## Policy 403: Debt Management

Category: Business Operations

Covered Individuals: Board of Trustees, President, Vice President of Finance and Administration, Controller

##### Approved: 3/28/2023

### **403.1 Policy**

The College of Eastern Idaho may make strategic capital investments in its facilities to fulfill its mission. Funding may come from various sources, including state appropriations, internal reserves, philanthropic donations, and debt proceeds, and will be managed judiciously by senior management and the Board of Trustees. The framework and procedures associated with this policy will govern debt management, including the funding structure, evaluation criteria, appropriate use of leverage, matching of term and useful life, and maintaining an investment grade credit rating. The College will comply with all applicable laws, regulations, bond covenants, and reporting requirements, including voter approval of debt extending beyond the current budget year.

### **403.2 Procedure**

**Purpose**

This policy establishes a framework for the use of debt instruments to finance capital and infrastructure initiatives at the College of Eastern Idaho (“CEI” or “College”), states the principles and processes that will be utilized, and assigns responsibilities for the approval, implementation, management, and oversight of the College’s debt portfolio. The policy formalizes the link between CEI’s strategic plan and its mission statement, to achieve the College’s financial objectives and maximize support of the College and its ongoing continuity of operations and viability.

**Scope**

This policy applies to all units within CEI for which CEI is financially and legally accountable, with the exclusion of specific operational debt or lease transactions delegated by the Board of Trustees (“the Board”) to the Vice President of Finance & Administration (“VPFA”). Debt may be incurred on behalf of the College only by persons and governing bodies authorized in this policy and through processes that comply with this policy.

**General Governing Principles**

1. Debt issuance processes will comply with applicable laws, regulations, bond covenants, and external reporting requirements and CEI policy and procedures.
2. Approval by the Board will be secured for all new borrowing and refinancing initiatives as required by policy and procedures in place at the time of debt issuance. Debt will be used to fund only capital initiatives consistent with the College’s mission, strategic priorities, and capital plan.
3. CEI will establish and maintain an internal monitoring plan to ensure compliance with this policy, bond resolutions, and post-issuance compliance requirements.
4. CEI’s overall debt status and projected outlook will be reported to the Board of Trustees by the VPFA, at least annually.
5. The debt type and terms will be determined based on expected availability of resources, other long-term goals and obligations of the borrowing unit and the College, the useful life of the assets being financed, and market conditions at the time of financing.
6. The policy, metrics, and monitoring mechanisms used will be reviewed annually and updated as needed to align with CEI’s objectives and strategy, and with evolving financial, economic, legal, and other factors.

**Financing Objectives**

The financing objectives stated below, combined with the judgment of CEI leadership, will provide a framework for decisions regarding the use and management of debt financing at the College.

1. Debt capacity will be optimally utilized to align capital investments and initiatives with strategic objectives through the long-range planning process.
2. The College will strive to maintain favorable access to financial markets by managing the timing and overall level of debt to ensure low‐cost and timely access to the capital markets.
3. The overall debt portfolio will be optimized to limit and balance risk to achieve the lowest cost of capital while limiting exposure to interest rate risk and other financing and credit risks.
4. CEI will ensure the full and timely payment of principal and interest payments on all outstanding debt.
5. The College’s credit rating will be managed to maintain the highest possible creditworthiness based on the strategic needs of the College and to facilitate the issuance of debt at favorable cost. Outstanding debt will be limited to a level that will maintain acceptable credit ratings from the credit rating agencies, based on industry standards and peer comparisons. While maintaining or attaining a specific credit rating is not an objective of this Policy, CEI’s Finance Committee (the “Finance Committee”) will monitor CEI’s credit ratings and assess factors that might impact those ratings.
6. When formulating proposals for general obligation bonds, CEI will seek to balance achievement of the College’s strategic goals with responsibilities to the taxpayers to maintain an acceptable tax burden.

**References**

* Idaho Code:
  + Article VIII, Section 3
  + Title 33, Chapters 3, 6, 8, 9 and 11
  + Title 33, Chapter 21 Junior Colleges
* Internal Revenue Service Code, Section 103, Sections 141-150
* Municipal Securities Rulemaking Board,
  + <http://www.msrb.org/>
* US Securities and Exchange Commission,
  + <https://www.sec.gov/>