

AUTHORIZATION TO SELL BONDS

Recommendation

The Administration recommends that the Board of Governors adopt the attached Resolution authorizing the issuance of Wayne State University taxable general revenue bonds in the aggregate principal amount necessary to produce proceeds of \$118 million for new money projects plus the amount necessary to accomplish any refunding transaction depending on market conditions at the time of pricing. Currently, the University is monitoring the outstanding Series 2013A bonds for an interest rate refunding savings opportunity. The \$118 million includes \$85 million to fund the renovation of State Hall, and \$33 million for other general capital projects, including deferred maintenance, general operating purposes, and for general bond closing costs, capitalized interest and contingencies. The bond issuance will have a term of up to 30 years.

Background and Project Justification

Fears of COVID-19's impact on global financial markets have caused significant market volatility across all major markets and indices. The volatility has caused market selloffs which has resulted in significant realized and unrealized losses in investment portfolios, as well as diminished liquidity across markets. Although currently the markets are volatile on a day to day basis, interest rates generally continue to remain at historically low levels, and once stability returns to the markets, the expectations are for low rates to continue, resulting in an environment that is favorable to new bond issues. Wayne State University is rated A+ (stable outlook) by Standard and Poor's and Aa3 (stable outlook) by Moody's. These credit ratings are in line with the University's peers. The University's current favorable credit ratings were the result of continued positive enrollment trends, operating performance and manageable debt portfolio. Both rating agencies will be reviewing the University's credit profile in conjunction with the Series 2020 bond issue. With the uncertainty of COVID-19's impact on the University's operations and finances, and given the recent negative outlook given to public higher education by Moody's, the potential for a downgrade to the University's debt rating does exist. Given current market conditions, this resulting increase in the cost of debt is expected to be minimal.

With this financing, the University plans to advance one specific capital project, secure funding for other miscellaneous capital projects, secure general corporate funds for liquidity contingencies, and possibly take advantage of a refunding opportunity through the issuance of taxable debt, taking advantage of the favorable interest rate borrowing environment that currently exists. Refunding opportunities and the corresponding net present value savings are contingent upon the capital markets at the time of the refunding, however, approximately \$68.8 million par of Series 2013A can be advanced refunded on a taxable basis. The refunding would only be pursued if the University is able to achieve net present

value savings exceeding the minimum threshold of 3%. The taxable debt will be issued to fund the following:

- \$85 million for the construction and renovation costs for State Hall, which has been identified as the number one priority project from the recently approved Master Plan and is the linchpin of the campus consolidation strategy. State Hall is the most widely used instructional facility at the University and is vital to its mission and student success. Many inadequacies with State Hall have been identified and renovation is necessary to satisfy the mission of student academic success and meet faculty teaching needs. An application for State appropriation funds has been submitted and in the event that funding is secured from the State, project funds will be reallocated to other projects identified in the Master Plan and as approved by the BOG.
- \$33 million for other general capital projects, including deferred maintenance, general operating purposes, contingencies, general bond closing costs and capitalized interest. Given the uncertainty of construction costs in Detroit and of the impact that COVID-19 may have on the University, these funds will provide for additional liquidity needs in the event that they are required. Any expenditures for operating purposes above \$1 million would be approved by the BOG in advance.

The taxable bond issuance will be in the aggregate principal amount necessary to produce proceeds of \$118 million plus the amount necessary to accomplish any refunding, in particular the possible refunding of approximately \$68.8 million par of Series 2013A bonds for savings. The taxable issuance provides flexibility for the use of funds, in terms of project eligibility and timing of expenditures, versus a tax-exempt issuance. For the refunding bonds, the Tax Cuts and Jobs Act (TCJA) of 2017 eliminated advance refundings on a tax-exempt basis and therefore must be done on a taxable basis unless new legislation is enacted.

RESOLUTION OF THE BOARD OF GOVERNORS OF WAYNE STATE UNIVERSITY
AUTHORIZING THE ISSUANCE AND DELIVERY OF GENERAL REVENUE BONDS 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 Michigan Constitution 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, in the exercise of its constitutional duties and in order to properly serve the needs of students attending the University, the Board has determined that it is appropriate and in the best interests of the University to finance all or a portion of the costs of certain capital improvements of the University, as described in Exhibit A attached hereto (all of such capital improvements described in Exhibit A being collectively referred to herein as the "Projects"); and

WHEREAS, the Board has further determined that it is appropriate and in the best interests of the University to enhance the University's liquidity position by borrowing additional funds for general operating purposes of the University; and

