

## **Sale of Special Obligation Bonds – University of North Carolina Wilmington**

### **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.

The University of North Carolina Wilmington requests that the Board issue (1) special obligation bonds in an aggregate principal amount not to exceed \$14,000,000 (plus up to 5% to pay for certain financing costs as permitted by State law) to finance a portion of the costs of the Southeast Dining Facility, (2) special obligation bonds in an aggregate principal amount not to exceed \$36,000,000 to refinance two series of taxable special obligation bonds issued on UNCW's behalf in 2010 (the "2010 BABs"), and (3) special obligation bonds in an aggregate principal amount not to exceed \$13,000,000 to refinance special obligation bonds issued on UNCW's behalf in 2010 (the "2010C Bonds").

UNCW conservatively estimates that it can achieve approximately (1) \$5.2 million in net present value savings by refunding the 2010 BABs, representing approximately 15.8% of the aggregate par amount refunded, and (2) \$826,000 in net present value savings by refunding the 2010C Bonds, representing approximately 6.8% of the par amount refunded. UNCW is seeking authority to refund the 2010 BABs and the 2010C Bonds and to finance the Southeast Dining Facility to streamline costs of issuance and provide UNCW with maximum flexibility to take advantage of prevailing market conditions.

Since the 2010 BABs were issued as taxable "Build America Bonds" under the American Recovery and Reinvestment Act of 2009, UNC Wilmington pays a taxable rate of interest on the Bonds but receives a subsidy payment from the federal government equal to a percentage of each interest payment. The subsidy, which was originally set at 35% of each interest payment, has been reduced in recent years due to federal budget sequestration. In addition to the anticipated savings described above, refinancing the 2010 BABs with traditional tax-exempt bonds will eliminate the risk associated with any further reduction or elimination of the federal subsidy payments.

UNC Wilmington anticipates that the bonds will be sold in the public market on a negotiated basis by an underwriter selected through a competitive RFP process. UNCW anticipates that the bonds issued to refund the 2010C Bonds (the "2010C Refunding Bonds") will be delivered for settlement on April 1, 2020, the call date for the 2010C Bonds, under the terms of a forward delivery bond purchase agreement, which will eliminate interest rate risk between now and the call date. If it is determined to be in the best interest of UNCW, the 2010C Refunding Bonds may be privately placed with a financial institution selected through a competitive RFP process.

UNCW currently has an issuer credit rating of "Aa3" with a stable outlook by Moody's Investor Service. This transaction is expected to have no impact on UNC Wilmington's credit rating. Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon is the financial advisor to UNCW.

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

## APPENDIX M

### RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS FOR UNIVERSITY OF NORTH CAROLINA WILMINGTON

**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 of the State of North Carolina (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 University of North Carolina Wilmington (“UNC Wilmington”) has requested the Board to issue special obligation bonds in two or more series, the proceeds of which are to be used for the following purposes: (1) finance the construction, equipping and furnishing of a Southeast Dining Facility on UNC Wilmington’s campus as authorized by and in accordance with Chapter 124 of the 2019 Session Laws of the General Assembly of North Carolina (the “Special Obligation Bond Project”), (2) refund The University of North Carolina at Wilmington Taxable General Revenue Bonds (Build America Bonds), Series 2010 maturing on and after January 1, 2021 the “Refunded 2010 UNCW BABs”), (3) refund The University of North Carolina System Taxable Pool Revenue Bonds (UNC Wilmington Build America Bonds), Series 2010D maturing on and after October 1, 2027 (the “Refunded 2010D Pool BABs”) and (4) refund the portion of The University of North Carolina System Pool Revenue Bonds (UNC Asheville/UNC Wilmington), Series 2010C maturing on and after October 1, 2020 and allocable to UNC Wilmington (the “Refunded 2010C Pool Bonds”);

**WHEREAS**; the Board has determined to issue University of North Carolina Wilmington General Revenue Bonds (with appropriate descriptions and series designations) (the “2019B Bonds”) (1) in an aggregate principal amount not to exceed \$14,000,000 to pay the costs of the Special Obligation Bond Project plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs of the Special Obligation Bond Project, plus any increase in the specific Special Obligation Bond Project costs authorized by the Director of the Budget pursuant to Section 3 of Chapter 124 of the 2019 Session Laws of the General Assembly of North Carolina and (2) in an aggregate principal amount not to exceed \$36,000,000 to (a) refund the Refunded 2010 UNCW BABs, (b) refund the Refunded 2010D Pool BABs and (c) pay issuance expenses of the 2019B Bonds related to the Refunded 2010 UNCW BABs and the Refunded 2010D Pool BABs; and

**WHEREAS**; the Board has determined to issue University of North Carolina Wilmington General Revenue Bonds (with appropriate descriptions and series designations) (the “2020A Bonds” and collectively with the 2019B Bonds, the “Bonds”) in an aggregate principal amount not to exceed \$13,000,000 to refund the Refunded 2010C Pool Bonds and to pay issuance expenses related to the 2020A Bonds; and

## APPENDIX M

**WHEREAS**, the Board has determined to issue the Bonds under the General Trust Indenture dated as of May 1, 2002 (the “*General Indenture*”) between the Board and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “*Trustee*”), and two or more series indentures (the “*Series Indentures*”) between the Board and the Trustee; and

**WHEREAS**, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of UNC Wilmington or the Board in each Fiscal Year remaining after satisfying obligations of UNC Wilmington 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 Wilmington 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 UNC Wilmington 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*”);

