

# Internal Bank and Capital Project Funding

*the role of the Internal Bank  
supporting capital projects and  
alternative forms of financing*



**Oregon State**  
University



## Agenda

- Introduction
- Internal Bank overview
  - Central Loan Program
- Capital Project Funding
- Alternative Forms of Financing
- Loan Documentation





# Internal Bank Overview

The Internal Bank integrates the three primary functions of treasury management:

- 1) cash management
- 2) limited term investment management
- 3) debt management (both short- and long-term)

What does that mean?

The Internal Bank is responsible for the management of OSU's cash in all its forms. Most basically it comes down to having enough cash liquidity where you need it, when you need it, and at the best value for money.

The Internal Bank distributes funds for capital projects and strategic initiatives through a Central Loan Program.



# Internal Bank Central Loan Program

The Central Loan Program can provide lending to departments or units for:

- Interim/bridge financing in anticipation of philanthropy or other external sources of funds.
- Project financing (full or partial) with an identified internal/operations repayment source.

Funds available for lending:

- 1) Proceeds from debt
- 2) Internal Bank liquidity

## BANK INTEREST RATES

Effective August 1, 2023

Term	Annual Rate
Construction/Bridge	4.00% <sup>(1)</sup>
Term <= 10 Years	4.00%
Term > 10 Years	4.99%

<sup>(1)</sup> The annual rate will reset to the then current long-term rate 5-years from the loan effective date



# Capital Project Funding

Strategic Initiative (under \$10 million) loan requests should include:

- 1) an estimated spend plan
- 2) timeline estimates for alternative funding sources (if applicable)
- 3) what the repayment source will be (also if the alternative funding sources do not cover the full amount requested)

The Board has adopted the Approval of Capital Projects<sup>1</sup> stage gate process, which is used for approval of identified funding sources.

- Applies to all capital projects over \$10 million.
- 10-Year Capital Forecast<sup>2</sup>
  - There is a prescribed process for inclusion of projects through the Infrastructure Working Group (IWG) for major and minor capital project prioritization
  - Managed by University Facilities, Infrastructure and Operations (UFIO): Capital Resources and Capital Planning

<sup>1</sup> Current Board Process: Approval of Capital Projects

[https://leadership.oregonstate.edu/sites/leadership.oregonstate.edu/files/220527\\_amended\\_capital\\_projects\\_policy\\_corrected.pdf](https://leadership.oregonstate.edu/sites/leadership.oregonstate.edu/files/220527_amended_capital_projects_policy_corrected.pdf)

<sup>2</sup> 10-Year Capital Forecast accepted April 5, 2024 – Attachment 1

<https://leadership.oregonstate.edu/sites/leadership.oregonstate.edu/files/2024-03/fac-4a-ten-year-business-forecast.pdf>



# Alternative Forms of Financing

Other forms of direct and indirect debt impact total debt capacity and affordability and are considered part of the debt management oversight responsibility of the internal bank.

These include but are not limited to:

- Leases
- Any debt instrument provided by a third-party credit providers
- Any financing structures
- Public Private Partnerships



# Loan Documentation

## *Key Documents*

- Project Agreement - Capital Planning and Development creates a Project Agreement (PA). The PA documents the scope of work, the project costs and source of funding commitments. The PA that includes reference to utilization of a central loan from the Internal Bank must document the repayment source to the Internal Bank. Treasury staff are required to sign-off on the PA confirming analysis and approval for use of Internal Bank funds.
- Internal Financing Agreement - All loans begin with an internal financing agreement (agreement). The agreement specifies the project, borrower, maximum loan amount, interest rate, loan term, and repayment amortization schedule (estimated for construction projects). Loan agreements are signed by the responsible budget authority of the debt paying entity and those who have delegated oversight over the internal bank.
- Amortization Schedule – The amortization schedule documents the periodic interest and principal payments over the life of repayment once the loan is considered “permanent”.



**Questions?**