The annual meeting of the Board of Governors of Rutgers, The State University of New Jersey, was held on Thursday, June 15, 2006 at 10:42 a.m. in the Board Room of Winants Hall, New Brunswick Campus. Mr. Giaconia, Chair *pro tempore* of the Board, presided.

Present and constituting a quorum were Giaconia, Goodman, Harris, Howard, MacMillan, Nachtigal, O’Hara, Russo, Ryan, and Zoffinger.

Absent were Gamper and Laudicina.

Also present was Leath, faculty representative to the Board of Governors.

Absent was Cotter, faculty representative to the Board of Governors and Farrell, student representative to the Board of Governors.

Attending for the University administration were Alger, Apfel, Cahill, Diner, Fehrenbach, Furmanski, Herring, Manning-Lewis, McCormick, and Winterbauer.

### CLOSED SESSION

Pursuant to a resolution passed on April 6, 2006 the Board met in closed session from 8:30 a.m. until approximately 10:20 a.m. to discuss contracts, litigation and matters falling within the attorney-client privilege, and personnel, including faculty promotions, appointments and reappointments with tenure, in accordance with Chapter 231, Public Law 1975, Section 7, Items (b)7 and (b)8.

### ANNOUNCEMENT PURSUANT TO CHAPTER 231, PUBLIC LAW 1975 (OPEN PUBLIC MEETINGS ACT)

Mr. Giaconia opened the public session of the meeting at 10:42 a.m. and called upon Secretary Fehrenbach, who announced that “pursuant to Public law 1975, Chapter 231, (Open Public Meetings Act), public notice of this meeting was filed on June 17, 2005, with the Office of the Secretary of State of New Jersey and three newspapers, the Cherry Hill *Courier-Post*, the New Brunswick *Home News Tribune* and the Newark *Star-Ledger*. Public notice of the meeting was also posted in the following University libraries: the Alexander Library, New Brunswick; the Dana Library, Newark; and the Robeson Library, Camden. In addition, this meeting has been posted on the Rutgers Website, under Governing Boards.”

### APPROVAL OF MINUTES

Mr. Giaconia drew the Board’s attention to the minutes of the April 6, 2006 and May 25, 2006 meetings of the Board and asked if there were any additions or corrections to the minutes. There being none, on motion and duly seconded, the Board unanimously approved the minutes as distributed by the Secretary.

### MATTERS PRESENTED BY THE CHAIRMAN

Mr. Giaconia presented the following proposed Schedule of Board of Governors Meetings for 2006-2007.
There being no further discussion, on motion and duly seconded, the Board unanimously approved the Schedule of Board of Governors Meetings for 2006-2007.

Mr. Giaconia referred the Board to the resolution under Tab C recognizing the 2006 Rutgers-Camden Softball Team. Mr. Giaconia advised the Board that members of the softball team will be present at the Board of Trustees meeting scheduled for 3:00 p.m. this afternoon. He noted that the resolution will be read and presented to the team at that point and asked that the Board approve the resolution as written and presented to them in their meeting materials.

WHEREAS, the Rutgers-Camden softball team captured the NCAA Division III Softball Championship, winning the first national title in school history; and

WHEREAS, the team compiled a record of 47-5, winning 37 of its last 38 games including a school-record 29-game winning streak, and finished the season ranked No. 1 in the final Division III national poll; and

WHEREAS, the team won the New Jersey Athletic Conference regular season title with an 18-0 record; and

WHEREAS, the team won its second NJAC championship in three years while becoming the first conference team since 2001 to win both the regular-season and playoff titles in the same year; and

WHEREAS, the team was selected to host the NCAA East Regional and swept to the title with shutout victories in all three of its games; and

WHEREAS, senior Michelle Schlichtig was named as a First Team All-American for the second consecutive season, set every major program pitching record and threw four no-hitters, including two perfect games; and

WHEREAS, head coach Carl Taylor won the 200th game of his career when the Scarlet Raptors defeated New Jersey City University, 11-0, March 25 on a perfect game by Schlichtig, and now has an overall record of 218-115-2 at Rutgers-Camden; and

WHEREAS, head coach Carl Taylor was named the New Jersey Athletic Conference Coach of the Year for the second time in three seasons; and

WHEREAS, senior pitcher Michelle Schlichtig earned her second straight honor as the New Jersey Athletic Conference Pitcher of the Year; and
WHEREAS, senior pitcher Michelle Schlichtig, junior catcher Mo Baney, junior right fielder Autumn Millett and sophomore first baseman Kathleen Dreitlein each earned All-NJAC First Team honors and sophomore second baseman Jayme Feriod and sophomore designated player Amber Parker were both named All-NJAC Honorable Mention; and

WHEREAS, senior pitcher Michelle Schlichtig and sophomore first baseman Kathleen Dreitlein were named to the National Fastpitch Coaches Association All-East Regional First Team; and

WHEREAS, senior pitcher Michelle Schlichtig and junior third baseman Megan Farrell were named to the All-Tournament team at the NCAA Division III Softball Championship.

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of Rutgers, The State University of New Jersey, congratulate Carl Taylor and the 2006 Rutgers University-Camden softball team for its national championship season.

Upon motion, and duly seconded, the Board approved the resolution.

MATTERS PRESENTED BY THE PRESIDENT

President McCormick began his remarks by reviewing the budgetary obstacles that the University continues to face for the upcoming fiscal year and beyond. He reminded the Board of the two pronged strategy that he had developed and issued shortly after Governor Corzine’s announcement in March 2006 of the proposed state budget cuts. The president continued by noting that the first strategy entailed a thorough examination by the deans and administrators of all costs incurred by the University. He additionally charged the deans and administrators with the task of scrutinizing, as effectively as possible, the question of where savings can be found and how those savings will be managed over time. President McCormick stated that a number of difficult and severe reductions have been identified and he commented that this exercise has brought to light some reductions that would have been made regardless of whether or not we were confronted with the budgetary challenges of the proposed state budget. The president continued by pointing out that the second component of this strategy is to strengthen and advance even further the advocacy efforts being put forth in Trenton. President McCormick informed the Board that a number of Rutgers students were in Trenton yesterday to present to the legislators a petition containing 7000 signatures from students, faculty, and staff of the public colleges and universities across New Jersey. He commented that as effective as our advocacy is for this year’s budget, it is vitally important that our efforts continue over the long term to ensure that the quality of service to our students and the community is not compromised.

President McCormick continued by informing the Board that he will soon announce the establishment of the Committee on Efficiency and Entrepreneurship in a Research University to be chaired by Mr. Jeffrey Apfel, Executive Vice President for Administration and Chief Financial Officer. This committee, the president stated, will look beyond FY 2006-2007 and examine our current means of operations and how they can be streamlined to work even more effectively and efficiently. He also stated that the committee’s responsibilities will include the creation of entrepreneurial methods intended to improve upon our existing financial resources and generate new ones. President McCormick emphasized that even in the event that our advocacy efforts in Trenton prove to be highly successful, the University still needs to incorporate an entrepreneurial approach to fully realize and utilize the resources available to us aside from government funding.
In other matters, President McCormick brought the Board’s attention to the establishment of the School of Public Affairs and Administration on the Newark campus, which will be lead by Dr. Marc Holzer. He reminded the Board that Dr. Holzer was awarded the Board of Governors Professor of Public Administration in February 2006 and commented on the great visibility that the new school’s programs will bring to Rutgers-Newark. The president also informed the Board of a $15 million grant awarded to the School of Engineering by the National Science Foundation. The five year grant will be used to fund the Engineering Research Center in Structured Organic Composites which President McCormick noted has the potential of resulting in the hiring of approximately 100 people to staff the center.

President McCormick concluded his remarks by providing an update on the progress that has been made since the Board formally approved his recommendations on the Task Force on Undergraduate Education on March 10, 2006. He stated that Dr. Michael Beals will be chairing the Steering Committee on Implementation; Professor Cheryl Wall will serve as vice chair; and Dr. Barry Qualls has been appointed as interim Vice President of Undergraduate Education. President McCormick informed the Board that 15 sub-committees have been created from the Steering Committee on Implementation. He further noted that the admissions committee has met eight times with the intent of having the process in place by July 2006 for fall 2007 applicants. The president also stated that the Faculty of Arts & Sciences, soon to be known as the School of Arts & Sciences, adopted in April the interim curriculum for those students who will be admitted in fall 2007. In conclusion, President McCormick spoke of the excitement generated by yesterday’s announcement of a $1 million gift from the Bank of America that will be put toward the design phase of the transformation of the College Avenue campus. He emphasized that despite the extreme budgetary concerns, the University still needs to move forward in improving the grounds and facilities of our campus.

PROPOSED APPOINTMENTS AND REAPPOINTMENTS TO ADVISORY ASSOCIATES, BOARD OF MANAGERS AND STATE ADVISORY COUNCIL

Appointment and Reappointments to the Board of Managers of the New Jersey Agricultural Experiment Station. President McCormick presented for approval to the Board of Governors the following new appointment and reappointment to the Board of Managers for the terms indicated:

Appointment for the Term July 1, 2006 to June 30, 2009
Chan K. Leung, Somerset County

Reappointment for the Term July 1, 2006 to June 30, 2009
Marilyn Russo, Burlington County

There being no further discussion, on motion and duly seconded, the Board unanimously approved the new appointment and reappointment.

