only unintended consequences that have come up have been addressed. For example, the funding model for Continuing Distance Education did not function as intended, so the approach was changed.

Trustee Ventriss questioned how the University intends to maintain quality control of academic programs. Provost Rosowsky explained the University wants to keep the student-to-teacher ratios low, but not necessarily decrease the student population. New programs are being designed to generate new revenue, including hybrid teaching models,, which are intended to be high quality academic programs that attract top students.

President Sullivan emphasized IBB is a budget tool that permits the centralization of decision making at the local academic units and permits greater consultation about financial decision making in each college. He went on to state the key to success is collaboration and communication amongst leadership, faculty and staff.

FY 2016 Budget

Provost Rosowsky provided a briefing on the FY 2016 budget and spoke to the strategic action plan budget elements and drivers. Key messages to keep in mind include that the budget will be balanced, it will include the STEM project, and strategic investments in academic initiatives will be sustained. The focus continues to be on affordability and academic initiatives.

Vice President Cate gave a presentation about the elements of the University's operating budget.

Chair Daigle questioned if there was a marketing advantage of trying to move room and board cost closer to the mid-range of competitors. Vice President of Enrollment Management Stacey Kostell cautioned increasing room and board rates too much so as to avoid adverse impact on the University's ability to attract students

The combined proposed room/meal rate increase is 3.4% ($11,150). The maximum proposed comprehensive student fee reflects a 3.4% increase ($1,900).

For enrollment management purposes and in order for Residential Life to enter into contracts with students prior to the formal budget approval in May, a resolution requesting the Board to set the maximum room and meal plan rates and other fees for Fiscal Year 2016 is required.

The following resolution was presented to the committee for approval for recommendation to the Full Board:

Resolution Setting Maximum Room and Meal Plan Rates and Other Fees, Fiscal Year 2016

RESOLVED, that the Board of Trustees hereby sets the maximum room and meal plan rates and other fees for Fiscal Year 2016 as follows:

Room (Standard Double)	$7,376
Predominate Meal Plan	$3,774
UG Student Government Association (SGA) Fee	$174
UG Inter Residence Association (IRA) Fee	$30
Total Comprehensive Fee	$1,900

A motion was made, seconded, and the Trustees voted on the resolution: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolution was passed as presented.

Vermont Dual Enrollment Voucher Program

Budget Director Citarella opened the conversation explaining that as per Vermont law, the University participates in the Vermont Dual Enrollment Voucher program, a statewide program for Vermont high school juniors and seniors to access two college courses with tuition reimbursed by the state.

The administration is seeking to improve operational efficiency by establishing a tuition rate equal to the value of the voucher presented by each student. It is important to note that this program does not displace currently enrolled UVM students from courses. The administration will provide an annual report on the status of this program.

The following resolution was presented to the committee for approval for recommendation to the Full Board:

> **<u>Resolution Approving Dual Enrollment Voucher Program Rates</u>**
>
> WHEREAS, the University participates in the Vermont Dual Enrollment Voucher program, a statewide program for Vermont high school juniors and seniors to access two college courses with tuition fully reimbursed by Next Generation Funds, a Vermont State Legislative funded program, and
>
> WHEREAS, the reimbursement from the program typically takes the form of a voucher set at the prevailing rate for the Community College of Vermont, which has historically been lower than the University's rate,
>
> THEREFORE, BE IT RESOLVED, that for students enrolling via the Dual Enrollment program, the Board of Trustees hereby approves the establishment of a tuition rate equal to the value of the voucher presented by each student for each course to be reimbursed.

A motion was made, seconded, and the Trustees voted on the resolution: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolution was passed as presented.

Chair Daigle called for a brief break at 2:35 p.m.

The meeting was reconvened at 2:40 p.m.

STEM Initiative Project Final Expenditures

Provost Rosowsky updated the committee on the current status of the STEM project, which has been well vetted by leadership and is consistent with the initial funding proposal as presented to BFI in April 2014. In order to fund the non-debt portion of the project, the University will use up to $9.8 million of unencumbered net assets to cover the difference between private gifts on hand and the $26 million non-debt portion of the funding. Delaying the process until the funds are completely identified would not allow us to take advantage of current low bond rates and would result in higher construction costs. Any net assets used for the project will be replenished as additional private funds are received.

Vice President Cate explained that $7 million from the Capital Project Pre-Funding account has already been transferred to projects per Board approval. The administration is also proposing to use $6 million of the $9.7 million that will result from the affiliation agreement with the University of Vermont Medical Center., which is anticipated this spring. After taking into account the current gifts on hand for the project there would be a remaining need of up to $9.8 million, which could come from unencumbered unrestricted net assets.

President and CEO of the UVM Foundation Rich Bundy emphasized the commitment of the Foundation to secure $26 million from private sources and it is currently working toward it. The Foundation has received positive response from the donor population toward this strategic initiative.

Chair Daigle explained the intent and shared objective is for the entire $26 million non-debt portion to come back to the University.

