

## CAPITAL PROJECT FUNDING GUIDELINES

Capital construction projects are generally funded from one or more funding sources. Potential funding sources include, but are not limited to: Institutional funds, State capital appropriations, borrowing and gifts. Regardless of the source, funding in an amount equal to the total expected project budget must be obligated to the project before Board of Trustee's (or delegate) approval. Additionally, adequate funding must be secured by the unit in a project-specific fund prior to the signing of any capital project contract. Capital Construction Units will draw upon funds as needed. Should project-specific funds have inadequate balances at the time of the draw, they will enter into deficit. Project plant funds overseen by the Capital Construction Unit will not be drawn into deficit without prior approval.

### Funding sources and related requirements:

- A. **Institutional funds:** funds should be identified and unit will work through their respective Department, College and organizational leadership (in consultation with their respective Capital Construction Unit) to gain approval to use Institutional funding.
- B. **State capital appropriation:** funds should be released by the State. Unit and their respective Capital Construction Unit will work with the University Office of Capital Programs and Real Estate Services and the Capital Development Board as appropriate.
- C. **Borrowing:**
  - a. **Debt Borrowing:** bonds must be sold and closed. Unit (in consultation with their respective Capital Construction Unit) will work with the University Capital Financing office. On projects with debt financing, the bond covenants require that all other fund sources committed at the time of Board of Trustees project approval be fully expended prior to the utilization of any bond proceeds.
  - b. **Private placement borrowing:** financing agreement must be placed with the lender/escrow agent. Unit (in consultation with their respective Capital Construction Unit) will work with the University Capital Financing office.
- D. **Gifts:** cash gifts must be in the possession of the University. In instances where there is a signed gift agreement but cash is not yet in the possession of the University, a University System or Campus internal loan may be requested through the University Capital Financing office or other University Lending unit to provide bridge funding. When there is no signed gift agreement, an internal loan may be requested to provide funding to be repaid from future gifts. Internal loans are subject to University of Illinois System and/or Campus guidelines and procedures. Unit (in consultation with their respective Capital Construction Unit) will work with the University Capital Financing office or other University lending unit (see OBFS Business and Financial Policies and Procedures Section 14 for additional guidance). The internal loan application is subject to credit underwriting and/or approval.

This business process is in compliance with the Fiscal Control and Internal Auditing Act (30 ILCS 10/) and the University of Illinois Act (110 ILCS 305/).