

## **Guiding Principles for Bond Funds**

The capital projects in the bond program (Senate Bill 912) were the highest priority projects for the University of North Carolina to be financed by the state, as identified by the Board of Governors in its ten-year capital plan and affirmed by the General Assembly. In addition to the estimated project cost, all capital projects in the bond bill included an additional 5% in funding intended to cover project management costs and inflationary increases.

At the quarterly meeting of the University Chief Financial Officers in October 2000, it was agreed that it would be necessary to have guiding principles, consistently applied, by which all campuses could manage the issues of budgeting and accounting for the bond projects and to assure the efficient and effective expenditure of construction funds. The guiding principles are based on the governing language included in the bond bill, as directed by the General Assembly.

### **Guiding Principles**

- All projects in the bond bill must be accomplished and must be completed within the scope and within the budget as identified in the bond bill.
- The additional 5% in funding that is intended to cover project management costs and inflationary increases should be reserved in a separate line item in each individual capital improvement project's budget. The 5% will be held in reserve, and should not be included in the dollar amounts available for design, construction, contingencies, or equipment.
- Only the General Assembly has the authority to alter the project list, including any deletions.

- All bond projects are equally important and no project should be inordinately impacted by inflation simply because of its place in the overall sequence.
- Each campus and affiliate should have an official project description and cost estimate for each bond project. As needed, each campus should consult with the Office of State Construction in the North Carolina Department of Administration to define the project scope and estimated cost. Information used to develop the official scope and cost estimate should be consistent with the UNC Capital Study.
- Each campus and affiliate, in conjunction with the Office of the President, should prepare a spending plan to fully implement the bond bill package. At the appropriate time and after consultation with the Board of Governors, modifications can be considered to transfer savings achieved from projects expedited in the early years of the plan to projects planned for the out-years to mitigate inflationary impacts or other necessary changes.
- In cases where a bond project will use not-state funds to supplement funds appropriated in the bond bill, funds authorized in the bond bill should be spent first, unless this is found to be inconsistent with other state policies or procedures.
- Funds included in the bond bill, as a Reserve for Repairs and Renovations and Cost Overruns, will be placed in a reserve in the Board of Governors' capital improvement budget code. The Board of Governors will determine use of these reserve funds, subject to approval of the Director of the Budget.