

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 \$35 million to \$50 million.

Background and Project Description

The existing line of credit (LOC) of \$35 million was approved by the Board of Governors at the September 25, 2015 Board meeting and expires December 2018. The purpose of the LOC was and continues to be 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 pool balances are sufficient, a significant portion of the cash pool funds are invested with external investment managers. Although the funds held by most of these managers are readily available for liquidity purposes, from an investment perspective, it is preferable not to liquidate investments and then reinvest to fund shorter term liquidity fluctuations.

The \$15,000,000 increase in the LOC will further enhance University liquidity as well as provide a temporary source of funds 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. Further, to provide bank and credit diversification, the LOC will be awarded to two banks, with equal allocations to each bank. The moderate increase in the existing LOC allows two banks to participate at a level which ensures optimal pricing of the facility for each of those banks.

A Request for Proposal (RFP) was conducted for the LOC where University staff obtained LOC pricing and term quotes from eight banks. As a result of the RFP, pricing of the RFP has been reduced by 35 basis points on the drawn amount of the facility. The annual ongoing cost to maintain the unused facility is dependent on the actual amount borrowed, however that rate has been reduced by 23 basis points from the existing facility. Based on average annual usage, spread and unused fee rates, the approximate annual savings to the University is \$70,000 annually.

Based upon the results of the RFP, Northern Trust and PNC Bank have been selected to provide the LOC based on the best rates and conditions for a 3 year term. If this Board

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

resolution is approved, the Administration will renew the LOC, increase the total line of credit to \$50 million, and award a \$25 million LOC to each of Northern Trust and PNC Bank.

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RESOLUTION OF THE BOARD OF GOVERNORS OF WAYNE STATE UNIVERSITY
AUTHORIZING THE BORROWING OF FUNDS UNDER REVOLVING LINES 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 an Amended and Restated Revolving Loan Agreement, dated as of November 30, 2015, pursuant to which the Board has obtained a revolving line of credit in the maximum available principal amount of \$35,000,000 (the "Prior Line of Credit"); and

WHEREAS, the Board, in the exercise of its constitutional duties, has determined that it is necessary and desirable to replace the Prior Line of Credit with one or more new revolving lines of credit (each such new line of credit being a "Line of Credit") whereby the aggregate principal sum of up to \$50,000,000 from time to time outstanding may be borrowed 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 (each such agreement being a "Loan Agreement") with one or more banks or financial institutions, and related documentation, including one or more promissory notes (each, a "Note") evidencing the obligation of the Board to repay the principal of and interest on amounts drawn under the Lines of Credit and other amounts due and payable under the terms of the Loan Agreements, all within the limitations set forth in this Resolution.

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 one or more Lines of Credit 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 borrowings outstanding at any time under the Lines of Credit authorized by this Resolution shall not exceed \$50,000,000. Draws or

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

advances under any Line of Credit shall be made at the request of an Authorized Officer, or any other officer or employee of the Board or the University so designated in writing by an Authorized Officer. Interest shall accrue on sums outstanding under each Line of Credit at the interest rate or rates to be specified in the related Loan Agreement, subject, however, to adjustments in the applicable interest rate for increased costs of the bank or financial institution providing such Line of Credit, changes in applicable laws or regulations, rating changes, defaults by the Board and other specified factors, all as may be specified in the 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 Loan Agreement. Interest accrued on sums outstanding under each Line of Credit shall be payable on the dates and in the amounts as shall be provided in the related Loan Agreement. Advances under each Line of Credit shall be repaid with interest as provided in the related Loan Agreement, but all principal and interest on advances under each Line of Credit shall be finally due and payable not later than December 31, 2025, or such earlier date or dates as determined by an Authorized Officer. Any Loan Agreement may provide for the delivery of a Note to evidence all or part of the Board's obligations under such Loan Agreement.

2. The Board further authorizes the Authorized Officers, or either of them individually, to select one or more banks or financial institutions to provide one or more Lines of Credit, and to negotiate, execute and deliver, for and on behalf of the Board and as its corporate act and deed, one or more Loan Agreements and one or more Notes with or to one or more banks or financial institutions providing the Lines of Credit, and if appropriate, any participant banks or financial institutions, subject to the terms, conditions and limitations contained in this Resolution. The Authorized Officers, or either of them individually, are further authorized to negotiate, execute and deliver, for and on behalf of the Board and as its corporate act and deed, 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 Lines of Credit authorized by this Resolution.

3. The obligations of the Board under each Loan Agreement and related Note shall be limited and not general obligations of the Board, payable solely from General Revenues (as shall be defined in each Loan Agreement in a manner generally consistent with the definition thereof contained in that certain Trust Agreement, dated as of March 1, 2018, between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee), and may be unsecured or, if an Authorized Officer so determines, secured as set forth below; provided, that the Board reserves the right, but shall not be obligated, to pay the Board's obligations under any Loan Agreement and related Note from any legally available funds. Each Authorized Officer is individually authorized, in the name of the Board and as its corporate act and deed, to secure the Board's obligations under any Loan

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Agreement and related Note by a parity first lien or subordinate lien on General Revenues. A first lien on the General Revenues permitted to be established by this Resolution securing the obligations of the Board under a Loan Agreement and related Note shall be on a parity basis with the liens on General Revenues established as security for the outstanding bonds, notes and other obligations of the Board secured by a first lien on General Revenues. Any pledge of General Revenues securing the Board's obligations under a Loan Agreement and related Note shall be valid and binding from the date of execution and delivery of the Loan Agreement and related 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 other 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. No recourse shall be had for the payment of the principal amount of or interest or other amounts due under any Loan Agreement or related Note, 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 principal amount of or interest or other amounts due under any Loan Agreement or related Note 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 Loan Agreement.

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

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

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 December 7, 2018 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

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Budget and Finance Committee

Agenda

December 7, 2018