THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance

May 14, 2025 at 9:30 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S West Street, Board Room (17th Floor)
Raleigh, North Carolina

## AGENDA



**Additional Information Available:**
2024 Millennial Campus Report
A-5. FY 2024 UNC System Debt Capacity Study (full report)

# DRAFT MINUTES

April 7, 2025 at 9:30 a.m.
Via Videoconference and PBS North Carolina Livestream

This meeting of the Committee on Budget and Finance was presided over by Chair Kirk Bradley. The following committee members, constituting a quorum, were also present in person, via videoconference, or by phone: Lee Barnes, Harry Brown, John Fraley, and Art Pope. The following committee member was absent: Reginald Holley.

Chancellors participating were Kelli Brown, Lee Roberts, and Randy Woodson.

Staff members present included Jennifer Haygood, Brandy Andrews, Katherine Lynn, Aubrey Clark-Brown, and others from the University of North Carolina System Office.

Committee Faculty Assembly advisor Jim Westerman was absent.

---

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

The chair called the meeting to order at 10 a.m., on Monday, April 7, 2025. The open session minutes from the regular meeting on Wednesday, February 26, 2025, and the joint meeting on Wednesday, February 26, 2025, meeting were approved by unanimous consent.

**2. Authorization of Special Tuition for 2025-26 — University of North Carolina at Greensboro (Item A-2)**

The chair called on Assistant Vice President Aubrey Clark-Brown to present the two tuition proposals submitted by the University of North Carolina at Greensboro for 2025-26. The original proposals did not include the increases for the second year. It was recommended that the committee approve the authorization of the special tuition rates requests for 2025-26.

The chair asked for a motion to approve the 2025-26 tuition proposals for UNC Greensboro.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the authorization of special tuition for 2025-26 at UNC Greensboro and recommend to the full Board of Governors for a vote through the consent agenda.

**Motion:** Art Pope
**Motion carried**

**3. Sale of Special Obligation Bonds — East Carolina University (Item A-3)**

Chair Bradley called on Senior Vice President Jennifer Haygood to present East Carolina University's request to issue special obligation bonds in a principal amount not to exceed $34 million, plus an additional amount not to exceed five percent of such principal amount, for the purpose of paying the cost of the renovation of Legacy Residence Hall, paying a portion of the cost for design and preconstruction services for the renovation of Jones Residence Hall, and paying the costs of issuance.

The chair asked for a motion to approve the authorization of the sale of special obligation bonds.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the sale of special obligation bonds for ECU and recommend to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Brown
**Motion carried**

**4. Sale of Special Obligation Bonds — Fayetteville State University (Item A-4)**

The chair called on Ms. Haygood to present Fayetteville State University's request to issue special obligation bonds in a principal amount not to exceed $6 million, plus an additional amount not to exceed five percent of such principal amount, for the purpose of paying the remaining cost of the construction of a new student residence hall and paying the costs of issuance.

The chair asked for a motion to approve the authorization of the sale of special obligation bonds.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the sale of special obligation bonds for FSU and recommend to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Brown
**Motion carried**

**5. Sale of Special Obligation Bonds – Western Carolina University (Item A-5)**

The chair called on Ms. Haygood to present Western Carolina University's request to issue special obligation bonds in a principal amount not to exceed $30 million, plus an additional amount not to exceed five percent of such principal amount, for the purpose of paying for a portion of the cost of athletic facilities improvements and paying the costs of issuance.

The chair asked for a motion to approve the authorization of the sale of special obligation bonds.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the sale of special obligation bonds for WCU and recommend to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Brown
**Motion carried**

**6. Capital Improvement Projects (Item A-6)**

The chair called on Vice President Katherine Lynn to present the requests for the authorization of three new capital projects for a total of approximately $8 million at NC State University and University of North Carolina Wilmington; and increased or changed authorizations for five projects at four institutions for a total of $900,735 at ECU, FSU, University of North Carolina at Charlotte, and UNC Wilmington.

The chair asked for a motion to approve the capital improvement projects.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the capital improvement projects and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Brown
**Motion carried**

**7. Disposition of Property by Demolition — NC State University (Item A-7)**

The chair called on Ms. Lynn to provide details of NC State University's request to dispose of property by demolition of the Council Building, located at 701 Barbour Drive, Raleigh, North Carolina.

