



**The Trustees of Davidson College**  
**Policy Regarding the Financing of Construction Projects**

[Adopted by the full Board on February 9, 2001]

1. Construction: The Administration will undertake construction on a capital project costing more than one million dollars only with prior approval of the Trustees of a plan for full funding of the project. Full funding for any capital project shall be defined as follows: receipts and/or pledges sufficient to cover (a) the cost of construction; (b) any related debt service; and, (c) for non-revenue producing buildings, an operating endowment.
2. Revenue-producing facilities: The Trustees may authorize long-term borrowing so long as the facility being constructed will produce enough net new revenue to service both the principal and the interest of the debt incurred to construct it.
3. Non-revenue producing facilities:
  - When gifts and pledges sufficient to cover the cost of the construction of the facility [see 1. (a) above] have been received, construction may begin. For purposes of this calculation, deferred or planned gifts will be counted at their net present value, and not their nominal or face value. When borrowing is necessary to cover the timing difference between construction expenditures and the receipt of gifts, only short-term (less than ten years) or "bridge" financing may be used, and then only to span the pledge-payment period.
  - For long-term (more than ten years) borrowing, the total from gifts, pledges, operating budget funds, or other designated funds must be obtained to cover the debt amortization before construction may begin.
4. In the case of a capital project costing more than one million dollars, regardless of how it may be financed, the administration shall model its impact on the financial operations of the College. The model shall explain in detail the impact on financial operations of the project's added maintenance, operating cost, and associated debt service, before permission to begin construction shall be given.