

Vandal Strategic Loan Fund

PURPOSE: To establish procedures for obtaining internal loans from University cash balances for equipment, small facilities/facility improvements (under \$250,000), 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 (under \$250,000), 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 initial Vandal Strategic Loan Fund overall cap is \$2,000,000; however this will be reviewed periodically as the finances of the University change and the loan program develops further.
3. ***Payment of Interest:*** All borrowers of University cash whether an administrative, academic, or auxiliary unit will be expected to pay interest on cash borrowed. 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 initial interest rate is 4.0% compounded annually. The interest rate will be reviewed periodically to ensure that it continues to at least match the average interest rate earned by the University on its fund balances.
5. ***Repayment:*** Loan repayment terms are initially limited to no longer than 36 months 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.
6. ***Review Process and Criteria for Obtaining an Internal Loan:***
 - a. 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 36 months).

- 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. 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.)
- b. 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.
- 7. **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 based on the net cash deficit in the loan account as of year-end. 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.
- 8. **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.