

**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 Friday, October 2, 2015 at 9:30 a.m. in the Silver Maple Ballroom, 401 Dudley H. Davis Center.

MEMBERS PRESENT: Chair David Daigle, Donald McCree, Robert Brennan, Bernie Juskiewicz, Joan Lenes, Samantha Lucas, Dale Rocheleau, Lisa Ventriss, and Jeff Wilson

REPRESENTATIVES PRESENT: Faculty Representatives Andrew Barnaby and Laura Gewissler, Alumni Representative Myron Sopher, Staff Representative Cheryl Herrick, Student Representatives Jake Guarino and Jacquelyn Langham, and Foundation Representative Richard Ader

PERSONS ALSO PARTICIPATING: Vice President for Finance and Treasurer Richard Cate, University Budget Director Alberto Citarella, Controller Claire Burlingham, and Director of Capital Planning and Management Robert Vaughan

ABSENT: Trustees Ed Pagano and President Thomas Sullivan; Staff representative Leslye Kornegay; Graduate Student representative Mairi-Jane Fox; and Graduate Student Representative Nikisha Patal

Chair David Daigle called the meeting to order at 9:35 a.m.

Chair Daigle began the meeting by welcoming incoming faculty, alumni, and undergraduate student representatives Andrew Barnaby, Laura Gewissler, Myron Sopher, Jake Guarino and Jacquelyn Langham.

Approval of Minutes

A motion was made, seconded, voted to approve the minutes of the May 15, 2015 meeting.

Approval of Tuition Rates

Maximum Off-Campus Temporary Housing Room Rates for FY 2017

Budget Director Alberto Citarella explained that in order for Residential Life to enter into contracts with students prior to the formal budget approval in May 2016, the Committee was being asked to set maximum off-campus temporary housing room rates for FY 2017 at \$9,316 based on an increase of 3.5%.

He noted that in the Administration does not typically ask for Board approval of on-campus housing rates until the February meeting but a longer lead time is required for marketing off-campus housing units.

Summer Session Tuition

Budget Director Citarella explained that the rationale for continuing the summer tuition price-setting structure from the past two Octobers of a 30% discount was twofold: The University's summer tuition rates were higher than peer institutions in the region, and the University has been experiencing a downward trend in student credit hours during summer session. He noted that continuing this discount has been successful, as summer tuition revenue increased this past year.

Chair Daigle mentioned that when it was first proposed to change the tuition rate discount from 15% to 30%, it was predicted that enrollment numbers would increase, due to the discount. Mr. Citarella confirmed that out-of-state enrollment has increased, while in-state enrollment has remained steady. As this was the first year, the expectation is enrollment will continue to grow.

The recommendation for Summer Session (summer 2016) is to set tuition at \$428 per credit hour for in-state students and \$1,081 per credit hour for out-of-state students.

Global Gateway International Student Tuition

Mr. Citarella introduced the proposed tuitions rate for the Global Gateway Program, a matriculation preparatory program for international students.

The total cost of attendance rates will apply to students, recruited by Study Group, entering either the two-semester program beginning Spring 2016, the three-semester program beginning Spring 2016, or the two-semester program beginning Summer 2016. Students need to be charged on a total cost of attendance basis which includes out-of-state tuition, room and board, and all other fees and costs associated with enrollment at the University in a manner which is consistent with the terms and conditions set forth in the agreement between the University and Study Group. The all-in rate is based on an increase of 3.5% and are proposed as follows:

Proposed rates for programs commencing fall 2015: 26,150.

Proposed rates for programs commencing spring 2016: \$26,150.

Proposed rates for programs commencing summer 2016: \$26,738.

Vice President Richard Cate explained that four to five years ago, the University starting looking at ways to increase the population of international students on campus and partnered with Study Group, a company which helps universities recruit international students. The Global Gateway program is designed with a focus on enhancing international students' English skills and helping them understand the culture of American education. The program is such that for a small number of students, it may only be a semester long, but many are in two or three semester programs. Students in the program take academic courses, however they are not matriculated students. There is an 80% matriculation rate for students after going through the program.

Vice President Cate noted that during the past year, there were 250 students who went through the program. He explained that four or five years ago, the international student population on campus was 1% and now is almost 4%.

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

Resolution Setting Maximum Off-Campus Temporary Housing Room Rates, FY 2017

RESOLVED, that the Board of Trustees hereby sets the maximum off-campus room rates for Fiscal Year 2017 as follows:

Room (Private Double)	\$9,316
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Resolution Approving Summer Tuition

RESOLVED, that the Board of Trustees hereby approves the tuition rate for the Summer Session of \$428 per credit hour for in-state students and \$1,081 per credit hour for out-of-state students. The changes will become effective for the 2016 Summer Session.

