

Title  DEBT MANAGEMENT POLICY	Number 433	Page 1 of 3
	Date	

POLICY STATEMENT:

The Vermont State Colleges System (hereinafter, the “System”) may incur debt when necessary to fulfill the System’s strategic mission. The System’s debt management objectives are to:

- 1) Maintain access to capital;
- 2) Maintain a credit rating that minimizes the risk-adjusted cost of capital and maximizes favorable business terms; and
- 3) Limit financial risk.

This policy assigns debt management responsibilities, and sets forth guidelines with respect to debt limits, structuring, issuance, management and use of derivatives.

PROCEDURES:

- 1) Approval from the Finance and Facilities Committee and the Board of Trustees is required for all debt transactions

- 2) The System will maintain a debt service ratio (annual principal plus interest, divided by total expenses) of not more than 6%.

STRUCTURING:

- 1) Any System debt with a term longer than three (3) years shall be fixed rate.
- 2) The maximum maturity of any debt issue shall be the shorter of 30 years, or the useful life of the asset being financed.
- 3) Debt principal shall amortize such that annual debt service on a total portfolio basis is either level or declining over time, and not increasing.

ISSUANCE:

- 1) The System shall engage a qualified, nationally-recognized independent financial advisor to assist with any debt transaction.
- 2) Debt may be publicly sold or privately placed, however privately placed debt may not include business terms less favorable than for public debt (e.g., additional financial covenants beyond those contained in the System's bond resolution).
- 3) Public debt should generally be sold competitively. If a sale is negotiated, the underwriter

maturity or terminated with the approval of the Board of Trustees. The System must engage a qualified independent derivative advisor to manage any such termination, and to provide a fairness opinion documenting that the derivative was terminated at fair market value.

OTHER PROVISIONS:

The Finance and Facilities Committee will review this policy on an annual basis or in the interim whenever substantive changes to the guidelines are proposed by the Chancellor.

Any activity or expense related to federal grants or contracts must comply with *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, in addition to the provisions above.

