West Virginia State University Board of Governors

West Virginia State University

BOG Policy # 65

Title: Debt Policy

Section 1. Purpose and Scope.

1.1. Scope: University seeks to establish a policy regarding the use of debt and form guidelines for the issuance, approval and monitoring debt and debt like obligations.

1.2. Objectives of this policy are to establish a framework for approving and managing debt to maintain access to capital markets, maximize WVSU's credit rating and strategically use debt obligations to enhance the University's financial profile (through refunding) as well as to fund capital projects and strategic initiatives.

1.3. Authority: West Virginia Code Chapter 18B Articles 10 and 19, as amended and when applicable Chapter 13, Article 2G, as amended.

1.4. Effective Date: March 26, 2021.

Section 2. Delegation, Authority and Periodic Review.

2.1. The West Virginia State University Board of Governors (Governing Board) has sole authority to approve the issuance and structure of all West Virginia State University (WVSU) debt. Subsequent to its approval, the Governing Board delegates the authority to execute the issuance of debt exclusively to the President. Such delegated authority may also be revoked by the Governing Board at any time.

2.2. The President may also delegate authority to others to act as the President's designee to execute the issuance of debt. All such authorizations and approvals shall be made in accordance with the provisions of this rule.

2.3. The President or designee may also develop administrative policies and procedures, consistent with this rule, to provide additional guidance to employees and others as it relates to the issuance and ongoing monitoring of debt.

2.4. This policy relates to all forms of debt financing including long-term, short-term, fixed rate, variable-rate debt and any instruments that have the effect of committing WVSU to future payments and therefore, impact its operating budget and credit. In addition to the above mentioned, debt also includes operating and capital leases, on and off-balance sheet financing, as well as any legal derivative instruments.

2.5. The President or individuals receiving delegated authority in section 2.2 shall provide the Governing Board annual reports and updates regarding this policy, all financing activities and the University's debt structure. Also, the President or those receiving delegated authority shall be subject to periodic internal, as well as external audits; and shall comply with all applicable federal and state laws.

2.6. This Debt Policy is subject to period review and change to meet the evolving needs of the University over time.

Section 3. Considerations related to Debt Issuance.

3.1. This policy establishes a control framework to ensure that appropriate considerations are applied for capital planning, reporting requirements, debt structuring and debt authorization. It establishes guidelines to ensure that existing and proposed debt issues are consistent with financial resources of the University.

3.2. The University may use debt to accomplish critical priorities by prudently using debt financing to accelerate certain projects, where appropriate, and to enhance the university's debt portfolio through the execution of refunding or restructuring strategies to optimize or reduce ongoing debt obligations. As part of its review of any new project, the University will evaluate all funding sources to determine the optimal funding structure to achieve the lowest cost of capital.

3.3. Under this policy, the following debt related goals will be considered:

a. Execution strategy on a public or private basis.
b. Implementing the appropriate debt mix (i.e. short-term, long-term, and fixed-rate) based on market conditions and related risks;
c. Managing the structure and maturity profile of debt to meet budget objectives;

3.4. Risk shall be considered in the context of the University's full operating profile rather than on the basis of a single transaction or a series of transactions.

a. Variable rate debt and derivatives shall only be considered if a full analysis of the benefit, costs and risks have been completed.
b. Management shall present to the Board the findings of this analysis before entering into any variable rate debt or derivatives contracts.
c. If derivatives are used, the University will utilize a registered swap advisor.
d. The desire for the lowest cost of capital shall be balanced with exposure to market risks. Risk may be managed through products legally available for purchase by the University.

3.5. Affordability of Debt must be considered when the University enters into any new debt or debt-like obligations. Debt affordability considers future debt service obligations and any incremental costs associated with new projects versus the associated resources available.

a. University shall evaluate debt affordability by calculating debt ratios that compare annual debt service as a percentage of current and anticipated total operating expenses and a second that compares to projected revenues available to service the applicable debt.

3.6. Decisions to issue Debt shall consider the impact of such issuance on current and future debt issuance and the overall financial health of the University.

3.7. Debt issuance shall be coordinated to the extent possible to reduce the overall cost of borrowing.

3.8. The University understands the importance of compliance regarding federal and institutional requirements for the issuance and management of tax-exempt debt proceeds.

a. The University understands that it is subject to such requirements for any tax exempt bond proceeds that it receives regardless of whether the University is the issuer of that tax-exempt debt.