

Chapter 145: Debt and Derivatives

145.010 Policy for Management and Oversight of Debt and Derivatives

Bd. Min. 1-31-13, Amended Bd. Min. 4-17-25

A. Introduction – This policy establishes guidelines for the management and oversight of external debt and derivatives. The authorities, responsibilities and reporting requirements outlined in this section shall be informed by the guidelines contained within the following (collectively, “Debt and Derivative Policies”):

1. CRR 145.015 Debt Management Guidelines
2. CRR 145.020 Derivatives Policy

B. Overview of Borrowing Programs – The following provides a basic overview of the two primary external borrowing programs approved by the Board of Curators. The detailed applicable provisions of each program, including applicable issue-specific issuance, payment and related logistical matters, are contained within board resolutions approved by the Board of Curators from time to time authorizing issuances of debt under such programs, and the associated offering documents.

1. System Facilities Revenue Bonds Program – Provides generally long-term financing for acquisition, construction, renovation or expansion of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues of the University’s revenue-producing system facilities, including campus bookstore receipts, housing and dining charges, hospital and patient services, and parking collections, as well as certain assessed fees, such as recreational facility fees, stadium surcharges, and student activity fees, and a portion of tuition and fees attributable to such facilities (collectively, “System Facilities Revenues”).

The University must continuously operate and maintain the facilities financed by the bonds and maintain sufficient rates and charges for use of such facilities as will allow the University to meet annual debt service requirements.

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Additionally, System Facilities Revenues, in aggregate, must at all times exceed 200% of the annual debt service requirements for the bonds in any given fiscal year.

2. Commercial Paper Program – Provides flexibility in managing the University’s overall debt program and may be utilized for various University financing needs including, but not limited to: a) capital projects, including the acquisition, construction, renovation or expansion of various University facilities, infrastructure or equipment, and b) providing a readily accessible source of funds for various working capital purposes.

Commercial Paper Notes (“CP Notes”) may be issued in taxable or tax-exempt form under the Commercial Paper program up to an aggregate amount authorized by the Board of Curators. Only taxable CP Notes may be utilized for working capital purposes. The maximum term of any CP Note is 270 days, and no more than \$100 million in CP Notes may mature within any seven calendar days.

CP Notes are limited obligations of the University payable solely out of and secured by a pledge of the University’s unrestricted revenues, which generally include state appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues.

- C. **Authorities** – The Board of Curators of the University of Missouri has the ultimate authority to determine the proper means for the management and oversight of the University’s debt and derivatives. Through this policy, the Board delegates certain specific authorities and responsibilities with respect to the management and oversight of debt and derivatives, which it has determined to be appropriate as described herein.

1. The following actions shall require Board of Curators approval after consideration of recommendations from University staff:
 - a. Approval of debt financing for individual capital projects with a total cost

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~~of \$5,000,000 or more~~, including the acquisition, construction, renovation or expansion of University facilities, infrastructure or equipment. ~~In addition to specific System Facilities Revenues and various other sources of funding, Facilities and Administrative Cost Recovery (“FACR”) may be used as an identified funding source for internal debt service on debt issued to build University research and academic buildings, while not technically pledged to secure external debt. The total amount of FACR authorized for this purpose shall not exceed 20% of the annual average total FACR generated by the University over the three most recent fiscal years; and, the total amount approved for a campus’ projects shall not exceed 20% of the annual average total FACR generated by the respective campus over the three most recent fiscal years. Exceptions to this policy can be made at the discretion of and by a vote of the Board of Curators.~~

- b. Issuance of debt, in any amount, under the System Facilities Revenue Bond Program.
- c. Determination of the maximum aggregate amount of CP Notes that may be outstanding at any one time under the Commercial Paper Program (“authorized amount”).
- d. Approval ~~of to engage in~~ Derivative Transactions as defined in CRR 145.020 “*Derivatives Policy*.” The authorizing resolution should clearly state the objective to be achieved by the transaction and the execution parameters should be consistent with the objective.

2. The following authority is hereby delegated by the Board to the Executive Vice President for of Finance and Administration or the & Operations, Chief Financial Officer and Treasurer:

- a. Within the Commercial Paper Program, issuance of CP Notes within the authorized amount of aggregate principal amount outstanding.

D. Responsibilities – The Executive Vice President for of Finance and Administration & Operations, Chief Financial Officer and Treasurer or her/his designees are responsible for the following:

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1. Implement and monitor Debt and Derivative Policies.
2. Review Debt and Derivative Policies on an annual basis, with policy amendments submitted to the Board of Curators as necessary.
3. Maintain accurate records and monitor compliance with any requirements for debt and derivatives.
4. Establish procedures to monitor the financial exposure and other risks associated with any Derivative Transaction as defined in CRR 145.020 "*Derivatives Policy*."
5. Periodic reporting to the Board as outlined in Section E of this policy.

E. Reporting – At minimum, the following reporting to the Board shall be required:

1. Quarterly: Summary of external debt and derivatives outstanding with appropriate metrics; listing of amount and general purpose of each CP Note currently outstanding (if any) under the Commercial Paper program.
2. Annually: Report of external debt authorized and outstanding by project; updated projections with respect to the University's estimated debt capacity; and, current credit ratings.