Chair Daigle emphasized the need for a shared understanding of the appropriate minimum base for unencumbered net assets. He requested that the administration and BFI leadership discuss this prior to the April BFI meeting and then report back to the full Board in May.

In response to Vice Chair Brennan's inquiry about the timing of when to go to market, Vice President Cate recommended going to market with refunding and the STEM issue at the same time, and if the administration deemed it necessary to move sooner, they would consult with the Bond Work Group.

Trustee McCree noted that the ISC considered accelerating the timeline, but did not see any significant risks from now until June in terms of interest rates.

Vice Chair Brennan requested an analysis of using bond proceeds to address deferred maintenance and Vice President Cate agreed to do so. Chair Daigle added that the combined CBW residence hall and STEM projects will decrease deferred maintenance by 10%.

Vice President Cate noted that his title in section 8 on page 5 of the General Obligation Bonds, Series 2015 resolution (Appendix B) was incorrect and needed to be changed to Vice President for Finance and Treasurer.

Chair Daigle presented the following resolutions, as amended, to the committee for approval and recommendation to the Full Board:

<u>Resolution Approving Use of University Funds for Non-Debt Portion of STEM Project</u>

WHEREAS, on May 16, 2014, the Board of Trustees authorized funding for the design and development of the STEM project and directed the administration to bring forward a request to issue bonds for the project only when at least $16 million in ~~documented, legally binding,~~ non-debt funding commitments had been secured: and

WHEREAS, <u>at least</u> $16.4 million in ~~documented, legally binding~~, non-debt funding commitments have been secured, and the UVM Foundation leadership believes that there is a high likelihood that the remaining $9.6 million will be secured;

NOW, THEREFORE, BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to use the following sources of funds to pay for the $26 million non-debt portion of the $104 million STEM Project: $7 million from the Capital Project Pre-funding Account, which has already been allocated by prior Board resolution, $6 million from the proceeds of the University of Vermont Medical Center Affiliation Agreement, $3.2 million from current commitments secured by the UVM Foundation, and $9.8 million of unencumbered, unrestricted University net assets; and

BE IT FURTHER RESOLVED, that University net assets used for this are to be replenished by private gifts designated for the STEM project as they are received.

<u>General Obligation Bonds, Series 2015</u> Refunding of Bond Series 2005, 2007, 2009 and financing of the New Money Project (STEM) - See Appendix B

A motion was made, seconded, and the Trustees voted on the resolutions: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolutions passed as amended.

Capital Projects

Director of Capital Planning and Management Robert Vaughan was invited to present three capital project requests. He began by describing a two-year deferred maintenance project on Southwick Hall focused essentially on exterior work. The total project cost is $2 million sourced by State capital appropriations and unrestricted plant funds within the Physical Plant Department's general fund.

Next, regarding the Billings Library Renovation Project, Foundation President & CEO Rich Bundy reminded the committee that the conceptual and schematic design effort for this project was approved in October 2014. To complete the project design and construction document phase of this project, the administration is requesting authorization to expend $500,000 of gift assets on hand. This request is separate and distinct from the $200,000 approved in October.

Director Vaughan stated that the funding expectations of the next phase have not been broken out yet, but the $8.5 million encompasses both phases. In response to Trustee McCree's question whether the Foundation believes they will be successful in raising the funds, President & CEO Bundy said that it cannot be determined at this point.

Vice President Cate reminded members that discussion of this project started in 2007 and believes it is acceptable to secure the design and then reevaluate.

Finally, Mr. Vaughan explained that the revitalization project for the UVM Miller Research Complex, proposed and approved by the Board of Trustees in October 2013 for $1.8 million and subsequently reauthorized for up to $3 million, now requires additional funding to successfully complete the first phase of rebuilding the College of Agriculture and Life Sciences' (CALS) facilities. The college is seeking an additional approval to increase the cost by $1.1 million for a new total of $4.1 million to add the research barn and fit-up components through the use of additional gift funds. The project costs are based on bids received through a recent procurement process.

Dean of College of Agriculture and Life Sciences Thomas Vogelmann and Business Operations Administrator Skip Fanus emphasized that the College is about $30,000 short of raising its goal and are still actively fundraising.

The following resolutions were presented to the committee for approval for recommendation to the Full Board:

Resolution Authorizing Southwick Deferred Maintenance Project Expenditures

WHEREAS, the administration today reported on the estimated cost for completion of the Southwick Deferred Maintenance Project and presented a funding plan;

THEN, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize the $2,000,000 project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that the $2,000,000 of funds for such expenditures be drawn from the Physical Plant general funds.

Resolution Authorizing Expenditures for Completion of Design of the Billings Library Renovation Project

WHEREAS, on October 17, 2014, the Board authorized the administration to complete the design of the Billings Library Renovation, including the schematic design phase and generation of a Project cost estimate and funding plan; and

WHEREAS, the administration today provided a project status update, an estimate of the cost of completion of the Project design, and a Project funding plan;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize the administration to expend up to $500,000 to complete the project design, including construction drawings, at a cost consistent with its report of this date; and

BE IT FURTHER RESOLVED, that the funds for such expenditures be drawn from gift funds.