The chair asked for a motion to approve the demolition of property located on the Centennial Campus.

**MOTION:** Resolved, that the Committee on Budget and Finance approve NC State's request demolish of one of its properties and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** John Fraley
**Motion carried**

**8. Adjourn (Item A-8)**

There being no further business and without objection, the meeting adjourned at 10:14 a.m.

____________________________________
Reginald Holley, Secretary

## DRAFT MINUTES

April 9, 2025 at 9:30 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S. West Street, Board Room (17th Floor)
Raleigh, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Kirk Bradley. The following committee members, constituting a quorum, were also present in person, via videoconference, or by phone: Lee Barnes, Harry Brown, John Fraley, and Art Pope. The following committee member was absent: Reginald Holley.

Chancellors participating were Kelli Brown, Lee Roberts, and Randy Woodson.

Staff members present included Jennifer Haygood, Brandy Andrews, Katherine Lynn, Aubrey Clark-Brown, and others from the University of North Carolina System Office.

Committee Faculty Assembly advisor Jim Westerman was absent.

---

The chair called the meeting to order at 10 a.m., on Wednesday, April 9, 2025.

**1. 2023-24 University of North Carolina Consolidated Financial Report (Item A-1)**

The chair called on Senior Vice President Jennifer Haygood to present the 2023-24 UNC System Consolidated Financial Report. The report included a consolidation of the University of North Carolina System as a whole, a side-by-side comparison of institutional financial statements, selected disclosures, and other financially related information as of June 30, 2024.

This item was for information only.

**2. Acquisition of Property by Lease — Appalachian State University (Item A-2)**

Chair Bradley called on Ms. Haygood to present Appalachian State University's request to acquire property by lease for the Mountaineer Ridge Apartments, a new student housing complex that will be built at Mountaineer Ridge Drive, Boone, North Carolina.

The chair asked for a motion to approve the acquisition of property by lease.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the App State's request for acquisition of property by lease and recommend to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Brown
**Motion carried**

### 3. FY 2023 Facilities Inventory and Space Utilization Report (Item A-3)

The chair called on Ms. Haygood to present the FY 2023 Facilities Inventory and Utilization Report. The 2023 study included information based on data that each campus reported on the institution's physical assets, including the age and condition of buildings at each institution, and space utilization, based on class hours of instruction and seat fill as derived from the fall 2023 scheduling data.

This item was for discussion only.

### 4. Additional 2024-25 State Capital and Infrastructure Fund Repairs and Renovations Allocations (Item A-4)

The chair called on Vice President Katherine Lynn to present the allocations of the remaining $175.25 million of the 2024-25 UNC State Capital and Infrastructure Fund Repairs and Renovation funds.

The chair asked for a motion to approve the 2024-25 UNC SCIF R&R allocations.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the additional 2024-25 UNC State Capital and Infrastructure Fund Repairs and Renovations allocations and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** John Fraley
**Motion carried**

### 5. Adjourn (Item A-5)

Chair Bradley called on Ms. Haygood to remind the committee that both the full FY 2023 Facilities Inventory and Space Utilization Report and the University of North Carolina Quarterly Capital Report as of April 1, 2025, were provided as additional information available in its materials.

There being no further business and without objection, the meeting adjourned at 10:22 a.m.

____________________________________
Reginald Holley, Secretary

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-2. 2025-27 General Fund Update ........................................................................................Jennifer Haygood

**Situation:** One of the principal responsibilities of the University of North Carolina Board of Governors is to "develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for the constituent institutions of the University of North Carolina" [G.S. 116-11(9)a]. In odd-numbered years, the General Assembly enacts a biennial (two-year) budget. In even-numbered years, adjustments are made to the budget for the second fiscal year of the biennium.

**Background:** During the legislature's current Long Session, the General Assembly will create a new budget for the FY 2025-27 biennium. The Senate has passed its version of the budget, and the House will follow.

**Assessment:** The Board of Governors' approved budget priorities were submitted to both the governor and the General Assembly. Our Systemwide priorities focus on critical core operations such as funding for enrollment change, performance funding, fully funding the NC Promise program, and institution-specific high-priority requests. The Senate budget included some but not all the Board's priorities. The University of North Carolina System Office will continue to advocate for the inclusion of all Board priorities throughout the budget process.

