

## **FUTURE ACTION ITEM #3**

### **Proposed Revisions to Board of Regents Policy #5 Debt Management Policy (Leslie Brunelli/Matt Skinner)**

TO ALL MEMBERS OF THE BOARD OF REGENTS

**SUBJECT:** Proposed revisions to Board of Regent Policy #5 Debt Management Policy

**PROPOSED:** That the WSU Board of Regents adopt the proposed revisions to the Board of Regents Policy #5 (BOR5) Debt Management Policy authorizing the issuance of short-term credit facilities, including lines of credit and establishing parameters and reporting requirements for its use.

**SUBMITTED BY:** Leslie Brunelli, Executive Vice President, Finance & Administration/CFO

**SUPPORTING INFORMATION:** Amidst a rapidly evolving environment for federal and state higher education funding, the University is actively evaluating its working capital balances and the impact on operating cash flows. In some unforeseen circumstances or scenarios, funding owed to the University could create a shortfall of cash to meet basic operational needs. In case of such a rare cash flow event, the University must have access to a revolving bank line of credit to create a short-term bridging of operating liquidity.

The proposed amendments to BOR5 would enable the Board to authorize the creation of a short-term credit facilities including lines of credit within BOR5. In an unanticipated rare disruption to operating cash flows, the use of a line of credit can aid in the short-term bridging of University liquidity. Utilizing a line of credit requires the creation of clear and strict parameters for authorization, repayment, and accountability reporting to the Board of Regents.

State law authorizes the Board of Regents of Washington State University to issue bonds, notes, or other evidence of indebtedness for various University purposes. No debt is issued without prior approval of the Regents, except where the Regents have delegated authority to issue refunding bonds when savings thresholds are met. BOR5 addresses the uses of debt instruments for the financing of university purposes and assigns responsibilities for the management of the University's debt portfolio. The policy is periodically reviewed and proposed revisions are developed in coordination with WSU's financial advisor PFM and bond counsel K&L Gates.

SUMMARY OF  
REVISIONS:

The proposed revisions to BOR5 stipulate specific authorizations and accountability requirements for the use of short-term credit facilities including a revolving line of credit. These include:

- Prior to drawing from a line of credit, the Executive Vice President for Finance and Administration consults with the President who will then advise the Chair of the Board of Regents and the Chair of the Finance and Administration Committee including the purpose and total amount to be drawn, the cost of borrowing, and source and timeline for repayment.
- At the next Board of Regents meeting, the Executive Vice President for Finance and Administration will report the action taken to utilize the short-term credit facility via information item.
- The Executive Vice President for Finance and Administration will provide written reports at each regular meeting until any outstanding short-term credit facility balance is repaid.
- As part of the annual debt report requirements, the Executive Vice President for Finance and Administration will report the status of any open revolving line of credit, including any outstanding drawn balances, the cost of borrowing, source and timeline for repayment, and remaining term on the credit facility.

ATTACHMENT: Redline version of the proposed revisions