Resolution Authorizing Expenditures for Miller Research Complex Phase I

WHEREAS, the Board approved the Miller Research Complex Phase I Project for $1,800,000 at its October 2013 meeting; and,

WHEREAS, the Board approved an additional $1,200,000 at its May 2014 for a project cost of $3,000,000; and

WHEREAS, the administration today reported on the final Miller Research Complex Phase I bid results and the total Project cost estimate of $4,100,000;

WHEREAS, the College of Agriculture and Life Sciences has budgeted an additional $1,100,000 of its one-time research endowment and future gift funds for this project to further enhance the project;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize the administration to incur the cost of the balance of the expenditures associated with the Project, such total expenditures for the Project not exceed $4,100,000; and

BE IT FURTHER RESOLVED that the funds for such expenditures be drawn from the following sources: one-time research endowment and gift funds.

A motion was made, seconded, and the Trustees voted on the three resolutions: David Daigle - Aye, Robert Brennan - Aye, Joan Lenes - Aye, Donald McCree - Aye, Dale Rocheleau - Aye, Thomas Sullivan – Aye, Raj Thakrar - Aye, Jeff Wilson - Aye, Mark Young - Aye, Lisa Ventriss - Aye. The resolutions were passed as presented.

Adjournment
There being no further business, the meeting adjourned at 3:30 p.m.

Respectfully Submitted,

David Daigle, Chair

University of Vermont
Debt Policy

As Adopted by the Board of Trustees
September 2004, revised November 2005,
Revised, November 2006,
Revised, December 2007,
Reaffirmed, December 2008,
Revised, October 2009
Revised, October 2010
Reaffirmed, October 2011
Revised, May 2013
Revised, February 2014
Revised, February 2015

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OVERVIEW

Purpose

The University of Vermont's strategic planning is a long-term process that establishes University-wide priorities as well as University and divisional programmatic objectives. The University's strategic plan identifies specific goals and initiatives, including capital plans that identify necessary and desired University facility investments. To fund its plan, the University will continue to utilize a mix of financing sources including State and Federal sources, philanthropy, internal reserves, and external University-supported debt.

This policy, in conjunction with the strategic and capital planning, will aid management in ensuring that an appropriate mix and types of funding sources are utilized and that the University's debt capacity is allocated strategically. A UVM-specific debt policy is appropriate to ensure adequate financial strength to service existing and proposed debt, maintain leverage within an acceptable risk tolerance while investing in priority capital projects, maintain a strong financial profile to ensure a competitive position relative to its peers, and maintain the budgetary capacity to invest in other initiatives.

Management and the Board of Trustees, acting through the appropriate Board of Trustee committee, will assess this policy on an ongoing basis to ensure that it remains responsive to UVM's evolving academic, research and strategic priorities and financial position.

The University believes that financial discipline is a critical component of long-term debt management and that the Board and management, operating through the appropriate Board of Trustee committee should establish a limited number of financial ratios and limits in order to manage debt within acceptable ranges consistent with UVM's objectives. These measures will be monitored and reported on in light of UVM's evolving strategic initiatives and capital needs.

INTRODUCTION AND OBJECTIVES

Purpose

Just as investments represent an integral component of assets, debt is viewed to be a long-term component of liabilities that therefore should be managed on a long-term portfolio-basis consistent with the institution's policy objectives, with an overarching objective of managing the balance sheet. The objectives of the policy are to:

(i) Maintain the University's access to capital. Management will utilize and issue debt in order to provide timely access to capital to fund project priorities that have been approved by the Board;

(ii) Manage the University's credit to meet its long-term strategic objectives while maintaining creditworthiness consistent with the most favorable relative cost of capital and borrowing terms.

(iii) Limit risk of the University's debt portfolio. Debt will be managed on a portfolio, rather than a transactional or project-specific, basis. Management's continuing objective of incurring the lowest achievable long-term risk-adjusted cost of capital will be balanced with the goal of appropriately limiting exposure to market shifts within acceptable budgetary parameters. Various types of debt structures and financial instruments will be considered, monitored, and managed within the framework established in this policy and according to internal management procedures; and

(iv) Permit the optimization of the investment of the University's working capital and cash balances. Management will explore various options and alternatives to internal cash holdings regarding the optimal funding mechanism for short-term equipment needs, bridge financing and cash requirements. Management recognizes that working capital requirements, debt management, and the investment of cash/net assets should be viewed comprehensively in order to optimize overall funding and investment return strategies.

In addition to establishing a framework relating to the administration of debt, the policy provides for periodic updates pertaining to UVM's debt capacity and financial management to both internal and external parties.