Appointment and Reappointments to the Ernest Mario School of Pharmacy Advisory Associates. President McCormick presented for approval to the Board of Governors the following new appointments and reappointments to the Advisory Associates of the Ernest Mario School of Pharmacy for the terms indicated:

New Appointments for the Term July 1, 2006 to June 30, 2007
Tracey Hodurski
Patricia M. Palmieri
James Ward
Reappointments for the Term July 1, 2006 to June 30, 2007

Anthony W. Alexander, Jr.  Clifton R. Lacy
John Bellitti  Daniel S. Levine
Michael Carter  Robert J. Lipka
Kenneth K. Chu  Ralph Makar
Warren J. Czerniak  Ernest Mario
Joseph Dobrenski, Jr.  Thomas J. McGinnis
Jenifer Dolan  Richard S. Meadows
David R. Epstein  Edith Tortora Micale
Robert Fakelmann  Patrick J. Osinski
Lori Feller-Lonczak  Elvy T. Paiva
John Ferrara  William E. Pfeiffer
Garry W. Gerold  Virginia Plaza
Steven M. Gooen  Herman Schulman
Syed A. Husain  Michael C. Snieckus
Nimesh S. Jhaveri  Glenn A. VanBuskirk
Biji Joseph  Thomas H. Vogt
Maria Kirzecky  Calvin Wasdyke
Stephen Kovary  Julia G. White
Doug Krampel  John M. Yanoschak
Paul Kurtulik  Joan Zaleski

There being no further discussion, on motion and duly seconded, the Board unanimously approved the new appointments and reappointments.

Reappointments to the School of Communication, Information and Library Studies Advisory Associates. President McCormick presented for approval to the Board of Governors the following reappointments to the School of Communication, Information and Library Studies Advisory Associates for the terms indicated:

Reappointments for the Term July 1, 2006 to June 30, 2007

Kevin Kelly
Elaine McConnell
John J. O’Brien
Renee B. Swartz
Betty Turock

There being no further discussion, on motion and duly seconded, the Board unanimously approved the reappointments.

Appointments and Reappointments to the School of Management and Labor Relations State Advisory Council. President McCormick presented for approval to the Board of Governors the following appointments and reappointments to the School of Management and Labor Relations State Advisory Council for the terms indicated:

Appointments for the Term July 1, 2006 to June 30, 2009

Wyatt Earp (Labor)
Rachel Grace (Management)
Gerald Meara (Labor)
Kenneth Weiss (Management)
Steven P. Weissman (Public)
Reappointments for the Term July 1, 2006 to June 30, 2009
Angelo Genova (Management)
Lawrence Henderson (Public)
Carla Katz (Labor)
Gary Kendellen (Public)
John Sweeney (Public)
Jeffrey Tener (Public)
Ann Twomey (Labor)
Charles Wowkaneck (Labor)

There being no further discussion, on motion and duly seconded, the Board unanimously approved the new appointments and reappointments.

Mr. Giaconia suggested that the members of the advisory boards, board of managers, and advisory councils, whose terms have expired be sent a letter of thanks for their service to the University.

COMMITTEE ON EDUCATIONAL PLANNING AND POLICY

Faculty Appointments with Tenure  Mr. Harris, Chair of the Committee on Educational Planning and Policy, drew the Board’s attention to the minutes of the Committee’s meeting of June 1, 2006. He reported that the Committee had agreed to recommend for approval to the Board of Governors certain faculty tenure appointments.¹

There being no further discussion, on motion and duly seconded, the Board unanimously approved the appointments.

Faculty Reappointment and Promotion Recommendations  Mr. Harris continued by reporting that the Committee agreed to recommend for approval to the Board of Governors certain faculty reappointments and promotions.²

There being no further discussion, on motion and duly seconded, the Board unanimously approved the faculty reappointments and promotions.

Administrative Appointments with Tenure  Mr. Harris further reported that the Committee agreed to recommend for approval to the Board of Governors certain administrative appointments.³

There being no further discussion, on motion and duly seconded, the Board unanimously approved the administrative appointments.

Proposed Resolution Creating the Richard H. Shindell Chair in Neuroscience in the Division of Life Sciences  Mr. Harris reported that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, Rutgers, The State University of New Jersey, is committed to securing its position among the very top public universities in the nation; and

¹ Available from the Office of the Secretary of the University
² Available from the Office of the Secretary of the University
³ Available from the Office of the Secretary of the University
WHEREAS, the Division of Life Sciences in the Faculty of Arts and Sciences-New Brunswick is widely recognized for its high-quality educational programs and the research accomplishments of its faculty; and

WHEREAS, the quality of the faculty is the most enduring hallmark of a great institution, and an endowed chair provides a singular opportunity to recognize and sustain innovative intellectual work that embraces teaching, discovery, and community engagement; and

WHEREAS, Richard H. Shindell, RC’57, has been a longtime donor to the university and has now made a $3 million commitment to establish an endowed chair in neuroscience; and

WHEREAS, Dr. Wise Young, a world authority on spinal cord injury and other aspects of neuroscience, has served with distinction as director of the W.M. Keck Center for Collaborative Neuroscience at Rutgers and as a professor of cell biology and neuroscience;

NOW, THEREFORE, BE IT RESOLVED that the Board of Governors of Rutgers, The State University of New Jersey, expresses its deep appreciation to Richard Shindell for his generosity and vision in endowing a professorial chair and to his wife, Donna Shindell, for her role in making this chair a reality; and

BE IT FURTHER RESOLVED that the Board of Governors of Rutgers, The State University of New Jersey, approves the creation of the Richard H. Shindell Chair in Neuroscience in the Division of Life Sciences and appoints Dr. Wise Young as the first holder of the chair, commencing October 30, 2006.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Mr. Shindell addressed the Board and spoke of the strong desire that he and his wife have had to make a contribution to the University. He stated that he was unsure of where to focus his energy until he made a visit to the W.M. Keck Center for Collaborative Neuroscience and met Dr. Wise Young. Mr. Shindell stated that he knew immediately that he wanted to do whatever he could to assist Dr. Young and the center in their work with people afflicted with spinal cord injuries.

Proposed Resolution on the Use of Clinical Faculty Titles in the Graduate School of Applied and Professional Psychology, Rutgers Business School-Newark and New Brunswick, the School of Business-Camden, and Mason Gross School of the Arts

Mr. Harris continued his report by stating that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, the clinical faculty track was established by the Board of Governors in 1994 for the Rutgers University Schools of Pharmacy and Nursing, and extended to the Schools of Law in Newark and Camden in 2000; and

WHEREAS, the clinical faculty title series has been used to excellent effect in those units, to the benefit of our students and the improvement of the educational programs delivered by those units; and

WHEREAS, the proposed expansion of the clinical faculty series would extend those benefits to other units and allow for the appointment of other clinical experts to faculty positions bringing enhanced instructional capacities to those schools;
NOW, THEREFORE, BE IT RESOLVED that the Board of governors hereby authorizes the establishment of clinical non-tenure track faculty appointments in the Graduate School of Applied and Professional Psychology, Rutgers Business School-Newark and New Brunswick, the School of Business-Camden, and the Mason Gross School of the Arts; and

BE IT FURTHER RESOLVED that these new clinical track faculty appointments be made in accordance with the provisions specified in University Policy 60.5.10D on Term Appointments; and

BE IT FURTHER RESOLVED that the extension of clinical faculty appointments to these four schools is effective immediately.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Proposed Resolution on Revisions to University Policy 60.5.5 – Faculty Personnel Actions-Procedures

Mr. Harris also reported that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, on November 9, 1962, the Board of Governors of Rutgers, The State University of New Jersey approved the policy on “Faculty Personnel Actions-Procedures,” (formerly Book 3.3.7 in the University Regulations and Procedures Manual), and last approved modifications to the policy on December 10, 1999; and

WHEREAS, this policy has been renumbered as Policy Section 60.5.5 in the University Policy Library; and

WHEREAS, the function of the University Promotion Review Committee is to advise the President from a university-wide perspective on appointments, reappointments, and promotions involving the award of tenure and on promotions to or within the tenured ranks; and

WHEREAS, the Committee in its present form was created in 1980; and

WHEREAS, this Committee was approved by the Board of Governors in 1988 in connection with the revision of faculty personnel procedures, occasioned by the external review of the promotion process, and

WHEREAS, the composition of the Committee was reconfigured in 1996 to reflect changes in the University administration; and

WHEREAS, recommendations by the New Brunswick Undergraduate Task Force, subsequently approved by the University Senate, the President, and, in March 2006, the Board of Governors, reconceived the position of the Vice President for Undergraduate Education, elevating the position to hold a seat in the President’s Cabinet and serve on the University Promotion Review Committee; and

WHEREAS, Policy Section 60.5.5 shall be amended to include in the composition of the Committee the position of the Vice President for Undergraduate Education and of a fifth voting faculty member at or above the rank of Professor;
NOW, THEREFORE, BE IT RESOLVED that upon the recommendation of the Committee on Educational Planning and Policy on June 1, 2006, the Board of Governors approve the attached Policy Section 60.5.5 Faculty Personnel Actions-Procedures that includes changes to the composition of the University Promotion Review Committee.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Proposed Resolution Establishing the School of Public Affairs and Administration-Newark Campus

Mr. Harris concluded his report by noting that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, Rutgers–Newark is proposing the establishment of a School of Public Affairs and Administration to build upon the existing Graduate Department of Public Administration;

WHEREAS, a School of Public Affairs and Administration on the Newark Campus will enable the University to better fulfill its teaching, research, and service mission in the fields of public affairs and administration;

WHEREAS, the School of Public Affairs and Administration will have degree-granting authority for the Master of Public Administration and the Master of Public Health (joint with the University of Medicine and Dentistry of New Jersey and the New Jersey Institute of Technology) programs heretofore offered by the Graduate School–Newark;

WHEREAS, the new School will improve the visibility of its programs and will enhance the unit’s ability to compete nationally for highly qualified faculty and students;

WHEREAS, resources to establish and maintain the School are in place; and

WHEREAS, the proposal was approved by the appropriate faculty bodies, the Newark Provost, the Executive Vice President for Academic Affairs, and the University Senate;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors of Rutgers, The State University of New Jersey, approves the establishment of the School of Public Affairs and Administration on the Newark Campus.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

COMMITTEE ON BUILDINGS AND GROUNDS

Ms. Nachtigal, Chair of the Committee on Buildings and Grounds, drew the Board’s attention to the minutes of the June 1, 2006 meeting of the Committee. She began by reporting that the Committee agreed to proceed with the design development on the Food Innovation Center in Bridgeton, N.J. and the Endocrine Research Facility located on the Cook College campus.
Ms. Nachtigal continued by reporting that programmatic concerns and favorable weather conditions necessitated an early construction start on the Wright-Rieman chemistry laboratory renovation. She stated that as a result of these conditions that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, Rutgers, The State University of New Jersey (Rutgers) received competitive bids for the Wright-Rieman Lab Renovation project on the Busch campus from four prequalified bidders on April 25, 2006; and