**Action:** This item is for information only.

# 2025-27 GENERAL FUND BUDGET UPDATE

*Committee on Budget and Finance*

***May 14, 2025***

## *General Fund Availability*

| *in millions* | FY 2025-26 | FY 2026-27 |
|---|---|---|
| **Estimated Prior Year-End Fund Balance** | $1,092 | $1,488 |
| **Consensus Revenue Forecast** | $34,890 | $34,067 |
| **Revenue Changes** | ($104) | ($71) |
| **Statutorily Required Reservations of Revenue** | | |
| Savings Reserve | ($45) | $0 |
| State Capital and Infrastructure Fund (SCIF) | ($1,120) | ($1,159) |
| **Discretionary Reservations of Revenue** | | |
| Additional Transfer to Savings Reserve | ($1,095) | $0 |
| Economic Development Reserve | ($41) | ($5) |
| **Revised Total General Fund Availability** | **$33,576** | **$34,321** |
| | | |
| **Total Net General Fund Appropriations** | **$32,588** | **$33,321** |
| | | |
| **Unappropriated Balance** | **$988** | **$1,000** |

# System Priorities

| | UNC Budget Priorities | | Senate Budget | |
|---|---|---|---|---|
| | FY 2025-26 | FY 2026-27 | FY 2025-26 | FY 2026-27 |
| **UNC System Priorities** | | | | |
| UNC Enrollment Change | 46,375,508 | 66,375,508 | 46,375,508 | 46,375,508 |
| Performance Funding Pool | 30,000,000 | 30,000,000 | 30,000,000 NR | 30,000,000 NR |
| Building Reserves | 3,187,530<br>516,664 NR | 3,731,400<br>- | 3,187,530<br>516,664 NR | 3,731,400<br>- |
| NC Promise | 9,500,000 | 13,000,000 | 9,500,000 | 11,361,084 |
| Faculty and Staff Salary Increases<br>Senate: 1.25% in FY25-26<br>Plus a $1,500 bonus in each year | UNC System requests equity with State agencies and strongly supports Labor Market Adjustment Reserve funding. | | 49,515,371<br>58,504,742 NR | 49,515,371<br>58,504,742 NR |
| State Retirement: TSERS Members | - | - | 10,038,066 | 21,669,476 |
| State Retirement: ORP Members | - | - | 4,292,857 | 10,118,878 |
| State Health Plan | - | - | 14,673,739 | 29,347,478 |
| **Total System Priorities** | | | **226,604,477** | **260,623,937** |

**Effective Fall 2026, tuition rate increases to $3000 for per semester for nonresident students <u>matriculating</u> at NC Promise institutions.**



# Institution-Specific Appropriations

| | UNC Budget Priorities | | Senate Budget | |
|---|---|---|---|---|
| | FY 2025-26 | FY 2026-27 | FY 2025-26 | FY 2026-27 |
| **UNC Institution-Specific Appropriations** | | | | |
| Natural Disaster Resiliency and Emergency<br>App State, UNCA, WCU, NC Arbor. | 8,000,000 NR | - | 8,000,000 NR<br>*Hurricane Helene Fund* | - |
| WCU: Lab School Relocation Costs | 792,000 NR | - | 792,000 NR | - |
| Cheatham-White Scholarship Program:<br>N.C. A&T, NCCU, WSSU | 3,150,000<br>*from Education Lottery Funds* | 3,150,000 | 3,150,000 | 3,150,000 |
| ECSU: Aviation Program Growth | 7,270,000 NR | 2,787,000 NR | Non-recurring appropriations from Highway Fund to Statesville, Elizabeth City, and Kinston regional airports to support program expansion. | |
| NC State: Engineering Expansion | 4,900,000 | 4,900,000 | 5,000,000 | 5,000,000 |
| UNC-CH: School of Civic Life and Leadership | 4,900,000 | 4,900,000 | 8,000,000 | 8,000,000 |
| UNCC: Data Science, Entrepreneurship, and Battery Engineering and Recycling | 2,101,000 | 3,038,000 | 2,100,000 | 2,100,000 |
| UNC-CH: North Carolina Collaboratory* | - | - | 2,500,000 | 2,500,000 |
| UNC-CH: Carolina North Site Planning | - | - | 1,000,000 NR | - |
| N.C. A&T: Ag Research and Extension | - | - | - | 10,600,000 |

*The Collaboratory would also receive an additional $3m NR from the Stabilization and Inflation Reserve for PFAS research and $1m NR from the Education Endowment Fund for floodplain research and valuation development.