Oversight

Purpose

By adopting this policy and regularly reviewing it with the appropriate Board of Trustee committee, management will follow and report on guidelines and requirements regarding debt utilization. With appropriate authorizations consistent with the policy, management will have flexibility to implement specific financial transactions and utilize approved financing vehicles in accordance with stated procedures.

The Office of the Vice President for Finance and University Treasurer will manage all funding sources, including debt, for capital projects authorized by the Board. The structure of any individual transaction (e.g., maturity, interest rate mode, use of derivative products, other financing structures) will be based upon overall University needs to ensure that (i) long-term costs to the University and its operating units are minimized consistent within the context of other strategic objectives and (ii) overall risk does not exceed acceptable levels as defined in this policy.

Because this debt policy is a living document, the appropriate Board of Trustee committee will review this policy on an annual basis and report any recommended changes or revisions to the Board of Trustees. This review process is necessary to ensure that the policy remains consistent with the University's objectives and responsive to evolving practices, competitive pressures in the external environment, and financial indicators.

Policy Ratios

Purpose

This policy establishes limits to measure the total amount of outstanding debt compared to University balance-sheet resources and the annual operating budget. These ratios can be derived from the financial statements and other information and are subject to review periodically.

The policy identifies ratios that (i) are based on current GAAP requirements and (ii) are consistent with ratios utilized in the higher education industry to permit benchmarking.

In addition to the two policy ratios below, the University may consider tracking other ratios in addition to the policy ratios. Listed below are the policy ratios and limits that will be followed.

Ratio 1 – Debt Burden Ratio

This ratio measures the University's ability to repay debt service associated with all outstanding debt and the impact on the overall budget and includes all activities of the University. The defined limit for this ratio is intended to maintain the University's long-term operating flexibility to fund existing requirements and new initiatives, although the University may target a desired ratio below this limit.

$$\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL EXPENSES}} \quad <5.75\%$$

The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g., no one-time operating gifts, investment return, variability of State funding) and better reflect the operating base of the University. Management recognizes that a growing expense base would make this ratio appear more attractive.

The limit for this ratio is not to be greater than 5.75% until June 30, 2023 and will revert to 5% thereafter. This ratio will be adjusted to include the impact of non-amortizing or non-traditional debt structures that could result in significant single year fluctuations, as well as an assumption of an appropriate variable rate.

Ratio 2 - Viability Ratio (also called Expendable Financial Assets to Debt)

This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets compared to aggregate debt. The ratio measures the medium to long-term health of the University's balance sheet and debt capacity and is a critical component of universities with the highest credit quality.

Many factors influence the viability ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength. For example, a viability ratio that is acceptable and entirely appropriate in one market condition may be relatively stronger or weaker in other market environments.

This policy establishes a debt policy limit (floor) for this ratio of ~~1.0x~~0.8 to ensure that sufficient balance sheet strength is maintained at all times.

$$\frac{\text{UNRESTRICTED NET ASSETS + TEMPORARILY RESTRICTED NET ASSETS – EQUITY IN PLANT}}{\text{AGGREGATE DEBT}} \quad >0.8x$$

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

The 0.8x limit is recognized as a limit, and not a long-term objective. Over time, to remain competitive and retain the flexibility to invest in future strategic initiatives, UVM will want to target and maintain a ratio above 0.8x

Annually, based on the results of the audited financial statements, the Vice President for Finance will report to the appropriate Board of Trustee committee on the actual ratio results and any existing conditions that put the University out of compliance with this policy. In the event that the University is out of compliance with the policy, the appropriate Board of Trustee committee will take up the matter for consideration and make recommendations it deems appropriate to the Board of Trustees.

Ratios as a Credit Factor

The University has established its ratios and associated ratio limits based on internally-established guidelines. The ratios and limits are not intended to provide a long-term target or track a specific rating, but rather will enable the maintenance of the University's competitive financial profile and complement the capital planning process.
The debt policy will be shared with external credit analysts and other third parties in order to provide them with the context regarding UVM's assessment of self-determined debt capacity and affordability, which is subject to ongoing review.

TYPES OF FINANCINGS

Purpose

The University recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources will be reviewed by management within the context of the debt policy and the overall portfolio to ensure that any financial product or structure is consistent with UVM's objectives. Regardless of what financing structure(s) is(are) utilized, a full understanding of the transaction, including (i) quantification of potential risks and benefits, and (ii) analysis of the impact on University creditworthiness and debt capacity, will be required. Any financial transaction which, in management's opinion utilizes the University's credit, will be subject to the limits set forth in this policy regardless of source. *Tax-Exempt Debt*

The University recognizes that debt will remain a long-term component of the University's capitalization over the foreseeable future due in part to its continued need for capital and the substantial economic benefits associated with tax-exempt debt. Therefore, financial transactions will be managed on a portfolio basis with a long-term perspective. (In all circumstances, however, individual projects must continue to be identified and tracked to ensure compliance with all tax and reimbursement requirements).

