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ADOPT REVISED DEBT MANAGEMENT STANDARDS

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REPORT: The Debt Management Standards have been updated and revised with no major revisions to ensure compliance within applicable federal and state laws to include the requirements of the Oregon Administrative Rules and Oregon Revised Statutes governing public borrowing and issuance of bonds. Such administrative review of Debt Management Standards is prudent at this time with future anticipated general obligation indebtedness. The scope of the revised standards allow the college to enter into debt obligations to finance the construction or acquisition of buildings and infrastructure and other assets, maintain existing facilities, purchase land and personal property, or act on the option to refinance or restructure existing debt and other legally acceptable obligations.

In April, 2004, the Portland Community College Board enacted Policy B 509 - College Debts, which delegates to the President the ability to appoint a College Debt Officer whose responsibilities shall include:

- Ensuring compliance with the Oregon Revised Statutes governing public borrowing and issuance of bonds;
- Providing sufficient funds to meet current and future debt service requirements on all indebtedness;
- Ensuring full compliance with the terms and conditions outlined in bond resolutions approved by the Board.

Policy B 509 – College Debts further delineates the overarching functions the College Debt Officer shall perform. The revised Debt Management Policy aligns those functions with the more detailed responsibilities of the College Debt Officer.

RECOMMENDATION: That the Board of Portland Community College:

1. Approve the revised Debt Management Standards as written in Exhibit C;

2. Direct the President and any designee, including the appointed College Debt Officer, to implement debt service standards and procedures reviewed in accordance with the College's policy review cycle, and where necessary establish additional debt operating procedures for the College.

## **PORTLAND COMMUNITY COLLEGE**

### **DEBT MANAGEMENT STANDARDS**

The College maintains conservative financial policies, budgets and strategic planning efforts to support strong financial health both short-term and long-term.

#### **I. SCOPE**

Within the applicable Federal, State and Local laws, including Oregon Revised Statute (“ORS”) Sections 287A and 341 and Oregon Administrative Rule (“OAR”) 170-061, Portland Community College (“College”) may enter into debt obligations to finance the construction or acquisition of buildings and infrastructure and other assets, maintain existing facilities, purchase land and personal property, or act on the option to refinance or restructure existing debt and other legally acceptable obligations. Unless recommended otherwise by the President or designee, whose recommendation must be approved by the Board, all debt will be incurred at the College level.

These Standards (“Standard”) provide general guidance for the issuance and management of College debt and applies to all debt issued, regardless of the purpose for which issued or the funding source for repayment.

All Debt issued will be in compliance with these standards.

#### **II. PURPOSE**

- A. This Standard sets forth criteria for the issuance, use and repayment of debt; and creates procedures and policies designed to:
- Manage the College’s obligations within available resources;
  - Minimize the debt service and issuance costs for the repayment structure and period selected;
  - Maintain the highest credit ratings possible;
  - Maintain full, complete, and accurate financial disclosure and reporting and comply with regulations requiring continuing disclosure; and
  - Comply with appropriate and applicable Federal, State and Local law.

#### **III. RESPONSIBILITY**

- A. Authority to issue and manage debt is derived from Federal and State law and the financial and debt management policies of the College. The President or designee shall be responsible for implementing the debt service policies and procedures reviewed in accordance with the College's policy review cycle and shall establish debt operating procedures for the College.
- B. This section authorizes the President or designee to appoint a subordinate employee from Finance and Administration to act in the capacity of the Debt Officer.
- C. Responsibilities of the Debt Officer shall include:
  - 1. Ensuring compliance with Federal, State and Local laws and rules governing public borrowing, both tax-exempt and taxable, and issuance of bonds and post issuance monitoring;
  - 2. Providing sufficient funds to meet current and future debt service requirements on all indebtedness;
  - 3. Ensuring full compliance with the terms and conditions outlined in bond resolutions approved by the Board.
- D. The College Debt Officer shall perform the following functions:
  - 1. Upon the approval by the Board, the College shall issue bonds and other obligation in accordance with the guidelines and limitation set forth in ORS Sections 287A and 341 and OAR 170-061 and all specifications in the College's Debt Policies and Procedures and Federal Regulations. As further specified, the College shall maintain a debt service fund to account for property tax revenues levied to pay for the maturing principal and interest of the general obligation bonds and to establish an adequate fund balance to meet the cash outlay requirements until property tax revenues are received.
  - 2. For non-voter approved obligations, ensure the college has sufficient funds to meet future debt payments.
  - 3. Act in the best interest of the college and taxpayers when issuing debt, and market our debt with advice from independent financial advisors and/or underwriters and legal bond counsel to get unbiased professional opinions on methodology and structure. In addition, periodically monitor the changes in interest rates and, where feasible and beneficial to the college, refund the existing debt(s) in accordance with Federal, State and Local laws and regulations.
  - 4. Establish the process for the review, approval and publication of official primary market disclosure, where appropriate, following review by the appropriate office.

