

## **Bank Line of Credit**

### **Recommendation**

The Administration recommends that the Board of Governors adopt the attached resolution authorizing the President or his designee to secure a bank line of credit for up to six years and to increase the maximum line of credit borrowing amount from \$25 million to \$35 million.

### **Background and Project Description**

The existing line of credit for \$25 million was approved by the Board of Governors at its October 3, 2012 meeting. The purpose of the line of credit was to provide the University with enhanced liquidity to meet short term cash needs. During the course of the fiscal year, cash pool balances can fluctuate considerably based upon the University's operating cycle, as well as the timing of the receipt of State appropriations, University debt service payments and other large obligations.

While University cash balances are substantial, the restructuring of the cash pool investment portfolio has resulted in the investment of a significant portion of the cash pool funds with external investment managers. The funds held by most of these managers are readily available for liquidity purposes. However, from an investment viewpoint, it is preferable to not divest and reinvest within these funds over shorter periods of time due to fluctuations in the University cash pool balances.

The \$10 million increase in the line of credit will further enhance University liquidity as well as provide a temporary source of funding for capital projects approved by the Board and designated to be financed, in whole or part, from the proceeds of bonds or other debt obligations issued or to be issued by the Board.

With the exception of the line of credit borrowings for the capital projects discussed in the prior paragraph, the Administration plans to use this line of credit for short periods of time, when the University experiences cash pool low points due to the factors discussed earlier. In those cases, the University would expect to repay the line of credit borrowings within a relatively short time.

The annual ongoing cost to maintain the unused credit facility will be dependent upon the actual amount borrowed, but it is estimated to be no more than \$70,000 annually. The borrowing cost to use the line of credit will be based upon a short term market index (one month LIBOR) plus a spread of 75 basis points.

Fifth Third Bank is the current provider of the University's three year line of credit, which expires in December 2015. This spring, University staff obtained line of credit pricing quotes from three banks, including Fifth Third Bank. Fifth Third Bank had the best line of credit rates for a three year line of credit. In addition, the onetime legal fees associated with the review and negotiation

Submitted by William Decatur, Vice President for Finance and Business Operations

of the bank loan agreements will be less costly with Fifth Third Bank than the other banks, since the University already has a pre-existing agreement with Fifth Third.

If this Board resolution is approved, the Administration plans on renewing the bank line of credit with Fifth Third Bank for an additional three years, as well as increase the maximum borrowing amount of that line of credit by \$10 million to \$35 million. At the end of this new three year agreement, the Administration will again solicit pricing quotes before selecting the bank line of credit provider for the period from 2018 through 2021.

Resolution of the Board of Governors of Wayne State University  
Authorizing the Borrowing of Funds Under a Revolving Line of  
Credit and Providing for Other Matters Relating Thereto

WHEREAS, the Board of Governors of Wayne State University (the “Board”) is a constitutional body corporate established pursuant to Article VIII, Section 5 of the Constitution of the State of Michigan of 1963, as amended, with general supervision of Wayne State University (the “University”) and the control and direction of all expenditures from the University’s funds; and

WHEREAS, the Board has previously entered into a Revolving Loan Agreement, dated as of November 27, 2012 (the “Existing Loan Agreement”), with Fifth Third Bank, pursuant to which the Board has obtained a revolving line of credit facility in the maximum available principal amount of \$25,000,000 (the “Existing Line of Credit Facility”); and

WHEREAS, the Existing Line of Credit Facility expires by its terms on December 1, 2015, and the Board has determined that it is necessary to replace the Existing Line of Credit Facility with one or more new lines of credit in the aggregate principal amount of not to exceed \$35,000,000 from time to time outstanding (collectively, the “Replacement Line of Credit Facility”), for the purpose of financing temporary cash flow needs of the University and to provide temporary financing for certain capital projects of the University; and

WHEREAS, it is necessary to authorize the President and the Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer (each an “Authorized Officer”), or either of them individually, to negotiate, execute and deliver one or more revolving loan agreements, line of credit agreements or similar agreements (collectively, the “Replacement Loan Agreement”) with one or more banks or financial institutions, and related documentation, including one or more notes (collectively, the “Note”) evidencing the obligation of the Board to repay the principal of and interest on amounts drawn under the Replacement Line of Credit Facility and other amounts due and payable under the terms of the Replacement Loan Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF WAYNE STATE UNIVERSITY, AS FOLLOWS:

