Board of Trustees Meeting

Audio Livestream (https://www.pdx.edu/board/audio-livestream-of-board-of-trustees-meeting)

Academic & Student Recreation Center Building
Boardroom, Suite 515
1800 SW 6th Avenue, Portland, OR 97201
Thursday, 9/14/2017
9:00 AM - 12:00 PM PT

1. Call to Order/Roll/Declaration of Quorum

2. Open Comment
   To sign up for Open Comment, go to www.pdx.edu/board/sign-up-for-open-comment

3. Opening Comments and Reports
   a. Comments from Presiding Officer of the Portland State University Faculty Senate
      Faculty Senate Presiding Officer Michael Clark will provide comments to the Board.
   b. Comments from the Associated Students of Portland State University
      ASPSU President Brent Finkbeiner and Vice President Donald Thompson III will provide comments to the Board.

4. President's Report

5. Reports of Standing Committees of the Board
   a. Executive and Audit Committee
      Committee Chair Rick Miller will provide an update regarding committee activities.
   b. Academic and Student Affairs Committee
      Committee Chair Margaret Kirkpatrick will provide an update regarding committee activities.
   c. Finance and Administration Committee
      Committee Chair Irving Levin will provide an update regarding committee activities.

6. Consent Agenda
   a. Approval of June 22, 2107, Meeting Minutes
      Meeting Minutes June 22, 2017 - Page 2
   b. Approval of July 21, 2017, Meeting Minutes
      Meeting Minutes July 21, 2017 - Page 6

7. Action Items
   a. Revisions to Debt Management Policy
      The Finance and Administration Committee recommends approval of revisions to the Board's Debt Management Policy.
      Cover Sheet: Debt Management Policy Revisions - Page 7

8. Discussion Items
   a. Board and Committee Processes
      Chair Rick Miller will discuss Board and committee processes.
   b. PSU Foundation Presentation
      PSU Foundation President and CEO Bill Boldt will discuss the Foundation's goals and activities and alignment with the University.

9. Meeting Review and Action Plans

10. Adjourn

The next scheduled Board of Trustees meeting is January 11, 2018.
Minutes

Board Members Present: Swati Adarkar, Erica Bestpitch, Gale Castillo, Sho Dozono, Maude Hines, Irving Levin, Rick Miller (by phone), Stephanie Shao, Lindsay Stewart, Peter Stott, Christine Vernier, Chair Nickerson and President Wiewel (ex-officio)

Board Members Not Present: Thomas Imeson and Margaret Kirkpatrick.

Incoming Board member Gregory Hinckley was present. His term as trustee begins July 1, 2017.

The meeting was webcast.

1. Call to Order/Roll/ Declaration of Quorum

Chair Nickerson called the meeting to order at 1:07 pm. Roll was taken, a quorum was present, and the meeting proceeded.

2. Open Comment

James Partridge signed up for open comment and was invited to speak to the Board. He expressed his support for a $15 minimum wage for all student workers on campus.

3. Opening Comments and Reports

   a. Comments from Presiding Officer of the Portland State University Faculty Senate

   Professor Michael Clark made comments about the Faculty Senate's priorities concerning on-line teaching protocols and establishing quality checks; and its focus on advising and retention.

   b. Comments from the Associated Students of Portland State University

   ASPSU President Brent Finkbeiner and Vice President Donald Thompson III introduced themselves and explained ASPSU’s priorities regarding affordability, accessibility and accountability. ASPSU requested an opportunity to give regular updates to the Board. Trustee Vernier invited Finkbeiner and Thompson to attend the Academic & Student Affairs Committee meetings.
4. **Reports of Standing Committees of the Board**

a. **Executive & Audit Committee**

Pete Nickerson, Chair of the Executive and Audit Committee, reported that the committee met on June 6, 2017, reviewed and approved and now recommends the 2017-18 Internal Audit Plan and Delegation Policy for adoption by the Board. The committee also received an Internal Audit update.

b. **Academic and Student Affairs Committee**

Provost Sona Andrews reported on the activities of the Academic and Student Affairs Committee on behalf of committee chair Margaret Kirkpatrick. The committee met on June 6, 2017. The committee, acting for the Board, approved a new BA/BS degree program in Sonic Arts and Music Production, and a new BA/BS degree program in Sexuality, Gender and Queer Studies. The committee also engaged in a discussion about the amended committee charter and discussed enrollment activities and KPIs for the strategic plan to guide the committee’s work.

c. **Finance and Administration Committee**

Christine Vernier, Vice Chair of the Finance and Administration Committee, reported that the committee met on June 1, 2017. The committee approved and recommends the Resolution for Cramer Hall Building System Upgrades and the Resolution Recommending Approval of FY17-18 Budget to the full Board for adoption. The committee also reviewed the Q3 Financial Report and the Auxiliary Report on Housing.

5. **Consent Agenda**

a. **Approval of Minutes from the April 11, 2017 Meeting**
b. **Approval of Minutes from the May 15, 2017 Meeting**
c. **Approval of Minutes from the May 23, 2017 Meeting**
d. **Resolution Approving Cramer Hall Building System Improvement Project**
e. **Revised Academic and Student Affairs Committee Charter**
f. **FY 2017-18 Internal Audit Plan**

Chair Nickerson called for a motion to approve the Consent Agenda.

**ACTION:** Stott made a motion to approve the Consent Agenda. Hines seconded. The Motion was adopted unanimously.

6. **Action Items**

a. **Approval of FY 2017-18 University Budget**

Vice President Kevin Reynolds explained how the budget was developed using the Governor’s recommended budget, tuition rates approved by the Board on April 11, 2017, and declining enrollment as noted in the Office of Institutional Research and Planning’s five year forecast.
Reynolds noted that there will be minor non-material changes to the numbers and that the balanced budget aligns with the strategic plan. The meeting materials and PowerPoint Presentation provides the details of the FY2017-18 Operation Budget. The Finance and Administration Committee unanimously recommends the Board approve the FY2017-18 University Budget.

ACTION: Dozono made a motion to approve the Resolution Concerning University FY 17-18 Operating Budget. Castillo seconded. The Motion was adopted unanimously.

b. Policy Regarding the Roles of the Board, President and Faculty, Shared Governance and Academic Freedom

Board Secretary David Reese reviewed the key elements of the policy and the process used to develop the policy. Reese thanked Trustee Maude Hines, Faculty Senate Presiding Officer Brad Hansen, and the Faculty Senate Steering Committee for their assistance with the policy. The Executive and Audit Committee unanimously recommends approval of the policy.

ACTION: Stewart made a motion to adopt the Policy Regarding the Roles of the Board, President and Faculty, Shared Governance and Academic Freedom. Vernier seconded. The Motion was adopted unanimously.

