



MEETING OF THE BOARD OF GOVERNORS  
Committee on Budget and Finance

May 19, 2020 at 11:30 a.m.  
Via Videoconference and UNC-TV Live Stream

**AGENDA**

- A-1. Approval of the April 16 and April 29, 2020 Minutes ..... Temple Sloan
  - a. Regular Meeting of the Committee on Budget and Finance (4/16/2020)
  - b. Special Meeting of the Committee on Budget and Finance (4/29/2020)
- A-2. 2020 COVID-19 Recovery Act Funding Allocations ..... Clinton Carter
- A-3. Report on FY 2019 UNC System Debt Capacity Study ..... Clinton Carter
- A-4. Sale of Special Obligation Bonds – NC State University..... Clinton Carter
- A-5. Capital Improvement Projects – Appalachian State University..... Katherine Lynn
- A-6. Acquisition of Property by Lease – NC State University ..... Katherine Lynn
- A-7. Other Business ..... Clinton Carter
- A-8. Adjourn

Additional Information Available:

- A-3. Report on FY 2019 UNC System Debt Capacity Study
- A-7a. Report on 2018-19 UNC Consolidated Financial Report
- A-7b. Report on Facilities and Administrative (F&A) Receipts, 2018-19
- A-7c. Report on FY 2018 Facilities Inventory and Utilization Study

## DRAFT MINUTES

April 16, 2020  
University of North Carolina System Office  
Via Videoconference and UNC-TV Live Stream

This meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were present by phone: Darrell Allison, Carolyn Coward, W. Marty Kotis, III, R. Doyle Parrish, and Robert Rucho.

Chancellors participating were Philip Dubois, Harold Martin, and Randy Woodson.

Staff members present included Clinton Carter, Katherine Lynn, and others from the UNC System Office.

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### 1. Call to Order and Approval of OPEN Session Minutes (Item A-1)

The chair called the meeting to order at 11:16 a.m. on April 16, 2020, and called for a motion to approve the open session minutes of the regular meeting of the Committee on Budget and Finance of March 16, 2020, the joint meeting of the Committee on Budget and Finance and Committee on Public Affairs of March 16, 2020, and the special meeting of the Committee on Budget and Finance on April 8, 2020.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the open session minutes of the regular meeting of the Committee on Budget and Finance of March 16, 2020, the joint meeting of the Committee on Budget and Finance and Committee on Public Affairs of March 16, 2020, and the special meeting of the Committee on Budget and Finance on April 8, 2020, as distributed.

**Motion:** W. Marty Kotis, III

**Motion:** carried

### 2. 2020-21 Non-Appropriated Capital Improvement Projects (A-2)

Associate Vice President Katherine Lynn presented the revised 2020-21 non-appropriated capital improvement projects from the last meeting, which are financed by each university and require legislative approval for the issuance of debt. For 2020, UNC-Chapel Hill requested approval for two capital improvement projects and Western Carolina University requested an additional borrowing approval for one capital improvement project, requiring total debt authority of \$48,500,000.

Upon approval, the projects would be forwarded to the General Assembly for authorization during the 2020-21 legislative short session.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the 2020-21 non-appropriated capital improvement projects and recommend them to the full Board of Governors for a vote.

**Motion:** R. Doyle Parrish

**Motion:** carried

### **3. Capital Improvement Projects – NC State University, UNC-Chapel Hill, and UNC Charlotte (Item A-3)**

Ms. Lynn presented prospective capital improvement projects to the committee for the following institutions: NC State, UNC-Chapel Hill, and UNC Charlotte. In total, four capital improvement projects were considered, including two new projects for authority and two increased authorization projects.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the capital improvement projects for NC State University, UNC-Chapel Hill, and UNC Charlotte and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** Darrell Allison

**Motion:** carried

### **4. Additional Delegation of Authority for Real Property – Western Carolina University (Item A-4)**

Senior Vice President Clinton Carter presented Western Carolina University's request for additional delegated authority to authorize real property transactions under Section 600.1.3 of the UNC Policy Manual. The additional delegated authority allows the constituent institution to authorize the acquisition and disposition of real property, other than by lease, for property valued at less than \$1,000,000, and the acquisition and disposition of property by lease if the lease is valued at less than \$750,000 annually and the lease term is not more than 10 years.

The university completed the required self-assessment and certification for the additional authority request on July 5, 2019. A team assembled by the System Office reviewed WCU's submittal and performed an on-site capabilities appraisal on October 7, 2019, to confirm the assessment.

**MOTION:** Resolved, that the Committee on Budget and Finance approve Western Carolina University's request for additional delegation of authority for real property and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** W. Marty Kotis, III

**Motion:** carried

### **5. UNC-Chapel Hill's Horace Williams Campus Expansion Request (Item A-5)**

Mr. Carter and UNC-Chapel Hill Vice Chancellor for Finance & Operations Jonathan Pruitt presented the University of North Carolina at Chapel Hill's request to expand the Horace Williams Campus to include specific areas on the main campus and strategic outlying parcels totaling approximately 182 acres.

