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1.0 POLICY STATEMENT

The University of South Florida is a multi-campus research university (the “University”). The Board of Trustees of the University is the public body corporate created by Article IX, Section 7 of the Constitution of the State of Florida and empowered by Section 1001.74 Florida Statutes to administer the University (the “Trustees” or “Board of Trustees”). As the administering body corporate of the University, the Trustees hold the assets of the University in trust and are responsible for approving guidelines for the efficient and effective use of its resources.

The University’s auxiliary units serve and promote the educational, research and service activities of the University by operating for its benefit. Pursuant to this mission, the auxiliary units may act as a source of financing with respect to projects and initiatives benefiting the University, subject to Florida Statutes and Florida Board of Governors (“BOG”) Regulations.

The Auxiliary Fund Internal Loan Policy (the “Policy”) establishes guidelines for the management and approval of internal loans for the benefit of the University funded from the pool of funds generated by the auxiliary units in excess of the working capital necessary to support the operating budgets of University auxiliary units (the “Auxiliary Loan Fund”). This Policy also establishes guidelines to determine the amount of funds available for loans at any given time, to provide a rate of interest to be charged and to assess the level of risk associated with the proposed loan.

2.0 ENTITIES COVERED BY THIS POLICY

The Policy applies to all University institutions, regional campuses, colleges, departments, centers, programs and auxiliary entities.

3.0 RESPONSIBILITIES

3.1 Pursuant to the delegated authority of the University President, the University Chief Financial Officer (“Chief Financial Officer”) is responsible for approving new loans and modifications to existing loans, as well as responsible for implementing the Policy.

3.2 The University Treasurer (“Treasurer”) is responsible for management of the Policy, developing appropriate procedures and methods; monitoring auxiliary fund balances; monitoring working capital necessary to support the operating budgets of University auxiliary units; monitoring funds available for internal loans (see section 5.2); reviewing loan requests; providing a rate of interest to be charged; determining the level of risk associated with the proposed loan; preparing appropriate loan documentation; recommending loan approval/disapproval to the Chief Financial Officer; providing routine and ad-hoc reporting to the Chief Financial Officer (see section 7.0); and for monitoring repayment of internal loans.
3.3 The University Controller (“Controller”) is responsible for facilitating the authorized transfer of funds, if necessary; establishing the accounting and automatic billing for internal University borrowers; accounting for all loans in coordination with the Treasurer; and providing routine and ad-hoc reporting to the Treasurer and Chief Financial Officer (see section 7.0). The Controller shall also review the funding source for loans for compliance with the requirements of this Policy, regulations and statutes. The Controller may also refer compliance matter(s) related to the internal loans to the CFO and/or University Audit and Compliance.

4.0 PERMISSIBLE USE OF FUNDS

4.1 Subject to section 1.0, the Auxiliary Loan Fund can be used by University institutions, regional campuses, colleges, departments, centers and programs to obtain internal loans to fund projects and initiatives benefitting the University. The Treasurer will consider the nature of the project or initiative, the availability of alternative financing, and the ability to repay the loan when considering whether or not to recommend approval of internal loans.

4.2 Internal loans will generally be used for short-term (five years or less) internal financing of equipment, construction of major renovation projects, operations, and to fund strategic initiatives, but may be approved for other uses for the benefit of the University at the discretion of the Chief Financial Officer.

5.0 AUXILIARY FUND AND CAPACITY FOR LOANS

5.1 The Auxiliary Loan Fund includes total auxiliary fund balances in excess of the working capital necessary to support the operating budgets of University auxiliary units, less outstanding loans and restricted funds such as debt service reserves required in bond agreements.

5.2 The maximum amount of internal loans outstanding will not exceed 40% of the Auxiliary Loan Fund, unless a temporary exception is approved by the Chief Financial Officer (see section 8.0). Under no circumstances may the Chief Financial Officer approve a loan that would reduce the working capital necessary to support the operating budgets of USF auxiliary units (i.e., the CFO may not approve a loan that cannot be funded from the excess of working capital necessary to support the operating budgets of USF auxiliary units).

5.3 Recognizing that the auxiliary fund balances will fluctuate, the amount available for internal loans will be determined by the Treasurer at the time each new loan request is considered. Any trend of declining auxiliary fund balances, which may cause the outstanding loan portion to exceed the amount available for internal loans, will be promptly reported to the Chief Financial Officer.
6.0 PROCESS

6.1 Each unit seeking an internal loan should first discuss the need for a loan with the Chief Financial Officer.

6.2 Guidelines for Loan Terms: Terms for the loan with the following information should be determined together with any additional information that may be requested by the Treasurer:

   a. Borrowing entity
   b. Purpose of Internal Loan and benefit derived by the University
   c. Amount requested
   d. Effective date (funding date for loan)
   e. Repayment term and maturity date
   f. Committed funding source of repayment (the Treasurer may request a pro forma cash flow/budget projection over the term of the loan)
   g. Repayment schedule
   h. Name/title of Accountable Officer / Dean / Director
   i. Contact Person / Fiscal Officer

6.3 Approval: The Treasurer will review the proposed loan terms and make a recommendation to the Chief Financial Officer. The Chief Financial Officer is responsible for final approval, subject to consultation with the University President, who retains the authority to disapprove the proposed loan.