The Board took a 10 minute break.

7. Report from the President

President Wiewel highlighted certain aspects of his written report and the semi-annual report to the board regarding implementation of the December 2014 resolution regarding campus public safety and its impact on the campus and its students, faculty, and staff.

8. Discussion Item

a. Academic Innovation and Student Success Initiatives

Vice Provost Sukhwant Jhaj provided the Board with an overview of Office of Academic Affairs innovation and student success initiatives. Highlights from reThink PSU projects were discussed, particularly initiatives that reduce barriers, improve services to students, and strengthen advising. Such initiatives are critical to the retention and graduation of students and help to build strong relationships with and experiences for PSU students.

9. Recognitions

The Chair of the Board and the President recognized outgoing trustee Swati Adarkar for her dedicated service to the Board and to the Academic and Student Affairs Committee. Adarkar’s term of appointment ends on June 30.

President Wiewel and all trustees recognized Pete Nickerson’s service as Chair of the Board. Nickerson’s term as chair ends on June 30.
Trustees also recognized President Wiewel, for whom this is the last regular scheduled Board meeting.

10. Adjourn

Chair Nickerson adjourned the meeting at 3:39 pm.
July 21, 2017  
University Conference Room 515  
ASRC Building  
2:00 PM – 2:30 PM  

Minutes

**Board Members Present:** Erica Bestpitch (telephonically), Gale Castillo (telephonically), Gregory Hinckley (telephonically), Tom Imeson (telephonically), Margaret Kirkpatrick, (telephonically) Irving Levin (telephonically), Pete Nickerson, Lindsay Stewart (telephonically), Chair Rick Miller (telephonically)

**Board Members Not Present:** Sho Dozono, Maude Hines, Steff Shao, Peter Stott, Christine Vernier, President Wim Wiewel (Ex-Officio)

The meeting was webcast.

1. **Call to Order/Roll/ Declaration of Quorum**

Chair Miller called the special meeting to order at 2:00 pm. Roll was taken, a quorum was present, and the meeting proceeded.

2. **Resolution Reducing 2017-18 Resident Undergraduate Tuition Rates**

Vice President of Finance and Administration Kevin Reynolds summarized the history of the Board’s approval of resolutions concerning the 2017-18 tuition rates. On July 6, 2017, the Oregon Legislature approved Senate Bill 5524, the budget for higher education. The Joint Committee on Ways and Means’ Budget Report accompanying SB 5524 states that PSU is expected to limit its resident undergraduate tuition increase to no more than 5.5% in 2017-18 and to not exceed 5% in 2018-19. The resolution before the Board complies with the expectation stated in the Budget Report, reducing the increase to resident undergraduate tuition rates for the 2017-18 academic year and 2018 summer term to $8.50 per credit, which is a 5.45% increase over the previous year.

Chair Miller asked for a motion to approve the Resolution Reducing 2017-18 Resident Undergraduate Tuition Rates.

**ACTION:** Hinckley made a motion to approve the Resolution Reducing 2017-18 Resident Undergraduate Tuition Rates. Castillo seconded. The motion passed unanimously.

3. **Adjourn**

Chair Miller adjourned the meeting at 2:15 pm.
AGENDA ITEM: 8.a
DATE: September 14, 2017
TITLE: Revisions to Debt Management Policy

COMMITTEE ACTION: The Finance and Administration Committee unanimously recommends the Board adopt the revisions to the Debt Management Policy.

SUMMARY OF ITEM: The Board of Trustees approved a Debt Management Policy in November 2014. Based on almost three years of experience and due to certain statutory changes, it is recommended that the Board update and revise the Policy.

Attached is a proposed revision to the Debt Management Policy. The revisions accomplish the following goals:

(1) **New provisions to provide for the use of short-term financing tools.** The revised policy would permit the University to utilize short-term debt, when appropriate and subject to existing requirements for Board approval, as part of the University’s debt portfolio. Short-term debt includes instruments such as commercial paper, floating rate notes, lines of credit and short-term notes. Short-term financing is typically used to reduce interest costs because short-term interest rates have historically been less than long-term interest rates. The new Section V of the Policy discusses when short-term financing might be appropriate: to provide interim funding for capital projects, as part of the overall debt portfolio to lower overall cost of capital, and for cash flow financing. Section V also discusses the risks of short-term financing, such as interest rate volatility and liquidity requirements. Short-term debt is a form of University-pad Debt; accordingly, the incurrence of short-debt debt would require Board approval as provided in Section II.A. Section VIII of the Policy is revised to require regularly reporting to the Board regarding the use of short-term debt.

(2) **Clarify distinction between leases in which University is the lessor, rather than the lessee.** When the University enters into a long-term or high-value lease agreement as lessee (in other words, as the party leasing property from the owner), it incurs a significant payment obligation. Accordingly, the Debt Management Policy treats such leases as debt instruments and requires Board approval for leases that exceed $5 million.
or are for a term greater than 15 years. However, as written, the Policy could be construed to require Board approval for leases in which the University is acting as lessor (in other words, when we are leasing property to a third-party, such as a retail tenant); rather than apply only when we act as lessee. When the University is acting as lessor, it is not incurring a debt-like obligation. Therefore, the proposed revisions would clarify that the Debt Management Policy only applies to situations in which the University is lessee. Whether Board approval is necessary in the lessor context is properly a subject of the Delegation Policy, not the Debt Management Policy.

(3) **Eliminate requirement that the Board approve issuance of State-paid Debt.** Under the current Debt Management Policy, the Board is required to approve any capital project greater than $5 million and any University-paid or State-paid debt greater than $5 million. State-paid debt, such as Article XI-Q bonds, is debt for which the State pays the debt service. For University-paid Debt, it seems appropriate and necessary for the Board to separately approve both the underlying capital project (if it exceeds $5 million) and the issuance of any debt (if it exceeds $5 million) for which the University will be responsible for debt service in support of the project. However, that requirement does not seem necessary for State-paid Debt. For example, in January 2017, the Board needed to convene a Special Meeting in order to approve the State’s issuance of Article XI-Q bonds for deferred maintenance. Those bonds had been approved by the Oregon Legislature, the University incurred no debt service obligation as a result of the bonds, and the bonds had no balance sheet implication. In such a circumstance, separate Board approval does not seem necessary. The revised Policy would not require Board approval for issuance by the State of State-paid Debt.

(4) **Provide greater guidance regarding pursuit of refinancing opportunities.** University debt should be refinanced when market conditions or other factors warrant such action. Section III.F.11 of the revised Policy would provide greater direction as to the level of net present value savings that should be realized to warrant refinancing. These provisions were developed in consultation with the University’s external finance advisors.

