

## Sale of Special Obligation Bonds – University of North Carolina at Charlotte

### ISSUE OVERVIEW

The Board of Governors is authorized to issue special obligation bonds for capital improvement 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.

The Board is authorized to issue special obligation bonds for capital improvement projects that have been approved by the General Assembly. The General Assembly authorized the residence hall project under S.L. 2018-35, (H.B. 1054). The projects financed by bonds to be refinanced were previously approved by the Board and the General Assembly and were also approved for financing. With respect to those projects, this request is to refinance for savings those previously-issued bonds.

The University of North Carolina at Charlotte requests that the Board of Governors issue special obligation bonds in an aggregate principal amount not to exceed (1) \$34,000,000 to finance the demolition of Moore and Sanford Residence Halls and constructing and equipping of a replacement residence hall, (2) \$46,350,000 to refinance certain maturities of the University of North Carolina at Charlotte Taxable General Revenue Refunding Bonds (Build America Bonds), Series 2009B (the “2009 BABs”), (3) \$2,000,000 to refinance portions of certain maturities of The University of North Carolina System Pool Revenue Bonds, Series 2005A (the “2005A Pool Bonds”), (4) \$1,000,000 to refinance portions of certain maturities of The University of North Carolina System Pool Revenue Bonds, Series 2009B (the “2009B Pool Bonds”), (5) \$24,000,000 to refinance certain maturities of the University of North Carolina at Charlotte Taxable General Revenue Bonds, Series 2012B (the “2012B Bonds”), and (6) \$55,000,000 to refinance certain maturities of the University of North Carolina at Charlotte General Revenue Bonds, Series 2014 (the “2014 Bonds”).

Due to the favorable interest rate environment, up to \$128,350,000 of outstanding special obligation bonds issued on behalf of UNC Charlotte may be refinanced for debt service savings. UNC Charlotte estimates, based on indicative interest rates as of October 16, 2019, that it can achieve approximately (1) \$6,990,000 in net present value savings by refunding the 2009 BABs, representing approximately 15% of the aggregate par amount refunded, (2) \$84,000 in net present value savings by refunding the 2005A Pool Bonds, representing approximately 4.6% of the par amount refunded, (3) \$18,350 in net present value savings by refunding the 2009B Pool Bonds, representing approximately 2.0% of the par amount refunded, (4) \$1,440,000 in net present value savings by refunding the 2012B Bonds, representing approximately 6.6% of the par amount refunded, and (5) \$2,340,000 in net present value savings by refunding the 2014 Bonds, representing approximately 4.90% of the par amount refunded. UNC Charlotte is seeking authority to refund the referenced bonds and to finance the residence hall to streamline costs of issuance and provide maximum flexibility to take advantage of prevailing market conditions.

The University of North Carolina at Charlotte currently has an issuer credit rating of “Aa3/A+/NR” with “stable” outlooks. Robinson, Bradshaw & Hinson is bond counsel and disclosure counsel and Hilltop Securities is the financial advisor.

It is recommended that the president of the University, or his designee, be authorized to sell the special obligation bonds through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO FINANCE AND REFINANCE SPECIAL OBLIGATION BOND PROJECTS FOR THE UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of The University of North Carolina System (the “UNC System”) is vested with general control and supervision of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina State University, University of North Carolina at Asheville, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte (“UNC Charlotte”), The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, University of North Carolina Wilmington, University of North Carolina School of the Arts, Western Carolina University, and Winston-Salem State University and other institutions; and

**WHEREAS**, the Board has determined to issue not to exceed \$34,000,000 (plus any amount necessary for refunding as described below) aggregate principal amount of the University of North Carolina at Charlotte General Revenue Bonds, Series 2020 (with appropriate descriptions and series designations) in one or more series (the “2020 Bonds”) for the purpose of (1) financing (i) the demolition of Moore and Sanford Residence Halls and the construction and equipping of a replacement residence hall (the “Special Obligation Bond Project”), (2) refunding all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of UNC Charlotte that result in sufficient savings to UNC Charlotte as set forth below, (3) if applicable, paying the premium on one or more municipal bond insurance policies to be issued simultaneously with the issuance of some or all of the 2020 Bonds, (4) if applicable, paying interest on a portion of the 2020 Bonds during construction of portions of the Special Obligation Bond Project, and (5) paying the costs incurred in connection with the issuance of the 2020 Bonds; and

