

# **An Update from the Dept. of State Treasurer**



***State Treasurer Janet Cowell***

**April 7, 2011**

**Presentation to the UNC Board of Governors**

# Agenda

- ▶ Debt Capacity
- ▶ Scholarships
- ▶ NC Innovation Fund

# Authorized but Unissued Tax-Supported Debt (millions)

Total	\$ 1,088.3
GO	\$ 0.0
Special Indebtedness	\$ 1,088.3

## Purpose

Universities	\$ 544.2
Psychiatric Hospitals	\$ 218.0
R &R Projects	\$ 142.1
Correctional Facilities	\$ 56.1
State Projects & other	\$ 127.9



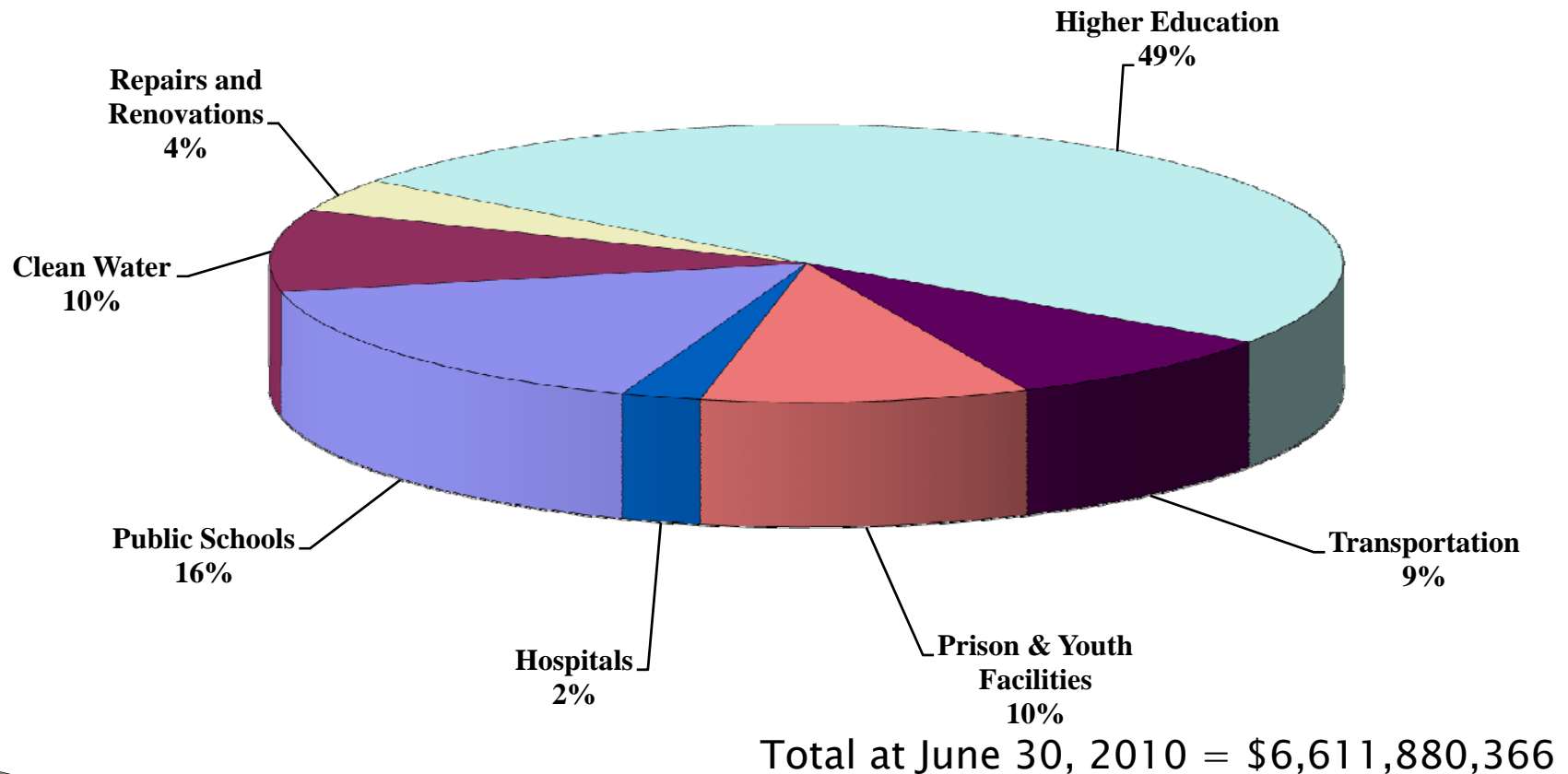
# 2010 General Assembly Session

## New Debt Authorizations (millions)

Repair & Renovation Projects (\$60 million for UNC)	\$ 120
Equipment (\$33 million for UNC)	<u>55</u>
Total New Authorizations	<b>\$ 175</b>



