



**Policy Number: CU-BA- 75**

**DEBT POLICY**

**SECTION 1. PURPOSE AND SCOPE**

- 1.1** Scope: Concord University (University) seeks to establish a policy regarding the use of debt and form guidelines for the contemplation, approval, issuance, and monitoring of debt and debt like obligations.
- 1.2** Objectives of this policy are to establish a framework for approving and managing debt to maintain access to capital markets, maximize the University's credit rating, and strategically use debt obligations to enhance the University's financial profile (through refunding) as well as to fund capital projects and strategic initiatives.

**SECTION 2. DELEGATION, AUTHORITY, AND PERIODIC REVIEW**

- 2.1** The University's Board of Governors (Board) has sole authority to approve the issuance and structure of all of the University's debt. Subsequent to its approval, the Board delegates the authority to execute the issuance of debt exclusively to the President. Such delegated authority may also be revoked by the Board at any time.
- 2.2** The President may also delegate authority to others to act as the President's designee to execute the issuance of debt. All such authorizations and approvals shall be made in accordance with the provisions of this rule.
- 2.3** The President or designee may also develop administrative policies and procedures, consistent with this rule, to provide additional guidance to employees and others as it relates to the issuance and ongoing monitoring of debt.
- 2.4** This policy relates to all forms of debt financing including long-term, short-term, fixed rate, variable-rate debt and any instruments that have the effect of committing the University to future payments and, therefore, impact its operating budget and credit. In addition to the above mentioned, debt also includes operating and capital leases, on and off-balance sheet financing, as well as any legal derivative instruments.
- 2.5** The President or designee shall provide the Board annual and/or semi-annual reports and updates regarding this policy, all financing activities, and the University's debt structure upon request by the Board.
  - 2.5.1** The President or designee shall be subject to periodic internal and external audits; and shall comply with all applicable federal and state laws.
- 2.6** This Debt Policy is subject to periodic review and may be amended to meet the evolving needs of the University over time.

## **SECTION 3. CONSIDERATIONS REALTED TO DEBT ISSUANCE**

- 3.1** This policy establishes a control framework to ensure that appropriate considerations are applied for capital planning, financing and management; reporting requirements; debt structuring; and debt authorization. This policy establishes guidelines to ensure that existing and proposed debt issues are consistent with financial resources of the University.
- 3.2** The University may use debt to accomplish critical priorities by prudently using debt financing to accelerate certain projects, where appropriate, and to enhance the University's debt portfolio through the execution of refunding or restructuring strategies to optimize or reduce ongoing debt obligations.
- 3.2.1** As part of its review of any new project, the University will evaluate all funding sources -  
- including but not limited to state appropriations, gifts, tuition and fees, and bond and capital lease proceeds - - to determine the optimal funding structure to achieve the lowest cost of capital.
- 3.2.2** It shall be the responsibility of the University President or designee to propose to the Board for review and approval of any new debt or debt-like obligations which equates to or exceeds two hundred fifty thousand (\$250,000.00) dollars. Thereafter the Board's approval, the President or designee will have the authority to execute said debt issuance in compliance with the Board's endorsement of the new debt or debt-like obligation.
- 3.2.3** In consideration of the University's Debt Portfolio when evaluating funding sources, the President or designee will implement the appropriate debt mix based on market conditions and related risks as well as manage the structure and maturity profile of debt to meet budget objectives.
- 3.3** Risk shall be considered in the context of the University's Debt Portfolio and full operating profile rather than on the basis of a single transaction or a series of transactions.
- 3.3.1** The President or designee shall present to the Board an analysis of the benefits, costs, and risks of fixed-rate debt compared to variable-rate debt when debt is contemplated.
- 3.3.2** The Board shall also be apprised of the availability of derivatives to manage risk and the associated advantages and disadvantages of products being considered. If derivatives are used, the University will utilize a registered swap advisor.
- 3.3.3** The desire for the lowest cost of capital shall be balanced with exposure to market risks. Risk may be managed through products legally available for purchase by the University.
- 3.4** Affordability of debt must be considered when the University enters into any new debt or debt- like obligations, including recognition of the future debt service obligations and any incremental costs associated with new projects versus the associated resources available.

**3.4.1** The University shall evaluate debt affordability by calculating debt ratios that compare annual debt service (as a percentage of current and anticipated total operating expenses) to projected revenues available to service the applicable debt.

**3.5** Decisions to issue Debt shall consider the impact of such issuance on current and future debt issuance and the overall financial health of the University. Debt issuance shall be coordinated to the extent possible to reduce the overall cost of borrowing.

#### **SECTION 4. POST ISSUANCE COMPLIANCE**

**4.1** The University understands the importance of compliance regarding federal and institutional requirements for the issuance and management of tax-exempt debt proceeds.

**4.1.1** The University is subject to such requirements for any tax-exempt bond proceeds that it receives regardless of whether the University is the issuer of that tax-exempt debt.

#### **SECTION 5. CAPITAL PROJECT MANAGEMENT AND FINANCING**

**5.1** Pursuant to the Higher Education Policy Commission (HEPC), Legislative Rule Series 12: Capital Project Management § 133-12-7, the Board may fund capital improvements on a cash basis, through bonding, or through another financing method that is approved by the HEPC.

**5.1.1** If the cost of an improvement project exceeds three million (\$3,000,000.00) dollars, the Board shall first obtain the approval of the HEPC and submit a completed Financial Feasibility Study sixty (60) days in advance of the deadline for submitting agenda items to the HEPC. *See* HEPC Policy Series 12, Appendix A for the Financial Feasibility Study form.

**5.2** The collection, disposition, and use of (i) capital and auxiliary capital fees, (ii) special capital improvements funds or special auxiliary capital improvement funds, and (iii) revenue bonds shall be in compliance with W. Va. Code § 18B-10-8 as amended.

#### **SECTION 6. DEFINITIONS**

**6.1** “Debt Portfolio” means the combination of all current outstanding financing obligations and any additional debt that is contemplated.

**6.2** “Debt Ratio” means the annual debt service as a percentage of current and anticipated total operating expenses of the University.

**6.3** “Lease” means a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

## **AMENDMENTS**

This Policy may be amended to change names, titles, grammatical and spelling errors, links to information, and contact information without resorting to the rulemaking process.

Federal and State laws, rules and regulations change. Any portion of this policy and process document may be modified in practice to ensure the due process rights of the individuals involved are provided and to conform with any current Federal and State law, rules and regulations. Subject to the institution's rulemaking policy, the institution will change this policy to conform to the most current laws and regulations within a reasonable time of discovering the change.

## **AUTHORITY/REFERENCE**

W. Va. Code §§ 18B-10-1, et seq. as amended; W. Va. Code §§ 18B-19-1, et seq.; when applicable, W. Va. Code §§ 13-2G-1 et seq.; HEPC Legislative Rule Series 12: Capital Project Management (§ 133-12-7). See also CU-BA-38 and Governmental Accounting Standards Board (GASB) Statement No. 87.

## **APPROVAL**

Intent to Plan Approved by the Board: April 19, 2022

Policy Approved by Board: June 07, 2022

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