(5) **Definition changes to reflect statutory language.** Several definitions have been revised to mirror current statutory language and statutory references have been updated due to statute renumbering.

**SUMMARY OF COMMITTEE DISCUSSION:** PSU Treasurer Don Forsythe and financial consultant Thomas Toepfer, Senior Managing Consultant at PFM Higher Education, explained the revisions to the Debt Management policy. In particular, they discussed the new provisions regarding short-term debt, the purposes of such debt, and the approval and reporting requirements in the event that short-term debt is
sought or obtained. They also discussed reasons to refinance debt and the new provisions that provide guidelines for pursuit of refinancing.

The Committee engaged in significant discussion regarding the elimination of the requirement for Board approval of State-paid debt. Several trustees indicated that they do not mind being called in for a special meeting to approve such debt if necessary. It was explained that State-paid debt is a general obligation of the State, and not an obligation of the University, and that such debt does not appear on the University’s balance sheet. It was also discussed that the Board would still be asked for approval of capital projects over $5 million, regardless of source of funding, so the Board would be involved in any decision to proceed with a significant debt-financed project.

There was discussion regarding the appropriate Board role in approval of leases in which the University is lessor. It is agreed that the Debt Management Policy is not the place to include any such requirement; rather, this is a matter to be addressed in the Board’s Delegation Policy. The Committee concluded that the Delegation Policy should be amended to require Board approval for leases in which the University is lessor if such lease has a value in excess of $10 million or is for a term greater than 25 years. The Committee will consider such an amendment to the Delegation Policy at its next meeting and expects to then propose such an amendment to the full Board.

The Committee then voted unanimously to approve the revisions to the Debt Management Policy and to recommend the revisions to the full Board.

ATTACHED DOCUMENTS:
1. Proposed Revised Debt Management Policy (clean)
2. Proposed Revised Debt Management Policy (redlined to show changes)
DEBT MANAGEMENT POLICY

This policy sets forth the principles that will govern the use of debt to finance University operations or capital projects and assigns responsibilities for the management of University debt. This policy describes the framework for approving debt financing for projects and for managing the University’s debt capacity and debt affordability, which are important tools for furthering the University’s mission.

The University seeks to achieve the lowest cost of capital that is consistent with its risk tolerance and the principal of intergenerational equity. While the Debt Management Policy is a stand-alone policy, it should be considered in conjunction with liquidity, debt related derivative, investment, and reserves management policies.

I. Definitions

A. “Board” means the Portland State University Board of Trustees or the Executive and Audit Committee when authorized to act on behalf of the Board of Trustees.

B. “Credit Enhancement Device” means an agreement or contractual relationship between the University and a bank, trust company, insurance company or other financial institution or entity providing additional credit on, or security for, a Revenue Bond.

C. “Internal Financing” means the short-term loaning of University funds for use on a particular University need. Internal Financing may be utilized for capital projects, emergency physical plant needs or for other purposes, such as to provide matching funds for Article XI-G Bonds in anticipation of philanthropy.

D. “Long-Term Debt” means debt issued with terms from 7 to 30 years at fixed or variables rates of interest.

E. “Obligation” means University-Paid Debt, a commitment of the University in connection with a Credit Enhancement Device, or an agreement for a debt-related derivative.

F. “Operative Document” means a bond declaration, trust agreement, indenture, security agreement or other document in which the University makes a Pledge.

G. “Pledge” means (a) to create a lien on revenue or property or (b) a lien created on revenue or property.

H. “Revenue Bonds” means short- and long-term University issued debt, capital leases, obligations, or extensions of credit incurred by the University. For the purpose of this policy, this includes any contractual undertaking or instrument of the University to repay borrowed moneys, which undertaking or instrument is secured by a Pledge of all or part of the revenue of the University. This does not include a Credit Enhancement Device, Article XI(F) Debt, or State-Paid Debt. While

References to Long-Term Debt are not indicative of what would be presented as non-current debt liabilities in the University’s annual financial statements.
Revenue Bonds may require the approval of the Oregon State Treasurer, they do not require legislative approval.

I. “Short-Term Debt” means debt issued with terms of less than 7 years at fixed rates or variable rates of interest. The following instruments may be used by the University:

1. “Commercial Paper” is a form of short-term debt that is issued in tranches with maturities of 1-270 days and which must be redeemed or rolled over at maturity. Investors most often require liquidity (in the form of a letter of credit or standby bond purchase agreement) ensuring that the issuer can remarket Commercial Paper at maturity.

2. “Floating Rate Notes” (FRNs) are variable rate bonds priced on the basis of a fixed spread to an index. FRNs are typically issued with maturities of 1-7 years and typically pay interest monthly. At maturity, the FRNs need to be repaid or refinanced.

3. “Line of Credit” (LOC) is a form of short-term financing that provides flexibility in timing and use through an arrangement with a financial institution establishing a maximum loan balance that the lender permits the borrower to access or maintain. The interest rate is typically tied to an index. At maturity, the LOC needs to be repaid, extended or refinanced.

4. “Short-Term Notes” are debt instruments issued at a fixed interest rate for terms of typically 1 to 5 years. At maturity, Short-Term Notes need to be repaid or refinanced.

J. “State-Paid Debt” means borrowings that are expected to be repaid from state appropriations. This includes Article XI-G Bonds, Article XI-M Bonds, certain Article XI-Q Bonds, Lottery Bonds, and certain State Energy Loan Program (SELP) loans.

K. “University-Paid Debt” is Short-Term Debt and Long-Term Debt that is expected to be repaid from revenues of the University. This includes Article XI-F(1) Bonds, certain Article XI-Q Bonds, certain SELP loans, Revenue Bonds and alternative financing structures, such as public-private partnerships, that would be either included in the University’s balance sheet or considered on-credit by rating agencies.

II. Roles and Responsibilities

A. The Board of Trustees retains authority and responsibility for:

1. Reviewing and approving capital projects including renovation, new construction, and land improvement acquisition in an amount greater than $5 million, regardless of source of funding or consideration of debt financing.

2. Reviewing and approving any University-Paid Debt in an amount greater than $5 million.

3. Reviewing and approving land, improvement, and capital leases with a total consideration exceeding $5 million or a lease term over 15 years in which the University will be lessee.

