

Revision to the Resolution for Authority to Loan Funds to University-Related Corporation**FINANCE AND RESOURCE MANAGEMENT COMMITTEE****May 3, 2024****Background:**

The Board of Visitors adopted a Resolution for Authority to Loan Funds to the New University-Related Corporation at its November 14, 2022 meeting granting authority at the President's discretion to negotiate and execute service agreements and promissory notes or loan agreements from the university to a university-related Swiss corporation, VT Swiss, SA, a subsidiary of VTIC. The university desired to advance working capital to VT Swiss SA, to manage facilities and operations at the Steger Center for International Scholarship (Center). The resolution authorized the university to provide advance working capital up to a maximum of USD 250,000 to VT Swiss SA, to provide initial capitalization of CHF100,000 and continued authorization to provide working capital loan(s) of up to three months expenditures to finance operations at the Center.

The university frequently makes "internal loans" to operating units within the university to support start-up or operational costs related to the units or specific initiatives. The university has earlier provided such loans to outside related organizations.

Section 23-1.1010 of the Restructuring Act titled "Covered institutions; operational authority; creation of entities and participation in joint ventures" provides the Board of Visitors authority to approve loans or obligate university funds to or on behalf of its affiliated organizations or joint venture activities.

The basic conditions and requirements for the loan(s) included:

- the loan(s) will be made in accordance with established university procedures for authorizing internal loans to operating units;
- the loan(s) will not carry an interest rate;
- the loan(s) will be for initial capitalization requirements of the new entity and up to three months of planned operating expenses;
- the repayment on the university's loan(s) will occur no later than at the conclusion of the Management Services Agreement for operation of the Center;
- the university departments requiring third party administration are responsible for repayment if at the end of the Management Services Agreement with the affiliated entity costs are disallowed or funds unrecoverable; and
- the loan(s) would be underwritten by the university's research overhead funds, a nongeneral fund revenue source.

Due to increased operating budget costs of the Center, they have exceeded the three months of operating expenditures average of \$250,000 (the current three month average operating expenditures is \$390,000); therefore, the proposed resolution authorizes the university to increase the maximum cumulative advances up to \$500,000 to VT Swiss SA, and allow an interest rate to be charged on the working capital loan at the discretion of the Vice President of Finance and Chief Financial Officer, in coordination with, the Vice President for Outreach and International Affairs.

**RESOLUTION FOR AUTHORITY TO INCREASE LOAN TO
UNIVERSITY-RELATED CORPORATION**

WHEREAS, on November 14, 2022, the Board of Visitors granted authority at the President's discretion to negotiate and execute service agreements and promissory notes or loan agreements from the university to a university-related Swiss corporation, VT Swiss, SA, a subsidiary of VTIC; and

WHEREAS, the university's strategic plan envisions experiential learning opportunities such as study abroad; and

WHEREAS, the university operates the Steger Center for International Scholarship located in Riva San Vitale in Southern Switzerland as the university's European center and base for study abroad programs and support of its research and scholarship symposia in the region and in Europe; and

WHEREAS, the university desires to increase advance working capital to a university-related Swiss Corporation, VT Swiss SA, to cover three months of operations expenditures at the Center; and

WHEREAS, on November 14, 2022, the Board of Visitors authorized the university to provide advance working capital up to a maximum of USD 250,000 to VT Swiss SA, to provide initial capitalization of CHF100,000 and continued authorization to provide working capital loan(s) of up to three months expenditures to finance operations at the Center; and

WHEREAS, under section 23-1.1010 of Restructured Higher Education Financial and Administrative Operations Act of the Code of Virginia the Board of Visitors has the authority to authorize such transactions,

NOW, THEREFORE BE IT RESOLVED, that the Board of Visitors authorizes the university to increase the maximum cumulative advances up to \$500,000 to VT Swiss SA, to provide working capital loan(s) of up to three months of expenditures to finance operations at the Center and allow an interest rate to be charged on the working capital loan.

BE IT FURTHER RESOLVED, the Vice President of Finance and Chief Financial Officer, in coordination with the Vice President for Outreach and International Affairs, is authorized to structure the loan including repayment terms, and to execute the loan transactions to a university-related Swiss Corporation, VT Swiss SA, contingent upon the need for capitalization and advance working capital.

RECOMMENDATION:

That the resolution authorizing the university to increase loan working capital up to a maximum of \$500,000 to a university-related Swiss Corporation, VT Swiss SA, be approved.

June 11, 2024