Colorado Mesa University Debt Management Policy
Approved April 5, 2024

Section 4.15 Debt Management
Colorado Revised Statutes (C.R.S.) Section 53 of Title 23 outlines the duties of the Colorado Mesa University Board of Trustees including the acquisition, holding, and management of money, land, and other property. The purpose of this policy is to articulate the principles, approval requirements, and administrative responsibilities for managing debt. Debt may be used for financing asset acquisition, or such other purposes that are necessary for the University to fulfill its role and mission.

A. Scope of this Policy
The scope of this policy includes the following categories of debt:

Enterprise revenue bonds: Colorado Mesa University, is an institutional enterprise as defined by the Colorado Taxpayer Bill of Rights and by C.R.S. § 23-5-101.7 and may issue municipal bonds that are secured by a specified revenue source. These so-called enterprise revenue bonds may be issued (a) on a senior parity basis to secure payment of principal and interest, or (b) on a subordinate basis where payment of principal and interest is secured by specified revenue sources after payment of senior debt service.

Additional statutory guidance on bond issuance is included in C.R.S. § 23-5-102.

Enterprise revenue bonds may generally be issued as fixed rate or variable rate securities. Bonds may be offered on the open market through an underwriter or may be a direct placement with a financial institution.

Certificates of Participation (COP): The State of Colorado may issue COPs to finance capital projects wherein investors have a proportionate interest in the lease revenue from the sale and leaseback of a facility. If the University has a payment obligation, the COPs are considered financial obligations of the University, subject to annual appropriation, and are recorded as a liability in the general purpose financial statements.

Financial institution debt: This includes any monetary obligation, other than bonds, requiring fixed or variable interest repayment to a bank or other financial institution including loans, lines of credit and letters of credit.

Leases and other financing: In the normal course of operations the University may enter into an arrangement requiring periodic payments for an asset owned (purchased or constructed) or used by the University. If such arrangements are required by generally accepted accounting principles to be reported as a liability, they are considered debt for purposes of this policy. Examples include Energy Performance Contracts, Promissory Notes – real estate and other property, software subscriptions, and equipment leases.

Certificates of Participation issued by the state for the benefit of the University *without any payment required by the University*, Public-Private Partnerships, or other privatized operational agreements are not considered debt for purposes of this policy.

B. General Principles

While bond rating agencies, credit enhancement providers, and other related industry guidelines are part of debt planning and management, equally important is the financing and use of land and other property to fulfill the University's mission and meet strategic goals.

1. **Financial Management Framework**: Debt management and financing proposals will be a part of overall financial planning and management framework to support Colorado Mesa University multi-year strategic objectives. Debt planning will not be done outside consideration of liquidity needs, the potential use of cash and reserves to fund capital projects, the University investment portfolio, growth expectations and associated facilities and capital needs, and other elements of the financial outlook.

2. **Board Finance Committee Role:** The Board Finance Committee should be engaged in both broad financial management topics and specific debt management discussion to ensure appropriate oversight and direction. As specified in Section E of this policy, there shall be an annual debt report to the Board Finance Committee. In addition, meetings should regularly include review and discussion of the University's financial health and priorities to ensure a contextual baseline for assessing risks and rewards of specific debt-financed projects as they arise.

3. **Debt Financing and Structure:** Debt financing analysis should consider the term of debt as compared to the useful life of the asset being financed. In no case shall the term of debt be more than legally permissible by the Internal Revenue Code of 1986, as amended (e.g. 120% of the average weighted useful life of the financed assets). Existing cash reserves, expected operating cash flow, overall debt load and capacity, rating agency effects, the opportunity cost of using cash, and the ongoing reporting and monitoring burden should be considered. Consultation with financial advisors and bond counsel should be used as appropriate to ensure an understanding of the market, available financing instruments, credit enhancement opportunities (including the Colorado Intercept program and bond insurance), and tax and legal considerations. The following specifics should guide debt financing and structure:
    a. Fixed or Variable rate debt is permissible.
    b. Interest Rate Swaps or other Synthetic structures may not be used without the Board adoption of a derivatives policy inclusive of training of each trustee.
    c. Specific revenue streams for Enterprise Revenue Bond debt service should be identified prior to Board approval of a resolution authorizing the issuance of bonds. Capitalized interest may be used when the timing of the revenue stream is later than the need for financing (e.g., construction of a residence hall.)

   d. Financial analysis of options should issuance costs for an All-in True Interest Cost.