Debt will be structured to meet the University's comprehensive long-term objectives, and each project being financed will be required to provide a sound business plan, including the source of repayment for the debt and appropriate and realistic repayment terms. Among other things, the repayment terms will require that the loan term is no greater than the expected componentized useful life of the asset financed. Additionally, the financed project will be required to budget and fund principal payments on a fully amortized basis.

Taxable Debt

While all of the University's capital projects may not qualify for tax-exempt debt, taxable debt should only be used in appropriate cases as it generally represents a more expensive source of capital relative to tax-exempt issuance.

Commercial Paper

The CP program can provide substantial financial flexibility to the University including the ability to manage and optimize cash balances, and provide an alternative to lease transactions, and other purposes. CP can offer the University interim financing for capital projects in anticipation of the receipt of funding either in the form of future philanthropy or the issuance of long-term debt for permanent financing, as well as offer greater flexibility regarding the timing and structuring of individual bond transactions.

Derivative Products

Management recognizes that derivative products may enable more opportunistic and flexible management of the debt portfolio. Derivative products, including interest rate swaps, may be employed primarily to manage or hedge the University's interest rate exposure for a specific period of time. The University will utilize a framework to evaluate potential derivative instruments through consideration of (i) its variable rate allocation, (ii) market and interest rate conditions, (iii) impact on future financing flexibility, and (iv) the compensation for assuming risks, or the costs for eliminating certain risks and exposure. In addition, the University will analyze and quantify the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Under no circumstances will a derivative transaction be utilized that is not understood fully by management or that imposes inappropriate risk on the University. Risks include but are not limited to tax risk, interest rate risk, liquidity risk, counterparty credit risk, basis risk, and any other potential risks either imposed or removed through the execution of any transaction. In addition, management will consider and disclose the potential impact of any derivative product on the University's financial statements and the appropriate treatment in calculating the debt policy ratios. The University will regularly report on the status and performance of its derivative products, if any, to the appropriate Board of Trustee committee. Given the risks and complexity associated with derivative products, they will be considered more seriously only when: (i) conventional financing sources are relatively more expensive (e.g. exceed the portfolio blended interest rate, and (ii) can achieve desired financial objectives more efficiently or at a significantly lower risk-adjusted cost than traditional structures. Management is required to present any recommended derivative product to the appropriate Board of Trustee committee and must receive Board approval prior to execution.

Other Financing Sources

The University recognizes that a variety of transactions, not limited to debt insured directly by UVM, may impact the University's credit while the University's limited debt capacity and substantial capital needs require the consideration of various financing alternatives, including possible opportunities for alternative and non-traditional transaction structures. The University recognizes these types of transactions may also impact the University's credit and also often can be more expensive than traditional University debt structures.

Therefore all non-traditional financing structures including guarantees and third party debt can only be considered once the economic benefit and the likely impact on the University's debt capacity and credit has been determined. Specifically, for any third-party or developer based financing, management will ensure the full credit impact of the structure is evaluated and quantified to the extent possible prior to execution and the analysis must be presented to the appropriate Board of Trustee committees and must receive Board approval prior to execution.

PORTFOLIO MANAGEMENT OF DEBT

Purpose

The University considers its debt portfolio holistically; that is, it optimizes the portfolio of debt for the entire University rather than on a project-by-project basis, and takes into account the University's cash and investments.

Variable Rate Debt

It is recognized that a degree of exposure to variable interest rates within the University's debt portfolio may be desirable in order to:

(i) take advantage of repayment/restructuring flexibility;

(ii) benefit from historically lower average interest costs; and

(iii) diversify the debt portfolio; and,

(iv) provide a hedge to short-term working capital balances

Management will monitor overall interest rate exposure, analyze and quantify potential risks, and coordinate appropriate fixed/variable allocation strategies. The portfolio allocation to variable rate debt may be managed or adjusted through (i) the issuance of debt (potentially new issues and refunding), (ii) and the use of interest rate swaps and other derivative products. While the utilization of commercial paper impacts the University's variable rate exposure, outstanding CP will not be included in the ratio, given the expected interim financing purpose.

Recognizing the desire to manage interest rate risk, the amount of variable rate debt outstanding shall not exceed 35% of the University's outstanding debt. This limit is based on the University's desire to (i) limit annual variances in its debt portfolio, (ii) provide sufficient structuring flexibility to management, (iii) keep the University's variable rate allocation within acceptable external parameters, (iv) utilize variable rate debt (and/or swaps) to optimize debt portfolio allocation and minimize costs, and (v) take into account liquidity needs and exposures for the portfolio, including consideration of the commercial paper program.

$$\frac{\text{VARIABLE RATE AND LIQUIDITY EXPOSURE}}{\text{TOTAL LONG-TERM DEBT OUTSTANDING}} \quad <35\%$$

The University will exclude from this calculation project-related commercial paper used in advance of expected long-term financing since this commercial paper is used for interim purposes and should not be included in the University's desired long-term variable rate allocation calculation. The numerator, *Variable Rate and Liquidity Exposure*, is defined as including all variable rate debt, not adjusted for any floating to fixed swaps, if any, and plus any fixed to floating swaps, if any. Thus, any variable rate debt that is affected by floating-to-fixed interest rate swaps will be considered variable rate debt for the purposes of this calculation since it impacts the University's liquidity requirements and exposes the institution to counterparty credit exposure. Note that this ratio measures interest rate exposure and liquidity exposure/requirements directly.

