1. Policy Statement

The University has Master Plans that will guide the development and implementation of capital projects through 2030 and beyond. Additional capital projects will continue to be identified over this period. The goal of this policy is to provide a resource-efficient internal financing mechanism for University departments' capital projects through the establishment of an Internal Bank within University Treasury.

2. Reason for Policy

Capital project financing must take into account many factors: availability of University and other resources, ability to raise funds for projects, the University prioritization process, access to debt financing in the context of external bond ratings, debt policy, and financial metrics designed to manage financial risk, market conditions, and financing structures, among others. An Internal Bank will provide capital project financing that makes efficient use of the University’s resources to implement the capital program.

3. Who Should Read this Policy

University administrators including, but not limited to Chancellors, Vice Presidents, Deans, Directors, and Department Chairs, and Business Administrators.

4. Resources

All policies are subject to amendment. Please refer to the Rutgers University Policy Library website (policies.rutgers.edu) for the official, most recent version.
5. Definitions

n/a

6. The Policy

I. Overview:

The Internal Bank is established within the Office of Debt Management and Capital University Treasury. It is the entity to provide capital project internal financing for capital projects, initiatives, equipment, operating deficits, or other prudent purposes. The University...

II. Objectives:

The Internal Bank will provide financing to fund the University’s capital program. By disassociating external debt from internal financing needs and providing internal loans at a blended interest rate, the Internal Bank can provide equitable and predictable financing to the University community while minimizing the overall weighted average cost of capital through managing the University’s debt portfolio in the aggregate. The capital internal financing program will be managed consistent with University policies regarding the incurrence of debt and approval of capital projects. The Internal Bank will use an asset/liability approach to managing University resources including working capital, operating funds, capital reserves, and debt financing to provide funding for capital projects. The Internal Bank loan program will be managed consistent with University policies regarding the incurrence of debt and approval of capital projects.

III. Internal Bank Loan Program

A. Loans: The Internal Bank will use available resources including short and long-term debt financing and appropriate amounts of University resources and operating cash to make internal loans to units for capital projects.

B. Projects Financing Requests: Projects financing needs will be identified by academic and administrative units and submitted for review to the University Budget Office, University Treasury, and Institutional Planning and Operations (IP&O), where applicable. Final approval for internal loans will be granted by the Executive Vice President – Chief Financial Officer and University Treasurer or its designee and University Treasury.

C. Approval Factors: Proposals for internal loans will be reviewed based on factors including, but not limited to: ability to pay debt service and operating costs; relationship...
to Strategic and Master Plans; and the availability of other funding sources such as
gifts and grants.

D. Approval Process: Projects over $5 million will be submitted for review by the Capital-
Project Advisory Council (CPAC) and approval by the Boards. Projects between $2-
million and $5 million will be submitted for review by the CPAC and approval by the
Executive Vice President for Finance and Administration and University Treasurer and
the Executive Vice President for Strategic Planning and Operations and Chief-
Operating Officer. Projects less than $2 million will be submitted for review and
approval by the Executive Vice President for Finance and Administration and University
Treasurer and the Executive Vice President for Strategic Planning and Operations and
Chief Operating Officer. Projects will also be reviewed by the Department of Risk
Management and Insurance and the University’s Tax Director as appropriate.

DE. Internal Bank Reporting: The Internal Bank will provide an annual report
including unaudited financial statements.

IV. Internal Bank Funding

A. General: The Internal Bank will use an asset/liability management approach to
financing capital projects.

B. Liabilities: External debt will be the primary source of financing for capital projects.
The Internal Bank will develop a capital structure for the University that considers
outstanding debt, current market conditions, risk-adjusted cost of financing structures,
and opportunities to minimize the blended rate. It will also take into account external
bond ratings, debt policy metrics, and available resources to minimize potential blended
rate volatility. External Debt will be structured separately from Internal Bank loan
structures.

C. Assets: The Internal Bank’s assets will consist of the University’s working capital,
operating funds, capital reserves and the rate stabilization fund. The Internal Bank
will manage the assets to maximize return consistent with maintaining appropriate
levels of liquidity and taking prudent risks.

V. Internal Bank Reporting

The Internal Bank will provide an annual report including unaudited financial statements.
the Internal Bank’s activities to the Board of Governors.