

Indoor Practice Facility Project

UNC System Board of Governors Meeting
November 13, 2024

APPSTATE

Presentation Overview

- Project Overview
- Project Financing Plan
- Summary

1. Project Overview

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App State Indoor Practice Facility Project

11/13/24

Project Need

- Due to App State's unique campus topography, the only general-use practice areas currently available on campus are Kidd Brewer Stadium and the Sofield Family Indoor Practice Facility
- The current indoor facility only has a 50-yard field, significantly limiting utilization during inclement weather or when other departments are using the facility
- The Project will provide a much needed upgrade for the benefit of App State's student-athletes and other campus constituencies.



New practice facility on the site of the existing facility and the softball field, which is moving to the App 105 Sports Complex.

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App State Indoor Practice Facility Project

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Project Details

Project Cost: \$25,000,000

Project Scope:

- New 85,000 SF pre-engineered building including:
 - 100-yard practice field
 - Athletics training space
 - Space for a physical therapy clinic (up to 10,000 SF)



Site demolition will begin in January 2025, and construction is expected to last 15-18 months.



2. Project Financing Plan

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App State Indoor Practice Facility Project

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Original And Revised Project Financing Summary

	Jan. 2024 Proposal	Nov. 2024 Proposal
Project Cost	\$25m	\$25m
ASU Equity Contribution		
Institutional*	\$0	\$2.5m
Private fundraising	\$0	\$3.5m
	\$0	\$6.0m
Debt Financing		
Debt	\$25 m	\$19 m
	(including \$1.9m in taxable bonds)	(all tax-exempt bonds)
Term	30 years	10 years
All-in True Interest Cost	4.42%	3.44%
Total Est. Debt Service	\$46.1m	\$23.0m

* The institutional equity contribution is being funded with Short-Term Investment Fund (STIF) interest earnings.

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Original and Revised Financing Plan

	Jan. 2024 Proposal	Nov. 2024 Proposal
Uses		
Project Cost (Design & Construction)	\$25.0m	\$25.0m
Est. Interest on Debt	\$21.1m	\$4.0m
Total Cash Outlay	\$46.1m	\$29.0m
Sources		
Private Fundraising	\$3.8m 8%	\$14.5m 50%
Institutional equity	\$0 0%	\$2.5m 9%
Athletic Operating Revenue	\$11.8m 26%	\$5.8m 20%
Sports Wagering Allocation	\$4.8m 11%	\$3.3m 11%
Lease Revenue	\$8.9m 19%	\$2.9m 10%
Athletics Debt Service Fee Revenue	\$16.8m 36%	\$0 0%
Total Funding	\$46.1m 100%	\$29.0m 100%

**As shown on the previous slide, \$6.0m of the sources include equity contributions funded with \$3.5m of the private fundraising, as well as \$2.5m of institutional funds from STIF interest earnings. The remaining \$23.0m of sources will cover the debt service.*

The private fundraising is 100% committed, including \$2.5M of cash in hand.

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3. Summary

Summary

- The new Indoor Practice Facility will provide a much-needed upgrade for the benefit of App State's student-athletes, other campus constituencies and the High Country.
- The Project will be financed through 10-Year Millennial Campus Revenue Bonds which will be repaid through various revenue streams.
- Private funding supports **50%** of the project cash outlays.
- **No student debt fees** will be used towards this project.

Sale of Millennial Campus Revenue Bonds — Appalachian State University

ISSUE OVERVIEW

The University of North Carolina Board of Governors, pursuant to the Millennial Campuses Financing Act, Article 21B of Chapter 116 of the General Statutes (“the Act”), by resolution adopted on September 9, 2016, designated an 87.96-acre area of Appalachian State University (“App State”) that includes Kidd Brewer Stadium as a millennial campus. The Board of Governors is authorized to issue millennial campus revenue bonds payable from any leases, rentals, charges, fees, and other revenues of a “project” (as defined in the Act) located on a millennial campus, and App State’s indoor practice facility project (the “Project”) constitutes a “project” under the Act.