The expansion would enhance the university's ability to be more flexible and nimble in developing collaborations, partnerships, and other ventures; support the goals of the recently-adopted the 2019 Campus Master Plan; align the physical campus with UNC-Chapel Hill's strategic plan; utilize alternative methods of delivery for capital projects; afford more opportunities as to the operation of some auxiliary services; and create new opportunities for teaching, research, and service while generating revenue to support campus operations and the mission of the university.

**MOTION:** Resolved, that the Committee on Budget and Finance approve UNC-Chapel Hill's request to expand the Horace Williams Campus and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Robert Rucho

**Motion: carried**

#### **6. Sale of Special Obligation Bonds – UNC Wilmington (Item A-6)**

Mr. Carter presented the University of North Carolina Wilmington's request to issue a special obligation bond in an aggregate principal amount not to exceed \$16,000,000 for the purpose of refunding outstanding special obligation bonds issued on UNC Wilmington's behalf in 2011 and 2012 and pay costs of issuance related to the 2020B Bond.

**MOTION:** Resolved, that the Committee on Budget and Finance approve UNC Wilmington's request for authorization to issue special obligation bonds and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Darrell Allison

**Motion: carried**

#### **7. Capital Construction Task Force Update (Item A-7)**

Mr. Parrish, chair of the UNC Board of Governors Capital Construction Task Force, gave an update from the February 26, 2020 meeting. The task force heard presentations from general contractors and UNC-Chapel Hill on their perspectives of the required capital project process. The members also received a compiled list of recommendations based on previous meetings. Each member was asked to be prepared at the next task force meeting to discuss and finalize recommendations for consideration by the Committee on Budget and Finance. Due to COVID-19, the next meeting of the task force will be delayed for at least a month.

There being no further business, the meeting adjourned at 11:47 a.m.

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Carolyn Coward, Secretary



## DRAFT MINUTES

April 29, 2020  
University of North Carolina System Office  
Via Videoconference and UNC-TV Live Stream

This special meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were present by phone: Darrell Allison, Carolyn Coward, W. Marty Kotis, III, R. Doyle Parrish, and Robert Rucho.

Chancellors participating were Philip Dubois, Harold Martin, and Randy Woodson.

Staff members present included Clinton Carter and others from the UNC System Office.

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### Call to Order

The chair called the meeting to order at 9:18 a.m. on April 29, 2020.

Chair Sloan explained to the committee that the meeting was called to discuss and consider a vote to keep tuition and fees at current levels or to increase tuition and fees as proposed by the campuses.

### 1. 2020-21 Tuition and Fees Discussion (A-1)

Chair Sloan opened the meeting for discussion or for the committee to vote.

Mr. Kotis expressed his thoughts regarding the unprecedented challenges presented by COVID-19, and he agreed that there shouldn't be any increases in tuition and fees for resident students, but that the committee should consider increases to tuition rates for nonresident students, educational and technology fees for online education, and health services fees necessary due to the pandemic and keeping students safe.

**MOTION:** Resolved, that the Committee on Budget and Finance vote not to increase tuition and fees except for nonresident tuition, educational and technology fees for online education, and health services fees related to the pandemic and keeping students safe.

**Motion:** W. Marty Kotis, III

**Motion failed**

**MOTION:** Resolved, that the Committee on Budget and Finance approve to not increase the 2020-21 tuition and fees across the board for the UNC System and recommend them to the full Board of Governors for a vote.

**Motion:** Darrell Allison

**Motion: carried**

There being no further business, the meeting adjourned at 9:29 a.m.

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Carolyn Coward, Secretary



## AGENDA ITEM

A-2. 2020 COVID-19 Recovery Act Funding Allocation ..... Clinton Carter

**Situation:** On May 4, 2020, the Governor signed into law the 2020 COVID-19 Recovery Act [S.L. 2020-4 (House Bill 1043)] to provide aid to North Carolinians in response to the COVID-19 crisis. This act directs the distribution of federal emergency funding received from the Coronavirus Relief Fund created under the CARES Act. Included in the bill is funding for the Board of Governors to allocate to the UNC System institutions.

**Background:** The Board is directed to allocate funds to cover increased costs related to moving classwork online, implementing a Digital Learning Accelerator, providing facility sanitization, and providing assistance for students and employees. The General Assembly also made a number of other appropriations for designated programs related to research, development of countermeasures for COVID-19, and to the North Carolina State Education Assistance Authority (NCSEAA) to distribute to eligible private postsecondary institutions to support the transition to online education.

