Vandal Strategic Loan Fund (VSLF)

PURPOSE: To establish procedures for obtaining internal loans from University cash balances for equipment, small facilities/facility improvements, start-up package requirements and other investments.

POLICY:

1. ***Reason for Internal Borrowing***: Internal lending will be considered when the availability of current resources within the unit are not sufficient for equipment purchases, small facility projects, start-up package requirements and other investments.
2. ***Limitations on the University's Ability to Make Internal Loans:*** The University requires a certain level of cash balances to support day-to-day operations and to maintain acceptable financial ratios. Therefore the internal loan program is subject to the availability of University cash balances within these constraints. The current VSLF overall cap is set annually by the VSLF Board with the current goal of setting this cap at approximately 10% to 15% of the current cash balances.
3. ***Payment of Interest:*** All borrowers of University funds whether an administrative, academic, or auxiliary unit are required to pay interest on borrowed funds at a rate set annually as described below. Note: Internal interest cannot be charged to federal grants and contracts or to budgets that recharge their cost to federal grants and contracts. Therefore in these cases the unit should identify a different budget to cover interest charges.
4. ***Interest Rate:*** The current interest rate is 2.0%. The interest rate will be reviewed annually by the VSLF Board and adjusted as necessary to ensure alignment with the interest rate earned by the University on its fund balances. The interest rate for an approved loan will remain constant for the entire duration of the loan.
5. ***Loan Amount:*** Loans from this fund are limited to $250,000. This limit reflects an investment philosophy for the VSLF that favors the funding of numerous smaller projects rather than a small number of larger projects. For exceptional circumstances or projects, larger loans will be considered but these exceptions will be subject to additional scrutiny and will require the approval of the VSLF Board.
6. ***Repayment:*** Loan repayment terms are limited to no longer than 3 years with payments made on an annual basis. Loans may be prepaid, in whole or in part, at any time without penalty. In the case that an investment financed by an internal loan fails to generate sufficient revenue to cover repayment the unit must pledge alternative funding sources and the University is authorized to draw funds from these alternative funding sources if needed in order to meet the repayment schedule. For exceptional circumstances or projects, longer repayment periods will be considered but these exceptions will be subject to additional scrutiny and will require the approval of the VSLF Board.

7. ***Cost Share/Matching:*** Any unit wishing to use a VSLF loan to meet cost share/matching requirements must submit an initial VSLF application for approval prior to submitting the grant proposal requiring the cost share/matching commitment.
8. ***Loan Revisions:*** In the event that the unit wishes to change any of the following loan elements a new loan application must be submitted for approval:
    a. Loan amount increases
    b. Repayment timeframe increases
    c. Material change to use of funds
    d. One or more parties in a multi-party loan changes/decides to not participate

PROCESS:

1. ***Timing:*** The VSLF will accept loan applications on a semi-annual basis with due dates of September 15th and February 15th each year. Applicants submitting loans requiring VSLF Committee approval will be notified by October 15th / March 15th. Applicants submitting loans requiring VSLF Board approval will be notified by October 31st / March 31st. Please plan accordingly when considering applying for a VSLF loan. Each spring the University engages in an annual budgeting process during which possible requests for VSLF loans should be identified in the unit's budget submission.
2. ***Approval Levels:*** Loans falling within the above described limits of $250,000 or less, borrowed and a repayment timeframe of 3 years or less, require VSLF Committee approval. Units requesting exceptions to either the $250,000 or 3 year limits will need to receive, in addition to VSLF Committee approval, the approval of the VSLF Board.
3. ***Initial Request for Internal Loan:*** Each unit seeking an internal loan must first submit the following information on the "Request for Internal Loan" application form available from the Budget Office.
    i. Description of the internal borrowing need, including the amount requested.
    ii. Time frame over which the borrowed funds will be expended.
    iii. Time frame over which the borrower proposes to repay the loan (not to exceed 3 years).
    iv. Funding source for repayment (i.e. revenue generated as result of loan, existing base budget, etc.).
    v. Alternate source for repayment (see 5. Above)
    vi. Justification for the borrowing request including how the request supports the Strategic Plan.
    vii. Other financing options available and why an internal loan is favored over other options.
    viii. Indication of whether loan proceeds are being used to meet a cost share/matching requirement and if so attach a copy of the grant proposal (the loan application is to be submitted before the grant proposal is formally submitted).

ix. For equipment requests: attach bids or quotes documenting the equipment cost, installation costs and other needs related to the equipment (i.e. infrastructure needs, etc.)

e. Based on the initial "Request for Internal Loan" application the loan committee will make one of three determinations:
    i. Accept the loan application.
    ii. Reject the loan application.
    iii. Request further information. A request for further information may include a request for a business plan. Please contact the VIEW (Vandal Innovation and Enterprise Works) director for assistance in business plan development. Borrowers are encouraged to participate in the Internal University of Idaho Intrapreneurship track of the annual VIEW Business Plan Competition.

4. ***Implementation:*** Once an internal loan has been approved, General Accounting will establish a separate account in the Loan Fund for expenses associated with the project. The borrower will be allowed to spend up to the amount approved for the internal loan and internal interest will be assessed on an annual basis. The borrower will be expected to make annual payments equal to the interest assessed plus the principal payment indicated by the payment schedule set as part of the authorized loan.
5. ***Reporting:*** following approval of a loan the requesting unit shall submit a brief monthly report detailing the expenditure of funds until the project is completed or all funds are expended.
6. ***Exceptions:*** Any exceptions to this policy must be approved by the Vandal Strategic Loan Fund Board of Directors.

Please note that the Vandal Strategic Loan Fund policy is subject to change as the program evolves. The Loan Committee thanks John Kroll of the University of Chicago for the use of the University of Chicago's policy and application format as a template.

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