

 <p><b>Category:</b> Financial</p> <p><b>Policy applicable for:</b> Faculty/Staff</p>	<p><i>Policy Title:</i> <b>External Debt</b></p> <p><b>Effective Date:</b> 09/22/2009</p> <p><b>Prior Effective Date:</b> mm/dd/yyyy</p> <p><b>Enabling Acts:</b> University Rule 10-1-05 ORC 3345</p>	<p><i>Policy Number:</i> <b>2.9.1</b></p> <p><b>Policy Owner:</b> Sr. VP for Administration and Finance</p> <p><b>Responsible Office(s):</b> Debt Management</p>
--	--	--

## Background

This policy governs the issuance and use of debt for the purpose of financing capital projects and/or refinancing existing debt of the University of Cincinnati (UC). The Board of Trustees of University of Cincinnati (Board of Trustees) has determined that prudent use of debt and debt-related derivative instruments can help UC achieve its strategic objectives while maintaining its credit ratings at desirable levels, based on an appropriate balance of access to capital markets, financial risk and cost of capital.

## Definition

As used in this Policy, “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.

## Policy Statements (*Refer to Debt Guidelines*)

1. UC shall incur Debt (as defined above) in strict compliance with applicable state and federal law and with Debt-related contractual covenants.
2. UC may 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.
3. UC shall incur Debt only with the prior approval of the Board of Trustees and the State of Ohio 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.
5. UC shall seek the highest possible national credit ratings given economic and market conditions.
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 the Sr. Vice President of Administration and Finance with consultation with the President and Board of Trustees.
8. UC shall not enter into Debt-related derivative transactions for speculative purposes, but rather shall use Debt-related derivatives as indicated in the university's 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. All debt activity is coordinated through this office.

### **Related Links:**

[Chapter 3345 of the Ohio Revised Code](#)  
[University Rule 10-1-05](#)  
[External Debt Guidelines](#)  
[Derivative Management Guidelines](#)

### **Phone Contacts:**

Office of Debt Management	556-3149
Office of Vice President for Finance	556-1299
Office of Senior Vice President for Administration and Finance	556-2413