**Assessment:** It is recommended that funds be allocated as proposed.

**Action:** This item requires a vote by the committee and a vote by the full Board of Governors.

## 2020 COVID-19 Recovery Act Funding Allocations

### ISSUE OVERVIEW

In April, the 2020 General Assembly appropriated \$44,400,000 from the Coronavirus Relief Fund (created under the CARES Act) to the Board of Governors to be allocated to constituent institutions for the following purposes to effectively respond to COVID-19 impacts:

- a. To cover increased costs related to moving coursework and exams online;
- b. To implement a digital learning accelerator;
- c. To provide for facility sanitation prior to reopening campuses and during the operation of campuses and for other necessary eligible expenses for services for ongoing campus operations; and
- d. To cover necessary eligible expenses for assistance to students and employees, including counseling services and information technology support.

Only the expenditures incurred during the period that begins on March 1, 2020, and ends on December 30, 2020, are eligible for funding from the Coronavirus Relief Fund. See the related special provision 3.3 from House Bill 1043 (S.L. 2020-4) on Appendix A.

Based on campus cost estimates, the allocations are recommended as shown in the table below.

	Costs Incurred (100% of Requested)	Estimated Costs through Dec. 2020 (Pro Rata up to Cap)	Total
Appalachian State University	\$ 841,890	\$ 2,787,750	\$ 3,629,640
East Carolina University	2,141,506	2,154,380	4,295,886
Elizabeth City State University	224,285	547,723	772,008
Fayetteville State University	428,200	523,153	951,353
N.C. A&T State University	501,446	1,558,880	2,060,326
North Carolina Central University	749,246	814,474	1,563,720
North Carolina State University	4,432,781	67,219	4,500,000
UNC Asheville	550,194	427,084	977,278
UNC-Chapel Hill	3,768,189	731,811	4,500,000
UNC Charlotte	1,825,446	2,674,554	4,500,000
UNC Greensboro	249,626	1,467,677	1,717,303
UNC Pembroke	163,365	1,495,989	1,659,354
UNC Wilmington	483,432	3,533,240	4,016,672
UNC School of the Arts	338,580	290,367	628,947
Western Carolina University	166,962	1,116,388	1,283,350
Winston-Salem State University	792,409	495,660	1,288,069
NC School of Science & Mathematics	105,603	657,524	763,127
NC Arboretum	64,152	73,427	137,579
UNC System Office*	115,554	39,834	155,388
Digital Learning Enhancements			5,000,000
<b>Total</b>	<b>\$17,942,866</b>	<b>\$21,457,134</b>	<b>\$44,400,000</b>

\*Includes UNC-TV and SEAA

## **ISSUE OVERVIEW**

In April, the 2020 General Assembly appropriated \$20,000,000 from the Coronavirus Relief Fund (created under the CARES Act) to the Board of Governors to be allocated to the North Carolina State Education Assistance Authority (NCSEAA) to provide funds to each eligible private postsecondary institution, as defined in G.S. 116-280(3). These funds are to be used to transition to online education for students and to provide funds for students and families impacted by COVID-19. See the related special provision 3.3 from House Bill 1043 (S.L. 2020-4) on Appendix A. It is recommended that these funds be allocated to Aid to Private Institutions.

## **Additional Budget Actions Not Requiring Board Approval (for information only)**

The General Assembly appropriated funds directly to several institutions related to research and development of countermeasures for COVID-19, which do not require Board allocation. For more detailed information on these appropriations, please see Appendix A for the related special provisions. These are listed below, for information only:

- \$29,000,000 to the University of North Carolina at Chapel Hill to allocate to the North Carolina Policy Collaboratory at UNC-Chapel Hill. The funds shall be used for the rapid development of a countermeasure of neutralizing antibodies for COVID-19.
- \$15,000,000 to the Brody School of Medicine at East Carolina University to be used for the rapid development of a countermeasure of neutralizing antibodies for COVID-19.
- \$15,000,000 to OSBM to establish the COVID-19 Teaching Hospitals Relief Fund. OSBM shall allocate the monies in the fund as grants (\$3 million each) to the five hospitals located within the State that are classified as teaching hospitals by the Centers for Medicare and Medicaid Services (Wake Forest Baptist Medical Center, Duke University Hospital, University of North Carolina at Chapel Hill Medical Center, Vidant Medical Center, and Central Harnett Hospital) for the purpose of offsetting expenses incurred for providing patient care in North Carolina as a result of the COVID-19 pandemic.

# COVID-19 Recovery Act Funding Appendix A – Special Provisions

## UNC-Related Special Provisions from House Bill 1043

### **ESTABLISHMENT OF CORONAVIRUS RELIEF FUND SECTION**

SECTION 2.2. The Coronavirus Relief Fund (Fund) is established. The purpose of the Fund is to provide necessary and appropriate relief and assistance from the effects of COVID-19, consistent with the provisions of this act and subsequent legislation addressing the effects of COVID-19. The Fund shall be maintained as a special fund and administered by OSBM to carry out the provisions of this act and subsequent acts necessitated as a result of the COVID-19 outbreak. All funds allocated from the Fund must be used for necessary expenditures incurred due to the public health emergency with respect to COVID-19. Only expenditures incurred during the period that begins on March 1, 2020, and ends on December 30, 2020, are eligible for funding from this Fund.

