

## **Authorized Use of Special Obligation Bonds “Commercial Paper” — University of North Carolina at Chapel Hill**

### **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 an institution when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, state appropriations, and restricted reserves.

The Board previously issued the University of North Carolina at Chapel Hill General Revenue Bond, Series 2002A (the “Commercial Paper”) to establish a commercial paper program to provide interim financing for certain projects for the University of North Carolina at Chapel Hill (“UNC-Chapel Hill”) that have been previously approved by the Board and the General Assembly. Amounts outstanding under the commercial paper program are repaid from time to time from university funds or from proceeds of long-term financings.

UNC-Chapel Hill requests permission from the Board of Governors to finance under its commercial paper program all or a portion of the costs of the capital improvement projects previously approved by the Board and authorized by the General Assembly under S.L. 2024-24.

- Chilled Water Infrastructure Expansion – Phase 1 (\$102,600,000)
- Translational Research Building (\$205,600,000)

UNC-Chapel Hill plans to refund commercial paper with long-term debt when the commercial paper outstanding balance is approximately \$100 million. The Chilled Water Infrastructure Expansion comprises three separate projects: East Chiller Plant renovation; North Chiller Plant renovation; and construction of the new Bernard Chiller Plant. These projects are currently in the planning phase. North Chiller is expected to be completed by the fourth quarter of FY2027. East Chiller is expected to be completed by the second quarter of FY2027, and Bernard Chiller is expected to be completed by the second quarter of FY2028. The Translational Research Building is in the planning phase with expected completion by the fourth quarter of FY2029. Based on estimated construction schedules, the conversion to permanent debt financing will occur in FY2026, FY2027, and FY2029.

UNC-Chapel Hill currently has an issuer credit rating of “Aaa” with a stable outlook by Moody’s Ratings, an issuer credit rating of “AAA” with a stable outlook by S&P Global Ratings, and an issuer credit rating of “AAA” with a stable outlook by Fitch Ratings. The transaction is not expected to have any impact on UNC-Chapel Hill’s credit ratings.

Parker Poe is bond counsel, and PFM is the financial advisor.

### **RECOMMENDATION**

It is recommended that the Board authorize the president, or his designee, to utilize Commercial Paper to finance the previously approved projects through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH  
CAROLINA SYSTEM AUTHORIZING SPECIAL OBLIGATION BOND PROJECTS  
FOR THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, the University of North Carolina 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 to issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing a special obligation bond project and refunding bonds for the purpose of refunding any bonds by the Board under the Article or under any Article of Chapter 116 of the General Statutes, 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 Board has previously issued the University of North Carolina System Commercial Paper Bonds (UNC-Chapel Hill/NC State) (the “*Commercial Paper*”), proceeds of which are available to the University of North Carolina at Chapel Hill (“*UNC-Chapel Hill*”) in order to finance the costs of certain projects on the campus of UNC-Chapel Hill;

**WHEREAS**; the Board has determined to add to the list of projects eligible to be financed with the proceeds of the Commercial Paper and any other special obligation bonds (collectively, the “*Bonds*”) issued by the Board on behalf of UNC-Chapel Hill, the projects approved by the North Carolina General Assembly in S.L. 2024-24, AN ACT TO AUTHORIZE THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND OR THE STATE CAPITAL AND INFRASTRUCTURE FUND, OF CERTAIN CAPITAL IMPROVEMENT PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA, and listed in Exhibit A to this resolution (collectively, the “*Special Obligation Bond Projects*”); and

**WHEREAS**, under the General Trust Indenture dated as of January 15, 2001 (the “*UNC-Chapel Hill General Indenture*”) between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee, special obligation bonds issued under the UNC-Chapel Hill General Indenture are payable solely from any funds of UNC-Chapel Hill or the Board in each Fiscal Year remaining after satisfying obligations of UNC-Chapel Hill or the Board under a trust indenture, trust agreement, or bond resolution providing for the issuance of debt as of the date of the UNC-Chapel Hill General Indenture with respect to UNC-Chapel Hill, including Unrestricted General Fund balances and Unrestricted Quasi-Endowment Fund balances shown as such on UNC-Chapel Hill’s financial statements, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNC-Chapel Hill 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 UNC-Chapel Hill General Indenture (the “*UNC-Chapel Hill Available Funds*”);

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

Section 1. **Authorization of Special Obligation Bonds Projects.** That the Board hereby approves and ratifies the use of the proceeds of the Bonds for the Special Obligation Bond Projects listed in Exhibit A to this resolution and the costs of issuance related to the Bonds.

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

Section 3. **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 4. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 17th day of October, 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 Board of Governors of the University of North Carolina System at its meeting on October 17, 2024 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on October 17, 2024 was sent to each member of the Board, and (3) a quorum was present at the meeting on October 17, 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]

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Associate Vice President and Secretary of the University  
of North Carolina System

## **EXHIBIT A**

### **UNC-CHAPEL HILL PROJECTS**

The following projects at UNC-Chapel Hill approved by the North Carolina General Assembly in S.L. 2024-24, AN ACT TO AUTHORIZE THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND OR THE STATE CAPITAL AND INFRASTRUCTURE FUND, OF CERTAIN CAPITAL IMPROVEMENT PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA, are added to the list of projects eligible to be financed with proceeds of special obligation bonds issued by the Board of Governors on behalf of UNC-Chapel Hill:

Translational Research Building (\$205,600,000)

Chilled Water Infrastructure Expansion – Phase 1 (\$102,600,000)