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**TITLE: DEBT ISSUANCE BY THE COLLEGE AND THE COLLEGE'S DIRECT SUPPORT ORGANIZATIONS**

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**AUTHORITY:**

**Florida Statutes 1001.64; 1004.70(4)(e); 1009.22; 1009.23**

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**POLICY:**

**I. College Debt**

**1. Financing Short Term and Long Term Debt**

The District Board of Trustees of Edison State College is authorized to enter into short term loans and installment, lease purchase, and other financing contracts for a term of not more than 5 years, including renewals, extensions, and refundings. Payments on short term loans and installment, lease purchase, and other financing contracts shall be subject to annual appropriation by the District Board of Trustees. The District Board of Trustees is authorized to borrow funds and incur long term debt, including promissory notes, installment sales agreements, lease purchase agreements, certificates of participation, and other similar long term financing arrangements, only specifically provided in Florida Statutes 1009.22(6) and (9) and 1009.23(11) and (12).

At the option of the District Board of Trustees, bonds issued pursuant to Sections 1009.22(6) and (9) and 1009.23(11) and (12) Florida Statutes may be secured by a combination of revenues authorized to be pledged to bonds pursuant to such subsections. Long term debt financing is restricted to:

- a. Capital Improvement Fee revenues
- b. Parking Fee revenues
- c. Motor Vehicle License Revenues (Capital Outlay and Debt Service)

Revenue bonds may not be secured by or paid from, directly or indirectly, tuition, financial aid fees, the Community College Program Fund, or any other operating revenues of the College. Lease purchase agreements may be secured by a combination of revenues as specifically authorized pursuant to Sections 1009.22(6) and 1009.23(11) Florida Statutes. Long term debt must be financed through the Division of Bond Finance, except for the pledge of parking fee revenue for a period of seven years or less.

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**II. Direct Support Organization Debt**

Except as expressly set forth below, the District Board of Trustees must authorize all debt incurred by a direct support organization. Such debt shall:

**1. Definitions**

For purposes of this Policy:

- a) "Debt" means bonds, loans, promissory notes, lease-purchase agreements, certificates of participation, installment sales, or any other financing mechanism or financial arrangement whether or not a debt for legal purposes, for financing or refinancing purposes including any related renewals, extensions and refunding, for or on behalf of a direct support organization for the acquisition of goods, materials, equipment and services.
- b) "Short-term Debt" is defined for the purpose of these guidelines as any debt issued for a term of not more than five years.

**2. Financing Short-Term Debt**

The District Board of Trustees hereby delegates to the Board of Directors of Edison State College Foundation, Inc. and the Board of Directors of Edison State College Financing Corporation the authority to approve short-term debt in an amount not to exceed one hundred thousand dollars (\$100,000) in the aggregate total amount. All short-term debt in excess of the delegated limit must be approved by the District Board of Trustees. The following guiding principles should be considered with regard to any debt issued by Edison State College Foundation, Inc. and Edison State College Financing Corporation pursuant to this delegation of authority:

1. The debt should be competitively bid;
2. The use of the funds must serve the interest of Edison State College;
3. Edison State College Foundation, Inc. and Edison State College Financing Corporation cannot pledge an endowment or restricted donor funds as collateral; and,
4. The revenue stream pledged to repay the loan must be reasonably certain and able to cover the required annual payments.

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**3. Issuance of Long-Term Debt**

All debt issued with a term of more than five years (long-term debt) must be approved by the District Board of Trustees and will be evaluated in accordance with these guidelines. After completing an evaluation of a proposal for issuance of long-term debt, the District Board of Trustees will take formal action regarding the proposal.

**4. Forms of Debt**

Debt of the College's Direct Support Organizations (DSO) may be issued as either fixed rate debt or variable rate debt, subject to the approval of the District Board of Trustees, and based on the following considerations, in addition to other considerations contained, or referred to, in this Policy:

- a) Fixed Rate Debt. Fixed rate debt will be the primary source of capital infrastructure financing.
- b) Variable Rate Debt. The amount of variable rate debt will vary depending on capital market conditions, level of interest rates, and financing structures available to the respective DSO. Due to the typically low interest rate cost of variable rate debt relative to fixed rate debt, it may be beneficial for the DSO to issue debt in a variable rate format for any given financing. Variable rate debt, however, introduces a number of significant risks: the potential volatility of debt service requirements; a risk that the associated financing or credit arrangement may expire prior to the maturity of the underlying debt, thereby exposing the DSO to difficult or costly renewal or replacement of the financing or credit arrangement; financing arrangements that may include rating triggers or covenants that could accelerate debt payment and collateral pledge requirements. Thus, variable rate debt should be limited to circumstances where fixed rate committed funding for the full term of the debt is not available or the terms are not deemed to be reasonable and prudent by the District Board of Trustees.

**5. Financial Management Related to Debt**

Edison State College Administration will develop operating procedures for advising the District Board of Trustees on the use of derivative financial instruments, including interest rate swaps, and the ongoing monitoring and evaluation of such instruments.

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**POLICY:**

**6. Evaluation of Debt by the District Board of Trustees**

All short-term debt of the Edison State College Foundation, Inc. and the Edison State College Financing Corporation beyond the delegated authority and all long-term debt shall be evaluated by the District Board of Trustees pursuant to the Debt Evaluation Guidelines for Community College Direct Support Organizations issued by the Florida Department of Education, as those guidelines may be modified from time to time as set forth in the College's Operating Procedures.

**7. Effect**

The foregoing shall be effective immediately and apply prospectively to all Edison State College Foundation, Inc. and Edison State College Financing Corporation debt and not affect adversely debt currently outstanding or projects approved by the District Board of Trustees prior to the implementation of these guidelines.

Reviewed and approved by General Counsel on: 09/16/10; 11/30/10