### **ALLOCATION OF FUNDS APPROPRIATED TO OSBM**

SECTION 3.3. Allocations of Funds. – OSBM shall allocate the funds appropriated in Section 3.2 of this act as follows:

- (20) \$44,400,000 to the Board of Governors of The University of North Carolina to be allocated to constituent institutions for the following purposes to effectively respond to COVID-19 impacts: (i) to cover increased costs related to moving coursework and exams online, (ii) to implement a digital learning accelerator, (iii) to provide for facility sanitation prior to reopening campuses and during the operation of campuses and for other necessary eligible expenses for services for ongoing campus operations, and (iv) to cover necessary eligible expenses for assistance to students and employees, including counseling services and information technology support.
- (21) \$20,000,000 to the Board of Governors of The University of North Carolina to be allocated to the State Education Assistance Authority (Authority) for the Authority to provide funds to each eligible private postsecondary institution, as defined in G.S. 116-280(3), by apportioning an amount equal to the following:
  - a. Seventy-five percent (75%) of the institution's relative share of full-time equivalent students who were enrolled as of March 13, 2020, who received scholarships pursuant to Article 34 of Chapter 116 of the General Statutes for the spring semester of the 2019-2020 academic year.
  - b. Twenty-five percent (25%) of the institution's relative share of full-time equivalent students who were enrolled as of March 13, 2020, who had not received scholarships pursuant to Article 34 of Chapter 116 of the General Statutes for the spring semester of the 2019-2020 academic year.

These funds shall be used to transition to online education for students and to provide funds for students and families impacted by COVID-19.

- (23) \$29,000,000 to The University of North Carolina at Chapel Hill to allocate to the North Carolina Policy Collaboratory (Collaboratory) at the University of North Carolina at Chapel Hill. The funds shall be used for (i) the rapid development of a countermeasure of neutralizing antibodies for COVID-19 that can be used as soon as possible to both prevent infection, and for those infected, treat infection, (ii) bringing a safe and effective COVID-19 vaccine to the public as soon as possible, (iii) community testing initiatives, and (iv) other research and activities related to monitoring, assessing, and addressing the public health and economic impacts of COVID-19. The Collaboratory shall facilitate among various entities best practices and strategies to maximize resources and achieve a comprehensive response to COVID-19. The Collaboratory may also assemble an advisory panel of representatives from various entities as necessary to discuss, review, and analyze progress towards meeting those goals and the use of available funds. The Collaboratory shall report on the progress of the development of a countermeasure and vaccine; findings from various community testing initiatives; and other research and activities related to monitoring, assessing, and addressing the public health and economic impacts of COVID-19; and the use of the appropriated funds received pursuant to this subdivision to the Joint Legislative Oversight Committee on Health and Human Services by no later than September 1, 2020. The provisions of Article 3 of Chapter 143

of the General Statutes, G.S. 143-129, and G.S. 116-31.10 shall not apply to the purchase of apparatus, supplies, material, or equipment with any of the funds allocated under this subdivision. (24) \$15,000,000 to the Brody School of Medicine at East Carolina University to be used for (i) the rapid development of a countermeasure of neutralizing antibodies for COVID-19 that can be used as soon as possible to both prevent infection, and for those infected, treat infection, (ii) bringing a safe and effective COVID-19 vaccine to the public as soon as possible, (iii) community testing initiatives, and (iv) other research and activities related to COVID-19. By September 1, 2020, the Brody School of Medicine shall submit a report on the progress of the development of a countermeasure and vaccine, findings from their community testing initiatives, and other research and activities related to COVID-19, and the use of the appropriated funds received pursuant to this subdivision to the Joint Legislative Oversight Committee on Health and Human Services.

(24) \$15,000,000 to the Brody School of Medicine at East Carolina University to be used for (i) the rapid development of a countermeasure of neutralizing antibodies for COVID-19 that can be used as soon as possible to both prevent infection, and for those infected, treat infection, (ii) bringing a safe and effective COVID-19 vaccine to the public as soon as possible, (iii) community testing initiatives, and (iv) other research and activities related to COVID-19. By September 1, 2020, the Brody School of Medicine shall submit a report on the progress of the development of a countermeasure and vaccine, findings from their community testing initiatives, and other research and activities related to COVID-19, and the use of the appropriated funds received pursuant to this subdivision to the Joint Legislative Oversight Committee on Health and Human Services.

