

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. This request is for refinancing previously issued bonds. The Greek Village project was approved by the General Assembly under S.L. 2004-181.

UNC Charlotte is requesting that the Board of Governors issue special obligation bonds (“2021 Bonds”), not to exceed \$98,000,000, for the purpose of refunding the callable portion of the taxable Series 2013B Bonds (“2013B Bonds”), tax-exempt Series 2014 Bonds (“2014 Bonds”), and all the currently outstanding taxable Limited Obligation Series 2015 Bonds (“2015 Bonds”). The 2021 Bonds will be payable from all campus revenues excluding tuition, state appropriations, and restricted reserves.

UNC Charlotte has \$29,735,000 outstanding of the 2013B Bonds, \$53,220,000 outstanding of the 2014 Bonds, and \$11,030,000 outstanding of the 2015 Bonds. The 2021 Bonds will be used to refund the 2013B Bonds and the 2014 Bonds, and all of the outstanding 2015 Bonds, all of which were issued to finance capital projects previously approved by the UNC Charlotte Board of Trustees, the Board of Governors, and the General Assembly.

The UNC Charlotte Facilities Development Corporation (“FDC”) was organized in 2004 to aid UNC Charlotte in the funding and development of capital projects to meet the growing needs of the university. FDC’s initial project was the construction of student housing, designed with a village concept, on 16.3 acres on the UNC Charlotte campus. Under the Land and Use Agreement, UNC Charlotte agreed to make rental payments to FDC and to operate and maintain the project in exchange for a lease of the buildings constructed and financed through FDC. The project was originally financed by tax-exempt bonds, Series 2005 Certificates of Participation (“COPs”), which was subsequently refunded by the 2015 Bonds in April 2015.

Proceeds of the 2021 Bonds will be partially used by UNC Charlotte to exercise the option to purchase the Greek Village housing facilities from FDC. As a condition to closing the 2021 Bonds, FDC will warrant that the proceeds from the purchase price will be used to redeem the 2015 Bonds. Refunding the 2015 Bonds would remove the rate covenant requirement, simplify the university’s debt structure, and save annual administrative costs associated with this debt.

UNC Charlotte will complete a comprehensive Request for Proposal (RFP) process to select underwriter(s) for the transaction. Due to the favorable interest rate environment, UNC Charlotte estimates that, based on indicative interest rates as of October 27, 2020, it can realize debt service savings of approximately \$5.7 million on a total net present value basis (6.73% of refunded par).

UNC Charlotte currently has an issuer credit rating of “Aa3” with a stable outlook by Moody’s Investors Service, and an issuer credit rating of “A+” with a stable outlook by Standard & Poor’s. UNC Charlotte is currently not rated by Fitch Ratings. This transaction is expected to have no impact on UNC Charlotte’s credit rating.

Robinson, Bradshaw & Hinson is serving as bond counsel and disclosure counsel, and Hilltop Securities is serving as financial advisor for the transaction.

RECOMMENDATION

It is recommended that the Board of Governors authorize the sale and issuance of the revenue refunding bonds through the attached resolution.

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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 the constituent institutions of the UNC System; and

WHEREAS, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “Act”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, (1) special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing special obligation bond projects and (2) refunding bonds for the purpose of refunding any bonds by the Board under the Act or under any Article of Chapter 116 of the General Statutes of North Carolina, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

WHEREAS, the University of North Carolina at Charlotte (“UNC Charlotte”) and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding the callable maturities of The University of North Carolina at Charlotte Taxable General Revenue Bonds, Series 2013B (the “2013B Bonds”) and The University of North Carolina at Charlotte General Revenue Bonds, Series 2014 (the “2014 Bonds”) previously issued by the Board on behalf of UNC Charlotte to finance and refinance various special obligation bond projects at UNC Charlotte; and

WHEREAS, UNC Charlotte has determined that it may achieve significant operational benefits from financing with special obligation bond proceeds the purchase of the Greek Village Housing facilities (authorized by S.L. 2004-181 of the 2003 Session Laws) from its affiliate The University of North Carolina at Charlotte Facilities Development Corporation, Inc., which affiliate will use the purchase price to redeem all its currently outstanding Taxable Refunding Limited Obligation Bonds (The University of North Carolina at Charlotte Student Housing Project), Series 2015 (the “Acquisition Refunding”); and

WHEREAS, to achieve the goals set forth above, the Board has determined to authorize the issuance of The University of North Carolina at Charlotte General Revenue Bonds (with appropriate descriptions and series designations) in one or more series (the “Bonds”) to (1) refund all or a portion of the 2013B Bonds and the 2014 Bonds (together, the “Refunded Bonds”), (2) accomplish the Acquisition Refunding and (3) pay the costs of issuing the Bonds; and

WHEREAS, the Board has determined to issue the 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 a Series Indenture, Number 13 (the “Series Indenture”) between the Board and the Trustee; and

WHEREAS, the 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,

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(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*”); and

WHEREAS, an underwriter or underwriters (the “*Underwriters*”) will be selected through a competitive process and will agree to purchase all of the Bonds pursuant to the terms of a bond purchase agreement (the “*Purchase Agreement*”) between the Board and the Underwriters; and

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

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

WHEREAS, the issuance of the 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 Bonds in compliance with Section 116D-23 of the Act;

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$98,000,000 under the General Indenture and the Series Indenture to pay the cost of refunding the 2013 Bonds, the 2014 Bonds, the 2015 Bonds, plus not to exceed an additional 5% of such principal amount to pay the costs incurred in connection with the issuance of the Bonds. The Bonds may be issued in one or more series of bonds in any combination of tax-exempt and taxable bonds for any or all of the purposes set forth herein, as the Senior Vice President for Finance and Administration and CFO of the UNC System (the “*SVP-Finance*”), or her designee, in consultation with the appropriate officers at UNC Charlotte, determine to be in UNC Charlotte’s best interest to achieve the goals set forth herein.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds and to provide for the maintenance and operation of the facilities at UNC Charlotte to the extent required under the General Indenture.

Section 3. **Selection of Financing Team Members.** That the Board authorizes the Vice Chancellor for Business Affairs of UNC Charlotte to select any professionals necessary to undertake the financing as contemplated in this Resolution.

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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 of the UNC System, the SVP-Finance, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System, or anyone acting in an interim capacity, individually and collectively (the “*Authorized Officers*”), be and they hereby are each 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 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 Purchase Agreement.** That the Chair of the Board, the President of the UNC System and the SVP-Finance, individually or collectively, be and they hereby are each authorized, empowered and directed to execute and deliver the Purchase Agreement for and on behalf of the Board, including necessary counterparts, in a form and substance consistent with the terms of this Resolution and that from and after the execution and delivery of the Purchase Agreement, 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 Purchase Agreement as executed.

Section 6. **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 Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President of the UNC System and the SVP-Finance, or their respective designees, 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 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 Preliminary Official Statement and the Official Statement by the Underwriters in connection with the sale of the Bonds to investors is hereby authorized, approved and confirmed.

Section 9. **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 Bonds and otherwise contemplated by this Resolution. 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 Finance and Operations at UNC Charlotte, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents and take such

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actions as may be necessary to the issuance and on-going administration of the Bonds and otherwise contemplated by this Resolution on behalf of UNC Charlotte.

Section 10. ***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 11. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 17th day of December 2020.