UNIVERSITY OF DENVER	**UNIVERSITY OF DENVER** **POLICY MANUAL** **DEBT MANAGEMENT**		
Responsible Department: Business and Financial Affairs **Recommended By:** SVC Business and Financial Affairs, Controller **Approved By:** Board of Trustees	**Policy Number** FINA 2.20.041	**Effective Date** 6/2/2023	

I. INTRODUCTION

Debt is a limited resource that the University must manage strategically in order to best support University priorities. The primary objective of this Policy is to provide a framework for approving and managing debt in order to:

- strategically utilize and structure debt to fund mission-critical projects;
- optimize the University's debt portfolio by considering and using an appropriate mix of debt and other capital funding sources to minimize the cost of capital while mitigating interest rate risk;
- manage the University's credit rating(s) to meet and align with the University's strategic objectives while maintaining the highest acceptable creditworthiness and most favorable cost of capital and borrowing terms; however, the University will not manage its debt portfolio to achieve a specific rating, and
- delineate and assign responsibilities for the implementation, management, and oversight of the matters relevant to this Policy.

Adherence to this Policy will enable the University to fund mission-critical projects and maintain a sound debt position and protect credit quality.

II. POLICY OVERVIEW

A. The University may use debt financing for academic, administrative, and auxiliary facilities and equipment, as well as for any other infrastructure needs and/or property acquisitions that are consistent and align with the University's strategic priorities and are congruent with the University's capital plans.

B. In making decisions regarding the appropriate use of debt, the University will prioritize the University's financial health, taking into consideration the effects of current decisions on future costs of capital and operating budgets.

C. The University will consider other reasonable financing options, including utilizing philanthropy, public private partnerships (P3) and unrestricted funds, to reduce its overall cost of capital and to provide for maximum flexibility of its debt portfolio.

D. All new debt issuances must be approved by the University's Board of Trustees.

E. The University will adhere to this Policy and its other policies and procedures related to debt management, and the processes set forth herein and therein, to effectively manage the risks associated with debt financing and the maintenance of the University's credit ratings.

III. PROCESS OVERVIEW

A. The University, under the leadership of Business and Financial Affairs, will adhere to debt management guidelines in evaluating debt financing and/or the issuance of debt that provide for the following:

- Debt shall be incurred for those purposes that are consistent and in alignment with the University's strategic priorities and/or are part of the University's capital plans as indicated in the Campus Framework Plan.
- Capital improvements must be developed, approved, and financed in conjunction with the capital improvement budgeting process.
- Full and timely payment of principal and interest for projects that have an identified revenue stream and achievable plan of finance that includes support of any new or increased operating costs;
- Projects funded with debt shall include a proforma of operating expenditures for a minimum of five (5) years.
- When advisable, the cost of debt financed capital projects shall be charged to the future users of the capital asset over the period the debt is outstanding.
- The use of capitalized interest will only be considered for projects whose identified funding stream will not be able to generate sufficient revenues at the time of issuance. In those instances, interest will not be capitalized for a period in excess of the construction period plus three months or such other period as may be permitted by then applicable tax law.
- The payment of debt shall be secured by a gross revenue pledge of the University.
- Principal and interest retirement schedules shall be structured to: (1) achieve a low borrowing cost for the University, (2) accommodate the debt service payments of existing debt, and (3) respond to perceptions of market demand.
- External borrowings will be coordinated to the extent practicable so that multiple project needs can be accomplished in a single borrowing, thereby reducing issuance costs.
- Financing covenants and restrictions will be minimized to the extent

possible, taking into consideration the long-term capital requirements of the University and cost of capital.

- The Senior Vice Chancellor for Business and Financial Affairs and the Controller will work with selected underwriters, municipal advisors, bond counsel and the Senior Vice Chancellor for Legal Affairs and General Counsel to develop all necessary financial resolutions, policies, procedures, and documents needed to successfully finance a project before the sale of bonds.
- The Office of General Counsel will be responsible for determining that all legal opinions, bond documents, disclosures documents and any other required legal materials are satisfactory and have been properly authorized.
- Debt financing structures generally shall be limited to obligations with serial and term maturities but may be sold in the form of capital appreciation bonds and other structures if circumstances warrant.
- The average life of the debt should be no greater than the projected average life of the assets being financed.
- In an effort to comply with IRS and SEC laws/expectations, the Controller will oversee the compliance program and monitor and perform compliance tasks in an appropriate and timely manner. This includes Continuing Disclosure and Post Issuance Compliance, Material Event Notices and filing of any compliance certificates.
- The University shall maintain effective and constructive communications with bond rating agencies to afford a complete and clear understanding of the creditworthiness of the University; and
- Every financial report and bond prospectus shall accurately disclose financial conditions and operating results and conform to legal and market standards necessary to meet the disclosure needs of rating agencies, underwriters, and investors.

B. Business and Financial Affairs shall:

- Review and evaluate results of debt financing operations including, but not limited to:
  a. issuance of long-term and short-term debt obligations;
  b. selection of bond type, structure, methods of sale, and marketing of bonds, and
  c. investor and rating agency communications.
- Review expenditures of bond proceeds and the status of projects being financed for timeliness of spent bond proceeds and compliance with federal tax regulations regarding private activity and investment of bond proceeds.
- Review and evaluate services provided by the bond counsel, disclosure counsel, tax counsel, municipal advisor, rebate specialist, underwriters, and other service providers in bond transactions for effectiveness and quality of service.

- Adopt and annually review Post Issuance and Continuing Disclosure Compliance Procedures for Bonds and Loans.
- Adopt and annually review Post-Issuance Tax Compliance Procedures and Primary and Secondary Market Disclosure Procedures.
- Prepare reports, as appropriate, for the Board of Trustees and Chancellor on the University's debt, as well as all bond financings in progress or anticipated for the subsequent fiscal year.

C. Credit Ratings

- The University shall make every reasonable effort to maintain or improve its underlying long-term credit ratings of A1 / A+ / AA - stable outlook respectively for Moody's Investors Service, S&P Global Ratings and Fitch Ratings.
- The University shall proactively report all financial information to the credit rating agencies, municipal advisor, and counterparties for the University's outstanding debt.
- The University shall notify the bond rating agencies when the University begins planning for a debt issuance or refunding.

D. The University will consider a benchmark ratio of fixed versus variable rate debt and/or taxable versus tax-exempt debt that is appropriate to the higher education sector and specifically medium sized private universities.

E. The University may execute one or more swaps, as appropriate, to hedge interest rate risk and take advantage of the competitive nature of the derivatives market. The duration of the swap should match the bond interest rate term.

F. The University will consider refinancing outstanding debt only when savings for the refinancing, measured on a net present value basis, are positive, or when the refinancing accomplishes other strategic objectives including budgetary relief or reducing or eliminating future risks.

IV. DEFINITIONS

None

Revision Effective Date	Purpose