6.4 Loan Documents: Following approval by the Chief Financial Officer, the Treasurer in coordination with the Office of General Counsel, as appropriate, will prepare appropriate loan documents, such as memorandum of understanding, letter of intent, loan agreement and/or promissory note and amortization schedule. The loan document(s) should be executed by the Chief Financial Officer and the Accountable Officer/Dean/Director.

6.5 Loan Agreement: Provisions in the loan agreement should be determined by the Treasurer based on the nature of the project or initiative, the associated risk and an assessment of outstanding obligations of the Auxiliary Loan Fund.

   a. Maturity: Internal loans will typically be short-term in nature, ranging from 12 months to 5 years, unless otherwise approved.

   b. Interest rates: Internal loans will typically be charged a fixed rate based on the closing yields of the U.S. Treasury security of similar maturity plus a credit spread to approximate the rates of term loans of AAA rated corporate borrowers. Interest on all internal loans will be calculated on the basis of a 360 day year with 12 months
each containing 30 days and will accrue on a quarterly basis, regardless of the repayment schedule, unless otherwise approved.

c. **Repayment:** The repayment schedule will be agreed upon by the Treasurer and the borrower.

d. **Prepayment:** All internal loans may be prepaid on any date without penalty.

e. **Default:** All internal loans will be considered in default if unpaid the day after an established due date. Interest will accrue on the unpaid amount and will be collected when the late payment is made. The interest rate on late payments will be the prime rate plus 3.0% unless another rate is established in the loan documents or by law or otherwise approved.

If it is determined that the borrower is unable to pay the outstanding loan from current or future resources, the loan will be collected from another University source to the extent the alternate funding source is permitted under Florida Statutes and BOG Regulations. Any recorded interest income will be reversed and the Chief Financial Officer will designate the appropriate University department and account that will repay the remaining principal. The Chief Financial Officer reserves the right to assess the borrower for the principal that was expensed, if the borrower generates additional revenue at some future date.

6.6 **Loan Closing and Funding:** Once an internal loan is approved by the Chief Financial Officer, the loan documents will be provided to the Controller’s Office, which will facilitate the disbursement of funds from the Auxiliary Loan Fund to the borrower. The Controller’s Office will establish the accounting and automatic loan payment schedule for the respective internal loan.

7.0 **MONITORING AND REPORTING**

7.1 The Treasurer will regularly review each outstanding loan to ensure timely repayment and compliance with the Policy and loan terms.

7.2 On a quarterly basis, the Controller’s Office will prepare and provide to the Treasurer and Chief Financial Officer an accounting summary including the outstanding balance of each loan and payments received through the end of the reporting period.

7.3 When an internal loan is requested, the Treasurer will provide a summary report to the Chief Financial Officer, including the balance of the Auxiliary Loan Fund and all outstanding loans, and providing the loan capacity of the Auxiliary Loan Fund.
7.4 The Treasurer will immediately report to the Chief Financial Officer any missed loan payments or other concern about the borrower’s ability to repay the loan, or an observation of declining auxiliary fund balances, which may cause the amount of outstanding loans to exceed the maximum capacity of the Auxiliary Loan Fund.

7.5 On an annual basis, the Treasurer will provide a comprehensive Policy report to the Chief Financial Officer, which includes the following:

a. 5-year historical balances (total auxiliary funds, outstanding loans, etc.)
b. Summary of outstanding loans
c. Summary of activity during the period
d. Detailed auxiliary fund reports attached as exhibits
e. Loan capacity at fiscal year end

7.6 On at least an annual basis, or more frequently as appropriate, the Chief Financial Officer will provide a report to the Chair of the University Board of Trustees Finance Committee, which includes at least the following:

a. Summary of outstanding loans, with added details for loans over $1 million such payment performance and sources of funds.
b. Loan capacity, including Auxiliary Loan Funds and adjustments for working capital, reserves and outstanding loans.
c. 12-month and 5-year trends in outstanding loan balances and loan capacity.

8.0 EXCEPTIONS TO POLICY

8.1 Exceptions to the Policy are discouraged and can only be approved by the Chief Financial Officer. No exception may violate the terms of section 5.2: under no circumstances may the Chief Financial Officer approve a loan that would reduce the working capital necessary to support the operating budgets of USF auxiliary units.

*Current Responsible Office: Business and Finance

*Refer to the appropriate Responsible Office website for a current name of the Vice President or other Responsible Officer.

New: 11-16-19