

## **Authorization of Replacement Lines of Credit – UNC-Chapel Hill**

### **ISSUE OVERVIEW**

The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. Although a specific source of funding is used by the 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 (1) University of North Carolina at Chapel Hill General Revenue Bond, Series 2002A to establish a \$350,000,000 commercial paper program (“Commercial Paper Program”) to provide interim financing for certain projects for UNC-Chapel Hill and NC State previously approved by the Board and the General Assembly, and (2) various other series of special obligation variable rate bonds to finance certain projects at UNC-Chapel Hill (“Variable Rate Demand Bonds”).

To support the Commercial Paper Program and the Variable Rate Demand Bonds, UNC-Chapel Hill currently maintains three lines of credit with combined availability up to \$400,000,000 (collectively, the “Lines of Credit”). The institution maintains the Lines of Credit to provide liquidity in the event it is required to purchase any Commercial Paper or Variable Rate Demand Bonds that cannot be resold or remarketed on a timely basis. As of June 1, 2018, the outstanding balance under the Commercial Paper Program was \$35,000,000, and the outstanding balance of the Variable Rate Demand Bonds supported by the lines of credit was \$285,150,000.

UNC-Chapel Hill currently maintains one of its lines of credit with Wells Fargo Bank, National Association in an amount up to \$200,000,000 (the “Wells Fargo Line”), which will expire in September of 2018. UNC-Chapel Hill has undertaken a competitive bid process to solicit proposals to renew or replace the Wells Fargo Line.

UNC-Chapel Hill requests authority from the Board to enter into a line of credit agreement with Bank of America, N.A. and a line of credit agreement with Branch Banking & Trust Company, each in an amount up to \$100,000,000, to replace the Wells Fargo Line.

UNC-CH is currently rated Aaa with a stable outlook by Moody’s Investors Service, AAA with a stable outlook by Standard & Poor’s Global Ratings, and AAA with a stable outlook by Fitch Ratings. The transaction is expected to have no impact on UNC-Chapel Hill’s credit ratings.

Parker Poe is bond counsel, and Prager & Co. is the financial advisor.

It is recommended that the president of the University, or her designee, be authorized to execute and deliver the replacement line of credit agreements and any related documentation through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING  
LINE OF CREDIT AGREEMENTS IN CONNECTION WITH THE VARIABLE RATE OBLIGATIONS ISSUED ON BEHALF OF  
THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL AND NORTH CAROLINA STATE UNIVERSITY AT RALEIGH**

*WHEREAS*, the Board of Governors of the University of North Carolina System (the “*Board*”) is authorized by Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (the “*Act*”) 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 project within the meaning of the Act; and

*WHEREAS*, the Board has previously issued and may issue additional variable rate special obligation bonds (the “*Variable Rate Demand Bonds*”) on behalf of the University of North Carolina at Chapel Hill (“*UNC-Chapel Hill*”) and commercial paper special obligation bonds (the “*Commercial Paper Bonds*”) on behalf of UNC-Chapel Hill and North Carolina State University at Raleigh; and

*WHEREAS*, the Variable Rate Demand Bonds and the Commercial Paper Bonds, if they are unable to be remarketed or placed, are subject to purchase by UNC-Chapel Hill, on behalf of the Board, before their final maturity date;

*WHEREAS*, in order to provide liquidity to be able to provide sufficient funds to purchase, if necessary, the Variable Rate Demand Bonds and the Commercial Paper Bonds, together with other funds available to UNC-Chapel Hill, UNC-Chapel Hill has currently in place line of credit agreements in the aggregate amount of \$400,000,000 with Wells Fargo Bank, National Association, TD Bank, N.A. and Royal Bank of Canada;

*WHEREAS*, the current line of credit agreement with Wells Fargo Bank, National Association in the amount of up to \$200,000,000 will expire in September 2018 and, after a request for proposal process, UNC-Chapel Hill is recommending that it be replaced with a line of credit from Bank of America, N.A. in the amount of up to \$100,000,000 and a line of credit from Branch Banking & Trust Company in the amount of up to \$100,000,000;

*WHEREAS*, the form of the line of credit agreements (the “*New Liquidity Agreements*”) will be in similar form as the existing agreement previously approved by the Board;

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

*Section 1.* That the New Liquidity Agreements 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 and Chief Financial Officer of the University, the Secretary of the Board and the Secretary of the University, and anyone serving as such in an interim capacity, and their respective designees (the “*Authorized Officers*”), individually or collectively, be and they hereby are each authorized, empowered and directed to execute and deliver the New Liquidity Agreements for and on behalf of the Board, including necessary counterparts.

## Appendix C

*Section 2.* The Authorized Officers and the vice chancellor for finance and operations of UNC-Chapel Hill, individually or collectively, are each hereby authorized, empowered and directed (a) 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 New Liquidity Agreements as executed, and (b) to do all such acts and things to carry out and comply with the provisions of this resolution, including the on-going administration of the New Liquidity Agreements.

*Section 3.* The Authorized Officers, individually and collectively, are each hereby authorized, empowered and directed, in their discretion and on consultation with officers of UNC-Chapel Hill and North Carolina State University, to execute future extensions and modifications of the New Liquidity Agreements that they deem to be in the best interest of UNC-Chapel Hill and North Carolina State University.

*Section 4.* This resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 27<sup>th</sup> day of July, 2018.

Appendix C

STATE OF NORTH CAROLINA

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COUNTY OF ORANGE

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SECRETARY'S CERTIFICATE

OF AUTHENTICATION

I, Andrea Poole, Senior 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 regular meeting on July 27, 2018, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on July 27, 2018 was sent to each member of the Board, and (3) a quorum was present at the meeting on July 27, 2018 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina this \_\_\_\_ day of \_\_\_\_\_, 2018.

[SEAL]

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