4. Approving this policy, amending this policy as necessary, and reviewing this policy at least every five years.

---

2 References to Short-Term Debt are not indicative of what would be presented as current debt liabilities in the University’s annual financial statements.
B. The Board delegates to the President, who may further delegate as appropriate, authority and responsibility for:

1. Implementing this policy.

2. Reviewing and approving (provided that doing so is consistent with the best interests of the University and sound fiscal management and does not fundamentally and detrimentally effect the financial condition of the University or the ratios identified in Section VI of this policy):
   a. University-Paid Debt in an amount up to $5 million;
   b. Land, improvement and capital leases with a total consideration up to $5 million or a lease term up to 15 years in which the University will be lessee;
   c. State-Paid Debt financings;
   d. Capital projects in amounts up to $5 million, regardless of source of funding or consideration of debt financing.

3. Establishing a comprehensive compliance program for debt management and post-issuance compliance. Such a program is to clearly assign responsibilities within the University, require the prudent investment of unspent bond funds, and require regular monitoring to satisfy initial and continuing disclosure requirement and ensure compliance with this policy, bond resolutions, bond covenants, and applicable laws, regulations and other requirements. This program must include a disclosure and post-issuance compliance policy addressing legal requirements imposed by the Securities and Exchange Commission and Internal Revenue Service and all other relevant laws and regulations relating to the use of debt, particularly tax-advantaged debt. The post-issuance compliance policy must include, at a minimum, the procedures and systems used to monitor compliance, the responsibilities of the compliance officer, private use and arbitrage analysis requirements, records management and retention guidelines and training requirements.

4. Retaining expert advisors, including bond counsel, disclosure counsel, tax counsel, financial advisors, underwriters, paying agents, and other related service providers. The solicitation and selection process for such services will comply with the University’s procurement requirements. The retention of such advisors should be reconsidered at least every five years.

5. Analyzing—and for University-Paid debt greater than $5 million, presenting recommendations to the Board in connection with—each proposed University Obligation, after (1) identification of the source of repayment for each project, together with pro forma financial statements and related assumptions, and (2) consideration of internal coverage requirements for each project and/or auxiliary providing repayment.

6. Pricing of Revenue Bonds, recognizing that the Oregon State Treasurer possesses authority to price University-Paid Debt issued as part of the debt programs administered by the State.

7. For previously issued state general obligation bonds from which PSU received proceeds, approval of refunding opportunities determined by the State Treasurer to be in the best interests of the State of Oregon.

8. Overseeing management of daily activities relating to debt, debt issuance and the periodic payment of principal and interest.
9. Entering into or endorsing reimbursement resolutions, authorization resolutions, grant/loan agreements and such other Operative Documents as may be necessary for any State-Paid Debt or University Obligation previously authorized by the Board or permissible under the authority of this policy.

10. Approving Internal Financings up to limit provided in Section IV of this policy.

11. Overseeing the management of activities necessary to achieve the requirements of Section IV. E. of the Reserves Management Policy, as approved by the Board of Trustees on June 16, 2016.

III. Conditions Governing Issuance of Debt

A. The University may use debt financing for academic, administrative, and auxiliary facilities and equipment, as well as any other infrastructure needs or property acquisitions, that are consistent with the University’s mission and strategic priorities and part of the University’s capital plan.

B. The University may also use debt to provide interim financing for capital projects and for cash flow financing. Debt will not be issued, or other Obligation entered into, for the purpose of funding deficits without the development and review of a plan to implement corrective actions.

C. No University-paid Debt in an amount greater than $5 million will be issued or sought without prior approval of the Board. In addition, the University, when acting as lessee, will not enter into any land, improvement, or capital lease with a term of greater than 15 years or total payments greater than $5 million over the term of the lease without prior approval of the Board. When the University issues or seeks University-paid Debt or enters into such leases, the Board's authorizing resolution will generally include its finding, based on an analysis of debt affordability and capacity, that the financed project is both self-liquidating and self-supporting. The Board may make exceptions for projects that further the University’s mission, even if not self-liquidating and self-supporting, taking into consideration other unobligated and legally-available revenues of the University.

D. No University-paid Debt in an amount greater than $5 million will be issued or sought without prior analysis and notification to the Board of all obligations and covenants associated with such issue.

E. The University may Pledge general revenues of the University or specified revenue streams to secure and repay any Obligation of the University.

F. When issuing or seeking University-paid Debt or State-paid Debt:

1. The University will evaluate the form of debt that is best suited for the project, taking into consideration debt-type characteristics, costs and risks, including the possible costs and benefits of Credit Enhancement Devices.

2. The University will seek the lowest available cost of capital, taking into consideration administrative capacity, the University’s risk tolerance, and the need to sustain adequate flexibility to allow the University to achieve its strategic goals.
3. The University will determine whether to issue debt through the State (if eligible) or 
independently, taking into consideration the cost of capital, financial flexibility and the use of 
debt capacity.

4. The University will identify a source of repayment and demonstrate that sufficient revenues 
are available to support debt service over the life of the financing. For short-term debt the 
University will also provide a plan to repay, refund or extend the short-term debt at maturity.

5. The maturity and term of debt repayment will be determined based on the expected 
availability of resources, other long term goals and Obligations of the borrowing unit and the 
University, the useful life of the assets being financed, and market conditions at the time of 
financing. The average life of a debt financing will not exceed 1.2 times the estimated useful 
life of the property, improvements, and equipment being financed.

6. If debt is issued through the State, the University will adhere to the requirements set forth by 
the State.

7. As long as the University intends to remain eligible to receive proceeds from Article XI[F](1) 
Bonds or Article XI-Q Bonds to be repaid from University revenues or other University moneys, 
the University will not issue Revenue Bonds without first obtaining the approval of the State 
Treasurer, as provided in ORS 352.402.

8. The University will utilize tax-advantaged debt when legally possible and when tax-advantaged 
debt does not unnecessarily restrict the anticipated usage of the financed facilities or create 
undue administrative burden or compliance risk. Projects financed with tax-advantaged debt 
will be identified and tracked to ensure compliance with all tax and reimbursement 
regulations. Taxable debt will be utilized when the project does not qualify for tax-advantaged 
debt. The University will aim to amortize any taxable debt before any tax-advantaged debt if 
that reduces the overall debt cost of the University.

9. In general, fixed-rate debt will be utilized. However, the University may utilize variable-rate 
debt when appropriate for a particular financing plan, taking into consideration bond market 
conditions, the University's liquidity position, and risks associated with variable-rate debt 
(including interest rate risk, remarketing risk and liquidity renewal risk). The University will 
not issue more than 20% variable-rate debt (including synthetic fixed-rate debt) as a 
percentage of all University-paid Debt, including such debt as further described in the Short-
Term Financing section of this policy.

10. Financial covenants and restrictions will be minimized to the extent possible, taking into 
consideration the long-term capital requirements of the University.

