POLICY 2.69: DEBT MANAGEMENT

This policy, which applies to all debt instruments issued or proposed by the college — regardless of funding source or issuance basis, ensures that college debt is issued prudently and cost-effectively, supporting long-term financial planning and aligning with the college's strategic plan, master facility plan and fund balance policy.

This policy will be implemented in compliance with all applicable Illinois statutes governing debt issuance by an Illinois community college, including but not limited to the Illinois Public Community College Act (110 ILCS 805/), Local Government Debt Reform Act (30 ILCS 350/) and Bond Issue Notification Act (30 ILCS 352/). Furthermore, the college will comply with all applicable federal tax laws relating to arbitrage restrictions and rebate requirements for tax-exempt bonds.

In recognition of these principles, the president and vice president of business and finance will monitor the college's debt levels to maintain an appropriate range of debt in relation to the legal debt limit of 2.875% of assessed valuation. Prior to recommending that the board approve debt financing, the president and vice president of business and finance will evaluate the impact of the ongoing obligation on the current budget and future budgets, assess the maintenance and operational requirements of the project to be financed, identify the funding source of repayment, assess the ability of the college to repay the obligation, evaluate peer comparisons and consider the impact on the college's credit rating.

Debt proceeds should be targeted for capital projects or restructuring debt service and should not be used to finance current operations or for recurring needs. The term of the debt obligation won't exceed the useful life of the asset or the average life of the project or projects being financed. Bond proceeds will be invested in accordance with the college's investment policy and bond covenants as applicable.

The president will engage qualified legal, financial and advisory professionals to evaluate borrowing options. The college will generally conduct bond sales on a competitive basis in which the college and its financial advisor will set the terms of the sale to encourage as many bidders as possible. However, a negotiated financing or private placement may be pursued when appropriate. Once issued, the vice president of business and finance, with the assistance of qualified legal, financial and advisory professionals, will be responsible for monitoring outstanding debt for refunding opportunities, budgeting for and making debt service payments, as well as implementing continuing disclosure procedures and tax law compliance monitoring, including arbitrage rebate monitoring and filing.

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