GLOSSARY

Annual Debt Service – refers to the principal and interest due on long-term debt in a fiscal year.

Bridge Financing – refers to any type of financing used to "bridge" a period of time. For universities, it generally refers to financings that provide funding in advance of a long-term bond issue or the receipt of gift funding.

Capital Project – refers to physical facilities or equipment or software that may be capitalized.

Commercial Paper – an alternative to bank line for stronger rated borrowers, commercial paper is short-term promissory notes issued on the open market as an obligation of the borrower. The maturity of commercial paper is less than 270 days, and for most universities, the average maturity of all paper is between 30-50 days. Registration and disclosure for commercial paper is significantly less than traditional university bonds.

Derivative Products – generally referred to transactions which are an exchange of specified cash flows for a period of time. The most common types of derivatives are floating-rate-to-fixed-rate or fixed-rate-to-floating-rate swaps.

GAAP – refers to Generally Accepted Accounting Principles.

Leverage – long-term debt as a component of the total assets of the University. "High leverage" indicates an institution that has a considerable portion of its assets that are debt financed.

The University of Vermont and State Agricultural College
Board of Trustees

For approval: February 7, 2015

GENERAL OBLIGATION BONDS,
SERIES 2015

WHEREAS, the University of Vermont and State Agricultural College (the "University") previously issued its General Obligation Bonds, Series 1990 (the "Series 1990 Bonds"), Series 1998 (the "Series 1998 Bonds"), Series 2002 (the "Series 2002 Bonds"), Series 2005 (the "Series 2005 Bonds"), Series 2007 (the "Series 2007 Bonds"), Series 2009 (the "Series 2009 Bonds"), Series 2010A and Series 2010B (collectively, the "Series 2010 Bonds"), Series 2012A (the "Series 2012A Bonds") and Series 2014 (the "Series 2014 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 Mellon Trust Company, N.A. (as successor to The Bank of New York Trust Company, N.A. and TD Banknorth, N.A.), as trustee (the "Trustee"), as amended and supplemented by the Series 1998 and First Supplemental Indenture dated as of September 1, 1998, the Series 2002 and Second Supplemental Indenture dated as of June 13, 2002, the Series 2005 and Third Supplemental Indenture dated as of September 27, 2005, the Series 2007 and Fourth Supplemental Indenture dated as of July 11, 2007, the Series 2009 and Fifth Supplemental Indenture dated as of April 16, 2009, the Series 2010A and Sixth Supplemental Indenture dated as of February 18, 2010, the Series 2010B and Seventh Supplemental Indenture dated as of February 18, 2010, the Series 2012A and Eighth Supplemental Indenture dated as of August 15, 2012 and the Series 2014 and Ninth Supplemental Indenture dated as of October 30, 2014 (the Trust Indenture, as amended, is hereafter referred to as the "Indenture"); and

WHEREAS, a working group of Trustees appointed by the Chair of the Budget, Finance and Investment Committee of the University's Board of Trustees (the "Bond Work Group") met on January 22, 2015, and, due to favorable market conditions, recommends to the University's Board of Trustees (the "Board") that the University (i) refund all or a portion of the outstanding Series 2005 Bonds (the "Series 2005 Refunded Bonds"), all or a portion of the outstanding Series 2007 Bonds (the "Series 2007 Refunded Bonds") and all or a portion of the outstanding Series 2009 Bonds (the "Series 2009 Refunded Bonds" and collectively with the Series 2005 Refunded Bonds and the Series 2007 Refunded Bonds, the "Refunded Bonds") and (ii) finance the cost of certain capital projects of the University which have been authorized by the Board prior to the date hereof (including authorized reimbursements for prior University capital expenditures) as more particularly described on <u>Exhibit A</u> attached hereto (the "New Money Project"); and

WHEREAS, the Board has determined that it is desirable to authorize the Vice President for Finance and Treasurer, or his successor or designee, to proceed toward the refunding of the Refunded Bonds and the financing of the New Money Project, in consultation with the Bond Work Group, and to execute any and all contracts and documents necessary for the issuance by the University of the Series 2015 Bonds (as defined below); and