App State requests that the Board issue millennial campus revenue bonds (the “2024 Bonds”) in a principal amount not to exceed \$19 million, plus an additional amount not to exceed five percent of such principal amount for the purpose of (a) paying all or a portion of the costs of the acquisition, construction, and equipping of the Project, which will replace the existing indoor practice facility, and (b) paying the costs of issuing the 2024 Bonds.

App State’s current indoor practice facility is nearing the end of its useful life. The facility is available not only to App State’s football team, but to other campus constituencies as well (e.g., ROTC, women’s soccer, the Marching Mountaineers, camps and clinics, physical education courses, and university recreation, among others). Due to the facility’s substandard 50-yard field size, inclement weather requires that App State’s football team hold separate practices for its offensive and defensive units, and non-football groups are not able to use the facility during football practice.

The project will feature a full 100-yard football field, training space, and leased space for a sports medicine clinic. App State has already begun advanced planning for the project, which will be completed in three phases: (1) demolition of the softball field was completed in spring 2024, (2) demolition of the existing indoor practice facility is anticipated to begin in December 2024, and (3) construction of the new indoor practice facility on the site vacated by the softball field and current indoor practice facility. Construction of the new facility will begin upon completion of the demolition and is expected to be completed in approximately 15 to 18 months.

The 2024 Bonds will be serviced with a combination of contributions, third-party lease receipts, and other athletics-generated revenues as follows: 60 percent naming rights and rental income (private sources), and 40 percent athletic operating revenues, donor pledges, and other revenues. App State will not use revenues from its athletics debt service fee to service the 2024 Bonds.

The 2024 Bonds will be sold on a negotiated basis in the public market by an underwriter selected through a competitive request for proposal (RFP) process. App State’s expected cost of funds to finance the Project with the 2024 Bonds is approximately 3.44 percent. App State will contribute \$6 million of equity from available cash reserves and donor pledges received to date.

App State currently has an issuer credit rating of “Aa3” with a negative outlook from Moody’s Ratings. App State’s outstanding Millennial Campus revenue bonds carry a rating of “A1” with a negative outlook from Moody’s Ratings. This transaction is not expected to have any impact on either credit rating.

McGuireWoods LLP is bond counsel, and First Tryon is the financial advisor.

RECOMMENDATION

It is recommended that the president of the university, or his designee, be authorized to sell the millennial campus revenue bond through the attached resolution.

**RESOLUTION OF THE UNIVERSITY OF NORTH CAROLINA BOARD OF
GOVERNORS AUTHORIZING THE ISSUANCE OF MILLENNIAL CAMPUS
REVENUE BONDS TO FUND THE INDOOR PRACTICE FACILITY PROJECT
FOR APPALACHIAN STATE UNIVERSITY**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the University of North Carolina Board of Governors (the “Board”) is vested with general control and supervision of the constituent institutions of the University of North Carolina System (the “UNC System”); and

WHEREAS, the Board, pursuant to the Millennial Campuses Financing Act, Article 21B of Chapter 116 of the General Statutes (the “Act”), by resolution adopted on September 9, 2016, designated an 87.96-acre area of Appalachian State University (“App State”) that includes Kidd Brewer Stadium (the “Stadium”) and several west campus residence halls as a Millennial Campus (the “Millennial Campus”); and

WHEREAS, the Board is authorized by the Act to issue revenue bonds of the Board, payable from any leases, rentals, charges, fees, and other revenues of a “project” (as defined in the Act) on a Millennial Campus; and

