Manual of Policy and Procedures

Title	Number	Page
DEBT MANAGEMENT POLICY	433	1 of 3
	Date	**6/20/17**

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 Officer of the Chancellor will initiate and manage all debt transactions.

3) The Chief Financial Officer is responsible for debt portfolio management and compliance with this policy.

DEBT LIMIT:

1) The System's debt limit will target medians and ratios appropriate to a rating of A or the equivalent from Standard & Poor's Ratings Group.

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 must provide an estimate of interest rates for each maturity expressed as a spread to AAA-MMD™ or another widely-recognized and readily available independent index (for tax-exempt debt) or U.S. Treasury yields (for taxable debt) prior to the sale, and the independent financial advisor must concur with these rates prior to award.

MANAGEMENT AND COMPLIANCE:

The Chief Financial Officer shall create procedures regarding the investment of bond proceeds, ensuring compliance with all necessary Federal, State of Vermont and applicable regulations, primary and secondary market disclosure practices, and arbitrage rebate monitoring and filing, and report to the Chancellor and the Finance and Facilities Committee at least annually, and also immediately following any material event (e.g., a credit rating change).

DERIVATIVES:

Derivatives (e.g., interest rate swaps) are not permitted. Any derivatives in place prior to the approval of this policy shall be valued no less frequently than annually, and may be held to 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.

Jeb Spaulding, Chancellor