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

Purpose of the Policy
To maintain the highest levels of fiscal stewardship, to ensure university investments further the university’s mission, and to comply with all university, state, and federal laws and reporting requirements.

Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exception</td>
<td>Any violation of or noncompliance with a university policy issued by the Office of Business and Finance (Business and Finance).</td>
</tr>
<tr>
<td>Financing lease</td>
<td>A lease in which the unit will own or have the option to purchase at a nominal price the equipment or asset being financed at the end of the lease.</td>
</tr>
<tr>
<td>In-hand</td>
<td>Funds that are held by or have been received by the university and are dedicated to the project.</td>
</tr>
<tr>
<td>Pledged</td>
<td>Fundraising gifts dedicated to the project that are evidenced by a signed pledge agreement.</td>
</tr>
<tr>
<td>Unit</td>
<td>College or administrative unit.</td>
</tr>
<tr>
<td>Unit leader</td>
<td>Head of college or administrative unit (e.g., dean, senior vice president, president, provost).</td>
</tr>
<tr>
<td>Waiver</td>
<td>Permission granted to a unit to operate differently than specified or required by a university policy issued by Business and Finance.</td>
</tr>
</tbody>
</table>

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 planning process and initiatives consistent with the university vision, mission, and values.
   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. Refinancing of debt is permissible provided that:
      1. An advance refunding transaction is expected to generate net present value savings at least three percent or greater, and
      2. A current refunding transaction is expected to generate net present value savings greater than the cost of the refunding transaction.
II. Principles Regarding Capital Facilities Improvement Projects
   A. Major capital facilities improvement projects must be supported by a Project Funding Agreement that sets forth the total project cost, cash flows, and funding sources/commitments. The Project Funding Agreement must include documentation supporting the amount and availability of each funding source, including confirmation of cash funding, debt funding via an internal bank memorandum of understanding (MOU), agreements evidencing third-party funding commitments and, if a fundraising component is included, a fundraising plan (see Policy Details IV below).
   B. Project Funding Agreements must be reviewed and approved by the Office of Business and Finance, the Office of Administration and Planning, the sponsoring unit and, if a fundraising component is included, the Office of Advancement prior to inclusion in the university’s capital plan.
   C. It is the responsibility of the sponsoring unit to notify the Office of Business and Finance if funding sources/commitments have changed and to secure an appropriately amended Project Funding Agreement.
   D. Capital facilities improvement projects will not enter into the design/professional services stage, or if applicable pursuant to the Board of Trustees Review and Approval of Facilities Improvement Projects and Real Estate Transactions policy request design/professional services approval from the Board of Trustees, until:
      1. 75% of targeted fundraising is pledged, 100% of debt funding is evidenced by an executed internal bank MOU, and 100% of cash funding is in-hand; and
      2. The Project Funding Agreement has been reviewed, updated (if necessary), and approved pursuant to II.B above.
   E. For capital facilities improvement projects approved for design/professional services only, the sponsoring unit assumes financial responsibility for all expenses incurred if the project does not move forward to construction.
   F. Capital facilities improvement projects will not proceed to construction or, if applicable pursuant to the Board of Trustees Review and Approval of Facilities Improvement Projects and Real Estate Transactions policy request construction approval from the Board of Trustees until:
      1. 100% of targeted fundraising is pledged, 100% of debt funding is evidenced by an executed internal bank MOU, and 100% of cash and other funding is in-hand; and
      2. The Project Funding Agreement has been reviewed, updated (if necessary), and approved pursuant to II.B above.
   G. Internal loans or lines of credit are available for cash-flow gap funding to the extent they are secured by fundraising pledges or by contributions from third parties.
   H. Changes to the funding requirements applicable to design/professional services and construction approval set forth in II. D-. and F above. above may be made on a project-by-project basis upon approval by the university president.