11. The University will utilize debt which provides for sufficient ability to refinance if market 
conditions or other factors warrant that action. Refinancing may be appropriate if doing so 
relieves the University of covenants, payment obligations, constraints or reserve requirements 
that limit flexibility, consolidates debt into a general revenue Pledge, reduces the cost and 
administrative burden of managing small outstanding obligations, or produces net present 
value savings. Unless otherwise justified, an advance refunding should result in net present 
value savings of 5% of the principal of refunded debt. Current refunding transactions are 
those undertaken at or after the call date of the outstanding debt, and provide for immediate
redemption and replacement of refunded debt. Unless otherwise justified, a current refunding should result in graduated present value savings as follows:

<table>
<thead>
<tr>
<th>Years between Call and Final Maturity</th>
<th>Net Present Value Savings Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 Years</td>
<td>1%</td>
</tr>
<tr>
<td>3-4 Years</td>
<td>2%</td>
</tr>
<tr>
<td>5-6 Years</td>
<td>3%</td>
</tr>
<tr>
<td>7-8 Years</td>
<td>4%</td>
</tr>
<tr>
<td>9 plus years</td>
<td>5%</td>
</tr>
</tbody>
</table>

The University recognizes that the Oregon State Treasurer retains authority to refinance debt issued as part of the debt programs administered by the State.

G. The University will not enter into any debt-related derivative transactions without first adopting a debt-related derivatives policy.

IV. **Internal Financings**

Internal Financing may be used when it is determined to be the most appropriate and cost-efficient mechanism for meeting certain financing needs. Unless authorized by the Board, the total value of Internal Financings shall not exceed 10% of the core cash balance of the University’s general operating bank account, as projected annually. If the core cash balance of the University’s general operating bank account is projected to be inadequate to cover liquidity requirements for any 30-day period in the following 12 months, no Internal Financing will be permitted unless approved by the Board. The maximum term of any single Internal Financing shall not exceed Five (5) years.

V. **Short-Term Financing**

Short-term financing may be considered by the University to (1) provide interim funding for capital projects in anticipation of philanthropy, grants, long-term debt proceeds and other sources of funds, (2) as a component of the University’s overall debt portfolio to lower the overall cost of capital, and (3) for cash flow financing.

Short-term financing is typically used to reduce interest cost. Other advantages may include flexibility of drawing funds when needed, matching variable interest expenses with variable interest earnings on investments (asset-liability management) and providing repayment flexibility to time a long-term financing.

Short-term financing products may introduce additional risks to the University’s debt portfolio which can be categorized as either components of interest rate risk or liquidity risk. Interest rate risk components impact the University’s cost of funds and can generally be budgeted for and managed as part of the University’s operations. Liquidity risk components represent more immediate and unexpected events that may require the University to draw on its financial resources.

A. The University will seek to quantify interest rate risk and liquidity risks whenever possible as part of its management of the debt portfolio.

B. In order to limit the exposure of the University to interest rate risk, the University will limit the amount of variable rate debt as described in Section III. F. 9. of this policy. The University will
require a Modified Current Ratio (defined in Section VI of this policy) of at least 1.0 to limit its exposure to debt related liquidity events.

VI. Debt Ratios

A. Debt capacity is a subjective measure, typically associated with balance sheet strength and the ability to repay debt on demand. The University’s risk tolerance will inform the amount of leverage that can comfortably be assumed.

B. Debt affordability is also a subjective measure and typically associated with income statement strength. Operating performance and the ability to meet debt service requirements will inform the affordability of existing and additional debt.

C. The University recognizes that its strategy and mission must be the primary drivers of its capital investment and use of debt. Although external credit ratings provide a view on debt capacity and affordability, the University does not manage its debt portfolio to achieve a specific rating. Success in achieving University objectives will over time result in a stronger financial profile and higher ratings.

D. The University will monitor five financial ratios to assist the Board in evaluating debt capacity and affordability, as described below.

1. Viability Ratio (balance sheet leverage ratio)

   Expendable Resources / Debt

   *Measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the University’s mission*

2. Primary Reserve Ratio (income statement leverage ratio)

   Expendable Resources / Total Expenditures

   *Measures whether financial resources are sufficient and flexible enough to support the University’s mission*

3. Debt Burden Ratio (affordability ratio)

   Debt Service / Total Expenditures Minus Depreciation Plus Principal Payments

   *Measures the University’s dependence on debt to finance its mission and the relative cost of borrowing to overall expenditures*

   Guideline maximum debt burden ratio = 7%

4. Debt Service Coverage (debt affordability ratio)

   3-Year Average Net Operating Income Plus Non-Operating Revenues Plus Interest and Depreciation / Debt Service

   *Measures the sufficiency of operations on a cash flow basis to cover debt service*

5. Debt to Cash Flow Ratio (debt affordability ratio)
Debt / Real Cash Flows

*Measures the University’s ability to repay its debt from the profitability of its current operations*

6. Modified Current Ratio [To be measured and presented only if the University has Short-Term Debt outstanding]

Expendable Net Assets / Debt with liquidity event triggers plus current maturities plus maximum collateral requirement plus 90 Days of operating expenses

*Ensures that the University’s expendable financial resources are sufficient to support current debt liabilities absent support from third-party liquidity.*

Guideline Modified Current Ratio of at least 1.0

E. All ratio calculations will be based on industry standards and include all “direct debt”. Where specified by such industry standards, calculations shall include the financial performance/position of the University’s component units (such as the affiliated Foundation). In addition to bonds and bank debt, direct debt includes capital leases and any off-balance sheet or similar financing structures that would be considered on-credit.

VII. Reporting Requirements

The Board’s Finance and Administration Committee is to be provided a detailed report and update including:

A. At least annually or when additionally requested, all outstanding University-paid Debt and State-paid Debt (by type, purpose and repayment source, where applicable).

B. At least annually or when additionally requested, the amount of outstanding principal, interest rates, maturity dates, debt service requirements and changes in outstanding debt since the previous year’s report.

C. Upon the release of annual audited financial statements, the debt ratios identified in Section VI above.

D. At least annually or when additionally requested, the status and remaining term for any variable rate debt.

E. At least annually or when additionally requested, the utilization, status and remaining term of any Short-Term Debt.

F. At least annually or when additionally requested, the status or remaining term of any Credit Enhancement Device.

G. At least quarterly or when additionally requested, any known or anticipated new debt issuance.

H. At least annually or when additionally requested, the status of Internal Financing mechanisms regardless of value.

I. At least annually or when additionally requested, significant restructuring or refinancing opportunities.
DEBT MANAGEMENT POLICY

This policy sets forth the principles that will govern the use of debt to finance University operations or capital projects and assigns responsibilities for the management of University debt. This policy describes the framework for approving debt financing for projects and for managing the University’s debt capacity and debt affordability, which are important tools for furthering the University’s mission.

