

Board Meeting  
May 20, 2010

**REVISED**

ROLL CALL

SHORT TERM BORROWING AUTHORITY

**Action:** Approve Short Term Borrowing Authority for the University

**Funding:** Institutional Funds of the University

The purpose of this Board action is to grant to the appropriate University officers the authority to undertake short term borrowing actions to address serious and pressing financial needs of the University. The University's entire Fiscal Year 2010 appropriation of approximately \$743.0 million will be expended via payroll and other invoiced expenditures by June 30, 2010. As of May 17, 2010, the University has yet to receive from the State of Illinois more than \$375.0 million of that appropriation. On May 6, 2010, the Illinois General Assembly passed Senate Bill 642 permitting the governing boards of each public university in Illinois to engage in short term borrowing to address appropriation receivables. Senate Bill 642 will soon be sent to the Governor for action. The Vice President/CFO and Comptroller recommends that the Board approve the undertaking of short term borrowing actions as authorized by Senate Bill 642, should it be signed into law, to meet the University's immediate fiscal needs.

Pursuant to Senate Bill 642, the Board may "borrow money, as necessary, from time to time in anticipation of receiving tuition, payments from the State of Illinois,

or other revenues or receipts of the university....” The borrowing limit is capped at 100 percent of the total amount of payroll and other expense vouchers submitted and payable to the University for fiscal year 2010 expenses that are unpaid at the State Comptroller’s office. The principal amount borrowed may not exceed 75 percent of the borrowing limit. The establishment of any promissory note or line of credit must be finalized within 90 days after the effective date of the legislation.

The form of the borrowing will be a promissory note or line of credit. The promissory note or line of credit shall be repaid within one year after creation or within ten days after the date the University receives reimbursement from the State for all submitted fiscal year 2010 vouchers. Senate Bill 642 grants authority to the Chairman, Comptroller, or Treasurer of the Board to execute a promissory note or similar debt instrument to evidence the indebtedness.

Any borrowing pursuant to Senate Bill 642 shall be a lawful obligation of the University payable from and secured by a pledge of all legally available funds of the University including tuition, payments from the State of Illinois and other revenues and receipts of the University and shall not constitute a debt, legal, or moral, of the State and shall not be enforceable against the State.

Therefore, the Vice President/CFO and Comptroller recommends that the Board:

1. Delegate to the Comptroller the authority to undertake short term borrowing through the execution of a promissory note or line of credit pursuant to Senate Bill 642. The amount of such borrowing shall not exceed the statutory borrowing limit and the interest rate of such borrowing shall not exceed the maximum rate authorized by the Bond

Authorization Act or 9 percent whichever is less.

2. Direct the Comptroller and appropriate University officers to take necessary actions to set apart and hold anticipated moneys upon receipt and utilize such funds to repay the borrowing, subject to any prior pledges or restrictions with respect to the anticipated moneys. Whenever practicable, partial repayments of the borrowing should be made as anticipated moneys become available.
3. Authorize and empower the Comptroller and other authorized officers of the Board to do and perform such acts and things necessary to carry out the stated purpose of the Board's action and in keeping with the Board's direction herein and in accordance with Senate Bill 642 and all other applicable laws and regulations; and to make, execute, and deliver all instruments and documents on behalf of the Board as may be by them deemed necessary or appropriate in connection the intents and purposes of this Board action.

The Board action recommended herein is contingent upon the Governor's approval of Senate Bill 642.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives. Funding will be available from institutional funds.

The President of the University concurs.