# Proposed Reductions

| | UNC Budget Priorities | | Senate Budget | |
|---|---|---|---|---|
| | FY 2025-26 | FY 2026-27 | FY 2025-26 | FY 2026-27 |
| **Proposed Reductions** | | | | |
| MCNC | - | - | (4,900,000) | (4,900,000) |
| PBS North Carolina | - | - | (4,000,000) | (4,000,000) |
| Tuition Increases for Nonresident Students | - | - | - | (46,300,000) |
| UNC Centers and Institutes | - | - | (33,660,000) | (33,660,000) |
| Academic Program Review | - | - | - | (20,000,000) |
| Non-Faculty Vacant Positions | - | - | (5,000,000) | (7,000,000) |
| UNC Campus Scholarship Program | - | - | (4,750,000) | (4,750,000) |
| Graduate Tuition Waiver | - | - | (3,500,000) | (3,500,000) |
| Strategic Research Fund | - | - | (963,532) | (963,532) |
| Strategic Plan Reserve | - | - | (500,000) | (500,000) |
| Future Teachers of North Carolina | - | - | (278,000) | (278,000) |
| Advanced Placement Test Fees | - | - | (60,000) | (60,000) |
| **Total Proposed Reductions** | | | **(57,611,532)** | **(125,911,532)** |



# Sports Wagering Tax Revenues

| | Current Law 18% Tax Rate | | | Senate Budget 36% Tax Rate | | |
|---|---|---|---|---|---|---|
| | Annual Allocation | % of Remaining Proceeds | FY26 Total Allocation | Annual Allocation | % of Remaining Proceeds | FY26 Total Allocation |
| ECSU, FSU, UNCP, WSSU | $300k each | 20% divided evenly | $2.4 million each | $500k each | 20% divided evenly | $4.3 million each |
| NCA&T, NCCU, UNCA, UNCG, UNCW, WCU | $300k each | 20% divided evenly | $2.4 million each | $1 million each | 20% divided evenly | $4.8 million each |
| ASU, ECU, UNCC | $300k each | 20% divided evenly | $2.4 million each | $1.5 million each | 20% divided evenly | $5.3 million each |
| NCSU, UNC-CH | $0 | 0% | $0 | $0 | 10% each | $24.4 million each |

**Directs UNC-CH and NCSU to attempt to schedule multiple basketball games against all other UNC institutions by the 2039-40 season.**

# Capital Priorities

- The Senate budget includes increases to previously authorized projects but does not authorize any additional projects.

| *In millions* | Total Project Authorization | FY 2025-26 | FY 2026-27 |
|---|---|---|---|
| **1. UNC R&R** | | | |
| BOG Priorities | N/A | $250.0 | $250.0 |
| Senate Budget* | N/A | $400.0 | $200.0 |
| **Difference** | | **$150.0** | **($50.0)** |
| **2. Named Capital Projects** | | | |
| BOG Priorities | $4,838.1 | $641.0 | $464.3 |
| Senate Budget | $3,407.0 | $454.1 | $438.0 |
| **Difference** | **($1,431.1)** | **($186.9)** | **($26.3)** |

**In FY26 $100 million must be used for NCCU R&R projects.*

**Additional Healthcare Investments:**
- $638.5 million: New Children's Hospital
- $105.0 million: NC Care Initiative Health Care Clinics



# Notable Special Provisions

- Authorizes discounted tuition for students using military tuition assistance and employer-sponsored education benefits
- Codified authorizing language for Faculty Realignment Incentive Program
- Allows carryforward of FY25 enrollment mitigation funding
- Prohibits students convicted of assaulting an officer or employee of the State from receiving in-state tuition or State-funded financial aid.
- Authorizes small institutions to use up to 1% of capital project authorization to support additional project management capacity on SCIF projects over $20 million.

QUESTIONS?

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-3. Driving Impact Through Efficiency: Strategic Solutions for a Sustainable Future........................................................................... Shelby Bass and Maurice Ferrell

**Situation:** The University of North Carolina System is proactively advancing operational efficiency to respond to a shifting fiscal environment. This presentation outlines recent policy reforms and shared service expansions aimed at controlling costs while maintaining academic excellence and institutional strength.

