

# FY 2023 Internal Bank Update

Office of Financial Services

Jake Wozniak, University Treasurer  
Finance & Investment Committee | August 17, 2023

Jake Wozniak, Treasurer and Vice President Financial Services & Innovation, Deputy CFO

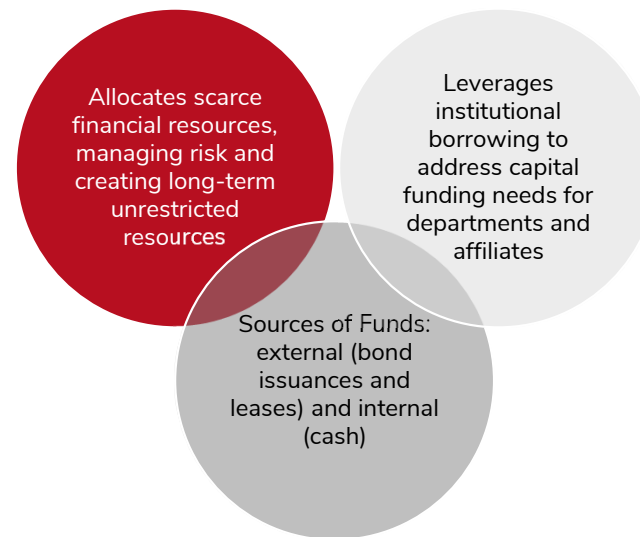
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# Internal Bank Overview

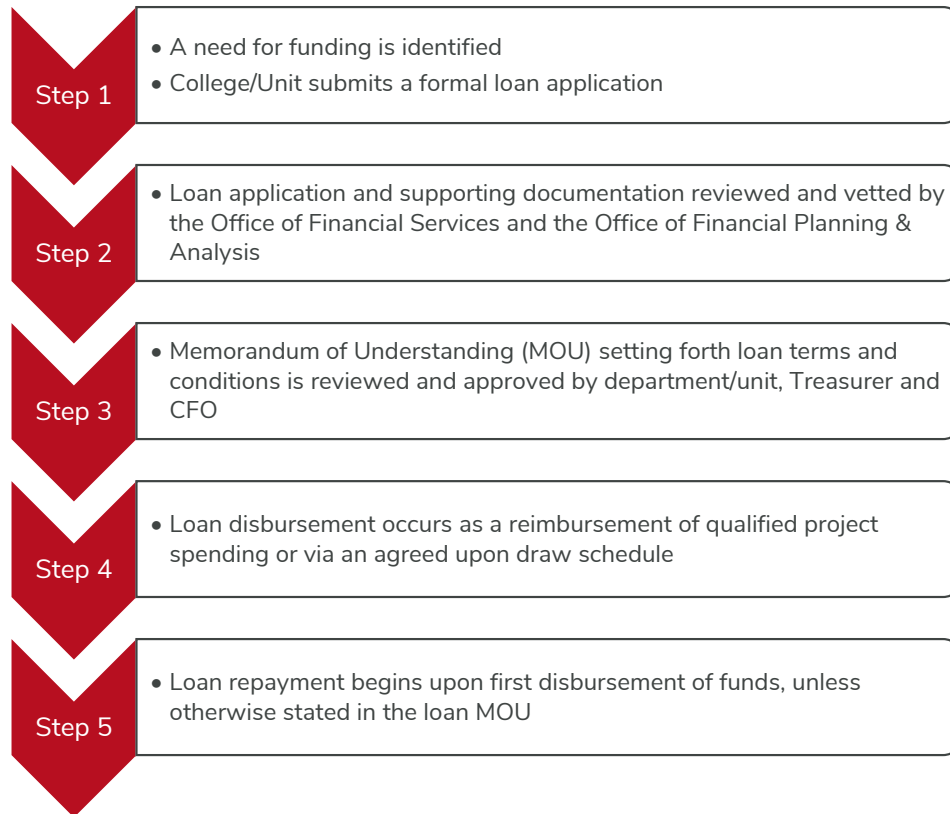
The Office of Financial Services (OFS) manages cash, investments, and debt for the university and serves as a “bank” to university departments by issuing debt, approving loans, and administering debt and loan disbursements and repayments. The internal bank coordinates these activities and provides a consolidated view of the associated assets, liabilities, revenues and expenses.

- **Policy:** Internal bank loans and capital equipment leases must adhere to the principles set forth in sections three and five of the University’s Debt Policy.
- **Governance:** Oversight is provided by the Office of Financial Services and Financial Planning & Analysis.
- **Scope:** Internal Bank loans address three purposes:
  - Capital project financing (1-30 years).
  - Equipment leases (1-10 years).
  - Capital project cash flow ‘gap’ loans (1-5 years).
- **Capital Planning Process:** Internal Bank loans are analyzed as a potential funding source for projects during the university’s capital planning process.
- **Rates:** Updated quarterly, each loan/lease rate is based on the term, asset life, and prevailing market conditions. Current loan/lease rates range from 3.25% to 4.75%.