WHEREAS, the Rutgers Board of Governors approved the concept document on April 6, 2006 and the amount of $3,000,000 was approved for the project; and

WHEREAS, the low construction bid of $2,147,800 for the base bid and alternate number five was submitted by Joseph A. Natoli Construction Corporation of Pine Brook, New Jersey; and

WHEREAS, the construction budget was amended to $2,147,800; and

WHEREAS, urgent programmatic concerns and favorable weather conditions necessitated an early construction start; and

WHEREAS, upon consultation with the Chair of the Board of Governors, the Chair of the Committee on Buildings and Grounds, the Chair of the Committee on Budget and Finance, and the Vice Chair of the Board of Trustees the award of a contract was authorized;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors ratifies the award of a construction contract to Joseph A. Natoli Construction Corporation in the amount of $2,147,800 for the base bid and alternate number five for the Wright-Rieman Lab Renovation project on the Busch campus.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Ms. Nachtigal further reported that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, Block 859.2, Lot 8 at Logan Lane in the Township of Piscataway is owned by Rutgers, The State University in the name of the Rutgers University Board of Trustees; and

WHEREAS, as a result of the Route 18 expansion project, this approximately 0.85 acre parcel now lies embedded within a residential neighborhood far removed from Rutgers’ academic buildings on the Busch and Livingston campuses; and

WHEREAS, because of the parcel’s small size and location it is useful only for residential purposes, and not for any other educational use; and

WHEREAS, the University is seeking to obtain a variance so that the parcel could also be used for residential use; and
WHEREAS, the University has a contract with Gregory E. Schiano, Head Coach of Football at Rutgers, in which the University has agreed to pursue a housing arrangement that would allow Coach Schiano to live closer to the University; and

WHEREAS, Coach Schiano has indicated an interest in purchasing this parcel at fair market value for the purpose of building a primary residence for himself and his family; and

WHEREAS, it would be in the best interests of Rutgers, The State University to realize monetary gain from the sale of this parcel;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Governors of Rutgers, The State University, upon the recommendation of the Committee on Buildings and Grounds, with the concurrence of the Committee on Budget and Finance, and subject to the approval of the Board of Trustees, that the Senior Vice President for Administration and Chief Financial Officer (SVP/CFO) is authorized to execute any and all documents required for the sale of the 0.85 acre Logan Lane parcel of land (as described above and shown on the attached project map) to Mr. Gregory E. Schiano, provided that the University is given the option to repurchase the property at fair market value if Coach Schiano puts it up for sale in the future, and under such other terms and conditions as the SVP/CFO shall determine will best serve the interests of the University.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Proposed Resolution on the Metlars and Suttons Lane Intersection Conveyance of Land

Ms. Nachtigal concluded her report by stating that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, Rutgers, The State University had previously conveyed .32 acres of property to Middlesex County at a cost of $1 in 1985 to build the current intersection at Metlars and Suttons Lanes in Piscataway Township; and

WHEREAS, Middlesex County and Piscataway Township have proposed the reconstruction of this intersection in Piscataway Township by widening each of the four approaches to the intersection to accommodate additional through-lanes and turning lanes for vehicles, pedestrian signals, crosswalks, curbs, and bicycle lanes; and

WHEREAS, the county’s project will improve traffic flow and safety in the environs adjacent to the Livingston campus and enhance the value and development potential of the University’s undeveloped property at this location; and

WHEREAS, additional rights-of-way are needed from property owners on each of the four corners of the intersection; and

WHEREAS, completion of the proposed reconstruction requires Rutgers’ conveyance to Middlesex County of a narrow parcel of land totaling .404 acres from the adjoining Livingston campus; and

WHEREAS, the proposed resolution for the project was presented to the Committee on Buildings and Grounds for its consideration on June 1, 2006;
NOW, THEREFORE, BE IT RESOLVED, that upon the recommendation of the Committee on Buildings and Grounds, the Board of Governors of Rutgers, The State University approves the conveyance of .404 acres of land to Middlesex County for roadway improvements at Metlars and Suttons Lanes intersection in Piscataway Township in accordance with the attached project map.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

COMMITTEE ON BUDGET AND FINANCE

Mr. Goodman, Chair of the Committee on Budget and Finance, drew the Board’s attention to the minutes of the June 1, 2006 meeting of the Committee.

Proposed Resolution to Adopt a Debt Management Policy Mr. Goodman continued by reporting that the Administration, in conjunction with Prager Sealy & Co., LLC, (Prager Sealy) developed a university debt policy. He stated that that the Committee agreed to recommend for approval to the Board of Governors the following resolution authorizing Rutgers to adopt a debt management policy and to take all other necessary action in connection therewith:

WHEREAS, the University deems it necessary to assist the officials of the University with management of the University’s debt portfolio and to provide an internal tactical framework for capital planning and debt management; and

WHEREAS, in furtherance of the University’s long-term goals for implementing procedures for issuing debt and monitoring debt management, and upon recommendation of the Board of Governors’ Committee on Budget and Finance, the University desires to adopt a debt management policy; and

WHEREAS, upon recommendation of the Board of Governors’ Committee on Budget and Finance:

NOW, THEREFORE BE IT RESOLVED, BY THE BOARD OF GOVERNORS OF THE UNIVERSITY, as follows:

Section 1. This Board hereby adopts the debt management policy in the form attached hereto as Exhibit A (the “Debt Policy”).

Section 2. This resolution shall take effect immediately.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Proposed Resolution to Implement a Commercial Paper Program Mr. Goodman further reported that Mr. Christopher Cowen of Prager Sealy provided a review to the Committee on the details of the proposed Commercial Paper (CP) program. He stated that the Committee agreed to the concept of the CP providing the resolution requires a 100% external back-up of amounts drawn. Mr. Goodman then reported that the Committee agreed to recommend for approval to the Board of Governors the following resolution:
WHEREAS, the University deems it necessary to assist the officials of the University with management of the University’s debt portfolio and to provide an internal tactical framework for capital planning and debt management; and

WHEREAS, in furtherance of the University’s long-term goals for implementing procedures for issuing debt and monitoring debt management, and upon recommendation of the Board of Governors’ Committee on Budget and Finance, the University is developing a debt management policy; and

WHEREAS, in furtherance of such debt management policy, and in contemplation of the University’s plans to (i) finance the construction of various capital projects on an interim basis, with commercial paper, to be refinanced with long-term bonds, (ii) provide for the current refunding of outstanding bonds on an interim basis to be refinanced with long-term refunding bonds, (iii) finance the acquisition or leasing of certain equipment, and (iv) to provide a vehicle for cash optimization; all in accordance with procedures deemed necessary by management of the University and approved by Bond Counsel, the University desires to adopt a commercial paper program; and

WHEREAS, in furtherance of the University’s debt management policy and to maximize the University’s ability to manage interest rate risk in the financing of capital projects, the University desires to utilize interest rate exchange agreements in connection with the planning and structuring of long-term bonds to be issued to refund commercial paper issued for the interim financing of authorized capital projects, the University desires to enter into interest rate exchange agreements in accordance with the terms of the “Guidelines for the use of Interest Rate Exchange Agreements” adopted by the Board of Governors of the University on June 12, 2002, with the consent and advice of the Board of Trustees of the University on June 13, 2002, (the “Swap Guidelines”); and

WHEREAS, upon recommendation of the Board of Governors’ Committee on Budget and Finance:

NOW, THEREFORE BE IT RESOLVED, BY THE BOARD OF GOVERNORS OF THE UNIVERSITY, as follows:

Section 1. The Board hereby authorizes the implementation of a Commercial Paper Program in a maximum principal amount not to exceed $500,000,000, to be issued from time to time by Series, at a Maximum Tax-Exempt Rate not to exceed 12% and a Maximum Federally Taxable Interest Rate not to exceed 15% and a maximum term not to exceed 35 years for any Series of Commercial Paper. The Board hereby adopts the Commercial Paper Resolution (the “Commercial Paper Resolution”), in the name and on behalf of the University, in substantially the form attached hereto as Exhibit A, with such additions, deletions or modifications in or affecting said Commercial Paper Resolution, or the effectiveness thereof, as the Senior Vice President for Administration and Chief Financial Officer of the University may determine, with advice of counsel, as conclusively evidenced by such officer’s execution thereof, to be advisable and in the best interests of the University.

1 Available from the Office of the Secretary of the University
Section 2. The Board hereby authorizes and directs the Senior Vice President for Administration and Chief Financial Officer of the University to execute an Issuing and Paying Agency Agreement with a duly authorized bank (the “Issuing and Paying Agency Agreement”), in the name and on behalf of the University, in substantially the form of the proposed Issuing and Paying Agency Agreement attached hereto as Exhibit B, with such additions, deletions or modifications in or affecting said Issuing and Paying Agency Agreement, or the effectiveness thereof, as the Senior Vice President for Administration and Chief Financial Officer of the University may determine, with advice of counsel, as conclusively evidenced by such officer’s execution thereof, to be advisable and in the best interests of the University.

Section 3. The Board hereby authorizes and directs the Senior Vice President for Administration and Chief Financial Officer of the University to enter into and execute two Commercial Paper Dealer Agreements, one with Morgan Stanley & Co. Incorporated and one with UBS Financial Services Incorporated, each substantially in the form attached hereto as Exhibit C, with such additions, deletions or modifications in or affecting said Commercial Paper Dealer Agreements or the effectiveness thereof, as the Senior Vice President for Administration and Chief Financial Officer of the University may determine, with advice of counsel, as conclusively evidenced by such officer’s execution thereof, to be advisable and in the best interests of the University.