# Uses of Outstanding General Fund Tax-Supported Debt



# State Universities Indebtedness

## \$2.5 billion for State Universities

THE FOLLOWING CHART OUTLINES THE REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE AUTHORITIES AND INSTITUTIONS AT JUNE 30, 2010. THE STATE IS NOT RESPONSIBLE FOR DEBT SERVICE ON ANY OF THE REVENUE BONDS AND OTHER INDEBTEDNESS REPRESENTED IN THIS CHART.

Appalachian State University	\$ 202,310,596
East Carolina University	179,783,443
Elizabeth City State University	17,771,449
Fayetteville State University	6,518,527
North Carolina A & T State University	14,845,000
North Carolina Central University	88,056,173
North Carolina School of the Arts	9,215,000
North Carolina State University at Raleigh	334,550,703
University of North Carolina at Asheville	19,740,000
University of North Carolina at Chapel Hill	1,305,929,932
University of North Carolina at Charlotte	201,125,874
University of North Carolina at Greensboro	137,863,539
University of North Carolina at Pembroke	32,966,682
University of North Carolina at Wilmington	231,327,089
Western Carolina University	63,297,881
Winston-Salem State University	69,439,919
North Carolina Capital Facilities Finance Agency	2,922,760,281
North Carolina Eastern Municipal Power Agency	2,441,345,000
North Carolina Housing Finance Agency	1,470,170,000
North Carolina Medical Care Commission	6,989,322,431
North Carolina Municipal Power Agency No. 1	1,606,455,000
North Carolina State Education Assistance Authority	4,494,804,923
North Carolina State Ports Authority	104,757,560

**TOTAL**

**\$ 22,944,357,002**

# General Fund Debt Service (millions)

- ▶ FY 2010-11, UNC-related debt service = \$298.4m
- ▶ 40.1% of General Fund Total
- ▶ Will decrease to approx.35% in FY 2014-15

# Other Debt and Debt-like Obligations

## Sale and Leaseback of Assets

- ▶ Constitutes a recapitalization of assets
- ▶ Lease = long term debt
- ▶ Repayment of lease obligations = debt service
- ▶ Up front cash = “short term fix” depending upon use
- ▶ Authorization?
- ▶ Impact on debt capacity of individual institution



# Other Debt and Debt-like Obligations

## Public Private Partnerships

- ▶ Financing costs generally higher
- ▶ May constitute debt and impact debt capacity
- ▶ Process should evaluate key variables:
  - Speed
  - Priority of Project
  - Control
  - Compensation
  - Quality
  - Public Access
  - Financing Costs



# Energy Performance Contracts

- ▶ UNC Constituent Institutions = \$101.6 million
  - 6 projects across 5 institutions
- ▶ Paid from utility appropriation (General Fund)
- ▶ Projects financed through Bank placement w/ third-party support (e.g., letter of credit)
- ▶ Excluded from General Fund Debt affordability calculations

# “Two-Thirds” Bonds

- ▶ Two-thirds bonds = G.O. bonds authorized without voter approval if the amount is no more than two-thirds of the net reduction of outstanding GO bonds over the previous biennium
- ▶ \$215 million two-thirds bonds permitted in the 2011-13 biennium
- ▶ Two-thirds bonds do count against debt capacity
- ▶ GA may authorize two-thirds bonds to partially fund previously authorized projects
- ▶ DAAC recommends G.O. bonds as preferred financing mechanism

# Scholarships

## Drawdown of the Escheats Fund

		Projections				
	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Cash & investments	442,196,540	345,008,347	248,263,974	153,454,488	60,541,192	(30,513,837)
Escheat Fund Collections		100,500,000	100,500,000	100,500,000	100,500,000	100,500,000
N.C. Global Transpark Authority Loan	38,360,998	40,543,739	42,726,480	44,909,221	47,091,962	49,274,702
Administrative Expenses		(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Accounts Payable						
Escheat Claims Payable	(36,253,000)	(30,044,000)	(30,044,000)	(30,044,000)	(30,044,000)	(30,044,000)
Interest due to SEAA	(7,343,987)	(6,900,167)	(4,965,279)	(3,069,090)	(1,210,824)	610,277
Deferred Revenue	(18,239,214)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
<b>Fund Balance</b>	<b>418,721,337</b>	<b>434,107,919</b>	<b>341,481,174</b>	<b>250,750,619</b>	<b>161,878,330</b>	<b>74,827,142</b>



