

**UNIVERSITY OF VERMONT FOUNDATION  
FINANCE AND INVESTMENT COMMITTEE  
MEETING MINUTES MAY 15, 2014**

A meeting of the Finance and Investment Committee of The University of Vermont and State Agricultural College Foundation, Inc. (“UVM Foundation” or “Foundation”) was held on Thursday, May 15, 2014 at 1:30 p.m. in Grasse Mount, Room 101, on the University of Vermont campus.

**PRESENT:** Rob Brennan (Committee Chair), Richard Ader, Zack Gund, Don McCree, Bill Shean

**PERSONS ALSO PARTICIPATING:** Rich Bundy (President and CEO), Katharine Laud (Associate Vice President of Finance and Administration), Mary Schliecker-Brigham (recording secretary)

Rob Brennan (Chair) called the meeting to order at 1:37 p.m.

**Chair’s Welcome**

Rob Brennan welcomed everyone to the meeting.

**Approval of October 3, 2013 Meeting Minutes**

The minutes of the October 3, 2013 Finance and Investment Committee meeting were presented for approval. A motion was made by Rob Brennan, seconded by Zack Gund, and the Finance and Investment Committee unanimously accepted the minutes as distributed.

**Approval of April 29, 2014 Meeting Minutes**

The minutes of the April 29, 2014 Finance and Investment Committee meeting were presented for approval. A motion was made by Rob Brennan, seconded by Don McCree, and the Finance and Investment Committee unanimously accepted the minutes as distributed.

**FY14 Budget Update and FY15 Draft Budget Review**

The FY14 Actual VS. Budget Year-to-Date report and draft FY15 budget were presented for review. Rob Brennan and Kate Laud reported that on the revenue side of the reports, financial support from the University was reclassified in FY15 versus FY14 and FY13. In the FY15 budget report, the service agreements with College of Medicine, Graduate College and the University are broken out separately unlike in prior years. The recent 3-year MOU between the Foundation and the University will reflect a decline of \$350,000 in support in the first year and a subsequent decline of \$60,000 per year thereafter, to adjust the University’s contribution as the Foundation becomes more financially self-supporting. The Foundation recently agreed to a one year service agreement with the College of Medicine which will be

renegotiated on a yearly basis. The University revenue is received quarterly. Looking forward, the Committee will focus on the components of the service agreements and revise the past year(s) budget report display in a way that will more closely align with extended budget projections.

Gift fees are above projections. At Don McCree's request, Kate Laud explained to the Committee how the Foundation calculates the projected gift fee. Of the \$62 million projected in new commitments, we assume 75% of those will be asked and 80% of that number closed. After we take out grant money, we calculate fee-paying gifts, assuming a gift fee of 5%, generate a gift fee revenue budget for FY 15 of \$1,282,000. The Foundation is forecasting that the increase in gift fee revenue will compensate for the drop in funds received from the University for operating costs in FY15. Bill Shean requested that actual ask and close rate results be provided in year-end reports moving forward so the Committee can better understand projected gift fee revenue.

Reviewing expenses, Kate pointed out that a one-time use of reserves of \$750,000 (consulting) and \$250,000 (kickoff events) will go towards initial campaign funding. She further indicated that the realignment of some Foundation operating departments to combine Prospect Management, Information Technology, Stewardship, Annual Giving, and Alumni & Donor Records into one Advancement Services department, headed by Kathy DesJardins is shown in the budget.

Don asked whether the Foundation was now fully established with all necessary positions fully incorporated in the salary budget. Kate replied that a few positions are still open and that the Foundation had been running with a higher vacancy rate than forecasted. She stated that as of December 31, 2013 the Foundation had a 10% vacancy rate which contributed to the interim budget surplus. Budgeted vacancy rates have increased from 4% in FY14 to 6.5% in FY15 to be closer to actual experience. The cost of healthcare premiums rose 15% on January 1, 2014, however benefit rates are remaining constant to salaries.

Discussion ensued about the change in the Foundation's fiscal year to align with the University's June 30 fiscal year end. Bill inquired about the assumptions behind the 5-year Pro Forma projections. Kate responded that the plan has been updated to reflect the actual FY13 results, the FY14 and FY15 budgets and assumptions about salary growth, holding controllable operating expenses as flat as possible. Now that there is more certainty in the FY15-17 service agreements, and once the Alumni House goes online, we will again update the Pro Forma projections. She noted that the Executive Committee had received a version of the Pro Forma that included the estimated operating contribution from the Alumni House event facility though that lease is not yet signed. The Committee would like to revise the Pro Forma assumptions about operating expenses so that they grow by an inflation factor which, if necessary, would require the use of Foundation reserves to cover future year deficits.