The University seeks to achieve the lowest cost of capital that is consistent with its risk tolerance and the principal of intergenerational equity. While the Debt Management Policy is a stand-alone policy, it should be considered in conjunction with liquidity and debt related derivative, investment, and reserves management policies.

I. Definitions

A. “Bank Products” means financing obtained from banks or other third parties, rather than through capital markets, such as a line of credit.

B. “Board” means the Portland State University Board of Trustees or the Executive and Audit Committee when authorized to act on behalf of the Board of Trustees.

B. “Credit Enhancement Device” means an agreement or contractual relationship between the University and a bank, trust company, insurance company or other financial institution or entity providing additional credit on, or security for, a Revenue Bond.

C. “Internal Financing” means the short-term loaning of University funds for use on a particular University need. Internal Financing may be utilized for capital projects, emergency physical plant needs or for other purposes, such as to provide matching funds for Article XI-G Bonds in anticipation of philanthropy.

D. “Long-Term Debt” means debt issued with terms from 7 to 30 years at fixed or variables rates of interest.

E. “Obligation” means University-Paid Debt, a commitment of the University in connection with a Credit Enhancement Device, or an agreement for a debt-related derivative.

F. “Operative Document” means a bond declaration, trust agreement, indenture, security agreement or other document in which the University makes a Pledge.

G. “Pledge” means (a) to create a lien on revenue or property or (b) a lien created on revenue or property.

H. “Revenue Bonds” means short- and long-term University issued debt, capital leases, obligations, or extensions of credit incurred by the University. For the purpose of this policy, this includes any contractual undertaking or instrument of the University to repay borrowed moneys, which undertaking or instrument is secured by a Pledge of all or part of the revenue of the University.

References to Long-Term Debt are not indicative of what would be presented as non-current debt liabilities in the University’s annual financial statements.
This does not include a Credit Enhancement Device, Article XI(F) Debt, or State-Paid Debt. While Revenue Bonds may require the approval of the Oregon State Treasurer, they do not require legislative approval.

I. “Short-Term Debt” ² means debt issued with terms of less than 7 years at fixed rates or variable rates of interest. The following instruments may be used by the University:

1. “Commercial Paper” is a form of short-term unsecured debt that is issued in tranches with maturities of 1-270 days and which must be redeemed or rolled over at maturity. Investors most often require liquidity (in the form of a letter of credit or standby bond purchase agreement) ensuring that the issuer can remarket Commercial Paper may provide interim at maturity.

2. “Floating Rate Notes” (FRNs) are variable rate bonds priced on the basis of a fixed spread to an index. FRNs are typically issued with maturities of 1-7 years and typically pay interest monthly. At maturity, the FRNs need to be repaid or refinanced.

3. “Line of Credit” (LOC) is a form of short-term financing for projects in anticipation of philanthropy, planned issuance of long-term that provides flexibility in timing and use through an arrangement with a financial institution establishing a maximum loan balance that the lender permits the borrower to access or maintain. The interest rate is typically tied to an index. At maturity, the LOC needs to be repaid, extended or refinanced.

4. “Short-Term Notes” are debt or other sources of funds-instruments issued at a fixed interest rate for terms of typically 1 to 5 years. At maturity, Short-Term Notes need to be repaid or refinanced.

C. “State-Paid Debt” means borrowings that are expected to be repaid from state appropriations. This includes Article XI-G Bonds, Article XI-M Bonds, certain Article XI-Q Bonds, Lottery Bonds, and certain State Energy Loan Program (SELP) loans.

D. “University-Paid Debt” means borrowings are Short-Term Debt and Long-Term Debt that are expected to be repaid from revenues of the University. This includes Article XI-F(1) Bonds, certain Article XI-Q Bonds, certain SELP loans, Revenue Bonds, Bank Products, Commercial Paper, and alternative financing structures, such as public-private partnerships, that would be either included in the University’s balance sheet or considered on-credit by rating agencies.

E. “Internal Financing” means the short-term loaning of University funds for use on a particular University project. Internal Financing may be utilized for emergency physical plant needs or for other purposes, such as to provide matching funds for Article XI-G Bonds in anticipation of philanthropy.

F. “Revenue Bonds” means bonds issued by the University based on its own credit rating. For the purpose of this policy, Revenue bonds includes all debt, obligations, or extensions of credit incurred or received by the University, both short- and long-term, that are not Article XI-F(1)

² References to Short-Term Debt are not indicative of what would be presented as current debt liabilities in the University’s annual financial statements.
Bonds, Article XI-G Bonds, Article XI-M Bond, Article XI-Q Bonds, Lottery Bonds, or SELP loans. Revenue Bonds may be backed by a general or specific revenue pledge of the University and do not require legislative approval.

II. Roles and Responsibilities

A. The Board of Trustees retains authority and responsibility for:

1. Reviewing and approving capital projects including renovation, new construction, and land and improvement acquisition in an amount greater than $5 million, regardless of source of funding or consideration of debt financing.

2. Reviewing and approving any debt financing University-Paid Debt in an amount greater than $5 million.

3. Reviewing and approving land and improvement, and capital leases with a total consideration exceeding $5 million or a lease term over 15 years in which the University will be lessee.

4. Approving this policy, amending this policy as necessary, and reviewing this policy at least every five years.

B. The Board delegates to the President, who may further delegate to the Vice President for Finance and Administration and University Treasurer as appropriate, authority and responsibility for:

1. Implementing this policy.

2. Reviewing and approving, provided that doing so is consistent with the best interests of the University and sound fiscal management and does not fundamentally and detrimentally effect the financial condition of the University or the ratios identified in Section IV VI of this policy:
   a. capital projects University-Paid Debt in an amount up to $5 million, regardless of source of funding or consideration of debt financing;
   b. debt financing in an amount up to $5 million; and
   b. Land and improvement and capital leases with a total consideration up to $5 million or a lease term up to 15 years in which the University will be lessee;
   c. State-Paid Debt financings;
   d. Capital projects in amounts up to $5 million, regardless of source of funding or consideration of debt financing.

3. Establishing a comprehensive compliance program for debt management and post-issuance compliance. Such a program is to clearly assign responsibilities within the University, require the prudent investment of unspent bond funds, and require regular monitoring to satisfy initial and continuing disclosure requirement and ensure compliance with this policy, bond resolutions, bond covenants, and applicable laws, regulations and other requirements. This program must include a disclosure and post-issuance compliance policy addressing legal requirements imposed by the Securities and Exchange Commission and Internal Revenue Service and all other relevant laws and regulations relating to the use of debt, particularly tax advantaged debt. The post-issuance compliance policy must include, at a minimum, the procedures and systems used to monitor compliance, the responsibilities of the compliance
officer, private use and arbitrage analysis requirements, and records management and retention guidelines and training requirements.