**Background:** Recognizing rising expectations and tighter resources for public institutions, the UNC System has initiated targeted reforms to modernize operations, reduce fixed costs, and create scalable service models. These efforts have already generated significant recurring annual savings while strengthening institutional resilience.

By consolidating common functions, standardizing processes, and leveraging shared talent and platforms, these services reduce duplicative efforts, improve quality, and position institutions for more sustainable financial and operational performance.

Specifically, we are scaling shared services in key administrative areas including:

- Human Resources: centralizing payroll, benefits administration, and classification and compensation processes — functions that are highly standardized across institutions and ideal for scalable service delivery.
- Advancement Services: sharing specialized talent for CRM support, prospect research, and gift planning to provide expert fundraising capabilities across institutions that may not have the capacity to independently staff these roles.
- Information Technology: building out a shared IT services framework to streamline procurement, security, infrastructure support, and user services.

**Assessment:** These initiatives have yielded measurable financial savings, we anticipate generating over $3.5 million in savings over this fiscal year, with projections exceeding $100 million over the next decade.

**Action:** This item is for discussion only.

# DRIVING IMPACT THROUGH EFFICIENCY: STRATEGIC SOLUTIONS FOR A SUSTAINABLE FUTURE

Committee on Budget & Finance
May 14, 2025

Shelby Bass
*Deputy COO for Operational Policy*

Maurice Ferrell
*Deputy COO for Information Technology*

## Driving Impact: A Strategic Approach

STREAMLINE POLICY & EXPAND SHARED SERVICES

## Driving Impact: A Strategic Approach

1. Streamlining Operational Overhead Through Policy Shifts

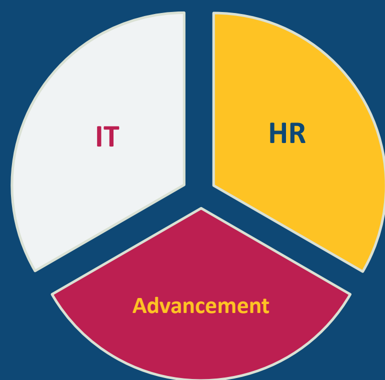


## Driving: A Strategic Approach

- **Personal Leave Program:**
  - On January 1, 2025, a new personal leave program was deployed across the System
  - **FY25 $1,700,000 R**
- **HR Standardization:**
  - Eliminated more than **6,500 vacant positions** Systemwide
  - Standardized position classifications and employment categories across the System

## Driving Impact: A Strategic Approach

2. Enhancing and Expanding Shared Services




THE UNIVERSITY OF NORTH CAROLINA SYSTEM



## Driving Impact: A Strategic Approach

- **Human Resources Shared Service Options:**
  - Payroll, Benefits, and Retirement
  - Classification and Compensation
  - **FY25 $626,083 R**

- **Advancement Shared Service Options:**
  - CRM Service Support, Gift Planning Services, and Prospect Resource Services
  - **FY25 $600,000 R**

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

## Driving Impact: A Strategic Approach

*Leverage IT Infrastructure across the UNC System*

- **Data Strategy**
  - Centrally hosted
  - Improved efficiency and improved data quality
  - Estimated cost savings **FY25 $650,000 R**
- **Essential IT Services**
  - Managed ERP services
  - Starting with a cohort of 4 institutions
  - Estimated cost savings **$1,381,083 R**



## Driving Impact: A Strategic Approach

*Leverage IT Infrastructure across the UNC System*

- **IT Contract Consolidation**
  - Single Learning Management System (LMS) across our institutions
    - **Savings anticipated for FY26 $1,000,000 R**
- **Cybersecurity**
  - Standard contracts and software tools across the system
    - **Savings anticipated for FY26 $274,524 R**

## Potential Annual Savings Over Time

| | FY 2026 | Full Program Implementation | 10YR NPV |
|---|---|---|---|
| Personal Leave Program | $1,700,000 | $14,000,000 | $75,300,000 |
| HR Shared Services | $626,083 | $6,200,000 | $50,000,000 |
| IT Shared Services | $3,000,000 | $6,400,000 | $53,000,000 |
| Advancement Shared Services | $600,000 | $2,141,000 | $16,500,000 |
| Total Savings | $3,576,083 | $28,741,000 | $195,500,000 |



## Driving Impact: A Strategic Approach

- ✓ Tuition remains affordable for students
- ✓ Universities maintain financial stability

# Questions?

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

www.northcarolina.edu

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-4. NC Care State Capital and Infrastructure Fund (SCIF) Allocations ....................................Jennifer Haygood

**Situation:** The 2023 Appropriations Act (S.L. 2023-134) allocated State Capital and Infrastructure Funds (SCIF) totaling $105 million for NC Care Rural Health Clinics and $150 million for NC Care Hospital Investments over the 2023-25 biennium. The University of North Carolina Board of Governors determines the allocation of these funds to recipient institutions.