**WHEREAS**, the Board has determined to issue the 2020 Bonds under the General Trust Indenture dated as of July 1, 2006 (the “General Indenture”) between the Board and U.S. Bank National Association, as trustee (the “Trustee”) and Series Indenture, Number 12 dated as of January 1, 2020 (the “Twelfth Series Indenture” and together with the General Indenture, the “Indentures”) between the Board and the Trustee; and

**WHEREAS**, the 2020 Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of UNC Charlotte, or of the Board held for UNC Charlotte, in each Fiscal Year remaining after satisfying obligations of UNC Charlotte or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to UNC Charlotte existing prior to January 10, 2002, but excluding (1) appropriations by the General Assembly of the State of North Carolina from the State General Fund, (2) tuition payments by UNC Charlotte students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, and (4) revenues generated by Special Facilities, as defined in the General Indenture (the “Available Funds”);

**WHEREAS**, it is anticipated that in January 2020, BofA Securities, Inc., J.P. Morgan Securities LLC and Fifth Third Securities, Inc. (the “Underwriters”) will agree to purchase all of the 2020 Bonds pursuant to the terms of a bond purchase agreement (the “Purchase Agreement”) between the Board and the Underwriters; and

## APPENDIX F

**WHEREAS**, there have been made available to the Board forms of the following documents (the “*Board Documents*”), which the Board proposes to approve, execute and deliver, as applicable, to effectuate the financing:

1. the Twelfth Series Indenture;
2. the Purchase Agreement;
3. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the 2020 Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the 2020 Bonds; and
4. the 2020 Bonds as set forth in the Twelfth Series Indenture; and

**WHEREAS**, the 2020 Bonds will be payable from Available Funds designated by the Board in the General Indenture as obligated resources; and

**WHEREAS**, the issuance of the 2020 Bonds does not directly or indirectly or contingently obligate the State or any agency or political subdivision of the State to levy or to pledge any taxes to pay the cost, in whole or in part, of the Special Obligation Bond Project in compliance with Section 116D-23 of the Act;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Governors of The University of North Carolina System as follows:

Section 1. **Authorization of 2020 Bonds.** That the Board hereby authorizes the issuance of the 2020 Bonds in an aggregate principal amount not to exceed \$34,000,000 (plus any amount necessary for refunding as described below) for the purposes recited above. The 2020 Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the Senior Vice President for Finance & Administration and Chief Financial Officer the UNC System (the “SVP-Finance”), or his designee, in consultation with the appropriate officers at UNC Charlotte, determine to be in the best interest of UNC Charlotte to achieve debt service savings.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are reasonably expected to be available to pay the principal of and interest on the 2020 Bonds.

Section 3. **Authorization of Refundings.** That the Board authorizes each of the President (or Interim President) and the SVP-Finance and Chief Financial Officer of the UNC System to include with the purpose for which the 2020 Bonds are issued the refunding of all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of UNC Charlotte which produce sufficient savings to UNC Charlotte as determined by the SVP-Finance and Chief Financial Officer of the UNC System or his designee, in consultation with the appropriate officers at UNC Charlotte. The principal amount of such refunding bonds shall not exceed \$128,350,000. To the extent any such refinancing or refunding requires one or more escrow agreements to hold and invest proceeds of the 2020 Bonds, each of the President (or Interim President) and the SVP-Finance and Chief Financial Officer of the UNC System hereby are authorized, empowered and directed to execute and deliver such escrow agreements for and on behalf of the Board.

Section 4. **Authorization of Board Documents.** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chair of the Board, the President (or Interim President) and the SVP-Finance and Chief Financial Officer of the UNC System, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System individually and collectively (the "Authorized Officers") be and they hereby are authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 5. **Authorization of Preliminary Official Statement and Official Statement.** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriters in connection with the sale of the 2020 Bonds is hereby in all respects authorized, approved, ratified and confirmed. The Chair of the Board, the President (or Interim President) and the SVP-Finance and Chief Financial Officer of the UNC System, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, their execution of the Purchase Agreement to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and the use of the Official Statement by the Underwriters in connection with the sale of the 2020 Bonds is hereby authorized, approved and confirmed.

Section 6. **General Authority.** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the 2020 Bonds. Any provision in this Resolution that authorizes more than one Authorized Officer to take certain actions shall be read to permit such Authorized Officers to take the authorized actions either individually or collectively. The Chancellor and the Vice Chancellor for Business Affairs at UNC Charlotte, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents as may be necessary to the issuance and on-going administration of the 2020 Bonds on behalf of UNC Charlotte.

Section 7. **Conflicting Provisions.** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 8. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on November 15, 2019 and that the same was passed and adopted.