III. 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 university’s vision, mission, and values.
   B. All requests for internal bank funding must be approved by the requesting unit leader and the senior vice president for business and finance (CFO).
   C. An MOU setting forth terms, conditions and payback schedule must be fully executed by the sponsoring unit leader, the senior vice president for business and finance (CFO) and the vice president of financial services (treasurer) prior to funding being released. For loans supporting capital facilities improvement projects, a fully executed MOU must be in place prior to requesting design/professional services or construction approval.
   D. Recipients must identify the source of repayment and provide an approved business plan as part of the MOU.
   E. Regardless of source, all internal loans and lines of credit to affiliated entities require approval by the senior vice president for business and finance (CFO) and the vice president of financial services (treasurer).
University Debt

University Policy

Applies to: University personnel responsible for the management of the university’s debt and internal bank, and units undertaking capital facilities improvement projects, seeking use of the university’s internal bank funds, or entering into a financing lease

F. Early repayment is encouraged with no penalty.
G. The senior vice president for business and finance (CFO) must report annually to the Audit, Finance & Investment Committee of the Board of Trustees on all approved internal loans and lines of credit and their disposition.

IV. Principles Regarding Capital Project Fundraising Plans
A. All major capital projects over $4 million in size that include a fundraising component must include a Fundraising Plan prepared by the Office of Advancement and approved by the unit leader, the senior vice president for advancement, the senior vice president for business and finance (CFO) and the university president. All fundraising plans must be reviewed with the Board of Trustees prior to implementation of the plan.
B. Each Fundraising Plan will include the following elements:
   1. An established project fundraising goal;
   2. Proposed solicitation timeline and an estimate of timing with respect to pledged amounts reaching the thresholds identified in II above;
   3. A listing of the number of potential donors sorted by range of planned asks; and
   4. Rationale supporting the fundraising goal in consideration of prospective donors and all other university or college fundraising priorities.
C. All major capital projects with an approved fundraising plan will be included and progress tracked as part of the capital fundraising scorecard, as presented to the Board of Trustees.

V. Principles Regarding Financing Leases
A. All leases must be approved by the senior vice president for business and finance (CFO) or designee.
B. All leases of a present value of $10 million or more must be approved by the Board of Trustees.
C. For additional information on leases refer to the university’s Purchasing policy.

PROCEDURE

Issued: 03/04/2005
Revised: 05/19/2022
Edited: 06/01/2022

I. Use of the Internal Bank
A. Requests for a university internal loan or line of credit are submitted on an Request for Internal Bank Financing form to the office of Financial Services.
B. Approval should not be assumed unless received in writing from the office of the senior vice president for business and finance (CFO).
C. Principal is expected to be paid down in regular installments consistent with the approved agreement. Balloon payments are discouraged.

II. Waivers to this policy must be approved in advance and documented by the Office of Business and Finance, using the Business and Finance University Policy Waiver Request.

III. Policy Violations
A. All policy violations must be tracked as an exception in accordance with the Fiscal Stewardship policy.
B. The university may require successful completion of training.
C. The university may enforce corrective action, up to and including termination, in accordance with applicable policies or rules.
D. The university may seek restitution, as appropriate.
E. Criminal charges may be filed, as appropriate.
University Debt

University Policy

Applies to: University personnel responsible for the management of the university’s debt and internal bank, and units undertaking capital facilities improvement projects, seeking use of the university’s internal bank funds, or entering into a financing lease