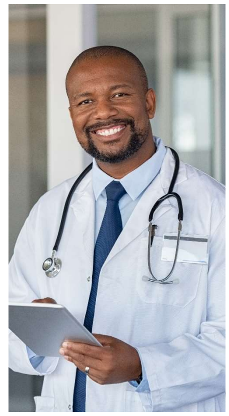
**Background:** The North Carolina General Assembly established the NC Care Initiative in recognition that North Carolina's rural population is among the largest in the United States and needs dedicated effort and investment to help improve health outcomes in many of the State's rural communities. The NC Care initiative utilizes the health care expertise of the University of North Carolina to improve access to high quality health care for citizens and communities located in rural areas of North Carolina by establishing outcome driven regional systems of care. Previously allocated NC Care investments included $50 million to ECU for the Regional Children's Behavioral Health Facility and $10 million to develop a clinically integrated network of care.

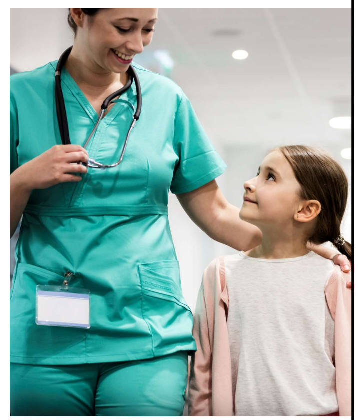
**Assessment:** It is recommended that the Board of Governors approve the allocation of $105 million to establish and develop rural health centers in Wilson County, Caldwell County, and in the Western region outside of Asheville; and the allocation of $150 million for hospital investments in Duplin, Lenoir, Martin, Onslow, Rockingham and Wayne Counties. It is further recommended that Board delegate to the president authority to reallocate funds, as needed, to best meet the objectives of NC Care.

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

# Improving Health Care in North Carolina

*Overview of Investments and Initiatives*





THE UNIVERSITY OF NORTH CAROLINA SYSTEM

*Peter Hans*

GOAL ONE

## Improve Health Care in NC

**Formation of ECU Health**

*Integrating the Brody School of Medicine with Vidant in 2021/2022*

**New medical education building at ECU**

*($265m in 2021, broke ground 2024)*

**Expansion of nursing pipeline** *($40m)* + **rural residencies** *($23m)* + **private support**

**UNC Health investments**

*in Children's Hospital and behavioral health centers (no state support since 2012)*

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

GOAL TWO

# Improve Rural Health Care in NC

- **NC Care in 2023**
- **Develop $10m clinically integrated network**
  *(ECU Health & UNC Health)*
- **Investments in rural hospitals and clinics**
  *($410m)*
- **Catalyst supporting two hospital systems with a public mission in rural NC**



# Rural Health Investments

## 1. ECU Behavioral Health Facility: $50m

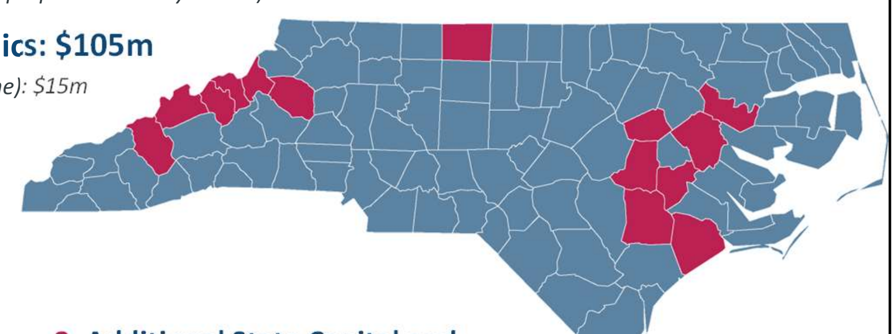
- *Greenville (previously appropriated directly to ECU)*

