



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: 10/01/2018

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.

Purpose of the Policy

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

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's [mission, values, and 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. 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. Proposed capital facilities improvement projects must have funding sources/commitments identified as part of an initial Project Funding Agreement which must be reviewed and approved by the Office of Business and Finance and the Office of Administration and Planning, prior to inclusion in the university's capital plan.
 - B. Project Funding Agreements containing a fundraising component must also be reviewed and approved by the senior vice president for advancement (or designee).
 - C. It is the responsibility of the college/unit to notify the Office of Business and Finance if funding commitments have changed and to appropriately amend the Project Funding Agreement.
 - D. Capital facilities improvement projects will not enter into professional services, or if applicable pursuant to University Policy #3.30 (Board of Trustees Review and Approval of Facilities Improvement Projects and Real Estate Transactions) request professional services approval from the Board of Trustees, until:
 1. Ten percent of the anticipated project costs outlined in the Project Funding Agreement are available and committed to fund such costs; and



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2. The Project Funding Agreement has been updated, reviewed, and approved pursuant to provision IIA-B. Board of Trustees/capital plan professional services approval does not constitute construction approval.
 - E. For facility projects approved for design only, the sponsoring college/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 University Policy 3.30 (Board of Trustees Review and Approval of Facilities Improvement Projects and Real Estate Transactions) to the Board of Trustees for construction approval, until 100% of the funding has been identified, validated, and anticipated funding sources (e.g., written pledges, cash receipts, future fundraising) have been adequately solidified in a fully executed and finalized Project Funding Agreement.
 - G. Finalized Project Funding Agreements must be reviewed and executed by the senior vice president for business and finance (or designee), the senior vice president for administration and planning (or designee), the senior vice president for advancement (or designee) (if applicable), and the dean/VP of the responsible college/unit.
 - H. If gap funding is required, an approved internal bank memorandum of understanding (MOU) or evidence of other acceptable guarantees (written commitment of unit cash reserves or other) must be in place and accompany the Project Funding Agreement.
- 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 [mission, values, and goals](#).
 - B. An MOU specifying payback schedule must be fully executed by all parties prior to funding being released. In cases of capital facilities improvement projects a fully executed MOU must be in place prior to requesting construction approval.
 - C. Recipients must identify the source of repayment and an approved business plan as part of the MOU.
 - D. All requests for [internal bank funding](#) must be approved by the requesting unit's dean/VP and the senior vice president for business and finance.
 - E. Agreements for more than 10 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.
 - F. Regardless of source, all leases, internal loans, and lines of credit to affiliated entities require approval by the Internal Bank Committee.
 - G. Early repayment is encouraged with no penalty.
 - H. The senior vice president for business and finance must report annually to the Finance Committee of the Board of Trustees on all approved loans and lines of credit and their disposition.
 - I. These guidelines affect new loans and lines of credit only. Written agreements currently in effect will be honored as written.
- IV. Principles regarding capital and operating leases.
- A. All leases must be approved by the senior vice president for business and finance or her/his 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 will 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.



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PROCEDURE

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

Responsibilities

Position or Office	Responsibilities
Board of Trustees	<ol style="list-style-type: none"> 1. Approve debt to be issued as appropriate. 2. Approve all leases of a present value of \$10 million or more.
College/VP unit	<ol style="list-style-type: none"> 1. Notify the Office of Business and Finance if funding commitments have changed and amend the Project Funding Agreement. 2. Assume financial responsibility for all expenses incurred if a project approved for design only does not move forward to construction.
Dean/VP of responsible unit	<ol style="list-style-type: none"> 1. Review and approve Project Funding Agreements. 2. Submit requests for university internal loans or lines of credit to the Office of the Senior VP for Business and Finance. 3. Approve requests for internal bank funding.
Internal Bank Committee	<ol style="list-style-type: none"> 1. Issue advance approval for agreements for more than 10 years or more than \$10 million. 2. Approve all leases, internal loans, and lines of credit to affiliated entities.
Office of Administration and Planning	Review and approve Project Funding Agreements.
Office of Business and Finance	Review and approve Project Funding Agreements.
Office of Financial Services	Consult with the Office of the Controller as to whether a lease is a capital or operating lease.
Office of Legal Affairs	Consult with the Office of the Controller as to whether a lease is a capital or operating lease.
Office of the Controller	Decide as to whether a lease is a capital or operating lease in consultation with the Offices of Legal Affairs and Financial Services.
Office of the Senior VP for Business and Finance	Issue written approvals for university internal loans or lines of credit.
Recipients	<ol style="list-style-type: none"> 1. Identify the source of repayment and an approved business plan as a part of the MOU. 2. Pay principal down in regular installments consistent with the approved agreement.
Senior VP for administration & planning	Review and approve Project Funding Agreements.
Senior VP for advancement	Review and approve Project Funding Agreements that contain a fundraising component.
Senior VP for business and finance	<ol style="list-style-type: none"> 1. Recommend to the Board of Trustees that debt be issued as appropriate. 2. Approve requests for internal bank funding. 3. Issue advance approval for agreements for more than 10 years or more than \$10 million. 4. Report annually to the BOT Finance Committee on all approved loans and lines of credit and their disposition. 5. Approve all capital and operating leases (or designee).



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Position or Office	Responsibilities
Vice president of financial services (treasurer)	Recommend to the Board of Trustees that debt be issued as appropriate.

Resources

University Policies (all located at policies.osu.edu/)

Affiliated Entities, legal.osu.edu/sites/default/files/pdf/AffiliatedEntitiesPolicy.pdf

Board of Trustees Review and Approval of Facilities Improvement Projects and Real Estate Transactions, 3.30, ap.osu.edu/sites/default/files/330_bot-review-approval.pdf

Request for Internal Bank Financing form, busfin.osu.edu/policies-forms

Contacts

Subject	Office	Telephone	E-mail/URL
Policy questions	Debt Management, Office of Business and Finance	614-292-6261	busfin.osu.edu/debt-management
Affiliated entities	Office of Legal Affairs	614-292-0611	legal.osu.edu/
Capital v. operating leases	Office of the Controller, Office of Business and Finance	614-292-6220 Fax: 614-688-3572	busfin.osu.edu/controller

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)