

Revision to Sale of Special Obligation Bonds – NC State University

ISSUE OVERVIEW

The University of North Carolina Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the North Carolina 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.

On April 18, 2024, the Board approved the issuance of the 2024B Bonds for NC State University in the amount of \$90 million on a taxable basis for the Integrative Sciences Building (“2024 Project”). NC State is requesting a revision to the previously approved sale of special obligation bond to issue the bonds on a tax-exempt basis. Approval for issuing 2024 Bonds on a tax-exempt basis supersedes the issuance of taxable 2024 Bonds.

NC State previously requested approval from the Board to issue special obligation bonds (the “2024B Bonds”) in an amount not to exceed \$90 million plus an additional amount not to exceed five percent of such principal amount. The proceeds of the 2024B Bonds will be used to finance the construction costs of an academic building known as the Integrative Sciences Building (“2024B Project”) and pay certain costs incurred in connection with the issuance of the 2024B Bonds. The Integrated Sciences Building (S.T.E.M.) is a new, 165,000 gross-square-foot teaching and research space to promote creativity and collaboration, and transform the sciences. The General Assembly authorized the 2024B Project under S.L. 2022-15 including project funding of \$90 million in state appropriations to be matched by \$90 million funded by 2024B Bonds. Upon further analysis, it was determined the 2024 Project meets the criteria for issuing the 2024 Bonds on a tax-exempt basis, which would result in debt service savings for NC State. The expected tax-exempt cost of funds of the 2024B Bonds is approximately 4.1 percent, and the 2024B Bonds will be competitively sold on a tax-exempt basis in the public market.

NC State has an issuer credit rating of “Aa1” with a stable outlook from Moody’s Investors Service and an issuer credit rating of “AA” with a stable outlook from S&P Global Ratings. NC State is currently not rated by Fitch Ratings. This revision to the transaction is expected to have no impact on NC State’s credit ratings.

Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon Advisors LLC is the financial advisor.

RECOMMENDATION

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

**RESOLUTION OF THE UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS
AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS
TO FINANCE SPECIAL OBLIGATION BOND PROJECTS
FOR NORTH CAROLINA STATE UNIVERSITY**

WHEREAS, pursuant to Chapter 116 of the General Statutes of North Carolina, the University of North Carolina Board of Governors (the “Board”) is vested with general control and supervision of the constituent institutions of the University of North Carolina System (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 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, North Carolina State University (“NC State”) has requested that the Board issue special obligation bonds, the proceeds of which are to be used by NC State to finance the construction of the Integrative Sciences (S.T.E.M.) Building as authorized by S.L. 2022-15 of the 2021 Session of the North Carolina General Assembly (collectively, the “Special Obligation Bond Project”);

WHEREAS, pursuant to a resolution adopted by the Board on April 18, 2024 (the “Prior Resolution”), the Board has determined to issue North Carolina State University at Raleigh General Revenue Bonds (with appropriate descriptions and series designations) (the “Bonds”) to (1) finance the Special Obligation Bond Project, and (2) pay the costs of issuing the Bonds; and

WHEREAS, in the Prior Resolution the Board indicated that the Bonds were going to be issued on a federally taxable basis, but upon further analysis, it was determined the 2024 Project meets the criteria for issuing the 2024 Bonds on a tax-exempt basis, which would result in debt service savings for NC State; and

WHEREAS, the Board has determined to issue the Bonds under the General Trust Indenture dated as of October 1, 2001 (the “General Indenture”) and a series indenture (the “Series Indenture”), each between the Board and U.S. Bank Trust Company, National Association, as trustee; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of NC State or the Board (held for NC State) in each Fiscal Year remaining after satisfying obligations of NC State or the Board under a trust indenture, trust agreement, or bond resolution providing for the issuance of debt as of the date of the NC State General Indenture with respect to NC State, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by NC State students, (3) funds whose purpose has been restricted by the gift, grant, or payee thereof, (4) revenues generated by Special Facilities (as defined in the NC State General Indenture) and (5) funds restricted by law (the “Available Funds”);

WHEREAS, the Board proposes to sell the Bonds through a competitive sale to the bidder or bidders whose bid or bids result in the lowest true interest cost to NC State; 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 Series Indenture;
2. 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;
3. the Notice of Sale for the Bonds (the “Notice of Sale”); and
4. the Bonds in the form set forth in the Series Indenture; and

WHEREAS, the issuance of the Bonds does not directly, 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.** The Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$90,000,000, plus up to an additional five percent of such amount to pay issuance expenses and other related additional costs, under the General Indenture and the Series Indenture to pay the costs of financing the Special Obligation Bond Project and costs incurred in connection with the issuance of the Bonds. The Bonds will be issued on a tax-exempt basis and may be issued in one or more series of bonds 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 NC State, determines to be in NC State’s best interest.

Section 2. **Sufficiency of Available Funds.** 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 NC State to the extent required under the General Indenture.

Section 3. **Selection of Financing Team Members.** The Board authorizes the SVP-Finance and the Executive Vice Chancellor for Finance and Administration of NC State, and their respective designees, to select the professionals necessary to undertake the financing as contemplated in this Resolution.

Section 4. **Authorization of Board Documents.** The form and content of the Board Documents 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, and their respective designees, individually and collectively (the “Authorized Officers”), are each authorized, empowered, and directed to execute and deliver, as applicable, 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. From and after the execution and delivery of the Board

Documents, as applicable, 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 Competitive Sale of Bonds.*** That the Chair of the Board, the President of the UNC System, the SVP-Finance, and the Executive Vice Chancellor for Finance and Administration of NC State, or their respective designees, individually or collectively, be and they hereby are each authorized, empowered, and directed to sell the Bonds through a competitive sale to the bidder or bidders whose bid or bids result in the lowest true interest cost to NC State and the Authorized Officers and the Executive Vice Chancellor for Finance and Administration of NC State, or their respective designees, individually or collectively, 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 such sale of the Bonds.

Section 6. ***Authorization of Preliminary Official Statement and Official Statement.*** The form, terms, and content of the Preliminary Official Statement are in all respects authorized, approved, and confirmed, and the use of the Preliminary Official Statement 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, are each authorized, empowered, and directed to deliver the Official Statement for and on behalf of the Board in 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, the sale of the Bonds in accordance with the Notice of Sale to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions, or deletions therein.

Section 7. ***General Authority.*** From and after the execution and delivery of the Board Documents, as applicable, 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. 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 Executive Vice Chancellor for Finance and Administration of NC State, 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 Bonds on behalf of NC State.

Section 8. ***Conflicting Provisions.*** This resolution supersedes the Prior Resolution. All other 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 9. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 23rd day of May, 2024.

STATE OF NORTH CAROLINA

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SECRETARY'S CERTIFICATE

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SS:

OF AUTHENTICATION

COUNTY OF WAKE

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I, Meredith R. McCullen, Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the University of North Carolina Board of Governors (the "Board of Governors") at its meeting on May 23, 2024 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on May 23, 2024 was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on May 23, 2024 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this ____ day of _____, 2024.

[SEAL]

Meredith R. McCullen, Associate Vice President and
Secretary of the University of North Carolina System