WHEREAS, pursuant to a Master Trust Indenture, dated as of December 1, 2018 (the “Master Indenture”), between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Series Indenture, Number 1, dated as of December 1, 2018 (the “First Series Indenture”), between the Board and the Trustee, the Board previously issued its \$39,865,000 Appalachian State University Millennial Campus Revenue Bonds (End Zone Project), Series 2018 (the “2018 Bonds”) to (a) finance the acquisition, construction, and equipping of a mixed-use project located at the north end zone of the Stadium to replace the former Owens Field House, including campus dining and catering facilities, stadium club seats, an orthopedic health and training facility, and related steam system improvements (collectively, the “2018 Project”) and (b) pay the costs of issuing the 2018 Bonds; and

WHEREAS, the Board has also previously issued its \$2,552,000 aggregate principal amount of Appalachian State University Millennial Campus Revenue Bond (Field Turf Project), Series 2020 (the “2020 Bond”) under the Master Indenture and Series Indenture, Number 2, dated as of February 1, 2020 (the “Second Series Indenture”), between the Board and the Trustee to (a) pay all or a portion of the costs of the acquisition and installation of a field turf system at the Stadium (the “2020 Project”), and (b) pay the costs of issuing the 2020 Bond; and

WHEREAS, the Board has determined to issue Appalachian State University Millennial Campus Revenue Bonds (Indoor Practice Facility Project), Series 2024 in one or more series in an aggregate principal amount not to exceed \$19,000,000, plus an additional amount not to exceed five percent of such principal amount for the purpose of (a) paying all or a portion of the costs of the acquisition, construction, and equipping of a new indoor practice facility (the “Project”) located on the Millennial Campus which will replace the existing indoor practice facility, and (b) paying the costs of issuing the 2024 Bonds; and

WHEREAS, by resolution adopted on November 14, 2024, and pursuant to the requirements of UNC Policy Manual 600.1.6 (*Policy on Millennial Campuses*) adopted by the Board on April 7, 2022, the Board approved the acquisition, construction, and equipping of a new indoor practice facility located on the Millennial Campus which will replace the existing indoor practice facility; and

WHEREAS, the Board has determined to issue the 2024 Bonds on a parity basis with the 2018

Bonds and the 2020 Bond under the Master Indenture and a Series Indenture, Number 3, dated as of February 1, 2024 (the “Third Series Indenture,” and together with the Master Indenture, the First Series Indenture, and the Second Series Indenture, the “Indenture”), between the Board and the Trustee; and

WHEREAS, the Board has determined that the 2024 Project constitutes a “Special Facility” under the Board’s General Trust Indenture dated as of May 1, 2003, between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and supplemented, pursuant to which the Board issues its Appalachian State University General Revenue Bonds (the “General Revenue Bond Indenture”); and

WHEREAS, the 2018 Bonds, the 2020 Bond, and the 2024 Bonds are payable solely from leases, rentals, charges, fees, and other revenues of the Project (the “Revenues”), as further specified in the Indenture, and in the Indenture the Board agrees to fix, revise, charge, and collect fees, rents, and charges for the lease, use, occupancy, or operation of the Project to provide funds (i) to pay the cost of maintaining, repairing, and operating the Project, (ii) to pay the principal of and the interest on the 2018 Bonds, the 2020 Bonds, and the 2024 Bonds as the same shall become due and payable, and (iii) to create and maintain reserves for such purposes; and

WHEREAS, Truist Securities, Inc., has been selected as the lead underwriter for the 2024 Bonds (the “Underwriter”), and is expected to purchase all of the 2024 Bonds pursuant to the terms of a bond purchase agreement (the “Purchase Agreement”) between the Board and the Underwriter; and

WHEREAS, there have been made available to the Board forms of the following documents (hereinafter collectively referred to as the “Board Documents”), which the Board proposes to approve, execute, and deliver, as applicable, to effectuate the financing:

1. the Master Indenture;
2. the Third Series Indenture;
3. the form of the 2024 Bonds, as set forth in the Third Series Indenture;
4. the Purchase Agreement; and
5. the Preliminary Official Statement (the “Preliminary Official Statement”) relating to the 2024 Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “Official Statement”), relating to the 2024 Bonds;