Section 4. The Board hereby confirms the authorization and entering into of interest rate swap agreements in connection with long-term bonds to be issued to refund Commercial Paper issued to provide the interim financing for capital projects authorized by the Board of Governors, all in accordance with the University’s Swap Guidelines, and authorizes the Senior Vice President for Administration and Chief Financial Officer of the University to enter into such interest rate swap agreements as the Senior Vice President for Administration and Chief Financial Officer of the University may determine, with advise of counsel, as conclusively evidenced by such officer’s execution thereto to be advisable and in the best interest of the University.

Section 5. This resolution shall take effect immediately.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Proposed Resolution on Use of Reserve Fund

Mr. Goodman continued by reporting that the Committee agreed to recommend for approval to the Board of Governors the following resolution:

WHEREAS, the Board of Governors of Rutgers, the State University of New Jersey controls the Board of Governors’ Consolidated Reserve Account; and

WHEREAS, Rutgers University is planning its next capital campaign; and

WHEREAS, the Board of Governors hereby declares that support of this campaign for the benefit of Rutgers, The State University of New Jersey, is a continuing priority of the Board of Governors; and

1 Available from the Office of the Secretary of the University
2 Available from the Office of the Secretary of the University
WHEREAS, the Board of Governors of Rutgers also supports action on the part of the Board of Trustees of Rutgers, the State University of New Jersey to provide financial assistance for the campaign;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors, upon the recommendation of the Committee on Budget and Finance, approves the transfer of a $6,000,000 gift from the corpus of the Board of Governors’ Consolidated Reserve Account (approximately three-fourths of the total corpus) to the Rutgers University Foundation for the sole purpose of supporting the administrative work necessary to prepare for and carry out a successful capital campaign for the benefit of the University; and

BE IT FURTHER RESOLVED that the Board of Governors shall receive annually a report from the Rutgers University Foundation on the progress of the campaign (including the costs, nature and amount of gifts, etc.); and

BE IT FURTHER RESOLVED that the remainder of the funds in the Board of Governors’ Consolidated Reserve Account shall remain in that account; and

BE IT FINALLY RESOLVED that the Board of Governors agrees that best efforts shall be utilized to secure unrestricted gifts to replenish the Board of Trustees’ Consolidated Reserve Account as funds become available, after capital campaign costs are covered, to whatever extent some portion of that Board of Trustees account is to be provided as a gift by the Board of Trustees to the Foundation.

Upon motion by Mr. Giaconia, and duly seconded, the Board unanimously approved the resolution.

Mr. Goodman concluded his report by noting that Dr. Nancy Winterbauer provided an update to the Committee on Governor Corzine’s proposed budget recommendations for FY 2006-2007.

COMMITTEE ON EXECUTIVE COMPENSATION AND NOMINATIONS

Mr. Giaconia called on Mr. O’Hara to assume the chair and present the Slate of Nominations on behalf of the Committee for the Election of Officers.

On behalf of the Committee on Executive Compensation and Nomination, Mr. O’Hara recommended for approval to the Board of Governors the following nominations for Officers of the Board of Governors for the terms July 1, 2006 to June 30, 2007:

- Chairman: Albert R. Gamper, Jr.
- Vice Chairman: Ronald W. Giaconia
- Secretary: Leslie A. Fehrenbach
- Treasurer: Jeffrey C. Apfel
- Assistant Secretary: Catherine A. Cahill

There being no further discussion, on motion by Mr. O’Hara and duly seconded, the Board approved the Slate of Officers of the Board of Governors.
On behalf of the Committee on Executive Compensation and Nomination, Mr. O’Hara recommended for approval to the Board of Governors the following nominations for Officers of the University Corporation for the terms July 1, 2006 to June 30, 2007:

- Treasurer: Jeffrey C. Apfel
- Secretary: Leslie A. Fehrenbach
- Assistant Treasurer: William E. Haberman
- Assistant Secretary: Catherine A. Cahill

There being no further discussion, on motion by Mr. Giaconia, and duly seconded, the Board approved the Slate of Officers of the University Corporation.

COMMITTEE ON MULTICULTURAL CONCERNS AND STUDENT AFFAIRS

Dr. Howard drew the Board’s attention to the minutes of the April 24, 2006 meeting of the Committee. He continued by reporting that Dr., Gregory Blimling, Vice President for Student Affairs, reviewed the formation of a new University Student Government based on the plan to transform undergraduate education on the New Brunswick/Piscataway campuses. Dr. Howard further reported that discussion took place on the initiatives developed by students to seek resolution of the proposed state funding cuts to higher education. Dr. Blimling also informed the Committee that a recent Wall Street Journal article quoted Rutgers University experts on the success that the graduates of 2005 experienced in the job market. Dr. Howard concluded by reporting that surveys conducted by career services in New Brunswick, Newark, and Camden showed that employers gave high praise for Rutgers graduates and also for the leadership qualities of their Rutgers alumni employees.

COMMITTEE ON UNIVERSITY RELATIONS AND HONORARY DEGREES

Mr. O’Hara drew the Board’s attention to the minutes of the May 30, 2006 meeting of the Committee. He then reported that the Committee was presented with a progress report from Lipman Hearne, our communication consultants, on the next steps in developing a comprehensive communications program.

COMMITTEE ON INTERCOLLEGIATE ATHLETICS

Mr. Giaconia drew the Board’s attention to the minutes of the May 30, 2006 meeting of the Committee. He then reported that the Committee was informed by Mr. Mulcahy, Director of Intercollegiate Athletics, that a feasibility study conducted to determine the interest of fans to develop stadium club seats and suites was done without the expenditure of University funds. Mr. Giaconia also reported that the Committee was informed of the proposed disposition of a parcel of land on Logan Lane in Piscataway and an update on the four publicly stated goals for the Division of Intercollegiate Athletics.

JOINT COMMITTEE ON INVESTMENTS

Mr. Apfel drew the Board’s attention to the minutes of the April 7, 2006 and May 10, 2006 meetings of the Committee. Mr. Apfel then reported that a special meeting of the Committee on April 7 was held to hear a presentation from Centerbridge Capital Partners. The Committee discussed the merits of investing funds with Centerbridge Capital Partners and approved an investment in the amount of $5 million.
Mr. Apfel continued by reporting that at the May 10 meeting the Committee decided to allocate $20 million to Cambridge Associates to invest temporarily in exchange traded securities. The Committee then approved the hiring of the Fir Tree Partners to replace Copper Beech Capital who was terminated on March 31, 2006. Following a discussion on the performance of Altrinsic Global Advisors, the Committee further determined that Savannah Baltimore Partners would be hired to replace Altrinsic Global Advisors. Additionally, the Committee chose to invest $3 million in a new natural resources fund with Park Street Capital and $10 million in Northgate Private Equity Partners III and an additional $5 million in Northgate Venture Partners III. Mr. Apfel concluded by reporting that a recommendation was made by a member of the Committee to invite Mr. Christopher Cowen, of Prager Sealy & Co., LLC, to a meeting to discuss the interaction of the endowment funds and the finances of the University.

**ADDITIONAL MATTERS PRESENTED BY THE CHAIRMAN**

Mr. Giaconia read the following resolution honoring David Jefferson Harris, Jr. and presented him with a gift from the Board of Governors:

> WHEREAS, we, your colleagues and friends, wish to gratefully acknowledge your exemplary service to Rutgers, The State University of New Jersey, as a Charter Trustee and Trustee Governor from 1993 to 2006; and

> WHEREAS, your term on the Board of Governors now draws to a close; and

> WHEREAS, during your tenure you have served the University with distinction as Chair and Vice Chair of the Board of Trustees, and Chair of the Committees on Educational Planning and Policy and Buildings and Grounds; and also as a dedicated member of the Governors’ Committees on Intercollegiate Athletics, University Relations and Honorary Degrees, Budget and Finance, Executive Compensation and Nominations, Multicultural Concerns and Student Affairs as well as the Subcommittee on National Issues in Higher Education; and

> WHEREAS, you provided wise counsel to the University as a member of the Governors Presidential Screening Committee in 2002; and

> WHEREAS, you have continually offered your keen insight to the University in developing means for ensuring that an outstanding education is accessible to a diverse community; and

> WHEREAS, you have worked tenaciously to ensure that the students of our great University have a strong voice on the Boards of Governors and Trustees; and

> WHEREAS, you have consistently drawn attention to important educational issues in both higher education and grades K-12;

> NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors of Rutgers, The State University of New Jersey, extends its sincere thanks to David Jefferson Harris, Jr. for his untiring efforts and good work, which have made Rutgers a better place for our students to live and learn; and

> BE IT FURTHER RESOLVED, that the Board and the University warmly wish David Harris every continued success in all he does.
Mr. Harris addressed the Board and spoke of the extraordinary opportunity that his service on the Board has offered to him over the past several years. He spoke of the good fortune that his role has played in heightening his familiarity with the student’s experience and the lessons they continue to teach the Board members on how to strengthen the University. He extended his appreciation to President McCormick and to the other members of the Board for their camaraderie and for helping to make his time on the Board a truly positive and memorable experience.

Mr. Giaconia continued by stating that although Brigid Farrell, this year’s student representative to the Board of Governors, was absent from today’s meeting he wanted to extend his appreciation for her service. He also thanked Professors Martha Cotter (also not present at today’s meeting) and Paul Leath for their service to the Board. He also noted that Professor Cotter and Leath will both serve next year as faculty representatives to the Board.

**OLD BUSINESS**

There was no old business.

**NEW BUSINESS**

There was no new business.

**RESOLUTION TO CONDUCT CLOSED SESSION**

Senator Russo presented the following resolution which, being duly seconded, was unanimously approved by the Board:

BE IT RESOLVED, that the Board meet in closed session preceding the July 14, 2006 meeting to discuss contracts, litigation and matters falling within the attorney-client privilege, and personnel, including faculty promotions, appointments and reappointments with tenure, in accordance with Chapter 231, Public Law 1975, Section 7, Items (b)7 and (b)8.

Any necessary action will be taken at the earliest possible public meeting of the Board.