WHEREAS, the Board has determined that in order to (i) refund the Refunded Bonds, (ii) finance the cost of the New Money Project and (iii) pay associated administrative costs, it is necessary and desirable to authorize (i) the issuance by the University of its General Obligation Bonds, Series 2015 in amounts not to exceed $80,000,000 aggregate principal amount allocable to the New Money Project, $84,000,000 aggregate principal amount allocable to the refunding of the Series 2005 Refunded Bonds, $79,000,000 aggregate principal amount allocable to the refunding of the Series 2007 Refunded Bonds and $73,000,000 aggregate principal amount allocable to the refunding of the Series 2009 Refunded Bonds (collectively, the "Series 2015 Bonds"), in one or more series, at one or more times, with anticipated net present value savings of not less than 3% of the total par amount of the Refunded Bonds and costs of issuance not to exceed 1.25% of the par amount of the Series 2015 Bonds and (ii) the execution of a supplemental indenture between the University and the Trustee, establishing the amount of the Series 2015 Bonds and the details thereof and describing the Refunded Bonds and the New Money Project; and

WHEREAS, the Board proposes to issue the Series 2015 Bonds on a parity with the outstanding Series 2005 Bonds, Series 2007 Bonds, Series 2009 Bonds, Series 2010 Bonds, Series 2012A Bonds and Series 2014 Bonds (the Series 1990 Bonds, the Series 1998 Bonds and the Series 2002 Bonds being no longer outstanding) pursuant to the terms of the Indenture and one or more Supplemental Indentures thereto relating to the Series 2015 Bonds (collectively, the "Supplemental Indentures"), between the University and the Trustee; and

WHEREAS, the Board desires to authorize the execution and delivery of one or more Bond Purchase Agreements (together, the "Bond Purchase Agreement") among the University, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriters"), pursuant to which the University will sell the Series 2015 Bonds to the Underwriters in accordance with the terms and conditions set forth therein; and

WHEREAS, the Board desires to authorize the execution and delivery of one or more Escrow Agreements (collectively, the "Escrow Agreements") between the University and the Trustee, in its capacity as Trustee for each series of the Refunded Bonds, pursuant to which the University will direct the Trustee to purchase state and local government securities and deposit funds necessary to pay the redemption price for the applicable series of Refunded Bonds on the applicable redemption date; and

WHEREAS, in connection with the issuance and sale of the Series 2015 Bonds, one or more Preliminary Official Statements (collectively, the "Preliminary Official Statement") and final Official Statements (collectively, the "Official Statements") will be prepared by the University, which will present information about the University, the terms of the Series 2015 Bonds and the security for the Series 2015 Bonds, among other things; and

WHEREAS, the Board desires to authorize the execution and delivery of one or more Continuing Disclosure Agreement (collectively, the "Continuing Disclosure Agreements") between the University and the Trustee, pursuant to which the University will be obligated to update certain information in the applicable Official Statement and provide certain other notices to the specified repository in accordance with the terms and conditions set forth therein; and

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

1. the Supplemental Indentures;
2. the Bond Purchase Agreements;
3. the Escrow Agreements;
4. the Preliminary Official Statements (including Appendix A thereto); and
5. the Continuing Disclosure Agreements;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. Issuance of Series 2015 Bonds. The Board hereby approves and confirms the issuance by the University of the Series 2015 Bonds, in one or more series, at one or more times, to provide funds (i) to refund all or a portion of the outstanding Refunded Bonds of the University and (ii) to finance the cost of the New Money Project (including the costs of issuance and any other related expenses, including the Underwriter's discount and its expenses, provided such costs shall not exceed 1.25% of the par amount of the Series 2015 Bonds). The Series 2015 Bonds shall bear a true interest cost not exceeding 5.00% per annum with net present value savings of the portion of the Series 2015 Bonds allocable to the Refunded Bonds not less than 3% of the par amount of the Refunded Bonds. The portion of the Series 2015 Bonds allocable to the New Money Project shall be in the initial principal amount of not more than $80 million and shall mature not later than 35 years from their dated date. The portion of the Series 2015 Bonds allocable to the refunding of the Series 2005 Refunded Bonds shall be in the initial principal amount of not more than $84 million, shall mature not later than the final maturity date of the Series 2005 Refunding Bonds and shall have a weighted average maturity not exceeding the weighted average maturity of the Series 2005 Refunded Bonds by more than two years. The portion of the Series 2015 Bonds allocable to the refunding of the Series 2007 Refunded Bonds shall be in the initial principal amount of not more than $79 million, shall mature not later than the final maturity date of the Series 2007 Refunding Bonds and shall have a weighted average maturity not exceeding the weighted average maturity of the Series 2007 Refunded Bonds by more than two years. The portion of the Series 2015 Bonds allocable to the refunding of the Series 2009 Refunded Bonds shall be in the initial principal amount of not more than $73 million, shall mature not later than the final maturity date of the Series 2009 Refunding Bonds and shall have a weighted average maturity not exceeding the weighted average maturity of the Series 2009 Refunded Bonds by more than two years. If the Series 2015 Bonds are issued at more than one time, each issuance of the Series 2015 Bonds shall comply with the limitations contained in this Resolution; provided that the aggregate principal amount of Series 2015 Bonds shall not exceed the limitations on principal amount set forth herein. The Board hereby finds and determines that these purposes are necessary and desirable and hereby authorizes the Vice President for Finance and Treasurer, in consultation with the Bond Work Group, to determine (i) whether the Series 2015 Bonds should be issued as two or more sub-series of bonds, issued together or at different times (based on whether the issuance of the Series 2015 Bonds in two or more sub-series, issued together or at different times, will facilitate debt management or marketing of the Series 2015 Bonds or compliance with federal tax law restrictions or is expected to maximize present value savings or otherwise reduce interest rate or other costs) and (ii) the terms of the Series 2015 Bonds and the terms of the sale of the Series 2015 Bonds (including the maturity dates and amounts, the interest rates, the original issue premium or discount, the redemption provisions of the Series 2015 Bonds based on financial or structural benefits to the University and marketing considerations and the underwriters' compensation) subject to the limitations set forth in this resolution and the applicable Supplemental Indenture. The form and content of the Series 2015 Bonds as set forth in the applicable Supplemental Indenture are hereby approved and confirmed. The Vice President for Finance and Treasurer, and the Secretary or the Assistant Secretary of the Board are authorized and directed to execute and deliver the Series 2015 Bonds for and on behalf of the University, in substantially the form and content set forth in the applicable 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 Refunded Bond Redemptions. The Board hereby authorizes and directs the Vice President for Finance and Treasurer, in consultation with the Bond Work Group, to determine which maturities (or portions of maturities) of the Refunded Bonds shall be refunded with the proceeds of the Series 2015 Bonds and the dates of redemption of such Refunded Bonds; provided that such refunding results in net present value savings of not less than 3% of the par amount of the Refunded Bonds (from each issuance of Series 2015 Bonds if issued at more than one time).