(40) \$15,000,000 to OSBM to establish the COVID-19 Teaching Hospitals Relief Fund. OSBM shall allocate the monies in the fund as grants to the five hospitals located within the State that are classified as teaching hospitals by the Centers for Medicare and Medicaid Services (Wake Forest Baptist Medical Center, Duke University Hospital, University of North Carolina at Chapel Hill Medical Center, Vidant Medical Center, and Central Harnett Hospital) for the purpose of offsetting expenses incurred for providing patient care in North Carolina as a result of the COVID-19 pandemic. OSBM shall award grants in an amount equal to \$3,000,000 to each eligible teaching hospital. Grant recipients shall not use these funds for any purpose other than the following to offset costs related to patient care provided in North Carolina to respond to the COVID-19 pandemic:

- a. Up to sixty percent (60%) of lost revenues from foregone elective procedures during the COVID-19 emergency, net of federal funds received from the CARES Act.
- b. Supplies and equipment purchased in accordance with Centers for Disease Control and Prevention guidelines.
- c. Rapidly ramping up infection control and triage training for health care professionals.
- d. Retrofitting separate areas to screen and treat patients with suspected COVID-19 infections, including isolation areas in or around hospital emergency departments.
- e. Increasing the number of patient care beds to provide surge capacity.
- f. Transporting patients with confirmed or suspected COVID-19 safely to or from health care facilities.
- g. Planning, training, and implementing expanded telehealth capabilities.
- h. Procuring staff or consultants to help mitigate the burden of extensive review of new and incoming federal and State regulatory guidelines.
- i. Salary support for furloughed employees.

As a condition of receiving the funds allocated in this subdivision, each grant recipient shall submit a detailed written report to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Health and Human Services by December 1, 2020, that contains (i) a breakdown of all expenditures from the appropriated funds received under this section by the categories listed in this subdivision and (ii) the total amount of funds received from the Provider Relief Fund provided for in P.L. 116-136 and any other COVID-19 Recovery Legislation or other federal legislation enacted by Congress during calendar year 2020 to support the national response to COVID-19.

## **UNC-Related Special Provisions from Senate Bill 704**

### **WAIVER OF INTEREST CHARGES ON UNC STUDENT DEBT**

SECTION 2.28. Notwithstanding G.S. 147-86.23, a constituent institution of The University of North Carolina shall not accrue or charge any interest to a past-due account receivable held by a student between March 13, 2020, and September 15, 2020.

### **EXTENSION OF UNC REPORT DATES**

SECTION 2.29.(a) Notwithstanding G.S. 116-11(12d), 116-74.21, and 143-613(b1), the Board of Governors of The University of North Carolina shall have an additional 60 days to submit the following reports to the Joint Legislative Education Oversight Committee:

- (1) The annual report due by April 15 each year on teacher education efforts at The University of North Carolina.
- (2) The annual report due by April 15 each year on the supply and demand of school administrators to determine the number of school administrators to be trained in school administrator training programs within the constituent institutions of The University of North Carolina in each year of the fiscal biennium.
- (3) The biennial report due by May 15 every two years on the goals for State-operated health professional schools that offer training programs for licensure or certification of physician assistants, nurse practitioners, and nurse midwives for increasing the percentage of the graduates of those programs who enter clinical programs and careers in primary care.

SECTION 2.29.(b) Notwithstanding Section 9.7(c) of S.L. 2008-107, as amended by Section 9.3(c) of S.L. 2010-31, the Board of Governors of The University of North Carolina shall submit by June 15, 2020, its annual report on the UNC-NCCCS 2+2 E-Learning Initiative due by April 15 each year to the Joint Legislative Education Oversight Committee, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division.

SECTION 2.29.(c) Notwithstanding Section 9.3(c) of S.L. 2005-276, as amended by Section 9.3(d) of S.L. 2010-31, The University of North Carolina System Office shall submit by June 15, 2020, its annual report on the UNC-NCCCS Joint Initiative for Teacher Education and Recruitment due by April 15 each year to the State Board of Education, the Board of Governors of The University of North Carolina, the State Board of Community Colleges, the Education Cabinet, the Joint Legislative Education Oversight Committee, and the Office of State Budget and Management.



## AGENDA ITEM

A-3. Report on FY 2019 UNC System Debt Capacity Study ..... Clinton Carter

**Situation:** The University of North Carolina System Office is required to prepare and submit to the General Assembly a debt capacity study detailing the University's current debt load and capacity to borrow.

**Background:** G.S. 116D-56 requires the Board of Governors to annually advise the General Assembly and the Governor on the estimated debt capacity of the UNC System for the upcoming five years. The provision also requires each constituent institution to report current and anticipated debt levels, current bond rating, and information about any changes to that rating, information about the institution's debt management policies, and comparisons to peer institutions.

