



**UNIVERSITY OF GUAM
UNIBETSEDÁT GUÅHAN
Board of Regents**

Resolution No. 21-12

**RELATIVE TO ADOPTING A POLICY FOR THE WITHDRAWAL OF FUNDS FROM
THE UNIVERSITY OF GUAM INTERNAL ENDOWMENT FUND**

WHEREAS, the University of Guam (UOG) is the primary U.S. Land Grant institution accredited by the Western Association of Schools and Colleges Senior College and University Commission serving the post-secondary needs of the people of Guam and the Western Pacific region;

WHEREAS, the governance and well-being of the University is vested in the Board of Regents (BOR);

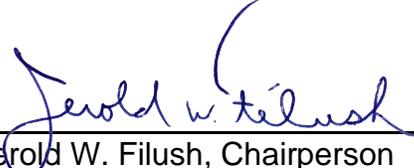
WHEREAS, the University's Internal Endowment Fund is overseen by the Investment Committee of the BOR;

WHEREAS, the financial staff overseeing the fund have determined that some additional policy guidance is necessary to clarify the mechanics of removing amounts from the Fund; and

WHEREAS, the UOG President, together with the BOR Committees on Investment and Budget, Finance and Audit have reviewed and recommend that the BOR approve the enclosed policy for the withdrawal of funds from the UOG Internal Endowment Fund.

NOW, THEREFORE, BE IT RESOLVED, that the BOR hereby adopts the enclosed policy governing the withdrawal of funds from the UOG Internal Endowment Fund.

Adopted this 22nd day of April, 2021.



Jerold W. Filush, Chairperson

ATTESTED:



Thomas W. Krise, Ph.D., Executive Secretary

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University of Guam

Policy Governing Withdrawals from Funds Held in the UOG Endowment Fund

Purpose: this policy sets forth rules for accessing Funds in the UOG internal Endowment Portfolio.

Background: There has existed a UOG Endowment Account for nearly 40 years at the University. It was determined in the early 1980's that certain funds held by the University should be held in a brokerage account and subject to professional management. The anchor amounts of the fund are the Land Grant Endowment received by the University in 1974. Since that time, certain endowments held by the University have been added to the account. In the period leading up to the 2008 accreditation application, the Board of Regents set aside additional funding in response to concerns over the financial health and sustainability of the University.

The funds that are held in trust have rules governing the uses and amounts of the amounts held. Some of the funds are overseen by external parties including boards to oversee the expenditure of the funds. The Board has established Corpus levels and purposes for which the funds can be accessed.

The Board has established a policy governing the ability of the University to utilize funds in the Land Grant Endowment Fund. The Board adopted a formula in which funds may only be used by the University to the extent that the market value of the fund exceeds the inflation adjusted value of the initial \$3,000,000 investment made by the United States government. In 1998, \$2 million of the fund was used to make up operational shortfalls. Since that time, the fund has remained in deficit with respect to the formula. The fund is nearing the point at which funds may be available for expenditure by the University.

Rules for Utilization of the Land Grant Endowment Funds

The \$3 million corpus of the fund is fully restricted. Guam law prohibits the use of the fund earnings for buildings, construction, maintenance, or repairs and as such, cannot be utilized for recurring operational expenses. The amount of funding available will depend on the performance of the investments held by the fund. The amount available will vary from year to year and may not be available for a year or a number of years. Funds should be used for one-time, stand-alone projects, that will not be dependent on significant follow up expenditures. Projects could include outfitting a classroom with new learning technology, purchasing permanent library resources, software purchases upgrades that would improve efficiency on the campus, development of fundraising capabilities of the University, development of auxiliary enterprises of the University, bringing facilities into compliance with new Federal regulations and supplements to the Student Financial Aid Program funding. (The above examples are not considered to be an exhaustive listing of applicable purposes.)

Legislative Approval

In accordance with Section 16126 (e) Chapter 16 of Title 17 of Guam Code Annotated, the Legislature must appropriate investment earnings from the fund to the Board of Regents. When specific uses of

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the fund are approved by the Board, the University will craft legislation and will seek authorization of the Legislature to utilize such funds for such purposes.

Formula Governing Amount of Expenditures

When the fund is in a surplus position, a calculation will be made to determine the available surplus in the Land Grant Endowment Fund. The full amount of the surplus will be available for expenditure by the University. The calculation of the surplus amount is as follows:

A = \$3,000,000 (original land grant endowment value)

B= Current "All Items" factor for the month in which the period of measurement ended¹

C = 49.3 – the average CPI factor for the Year 1974 – the year in which the land grant proceeds were received.

D = current value of Land Grant Endowment Assets

Surplus/Deficit Amount = $(A \times B/C) - D$

Reviewing Expenditures

Following the end of each Fiscal Year, the VPAF will provide a schedule of expenditures from the Land Grant Endowment versus the budget provided to the Legislature for review by the Investment Committee.

Accessing the Funds/Balancing Account

Because the monies are significantly invested in stock market funds, it would not be a good practice to access the funds each time there is a need for a withdrawal from one of the subaccounts. This could result in requiring equity funds to be sold at a time when the price of equities is depressed. In order to avoid this situation, the University has created a balancing subaccount. Each time a withdrawal is required from the fund, the University will credit the subaccount of the fund and will debit the UOG Balancing subaccount and the University will utilize its General Fund to pay for the expenditures. When the Vice President Administration and Finance and the Chair of the Investment Committee, in consultation with the Investment Advisor, determine it is an appropriate time to remove funds² from

¹ This is the Consumer Price Index Factor issued by the United States Bureau of Labor and Statistics for all urban consumers (CPI-U)

² The Board recognizes it is difficult to identify an optimal time to withdraw funds but desires to avoid such a withdraw at a time when the portfolio value is severely depressed while maintaining the cash flow needs of the University .

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the portfolio, an instruction may be given to the Investment Advisor to execute a withdrawal from the UOG Internal Endowment Fund and the General Fund can be replenished.

Account Fluctuations

Due to the nature of endowment type investments, it is anticipated there will be fluctuations in the balances of the account. The Board recognizes that there will be situations wherein a surplus is calculated and the University initiates the process to utilize the proceeds and the value of the fund declines while the process is taking place. In such situations, the University will not be required to recalculate the surplus amount throughout the spending process. An example of this would be if there were a \$3 million surplus in the fund, the Board and the Legislature authorize two projects with costs of \$1.5 million each, and then the value of the portfolio drops. In such a scenario the projects would continue to be authorized. The VPAF would make best efforts to have the University front the costs of the projects and manage cash flow as much as possible until the market value of the portfolio is at least partially restored.

Donations Received in forms other than Cash

When donations are received from an outside entity by the University in a form other than cash, the VPAF should take steps to convert the assets to stock as soon as practicable. If the funds are expected to be used within 12-18 months under the terms the donor placed on the donation, they should remain in a separate brokerage account maintained with the University's Investment Advisor. If the spending horizon is longer, the VPAF should move them to the UOG Endowment Account.

Certification for UOG Fund Managers

The Board encourages employees of the University that have a role in managing the funds to obtain their Accredited Investment Fiduciary credential or equivalent in order to ensure proper professional care is maintained over the funds.