



COLLEGE of CENTRAL FLORIDA
ADMINISTRATIVE PROCEDURE

Title: Financing Short-Term and Long-Term Debt

Page 1 of 2

Implementing Procedure For Policy # 5.18

Date Approved: 02/17/09

Division: Administration and Finance/FISCAL

Debt Evaluation Guidelines for Florida College Direct Support Organizations

I. Introduction and Purpose

The following guiding principles should be considered with regard to any debt issued by the College of Central Florida Foundation and the Appleton Cultural Center, Inc.:

1. The debt should be competitively bid
2. The use of the funds must serve the interest of the College
3. A DSO cannot pledge the endowment or restricted donor funds as collateral
4. The revenue stream pledged to repay the loan must be reasonably certain and able to cover the required annual payments

For purposes of these guidelines:

- a) "Debt" means bonds, loans, promissory notes, lease-purchase agreements, certificates of participation, installment sales, or any other financing mechanism or financial arrangement whether or not a debt for legal purposes, for financing or refinancing purposes including any related renewals, extensions and refunding, for or on behalf of a direct support organization for the acquisition of goods, materials, equipment and services.
- b) "Short-term debt" is defined for the purpose of these guidelines as any debt issued for a term of not more than five years.
- c) "Financing documents" means those documents and other agreements entered into by the DSO establishing the terms, conditions and requirements of the debt issuance.

II. Issuance of Long-Term Debt

The District Board of Trustees may not delegate the authority to authorize and approve any College of Central Florida Foundation and/or Appleton Cultural Center, Inc. debt issuance with a term of more than five years (long-term debt). The District Board of Trustees is responsible to evaluate all such debt in accordance with these guidelines. After completing an evaluation of a proposal for issuance of long-term debt, the District Board of Trustees must take formal action regarding the proposal.

III. Submitting Proposal For Issuance of Debt

The following information shall be submitted to the District Board of Trustees in support of a request for evaluation of any issuance of debt by the College of Central Florida Foundation and the Appleton Cultural Center, Inc. outside of any delegated authority in policy 5.18:

- a) A statement describing the purpose or use of the funds to be acquired through the debt issuance, and an explanation of how the project being proposed is consistent with the mission of the college.
- b) Evidence of competitive bidding process to support best proposal.
- c) A description of the contract terms in the loan agreement that specifies the collateral to the loan, security interests, and default conditions. The College of Central Florida Foundation or the Appleton Cultural Center, Inc. cannot pledge endowment or donor restricted assets as collateral.
- d) An analysis of the revenue stream to repay the loan and cover at least 130% of required annual payments. Exceptions to 130% coverage may be approved by the District Board of Trustees.
- e) The financial analysis supporting the debt must be reviewed and approved by both the College's President and Chief Business Officer before the College of Central Florida Foundation or Appleton Cultural Center, Inc. may submit the proposal to the District Board of Trustees.
- f) A form of a resolution to be adopted by the District Board of Trustees approving issuance of the debt.

IV. Evaluation of Proposals for the Issuance of Debt

The District Board of Trustees may engage underwriters, financial advisors and other professionals to assist in the evaluation of proposals for the issuance of debt by either the College of Central Florida Foundation or the Appleton Cultural Center, Inc. To assure fairness and objectivity in the selection of professionals and to help select the most qualified professional, the selection of underwriters and financial advisors should be consistent with State Statute governing procurement of such services.

V. Effect

The foregoing guidelines shall be effective immediately and may be modified from time to time by the Division of Florida Colleges as circumstances warrant. The guidelines are intended to apply prospectively to all College of Central Florida Foundation or Appleton Cultural Center, Inc. debt, and not affect adversely any College of Central Florida Foundation or Appleton Cultural Center, Inc. debt currently outstanding or projects approved by the District Board of Trustees prior to the implementation of these guidelines.

Vice President, Administration & Finance

Date

Approved by President

Date