**Assessment:** The System Office has prepared the FY 2019 UNC System Debt Capacity Study in compliance with G.S. 116D-56. The study finds that 15 out of 16 institutions maintain or increased their debt capacity over the five year study period, seven institutions have increased their debt capacity compared to last year, and all 16 institutions have improved at least one of their primary financial ratios since the FY 2018 study.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

# ***REPORT ON FY 2019 UNC SYSTEM DEBT CAPACITY STUDY***

**May 19, 2020**

## ***Overview of FY2019 Debt Capacity Study***

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### **UNC System Report**

- G.S. 116D-56 requires the Board to advise stakeholders “on the **estimated debt capacity of The University of North Carolina for the upcoming five fiscal years.**”
- The Debt Capacity Study focuses on the following elements:
  - The UNC System’s current approach to evaluating debt and the complexity of the credit rating process;
  - Assignment of each institution’s estimated debt capacity over a five-year period; and
  - Recommendations for the use of the Study and suggestions for future improvement.
- 15 out of 16 institutions maintained or increased their debt capacity over the five-year study period, 7 institutions have increased their debt capacity compared to last year, and all 16 universities have improved at least one of their primary financial ratios since the FY 2018 study.

## ***Overview of FY2019 Debt Capacity Study***

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### **Institution Reports**

- Each institution report provides context for the institution's financial model and addresses the legislative requirements.
- Institution reports contain the following components:
  - Overview of recent enrollment trends and other general performance metrics;
  - Explanation of factors considered in setting growth factors;
  - Summary of projected results for the financial model's four financial ratios;
  - Current debt and credit profiles, including details on financed projects, sources of repayment, and recommendations for maintaining or improving the institution's credit rating; and
  - Copy of any existing debt management policy.

## ***Debt Capacity Basics***

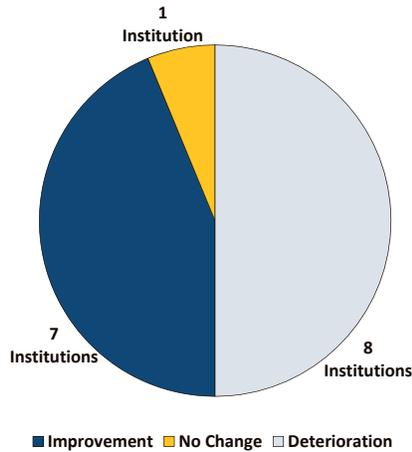
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- What does "projected debt capacity," as used in the Study, measure and mean?
  - Calculates debt capacity at the end of the Study period, assuming each institution issues no additional debt other than financings already approved by the General Assembly
  - Paying down existing debt and projected growth in Available Funds generally lead to an increase in capacity
- Why might an institution's estimated debt capacity be lower than projected?
  - Issuance of additional debt not already captured in the model
  - Deterioration in factors incorporated in Available Funds calculation (investments, auxiliary revenues, etc.)



## Campus Debt Capacity Trends

Debt Capacity vs FY 2018 Study



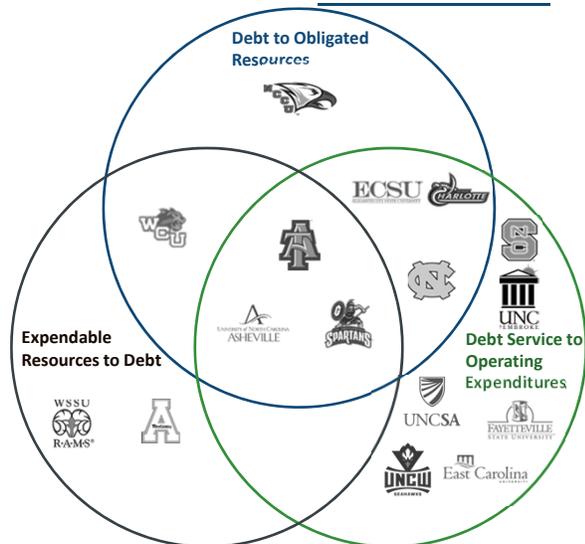
THE UNIVERSITY OF NORTH CAROLINA SYSTEM

Breakdown of Debt Capacity Decreases

- Debt capacity decreases when campuses issue new debt for capital projects
- Several institutions have issued new debt or plan to during the study period including:
  - UNC School of the Arts: \$46M for a new residence hall
  - UNC Wilmington: \$14M for a new dining hall
  - Western Carolina: \$83.6M for a parking deck and a residence hall

7

## Comparison of Institution Ratios to FY 2018



THE UNIVERSITY OF NORTH CAROLINA SYSTEM

### Observations

- Every institution improved in at least one of the Study's primary ratios.
- Four institutions improved in two primary ratios.
- Three institutions improved in all three of the primary ratios.