# Internal Bank Process and Loan Portfolio

## Loan Process

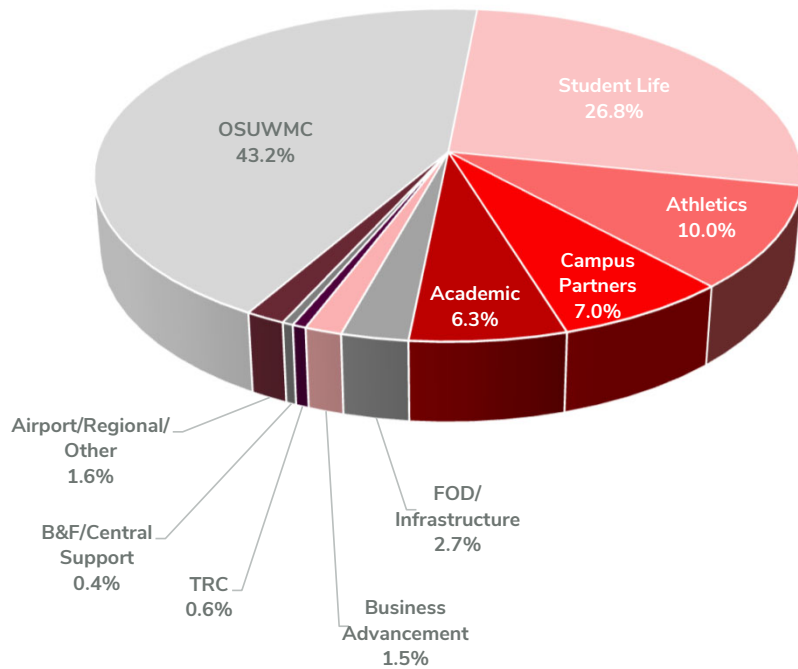


## Loan Statistics (as of 6.30.2023)

Loan Summary	Number	Amount
Active Loans	155	\$2.77B
Loans in Repayment	149	\$2.73B
Weighted Avg Loan Rate	4.00%	
Average Remaining Life	19.1 Years	

More information about the Internal Bank loan application process can be found here: <https://busfin.osu.edu/university-business/debt-management/internal-bank>

# Internal Bank Active Loans (as of 6.30.2023)



Internal Bank Funding	Outstanding Balance (\$M)
Loans	\$2,723.3
Equipment Leases	\$2.2
<b>Total</b>	<b>\$2,725.5</b>

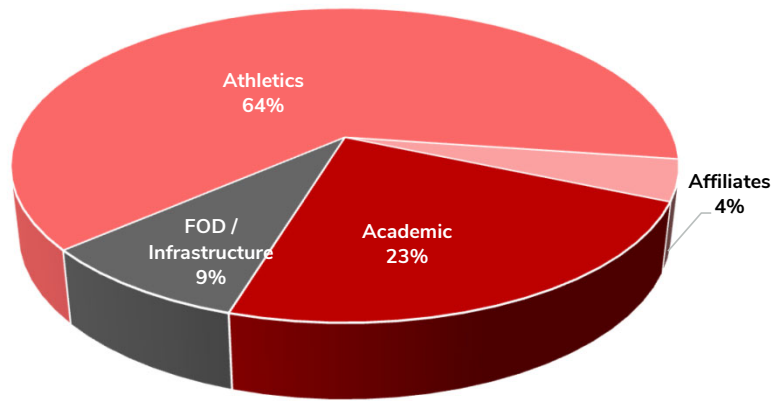
Borrowing Unit/Obligor	Outstanding Balance (\$M)
OSUWMC	\$1,176.5
Student Life	\$729.1
Athletics	\$272.7
Campus Partners	\$191.0
Academic	\$171.5
FOD / Infrastructure	\$73.4
Business Advancement	\$40.6
TRC	\$15.2
B&F / Central Support	\$12.1
Airport/Regional/Other	\$43.4
<b>Total</b>	<b>\$2,725.5</b>

## Internal Bank FY 2023 Activity

- In FY22, the Internal Bank executed 8 new loans totaling \$768M (including \$715M for the Inpatient Hospital) and disbursed \$321M of funds.
- In FY23, the Internal Bank executed 7 new loans totaling \$78.6M and disbursed \$546M of funds across 21 projects.
- Internal Bank loan rates were raised by 25-50 basis points in FY23 to reflect rising prevailing market interest rates (see Appendix).
- Annual rating agency updates in November presented the University's FY22 financial results and strategic position.
  - Fitch raised the University's credit rating to AA+
  - Moody's and S&P affirmed the University's Aa1/AA ratings, respectively.

