



RUTGERS UNIVERSITY
Finance and Administration

Review of the Rutgers Internal Bank – Summary of the Discussion Paper

Rutgers University | Committee on Finance & Facilities of the Board of Governors

June 2 2026

Agenda

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Five strategic actions to strengthen the Bank

Executive Summary

2016

Established

~200

Projects Financed

\$162.6M*

Fund Balance

\$1.1B *

Outstanding Loans

- The Internal Bank is a key component of Rutgers' long-term capital structure, providing centralized, equitable financing for capital projects.
- Strong track record: Century Bond issuance, COVID-19 liquidity support, consistent rating agency communication.
- Rutgers' focus on fiscal sustainability and deferred maintenance presents an opportunity to enhance the Bank's strategic role.
- Five recommendations proposed to position the Bank as the primary platform for capital program financing.

**Unaudited and draft; balance as of 4/30/2026. Represents Internal Bank net assets composed of accumulated gains on internal bank loans + Century Bond Fund net assets (see slide 8). Does not include ~\$1,400M of legacy debt/pass through internal loans.*

01

Internal Banks in Higher Education

Concept, history, and strategic value of the internal bank model

The Internal Bank Concept

An internal bank manages and deploys a corpus of funds through internal loans, enabling a strategic, portfolio-based approach to capital financing.



Internal Interest Rate

Blended rate based on the institution's cost of debt plus a spread for admin costs and a buffer for market volatility.



Amortization Structure

Internal loans with shorter terms than external debt, enabling faster capital recycling and net asset growth.



Investment Strategy

Balancing liquidity needs with long-term investment returns through strategic allocation of available funds.

**Strategic
Benefits**

Net asset growth for reinvestment | Portfolio-based debt management
Stabilized cost of capital | Flexible internal amortization | Recirculation of debt proceeds

02

Rutgers Internal Bank Current State

Established February 2016 | Governed by Board of Governors Policy | Managed by University Treasury

Governance and Operations



Governance Structure

- Board of Governors adopted Internal Bank Policy
- CFO and University Treasurer holds final loan approval authority
- Operations delegated to AVP Finance and Associate Treasurer
- Loan terms set and managed by University Treasury



Key Operational Features

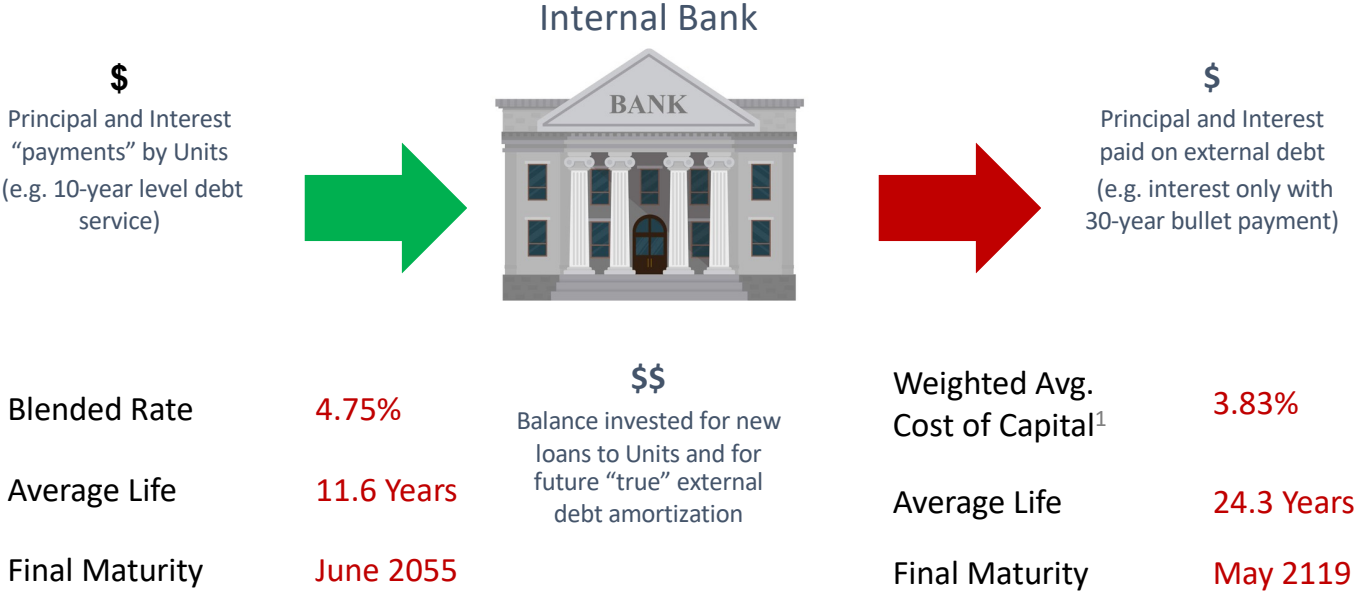
- Blended internal lending rate: 4.75%
- Capitalized primarily with taxable and tax-exempt bond proceeds
- Commercial paper program for bridge financing
- Entire university debt portfolio included in the Bank
- Standard loan agreements executed by Chancellor units and CFO

Century Bond

Series 2019P | \$330M | 100-year maturity | 3.915% coupon | 100% proceeds lent at 4.75% internal rate | Century Bond Fund on track as of June 2025

How It Works....

