

Sale of Special Obligation Bonds – Western Carolina University

ISSUE OVERVIEW

The Board of Governors (“Board”) 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. Specific funding sources for the current capital project include housing receipts and reserves (self-liquidating).

Western Carolina University (“WCU”) requests that the Board issue special obligation bonds (the “2020B Bonds”) in an aggregate principal amount not to exceed \$80,000,000 (plus up to 5% to pay for certain financing costs as permitted by State law), for the purposes of constructing three lower campus residence halls (the “Lower Campus Residence Halls Project”).

In 2019, the Board authorized WCU to issue \$60,000,000 in debt for the construction of the Lower Campus Residence Halls Project, totaling approximately 800 beds and approximately 200,400 square feet, to replace aging residence halls and accommodate future growth. In April 2020, the Board authorized an increase in (1) the number of beds to 932, (2) the total size of the facilities to approximately 235,000 square feet, and (3) WCU’s project and financing authority by an additional \$20,000,000. The total project cost is estimated to be \$87,000,000, with WCU contributing approximately \$7 million from its housing reserves. The General Assembly granted WCU \$60,000,000 in project and financing authority for the Lower Campus Residence Halls Project under S.L. 2019-124 (H.B. 402). The General Assembly granted an additional \$20,000,000 in project and financing authority for the Lower Campus Residence Halls Project under S.L. 2020-66 (S.B. 733).

WCU also requests that the Board issue special obligation bonds (the “2020C Bonds”) in an amount not to exceed \$14,500,000 for the purposes of (1) refinancing the callable maturities of the UNC System Pool Revenue Bonds, Series 2011B issued on WCU’s behalf (the “2011B Bonds”) and (2) paying costs of issuance of the 2020C Bonds.

WCU is seeking authority to finance the Lower Campus Residence Halls Project and refund the 2011B Bonds at the same time to streamline costs of issuance and provide WCU with maximum flexibility to take advantage of prevailing market conditions. WCU estimates that it can realize approximately \$1,800,000 in net present value savings by refunding the 2011B Bonds, representing approximately 13% of the par amount refunded. WCU will not pursue the refunding if it fails to produce net present value savings in excess of 5% of the par amount refunded without the consent of Senior Vice President for Finance and Administration.

The 2020B Bonds will be issued on a tax-exempt basis. The 2020C Bonds will be issued as either tax-exempt bonds or taxable bonds based on market conditions and the legislative environment at the time of pricing. The 2020B and 2020C Bonds will be sold on a negotiated basis by Goldman Sachs & Co. LLC and Raymond James & Associates, Inc., who were selected through a competitive RFP process.

WCU currently has an issuer credit rating of “Aa3” with a stable outlook from Moody’s Investor Service. This transaction is expected to have no impact on WCU’s credit rating.

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 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 FUND A SPECIAL OBLIGATION BOND PROJECT FOR WESTERN CAROLINA 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, Western Carolina University (“WCU”) and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding a portion of The University of North Carolina System Pool Revenue Bonds (Western Carolina), Series 2011B (the “2011B Bonds”), the proceeds of which were loaned to WCU to finance and refinance special obligation bond projects;

WHEREAS, Western Carolina University (“WCU”) has requested the Board to issue special obligation bonds, the proceeds of which are to be used by WCU for the acquisition, construction, equipping and furnishing of Lower Campus Residence Halls project on WCU’s campus as authorized by S.L. 2019-124 of the 2019 Session Laws of the North Carolina General Assembly and S.L. 2020-66 of the 2020 Session Laws of the North Carolina General Assembly (the “Special Obligation Project”);

WHEREAS, the Board has determined to issue Western Carolina University General Revenue Bonds (with appropriate descriptions and series designations) in one or more series (the “Bonds”) (1) in an aggregate principal amount not to exceed \$80,000,000 to pay the costs of the Special Obligation Bond Project and not to exceed an additional 5% of such principal amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs related to the Bonds; and (2) in an aggregate principal amount not to exceed \$14,500,000 to refund a portion of the 2011B Bonds to achieve debt service savings and to pay the costs of issuing the Bonds; and

WHEREAS, the Board has determined to issue the Bonds under the General Trust Indenture dated as of November 1, 2015 (the “General Indenture”) between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a Series Indenture (the “Series Indenture”) 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 WCU or of the Board held for WCU in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State of North Carolina from the State General Fund, (2) tuition payments by WCU 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”);

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WHEREAS, Goldman Sachs & Co. LLC and Raymond James & Associates, 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 The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the refunding of the 2011B 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 Fourth 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 under the General Indenture and the Series Indenture, (1) in an aggregate principal amount not to exceed \$80,000,000 to pay the costs of the Special Obligation Bond Project plus not to exceed an additional 5% of such principal amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs related to the Bonds and (2) in an aggregate principal amount not to exceed \$14,500,000 to refund all or a portion of the 2011B Bonds to achieve debt service savings 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 President or the Senior Vice President for Finance and Administration and CFO of the UNC System (the “SVP-Finance”), or their respective designees, in consultation with the appropriate officers at WCU, determine to be in the best interest of the UNC System and WCU, and may be issued in one or more series indentures substantially in the form of the Series Indenture with appropriate modifications and the Authorized Officers (as defined below) deem necessary.

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 WCU 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, in consultation with the appropriate officers at WCU, to select additional 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 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, and their respective designees, 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 Chairman of the Board, the President of the UNC System and the SVP-Finance, and their respective designees, 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 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 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

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issuance and on-going administration of the Bonds. The Chancellor and the Vice Chancellor for Administration and Finance at WCU, 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 WCU.

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 23rd day of July, 2020.