Sale of Special Obligation Bonds – Elizabeth City State University

The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. Although a specific source of funding is used by a campus when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, State appropriations, and restricted reserves.

Elizabeth City State University requests that the Board issue special obligation bonds for the purpose of (1) financing the costs of the construction, equipping and furnishing of a new student housing facility of the campus of ECSU, (2) paying capitalized interest on a portion of the Bonds related to the Project, (3) the refunding of all or a portion of prior revenue bonds issued on behalf of ECSU, and (4) paying the costs incurred in connection with the issuance of the Bonds. The 2010 Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds, taxable "Build America Bonds" and other taxable bonds as the President of the University, or his designee, in consultation with the appropriate officers at ECSU, determine to be in the best interest of the University.

Build America Bonds were authorized by Congress in 2009 as part of the Federal Stimulus program (ARRA) to benefit issuers of municipal bonds. Qualifying issuers of municipal debt are permitted to issue taxable bonds and receive a subsidy payment from the Federal government equal to 35% of the interest cost. To be eligible, projects must meet all of the requirements of tax exempt debt.

The issuance of bonds for the project previously approved by the Board and the General Assembly will not exceed a par amount of $15,500,000. These improvements will be funded from housing receipts.

The issuance of bonds to refund all or a portion of prior revenue bonds issued on behalf of ECSU will not exceed $4,500,000. It is possible that no bonds will be refunded with this transaction.

Elizabeth City State University does not currently have a public bond rating. ECSU's expendable resources to debt ratio after issuance of this proposed debt will be 0.25 which is consistent with the Moody's median for issuers with an A3 credit rating. With the issuance of these bonds, it is expected that ECSU would attain a credit rating of A3.

Wells Fargo Bank will be the underwriter for the issue. Parker Poe is bond counsel. First Southwest is the financial advisor.

It is recommended that the President of the University, or his designee, be authorized to sell the special obligation bonds between the November 2010 and the January 2011 meetings of the Board.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO FUND THE SPECIAL OBLIGATION BOND PROJECT FOR ELIZABETH CITY STATE UNIVERSITY