

UNIVERSITY OF PENNSYLVANIA
Office of Budget and Management Analysis

[Estimating Debt Service on Interim Construction Loans and Internal Capital Project Loans]

Background

The [Treasurer's Office](#) periodically issues to your School or Center updated interim interest and internal capital project loan schedules. The principal and interest amounts shown on these schedules should be included in your five-year budget submissions, using the specified COA segments. If you have questions about the amounts shown on these schedules, you should contact Jeff McCray (jimmccray@pobox.upenn.edu; 215.898.1084) for clarification or correction. You should also feel free to contact the Budget Office analyst assigned to your School or Center with any questions.

As you refer to the Treasurer's Office schedules, please note that the amount of interest to be budgeted for the upcoming fiscal year for a given project depends on whether the project:

- was closed out prior to the current fiscal year
- was closed out during this fiscal year
- is projected to be closed out during the remainder of this fiscal year
- is projected to close out next fiscal year or beyond

Each of these cases is discussed in turn. Finally, you should also budget interim interest and debt service payments for any new capital projects that have yet to be itemized in the Treasurer's Office schedules, if you anticipate that such activity will occur during the five-year budget planning period.

Project Closed Out Prior to Current Fiscal Year

No interim interest is to be budgeted for next fiscal year. The amount of interest in the Internal Capital Project Loan schedule for next year for that project represents a full year's interest and should be budgeted, along with any principal payment. These amounts should agree with the final amortization schedule distributed by the Treasurer's Office. The amounts shown on the Internal Capital Project Loan schedule should be budgeted for the remainder of the five-year budget planning period as well.

Project Already Closed Out During This Fiscal Year

Interim interest to be credited or charged next July is the actual amount shown on the Interim Interest schedule (also reflected in the General Ledger under the INTF Stat Object Code and the Program Code for the project) and should be budgeted using the accounting flexfield indicated on that report. Alternatively, you may budget net interim interest under Program 8999.

Project To Be Closed Out Before the End of This Fiscal Year

For projection purposes, the Treasurer's Office has assumed that interest shown on the Interim Interest schedule thus far through this fiscal year (matching the actual amount accumulated in the INTF Stat Object) will be charged or credited at the beginning of next fiscal year, and that no further interim interest pertaining to the project will be assessed. Consistent with this approach, the Treasurer's Office has adjusted the amount of interest shown for next fiscal year in the Internal Capital Project Loan schedule to reflect interest for balance of the current fiscal year only. In effect, this assumes that the interim construction loan will convert to an amortizing loan this fiscal year in the month following the last month for which interim interest was calculated. For budgeting purposes, you should use the principal and interest amounts shown on both the Interim Interest and Internal Capital Project Loan schedules.

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Project To Be Closed Out Next Fiscal Year Or Thereafter

The Treasurer's Office has provided interim interest amounts through a portion of this fiscal year only. You should project any interim interest accretion for the balance of this year and future fiscal years – based on anticipated expenditure and funding cash flows – for projects that you believe will remain open beyond this year and include the appropriate interest amounts in your budget submission. You should also budget the principal and interest amounts shown in the Internal Capital Project Loan schedule starting two years hence or beyond. (The Internal Capital Project Loan schedule should not reflect any interest or principal payment in the next fiscal year, as amortization begins in the fiscal year following the fiscal year of project closeout.)