

Pittsburg State University  
Capital Financing Policy and Procedures

I. Overview

This policy statement provides overall guidance and a framework for the issuance and management of capital debt. Capital debt is defined to include all current short term and long term obligations, guarantees, and investments that commit the University to future payments. This policy is intended to assist the University to achieve its strategic objectives as identified in the overall long term strategic plan.

II. Authorization

The Kansas Board of Regents is authorized by the Legislature to issue debt obligations on behalf of Pittsburg State University. Debt obligations include bonds, notes, debentures, interim certificates, grant and revenue anticipation notes, interest in a lease, lease certificate of participation or other evidences of indebtedness.

III. Use of Debt

The use of debt is intended to finance capital assets. Debt obligations are not to be used to fund university employee compensation or other non-capital expenses (current operations).

IV. Period of Debt

The period of debt cannot exceed the planned useful life of the asset being financed and must be for a reasonable term in relation to the amount financed.

V. Pledge of Available Revenue(s)

In addition to revenues generated by specific fees dedicated to repayment of debt, the University may issue a supplemental pledge of generally available unencumbered funds. The issuance of the additional pledge must be included in the permissive legislative language authorizing the issuance of debt.

VI. Refunding Bonds

According to Kansas Board of Regents policy, refunding bonds may be issued under certain situations. As a general rule, the issuance of refund bonds will occur only after there is a present value savings of 3% or more of the principal amount of the outstanding bonds.

VII. Board of Regents Responsibilities

The Board of Regents by policy has the responsibility to assess the University's current debt levels on an annual basis. This annual assessment will include a review of a debt capacity plan provided by the University as well as bond rating service scorecards prepared by the Kansas Development Finance Authority.

VIII. University Responsibilities

The University, by established Board policy has the following responsibilities:

- a) All issuance of debt shall be in accordance with State of Kansas Law and policies established by the Kansas Board of Regents.
- b) Proceeds from the issuance of debt will be managed according to the individual legal documents created at the time of issuance. This includes the investment of excess cash balances and adherence to federal tax considerations (including arbitrage and rebate rules and regulations).
- c) Disclosure obligations as required by KBOR, federal and state authorities, rating agencies, the Kansas Development Finance Authority, and other interested parties are to be fulfilled as required. In most cases, the issuance of financial debt requires the collection and dissemination of appropriate disclosure information. The University President and other officials are charged with the responsibility for the accuracy of all information being disclosed. Likewise, there is an obligation to disclose all material matters which could have an impact on the overall financial condition. This responsibility remains for the life of the issuance of the debt and an annual certification for each financial obligation is the norm
- d) The University will prepare an annual debt capacity plan. The debt capacity plan will at a minimum include the calculation of the Debt Burden Ratio, Average Debt Service Coverage, and the Viability Ratio.
- e) The University Vice President for Administration and Finance is charged with the overall responsibility for the issuance and management of institutional capital financing.
- f) The University Controller and University Budget Director share responsibility for on-going compliance with bond documents, lease agreements, promissory notes, etc.

IX. Kansas Board of Regents Policy Statement

Further guidance on Board policy regarding the issuance and management of capital financing can be found in the Board policy manual under Fiscal Management (Chapter II, Section D12 and E).

Approved: October 3, 2014

Revised: September 14, 2015