Resolution Approving Summer Global Gateway International Student Tuition

BE IT RESOLVED, that the following rates are established:

For students beginning the three-semester Global Gateway program in the fall 2015, the tuition rate will be \$26,150 for the summer 2016 semester.

For students beginning the two and three-semester Global Gateway programs in the spring 2016, the tuition rate will be \$26,150 for the summer 2016 semester.

For students beginning the two-semester Global Gateway program in the summer 2016, the tuition rate will be \$26,738 for the summer 2016 semester.

All entering students will also be assessed an additional \$495 acceptance fee their first semester.

A motion was made, seconded, and Trustees voted on the three resolutions: David Daigle – Aye, Donald McCree – Aye, Robert Brennan – Aye, Bernie Juskiewicz – Aye, Joan Lenex – Aye, Samantha Lucas – Aye, Dale Rocheleau – Aye, Lisa Ventriss – Aye, and Jeff Wilson – Aye. The resolutions were unanimously passed as presented.

Report of the Investment Subcommittee (ISC)

ISC Chair Rob Brennan started the discussion by noting there have been two in-person ISC meetings this year; one in February in Boston and one in July in New York City. During the February meeting, the ISC voted not to change the investment allocation and met with existing and prospective managers. He explained the focus of the ISC over the course of the year has been emerging markets and natural resources.

The endowment, as of June 30, 2015, was at \$451 million. Due to the volatility in the markets over the last months, the endowment, as of August 31, 2015, was at \$433 million, which is down 3.7%.

Trustee Brennan reviewed the supplemental materials provided by Cambridge Associates and distributed at the meeting comparing UVM's year-to-date performance with its benchmark. As of June 30, 2015, the portfolio returned 1%, which did not beat the benchmark. However, he noted that long-term, it is expected UVM will exceed its benchmark. Furthermore, UVM's portfolio compares well with Cambridge Associate's clients who have similar-sized endowments.

Trustee Brennan briefed new members on two policies up for annual review. The Endowment Budget Policy sets the percentage of the endowment to be further invested. The Endowment Administration Fee Policy sets what is paid to the University for administrative support, including staffing, legal fees, and investment advisor fees. The ISC has reviewed both policies and recommend they be reaffirmed with no changes.

University Controller Claire Burlingham updated the committee on the activity of the Socially Responsible Investing Advisory Council (SRIAC) and noted the Council had their first meeting of the semester on Friday, September 25th, 2015. The council welcomed four new members, including two faculty members, a graduate student member, and an undergraduate student member. During their first meeting, much of their time was spent discussing their fall panel discussion, which will take place on Thursday, October 22nd, 2015 at 5 p.m. in the Livak Ballroom. At this event, four panelists will be speaking on various aspects of socially responsible investing. Ms. Burlingham noted the SRIAC will continue to meet bi-weekly during this semester.

Chair Daigle brought forth the two Investment Subcommittee-endorsed resolutions for Committee approval and recommendation to the full Board:

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 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
Board of Trustees - October 26, 2013
Board of Trustees - October 18, 2014
Board of Trustees – October 3, 2015

Resolution Reaffirming 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 ~~2015~~ 2016 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 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
Board of Trustees – October 26, 2013
Board of Trustees - October 18, 2014
Board of Trustees – October 3, 2015

A motion was made, seconded, and Trustees voted on the two resolutions: David Daigle – Aye, Donald McCree – Aye, Robert Brennan – Aye, Bernie Juskiewicz – Aye, Joan Lenes – Aye, Samantha Lucas – Aye, Dale Rocheleau – Aye, Lisa Ventriss – Aye, and Jeff Wilson – Aye. The resolutions were unanimously passed as presented.

Vice President's Report

Controller Burlingham provided an update on the status of the FY 2015 external audit, noting that Grant Thornton has completed their field work regarding the financial statement audit and substantially completed their field work on the A-133 audit. They found no material weaknesses or significant deficiencies. The University is on track for a clean audit. Grant Thornton should be issuing their opinion on or around October 9th, 2015. They will be back on campus in early November to complete A-133 audit.

Ms. Burlingham explained the University had a successful 2015 general bond issue that closed on July 15th, 2015. The total issue was \$186,930,000 and the 2005 bonds were partially refunded in the amount of \$63,845,000. The remaining outstanding 2005 bonds is \$13,555,000 and the net present value savings on the 2005 bonds that were refunded is an 8.07% savings. The new money bonds will be used to fund the construction of the STEM Complex and the new residence hall.

Budget Director Citarella then gave a presentation on Incentive Based Budgeting (IBB) that contrasted the outcome of the past year's budget from the perspectives of the centralized model that the University has traditionally used and the new IBB model. He noted that the numbers for FY 2015 are not precise, but they provide a broad view of what the numbers would look like.