### **Underwater Endowment Update**

Kate Laud noted that, on the Underwater Endowment report as of December 31, 2013 all endowments had a market value above their initial gift amounts.

### **Endowment Update**

Rob Brennan reviewed with the Committee UVM's Endowment Performance Update report produced by Cambridge Associates. At the late February meeting in Boston, the UVM Investment Sub-Committee made minor revisions to the endowment's target asset allocation percentages, remaining consistent with asset allocation ranges. The projected balance of the UVM endowment at end of March was \$430 million. March proved to be a tough month, but aggregate performance was down only .3% with a positive return showing again in April. The next meeting of the Investment Sub-Committee is in late May, and Rob will provide the date of that meeting for anyone interested in attending.

### **Alumni House Bridge Funding**

Rob informed the Committee that earlier that morning, the Executive Committee passed a resolution advancing the funding for the Alumni House project. Rich Bundy updated the Committee on a significant donor gift that will be split between support for the Billings renovation and the Alumni House renovation. The Executive Committee authorized the Foundation to utilize its liquid restricted cash to fund the Alumni House renovation while fundraising continues. After pledges and net gift balances, here is an outstanding need for \$7.6 million to complete the project, and the renovation will be put to the UVM Board of Trustees for approval at the June meeting of their Executive Committee. It is the Foundation's plan to have Alumni House online by the fall of 2015 to highlight it as the centerpiece of the launch of the campaign.

Rich commented that self-funding the project while continuing fundraising efforts will leverage gift conversations currently in the works and those in the pipeline. He indicated that the Foundation has been experiencing some hesitation with the project and feels this resolution will have the effect of giving donors confidence that they will see a quicker impact from their giving. Aside from larger gift conversations, we are hopeful that the pipeline and annual fund channels will be able to generate moderate additional support to even further close the funding gap and replenish restricted gift liquidity.

Other options for furthering the project have been discussed by the Executive Committee, including a finding a different location and building from the ground up. The University is deeply committed to restoring the historic building at 61 Summit Street, and of special consideration is the amount of funding raised by former Delta Psi fraternity brothers. Proposed lease agreements include UVM being responsible for maintenance, taxes, and upkeep on the property with the Foundation using the facility to create revenue and house staff.

The Finance and Investment Committee would like to continue discussing the impact of the Alumni House project on the Foundation's operating budget and the impact of the use of reserves on the liquidity investment policy revisions.

### **Review of Policies:**

#### **Gift Acceptance Policy**

The Gift Acceptance Policy revisions were presented for review. As the revisions were reviewed and discussed at the April meeting, no further discussion was requested.

A motion was made by Don McCree, seconded by Zack Gund, and the Finance and Investment Committee unanimously voted to present the revised Gift Acceptance Policy to the Board for approval.

### **Investment Policy**

The amended Investment Policy was presented for review. Kate Laud explained that draft changes allow for short term liquidity investment in three categories – U.S. backed agencies, corporate debt rated ‘A’ or higher and bank money market funds. When making the proposed changes, management referred to the University’s short-term investment policy.

Don remarked that liquidity should be invested in a manner that would not subject it to loss and, while he was supportive of the idea of allowing Treasuries in a short term liquidity portfolio, he commented that he would like to see some additional constraints on maturities and/or risk. Kate pointed out that the growth in the Foundation’s endowment likely will continue as will the growth in cash liquidity. Rob commented that the proposed changes introduced some complexity, for example the day-t0-day management of the liquidity investments, and he felt the Committee may wish to keep the Foundation’s cash investments limited to highly rated funds with a maximum maturity of a year, to avoid the complexity of managing individual positions. Comments were made that perhaps Cambridge would recommend a handful of short term funds that might be suitable for investing the Foundation’s liquidity.

Due to the need for more in depth conversation and strategy over the policy, the Committee agreed to postpone presenting the revised policy to the Board and will re-review the draft changes at a later date.

### **Borrowing Policy**

The Borrowing Policy was presented for review. The Committee members requested that changes in the language be made to address borrowing limits and terms and conditions. Contingent upon various edits contributed by Committee members during the meeting, a motion was made by Rob Brennan, seconded by Don McCree, and the Finance and Investment Committee unanimously voted to present the Borrowing Policy, as edited, to the Board for approval.

### **Gift Acceptance Committee Update**

Two land gifts were presented and approved by the Gift Acceptance Committee in the past year (South Hero and Bolton.) Neither has been listed for sale at this time since final deed transfers to the Foundation are still pending. One parcel of land which was accepted in 2013 (Weybridge) is now under contract and is expected to close in June.

### **Adjournment**

There being no further business, the meeting was adjourned at 3:03 p.m.

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Robert P. Brennan, Jr.

Chair, Finance and Investment Committee