The external debt capitalizes the Internal Bank and provides internal loans to borrowers.



Internal Bank Balance Sheet (Unaudited*)

4/30/2026 Summary | Figures in millions | Includes ~\$1,400M legacy debt

| Assets | | Liabilities and Net Assets | |
|---------------------------|------------------|---------------------------------------|------------------|
| Cash and Investments | \$155.5 | External Debt | \$2,256.7 |
| Internal Loans Receivable | \$2,461.0 | Project Commitments | \$197.2 |
| | | Bank Net Assets (Fund Balance) | \$162.6 |
| Total Assets | \$2,616.5 | Total Liabilities + Net Assets | \$2,616.5 |

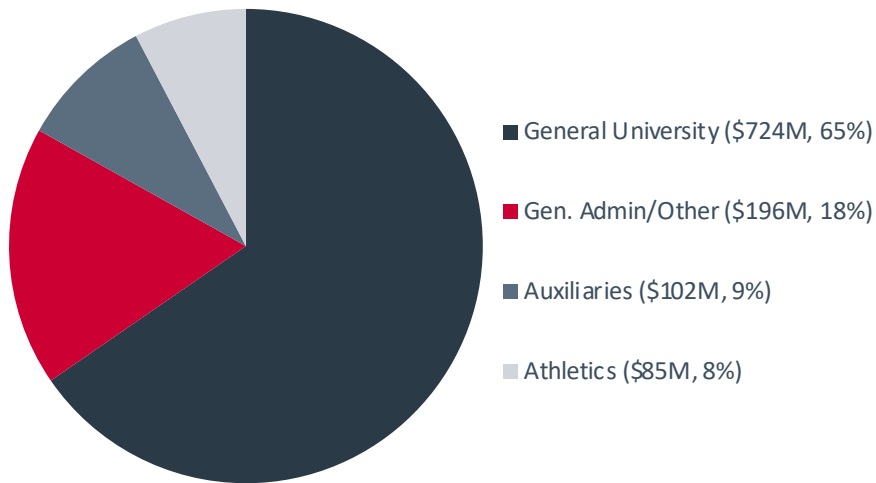
Cash and Investments + Project Commitments Detail

Made up of \$4.5M Century Bond Fund balance in Tier III + \$151.0M in Tier I operating cash | Excludes \$115.9M of HELIX unspent bond proceeds and offsetting HELIX project commitments.

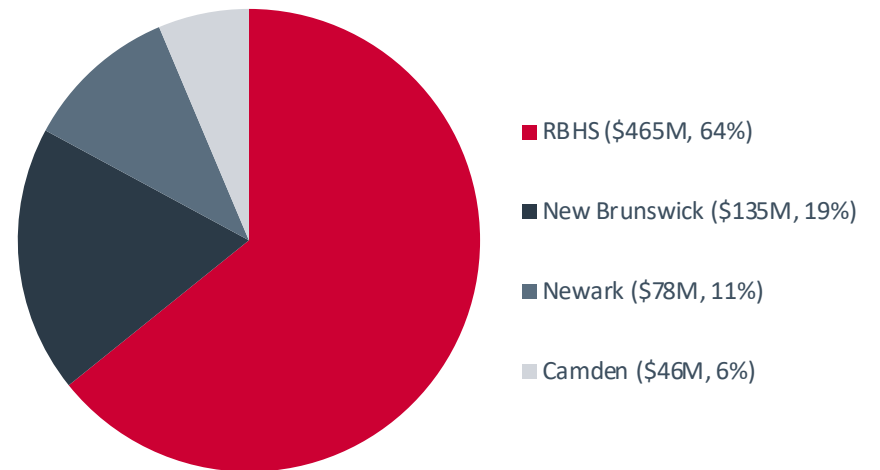
**Draft figures; Rutgers Treasury will be commissioning an independent audit and review of fund balances this summer. The audit will become part of the annual report to executive leadership (see recommendation #2 on slide 14)*

Internal Bank Constituents

Outstanding Internal Loans by Category



Outstanding Internal Loans by Campus*



*General University internal loans are made up of outstanding internal loans by campus

Strengths and Successes



Capital Project Track Record

Financed approximately 200 capital projects including HELIX, Weeks, Newark HLLC, and ASRP, demonstrating scale and operational capacity.