WHEREAS, the Board has previously issued and has outstanding certain series of General Revenue Bonds payable from and secured by a lien on General Revenues (collectively, the "Prior Bonds"); and

WHEREAS, it may be appropriate and in the best interests of the University to refund all or portions of the outstanding Prior Bonds as shall be determined by an Authorized Officer (as hereinafter defined) (the portions of the Prior Bonds to be refunded, if any, as determined by an Authorized Officer, is referred to herein as the "Bonds to be Refunded"); and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Board determines it is necessary and desirable to authorize the issuance and delivery of General Revenue Bonds of the Board, in one or more series (the "Bonds"), to be payable from and secured by a pledge of General Revenues (as hereinafter defined), in order to provide funds that, together with other available funds of the Board, will be used to pay all or part of the costs of the Projects, to provide additional liquidity for general operating purposes of the University, and to pay all or part of the costs of refunding the Bonds to be Refunded, if any, and to pay costs incidental to the issuance of the Bonds and the refunding; and

WHEREAS, one or more trust indentures (collectively, the "Trust Indenture") must be entered into by and between the Board and a trustee (the "Trustee") to be designated by an Authorized Officer, pursuant to which the Bonds will be issued and secured; and

WHEREAS, it is necessary to authorize the Authorized Officers, or either of them individually, to negotiate the sale of the Bonds with one or more underwriters or groups of underwriters to be selected by an Authorized Officer (collectively, the "Underwriter") and to enter into one or more bond purchase agreements with the Underwriter (collectively, the "Bond Purchase Agreement") setting forth the terms and conditions upon which the Underwriter will agree to purchase the Bonds and the interest rates thereof and the purchase price therefor; and

WHEREAS, in order to be able to market the Bonds at the most opportune time, it is necessary for the Board 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 the terms of and to execute and deliver on behalf of the Board the Trust Indenture, the Bond Purchase Agreement, one or more remarketing agreements with the Underwriter or other remarketing agent selected by an Authorized Officer (collectively, the "Remarketing Agreement"), and other related documents, to establish the specific terms of the Bonds and to accept the offer of the Underwriter to purchase the Bonds, and undertake such other actions and make such other determinations on behalf of the Board as authorized hereby, all within the limitations set forth herein; and

WHEREAS, the issuance of the Bonds for the purposes described herein will serve proper and appropriate public purposes; and

WHEREAS, the Board has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University's funds, to acquire, construct, furnish and equip the Projects, to refund the Bonds to be Refunded, if any, and to issue the Bonds to provide funds to pay all or a portion of the costs of the Projects, to provide additional liquidity for general operating purposes of the University, and to pay all or part of the costs of refunding the Bonds to be Refunded, if any, and to pledge General Revenues for payment of the Bonds, as provided for herein.

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

1. The Board hereby approves the definition of the term "Projects" as set forth in Exhibit A attached hereto. Subject to final approval of the Board in the case of any of the Projects described in Category II of Exhibit A attached hereto, the Board authorizes the Authorized Officers, or either of them individually, to determine the components of the Projects to be financed, in whole or in part, from the proceeds of the Bonds, and to determine the specific amount of the cost of each such component of the Projects to be financed from the proceeds of the Bonds, and to fund, as appropriate, the remaining costs of the Projects from other available funds. The Board further approves the refunding of all or any portion of the Prior Bonds, and authorizes the Authorized Officers, or either of them, to select the portion, if any, of the Prior Bonds to constitute the Bonds to be

Refunded, in order to produce interest or other cost savings or a more favorable debt service structure, to provide for more favorable terms or covenants or to reduce or eliminate unfavorable covenants or restrictions applicable to the Prior Bonds, as shall be determined by an Authorized Officer, and to fund, if deemed appropriate, a portion of the costs of the refunding from available funds of the Board and the balance of such costs from the proceeds of the Bonds, and to proceed with the refunding.

The Board further approves the use of proceeds of the Bonds to provide additional liquidity for general operating purposes of the University, in the amounts and for the specific purposes, if any, as may be determined by an Authorized Officer; *provided, however,* that absent further approval of the Board, the maximum amount of proceeds of the Bonds to be used for general operating purposes (exclusive of any other use of proceeds of the Bonds authorized or permitted by this Resolution) shall not exceed \$1,000,000.

