SUBPART 4-14
DEBT POLICY

Sec. 4-1401. Purpose. This Debt Policy has been approved by the Board of Trustees to guide the appropriate handling of debt related issues. Board of Trustee approval is required for the issuance of any new long term debt for the institution, as well as any refunding or restructuring of existing debt. This policy is to be reviewed at least every two years by the Finance Committee.

Sec. 4-1402. Structure and Maturity. Debt maturities will be managed to provide an appropriate balance between the life of the asset and the management of debt service in the institutional operating budgets. New debt for the institution will be of a term to meet the financial needs of the project, up to a maximum of 25 years.

Bond covenants will be structured to include call features that will provide the highest degree of flexibility while balancing that with market requirements.

Sec. 4-1403. Fixed and Variable Rate Debt. While this policy will permit both types of debt, the institution's preferred methodology is fixed rate debt to provide long term budget stability for the institution. Variable rate debt will only be considered when locking in to long term interest rates would not be in the best interest of the university.

Interest rate swaps may be utilized when they provide increased financial flexibility or provide interest rate savings.

Sec. 4-1404. Tax Exempt and Taxable Debt. Debt issues for the University will be done on a tax exempt basis; however, in some cases the nature of the project may require the use of taxable debt. The University will strive to minimize, and avoid if possible, the issuance of taxable debt.

Sec. 4-1405. Method of Sale. Debt will be issued through either a negotiated sale or a competitive sale. During the due diligence period, and prior to issuing new bonds or doing a refunding or restructuring of existing debt, the University will determine and analyze the advantages and disadvantages of each approach to provide the lowest overall cost of capital.

Sec. 4-1406. Credit Enhancement. As part of the sale of new bonds the institution will look at the economic advantages to using one or more credit enhancement opportunities through vehicles such as letters of credit, bond insurance, bank liquidity facilities, or any other readily acceptable credit enhancement opportunity available in the market to achieve the lowest cost of capital for the debt placement.

Sec. 4-1407. Refunding and Restructuring. The University administration will annually review all outstanding debt to determine whether there are refunding opportunities that would result in financial savings to the institution. These refunding opportunities will be considered whenever permissible under the bond covenants. When refunding outstanding debt, the intention is to lower the cost of capital and take advantage of net present value interest costs savings and not to increase the amount of debt or to extend the maturities of the existing debt.

Sec. 4-1408. Investment of Bond Proceeds. The proceeds will be invested through appropriate investment vehicles to insure the preservation of principal and to achieve a return allowable within the arbitrage limitations that exist in the federal tax laws. The timing of debt issues will be managed to use the proceeds within 24 months of issuance, and in keeping with the IRS tax exempt bond requirements.

Prior Board Action:

July 9, 2013.