**OPPORTUNITY FOR PUBLIC COMMENT**

Mr. Sharo Atmeh addressed the Board by presenting a petition, which was provided to the state legislators yesterday, containing 7000 signatures acquired from students, faculty, and staff of the public colleges and universities across the state. In addition, he asked that President McCormick consider appointing student members to the Committee on Efficiency and Entrepreneurship in a Research University. Mr. Atmeh concluded his remarks by asking members of the Board do their best in keeping the tuition increase, expected to be voted on at the July 14, 2006 meeting, to a minimum.

Mr. Atmeh then read a statement from Jillian Curtis, the 2006-2007 student representative to the Board of Governors, addressing the challenge the University is facing in overcoming the obstacles created by the proposed cuts to the state budget. Her statement included an overview of advocacy activities that will be taking place in Trenton prior to the final vote by the legislators on the state budget. Ms. Curtis’ statement noted that their goal is to meet with as many key legislators as possible and to revive the discussion around the proposed higher education cuts.
President McCormick remarked that Mr. Atmeh and Ms. Curtis have had an extraordinary impact on promoting and strengthening the student’s advocacy activities in Trenton this year. He extended his deep appreciation to both of them for the continuation of their efforts during this very challenging budget season.

ADJOURNMENT

The meeting was adjourned at 12:03 p.m.

Kate Cahill
Assistant Secretary of the University
RUTGERS POLICY

Section: 60.5.5

Section Title: HR/Faculty

Policy Name: Faculty Personnel Actions - Procedures

Formerly Book: 3.3.7

Approval Authority: Board of Governors

Responsible Executive: Executive Vice President for Academic Affairs

Responsible Office: Office of Academic Affairs

Originally Issued: 11/9/62


Errors or changes? lschulze@rci.rutgers.edu

1. Policy Statement
   The policy outlines procedures for those individuals responsible for making recommendations for academic appointments, reappointments, and promotions to a particular rank; proscribes the composition of the University Promotion Review Committee; and provides criteria for consideration in making these decisions.

2. Reason for Policy
   To provide guidelines on recommendations for academic appointments, reappointments, and promotions to a particular rank
   To ensure that all university academic departments follow the same procedures with regard to faculty personnel actions

3. Who Should Read Policy
   Individuals involved in faculty personnel actions

4. Related Documents
   Policy Section 60.5.14, Criteria for Appointments, Reappointments, and Promotions
   Policy Section 60.1.8, University Policy on Equal Employment Opportunity and Affirmative Action

5. Contacts
   Office of the Executive Vice President for Academic Affairs
   732/932-8793

6. The Policy

All regulations and procedures are subject to amendment.
Page 1 of 2
60.5.5 FACULTY PERSONNEL ACTIONS—PROCEDURES

I. Policy Statement

Recommendations for academic appointments, reappointments, and promotions to a particular rank normally originate at the departmental level and are made to the president through the provost or other appropriate officer by deans of faculties, with the advice of a faculty committee on appointments and promotions, and with the recommendation of the tenured faculty at, or above, that particular rank in the appropriate department.

A department committee shall provide documented evidence of the candidate's professional qualifications. Nontenured faculty and students may present their views to this committee, and this committee should seek their opinions where appropriate.

In departments having fewer than six tenured faculty members at or above the rank for which candidates are to be considered for reappointment or promotion, the dean shall appoint an appropriate number of tenured faculty members from related disciplines in the same faculty, college, or school or from the same discipline in other units of the University, to act as ex officio members of the department for the purpose of obtaining and reviewing documented evidence of the candidate's professional qualifications. Such ex officio department members, together with any tenured member of the department of appropriate rank, shall total not fewer than six persons. In selecting the ex officio members, the dean shall consult with the chair of the faculty member's department.

II. University Promotion Review Committee

All recommendations shall be made to the President of the University through the office of the Executive Vice President for Academic Affairs. In making his or her decisions, the President shall be advised by the University Promotion Review Committee, consisting of the Vice President for Research and Graduate Education, the Vice President for Undergraduate Education, the Provost-Camden, the Provost-Newark, and five faculty members at or above the rank of Professor to be named by the president of the University. The Promotion Review Committee shall be chaired by the Executive Vice President for Academic Affairs, who shall preside without vote except in the event of a tie of the voting members.

III. Approval of Faculty Personnel Actions

A. The President refers to the Board of Governors all appointments and promotions which involve the acquiring of academic tenure, providing sufficient information about the candidate to enable the Board to arrive at an informed decision in each case. The same procedure will be followed whenever a person is to be promoted from one tenure rank to another.

B. The President of the University, or his or her designee, shall be the responsible officer for making all non-tenured appointments, reappointments, and promotions.

C. Those responsible for academic appointments, reappointments, and promotions are to (1) base their recommendation of the candidate's professional qualifications on the criteria as defined in Section 60.5.14, "Criteria for Appointments, Reappointments and Promotions", and in accordance with Section 60.1.8, "University Policy on Equal Employment Opportunity and Affirmative Action;" (2) seek excellence; (3) utilize the judgments of faculty peers, normally including some faculty at other institutions where the position ordinarily carries tenure; and (4) utilize opinions of students, especially those with majors in the appropriate department.
Table of Contents

I. Overview ...................................................... 2
II. Scope and Objectives................................... 2
III. Oversight ..................................................... 3
IV. Strategic Debt Allocation ...................... 4
V. Debt Affordability and Capacity .......... 5
VI. Portfolio Management of Debt............. 8

Appendix A – Policy Ratio Analysis
I. Overview

Purpose

1. Articulate the role of the University’s Debt Policy within the strategic planning process.

In support of its mission, Rutgers, The State University of New Jersey (the “University”) continually participates in a strategic planning process. The strategic planning process establishes University-wide priorities across the three main campuses: New Brunswick/Piscataway, Newark and Camden. The University develops and manages a comprehensive list of capital projects to support its priorities and objectives as defined in its mission.

As the University prioritizes projects, it also determines the most appropriate funding sources, recognizing that available funds likely always will be insufficient to finance all potential projects; therefore funds must be allocated sparingly and strategically. Debt, along with philanthropy, State grants, internal reserves and other resources, plays a critical role in ensuring adequate funding for capital projects. The University ultimately increases the likelihood of achieving its mission by linking the objectives of its Debt Policy to the objectives set forth in the strategic planning process.

To fulfill its mission, the University will need to make ongoing capital investments and strategic financial decisions that will impact the University’s net resources and credit over time.

The University’s financial objective is to increase financial resources over time in order to provide greater funding and operational flexibility. This objective requires that the University view debt management within the context of the overall balance sheet, including its long-term investment and short-term cash portfolio. An appropriate amount of debt serves a critical role in achieving this goal and therefore is considered a permanent component of the University’s balance sheet and is managed on a portfolio basis.

The University’s Debt Policy is intended to be a “living” document that will evolve over time to meet the changing needs of the University.

II. Scope and Objectives

Purpose

1. Detail what is subject to the Debt Policy
2. Describe the role of the Debt Policy
3. Define the goals and objectives of the Debt Policy

Scope

The Debt Policy relates to all forms of debt financing including long-term, short-term, fixed-rate, and variable-rate debt. The policy relates to other forms of financing including both on-balance sheet and off-balance sheet structures, such as leases, and other structured products that impact the credit of the University. The policy also contemplates the use of financial derivatives that may be used in managing the University’s debt portfolio and in structuring transactions to best meet the University’s financial objectives within an acceptable risk tolerance.

The Debt Policy formalizes the link between the University’s strategic planning process and the issuance and management of debt. Debt is considered a limited resource that must be managed strategically in order to best support University priorities. As part of its review of each project, the University evaluates all funding sources to determine the optimal funding structure to achieve the lowest expected long-term cost of capital.
within acceptable risk parameters and to preserve the greatest amount of future financing flexibility.

Goals and Objectives

The goals and objectives of this policy are to:

(i) Maintain the University’s favorable and timely access to capital.

(ii) Establish debt management guidelines to (a) optimize the University’s debt mix (e.g., fixed rate vs. floating-rate, direct vs. indirect and traditional vs. synthetic), (b) manage the structure and maturity profile of debt portfolio to meet liquidity objectives and assist in cash optimization, (c) allow for the growth in net assets over time, and (d) make funds available to support future capital projects and strategic initiatives.

(iii) Manage the University’s credit to meet its long-term strategic objectives while maintaining the highest acceptable creditworthiness and most favorable relative cost of capital and borrowing terms.

(iv) Manage risk of the University’s debt portfolio by managing debt on a portfolio basis rather than a transactional or project-specific basis. The University’s continuing objective of achieving the lowest cost of capital will be balanced with the goal of limiting exposure to market shifts. Additionally, it is important that the effect of potential future debt issuance, market conditions and other factors be considered in the management of the overall portfolio.

(v) Define management reporting and approval guidelines.

(vi) Coordinate debt management decisions with asset and cash (liquidity) management decisions and portfolio management strategies.

III. Oversight

Purpose

1. Provide mechanism for Board of Governors and Budget & Finance Committee oversight and review on periodic basis.
2. Provide management flexibility to make ongoing financing decisions within the framework of the Policy.
3. Outline periodic involvement of the Budget & Finance Committee and Investment Committee in specific situations and projects related to the Policy.

The Board of Governors (the “Board”), with the advice and consent of the Board of Trustees, approves the issuance of debt for specific capital projects as recommended by the Budget and Finance Committee (“the B&F Committee”). The Senior Vice President for Administration and Chief Financial Officer (the “SVPA & CFO” or “Management”) is authorized to approve the pricing of debt on the day the debt is marketed, subject to the Board-approved financing parameters.

The Office of the SVPA and CFO is responsible for implementing this policy on a University-wide basis and for directing the debt financing activities of all campuses of the University. The policy and any subsequent, material changes to the policy are approved by the University’s B&F Committee. The SVPA & CFO will provide a Debt Policy update to the B&F Committee on an annual basis.

It is recognized that Management should have the flexibility to manage the University’s debt portfolio in order to take advantage of market
developments and position the portfolio appropriately over the long-term. In many cases, this will require Management to have the ability to take certain actions in consultation with the Chair of the B&F Committee but without the need for prior consultation with or approval by the B&F Committee or full Board. These actions might include, executing derivative transactions, putting hedging instruments in place, unwinding or terminating derivative and hedging instruments, and authorizing commercial paper draws.