5. Account for the debt issues and related transactions in accordance with local budget law and general accepted accounting principles.
6. Recommend debt operating procedures policies to the appropriate college officials.
7. Maintain the primary relationship and communicate with national rating agencies.
  - a) This communications effort includes providing periodic updates on the College's general financial condition along with coordinating meetings and presentations in conjunction with debt issuances.
8. Prepare and utilize key performance indicators and financial ratios to analyze the College's capacity to assume debt.
9. Monitor compliance with federal tax law for tax-exempt bonds regarding use of proceeds, sizing of debt service funds, and utilization of debt service reserve accounts as appropriate.
10. Prepare materials in compliance with Continuing Disclosure Agreements from prior debt offerings and post on the Electronic Municipal Market Access System ("EMMA"). Track material events in accordance with those Agreements and post information for any material event as required under the Agreements.

IV. OBJECTIVES:

- A. The College shall provide the most efficient means of financing the College's short-term and long-term capital needs and to provide sufficient resources to pay for the College's obligations when they mature. General Obligation indebtedness shall only be used to finance legally allowable obligations including but not limited to major capital construction, acquisition and maintenance projects.
- B. The College shall issue bonds and other obligations in accordance with the guidelines and limitations set forth in the ORS Sections 287A and 241 and OAR 170-061 and all other applicable Federal, State and Local laws and regulations.
- C. The College shall maintain conservative financial policies, budgets and strategic planning efforts to support strong financial health both short-term and long-term and strive to:
  1. Reduce or avoid fluctuations in the debt rate;
  2. Minimize borrowing costs and tax-payer impact;
  3. Preserve or enhance the College's credit ratings;

4. Assure full, complete and accurate financial disclosure and reporting compliance;
5. Comply with applicable Federal, State and Local laws and regulations that govern public borrowing and issuance of bonds;
6. Provide sufficient funds to meet debt service requirements on all indebtedness;
7. Ensure full compliance with the terms and conditions outlined in the bond resolution.

V. DEBT ISSUANCE

A. Limitation on Indebtedness:

1. General obligation indebtedness shall be used to finance legally acceptable obligations such as but not limited to major capital construction, acquisition and maintenance projects, and pension obligations.
2. The College may consider using full faith and credit obligations to fund legally allowable obligations if sufficient revenues are available to pay the obligation in the future. In addition, the College may consider other types of lease arrangements if deemed beneficial to the College.
3. The College's outstanding debt shall not exceed 65 percent of the Colleges' legal debt margin.

B. Method of Sale:

1. The College shall choose between the following three bond sale methods: negotiated, competitive, or private placement, including placements directly to bank portfolios. Factors that may be considered when determining the most efficient or effective bond sale method include: bond market, bond structure, market timing, credit demand, credit acceptance, credit ratings, use of proceeds, bond size financing complexity, privacy of financial information, credit enhancement participation, desire to negotiate bond covenants.
2. When applicable or as required the College shall prepare and make available upon request, to bidders and investors, a preliminary official statement containing all relevant information required by Federal, State and Local law.

3. The College may obtain a credit enhancement device providing additional security for the payment of all or any portion of the amounts owing on the bonds or for the purpose of funding, in lieu of cash, all or any portion of the debt service reserve. Credit enhancement may be in the form of letter of credit, line of credit, municipal bond insurance, state bond guaranty or other device or facility used to enhance the creditworthiness or marketability of the obligations.