4. Retaining expert advisors, including bond counsel, disclosure counsel, tax counsel, financial advisors, underwriters, paying agents, and other related service providers. The solicitation and selection process for such services will comply with the University’s procurement requirements. The retention of such advisors should be reconsidered at least every five years.

5. Analyzing and for University-Paid debt greater than $5 million, presenting recommendations to the Board in connection with each proposed debt financing transaction University Obligation, after (1) identification of the source of repayment for each project, together with pro forma financial statements and related assumptions, and (2) consideration of internal coverage requirements for each project and/or auxiliary providing repayment.

6. Pricing of University Revenue Bonds, recognizing that the Oregon State Treasurer possesses authority to price University-Paid Debt issued as part of the debt programs administered by the State.

7. For previously issued state general obligation bonds from which PSU received proceeds, approval of refunding opportunities determined by the State Treasurer to be in the best interests of the State of Oregon.

8. Overseeing management of daily activities relating to debt and debt issuance and the periodic payment of principal and interest.

9. Entering into or endorsing reimbursement resolutions, authorization resolutions, grant/loan agreements and such other documents Operative Documents as may be necessary for any debt issuance State-Paid Debt or University Obligation previously authorized by the Board or permissible under the authority of this policy.

10. Approving Internal Financings up to limit provided in Section IV of this policy.

11. Overseeing the management of activities necessary to achieve the requirements of Section IV E. of the Reserves Management Policy, as approved by the Board of Trustees on June 16, 2016.

III. Conditions Governing Issuance of Debt

A. The University may use debt financing for academic, administrative, and auxiliary facilities and equipment, as well as any other infrastructure needs or property acquisitions, that are consistent with the University’s mission and strategic priorities and part of the University’s capital plan.

B. The University may also use debt to provide interim financing for capital projects and for cash flow financing. Debt will not be issued, or other Obligation entered into, for the purpose of funding deficits without the development and review of a plan to implement corrective actions.

B-C. No University-paid Debt or State-paid Debt in an amount greater than $5 million will be issued or sought without prior approval of the Board, including. In addition, the University, when acting as lessee, will not enter into any land and improvement leases with, or capital lease with a term of
greater than 15 years or total payments greater than $5 million over the term of the lease, without prior approval of the Board. When the University issues or seeks University-paid Debt or enters into such leases, the Board’s authorizing resolution will generally include its finding, based on an analysis of debt affordability and capacity, that the financed project is both self-liquidating and self-supporting. The Board may make exceptions for projects that further the University’s mission, even if not self-liquidating and self-supporting, taking into consideration other unobligated and legally-available revenues of the University.

C-D. No University-paid Debt in an amount greater than $5 million will be issued or sought without prior analysis and notification to the Board of all obligations and covenants associated with such issue.

D-E. The University-paid Debt may be repaid from general revenues of the University or may be secured by a specified revenue stream to secure and repay any Obligation of the University.

E-F. When issuing or seeking University-paid Debt or State-paid Debt:

1. The University will evaluate the form of debt that is best suited for the project, taking into consideration debt-type characteristics, costs and risks, including the possible costs and benefits of Credit Enhancement Devices.

2. The University will seek the lowest available cost of capital, taking into consideration administrative capacity, the University’s risk tolerance, and the need to sustain adequate flexibility to allow the University to achieve its strategic goals.

3. The University will determine whether to issue debt through the State (if eligible) or independently, taking into consideration the cost of capital, financial flexibility and the use of debt capacity.

4. The University will identify a source of repayment and demonstrate that sufficient revenues are available to support debt service over the life of the financing. For short-term debt the University will also provide a plan to repay, refund or extend the short-term debt at maturity.

5. The maturity and term of debt repayment will be determined based on the expected availability of resources, other long term goals and obligations of the borrowing unit and the University, the -useful life of the assets being financed, and market conditions at the time of financing. The termaverage life of a debt financing will not exceed 1.2 times the estimated useful life of the property, improvements, and equipment being financed.

6. If debt is issued through the State, the University will adhere to the requirements set forth by the State.

7. As long as the University intends to remain eligible to receive proceeds from Article XI(F)(1) Bonds or Article XI-Q Bonds to be repaid from University revenues or other University moneys, the University will not issue Revenue Bonds without first obtaining the approval of the State Treasurer, as provided in ORS §51.369352.402.

8. The University will utilize tax-advantaged debt when legally possible and when tax-advantaged debt does not unnecessarily restrict the anticipated usage of the financed
facilities, or create undue administrative burden or compliance risk. Projects financed with tax-advantaged debt will be identified and tracked to ensure compliance with all tax and reimbursement regulations. Taxable debt will be utilized when the project does not qualify for tax-advantaged debt. The University will aim to amortize any taxable debt before any tax-advantaged debt if that reduces the overall debt cost of the University.

9. In general, fixed-rate debt will be utilized. However, the University may utilize variable-rate debt when appropriate for a particular financing plan, taking into consideration bond market conditions, the University's liquidity position, and risks associated with variable-rate debt (including interest rate risk, remarketing risk and liquidity renewal risk). The University will not issue more than 20% variable-rate debt (including synthetic fixed-rate debt) as a percentage of all University-paid Debt, including such debt as further described in the Short-Term Financing section of this policy.

10. Financial covenants and restrictions will be minimized to the extent possible, taking into consideration the long-term capital requirements of the University.

11. The University will utilize debt which provides for sufficient ability to refinance if market conditions or other factors warrant that action. Refinancing may be appropriate if doing so relieves the University of covenants, payment obligations, constraints or reserve requirements that limit flexibility, consolidates debt into a general revenue pledge, or reduce the cost and administrative burden of managing small outstanding obligations. Pledge, reduces the cost and administrative burden of managing small outstanding obligations, or produces net present value savings. Unless otherwise justified, an advance refunding should result in net present value savings of 5% of the principal of refunded debt. Current refunding transactions are those undertaken at or after the call date of the outstanding debt, and provide for immediate redemption and replacement of refunded debt. Unless otherwise justified, a current refunding should result in graduated present value savings as follows:

<table>
<thead>
<tr>
<th>Years between Call and Final Maturity</th>
<th>Net Present Value Savings Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 Years</td>
<td>1%</td>
</tr>
<tr>
<td>3-4 Years</td>
<td>2%</td>
</tr>
<tr>
<td>5-6 Years</td>
<td>3%</td>
</tr>
<tr>
<td>7-8 Years</td>
<td>4%</td>
</tr>
<tr>
<td>9 plus years</td>
<td>5%</td>
</tr>
</tbody>
</table>

The University recognizes that the Oregon State Treasurer retains authority to refinance debt issued as part of the debt programs administered by the State.