4. **Enterprise Revenue Bond Refinancings**—Current (call, tender or maturity date) and advance refundings should be considered when the opportunity offers net present value savings or if there is other financial or economic justification. As a general point of reference, net present value savings for refundings should be at least 3.0%, unless the Board otherwise determines that there is a compelling economic reason.

C. Approvals

1. All bond issuances shall require Board approval.
2. All certificates of participation shall require Board approval.
3. Financial institution debt totaling more than $2 million in aggregate shall require Board approval.
4. Financial institution debt up to $2 million shall require approval by the President.
5. Leases and other financing agreements with annual payments exceeding $2 million and /or aggregate leases and other financing totaling more than $18 million* shall require Board approval.
6. Leases and other financing agreements with annual payments between $500,000 and $1,999,999 shall require approval by the President.
7. Leases and other financing agreements with annual payments less than $500,000 shall require approval of either the Chief Financial Officer, the Controller, or the President in addition to normal campus financial manager operational approval.

D. Operational Responsibilities

1. The Chief Financial Officer is responsible for developing bond financing (including refunding) proposals for review by the President and discussion with the Board Treasurer before recommendation to the Board. Considerations should include: public/private use, taxability; default risk, liquidity risk, interest rate risk. New debt proposals should include a pro forma for the pledged revenue stream.

2. The Chief Financial Officer is responsible for the bond financing process including but not limited to:
   a. Financial advice and consultation with an Independent Registered Municipal Advisor and in the case of derivatives, if any, a Qualified Independent Representative (e.g., swap advisor).
   b. Preliminary review and discussion with the Board Treasurer and/or Finance Committee.
   c. Board review of pro forma and market conditions before approval of a supplemental bond resolution specifying parameters.
   d. Legal review by Bond Counsel.
   e. A formal or informal process to solicit the most advantageous rates, terms and conditions with underwriters or banking partners.

f. Adherence with Colorado statutory requirements including State Treasurer, Capital Development Committee, and Joint Budget Committee notifications and approvals.
g. Preparation or review of any rating agency presentation, investor presentation or offering document.

3. The Chief Financial Officer is responsible for ongoing debt management including but not limited to:
   a. Ensuring that bond payments are included in the annual Board-approved budget and that payments are made in a timely manner.
   b. Appointment of a Post Issuance Compliance Officer who shall be the Controller unless otherwise specified.

4. The Post Issuance Compliance Officer is generally responsible for post issuance compliance, which includes, but is not limited to, maintenance of debt service coverage, external reporting including through the Electronic Municipal Market Access (EMMA) repository or its successor, timely use of proceeds, tax exempt arbitrage rebate calculations, and adherence to any other bond covenants. The Post Issuance Compliance Officer is responsible for maintaining written policies and procedures relevant to post-issuance compliance and ensuring they are followed.

E. Reporting

An annual report of Colorado Mesa University debt shall be discussed with the Board Finance Committee. The report shall cover the University's total debt portfolio as defined in Section A of this policy and include at a minimum the following information:

1. A summary of annual fiscal year activity
2. Affirmation of post-issuance compliance
3. A review of the debt portfolio including total debt amount, and information to assess risk and long-term outlook such as:
   a. fixed and variable rate components of the portfolio
   b. multi-year debt service schedule with final maturity
   c. any provisions affecting debt before final maturity such as mandatory tender for repurchase, expiration of rate locks, automatic refunding that changes the nature of the debt (e.g., "Cinderella" taxable to non-taxable), and benchmark index changes.