2. The Board hereby authorizes the issuance, execution and delivery of the Bonds of the Board, in one or more series, to be designated GENERAL REVENUE BONDS, with appropriate series designations, in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the principal amount necessary to produce proceeds of ONE HUNDRED EIGHTEEN MILLION DOLLARS (\$118,000,000) for the payment of the costs of the Projects, to provide funds for general operating purposes of the University, as provided herein, and for the payment of the costs of issuance of the Bonds, plus the amount, if any, necessary to accomplish the refunding of the Bonds to be Refunded and to pay costs related thereto, as determined by an Authorized Officer. The Bonds shall be dated as of the date or dates established by an Authorized Officer, and shall be issued for the purpose of providing funds which, together with other available funds, will be used to: (a) pay all or a portion of the costs of the Projects, including, if determined to be appropriate by an Authorized Officer, capitalized interest related to all or any portion of the Projects for a period specified by an Authorized Officer; (b) provide additional liquidity for general operating purposes of the University, subject to the limitation set forth in Section 1 of this Resolution; (c) pay all or a portion of the costs of refunding the Bonds to be Refunded, if any; and (d) pay costs related to the issuance of the Bonds and the refunding, including the costs of bond insurance premiums, if an Authorized Officer determines such insurance to be appropriate. The Bonds shall be serial bonds or term bonds, which may be subject to redemption requirements, or both, as shall be established by an Authorized Officer, but the first maturity or mandatory redemption date shall be no earlier than November 1, 2020 and the last maturity shall be no later than December 31, 2051. The Bonds may be issued as federally tax-exempt bonds or as federally taxable bonds, or any combination thereof, as shall be determined by an Authorized Officer. The Bonds may bear interest at stated fixed rates for the respective maturities thereof as shall be established by an Authorized Officer, but the weighted average yield of the Bonds (computed using the stated coupons and the stated original offering price) for the Bonds shall not exceed 5.50% per annum for tax-exempt bonds and 8.00% per annum for taxable bonds. Alternatively, all or part of the Bonds may bear interest at a variable rate of interest for all or a portion of their

term, at indexed or market established rates or any combination thereof, and the variable rate of interest shall not exceed the lesser of 25% per annum, the maximum rate permitted by law or the maximum rate, if any, specified in the Trust Indenture. The Bonds may be subject to redemption or call for purchase prior to maturity at the times and at the prices (which may be expressed as a percentage of the principal amount being redeemed or be based on a "make-whole" formula, or both) as shall be established by an Authorized Officer. Interest on the Bonds shall be payable at such times as shall be specified by an Authorized Officer. The Bonds shall be issued in fully-registered form in the denominations, shall be payable as to principal and interest in the manner, shall be subject to transfer and exchange, and shall be executed and authenticated, and may be issued in book-entry-only form, all as shall be provided in the Trust Indenture. The Bonds shall be sold to the Underwriter for a price to be established by an Authorized Officer (but the Underwriter's discount, exclusive of original issue discount, shall not exceed 1.50% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof.

Any or all of the Bonds may be made subject to tender for purchase at the option of the holder thereof or to mandatory tender for purchase. The obligation of the Board to purchase any Bonds subject to tender for purchase may be limited to remarketing proceeds of such Bonds, or may be made payable from General Revenues (as defined in Section 3 below), from available cash reserves of the University, subject to such limitations as may be specified in the Trust Indenture, or from, directly or as support for the cash reserves of the University, a letter of credit, line of credit, standby bond purchase agreement or other liquidity device, or one or more of the same, or any combination thereof (collectively, the "Liquidity Device"), all as shall be determined by an Authorized Officer. Any reimbursement obligation for draws under the Liquidity Device shall be a limited and not a general obligation of the Board, payable from, and may be secured by a pledge of, General Revenues. Each Authorized Officer is individually authorized to execute and deliver at any time, for and on behalf of the Board, any agreements or instruments necessary to obtain, maintain, renew or replace, and provide for repayments under, any Liquidity Device deemed by such officer to be required for the purposes of this Resolution.

In relation to the debt service on all or any portion of the Bonds, or in relation to debt service on all or any portion of the Prior Bonds, either Authorized Officer may, at any time, on behalf of and as the act of the Board, enter into or modify an interest rate swap, cap, forward starting swap, option, swaption, rate lock or similar agreement or agreements (collectively, the "Swap Agreement") with a counterparty or counterparties selected or to be selected by the Authorized Officer. Such Swap Agreement shall provide for payments between the Board and the counterparty related to interest on all or any portion of the Bonds or the Prior Bonds, at indexed or market established rates. If the Swap Agreement is entered into at approximately the same time as the issuance of the Bonds and is related to the Bonds, the expected effective interest rates on the Bonds to which the Swap Agreement relates, taking into account the effect of the Swap Agreement, shall be within the limitations set forth herein. Any Swap Agreement may, if

determined necessary or appropriate by an Authorized Officer, be subsequently terminated, in whole or in part, which may result in termination payments due by the Board. Any such required termination payments and other costs of termination may be funded from available funds of the Board or the proceeds of the Bonds or other indebtedness of the Board, as shall be determined by an Authorized Officer.

