

CHAPTER VI

FACILITIES PLANNING

SECTION III. CAPITAL OUTLAY PROJECTS FUNDED THROUGH ALTERNATIVE MEANS

Alternatively Financed Capital Improvement Projects.

1) Background -

Proper debt management is an important tool in the administration of a university. Tax-exempt debt is a financially responsible practice for project acquisition and construction within appropriate limitations and at appropriate interest rates, and with reasonable issuance costs. Furthermore, properly structured tax-exempt debt may be financially beneficial if borrowing rates are below potential investment returns of a university's cash reserves. Since debt is a limited resource of a university, the Board's goal is to structure and secure its obligations as cost-effectively as possible.

2) Purpose -

The purpose of this policy is to ensure that the process of financing projects through the issuance of traditional and/or non-traditional revenue bonds is such that the affected university and the University of Louisiana System will receive optimum value, benefit, and protection.

3) Policy on Debt Financing -

- a. Seek the most cost-effective method and financing package available.
- b. Closely scrutinize bond covenants to ensure optimum flexibility and security of university assets.
- c. Combine and coordinate, where practical, multiple small projects that can be financed in a single issuance. Bond issues of less than \$2.5 million should not be proposed without substantial justification and approval of the Board.
- d. Clearly identify the revenue source required to retire the debt.
- e. Debt financing, where applicable, should be an integral part of the University's comprehensive, long-term finance plans.
- f. The president and the chief financial officer shall exercise due diligence toward ensuring that all bond issuance fees and costs are competitive and in accordance

with applicable state statutes, the Attorney General's fee schedule, and industry norms.

g. Each proposal for a bond issuance, where applicable, shall include a capital improvement plan (scope-of-work, estimates and schedules), the project's pro forma including the financing plan, a financial and cash flow analysis, and cost-benefit analysis of funding alternatives.

h. The university should consider refinancing a single outstanding debt issue when net savings for that refinancing, measured on a net present value basis, are positive. To the extent possible, multiple refinancing(s) should be combined into a single transaction.

4) Evaluation Criteria-

Refer to the System Guidelines for Alternatively Financed Projects (12/7/07)

Each institution shall follow this policy and the related procedures and guidelines set forth in the PPM.