Century Bond Execution

Served as the strategic platform for Rutgers' \$330M 100-year Century Bond, securing transformational, long-term funding at 3.915%.



Credit Profile Enhancement

Strengthens Rutgers' external financial profile through rating agency discussions, showcasing strategic use of debt as a credit-positive.



Crisis Resilience

Provided backup liquidity during COVID-19 and budget relief for Athletics, demonstrating its value as a stabilization mechanism.

Operational Enhancements



GL Business Unit

- Independent business unit created within the general ledger
- Enables monthly financial statements reflecting the Bank's position
- Enhances transparency, accountability, and reporting clarity
- Reports reflect current and non-current assets/liabilities as of April 2026



Forward Modeling

- Forward-looking model projects Bank balances using known inflows and outflows
- Runs through last principal maturity of current debt portfolio
- Used to assess HELIX project impact and set boundary conditions for loan schedules
- Debt viewed as a permanent component of capital structure, with expected debt "rolling"

03

Future State and Recommendations

Positioning the Bank for greater impact on Rutgers' capital strategy



Future State Vision

The Bank will evolve from a financing mechanism to the primary platform for evaluating and monitoring the entire capital program.

Current State

- Primarily a financing mechanism
- Reactive evaluation of individual projects
- Limited integration with capital planning
- Annual reporting to Board

Future State

- Primary platform for capital program financing
- Proactive evaluation before BOG approval
- Deep integration with capital planning and cash flow
- Enhanced modeling, scenario analysis, and dashboard reporting
- "Solve for debt" relative to capacity and rating

Business plans will include Bank sustainability metrics, pro forma rating agency impacts, and stabilization reserve adherence.

Recommendation 1

1

Primary Platform for Capital Program Financing

- **Affirm the Bank's Role** as the primary vehicle for financing all capital projects university-wide
- **Enhance Modeling** to optimize forward projections of capital capacity and debt sustainability
- **Integrate Planning** by linking the Bank's analytical framework to all short- and long-term capital decisions
- **Evaluate Affordability** for every project through the Bank's capital planning model before commitment

Recommendation 2

2

Next-Generation Modeling and Reporting

- **Upgrade the Forward Model** to integrate bank balances, receivables, debt obligations, and capital needs in a single view
- **Add Scenario Analysis** and dashboard reporting for leadership and governance decision-making
- **Commission an Annual Audit** of the Internal Bank by an independent external auditor
- **Standardize Reporting** from the general ledger with forward-looking financial projections

Recommendation 3

3

Integrate Capital Program with the Internal Bank

- **Require Bank Assessment** for all capital plan development and project evaluations before approval
- **Inform the Board** with affordability analysis and the Bank's projected position for every capital request
- **Mandate Business Plans** for all capital projects seeking Bank financing, with sustainability metrics
- **Monthly CFO Review** of all committed projects and remaining Bank capacity

Recommendation 4

4

Leadership and Governance Approval Process

- **Strengthen Gating** with enhanced requirements before approving use of Bank funds and repayment terms
- **Establish a Loan Committee** to mitigate the risk of overleveraging the Bank and the University
- **Prevent Overcommitment** through formal safeguards that test each project's impact on the debt portfolio
- **Define Escalation Paths** linking Bank capacity directly to Board-level project approval decisions

Recommendation 5

5

Minimum Stabilization Reserve Requirement

- **Create a Reserve Buffer** to absorb market volatility and protect long-term capital program stability
- **Set the Target** at positive 5-year projected cumulative net cash flows across all committed projects
- **Report Annually** on reserve status as a core financial health indicator for executive and governance audiences
- **Align to 2030 Goals** under Rutgers' Financial Strategy targeting institutional sustainability

Financial Strategy Alignment

These recommendations align with Rutgers' Financial Strategy targeting institutional sustainability by 2030

TARGET

> 5%

Operating Margin

*Ensures structural budget
balance*

TARGET

> 3X

Debt Service Coverage

*Provides capacity for new
borrowing*

TARGET

> 150

Days Cash on Hand

Maintains institutional liquidity

TARGET

> 1.0X

Bank Solvency Ratio

Confirms Internal Bank health

Net cash flows = internal loans + investment returns – external debt service – capital expenditures – administrative expenses – investment return contingency. The investment return contingency is determined by scenario outcomes and institutional risk tolerance.

Key Recommendations Summary



1. Primary platform for capital financing



2. Next generation model development + leadership and governance reporting



3. Integrate the Bank into Rutgers enhanced capital planning model



4. Enhanced approval process for Bank commitments



5. Establish minimum stabilization reserve requirement

These recommendations will position the Internal Bank to provide greater value and impact in supporting the University's future capital needs and strategic ambitions.