



Applies to: All university personnel responsible for the management of university debt

Responsible Office: **Office of Business and Finance**

POLICY

Issued: 03/04/2005

Revised: 04/06/2012

Reviewed: 06/29/2015

The university recognizes issuance of university-backed debt as an important resource to employ in support of the institution's academic goals. To best accomplish these academic goals in a way that makes best use of this limited resource, the university will follow these principles.

Policy Details

I. Principles Regarding Use of University External Debt

- A. Access to university issued debt is not an entitlement. Debt will be granted only to those projects approved through the university's capital process and initiatives consistent with the Academic Plan and university strategic goals.
- B. No debt can be issued without prior recommendation by the senior vice president for business and finance (CFO), and the vice president of financial services (treasurer), and approval by the Board of Trustees.
- C. The university seeks to maintain a credit rating of at least AA or its equivalent.
- D. The university should seek to limit debt service payments to no more than 5% of annual operating expenditures.
- E. The university should use variable rate debt consistent with market conditions.
- F. Capitalization of interest is discouraged.
- G. All debt issued on behalf of a project sponsored by a unit shall include an approved business plan as part of a signed memorandum of understanding (MOU) that specifies how the debt service will be paid.
- H. The benefiting unit shall be responsible for the repayment of debt and associated costs.
- I. Refinancing of debt is permissible if the present value savings is at least three percent.
- J. No project will proceed to design unless 10% of total project budget is available to fund design costs. No project will proceed to construction until 75% of the written pledges, cash receipts, or other acceptable guarantees have been received in accordance with guidelines developed by the university.

II. Principles Regarding the Use of the Internal Bank

- A. Internal loans or lines of credit may be granted to units for strategic purposes consistent with the Academic Plan and university strategic goals.
- B. A memorandum of understanding (MOU) specifying payback schedule must be fully executed by all parties prior to funding being released.
- C. Recipients must identify the source of repayment and an approved business plan as part of a memorandum of understanding (MOU).
- D. Requests for a university internal loan or line of credit are submitted to the office of the senior vice president for business and finance by the appropriate dean or vice president.
- E. Approval should not be assumed unless received in writing from the office of the senior vice president for business and finance.
- F. Principal is expected to be paid down in regular installments consistent with the approved agreement. Balloon payments are discouraged.



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- G. All requests for internal bank funding must be approved by the requesting unit’s vice president or dean and the senior vice president for business and finance.
 - H. Agreements for more than ten years, or more than \$10 million are not encouraged except for exceptional circumstances and require prior approval by both the senior vice president for business and finance and the Internal Bank Committee.
 - I. Regardless of source, all leases, internal loans and lines of credit to affiliated entities require approval by the Internal Bank Committee.
 - J. Early repayment is encouraged with no penalty.
 - K. The senior vice president for business and finance shall report annually to the Finance Committee of the Board of Trustees on all approved loans and lines of credit and their disposition.
 - L. These guidelines affect new loans and lines of credit only. Written agreements currently in effect will be honored as written.
- III. Principles Regarding Capital and Operating Leases
- A. All leases must be approved by the senior vice president for business and finance or his/her designee.
 - B. All leases of a present value of \$10 million or more must be approved by the Board of Trustees.
 - C. The decision as to whether a lease is a capital or operating lease shall be made at the discretion of the office of the controller, in consultation with the Office of Legal Affairs and the Office of Financial Services.

PROCEDURE

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Contacts

Subject	Office	Telephone	E-mail/URL
Policy questions	Office of Financial Services, Office of Business and Finance	614-292-6261	u.osu.edu/treasurer/

History

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