8

## *Institution Credit Ratings Used in the Study*

Institution	Moody's	S&P	Fitch
ASU	Aa3		
ECSU	Baa2		
ECU	Aa2	AA-	
FSU		A-	A+
NC A&T	A1		A+
NCCU	A3		
NC State	Aa1	AA	
UNCA	A1		
UNCC	Aa3	A+	
UNC-CH	Aaa	AAA	AAA
UNCG	Aa3	A+	
UNCP		A-	
UNCSA	A2		
UNCW	Aa3		
WCU	Aa3		
WSSU	A3	BBB+	

Rating Upgrade	Outlook Upgrade
Rating Downgrade	Outlook Downgrade

## *Institution Campus Credit Ratings (May 2020)*

Institution	Moody's	S&P	Fitch
ASU	Aa3		
ECSU	Baa2		
ECU	Aa3	AA-	
FSU		BBB+	A+
NC A&T	A1		AA-
NCCU	A3		
NC State	Aa1	AA	
UNCA	A1		
UNCC	Aa3	A+	
UNC-CH	Aaa	AAA	AAA
UNCG	Aa3	A+	
UNCP		A-	
UNCSA	A2		
UNCW	Aa3		
WCU	Aa3		
WSSU	A3	BBB+	

Rating Upgrade	Outlook Upgrade
Rating Downgrade	Outlook Downgrade

## **COVID-19 and Higher Education Debt**

- All three major credit rating agencies now have a negative outlook for the higher education sector.
- Moody’s Report: Outlook Shifts to Negative as Coronavirus Outbreak Increases Downside Risks:
  - “The sector faces disruption in enrollment patterns, state support, endowment income and philanthropy, and research grants and contracts.”
  - “Operating performance will tighten across the sector as colleges shift to online educational delivery and incur other emergency preparedness costs.”
- S&P gave negative outlooks to FSU, UNCP, and WSSU in April due to risks of State funding cuts.

## **Peer Comparison**

Financial Measures	Baa2 Median	ECSU	A3 Median	FSU	NCCU	UNCP	WSSU
Total Debt (\$, in millions)	107	30	34	59	82	62	136
Total Cash & Investments (\$, in millions)	53	24	52	44	109	78	80
Operating Revenue (\$, in millions)	72	56	58	83	194	83	132
Operating Expenses (\$, in millions)	75	60	55	120	195	128	129

Financial Measures	A2 Median	UNCSA	A1 Median	NCA&T	UNCA
Total Debt (\$, in millions)	64	51	113	161	85
Total Cash & Investments (\$, in millions)	100	132	219	167	82
Operating Revenue (\$, in millions)	97	66	250	279	95
Operating Expenses (\$, in millions)	93	67	240	271	96

*Peer comparison uses financial data from the institutions and compares it to the median figure for all public colleges with the same credit rating from Moody’s.*

# Peer Comparison

Financial Measures	Aa3 Median	ASU	UNCC	UNCG	UNCW	WCU
Total Debt (\$, in millions)	437	303	548	323	218	159
Total Cash & Investments (\$, in millions)	735	270	566	448	285	244
Operating Revenue (\$, in millions)	691	422	691	425	354	255
Operating Expenses (\$, in millions)	641	421	623	398	329	228

Financial Measures	Aa2 Median	ECU	Aa1 Median	NCSU	Aaa Median	UNCCH
Total Debt (\$, in millions)	1,396	397	1,493	534	1,134	1,410
Total Cash & Investments (\$, in millions)	1,974	521	4,608	2,095	4,499	4,088
Operating Revenue (\$, in millions)	2,120	908	4,513	1,573	3,240	3,074
Operating Expenses (\$, in millions)	2,133	920	4,253	1,511	3,196	2,983

*Peer comparison uses financial data from the institutions and compares it to the median figure for all public colleges with the same credit rating from Moody's.*

# THANK YOU

QUESTIONS?

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## AGENDA ITEM

A-4. Sale of Special Obligation Bonds – NC State University ..... Clinton Carter

**Situation:** North Carolina State University (“NC State”) requests that the Board issue special obligation bonds (the “2020 Bonds”) in an aggregate principal amount not to exceed \$290,000,000 for the purpose of (1) financing the remaining \$42,000,000 of construction, equipping, and furnishing of Carmichael Gymnasium renovation project, a new Plant Sciences Building, and the new Fitts-Woolard Hall (Engineering Building Oval and Campus Infrastructure) (collectively, the “2020 Projects”); (2) refinancing of outstanding NC State’s Commercial Paper payables and converting to long-term debt (approximately \$50,000,000 was previously used to pay a portion of the costs of the 2020 Projects); (3) refinancing bonds issued on NC State’s behalf in 2010 and 2013; and (4) paying the costs incurred in connection with the issuance of the 2020 Bonds.