# Innovation Fund - Summary

## **Mandate**

\$230 million in investment opportunities with a nexus in North Carolina

## **Primary Objective**

Competitive risk-adjusted rate of return consistent with the performance objective of the Alternative Investment Fund

## **Collateral Objective**

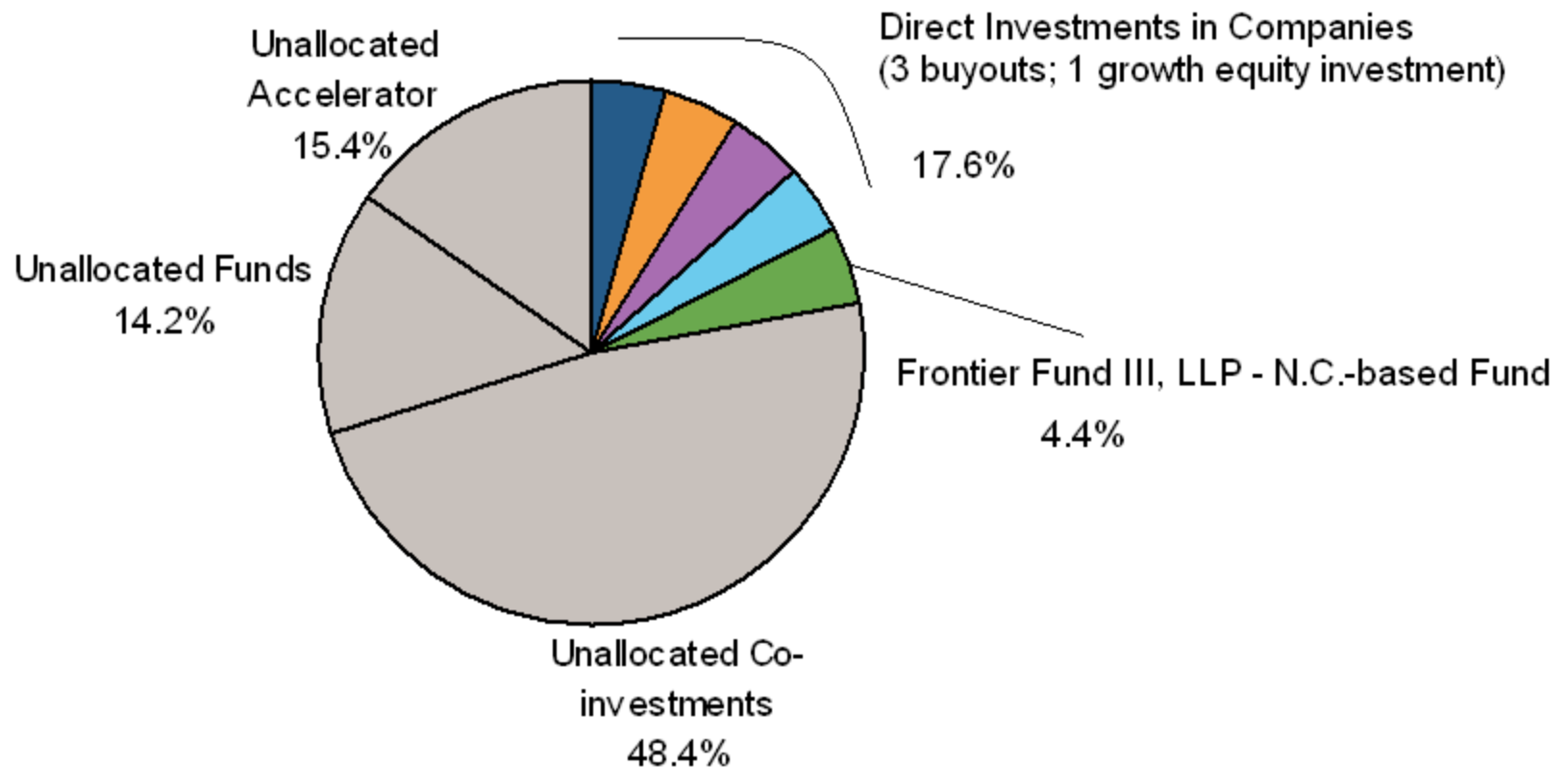
Support the economic well-being of the state of North Carolina

