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11.01 ABILITY TO BORROW

From time to time all educational institutions find it necessary to borrow from external sources. Recognizing this inevitability, Rowan University has developed these policies and procedure statements so that implementation can be expedited when such borrowing decisions need to be made.

11.01.1 STATE COLLEGE AUTONOMY LEGISLATION

On July 9, 1986 the State College Autonomy Legislation was signed by the Governor. That bill recognized the need for a University to occasionally borrow money from external sources. It gave authority to the University’s' Board of Trustees for borrowing money for valid institutional purposes. This authority could be delegated to appropriate levels of administration upon the approval of the Board.

The Department of Higher Education also recognized this need and mandated that policies and procedures for institutional borrowing be developed as part of a University's transition to autonomy.

11.01.2 BOARD OF TRUSTEES APPROVAL

Consistent with the State College Autonomy Legislation, the individuals with primary ability to borrow money at Rowan University are represented by the Board of Trustees. On occasion it may become necessary for Rowan University to borrow money at a time when formal Board of Trustees action may not be possible. To protect the institution from such a situation, the Board of Trustees has authorized the borrowing of up to $1 million to the President and the Vice President for Administration and Finance. This is documented in the board resolution which was approved on May 14, 1987. Once such action has been taken, and until such time as all amounts have been paid, the President and Vice President for Administration and Finance will provide the Board with periodic reporting on the status of such loans as detailed in this chapter.

11.01.3 LIMITATIONS ON BORROWING

The Board of Trustees of Rowan University has empowered the President and the Vice President for Administration and Finance to borrow up to a total of $1 million for operational purposes for a maximum period of 90 days. Any borrowing in excess of this threshold or for any other purpose is expressly limited to prior Board of Trustee approval.
11.02 TYPES OF INSTITUTIONAL BORROWING PERMITTED

Rowan University may borrow money for any valid institutional purpose. This can be grouped into two major categories: (1) Loans for Operating or Emergency Purposes, and (2) Capital Facilities Design and Construction.

Procedures for each of these loan types are described in the following sections of this Manual.

11.02.1 OPERATIONAL BORROWING

From time to time it may be necessary for Rowan University to borrow money to address anticipated cash shortfalls. Money thus borrowed can be used for any operational purpose of the University.

11.02.2 LENDING SOURCES

Rowan University has authority to establish a credit line of up to $1 million. Of this total amount, the Board of Trustees has authorized the President and Vice President for Administration and Finance to borrow up to $1 million on an as needed basis for a maximum of 90 days. No other lending source is permitted to finance cash shortfalls.

11.02.3 RECOMMENDATION TO BORROW

The initial recommendation to borrow money for operational purposes at Rowan University is expected to come from the Cash Manager. Based upon cash forecasts or cash flow analysis the Cash Manager may determine that a short term cash deficiency exists. When this occurs an appropriate written description of the situation should be prepared and forwarded to the Director of Accounting Services and Procurement. This documentation should include:

- expected amount of shortfall
- reasons it has occurred, if determinable
- date funds are needed
- recommended amount of borrowing
- estimated date borrowed amounts can be repaid
- expected interest rate
11.02.4 FINANCIAL REVIEW

Information prepared by the Cash Manager should be forwarded to the Director of Accounting Services and Procurement. Upon receipt, the Director of Accounting Services and Procurement will review the recommendation and supporting materials and determine if the recommendation should be approved. If approved, the Director of Accounting Services and Procurement should indicate his approval by initialing and dating the recommendation letter prepared by the Cash Manager. The approved recommendation will then be sent to the Vice President for Administration and Finance.

The Vice President for Administration and Finance will review approved recommendations and determine if he also approves of the borrowing. If he determines that borrowing is appropriate, approval can be indicated by signing and dating the recommendation memo. All bank forms required to activate such a loan should also be prepared at this time.

The Vice President will forward approved recommendation memos and bank borrowing forms to the President for his review and approval. In the absence of the President it will be permissible for the Vice President for Administration and Finance to prepare and sign these borrowing documents and have them presented to the bank according to standard bank procedures. A copy of all documents will be sent to the President's Office. No other representatives of the University are authorized to borrow from the bank in such a manner.

Supporting documentation, and copies of recommendation letters should be returned to the Cash Manager for filing.

11.03 CAPITAL FACILITIES DESIGN AND CONSTRUCTION

Projects to design or construct new buildings or to renovate existing facilities where the total cost is expected to be $500,000 or more must have prior approval of the Board of Trustees. This approval will include a financing plan.

11.03.1 LENDING SOURCES

As a general rule, Rowan University will not use its line of credit at a commercial bank to fund capital facilities design or construction. The typical lending source for such monies will be the Educational Facilities Authority (EFA); however, alternative lending sources are permitted if more favorable terms or greater flexibility can be found at reputable lending institutions.
On a short term basis, which is not permitted to exceed 120 days, the University may use a portion of its line of credit to take initial steps on a construction project. The amounts thus used should be prepaid to the line of credit account immediately upon the completion of a more permanent lending arrangement.

11.03.2 PLAN DEVELOPMENT

Construction project plans are generally prepared by the Facilities Office. Technical specifications and programmatic objectives are determined at this time. Financial ramifications of the plan are forwarded to the Director of Accounting Services and Procurement for consideration.

11.03.3 FINANCIAL REVIEW

Upon receipt of a construction plan the Director of Accounting Services and Procurement, in consultation with the Cash Manager, will develop various financing scenarios for a project. These materials, along with the Director of Accounting Services and Procurement's recommendation are forwarded to the Vice President for Administration and Finance for review and approval.

The Financial Vice President will review the materials received from the Director of Accounting Services and Procurement and prepare a written memorandum of his recommendation and forward it to the President. In cases where the Vice President's recommendation differs from that which was received from the Director of Accounting Services and Procurement, the Vice President for Administration and Finance will discuss the reasons for such change with the Director of Accounting Services and Procurement.

The President will review the recommendation received from the Vice President for Administration and Finance and consider it for approval. Presidential approval can be indicated by initialing the Vice President's recommendation letter. The President will then make a formal recommendation to the Board of Trustees at the next scheduled board meeting. Supporting documentation, and copies of recommendation letters should be returned to the Director of Accounting Services and Procurement for filing.
**11.04 BOARD REPORTING**

The Board of Trustees will be advised of all outstanding debts of the University. Reporting will begin at the time a loan is instigated and will continue until the debt has been satisfied. At each board meeting the Vice President for Administration and Finance will have prepared a report which displays the following:

- Amount of Borrowings as of Last Board Meeting
- New Borrowings
- Average Interest Rate
- Principal Payments
- Interest Payments
- Expected Date of Total Payback
- Anticipated Future Loans, if any
- Total Amount of Current Loan Obligations