Additionally, it is recognized that the complex nature of financial instruments and their specific applications, opportunities and potential risks may require that in certain circumstances a subcommittee of the B&F committee be formed to focus on specific items and to ensure that the debt portfolio is managed effectively. Further, because the University manages its balance sheet holistically, at times the Investment Committee may be consulted to ensure that the strategies, policies and tactics involved in the management of the debt portfolio are complementary to those being followed in the management of the investment portfolio.

**IV. Strategic Debt Allocation**

**Purpose**

| 1. Recognize that resources are limited. |
| 2. Augment existing capital allocation and prioritization process. |
| 3. Provide priority to mission critical projects with identified repayment source. |

Recognizing that financial resources are not sufficient to fund all capital projects across the three main campuses, Management must allocate debt strategically, continuing to explore alternate sources of funding for projects. External support, philanthropy, and direct investment from the State of New Jersey remain critical components of funding for the University’s capital projects.

Mission should be the primary driver in prioritizing projects as the decision of which projects to fund is primarily institutional and strategic. However, financial performance (ability to generate revenue) must be taken into consideration as a measure of project affordability. The University recognizes tax-exempt debt financing as an efficient and often low cost way to finance those projects critical to attainment of its strategic goals. In many cases, it may be in the best interest of the University to pursue tax-exempt debt financing rather than using existing resources. The highest and best use of these resources may be investing them with the purpose of building the University’s financial strength to create greater financial flexibility for future needs. Those projects with identified revenue streams for the repayment of debt service and incremental operating costs will be strongly considered for debt financing. For example, federal research projects will likely receive priority consideration for external debt financing due to partial reimbursement of operating expenses (including the interest component of applicable external debt service) of research facilities.
V. Debt Affordability and Capacity and Resource Sufficiency

<table>
<thead>
<tr>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monitor Debt Affordability and Capacity through the use of three key ratios:</td>
</tr>
<tr>
<td>a. Debt Burden Ratio</td>
</tr>
<tr>
<td>b. Debt Service Coverage</td>
</tr>
<tr>
<td>c. Viability Ratio</td>
</tr>
<tr>
<td>2. Monitor Resource Sufficiency through the Primary Reserve Ratio</td>
</tr>
<tr>
<td>3. Clearly communicate with key parties the University’s debt management philosophy and ongoing assessment of debt capacity and affordability and resource sufficiency.</td>
</tr>
</tbody>
</table>

Use of Ratios in Monitoring Debt Affordability and Capacity and Resource Sufficiency

A target range for each of the ratios described in this section has been established; however, these targets are meant to be guidelines and not absolute limits, since management must reserve the option to temporarily deviate from desired long-term ratio ranges in order to address strategic priorities.

Debt Affordability and Capacity

In assessing its current debt levels, and when planning for additional debt, the University takes into account both its Debt Affordability and Debt Capacity. Debt Affordability focuses on the University’s ability to service its debt through its operating budget and identified revenue streams and is driven by strength and flexibility in income and cash flows. Debt Capacity focuses on the University’s financial leverage in terms of debt funding as a percentage of the University’s total capital. Debt Capacity primarily is of interest to external parties, such as rating agencies, and impacts the University’s credit quality, and resulting financing flexibility and borrowing costs. However, from an internal project planning and debt repayment perspective, it is the debt affordability measure that impacts the operating budget.

As previously noted, not all projects have the same effect on the University’s operating budget, as those with incremental revenue sources impose less budgetary impact on the institution’s general operating budget, and therefore such projects may represent more attractive debt funding candidates.

It also is recognized that debt may be utilized for purposes other than the specific long-term funding of capital projects, and that when leverage is utilized to achieve other strategic or financial objectives, such as a more cost-effective alternative to leasing or cash funding for equipment, it should not have the same impact on the University’s debt affordability and debt capacity as debt issued for long-term capital investments. Therefore, the University will distinguish between “project-related” and “non-project-related” uses of debt.

The University considers many factors in assessing its debt affordability and debt capacity including its strategic needs, market position, alternative sources of funding, and relationship with the State. The University uses three key ratios to provide a quantitative assessment of debt affordability and debt capacity.

Debt Affordability Measures

Debt Burden Ratio

This ratio measures the University’s debt service burden as a percentage of total University expenses. The target range for this ratio is intended to maintain the University’s long-term operating flexibility to finance existing requirements and new initiatives. The higher this level is, the less flexibility the University has to fund new initiatives or to respond to budgetary pressures.
The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g. revenues may be subject to one-time operating gifts, investment return fluctuations, variability of State funding, etc.) and better reflect the operating base of the University. This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

This Policy establishes a range between 3% and 6%. If more than 6% of the University’s annual budget were committed to debt service expense, flexibility to devote resources to fund existing and future projects could be diminished. If less than 3% of the annual operating budget were devoted to debt service, the University might be foregoing an opportunity to optimize its funding mix.

**Modified Debt Burden Ratio**

The University will also monitor internally a modified version of the debt burden ratio in which depreciation expense and sponsored research expense are excluded from operating expenses. We believe that while external parties monitor the traditional debt burden ratio and it is important to understand how much of the University’s expenses are used for debt service, the modified debt burden ratio gives a clearer cashflow picture since non-cash expense items are excluded from the operating expense base.

\[
\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL OPERATING EXPENSES} - (\text{DEPRECIATION EXP} + \text{SPONSORED RESEARCH EXP})}
\]

**Debt Service Coverage**

This ratio measures the University’s ability to cover debt service requirements with revenues available for operations. The target range established is intended to ensure that operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income while the University is optimizing its use of debt for project funding.

\[
\frac{\text{OPERATING GAIN/(LOSS) + NON-OPERATING REVENUE + DEPRECIATION}}{\text{ANNUAL DEBT SERVICE}} < 5.0x
\]

This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

Due to the volatility inherent in the change in net assets from year to year, the University will monitor internally a rolling three-year average for the debt service coverage ratio.

**Debt Capacity Measures**

**Viability Ratio**

This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets 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 consideration 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.

The University has established a target minimum ratio of 0.65x to ensure that sufficient balance sheet strength is maintained at all times to preserve an acceptable credit rating and future access to the capital markets for funding on acceptable terms.

Because the University manages the balance sheet on a portfolio basis, and believes that the appropriate use of leverage assists in the maximization of net assets over term, it also is recognized that having too little balance sheet leverage also may not be desirable. Therefore, a target maximum ratio also is established of 3.0x.

\[
\text{UNRESTRICTED NET ASSETS} \quad + \quad \text{RESTRICTED EXPENDABLE NET ASSETS} \quad \div \quad \text{AGGREGATE DEBT} \quad > \quad 0.65x \quad < \quad 3.0x
\]

Resource Sufficiency

The appropriate level of resources needed to enable the University to achieve its long-term strategic objectives is evolutionary and must be continuously monitored by University leadership. The ratio presented below measures how financially sound the University is and the ability to achieve and sustain a level of resources sufficient to realize strategic goals. All financial decision making directly affects resource sufficiency as the decision to use either resources or debt has different long-term consequences for the University.

Primary Reserve Ratio

This ratio measures the financial strength of the University by comparing expendable net assets to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. Over time, the ratio indicates whether the University has increased its overall wealth as compared to its growth in operations. The target range for this ratio is intended to ensure that wealth is increasing at least in proportion to the rate of growth in operating size and that the University’s financial condition is not in fact weakening.

\[
\text{UNRESTRICTED NET ASSETS} \quad + \quad \text{RESTRICTED EXPENDABLE NET ASSETS} \quad \div \quad \text{TOTAL EXPENSES} \quad > \quad 0.40x \quad < \quad 0.60x
\]

A ratio 0.40x or higher is preferable as it illustrates the University’s ability to cover approximately 5 months of expenses from reserves. However, the University recognizes that reserves may be required for capital expansion or to implement changes in mission and therefore the ratio may experience a temporary decline, below the 0.40x level.
Use of Ratios in Managing University Credit Ratings

The ratios and limits are not intended to track a specific rating, but rather to help ensure the University’s maintenance of a competitive financial profile and adequate funding capacity and resource sufficiency for current and future facilities needs and reserves.

The Debt Policy is shared with external credit analysts and other parties in order to provide them with background on the University’s philosophy on debt and management’s assessment of debt capacity and affordability, which is subject to ongoing review to remain consistent with Rutgers’ evolving needs and objectives.

VI. Portfolio Management of Debt

<table>
<thead>
<tr>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Permit decisions regarding debt issuance and structure to be made on a portfolio basis, rather than on a project-by-project basis.</td>
</tr>
</tbody>
</table>
| 2. Review of all potential funding sources for projects:  
- Tax-exempt University-issued debt.  
- Taxable Debt  
- Commercial Paper Program  
- University-issued vs. State-issued |
| 3. Manage variable-rate exposure of the debt portfolio.  
  a. Limit variable-rate exposure.  
  b. Manage the overall liquidity requirements associated with outstanding debt. |
| 4. Manage derivative products for hedging interest rate exposure. |
| 5. Consider alternative financing sources. |

The University manages debt on a portfolio basis rather than on a project-by-project basis while taking into account the University’s cash and investments. Management makes decisions regarding project prioritization, debt portfolio optimization, and financing structures within the context of the overall needs and circumstances of the University’s three main campuses.

Funding Sources

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 are 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 the University’s goals and objectives. Regardless of what financing structure(s) is/are utilized, a full understanding of the transaction, including (i) quantification of potential risks and benefits, (ii) analysis of the impact on University creditworthiness and debt affordability and capacity, and (iii) impact on the University’s cash and investments and net revenues are performed.

Tax-Exempt Debt

The University recognizes that Tax-Exempt debt is a perpetual component of the University’s capitalization due in part to its substantial cost benefits. Therefore, the University manages the debt portfolio to maximize its utilization of tax-exempt debt relative to taxable debt whenever possible. In all circumstances, however, individual projects continue to be identified and tracked to ensure compliance for all tax and reimbursement purposes.