## **Legislative Authority**

Executed within the 5% Alternative asset allocation

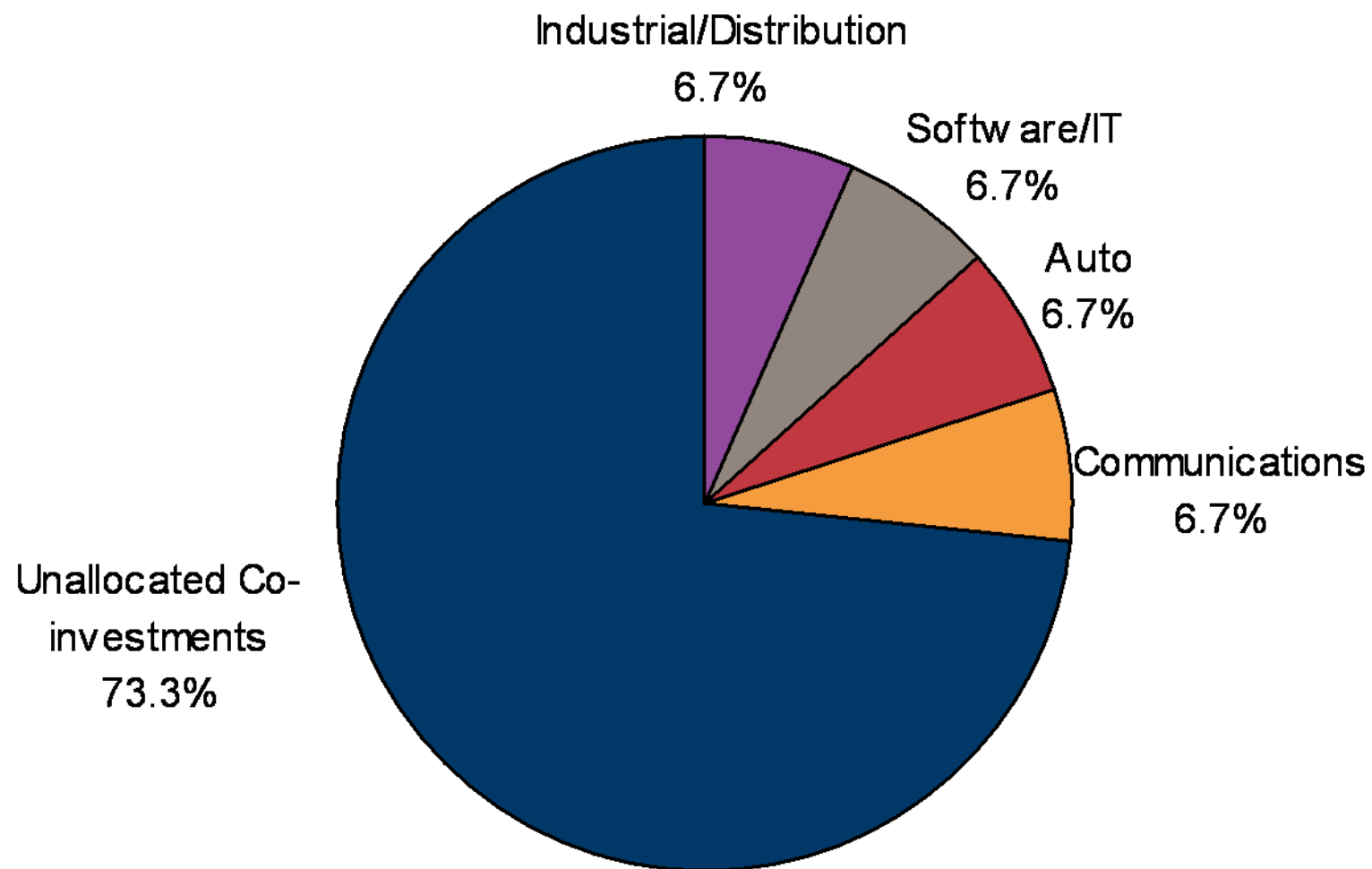


# Innovation Fund – Allocation by Investment





# Allocation by Industry





# Innovation Fund - Contact

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