**Background:** The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. All projects in this request have been previously approved by the Board of Governors and the General Assembly. The 2020 Projects were approved by the General Assembly under S.L. 2016-97 (Carmichael Gymnasium renovation and a new Plant Sciences Building) and S.L. 2015-275 (new Fitts-Woolard Hall).

**Assessment:** To reduce interest rate risk and to take advantage of favorable market conditions, NC State is requesting authority to (1) finance the remaining \$42,000,000 of construction costs to complete the 2020 Projects, otherwise to be financed by NC State’s Commercial Paper program, (2) refinance \$50,000,000 of its outstanding Commercial Paper and convert to long-term debt, (3) refinance its outstanding Series 2010B and Series 2013A Bonds, which are currently outstanding in the aggregate principal amount of \$59,565,000 and \$113,945,000 respectively, (4) and fund associated costs related to the 2020 bond issuance.

NC State estimates that it can achieve approximately \$17,000,000 in net present value savings by refunding the Refunded Bonds, representing over 10% of the par amount refunded. The 2020 Bonds matches the maturity schedule of the refunded bond series, and certain 2020 bonds are subject to optional redemption call provision.

The 2020 Bonds will be issued in one or more series of taxable and tax-exempt bonds based on market conditions at the time of pricing of the 2020 Bonds.

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.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **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.

**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

**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.

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

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.

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



## AGENDA ITEM

A-5. Capital Improvement Projects – Appalachian State University ..... Katherine Lynn

- Situation:** One UNC System institution has requested a total of two capital improvement projects for advance planning authorization.
- Background:** The Board of Governors may authorize capital construction projects at UNC System institutions using available funds.
- Assessment:** Appalachian State University has requested projects that meet the statutory requirements, and it is recommended that the Board of Governors approve the projects and their methods of funding. It is further recommended that these projects be reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Capital Improvement Projects – Appalachian State University

### ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with non-appropriated projects using available funds (non-general funds). Non-appropriated capital projects are funded by the institution and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings.

There is one UNC System institution that has requested a total of two capital improvement projects for advance planning authorization.

### I. ADVANCE PLANNING

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
<b>Appalachian State University</b>					
1.	Rivers Street (at Roess Dining Facility) and Trivette Hall Dining Renovations	\$2,468,537	\$0	\$203,591	Dining Receipts
2.	University Bookstore	\$2,049,760	\$0	\$167,100	Trust Funds
<i>Appalachian Subtotal</i>		<i>\$4,518,297</i>	<i>\$0</i>	<i>\$370,691</i>	
<b>Grand Total</b>		<b>\$4,518,297</b>	<b>\$0</b>	<b>\$370,691</b>	

### RECOMMENDATION

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act).

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.



## AGENDA ITEM

A-6. Acquisition of Property by Lease – NC State University ..... Katherine Lynn

**Situation:** The Board of Trustees of NC State University requests permission to acquire property by lease at University Towers Residence Hall, 111 Friendly Drive, Raleigh, NC.

**Background:** NC State does not currently have sufficient on-campus housing to meet demand and is requesting permission to enter into a short-term lease for the 2020-21 academic year. The terms of the lease are similar to the lease for the 2018-19 and 2019-20 academic years. The current lease with University Towers will expire May 2020 and there are no provisions in the lease for an extension. Therefore, a new lease is required. The lease terms will provide rooms comparable to student rooms on campus. The costs to students are the same rates as campus housing, and these rates will sufficiently cover the rental cost at University Towers.

**Assessment:** The lease with University Towers is required to cover the immediate need for student housing. NC State is currently working on a housing study and, when the study is completed, will determine the options for a long-term solution.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Acquisition of Property by Lease – NC State University**

### **ISSUE OVERVIEW**

NC State University is requesting approval of a lease for the 2020-21 academic year to address a current shortfall in available student housing. NC State previously executed similar leases for the 2018-19 and 2019-20 academic years. The lease exceeds the delegated approval authority and requires approval from the Board of Governors.

The proposed lease is for three floors in a private residence hall immediately adjacent to the campus and will provide overflow residential housing for 384 students and six residential advisors. The proposed lease is for the 2020-21 academic year at an annual rent of \$2,489,184. The current student housing rates will cover the cost of the lease. The rooms will provide comparable space at the same rates for students living on campus.

### **NC State University**

#### **Property Acquisition – Lease**

LESSOR:	University Towers Operating Partnership, LP, Memphis, Tenn.
LESSEE:	State of North Carolina, NC State University
LOCATION:	111 Friendly Drive, Raleigh, NC
LEASE AMOUNT:	\$2,489,184
DESCRIPTION:	Floors 4, 5, and 6
LEASE TERM:	10 months, August 2020 – May 2021
LEASE EXPIRATION:	May 2021

The lease of this property was approved by the NC State Board of Trustees at its meeting on February 28, 2020.

### **RECOMMENDATION**

It is recommended that the Board of Governors approve this request.