Recognizing the inherent benefit of tax-exempt interest rates, the University prefers to consider maximizing the external maturity of any tax-exempt bond issue, subject to prevailing market conditions and applicable regulations without compromising desired operating flexibility.

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. Generally, the University evaluates the use of alternate resources in lieu of taxable debt to fund non-exempt purposes based on economic benefit. Additionally, unlike tax-exempt debt, taxable debt is not managed as a perpetual component of the University’s capitalization.
Commercial Paper

Commercial paper provides the University with interim financing for projects, in anticipation of the receipt of funding either in the form of future philanthropy or other external receipts or the issuance of long-term debt for permanent financing. The use of commercial paper also provides greater flexibility regarding the timing and structuring of individual bond transactions. The University recognizes that the amount of commercial paper is limited by the Debt Policy ratios, the University’s variable-rate debt allocation limit, and the University’s available liquidity support.

As a flexible financing vehicle, the commercial paper program can also be utilized for other purposes, such as equipment financing and cash optimization/liquidity management strategies. These alternate uses of debt for purposes other than the long-term financing of capital projects may be treated differently in their effect on the University’s debt capacity and affordability ratios.

Variable-Rate Debt Allocation

The University recognizes that a degree of exposure to variable interest rates within the University’s debt portfolio is desirable in order to:

(i) take advantage of repayment/restructuring flexibility;

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

(iii) provide a “match” between debt service requirements and the projected cash flows from the University’s short-term investments.

Management monitors overall interest rate exposure, analyzes and quantifies potential risks, and coordinates appropriate fixed/variable allocation strategies. The portfolio allocation to variable-rate debt may be managed or adjusted through (i) the issuance or redemption of debt (potentially new issues and refundings) and (ii) the use of interest rate swaps and other derivative products.

The amount of variable-rate debt outstanding (adjusted for derivatives including the effect of any outstanding options being exercised) shall not exceed 40% 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, and (iv) utilize variable-rate debt (and/or derivatives) to optimize debt portfolio allocation and minimize costs. Note that outstanding commercial paper is not included in this calculation, since CP represents either a.) interim project financing, rather than long-term portfolio strategy, or b.) funding for non-project related purposes, which may have other objectives or impacts on the University’s overall financial profile.

\[
\frac{\text{VARIABLE-RATE DEBT (DERIVATIVE ADJUSTED)}}{\text{TOTAL DEBT OUTSTANDING, EXCLUDING CP}} < 40\%
\]

Although the University believes that over the long-term up to 40% of the debt portfolio may be outstanding on a variable rate basis, during some periods it may be desirable to maintain a higher fixed rate allocation.
**Tax Exposure Ratio**

This ratio measures the amount of tax exposure the University is willing to maintain at any given time. This represents the University’s view of the relationship between tax-exempt and taxable rates and the likelihood this relationship will change over time. Under current tax regulations, the University receives a benefit by issuing tax-exempt debt in the form of a lower interest rate. The normal relationship of tax-exempt to taxable rates is approximately 67% or (1 - marginal tax rate) although in different market conditions this relationship may change temporarily. If the benefit of tax-exemption was to end due to changes in tax laws, the University’s floating rate tax-exempt obligations would be priced at higher taxable rates and swaps in which the University receives an index based on LIBOR to offset payments on their tax-exempt debt obligations would be unable to match their receipts to their required payments.

The University’s outstanding variable rate debt plus any swaps outstanding with a taxable basis (LIBOR-based swaps) plus variable rate debt expected to be issued within the next 2 years shall not exceed 50% of the University’s total debt portfolio (including expected new debt issuance and exercising of any outstanding derivative options).

\[
\text{TAX-EXEMPT VARIABLE RATE DEBT + LIBOR-BASED SYNTHETIC FIXED RATE DEBT} \leq 50\% \\
\text{TOTAL DEBT OUTSTANDING}
\]

**Derivative Products**

Management recognizes that derivative products may enable more opportunistic and flexible management of the debt portfolio. Derivative products, including interest rate swaps and rate locks, may be employed primarily to manage or hedge the University’s interest rate exposure. The University utilizes a framework to evaluate potential derivative instruments by considering (i) its current variable-rate debt allocation and tax exposure, (ii) existing market and interest rate conditions, (iii) the impact on future financing flexibility, and (iv) the compensation for assuming risks or the costs for eliminating certain risks and exposure.

Guidelines for the Use of Interest Rate Exchange Agreements were approved by the Board in 2002 and continue to guide Management’s use of derivative products as well as the process and reporting requirements Management must follow in regard to these transactions.

Risks of derivative products include, but are not limited to, tax risk, interest rate risk, liquidity risk, counterparty credit risk, basis risk, termination risk, and any other potential risks either imposed or removed through the execution of any transaction.

The University analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. In addition, management discloses the impact of any derivative product on the University’s financial statements per GASB requirements and includes their effects in calculating the Debt Policy ratios.

The University recognizes that a variety of derivative products are available that can assist in lowering the expected interest expense related to the debt portfolio. The University should consider the utilization of such products provided that:
• The transaction does not impose unacceptable risk to the University;
• The University is appropriately compensated for the assumption of any risk;
• Management understands the risks and benefits of any transaction that is considered;
• Management presents the expected benefits and risks associated with any proposed transaction to appropriate members of the B&F Committee; and
• The University receives independent legal and financial advice concerning the merits of the prospective derivative transactions.

Specifically, the University will address the following issues and provide the following information to the B&F Committee with respect to any proposed transaction:

• A discussion of how the transaction relates to potential exposure in other areas of the University (e.g., counterparty exposure in the endowment).
• A review of various risks inherent in the transaction. The risks will be discussed for the individual transaction, as well as in the context of the overall debt portfolio and asset-side transactions.
• The expected economic benefit of the transaction, as well as sensitivity analyses highlighting potential exposure in various interest rate environments.

At a minimum, the legal documentation for any transaction will require:

• Full collateralization of exposure in the event that the counterparty’s credit falls below “A”.
• The ability for the University to terminate the transaction at any time, at market value, with no greater than five days’ notice to the counterparty.

Other Financing Sources

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered, including off-balance sheet financings. The University recognizes these types of transactions often can be more expensive than traditional University debt structures; therefore, the benefits of any potential transaction must outweigh any potential costs.

All structures 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 ensures the full credit impact of the structure is evaluated and quantified.
Appendix A: Policy Ratio Analysis

DEBT BURDEN RATIO

The Debt Burden ratio is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g. revenues may be subject to one-time operating gifts, investment return fluctuations, variability of State funding, etc.) and better reflect the operating base of the University. This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings. The University will also monitor a modified version of the ratio in which depreciation expense and sponsored research expense are excluded from operating expenses. The modified ratio gives a clearer picture of cashflow since non-cash expenses items are excluded from the operating expense base.

<table>
<thead>
<tr>
<th>University</th>
<th>Ratings (Moody’s/S&amp;P)</th>
<th>FY2005 Interest</th>
<th>Principal</th>
<th>Operating Expenditures</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rutgers University</td>
<td>Aa3/NR</td>
<td>29,187</td>
<td>20,170</td>
<td>1,416,475</td>
<td>3.4%</td>
<td>3.7%</td>
<td>3.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Rutgers' Modified Ratio</td>
<td>Aa3</td>
<td>29,187</td>
<td>20,170</td>
<td>1,173,740</td>
<td>4.1%</td>
<td>4.4%</td>
<td>4.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>Aa2/AA</td>
<td>12,952</td>
<td>2,880</td>
<td>1,480,481</td>
<td>0.7%</td>
<td>0.7%</td>
<td>1.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>Aa2/AA</td>
<td>28,938</td>
<td>18,206</td>
<td>2,989,679</td>
<td>0.7%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Penn State University</td>
<td>Aa2/AA</td>
<td>31,293</td>
<td>27,424</td>
<td>2,896,385</td>
<td>2.7%</td>
<td>2.2%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>University of Illinois</td>
<td>Aa3/NR</td>
<td>46,800</td>
<td>25,229</td>
<td>3,530,765</td>
<td>1.7%</td>
<td>1.9%</td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>Aaa/AA</td>
<td>22,879</td>
<td>22,341</td>
<td>4,047,791</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>Aa2/AA</td>
<td>33,129</td>
<td>32,305</td>
<td>2,228,708</td>
<td>2.3%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>University of North Carolina - Chapel Hill</td>
<td>Aa1/AA+</td>
<td>22,644</td>
<td>18,920</td>
<td>1,703,724</td>
<td>2.2%</td>
<td>2.2%</td>
<td>2.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>University of Pittsburgh</td>
<td>Aa2/AA</td>
<td>18,527</td>
<td>20,700</td>
<td>1,365,302</td>
<td>1.8%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>University of Virginia</td>
<td>Aaa/AAA</td>
<td>16,837</td>
<td>14,690</td>
<td>1,775,745</td>
<td>2.1%</td>
<td>2.0%</td>
<td>1.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>University of Washington</td>
<td>Aa1/NR</td>
<td>38,299</td>
<td>50,828</td>
<td>2,781,477</td>
<td>3.0%</td>
<td>3.1%</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Moody's Aa3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.5%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>n/a</td>
</tr>
<tr>
<td>Peer Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.8%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>
Appendix A: Policy Ratio Analysis

**DEBT SERVICE COVERAGE**

This ratio measures the University’s ability to cover debt service requirements with revenues available for operations. The target range established is intended to ensure that operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income while the University is optimizing its use of debt for project funding.

