

BOARD OF TRUSTEES OF THE NEBRASKA STATE COLLEGES
ITEMS FOR DISCUSSION AND ACTION\FISCAL, FACILITIES AND AUDIT

ACTION: **First and Final Round Approval of Revisions to Board Policy 9005; Revenue Bonds; Debt Service Coverage; Payment of Utilities**

Board policy 9005 is being updated, reformatted and renamed Debt Service Coverage Ratio. The proposed policy will now only deal with the required Master Resolution Coverage Ratio requirement of 110% and the Board's imposed coverage ratio. The previous policy required that PSC have a coverage ratio of 135%, with WSC and CSC at 125%. The approval of the policy will make the individual coverage ratio requirement 125% for all three colleges.

Language related to the setting of fees is already addressed in policy 9004 so is being removed. The language regarding the use of state funds to pay utilities is being moved to a new policy 9006.

The draft policy has been reviewed by the appropriate councils and legal counsel.

The System Office recommends approval of the Revisions to Board Policy 9005; Revenue Bonds; Debt Service Coverage; Payment of Utilities.

ATTACHMENTS:

- Revisions to Board Policy 9005 (PDF)

Board of Trustees of the Nebraska State Colleges

Auxiliary System

POLICY NAME: ~~Revenue Bonds; Debt Service Coverage; Payment of Utilities~~Debt Service Coverage Ratio

POLICY NUMBER: 9005

A. PURPOSE

To identify the required debt service coverage ratios for the Auxiliary System.

B. DEFINITIONS

1. **Auxiliary System** – Facilities comprised of housing facilities, buildings and structures used for athletic and wellness purposes, student centers, medical centers and parking facilities.
2. **Coverage Ratio** – The ratio of the annual net revenues to the annual debt service.
3. **Master Resolution** – The Board adopted a Master Resolution on June 11, 2002 that created a combined system of housing and auxiliary facilities for the three Colleges. The Master Resolution contains the bond covenants.

C. POLICY

1. Master Resolution Coverage Ratio

The Master Resolution requires a system coverage ratio for the Auxiliary System, which includes the bonded facilities at all three eColleges to be at a minimum of 110%. The Board will adopt and revise from time to time, when necessary, such rentals, rates, fees and charges with respect to the revenue bond facilities as may be necessary so that the revenues from the facilities, after deducting the costs of operating and maintaining them shall be equal at least to the coverage ratio required by the indenture for the principal and interest due on the bonds for that fiscal year. While the individual indentures require a 110% coverage for all three Colleges,

2. Board Established Coverage Ratios

it is the Board's policy that Chadron State College and Wayne State College maintain a minimum 125% debt service coverage and Peru State College a

~~135% debt service coverage ratio each fiscal year. The Board requires that individually the Colleges shall maintain a coverage ratio of at least 125%.~~

2.1. Falling Below Coverage Ratio

The President shall notify the Chancellor, and the Chancellor shall notify the Board, as soon as it is known, if unexpected and/or unplanned circumstances have occurred which will cause the debt service coverage factor to temporarily dip below the 125% ~~above referenced ratio.~~

- The official measurement date of the 125% is at the end of each fiscal year.

This language is being moved to a new policy – 9006.

~~The Board may, at its discretion, furnish heat, light, power and other similar utilities for the revenue bond facilities without charging the same against the revenues thereof.~~

FORMS/APPENDICES:

None

SOURCE:

~~Neb. Rev. Stat. RRS 85-409~~ — ~~Campus buildings and facilities; heat, light, power; board furnish~~

Policy Adopted: March 1994

Policy Revised: August 1997, September 2006, November 2013, June 2023