C. Debt Service

1. The College shall maintain a debt service fund to account for property tax revenues levied to pay for the maturing principal and interest of general obligation bonds and to establish an adequate fund balance to meet the cash outlay requirements until property tax revenues are received.
2. The College shall maintain a debt service fund to account for revenues designated to pay indebtedness other than GO bonds as appropriate to the situation.

D. Financing Proposals:

1. Financing proposals or other extensions of College credit through sale of securities, execution of loans or making of guarantees directly or indirectly, or the lending or pledging of the College credit, shall be referred to the President or designee for approval.

E. Financial Accountability:

1. The College shall establish a debt service fund to account for the revenues and other financing sources for payment of the maturing principal and interest on its outstanding obligations.
2. The College shall maintain adequate funds in the debt service account to meet the cash outlay requirement for payment of maturing principal and interest until property tax revenues and revenues from other financing sources are received.

F. Refunding

1. The College shall periodically monitor the changes in interest rates and where feasible and beneficial, refund the existing debt in accordance with the guidelines, procedures and policies of the Office of the State Treasurer and under Federal, State and Local law.
2. For advance refunding, a minimum of 3.00% in present value savings shall be achieved before proceeding.

3. For current refunding, the College shall review on a case-by-case basis the benefits that the refunding in question would generate.

G. Financial Advisors and Legal Counsel

1. The College shall employ professional, technical and legal services to ensure the most cost effective method of selling the bonds. These services may include legal services (bond counsel), financial advisory services, underwriters and paying agents.

H. Rating Agencies

1. The College shall secure ratings from at least two major rating agencies on all sales of indebtedness when it is deemed to be beneficial to the College.

I. Debt service reserves for non-voter approved obligations

1. Indebtedness under this category may include, but is not limited to, full faith and credit obligations (FFCs), revenue bonds, limited taxable general obligation bonds, pension obligation bonds and certain long-term lease financing.
2. Unlike voter approved obligations where the payment for debt service is made through an annual property tax levy, the resources to pay the debt service on non-voter approved obligations come from the general operating resources or from designated funding sources of the College.
3. As a guide, the College shall consider maintaining a debt service reserve equal to 100% of one year's debt service requirement. This is to allow the College to have more time to implement measures due to contractual obligations. The exact level will be determined on a case by case basis by the President. Exceptions can be made if the annual debt service payment on the indebtedness is under \$250,000 or as directed by the President when such an exception is warranted.

VI. POST ISSUANCE

A. Arbitrage Rebate Compliance and Other Post-issuance Responsibilities:

1. The College Debt Officer shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirement of the federal tax code and the College compliance procedures to include:



- a) Tracking investment earnings on bond proceeds, calculating rebate payments in compliance with the tax law, and remitting any earnings subject to rebate to the federal government in a timely manner in order to preserve the tax-exempt status of the College's outstanding tax-exempt or tax advantaged debt issues.
- b) Designated College staff shall:
  - (1) Maintain appropriate accounting records of the tax-exempt and tax-advantaged bond expenditures in compliance with legal and accounting requirements and to provide those records to the Financial Services Division on an as needed basis.
  - (2) Provide continuing disclosure to assist issuers in maintaining compliance with discloser standards promulgated by state and national regulatory bodies.

**B. Financial Disclosure:**

- 1. The College is committed to full and complete primary and secondary financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, the College's divisions, outside agencies and other levels of government and the general public to share clear, comprehensible, and accurate financial information.
  - a) The College is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.
  - b) Official statements accompanying debt issues, Comprehensive Annual Financial Reports and continuous disclosure statements will meet ( at a minimum), the standards articulated by the Government Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC), an Generally Accepted Accounting Principles (GAAP).
  - c) The President or designee shall be responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure standards promulgated by Federal and State regulatory bodies.

**C. Investment of Bond Proceeds**

- 1. Unless otherwise authorized by the Board, the College shall invest the proceeds from the sale of its bonds in accordance with its Investment Policy, Federal and State laws. Management may employ investment professionals to manage these proceeds.