
Subject: Debt Capacity

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1. Purpose

This policy addresses the need to establish a limit on the amount of debt carried by the college at any given time in order to maintain the college’s record of sound fiscal management. It uses the [Commonwealth of Virginia’s Debt Capacity Advisory Committee’s annual report](#) as a guideline in establishing the limit.

This policy addresses debt which will be paid with state operating (General and Non-General) funds only; it does not address capital or other projects which are funded from external sources such as General Obligation Bonds or state legislated appropriations.

2. Policy

Debt service may be used for major investments in technology, equipment, infrastructure, etc. In order to demonstrate fiscal integrity, the college will strive to maintain a debt service to state operating budget ratio not to exceed two percent on an annual basis (well below the Commonwealth’s ratio of five percent).

Debt Capacity for the college will be computed on an annual basis. The computation of Debt Capacity does not constitute a recommendation to issue debt; rather, it will ensure that the college does not overextend its resources to an unhealthy level. It will be computed each January so that the information will be available for spring budget deliberations.

3. Responsibilities

The Vice President for Administration & Chief Financial Officer shall compute TCC's Debt Capacity in accordance with this policy annually in January based on projected revenues in the forthcoming fiscal year and shall be responsible for insuring that the college does not exceed its Debt Capacity.

4. Procedures

No procedures are associated with implementation of this policy.

5. Definitions

Debt Capacity. The ratio of debt service to revenues. The Commonwealth's debt capacity model uses the ratio of tax-supported debt service as a percentage of revenues in its base calculation and has deemed that this ratio should not exceed five percent.

6. References

[Commonwealth of Virginia's Debt Capacity Advisory Committee Report](#)

7. Review Periodicity and Responsibility

The Vice President for Administration & Chief Financial Officer shall review this policy annually on the anniversary of its approval and, if necessary, recommend revisions.

8. Effective Date and Approval

This policy is effective upon its approval by the College President on December 6, 2021.

Policy Approved:

Dr. Marcia Conston
President

Procedure Developed:

Heather Hardiman
Vice President for Administration & Chief
Financial Officer

9. Review and Revision History

The initial version of this policy was approved July 8, 2004.

Revision	Description	Date Approved
1	Updates position titles.	December 6, 2021