Responsibilities

<table>
<thead>
<tr>
<th>Position or Office</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| Board of Trustees  | 1. Approve debt to be issued as appropriate.  
2. Approve all leases of a present value of $10 million or more. |
| Office of Administration and Planning | Review and approve Project Funding Agreements. |
| Office of Advancement | 1. Review and approve Project Funding Agreements that contain a fundraising component.  
2. Prepare Fundraising Plans for capital projects over $4 million in size that include a fundraising component. |
| Office of Business and Finance | 1. Review and approve Project Funding Agreements.  
2. Approve and document waiver requests. |
| Office of the senior VP for business and finance | Issue written approvals for all university internal loans or lines of credit. |
| Parties to university internal loans or lines of credit | 1. Execute MOUs prior to funding being released.  
2. Execute MOUs prior to requesting design/professional services or construction approval in cases of capital facilities improvement projects. |
| President | 1. Approve changes to funding requirements as set forth in the policy.  
2. Approve Fundraising Plans for capital projects over $4 million in size that include a fundraising component. |
| Recipients of university internal loans or lines of credit | 1. Identify sources of repayment and approved business plans in required MOUs.  
2. Pay principal down in regular installments consistent with approved agreements. |
| Senior VP for advancement | Approve Fundraising Plans for capital projects over $4 million in size that include a fundraising component. |
| Senior VP for business and finance (CFO) | 1. Recommend to the Board of Trustees that debt be issued as appropriate.  
2. Approve requests for internal bank funding.  
3. Execute MOUs as outlined in the policy.  
4. Approve internal loans and lines of credit to affiliated entities.  
5. Approve Fundraising Plans for capital projects over $4 million in size that include a fundraising component.  
6. Report annually to the Audit, Finance & Investment Committee of the Board of Trustees on all approved loans and lines of credit and their disposition.  
7. Approve all financing leases (or designee). |
| Unit | 1. Review and approve Project Funding Agreements.  
2. Notify the Office of Business and Finance if funding commitments have changed and amend the Project Funding Agreement appropriately.  
3. Assume financial responsibility for all expenses incurred if a capital facilities improvement project approved for design only does not move forward to construction.  
4. Submit requests for university internal loans or lines of credit to the office of Financial Services. |
| Unit leader | 1. Approve requests for internal bank funding.  
2. Execute MOUs as outlined in the policy.  
3. Approve Fundraising Plans for capital projects over $4 million in size that include a fundraising component. |
| Vice president of financial services (treasurer) | 1. Recommend to the Board of Trustees that debt be issued as appropriate.  
2. Execute MOUs as outlined in the policy.  
3. Approve internal loans and lines of credit to affiliated entities. |

Resources

University Policies, [policies.osu.edu/](http://policies.osu.edu/)
Affiliated Entities, [legal.osu.edu/sites/default/files/pdf/AffiliatedEntitiesPolicy.pdf](http://legal.osu.edu/sites/default/files/pdf/AffiliatedEntitiesPolicy.pdf)
Board of Trustees Review and Approval of Facilities Improvement Projects and Real Estate Transactions, [go.osu.edu/bot-review-approval](http://go.osu.edu/bot-review-approval)
Applications to: University personnel responsible for the management of the university’s debt and internal bank, and units undertaking capital facilities improvement projects, seeking use of the university’s internal bank funds, or entering into a financing lease.

Fiscal Stewardship, go.osu.edu/fiscal-stewardship-policy
Purchasing, go.osu.edu/purchasing-policy

Forms and Other Resources
- Business and Finance University Policy Waiver Request, docsusign.net/Member/PowerFormSigning.aspx?PowerFormId=fd68959a-4af8-48bb-a0ae-67521b9ad821&env=na1&acct=387d1013-fb1c-4705-9bd9-7c1575f484ce&v=2
- Ohio State Vision, Mission, Values, oaa.osu.edu/vision-mission-values
- Request for Internal Bank Financing form, busfin.osu.edu/sites/default/files/internal_bank_loan_application.pdf

Contacts

<table>
<thead>
<tr>
<th>Subject</th>
<th>Office</th>
<th>Telephone</th>
<th>E-mail/URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy questions</td>
<td>Debt Management, Office of Business and Finance</td>
<td>614-292-6261</td>
<td>busfin.osu.edu/debt-management</td>
</tr>
<tr>
<td>Affiliated entities</td>
<td>Office of Legal Affairs</td>
<td>614-292-0611</td>
<td>legal.osu.edu</td>
</tr>
<tr>
<td>Accounting for leases</td>
<td>Controller's Office, Office of Business and Finance</td>
<td>614-292-6220</td>
<td>busfin.osu.edu/controller</td>
</tr>
</tbody>
</table>

History

- Issued: 03/04/2005 Board of Trustees resolution #2005-106
- Revised: 05/13/2010 Board of Trustees resolution #2010-91
- Revised: 04/06/2012 Board of Trustees resolution #2012-89
- Reviewed: 06/29/2015
- Revised: 10/01/2018 Minor revision
- Edited: 06/01/2019 Number removed from title
- Revised: 01/07/2021 Minor revision
- Revised: 05/19/2022 Board of Trustees resolution #2022-137
- Edited: 06/01/2022 Updated links and aligned to university policy template