**WHEREAS**, Wells Fargo Securities, LLC (the “*2019B Underwriters*”) will agree to purchase all of the 2019B Bonds pursuant to the terms of a bond purchase agreement (the “*2019B Bonds Purchase Agreement*”) between the Board and the Underwriters; and

**WHEREAS**, Wells Fargo Securities, LLC will agree to purchase all of the 2020A Bonds on a forward-delivery basis pursuant to the terms of a forward delivery bond purchase agreement (the “*2020A Bonds 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:

**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 Indentures;
3. the 2019B Bonds Purchase Agreement;
4. the 2020A Bonds Purchase Agreement;
5. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A, as escrow agent, related to the refunding the Refunded 2010 UNCW BABs and the Refunded 2010D Pool BABs;
6. the Preliminary Official Statement (the “*2019B Bonds Preliminary Official Statement*”) relating to the 2019B Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*2019B Bonds Official Statement*”) relating to the 2019B Bonds;

## APPENDIX M

7. the Preliminary Official Statement (the “*2020A Bonds Preliminary Official Statement*”) relating to the 2020A Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*2020A Bonds Official Statement*”) relating to the 2020A Bonds; and
8. the 2019B Bonds and the 2020A Bonds in the forms set forth in the Series Indentures; 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 2019B Bonds in an aggregate principal amount not to exceed \$14,000,000 under the General Indenture and the Series Indentures to pay the costs of the Special Obligation Bond Project plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs of the Special Obligation Bond Project, plus any increase in the specific Special Obligation Bond Project costs authorized by the Director of the Budget pursuant to Section 3 of Chapter 124 of the 2019 Session Laws of the General Assembly of North Carolina. The Board hereby further authorizes the issuance of the 2019B Bonds in an aggregate principal amount not to exceed \$36,000,000 under the General Indenture and the Series Indentures to (a) refund the Refunded 2010 UNCW BABs, (b) refund the Refunded 2010D Pool BABs and (c) pay issuance expenses of the 2019B Bonds related to the Refunded 2010 UNCW BABs and the Refunded 2010D Pool BABs.

The Board hereby further authorizes the issuance of the 2020A Bonds in an aggregate principal amount not to exceed \$13,000,000 under the General Indenture and the Series Indentures to (a) refund the Refunded 2010C Pool Bonds and (b) pay issuance expenses of the 2020A Bonds.

The Bonds may be issued in two or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the SVP-Finance, or his designee, in consultation with the appropriate officers at UNC Wilmington, determine to be in the best interest of UNC Wilmington to finance the Special Obligation Bond Project and to achieve debt service savings and reduce the risk of further cuts in federal subsidy payments related to the Refunded 2010 UNCW BABs, the Refunded 2010D Pool BABs and the Refunded 2010C Pool Bonds. In addition, if the SVP-Finance, or his designee, in consultation with the appropriate officers at UNC Wilmington, determine that it is in the best interest of UNC Wilmington, the 2020A Bonds may be structured as a private placement with a financial institution under the terms and conditions determined by the SVP-Finance, or his designee, in consultation with the appropriate officers at UNC Wilmington.

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.

Section 3. **Selection of Underwriters and other Financing Team Members.** That the Board ratifies the selection of the Underwriters for the Bonds and authorizes the SVP-Finance, in consultation with the appropriate officers at UNC Wilmington, to select co-managing underwriters for the 2019B

Bonds and the 2020A Bonds, if necessary or desirable, and any other professionals necessary to undertake the financing as contemplated in this Resolution.

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 Chairman 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 Agreements.*** That the Chairman 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 2019B Bonds Purchase Agreement and the 2020A Bonds Purchase Agreement (collectively, the “*Purchase Agreements*”) 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 Agreements 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 Agreements as executed.

Section 6. ***Authorization of Preliminary Official Statements and Official Statements.*** That the form, terms and content of the 2019B Bonds Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the 2019B Bonds Preliminary Official Statement by the Underwriters in connection with the sale of the 2019B 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 2019B Bonds Official Statement for and on behalf of the Board in substantially the form and content of the 2019B Bonds 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 2019B Bonds Purchase Agreement to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein. The use of the 2019B Preliminary Official Statement and the 2019B Bonds Official Statement by the Underwriters in connection with the sale of the 2019B Bonds with investors is hereby authorized, approved and confirmed.

That the form, terms and content of the 2020A Bonds Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the 2020A Bonds Preliminary Official Statement by the Underwriters in connection with the sale of the 2020A 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 2020A Bonds Official Statement for and on

behalf of the Board in substantially the form and content of the 2020A Bonds 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 2020A Bonds Purchase Agreement to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein. If the President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, determine that the inclusion of additional updated information is necessary for use in the public offering and settlement of the 2020A Bonds, the President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, are in all respects authorized, empowered and directed to update the 2020A Bonds Official Statement (the "*Updated 2020A Bonds Official Statement*") and to execute and deliver the Updated Official Statement, but with such changes, modifications, additions or deletions to the 2020A Bonds Official Statement as they determine necessary, desirable or appropriate, the delivery thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein. The use of , the 2020A Bonds Preliminary Official Statement, the 2020A Bonds Official Statement and the Updated 2020A Bonds Official Statement by the Underwriters in connection with the sale of the 2020A Bonds with investors is hereby authorized, approved and confirmed.

Section 7. **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. 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 of Business Affairs at UNC Wilmington, 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 UNC Wilmington.

Section 8. **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 9. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 20th day of September, 2019.