![Graph of Debt Service Coverage](Image)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rutgers University</td>
<td>Aa3/NR</td>
<td>(467,457)</td>
<td>488,352</td>
<td>88,160</td>
<td>22,423</td>
<td>49,357</td>
<td>3.01</td>
<td>3.05</td>
<td>2.66</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>Aa2/AA</td>
<td>(374,561)</td>
<td>438,366</td>
<td>64,636</td>
<td>12,904</td>
<td>15,832</td>
<td>11.81</td>
<td>12.06</td>
<td>8.93</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>Aa2/AA</td>
<td>(434,906)</td>
<td>636,852</td>
<td>145,976</td>
<td>(29,168)</td>
<td>47,144</td>
<td>7.20</td>
<td>5.60</td>
<td>6.76</td>
</tr>
<tr>
<td>Penn State University</td>
<td>Aa2/NR</td>
<td>(202,250)</td>
<td>430,678</td>
<td>158,211</td>
<td>-</td>
<td>58,718</td>
<td>8.19</td>
<td>5.18</td>
<td>6.58</td>
</tr>
<tr>
<td>University of Illinois</td>
<td>Aa2/NR</td>
<td>(1,106,541)</td>
<td>744,415</td>
<td>175,978</td>
<td>59,068</td>
<td>72,029</td>
<td>(0.09)</td>
<td>0.41</td>
<td>(1.76)</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>Aa2/AA</td>
<td>(465,678)</td>
<td>700,403</td>
<td>253,733</td>
<td>21,738</td>
<td>45,220</td>
<td>8.14</td>
<td>9.84</td>
<td>11.28</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>Aa2/AA</td>
<td>(748,062)</td>
<td>807,729</td>
<td>127,091</td>
<td>27,470</td>
<td>65,434</td>
<td>2.80</td>
<td>4.49</td>
<td>3.27</td>
</tr>
<tr>
<td>University of North Carolina - Chapel Hill</td>
<td>Aa1/AA+</td>
<td>(524,899)</td>
<td>613,628</td>
<td>60,102</td>
<td>21,823</td>
<td>41,564</td>
<td>1.65</td>
<td>3.47</td>
<td>4.11</td>
</tr>
<tr>
<td>University of Pittsburgh</td>
<td>Aa2/AA</td>
<td>78,433</td>
<td>101,070</td>
<td>82,985</td>
<td>17,217</td>
<td>39,227</td>
<td>10.32</td>
<td>8.40</td>
<td>7.13</td>
</tr>
<tr>
<td>University of Virginia</td>
<td>Aa2/NR</td>
<td>(245,880)</td>
<td>367,454</td>
<td>104,454</td>
<td>14,660</td>
<td>31,527</td>
<td>5.24</td>
<td>7.58</td>
<td>7.63</td>
</tr>
<tr>
<td>University of Washington</td>
<td>Aa1/NR</td>
<td>(448,508)</td>
<td>452,989</td>
<td>178,704</td>
<td>35,060</td>
<td>89,127</td>
<td>4.04</td>
<td>2.57</td>
<td>2.45</td>
</tr>
<tr>
<td>Moodly’s Aa3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.15</td>
<td>3.33</td>
</tr>
<tr>
<td>Peer Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.63</td>
<td>6.75</td>
<td>6.69</td>
</tr>
</tbody>
</table>
Appendix A: Policy Ratio Analysis

**VIABILITY RATIO**

The Viability Ratio is one of the most basic determinant of financial health. It is the availability of expendable net assets to cover debt. 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.

### Unrestricted Net Assets + Expendable Restricted Net Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rutgers University</td>
<td>Aa3/NR</td>
<td>356,469</td>
<td>333,853</td>
<td>672,612</td>
<td>1.16</td>
<td>1.14</td>
<td>1.13</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>Aa2/AA</td>
<td>707,598</td>
<td>627,309</td>
<td>484,023</td>
<td>3.50</td>
<td>2.95</td>
<td>2.87</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>Aa2/AA</td>
<td>675,587</td>
<td>462,574</td>
<td>727,540</td>
<td>1.61</td>
<td>1.90</td>
<td>1.50</td>
</tr>
<tr>
<td>Penn State University</td>
<td>Aa2/NR</td>
<td>1,184,823</td>
<td>329,067</td>
<td>848,938</td>
<td>1.18</td>
<td>1.67</td>
<td>1.70</td>
</tr>
<tr>
<td>University of Illinois</td>
<td>Aa3/NR</td>
<td>168,134</td>
<td>327,405</td>
<td>1,243,359</td>
<td>0.46</td>
<td>0.44</td>
<td>0.46</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>Aaa/AA</td>
<td>3,280,515</td>
<td>2,369,729</td>
<td>844,539</td>
<td>5.99</td>
<td>6.41</td>
<td>7.42</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>Aa2/AA</td>
<td>364,387</td>
<td>807,257</td>
<td>666,951</td>
<td>1.14</td>
<td>1.07</td>
<td>1.40</td>
</tr>
<tr>
<td>University of North Carolina - Chapel Hill</td>
<td>Aa1/AA+</td>
<td>475,631</td>
<td>736,632</td>
<td>585,897</td>
<td>2.56</td>
<td>2.36</td>
<td>2.12</td>
</tr>
<tr>
<td>University of Pittsburgh</td>
<td>Aa2/AA</td>
<td>765,711</td>
<td>538,071</td>
<td>626,782</td>
<td>2.18</td>
<td>2.37</td>
<td>1.84</td>
</tr>
<tr>
<td>University of Virginia</td>
<td>Aaa/AAA</td>
<td>1,139,029</td>
<td>1,367,246</td>
<td>415,122</td>
<td>6.16</td>
<td>5.05</td>
<td>5.75</td>
</tr>
<tr>
<td>University of Washington</td>
<td>Aa1/NR</td>
<td>796,186</td>
<td>989,261</td>
<td>845,937</td>
<td>2.43</td>
<td>2.64</td>
<td>2.70</td>
</tr>
</tbody>
</table>

**Moody's Aa3**

<table>
<thead>
<tr>
<th>Peer Average</th>
<th>1.69</th>
<th>1.67</th>
<th>1.74</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2.68</td>
<td>2.69</td>
<td>2.78</td>
<td>2.77</td>
</tr>
</tbody>
</table>
Appendix A: Policy Ratio Analysis

**PRIMARY RESERVE RATIO**

This ratio measures the financial strength of the University by comparing expendable net assets to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. Over time, the ratio indicates whether the University has increased its overall wealth as compared to its growth in operations.

![Graph showing the primary reserve ratio for different universities over the years]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rutgers University</td>
<td>Aa3/NR</td>
<td>356,469</td>
<td>333,853</td>
<td>1,416,475</td>
<td>0.48</td>
<td>0.50</td>
<td>0.49</td>
<td>0.49</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>Aa2/AA</td>
<td>707,598</td>
<td>627,309</td>
<td>1,400,481</td>
<td>0.57</td>
<td>0.60</td>
<td>0.91</td>
<td>0.95</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>Aa2/AA</td>
<td>675,587</td>
<td>462,574</td>
<td>2,989,679</td>
<td>0.38</td>
<td>0.39</td>
<td>0.43</td>
<td>0.38</td>
</tr>
<tr>
<td>Penn State University</td>
<td>Aa2/NR</td>
<td>1,184,823</td>
<td>329,067</td>
<td>2,896,385</td>
<td>0.46</td>
<td>0.48</td>
<td>0.48</td>
<td>0.52</td>
</tr>
<tr>
<td>University of Illinois</td>
<td>Aa3/NR</td>
<td>195,239</td>
<td>614,391</td>
<td>3,530,765</td>
<td>0.15</td>
<td>0.15</td>
<td>0.26</td>
<td>0.23</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>Aaa/AA</td>
<td>3,280,515</td>
<td>2,369,729</td>
<td>4,047,791</td>
<td>1.09</td>
<td>1.16</td>
<td>1.25</td>
<td>1.40</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>Aa2/AA</td>
<td>481,726</td>
<td>1,619,106</td>
<td>2,228,708</td>
<td>0.40</td>
<td>0.39</td>
<td>0.88</td>
<td>0.94</td>
</tr>
<tr>
<td>University of North Carolina - Chapel Hill</td>
<td>Aa1/AA+</td>
<td>496,284</td>
<td>975,376</td>
<td>1,703,724</td>
<td>0.66</td>
<td>0.60</td>
<td>0.79</td>
<td>0.86</td>
</tr>
<tr>
<td>University of Pittsburgh</td>
<td>Aa2/AA</td>
<td>765,711</td>
<td>538,071</td>
<td>1,365,302</td>
<td>0.94</td>
<td>0.94</td>
<td>0.89</td>
<td>0.95</td>
</tr>
<tr>
<td>University of Virginia</td>
<td>Aaa/AAA</td>
<td>1,394,674</td>
<td>1,894,282</td>
<td>1,775,745</td>
<td>0.94</td>
<td>0.94</td>
<td>0.89</td>
<td>0.95</td>
</tr>
<tr>
<td>University of Washington</td>
<td>Aa1/NR</td>
<td>796,186</td>
<td>989,261</td>
<td>2,781,477</td>
<td>0.62</td>
<td>0.62</td>
<td>0.64</td>
<td>0.64</td>
</tr>
</tbody>
</table>

| Moody's Aa3 | 0.44 | 0.41 | 0.46 | n/a |
| Peer Average | 0.62 | 0.63 | 0.74 | 0.78 |
## Variable Rate Exposure and Tax Exposure

**As of May 2006**

### Variable Rate Exposure

<table>
<thead>
<tr>
<th></th>
<th>Traditional Variable Rate</th>
<th>Synthetic Variable Rate</th>
<th>Total Debt</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2005</strong></td>
<td>$15,275</td>
<td>$</td>
<td>$672,612</td>
<td>2.27%</td>
</tr>
<tr>
<td><strong>FY2005 w/Swap Option Exercised</strong></td>
<td>$105,375</td>
<td>$</td>
<td>$672,612</td>
<td>15.67%</td>
</tr>
</tbody>
</table>

### Tax Exposure

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt Variable Rate Debt</th>
<th>LIBOR-Based Synthetic Fixed-Rate Debt</th>
<th>Total Debt</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2005</strong></td>
<td>$15,275</td>
<td>$</td>
<td>$672,612</td>
<td>2.27%</td>
</tr>
<tr>
<td><strong>FY2005 w/Swap Option Exercised</strong></td>
<td>$105,375</td>
<td>$</td>
<td>$672,612</td>
<td>15.67%</td>
</tr>
</tbody>
</table>