Internal Loans for Capital Construction & Renovation Projects

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Scope
All University of Nebraska Omaha (UNO) campus units with capital construction and renovation projects costing $250,000 or more.

Policy Statement
This policy describes the procedures for authorizing, granting and administering internal loans ($250,000 and higher) from university cash funds for qualifying projects. Qualifying projects include, but are not limited to, capital construction and renovation projects where project expenditures precede the flow of resources supporting the project. Internal loans must be approved by the Vice Chancellor for Business and Finance.

Reason for Policy
This policy governs the extension of internal loans ($250,000 and higher) from the university’s working capital for the purpose of financing capital construction or renovation projects where a gap exists between the expenditure of funds and the timing of the cash receipts from the sources of funding. Internal loans will be used to provide a short to medium term financing alternative to finance capital projects in a manner that does not detract from the overall university cash portfolio investment performance objectives and liquidity requirements.
The objectives of the Internal Loan Policy include the following:

- Provide an alternate source of funding when the timing of receipt of gifts and grants would impede the progress of a strategic initiative.
- Promote efficient working capital management by (i) establishing a target range of maximum outstanding internal loan balances, as well as (ii) duration guidelines.
- Provide a source of funds for emergency renewal and replacement projects when state funding is not available.
- Ensure that internal loans will not be authorized without the borrowing unit and any campus guarantor submitting a fiscally responsible and achievable business plan in support of a timely repayment plan.

Procedures

1. Internal Loan Request: The Director of Finance/Controller and/or the Director of Facilities Management and Planning will submit a request for an Internal Loan to the Vice Chancellor for Business and Finance. The request will provide an analysis of the cash flow needs, maximum amount of the loan, identify funding source for repayment of the loan and loan period (including repayment date).

2. Internal Loan Approval: The Vice Chancellor for Business and Finance is to provide written approval for approved Internal Loan Requests.

3. Individual Loan Amount: Individual loans may not exceed $10 million for any individual capital construction or renovation projects.

4. Maximum Loan Term: The maximum loan term is three (3) years. All interest and principal must be paid back within this timeframe. Borrowers will repay internal loan principal and interest upon receipt of the identified funding source.

5. Interest Charges: Interest will be calculated monthly on the average outstanding balance multiplied times the Short Term Investment Pool yield (managed by the Nebraska State Investment Council).

6. Limitation on Use of Gifts and Grants: When a capital project requires the use of gift and/or grant funding, legally enforceable gift or grant agreements maturing in five years or less must be in hand prior to the approval and authorization of the project and related external financing or internal loans. Bequests or other deferred gift instruments, for which the receipt of gift funds by the university are predicated on the occurrence of future events for which the dates of occurrence are uncertain or subject to change, cannot be counted toward the project financing cash flow requirements for the project being financed.

7. Early Repayment: Internal loans may be prepaid at any time without penalty.

8. Status Reports: An internal loan portfolio status report will be provided to the Vice Chancellor for Business and Finance on an annual basis as part of the fiscal year-end closing reports. This information will also be reported to the Chancellor.

History

This policy was developed and approved prior to the implementation of the campus policy development and approval process approved by the Chancellor’s Cabinet in October 2015.
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