

UNIVERSITY OF CINCINNATI
EXTERNAL DEBT GUIDELINES

Purpose

These guidelines are to support the university's External Debt Policy ("The Policy").

Definition

As used in The Policy and these guidelines, "Debt" means UC obligations, however evidenced, issued to fund the construction or acquisition of capital assets and/or to refinance existing debt, including related derivative interest rate swaps, caps, floors and similar arrangements.

Guidelines

1. UC shall incur Debt (as defined above) in strict compliance with applicable state and federal law and with Debt-related contractual covenants as reviewed and opined by the university's bond counsel and outside general counsel relative to each debt issue. Regular internal compliance monitoring will be engaged. The accounting treatment and annual financial reports will reflect all debt transactions and information for the years then ended in conformity with US generally accepted accounting principles.
2. UC shall incur Debt to fund capital projects that are consistent with UC's mission and strategic priorities and/or the university's master plan, or to refinance existing outstanding debt if: (i) reductions in debt service can be realized, (ii) to react to market conditions or (iii) to manage and/or improve the University's cash flow. The capital financing needs of UC will be accomplished through efficient and low-cost access to the debt markets.
3. UC shall incur Debt only with the prior approval of the Board of Trustees and the State of Ohio as required. All debt approval will be requested from the Board of Trustees. For debt approval collateralized by the university's pledge of student fees, approval will be requested from the Ohio Board of Regents as required.
4. UC shall promote the integration of long-term financial planning with long-term capital planning while incorporating sound financial practices, proactive resource management, and thoughtful institutional financial planning. All current debt outstanding as well as proposed future debt is considered in the budgeting process and where appropriate, a department's business plan.
5. UC shall seek the highest possible national credit ratings given economic and market conditions and strive to maintain national credit ratings in the "A1/A+" range.

6. UC aims to maintain the highest possible composite score of Ohio's Senate Bill 6 ratio with the minimum being above 1.75 and shall use actual and pro forma financial information to periodically monitor its composite score. The Board of Trustees or the Sr. Vice President of Administration and Finance in consultation with the President can provide an exception if it is deemed appropriate to do so.
7. UC may incur Debt bearing interest at variable rates when advantageous in light of market conditions and limit debt portfolio risk to appropriate levels as determined by university Sr. Vice President of Administration and Finance with consultation with the President and Board of Trustees. These levels should limit total direct variable and synthetic fixed rate exposure to minimize the liquidity remarketing and liquidity rollover risks associated with swap liquidity providers.
8. UC shall not enter into Debt-related derivative transactions for speculative purposes, but rather shall use Debt-related derivatives only to minimize Debt-service costs and manage interest rate risk. In entering into Debt-related derivative transactions, UC shall follow the Derivative Management Guidelines established to limit risks and to provide appropriate protection.

Procedure

The Office of Debt Management administers and manages the university's existing and future debt. For capital lease of equipment please refer to the link below for the "Departmental Master Lease Financing Application".

Implementation

By authority of Sections 3345.11 and 3345.12 of the Ohio Revised Code, state universities can issue obligations to construct auxiliary facilities and educational facilities, or to refund obligations previously issued. Under this authority, the university is required to obtain authorization of such obligations via resolution of its board of trustees.

The University is authorized by its Board of Trustees (Board) to issue obligations, through the adoption of a general bond resolution dated May 7, 1974, as amended on March 27, 2001 and by the Trust Agreement dated as of May 1, 1974, as amended and restated by the Amended and Restated Trust Agreement, dated as of May 1, 2001, as supplemented. The University is required to obtain Board authorization for new obligations, or to refund existing obligations through a Series Resolution as required by the Trust Agreement.

Reporting Requirements

The Vice President for Finance will provide an annual report to the President and the Trustees that will detail all outstanding debt (by series), including the amount

outstanding, interest rates, maturity dates, terms, performance and market values of related derivative instruments and associated Debt-service requirements and will summarize the changes in outstanding Debt since the last report.

Related Links:

[Departmental Master Lease Financing Application](#)