

Interim Financing – The University of North Carolina at Greensboro

The Board of Governors has authorized the President to approve interim financing for capital improvements projects that have been approved by the Board and the General Assembly until permanent long-term financing can be obtained. Although the President has been delegated this authority, Board approval is being requested because the amount of the interim financing is for the full amount of the project and its approval would obligate the Board of Governors to issue long-term bonds in the summer of 2011.

The University of North Carolina at Greensboro requests that the Board approve interim financing for the purpose of beginning the renovation of seven existing residence halls known collectively as the Quad on the campus of UNCG. The seven historic quad residence hall buildings were built in the 1920s and 1930s and include Cotton, Bailey, Hinshaw, Coit, Shaw, Jamison, and Gray. The renovation project will include the complete interior demolition and comprehensive renovation of the seven buildings including the addition of fire sprinklers.

Interim financing for this project is necessary to allow the University to begin construction and complete the project in one academic year. In order to have the Quad out of service for only one academic year, and the resulting loss of revenue for only one academic year, the contractors have to begin work as soon as classes end in May 2011. Accordingly, the construction contracts must be in place in January in order for the contractors to mobilize and to acquire the long lead-time items required for the project. Additionally, the interim financing would allow UNCG to combine this project with the dining renovation project when issuing long-term bonds in the summer of 2011. By combining the two projects in one bond issue, UNCG would achieve savings associated with the cost of issuance.

The interim financing will be obtained by UNCG by entering into a short-term loan agreement with a financial institution for an amount not to exceed \$46,000,000. The short-term loan would have a variable interest rate. UNCG would pay interest only, with the principal due in January 2012, with no prepayment penalty. The principal will be repaid with proceeds of long-term bonds expected to be issued in August of 2011.

UNC Greensboro is currently rated Aa3 and A+ by Moody's Investor Service and Standard and Poor's respectively. Moody's recalibrated UNCG's credit rating up from A1 to Aa3 in May of 2010. UNCG's debt service to operations ratio is 2.83 which is consistent with the Moody's Median for issuers with the same credit rating. It is expected that UNCG would maintain its Aa3/A+ credit rating after issuing bonds to repay the interim loan.

It is recommended that UNC Greensboro be authorized to enter into a short-term loan between the January 2011 and February 2011 meetings of the Board.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY
OF NORTH CAROLINA AUTHORIZING THE UNIVERSITY OF NORTH
CAROLINA AT GREENSBORO TO ENTER INTO AN INTERIM LOAN
PENDING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO
FUND SPECIAL OBLIGATION BOND PROJECTS FOR THE
UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**