

Appendix B

Item 1

Authorization of Projects Funded With Special Obligation Bonds – North Carolina State University and The University of North Carolina at Chapel Hill

In October 2001, the Board authorized North Carolina State University and the University of North Carolina at Chapel Hill to implement a commercial paper program allowing the periodic issuance of tax-exempt commercial paper bonds.

Commercial paper is short-term, unsecured debt issued in the form of promissory notes, and presents an alternative to borrowing from banks. A commercial paper program provides the issuer access to a flexible, low cost source of capital to provide bridge financing for projects. The program was established to fund previously approved projects, up to the authorized maximum amount. The bonds are issued by the Board of Governors but are an obligation of the constituent institution secured by available funds excluding state appropriations, tuition, and restricted gifts. Funds are drawn on an as-needed basis for capital expenditures. The short-term program is repaid with proceeds from a long-term bond issue, gift receipts, or other sources. By providing continual access to capital for construction projects, North Carolina State University and UNC-Chapel Hill have not been required to issue long-term debt as frequently as in the past and have had greater flexibility over the timing of bond issues. In addition, less frequent issuance of bonds reduces the costs of issuance and achieves more attractive debt service costs. Tax-exempt commercial paper rates are often several percentage points lower than commercial bank loans.

North Carolina State University and the University of North Carolina at Chapel Hill request that the Board approve and ratify the use of proceeds of special obligation bonds for participation in the Commercial Paper Program for the following projects, approved by the 2007 Session of the General Assembly:

NC STATE PROJECTS

Companion Animal Hospital (\$34,000,000)
Residence Halls – Improvements and Infrastructure Expansion (\$13,000,000)

UNC AT CHAPEL HILL PROJECTS

College of Arts and Sciences – Digital Multimedia Center and Music Library (\$4,000,000)
Rosenau Hall Laboratory Building – Comprehensive Renovation (\$1,124,000)
Science Complex – Phase I (\$20,000,000)
Hanes Hall (\$750,000)
Genomic Sciences Building (\$12,500,000)
Electrical Infrastructure Improvements (\$9,300,000)
Information Technology Infrastructure Improvements (\$11,800,000)
Translational Medicine Program Facility Renovation (\$4,000,000)
Henry Stadium Renovation (\$2,000,000)
Carmichael Auditorium – Supplement (\$2,000,000)
Woolen Gymnasium – Supplement (\$2,000,000)
McColl Building Expansion and Renovation (\$6,500,000)
Bell Tower Development Parking (\$30,000,000)
Chilled Water Infrastructure (\$39,600,000)
Enterprise Administrative Systems (\$59,000,000)

It is recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to use commercial paper bonds for the projects listed.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH
CAROLINA AUTHORIZING SPECIAL OBLIGATION BOND PROJECTS FOR THE
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL AND NORTH CAROLINA
STATE UNIVERSITY AT RALEIGH