



## **ADMINISTRATIVE PRACTICE LETTER**

### **SUBJECT: INTERFUND BORROWING**

#### **PURPOSE**

The purpose of this APL is to establish the policy by which interfund borrowing may be utilized to fund all or part of the costs of plant, real property, renovations/additions, or large expenditures.

#### **PRACTICES**

1. Interfund borrowing will be considered only after all other sources of funds have been reviewed and when the loan is required to meet a pressing need or to take advantage of a special opportunity.
2. The loan will be repaid over a specific period, not to exceed five years.
3. The minimum loan amount is \$75,000. Loans for operations may not be capitalized through interfund borrowing.
4. The interest rate will be variable, with the initial rate derived by adding 50 basis points (.50%) to the one-year Treasury Note interest rate that is in effect on the loan inception date. This initial rate will be effective for the remainder of the fiscal year. The rate for subsequent fiscal years will be determined as of May 1<sup>st</sup>, two months prior to the new fiscal year, and be effective on July 1<sup>st</sup> of the new fiscal year. It will be calculated in the same manner.
5. With the exception of loans made in anticipation of receipt of pledges, payments will be due on July 1<sup>st</sup> of each fiscal year. For loans made in anticipation of pledges being received, payments will be due on the 15<sup>th</sup> of the new quarter for the actual amount of the pledges received during the previous quarter; however, the entire loan amount must be repaid within 5 years. The Office of Finance and Treasurer will automatically debit the payment from the account specified on the internal loan note.
6. Requests for internal loans must be submitted by the campus Chief Financial Officer to the University System Treasurer. The proposed special project or large expenditure must be approved in principle by the campus President. The University System Treasurer will review and/or approve loan requests.



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7. Each borrowing proposal submitted must be accompanied by a debt service schedule, which shows fiscal year payments for the proposed loan and all outstanding loans, including bonded debt (**Attachment I**). This schedule must indicate a source of revenue that is of sufficiently low risk to reasonably assure repayment over time.
8. After the Treasurer has approved the request, an internal loan note and a loan repayment schedule will be forwarded to the campus president and chief financial officer for signature. A copy of these documents will concurrently be provided to the Chancellor. Upon receipt of the approved note, the Office of Finance and Treasurer will transfer the amount of the loan to the account specified on the note.
9. Total loans from interfund borrowing may not exceed the greater of (1) 40% of available unrestricted equity, determined in accordance with GASB 35 accounting policies, or (2) \$16 million.

### **APPROVED:**

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**Joanne L. Yestramski**  
**Chief Financial Officer and Treasurer**