Section 3. Authorization of Supplemental Indentures. The Board hereby approves and confirms the form and content of one or more Supplemental Indentures. The Vice President for Finance and Treasurer, and the Secretary or Assistant Secretary of the Board are hereby authorized and directed to execute and deliver one or more Supplemental Indentures for and on behalf of the University, in substantially the form and content made available 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 Supplemental Indentures, the Vice President for Finance 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 Supplemental Indentures as executed.

Section 4. Authorization of Bond Purchase Agreement. The Series 2015 Bonds shall be awarded and sold to the Underwriters pursuant to the terms of one or more Bond Purchase Agreements at an aggregate underwriters' discount or fee to be determined by the Vice President for Finance and Treasurer in consultation with the Bond Work Group, of not more than 0.30% ($3.00 per $1,000 bond) plus an additional amount to cover out-of-pocket expenses of the Underwriters. The Series 2015 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 is hereby approved. The Vice President for Finance and Treasurer 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 made available to the University, but with such changes, additions or deletions as shall to him 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 Vice President for Finance 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 Escrow Agreements. The form and content of one or more Escrow Agreements is hereby approved. The Vice President for Finance and Treasurer is hereby authorized and directed to execute and deliver one or more Escrow Agreements for and on behalf of the University, in substantially the form and content made available to the Board, but with such changes, additions or deletions as shall to him 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 Agreements, the Vice President for Finance 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 Escrow Agreements as executed.

Section 6. Authorization of Continuing Disclosure Agreements. The form and content of one or more Continuing Disclosure Agreements is hereby approved. The Vice President for Finance and Treasurer is hereby authorized and directed to execute and deliver one or more Continuing Disclosure Agreements for and on behalf of the University, in substantially the form and content made available to the Board, but with such changes, additions or deletions as shall to him 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 Agreements, the Vice President for Finance 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 Agreements as executed.

Section 7. Approval of Preliminary Official Statements and Official Statements. The form, terms and content of the Preliminary Official Statements and the Official Statements in substantially the form of the Preliminary Official Statements (but including the terms of the Series 2015 Bonds) is authorized, approved and confirmed, with such changes, additions or deletions therein as shall seem necessary, desirable or appropriate to the Vice President for Finance and Treasurer. The use of the Preliminary Official Statements and of the Official Statements by the Underwriters in connection with the sale of the Series 2015 Bonds is hereby authorized, approved and confirmed. The Vice President for Finance and Treasurer is authorized to execute the Official Statements on behalf of the University.

Section 8. Tax Certificates. The Vice President for Finance and ~~Administration~~Treasurer, and Treasurer of the University is hereby authorized to execute certificates 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 2015 Bonds, the Indenture, the Supplemental Indentures, the Bond Purchase Agreement, the Escrow Agreements, the Continuing Disclosure Agreements or any other instrument related to the issuance of the Series 2015 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 2015 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 Supplemental Indentures and (iii) the documents presented to this meeting or made available for review: 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 or the Supplemental Indentures, (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 2015 Bonds authorized hereunder.

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

Section 14. Effective Date. This Resolution shall take effect upon its adoption.

Exhibit A

New Money Project Description

The New Money Project shall consist of the development of the Science Technology Engineering and Mathematics complex including (i) demolition of Angell Hall and the Cook Building; (ii) construction of a research / teaching lab building and a classroom / office building and (iii) renovation of Votey Hall.