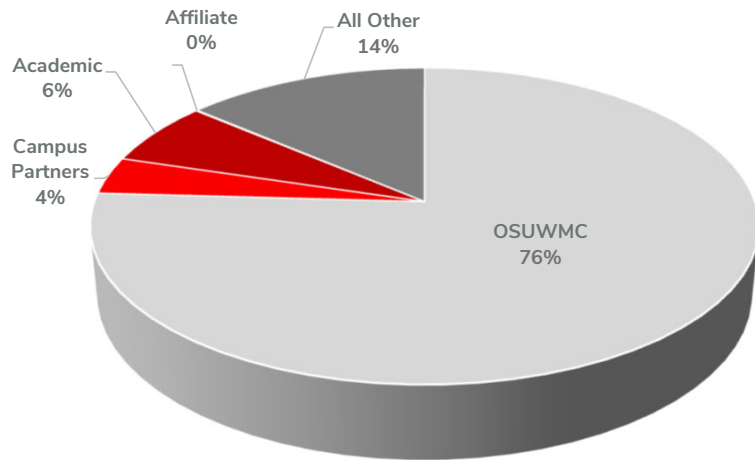
FY 2023 Loan Activity	Number	Amount
New Loans	7	\$78.6M
Disbursements	21	\$546M

# FY 2023 New Loan Commitments



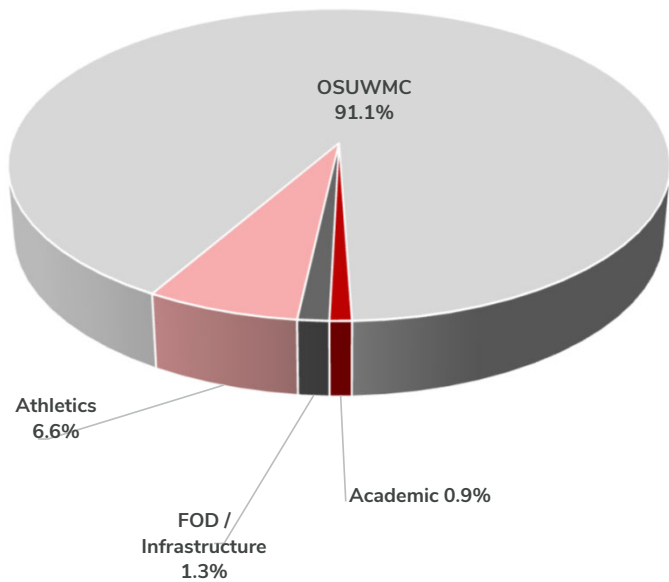
Borrowing Unit/Obligor	Amount (\$M)
<b>Academic</b>	
Multi-Species Animal Learning Center	\$15.2
Newton Hall Renovation	\$3.1
	\$18.3
<b>FOD / Infrastructure</b>	
Tunnel Top Roof Replacement	\$1.7
Tunnel Rehabilitation	\$1.3
Herrick Drive Rebuild	\$4.0
	\$7.0
<b>Athletics</b>	
Pandemic Relief	\$48.0
Buckeye Village Demolition	\$2.0
	\$50.0
<b>Affiliates</b>	
TRC Vehicle Research Transportation Ctr. LOC	\$3.3
<b>Total</b>	<b>\$78.6</b>

# FY 2023 Loan Disbursements



Borrowing Unit/Obligor	Amount (\$M)
<b>OSUWMC</b>	
Inpatient Hospital Tower	\$416.3
<b>Campus Partners</b>	
University Square Building B-1	\$13.2
University Square Event Center Fit-Out	\$7.2
University Square Building A	\$0.5
	\$20.9
<b>Academic</b>	
Arts District	\$20.8
Interdisciplinary Research Center	\$7.3
Controlled Environment Agricultural Research Com	\$6.7
Instructional Science Bldgs Deferred Maintenance	\$0.7
Postle Partial Replacement	-\$2.7
	\$32.9
<b>Affiliate</b>	
TRC SMART Center Expansion Project LOC	\$0.4
TRC SMART Center Phase 1	\$0.1
	\$0.5
<b>All Other</b>	
Athletics	\$61.1
FOD / Infrastructure	\$5.2
Student Life	\$7.0
Regional Campuses	\$1.7
	\$75.1
<b>Total</b>	<b>\$545.7</b>

# Anticipated Loan Requests



Borrowing Unit/Obligor	Amount (\$M)
<b>OSUWMC</b>	
Inpatient Hospital Tower (~\$270M/TBD)	\$270.0
<b>Academic</b>	
Dentistry Simulation Lab Modernization	\$2.8
<b>FOD / Infrastructure</b>	
Tunnel System Rehabilitation (increase)	\$4.0
<b>Athletics</b>	
Fawcett Center Renovation	\$12.5
East Side Stadium Club	\$7.0
<b>Total</b>	<b>\$296.3</b>



# Appendix



## Appendix: IB Loan Rates

### Internal Bank Term Sheet

Effective July 1 to September 30, 2023

Capital Project Internal Bank Loan/Lease Rates	Rate
1 to 3 years	3.25%
More than 3 years up to 5 years	3.50%
More than 5 years up to 7 years	3.75%
More than 7 years up to 10 years	4.00%
More than 10 years up to 20 years	4.50%
More than 20 years up to 30 years	4.75%

Draws on internal bank loans will be set forth in a Memorandum of Understanding (MOU). Interest and principal will be repaid based on a schedule set forth in the IB Loan MOU. Typically, loan repayments are made on a monthly basis while lease repayments are made on a quarterly basis.

Lease rates may be adjusted to reflect the specific terms and conditions of each requested lease on a case-by-case basis.