

REGENTS' POLICY
PART V – FINANCE AND BUSINESS MANAGEMENT
Chapter 05.04 - Debt and Credit

P05.04.010. Scope and Purpose.

This policy applies to all external debt transactions of the university. The purpose of this policy is to:

- A. maintain the creditworthiness of the university and the State of Alaska;
- B. minimize the cost of capital for acquisition and construction and/or leasing of facilities;
- C. provide guidelines for debt financing the acquisition or construction of essential facilities and other real property improvements; and
- D. provide guidelines for equipment financing and other credit transactions.

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P05.04.020. Facilities and Real Property Improvements.

- A. All facilities and other real property debt issuances must be approved by the board. The reallocation of more than \$250,000 in general revenue bond proceeds between components of a general revenue bond "project" shall be approved by the board. Lesser amounts may be approved by the chief finance officer or the officer's designee.
- B. The university's annual debt service, including any proposed issue, shall not exceed 5 percent of the university's unrestricted revenues.
- C. Refunding or refinancing debt must be approved by the board and shall be issued only if it results in a net present value savings, eliminates restrictive covenants or provides other benefits that can be clearly demonstrated.
- D. Each debt issue, or homogeneous group of debt issues, shall have a level or declining debt service schedule.
- E. The final maturity for any new debt issues, excluding refunding issues, shall not exceed 75 percent of the useful life of the facility purchased or constructed with the proceeds.
- F. The final maturity for any refunding issues, excluding interim or temporary financings, shall not exceed the final maturity of the debt being refinanced.
- G. Debt proceeds not expended for direct acquisition or financing costs in accordance with the expenditure plan approved by the board shall be used to defease or redeem the related debt at the earliest allowed time.

- H. Debt proceeds shall not be used to pay or reimburse university departments or employees for the cost of services or expenses unless such costs are directly assignable to the project.
- I. The university shall engage an external financial advisor for each debt issue to prepare a letter of comment and recommendation, including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs and other terms and conditions, and evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, reserve requirements and other related issues.
- J. The university shall engage external bond counsel for each tax-exempt debt issue to perform all services customarily provided by bond counsel, including preparation or review of all debt authorizing resolutions and related documents and agreements.
- K. The university shall use appropriate competitive procedures for selection of financing consultants, bond counsel, underwriters, trustees, bond insurance and for sale of debt.
- L. The university shall provide the State Bond Committee notice of all debt issuance 60 days prior to planned issuance, including a description of the project and details of the financing plan.
- M. The commissioner of revenue shall be invited to participate in the organization and management of all presentations to rating agencies and the preparation of official statements.

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P05.04.030. Reimbursement Bonds.

For each bond issue considered to be "Reimbursement Bonds" under Internal Revenue Service Regulations, the chief finance officer or the officer's designee shall issue, on behalf of the board, a declaration of official intent to issue bonds for reimbursement of capital expenditures paid prior to the date on which the bonds will be issued. Such declaration must: contain a functional description of the property, project, or program to be financed; identify the maximum principal amount of the Reimbursement Bonds expected to be issued; be made not later than sixty (60) days after the original expenditure, except for preliminary architectural and engineering charges; contain other information and meet posting requirements or timetables which from time to time are advised by bond counsel; and be maintained as part of the records of the chief finance officer.

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P05.04.040. Equipment Lease-Purchase Transaction.

No university officer shall engage in any borrowing, lease-purchase or financing arrangements on behalf of the university without the specific prior approval of the chief finance officer or the officer's designee and a review of all related agreements by the general counsel.

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P05.04.050. Corporate Charge and Credit Cards.

The chief finance officer is authorized to execute corporate charge and credit card agreements on behalf of the university. Corporate charge or credit cards may be authorized and used in circumstances where card use can provide more cost effective or efficient procurement or billing processes and where:

- A. other procurement and billing processes are not cost effective or feasible for such activity;
- B. procedures are established for the full payment of charges on a regular basis; and
- C. the chief finance officer determines the arrangement is in the best interest of the university.

(12-03-94)