1. The Board hereby authorizes the borrowing from time to time of funds under the Replacement Line of Credit Facility for the purposes of (i) financing temporary cash flow needs of the University and (ii) providing temporary financing for capital projects approved by the Board and designated to be financed, in whole or in part, from the proceeds of bonds or other debt obligations issued or to be issued by the Board. The maximum aggregate principal amount of the borrowings outstanding at any time under the Replacement Line of Credit Facility shall not exceed \$35,000,000. Interest shall accrue on sums outstanding under the Replacement Line of Credit Facility at rates not exceeding LIBOR for the designated interest period plus 150 basis points, or the periodically established “Base Rate” or “Prime Rate” of the lead provider of the Replacement Line of Credit Facility plus 50 basis points, subject, however, to adjustments in the applicable interest rate for increased costs of the provider, changes in applicable laws or regulations, defaults by the Board and other specified factors, or in the event that the applicable LIBOR rate is

unavailable or cannot be determined, all as may be specified in the Replacement Loan Agreement, but in no event shall the applicable interest rate exceed the lesser of 25% per annum, the maximum rate permitted by law or the maximum rate, if any, specified in the Replacement Loan Agreement. Interest accrued on sums outstanding under the Replacement Line of Credit Facility shall be payable on the dates and in the amounts as shall be provided in the Replacement Loan Agreement. Advances under the Replacement Line of Credit Facility shall be repaid with interest as provided in the Replacement Loan Agreement, but all principal and interest on any advance under the Replacement Line of Credit Facility shall be finally due and payable not later than December 1, 2021, or such earlier date or dates as determined by an Authorized Officer. Principal and interest on advances under the Replacement Line of Credit Facility shall be evidenced by the Note. The obligations of the Board under the Replacement Loan Agreement and the Note shall be limited and not general obligations of the Board, payable solely from General Revenues (as shall be defined in the Replacement Loan Agreement in a manner generally consistent with the definition thereof contained in the Existing Loan Agreement), and may, if determined appropriate by an Authorized Officer, be secured by a parity first lien or subordinate lien on General Revenues.

2. The Board further authorizes the Authorized Officers, or either of them individually, to select one or more banks or financial institutions to provide the Replacement Line of Credit Facility, and to negotiate, execute and deliver the Replacement Loan Agreement and Note with or to one or more banks or financial institutions providing the Replacement Line of Credit Facility, and if appropriate, any participant banks or financial institutions, subject to the terms, conditions and limitations contained in this Resolution. In the alternative, if all or any portion of the Replacement Line of Credit Facility is to be provided by Fifth Third Bank, the Authorized Officers, or either of them individually, may negotiate, execute and deliver one or more amendments to the Existing Loan Agreement and one or more replacement Notes with or to Fifth Third Bank, and if appropriate, any participant banks or financial institutions, necessary to obtain the Replacement Line of Credit Facility, subject to the terms, conditions and limitations contained in this Resolution. In the event that the Existing Loan Agreement shall be amended as aforesaid, the Existing Loan Agreement, as so amended, shall constitute a "Replacement Loan Agreement" for purposes of this Resolution, and the revolving line of credit facility to be made available to the Board thereunder shall constitute a "Replacement Line of Credit Facility" for purposes of this Resolution. The Authorized Officers, or either of them individually, are further authorized to negotiate, execute and deliver any and all related documents, instruments and certificates, and to make any determinations, elections and filings necessary to accomplish the purposes of this Resolution and to maintain and provide for the ongoing administration of the Replacement Line of Credit Facility.

3. No recourse shall be had for the payment of the principal amount of or interest on the Note, or for any payments due under the Replacement Loan Agreement, or any claim based thereon, against the State of Michigan or the Board or the University, or any officer or agent thereof, as individuals, either directly or indirectly, nor shall the Note and interest thereon or other obligations of the Board be payable from or become a lien on or be secured by any property, real, personal or mixed, of the State of Michigan or the Board, other than the General Revenues and the moneys from time to time on deposit in funds or accounts, if any, established by the Replacement Loan Agreement. The pledge of General Revenues and moneys described above shall be valid and binding from the date of the issuance and delivery of the Note, and all moneys or properties

subject thereto which are thereafter received shall immediately be subject to the lien of the pledge without physical delivery or further act. The lien of said pledge shall be valid and binding against all parties (other than the holders of any other bonds, notes or obligations secured by a parity first lien on General Revenues) having a claim in tort, contract or otherwise against the Board, irrespective of whether such parties have notice of the lien.

4. All resolutions or parts of resolutions in conflict herewith are hereby repealed insofar as such conflict exists.

I hereby certify that the attached is a true and complete copy of a resolution adopted by the Board of Governors of Wayne State University at a regular meeting held on September 25, 2015 and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with applicable law, and that the minutes of said meeting were kept and will be or have been made available as required by applicable law.

I further certify as follows:

1. Present at the meeting were the following Board members:

---

---

Absent from the meeting were the following Board members:

---

2. The following members of the Board voted for the adoption of the Resolution:

---

The following members of the Board voted against adoption of the Resolution:

---

RESOLUTION DECLARED ADOPTED.

---

Julie H. Miller  
Secretary to the Board of Governors of  
Wayne State University