Mr. Citarella then reported on the end-of-year results of the FY 2015 budget, which were positive and along the lines of what was projects in the last report to the Committee.

He explained the University ended the year with revenues \$1.1 million higher than budgeted and the primary driver behind this was undergraduate tuition net revenue, which came in above budget by \$1.8 million.

When asked, Vice President Cate explained that fundraising is managed by the UVM Foundation, but the assets come to the University. He further explained that the Foundation leadership has indicated that donors are less likely to give unrestricted gifts and therefore, the Foundation tries to align the needs of the University to the priorities of donors.

Trustee McCree directed Committee members to the Foundation's Fundraising Annual Report, included as Attachment E in the meeting materials, if they were interested in more information.

Mr. Citarella explained that to start the year, each school and college's expense and revenue budgets need to equal each other. He noted that at the end of FY 2016 it should not be a surprise if there are some colleges and schools that are in the negative. If it becomes a continuing issue, it will need to be addressed, but it should not be a major concern if it happens one year.

Mr. Citarella emphasized that net assets will be managed at the University level; there have been no surprises as UVM heads into FY 2016.

Vice President Cate added that it will be an ongoing learning process over the next couple of years and he will meet with all of the Deans to continue to hear more about how they are managing their budgets.

Liquidity Discussion

Chair Daigle explained that the thought of creating a Liquidity Policy came out of a series of requests from the administration to use reserves that the University has accumulated for various projects. The objective of the policy will be to ensure that the University operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs.

Chair Daigle noted there are few examples of Liquidity Policies with UVM's peer institutions and the goal of the Committee is to create a policy that fits the University's needs and is in line with what the University is trying to accomplish, as well as the historical practices of the University.

The vehicle through which the policy will be implemented is the Cash Management Policy, which is proposed to become the Cash Management and Liquidity Policy to reflect liquid funds that are unrestricted, unencumbered General Fund Net Assets that will be used to satisfy the Minimum Liquidity Target.

Vice President Cate reviewed the unencumbered balances in the various net asset categories stating that those net asset which were unencumbered and unrestricted would be the only net assets included in meeting the minimum liquidity target.

Trustee McCree agreed that it is important to set up a Liquidity Policy during a time when the University is financially tight and noted this is good financial prudence, which will give UVM a buffer in its finances.

Chair Daigle noted that, at this moment, a Liquidity Policy is particularly well suited for UVM to send a message to external entities that liquidity is being well managed at UVM.

When asked about focusing on cash management, Vice President Cate explained that the University maintains adequate cash to cover all current liabilities in addition to the contingency reserve that would be maintained under this proposal.

Vice President Cate noted that he meets with S&P and Moody's annually and as he just met with them, it will be at least a year until the next meeting. He stated he will be advising the committee on what UVM and the rating agencies will be doing along the way, as he has conversations with both agencies throughout the year.

As some members of the Committee would like more time to review the amended Cash Management Policy distributed at the meeting, action on the amended policy was deferred until the next meeting in February 2016.

Capital Project – Residential Life FY 2016 Deferred Maintenance (Converse Hall)

Chair Daigle invited Capital Planning and Management Director Bob Vaughan to explain the project scope, cost and funding plan for the Converse Hall Deferred Maintenance renovation project.

Director Vaughan reported the project’s scope will require exterior restoration of the stone exterior elements as well as the slate roof. Several interim repairs have been completed to remove or stabilize the elements that are in the worst condition. Intermediate repairs were performed approximately five years ago to stabilize the parts of the building requiring repairs. With the UVM Medical Center beginning their infrastructure improvements in preparation of constructing their new Inpatient Building addition. It is important to initiate this project next summer so as to mitigate the potential impact of vibration from the hospital’s construction project.

It is estimated that the renovation to Converse Hall will cost \$2.0 million, based on the current estimates. It is proposed to utilize existing unrestricted plant funds that currently exist in residential life.

Chair Daigle presented the following resolution for Committee approval and recommendation to the full Board:

Resolution Approving Residential Life FY 2016 Deferred Maintenance (Converse Hall)

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

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorizes the Vice President for Finance and Treasurer or his designee to expend \$2,000,000 for project costs, 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 unrestricted plant funds from Residential Life.

A motion was made, seconded, and Trustees voted on the resolution: David Daigle – Aye, Donald McCree – Aye, Robert Brennan – Aye, Bernie Juskiewicz – Aye, Joan Lenex – Aye, Samantha Lucas – Aye, Dale Rocheleau – Aye, Lisa Ventriss – Aye, and Jeff Wilson – Aye. The resolution was unanimously passed as presented.

Adjournment

There being no further business, the meeting was adjourned at 11:25 a.m.

Respectfully submitted,
David Daigle, Chair