

## AGENDA ITEM

10. Century Bonds – UNC-CH and NCSU ..... Jonathan Pruitt

**Situation:** UNC-CH and NCSU request that the Board of Governors seek authority from the General Assembly to issue Century Bonds in an amount not to exceed \$500 million each and a final maturity not to exceed 100 years.

**Background:** Century Bonds are taxable fixed rate bonds issued with a 100-year bullet maturity. Century bond financings allow issuers to lock-in current interest rates over a very long period of time. They have emerged in the higher education sector over the past five years with \$4.8 billion issued by ten institutions including three public universities – University of California, Ohio State University, and Ohio University.

**Assessment:** In the current debt market, a century bond would provide a long-term, cost-effective tool to help address capital needs outlined in each university’s master plan including a portion of deferred maintenance backlogs, innovation space and matching grants at UNC-CH and NCSU. These bonds require a single principal payment at maturity with ongoing interest paid during the life of the bonds. To repay the principal at maturity, the Universities would establish a sinking fund with proceeds at issuance that would be allowed to grow over the 100-year life of the bonds. Given the wide variety of facilities, including new and renovated classroom and laboratory buildings, the University would need to service the interest using a variety of funds including growth in tuition revenues. The University would not use State Appropriation to service this debt at any time. To take advantage of quickly changing needs, authority to establish projects from these proceeds would need to be delegated to the Board of Governors. Proceeds may also be used to fund other capital, including self-liquidating projects, and operating needs as established in the plan of finance at the time of the issuance of the bonds and as would be approved by the Board of Governors.

**Action:** This item is for a committee vote to refer the item to the Board’s Public Affairs Committee for consideration and inclusion on the Board’s 2017 Short Session Policy Agenda.