WHEREAS, the 2024 Bonds shall not be deemed to constitute a debt or liability of the State of North Carolina or any political subdivision thereof or a pledge of the faith and credit of the State of North Carolina or of any such political subdivision, but shall be payable solely from the funds herein provided therefor from the Revenues in compliance with Section 116-198.32 of the Act;

NOW, THEREFORE, BE IT RESOLVED by the University of North Carolina Board of Governors as follows:

Section 1. Authorization of Bonds. The Board hereby authorizes and approves the issuance of the 2024 Bonds in an aggregate principal amount not to exceed \$19,000,000, plus an additional amount not to exceed five percent of such principal amount, subject to the terms and conditions of this Resolution.

The 2024 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 Chief Financial Officer of the UNC System, or her designee, in consultation with the appropriate officers at App State, determines to be in the best interest of the UNC System and App State.

Section 2. Designation of Special Facility. The Board hereby designates the 2024 Project as a “Special Facility” under the General Revenue Bond Indenture.

Section 3. Authorization of Board Documents. The form and content of the Board Documents are hereby in all respects authorized, approved, and confirmed, and the Chair of the Board, the President of the UNC System, the Senior Vice President for Finance and Chief Financial Officer of the UNC System, the Secretary of the Board, and the Associate Vice President and Secretary of the UNC System (collectively, the “Authorized Officers”) are hereby authorized, empowered, and directed, individually and collectively, 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 any Authorized Officer may deem necessary, desirable, or appropriate, including such changes as may be necessary to reflect the terms of the 2024 Bonds (including, but not limited to, the setting of interest rates, whether fixed rate to one or more terms or to maturity, or variable rates, and the amortization of principal). The execution of the Board Documents shall constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions, or deletions therein. From and after the execution and delivery of the Board Documents, the Authorized Officers are 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 Master Indenture and the Board Documents as executed.

Section 4. Authorization of Preliminary Official Statement and Official Statement. 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 and the Official Statement by the Underwriter in connection with the sale of the 2024 Bonds is hereby in all respects authorized, approved, ratified, and confirmed. The President of the UNC System and the Senior Vice President for Finance and Chief Financial Officer of the UNC System are hereby authorized, empowered, and directed to approve, execute, and deliver the Preliminary Official Statement and the Official Statement for and on behalf of the Board, in connection with the sale of the 2024 Bonds 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 the President of the UNC System and the Senior Vice President for Finance and Chief Financial Officer of the UNC System may deem necessary, desirable, or appropriate. The execution of the Purchase Agreement by any of the officers listed above shall constitute conclusive evidence of the Board’s approval of such documents, and any and all such changes, modifications, additions, or deletions therein. The use of such Preliminary Official Statement and Official Statement by the Underwriter in connection with the sale of the 2024 Bonds to investors is hereby authorized, approved, and confirmed.

Section 5. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are 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 such 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 for the issuance and sale of the 2024 Bonds. The Authorized Officers 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 2024 Bonds. Any provision in this Resolution that authorizes more than one officer to take certain actions will be read to permit such officers to take the authorized actions either individually or collectively.

Section 6. 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 7. Effective Date. This resolution is effective immediately on the date of its adoption.

**SECRETARY'S CERTIFICATE
OF AUTHENTICATION**

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Meredith R. McCullen, Associate 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 University of North Carolina Board of Governors (the "Board") at its regular meeting on November 14, 2024, and appearing in the minutes of such meeting, (2) notice of the meeting of the Board held on November 14, 2024, was sent to each member of the Board, and (3) a quorum was present at the meeting on November 14, 2024, at which time the foregoing resolution was adopted.

WITNESS, my hand and the seal of The University of North Carolina System this 14th day of November, 2024.

[SEAL]

Meredith R. McCullen, Associate Vice President and
Secretary of the University of North Carolina System