3. The Bonds, and the obligations of the Board under any Swap Agreement or Liquidity Device, if either or both is entered into, shall be limited and not general obligations of the Board, payable from and, except as provided below in this Section 3, secured by a lien on, the General Revenues (as shall be defined in the Trust Indenture in a manner generally consistent with the definition thereof contained in the trust indentures pursuant to which the Prior Bonds were issued). For the avoidance of doubt, General Revenues do not include "Gross Revenues" of the University's housing facilities that are controlled and operated by Corvias Campus Living – WSU, LLC or its successors, as concessionaire (the "Concessionaire"), under that certain Service Concession Agreement for the Operation and Management of Student Housing, dated November 30, 2017 (the "Concession Agreement"), between the Board and the Concessionaire, and which "Gross Revenues" the Concessionaire has the right to receive and retain under the Concession Agreement. Except as otherwise determined by an Authorized Officer, as provided below in this Section 3, the lien on General Revenues securing the Bonds, the Swap Agreement and the Liquidity Device, if any, shall be on a parity basis with the liens on General Revenues securing the Prior Bonds and other previously issued obligations of the Board secured by a first lien on General Revenues. The Bonds, and the obligations of the Board under the Swap Agreement, if any, and the Liquidity Device, if any, may also be payable from and secured by a lien on moneys, securities or other investments from time to time on deposit in certain funds created pursuant to the Trust Indenture or the agreements entered into in connection with the Swap Agreement or Liquidity Device.

No recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds, or for the payment of any amounts owing under the Swap Agreement, if any, or the Liquidity Device, if any, or for any claim based thereon, against the State of Michigan, or any member or agent of the Board (including, without limitation, any officer or employee of the University), as individuals, either directly or indirectly, nor, except as specifically provided in the Trust Indenture or the agreements entered into in connection with the Swap Agreement, if any, or the Liquidity Device, if any, against the Board, nor shall the Bonds and interest and premium with respect thereto, or any obligations of the Board in connection with the Swap Agreement, if any, or the Liquidity Device, if any, 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, securities or other investments from time to time on deposit in certain funds established as pledged pursuant to the Trust Indenture or pursuant to the agreements entered into in connection with the Swap Agreement, if any, or the Liquidity Device, if any.

Any pledge of General Revenues, and funds specified in the Trust Indenture or in agreements entered into in connection with the Swap Agreement, if any, or Liquidity Device, if any, shall be valid and binding from the date of the issuance and delivery of the Bonds or such agreements, and all moneys or properties subject thereto that 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.

Notwithstanding anything herein to the contrary, any obligations of the Board under the Swap Agreement or the Liquidity Device may, if determined appropriate by an Authorized Officer, be payable and secured on a subordinated basis to the Bonds and other General Revenue obligations of the Board, or may be payable from General Revenues but be unsecured.

4. The right is reserved to issue additional bonds, notes or other obligations payable from General Revenues and secured on a parity or subordinated basis with the Bonds, the Prior Bonds and other obligations of the Board so secured by a lien on General Revenues, upon compliance with the terms and conditions therefor as shall be set forth in the Trust Indenture.

5. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, and as its corporate act and deed, to select the Trustee, and to negotiate, execute and deliver the Trust Indenture in the form as an Authorized Officer may approve upon recommendation of legal counsel, which approval shall be conclusively evidenced by the execution of the Trust Indenture by an Authorized Officer. The Trust Indenture may contain such covenants on behalf of the Board and terms as either Authorized Officer deems appropriate, including, but not limited to, covenants with respect to the establishment of General Revenues at levels expressed as a percentage of debt service on the Bonds or all General Revenue obligations of the Board, and with respect to the issuance of additional bonds, notes or other obligations payable from and secured by General Revenues. In addition, either Authorized Officer is hereby authorized, empowered and directed to negotiate, if deemed appropriate by an Authorized Officer in connection with the issuance of the Bonds, for the acquisition of bond insurance and to execute and deliver an insurance commitment or other documents or instruments required in connection with such insurance.

6. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, and as its corporate act and deed, to select the Underwriter and to negotiate, execute and deliver the Bond Purchase Agreement with the Underwriter setting forth the terms of the Bonds and the sale thereof, and containing such other covenants and agreements of the Board as may be required by the Underwriter in connection therewith, in the form as an Authorized Officer may approve, all within the limitations set forth herein. Either Authorized Officer is further individually authorized

and directed, in the name and on behalf of the Board and as its corporate act and deed, to negotiate, execute and deliver the Remarketing Agreement, if any, with the Underwriter or other remarketing agent selected by the Authorized Officer.

7. Either Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the Board, and as its corporate act and deed, to execute the Bonds by manual or facsimile signature, and to deliver the Bonds to the Underwriter in exchange for the purchase price therefor.

8. Either Authorized Officer is authorized to solicit ratings on the Bonds from any national rating services that the Authorized Officer deems appropriate and to cause the preparation of a Preliminary Official Statement and an Official Statement with respect to each series of the Bonds, to deem such official statements "final" in accordance with applicable law, and to execute and deliver the Official Statements. Either Authorized Officer, or the Underwriter or the University's financial advisor, as appropriate, is authorized to circulate and use, in accordance with applicable law, the Preliminary Official Statements and the Official Statements in connection with the offering, marketing and sale of the Bonds.

9. The President, the Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer, the Assistant Treasurer, the Secretary to the Board, and any other appropriate officer or representative of the Board or the University are each hereby authorized to perform all acts and deeds and to execute and deliver, for and on behalf of the Board, all instruments and documents required by this Resolution, the Trust Indenture, the Bond Purchase Agreement, the Remarketing Agreement, the Swap Agreement or the Liquidity Device, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Bonds, as contemplated hereby, including, if deemed appropriate, one or more escrow deposit agreements with an escrow agent to be selected by an Authorized Officer as may be necessary to accomplish the refunding of the Bonds to be Refunded. Either Authorized Officer is authorized to designate and empower the escrow agent to subscribe for United States Treasury Securities – State and Local Government Series, on behalf of the Board, as may be necessary in connection with any refunding authorized hereby. Either Authorized Officer is further authorized to execute and deliver all instruments and documents for and on behalf of the Board or the University, and to take all actions, required, necessary or appropriate for the ongoing administration or operation of the financing program represented by the Bonds, the Trust Indenture, the Bond Purchase Agreement, the Remarketing Agreement, the Swap Agreement and the Liquidity Device. Any action required under the Trust Agreement, the Bond Purchase Agreement, the Remarketing Agreement, the Swap Agreement or the Liquidity Device or any other instrument related to the Bonds, and any action necessary or appropriate in connection with the ongoing administration of the financing program authorized hereby, may be taken by and on behalf of the Board by an Authorized Officer. Any reference to an officer of the Board or the University herein shall include any interim or acting officer appointed by the Board.

10. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Board may be required in connection with the issuance of the Bonds to enter into one or more continuing disclosure undertakings for the benefit of the holders and beneficial owners of the Bonds. Either Authorized Officer is authorized to cause to be prepared and to execute and deliver, on behalf of the Board, the continuing disclosure undertakings.

11. Either Authorized Officer is hereby authorized and delegated the power to execute, on behalf of the Board, one or more declarations of intent to reimburse the University from Bond proceeds for any expenditures with respect to the Projects incurred prior to the issuance of the Bonds, and for future projects to be funded with the proceeds of future bond issues, all in accordance with U.S. Treasury Regulation § 1.150-2. Any and all actions of an Authorized officer previously taken in connection with the execution of such declarations of intent are hereby ratified and confirmed.

12. If deemed necessary by the University's bond counsel, either Authorized Officer is authorized to arrange for the publication of a notice of and to conduct a public hearing with respect to the issuance of the Bonds, all in accordance with requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

13. Any resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed insofar as such conflict exists.

EXHIBIT A - PROJECTS

The Projects, as that term is used in the Resolution to which this Exhibit A is attached, consists of the capital projects set forth below:

Category I

Renovation, furnishing and equipping of State Hall. The currently estimated cost of this project to be funded from Bond proceeds (exclusive of capitalized interest and bond issuance costs) is \$85,000,000.

Category II

All capital projects heretofore or hereafter approved by the Board with an identified total or partial funding source as proceeds of bonds or other debt obligations issued by the Board.

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 meeting held on May 1, 2020, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with all applicable law, and that the minutes of said meeting were kept and will be or have been made available as required by 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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