

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

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

North Carolina State University (NC State) requests that the Board issue special obligation bonds in one or more series of tax-exempt or taxable bonds in an aggregate principal amount not to exceed \$290,000,000 for the purpose of (1) financing \$42,000,000 of remaining costs of construction, equipping and furnishing of the Carmichael Gymnasium project, a new Plant Sciences Building, and Fitts-Woolard Hall (Engineering Building Oval and Campus Infrastructure) (collectively, the “2020 Projects”); (2) refinance \$50,000,000 of its outstanding Commercial Paper and convert to long-term debt, (3) refinancing bonds issued on NC State’s behalf in 2010 (the “2010B Bonds”) and 2013 (the “2013A Bonds,” and together with the 2010B Bonds, the “Refunded Bonds”); and (4) funding associated costs related to the 2020 bond issuance including costs related to marketing of bonds and cost of issuance.

NC State is seeking authority to (1) finance the remaining 2020 Projects with the 2020 Bonds (2) refinance NC State’s outstanding Commercial Paper with long-term debt, (3) refund the 2010B Bonds, and (4) advance refund the 2013 Bonds to streamline costs of issuance and provide NC State with maximum flexibility to take advantage of prevailing market conditions. NC State estimates that it can achieve approximately \$17,000,000 in net present value savings by refunding the Refunded Bonds, representing 10% of the par amount refunded.

Because the 2010B Bonds were issued as taxable “Build America Bonds” under the American Recovery and Reinvestment Act of 2009, NC State pays a taxable rate of interest on the 2010B 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 2010B Bonds with traditional, tax-exempt bonds will eliminate the risk associated with any further reduction or elimination of the federal subsidy payments.

The 2020 Bonds will be sold in the public market on a negotiated basis by Goldman Sachs & Co. LLC and Barclays Capital Inc.

NC State currently has an issuer credit rating of “Aa1” with a stable outlook by Moody’s Investor Service and an issuer credit rating of “AA” with a stable outlook by Standard & Poor’s. This transaction is expected to have no impact on NC State’s credit rating. Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon Advisors 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 through the attached resolution.

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### RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO FINANCE AND REFINANCE 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 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, 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 at Raleigh (“NC State”) and its financial advisor have advised the Board that it may be able to achieve debt service savings and reduce the risk of further cuts in federal subsidy payments by refunding the North Carolina State University at Raleigh Taxable General Revenue Bonds (Build America Bonds), Series 2010B (the “2010B Bonds”) previously issued by the Board on behalf of NC State to finance and refinance various special obligation bond projects at NC State;

**WHEREAS**, NC State and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding the North Carolina State University at Raleigh General Revenue Bonds, Series 2013A (the “2013A Bonds”) previously issued by the Board on behalf of NC State to finance and refinance various special obligation bond projects at NC State;

**WHEREAS**, NC State has requested the Board to (a) finance the following projects: Carmichael Addition and Renovation and Plant Sciences Building, each as authorized by S.L. 2016-97 of the 2016 Session Laws of the North Carolina General Assembly, and Fitts-Woolard Hall (Engineering Building Oval and Campus Infrastructure) as authorized by S.L. 2015-275 of the 2015 Session Laws of the North Carolina General Assembly and (b) refund the 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 (collectively all the projects to be financed and refinanced being the “Special Obligation Bond Projects”); and

**WHEREAS**; the Board has determined to issue North Carolina State University at Raleigh General Revenue Bonds (with appropriate descriptions and series designations) in one or more series (the “Bonds”) in an aggregate principal amount not to exceed \$290,000,000 to refund all or a portion of the 2010B Bonds and the 2013A Bonds to achieve debt service savings, to finance and refinance the Special Obligation Bond Projects and to pay the costs of issuing the Bonds; and

**WHEREAS**, the Board has determined to issue the Bonds 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 U.S. Bank National Association, as trustee (the “Trustee”), and Series Indenture, Number 15 (the “Series Indenture”) between the Board and the Trustee; and

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**WHEREAS**, the Bonds 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**, Goldman Sachs & Co. LLC and Barclays Capital Inc. (the “*Underwriters*”) will agree to purchase all of the Bonds pursuant to the terms of a bond purchase agreement (the “*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:

1. the General Indenture;
2. the Series Indenture;
3. the Purchase Agreement;
4. an Escrow Agreement between the Board and U.S. Bank National Association, as escrow agent, related to the refunding of the 201B0 Bonds and the 2013A Bonds;
5. 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; and
6. the Bonds in the form set forth in the Series Indenture; 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 Bonds in an aggregate principal amount not to exceed \$290,000,000 under the General Indenture and the Series Indenture to refund all or a portion of the 2010B Bonds and the 2013A Bonds to achieve debt service savings, to finance and refinance the Special Obligation Bond Projects and to pay the costs of issuing the Bonds. The Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the Senior Vice President for Finance and Administration and CFO of the UNC System (the “*SVP-Finance*”), or his designee, in consultation with the appropriate officers at NC State, determine to be in the best interest of NC State for the purposes set forth herein.

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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 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 Underwriters and other Financing Team Members.*** That the Board authorizes the SVP-Finance and the Vice Chancellor for Finance and Administration of NC State to select co-managing underwriters for the 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 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, 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 Agreement.*** That the Chair 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 Purchase Agreement 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 Agreement 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 Agreement as executed.

Section 6. ***Authorization of Preliminary Official Statement and Official Statement.*** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriters 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, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially 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, their execution of the Purchase Agreement to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and the use of the Preliminary Official Statement and the Official Statement by the Underwriters in connection with the sale of the 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

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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 for Finance and Administration at 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.** 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 May, 2020.

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STATE OF NORTH CAROLINA            )  
  )  
COUNTY OF ORANGE                    )

SS:

SECRETARY’S CERTIFICATE  
OF AUTHENTICATION

I, Meredith M Steadman, Assistant 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 May 20, 2020 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 May 20, 2020 was sent to each member of the Board, and (3) a quorum was present at the meeting on May 20, 2020 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina System this \_\_\_\_ day of \_\_\_\_\_, 2020.

[SEAL]

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