

AGENDA ITEM

C-5. Sale of Special Obligation Bond – NCSU..... Jonathan Pruitt

Situation: North Carolina State University at Raleigh requests that the Board issue its special obligation bond (the “2017 Bond”) in an amount not to exceed \$56,200,000 for the purpose of (1) financing the construction, equipping, and furnishing of Case Common Residence Hall, the renovation of Reynolds Coliseum, and the completion of the Phytotron Energy Savings project (the “2017 Projects”); and (2) refunding some or all of North Carolina State University at Raleigh General Revenue Bond, Series 2002A (commercial paper), the proceeds of which were used to pay costs of the 2017 Projects.

Background: The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. The 2017 Projects have been previously approved by the Board of Governors and the General Assembly and have been approved for financing. This request is to refinance commercial paper previously approved and issued to finance a portion of the 2017 Projects and to finance the completion of the 2017 Projects.

Assessment: NCSU currently has an issuer credit rating of “Aa1” (stable outlook) from Moody’s Investors Service and “AA” (stable outlook) from S&P Global Ratings. The financing is expected to have no impact on the University’s credit ratings.

Action: This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Sale of Special Obligation Bond – North Carolina State University at Raleigh

ISSUE OVERVIEW

The Board of Governors is authorized to issue special obligation bonds and bond anticipation notes for capital improvements projects that have been approved by the General Assembly.

NCSU requests that the Board issue a special obligation bond (the “2017 Bond”) in an amount not to exceed \$56,200,000 to finance and refinance the construction, equipping, and furnishing of Case Commons Residence Hall, renovations to Reynolds Coliseum and the completion of the Phytotron energy savings project.

The aggregate amount of authorization requested represents (1) \$15,000,000 in project authority granted under S.L. 2016-97 for Case Commons Residence Hall, (2) \$35,000,000 in project authority granted under S.L. 2014-60 for the renovation of Reynolds Coliseum and (3) \$6,200,000 in project authority granted under 2012-164 for the Phytotron energy savings project.

Specific funding sources for the current capital projects include gifts for the Reynolds renovation project, gifts and student receipts for the Case Commons Residence Hall, and energy savings for the Phytotron project (self-liquidating).

The 2017 Bond will be issued in a single series and privately placed with PNC Bank, National Association, who was selected through a competitive RFP process.

NCSU currently has an issuer credit rating of “Aa1” (stable outlook) from Moody’s Investors Service and “AA” (stable outlook) from S&P Global Ratings. Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon Advisors is the financial advisor.

It is recommended that the President of the University, or her designee, be authorized to sell the special obligation bond through the attached resolution.

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

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of the University of North Carolina (the “University”) 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 at Raleigh (“NC State”), The University of North Carolina at Asheville, The University of North Carolina at Chapel Hill, The University of North Carolina at Charlotte, The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, The University of North Carolina at Wilmington, The University of North Carolina School of the Arts, Western Carolina University and Winston Salem State University and other institutions; 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; the Board has determined to issue its North Carolina State University at Raleigh General Revenue Bond, Series 2017 (the “2017 Bond”) in a principal amount not to exceed \$56,200,000 to (a) finance and refinance the construction, equipping, and furnishing of Case Common Residence Hall as authorized by Chapter 97 of the 2016 Session Laws of the State of North Carolina, the renovation of Reynolds Coliseum as authorized by Chapter 60 of the 2014 Session Laws of the State of North Carolina, the completion of the Phytotron Energy Savings project as authorized by Chapter 164 of the 2012 Session Laws of the State of North Carolina and any other projects as have been approved by the Board for financing with special obligation bonds; (b) refund some or all of North Carolina State University at Raleigh General Revenue Bond, Series 2002A (commercial paper), the proceeds of which were used to pay costs of the projects referred to in (a) above and (c) if applicable, pay the costs incurred in connection with the issuance of the 2017 Bond (collectively all the projects to be financed and refinanced being the “Special Obligation Bond Projects”); and

WHEREAS, the Board has determined to issue the 2017 Bond under a General Trust Indenture dated as of October 1, 2001 (the “General Indenture”) between the Board and The Bank of New York, the successor to which is The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Series Indenture, Number 13 dated as of March 2, 2017 (the “Thirteenth Series Indenture”) between the Board and the Trustee; and

WHEREAS, the 2017 Bond and other obligations issued under the General Indenture are payable solely from any funds of NC State or the Board 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 of the Board with respect to NC State as of the date of the General Indenture, 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 General Indenture) and (5) funds restricted by law (the "Available Funds"); and

WHEREAS, NC State proposes that the Board sell the 2017 Bond to PNC Bank, National Association; 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 Thirteenth Series Indenture; and
2. the 2017 Bond in the form set forth in the Thirteenth Series Indenture; and

WHEREAS, the issuance of the 2017 Bond 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 Projects 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 as follows:

Section 1. *Authorization of 2017 Bond.* The Board hereby authorizes the issuance of the 2017 Bond in a principal amount not to exceed \$56,200,000 under the General Indenture and the Thirteenth Series Indenture.

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 2017 Bond.

Section 3. *Authorization of Board Documents.* The form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the University, the Senior Vice President for Finance and Budget of the University, the Secretary of the Board and the Secretary of the University, and their respective designees (the "Authorized Officers"), individually or collectively, 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 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, individually or collectively, are 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 4. *General Authority.* From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers and the Vice Chancellor for Finance and Administration at NC State, and their designees, individually or collectively, are 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 2017 Bond.

Section 5. *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 6. *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 the 3rd day of March, 2017.

STATE OF NORTH CAROLINA)
)
COUNTY OF ORANGE)

SECRETARY'S CERTIFICATE
OF AUTHENTICATION

SS:

I, Andrea Poole, Senior Associate Vice President and Secretary of the University of North Carolina, ***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 at its regular meeting on March 3, 2017, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on March 3, 2017 was sent to each member of the Board, and (3) a quorum was present at the meeting on March 3, 2017 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina this ____ day of March, 2017.

[SEAL]

Andrea Poole, Senior Associate Vice President
and Secretary
The University of North Carolina