

BOARD OF REGENTS POLICY: Debt Transactions and Long-Term Capital Financing Program

ARTICLE I

SECTION I SCOPE.

This policy governs the authority to engage in debt transactions, to engage underwriters and debt advisors, and to use internal funds generated from the Internal Lending Program for capital projects. Article I and Article II apply to all debt transactions of the University of Minnesota (University), regardless of size, term, or repayment provisions. Article III applies to the long-term capital financing program, which involve the use of interest-only bonds.

SECTION II. DEFINITIONS.

Subd. 1. Capital Lease.

Board of Regents Policy:

- (c) exhibit a maturity profile that meets liquidity requirements and manages the balance sheet of the institution; and
- (d) provide financial and budgetary stability.

Subd. 2. Taxable Debt.

Taxable debt may be used when the intended use or other factors precludes the use of tax-exempt debt or when other financial considerations indicate the use of taxable debt is in the best interest of the University.

Subd. 3. Debt Maturity.

Subject to Article II, Section I, Subd. 1 of this policy, the average maturity of debt should be as short as is economically feasible for the project, generally, not to exceed the useful life of the financed assets, and, with respect to tax

ARTICLE III

LONGTERM CAPITAL FINANCING PROGRAM

SECTION I. RESERVATION AND DELEGATION OF AUTHORITY.

Subd. 1. Reservation of Authority to Approve Use of Proceeds.

The Board reserves to itself authority to approve the use of proceeds to finance or refinance capital projects that require Board approval as defined by Board of Regents Policy: Reservation and Delegation of Authority. The Board reserves to itself authority to approve the use of proceeds for any purpose other than capital projects, with the exception of those items delegated to the president or delegate in Subd. 4 of this section.

Subd. 2. Reservation of Authority to Oversee the Principal Repayment Reserve.

The Board reserves to itself authority to approve the amount and source of the Principal Repayment Reserve which will be invested in accordance with Board of Regents Policy: Endowment Fund. The Board reserves to itself authority to withdraw funds from the Principal Repayment Reserve for any purpose.

Subd. 3. Reservation of Authority to Approve Use of Funds from Internal Lending Program.

The Board reserves to itself authority to approve the use of funds from the Internal Lending Program to finance capital projects that require Board approval as defined by Board of Regents Policy: Reservation and Delegation of Authority. The Board reserves to itself authority to approve the use of funds from the Internal Lending Program for purposes other than capital projects regardless of the amount.

Subd. 4. Delegation of Authority.

The president or delegate shall have the authority to take all actions other than those described in Subd. 3 of this section to manage the longterm capital financing programs consistent with Board policies. Such actions include:

- (a) Determining the investment strategy of the proceeds within the parameters established in Section II, Subd. 1 of this article, and by Board of Regents Policy: Investment Functions prior to their authorized use by the Board.
- (b) Use of proceeds for (i) costs of issuance related to the issuance of interest-only bonds; (ii) the use of the realized earnings on the invested proceeds to fund annual interest expense due on the interest-only bonds; and (iii) to finance or refinance, Subd. 1 of this article.

- (a) Proceeds shall be separately identified from other University investments and will be available to fund capital projects approved by the Board.
- (b) The invested proceeds shall be subject to limited market risk.
- (c) Investment earnings may be withdrawn to fund interest due on the interest-only bonds and to fund the related investment management fees.
- (d) Earnings on the invested proceeds remaining after authorized uses as defined in Subd. 1 of this section shall be made available to fund capital projects, as required by Internal Revenue Service regulations.

Subd. 2. Investment of Principal Repayment Reserve.

The University shall set aside a specified amount from sources other than debt proceeds as a principal repayment reserve. The amount shall be deposited into a quasi-trust fund of the Consolidated Endowment Fund and be invested in accordance with Board of Regents Policy Endowment Fund

Subject to Article III, Section I, Subd. 2 of this policy, funds will be held in the Principal Repayment Reserve until the original amount set aside plus accumulated earnings is sufficient to repay the amount of interest only bonds outstanding, or until the Board authorizes the withdrawal of funds for another purpose.

As needed or may be requested, the secretary of the Board shall certify the authority and power of the president or delegate to enter into InterestOnly Bond transactions as provided in this policy.

REVISION HISTORY

Adopted: June 11, 2004

Amended: December 13, 2012; October 9, 2020; February 11, 2022; July 13, 2022

Technical Correction : June 13, 2024

Last Comprehensive Review: 2022

Supersedes: Debt Transactions, dated June 11, 2004; Debt Transactions, dated March 11, 1994; Asset and Debt Management, dated April 12, 1991; and Debt Guidelines, dated January 13, 1989