F.G. The University will not enter into any debt-related derivative transactions without first adopting a debt-related derivatives policy.

IV. Internal Financings

G. Internal Financing may be used when it is determined to be the most appropriate and cost-efficient mechanism for meeting certain financing needs. Unless authorized by the Board, the total value of Internal Financings shall not exceed 10% of the core cash balance of the University’s general operating bank account, as projected annually. If the core cash balance of the University’s
general operating bank account is projected to be inadequate to cover liquidity requirements for any 30-day period in the following 12 months, no Internal Financing will be permitted unless approved by the Board. The maximum term of any single Internal Financing shall not exceed Five (5) years.

V. Short-Term Financing

Short-term financing may be considered by the University to (1) provide interim funding for capital projects in anticipation of philanthropy, grants, long-term debt proceeds and other sources of funds, (2) as a component of the University’s overall debt portfolio to lower the overall cost of capital, and (3) for cash flow financing.

Short-term financing is typically used to reduce interest cost. Other advantages may include flexibility of drawing funds when needed, matching variable interest expenses with variable interest earnings on investments (asset-liability management) and providing repayment flexibility to time a long-term financing.

Short-term financing products may introduce additional risks to the University’s debt portfolio which can be categorized as either components of interest rate risk or liquidity risk. Interest rate risk components impact the University’s cost of funds and can generally be budgeted for and managed as part of the University’s operations. Liquidity risk components represent more immediate and unexpected events that may require the University to draw on its financial resources.

A. The University will seek to quantify interest rate risk and liquidity risks whenever possible as part of its management of the debt portfolio.

B. In order to limit the exposure of the University to interest rate risk, the University will limit the amount of variable rate debt as described in Section III. F. 9. of this policy. The University will require a Modified Current Ratio (defined in Section VI of this policy) of at least 1.0 to limit its exposure to debt related liquidity events.

V.VI. Debt Ratios

A. Debt capacity is a subjective measure, typically associated with balance sheet strength and the ability to repay debt on demand. The University’s risk tolerance will inform the amount of leverage that can comfortably be assumed.

B. Debt affordability is also a subjective measure and typically associated with income statement strength. Operating performance and the ability to meet debt service requirements will inform the affordability of existing and additional debt.

C. The University recognizes that its strategy and mission must be the primary drivers of its capital investment and use of debt. Although external credit ratings provide a view on debt capacity and affordability, the University does not manage its debt portfolio to achieve a specific rating. Success in achieving University objectives will over time result in a stronger financial profile and higher ratings.

D. The University will monitor five financial ratios to assist the Board in evaluating debt capacity and affordability, as described below.

1. Viability Ratio (balance sheet leverage ratio)
Expendable Resources (including available resources of the PSU Foundation) / Debt

Measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the University’s mission

2. Primary Reserve Ratio (income statement leverage ratio)

Expendable Resources (including available resources of the PSU Foundation) / Total Expenditures

Measures whether financial resources are sufficient and flexible enough to support the University’s mission

3. Debt Burden Ratio (affordability ratio)

Debt Service / Total Expenditures Minus Depreciation Plus Principal Payments

Measures the University’s dependence on debt to finance its mission and the relative cost of borrowing to overall expenditures

Guideline maximum debt burden ratio = 7%

4. Debt Service Coverage (debt affordability ratio)

3-Year Average Net Operating Income Plus Non-Operating Revenues Plus Interest and Depreciation / Debt Service

Measures the sufficiency of operations on a cash flow basis to cover debt service

5. Debt / Revenues (income statement leverage and cash flow Ratio (debt affordability ratio)

Debt / Real Cash Flows

Measures the amount University’s ability to repay its debt from the profitability of leverage relative to the size of its current operations

6. Modified Current Ratio [To be measured and presented only if the University has Short-Term Debt outstanding]

Expendable Net Assets / Debt with liquidity event triggers plus current maturities plus maximum collateral requirement plus 90 Days of operating expenses

Ensures that the University’s expendable financial resources are sufficient to support current debt liabilities absent support from third-party liquidity.

Guideline Modified Current Ratio of at least 1.0

E. All ratio calculations will be based on industry standards and include all “direct debt”. Where specified by such industry standards, calculations shall include the financial performance/position of the University’s component units (such as the affiliated Foundation). In addition to bonds and bank debt, direct debt includes capital leases and any off-balance sheet or similar financing structures that would be considered on кредит.
H. Indirect debt, such as operating leases, is excluded from the above calculations. However, indirect debt is considered part of the University’s “comprehensive debt”, which is a broader measure of the University’s debt obligations. The University recognizes that the use of indirect debt has an impact on debt capacity and affordability. **Internal Financings**

Internal Financing may be used when it is determined to be the most appropriate and cost-efficient mechanism for meeting certain financing needs. Unless authorized by the Board, the total value of Internal Financings shall not exceed 10% of the core cash balance of the University’s general operating bank account, as projected annually. If the core cash balance of the University’s general operating bank account is projected to be inadequate to cover liquidity requirements for any 30-day period in the following 12 months, no Internal Financing will be permitted unless approved by the Board. The maximum term of any single Internal Financing shall not exceed three (3) years.

**VII. Short-Term Financings**

The University will not issue Commercial Paper or enter into other short-term financing arrangements using Bank Products without first adopting a Short-Term Financings Policy and seeking input from a consultant with expertise with short-term financing products.

**IX. Reporting Requirements**

The Board’s Finance and Administration Committee is to be provided a detailed report and update including:

A. At least annually or when additionally requested, all outstanding University-paid Debt and State-paid Debt (by type, purpose and repayment source, where applicable).

B. At least annually or when additionally requested, the amount of outstanding principal, interest rates, maturity dates, debt service requirements and changes in outstanding debt since the previous year's report.

C. Upon the release of annual audited financial statements, the debt ratios identified in Section IV VI above.

D. At least annually or when additionally requested, for any variable rate debt, the status and remaining term for any variable rate debt.

E. At least annually or when additionally requested, the utilization, status and remaining term of any letter Short-Term Debt.

D-F. At least annually or when additionally requested, the status or remaining term of credit or similar liquidity source any Credit Enhancement Device.

G. At least quarterly or when additionally requested, any known or anticipated new debt issuance, use.

E-H. At least annually or when additionally requested, the status of Internal Financing mechanisms, or accessing of Short-Term Financings regardless of value.

F-I. Significant restructuring or refinancing opportunities.