## 2. Regional Care Clinics: $105m

- *Outside Asheville (Helene): $15m*
- *Caldwell: $45m*
- *Wilson: $45m*

## Hospitals: $150m

- *Lenoir: $10m*
- *Wayne: $10m*
- *Onslow: $15m*
- *Martin: $35m*
- *Duplin: $40m*
- *Rockingham: $40m*



## 3. Additional State Capital and Infrastructure Fund Investments: $105m

- Previously authorized, but not yet appropriated

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

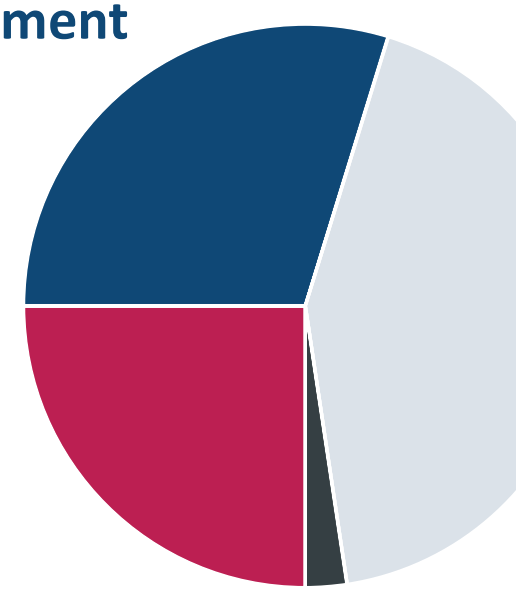
# Breakdown of $420m Investment

ECU/ECU Health: $125m

UNC Health: $180m

Clinically integrated network: $10m

Yet to come: $105m





# Regional Allocation of $305m

West: $60m

Central: $40m

East: $205m

# NC Care State Capital and Infrastructure Fund (SCIF) Allocations: $255M

**Rural Care Center Investments: $105M**

**Rural Care Center in Wilson County | $45M**

- Per the RSOC plan, RCC responds to community needs and provides connections to regional hospitals.
- Allows for comprehensive support of follow-up and higher-level care through UNC Health Nash and UNC Health Wayne while providing access to primary, specialty, and emergency care.
- Expanding access to key services including emergency care, urgent care, and surgical care will allow more patients to receive care close to home rather than traveling to metropolitan areas.

**Rural Care Center in Caldwell County | $45M**

- Supported by UNC Health Caldwell operations in Caldwell County, including an acute care hospital, McCreary Cancer Center, and diverse outpatient services.
- This investment in Caldwell County allows placement of services to meet the needs of a rural region with a growing population. At present, many patients from Caldwell County are forced to travel to larger metropolitan areas for care including orthopedics and specialized cancer services.
- On a more routine basis, there is an undersupply of more foundational healthcare services in the community, including urgent care, laboratory and imaging; RCC will expand access, decrease patient burden to travel for necessary care, and decrease wait times for care.

**Rural Care Center outside of Asheville | $15M**

- Investment will aid in the community's continued response to Hurricane Helene, ensuring resilient infrastructure and a more sustainable care model in the event of future weather events.
- Patients in rural areas proximate to Asheville often lack access to many healthcare services.
- RCC will allow more North Carolinians in this region to remain local diminishing travel burdens to access emergency services, urgent care, imaging and laboratory services, dental care and routine primary care.

**Hospital Investments: $150M**

**East Carolina University | $75M**

- **Martin County ($35M):** Funds allocated to ECU for investments in connection with Martin General. ECU may partner with ECU Health for work with Martin General, including efforts to designate Martin General as a Rural Emergency Hospital (REH).
- **Duplin County ($40M):** Funds allocated to ECU for investments in connection with ECU Health Duplin. ECU may partner with ECU Health for work with the hospital, including efforts to designate the hospital as a Rural Emergency Hospital (REH).

**UNC Health | $75M**

- **Lenoir and Wayne Counties ($20M):** Funds allocated to UNC Health for investment in UNC Health Lenoir and UNC Health Wayne for facility and equipment capital needs for the hospital and outpatient facilities.
- **Onslow County ($15M):** Funds allocated to UNC Health for investment in Onslow Memorial Hospital facility needs, updates, and improvements.
- **Rockingham County ($40M):** Funds allocated to UNC Health to address facility and equipment needs at UNC Health Rockingham. Funding will support initial stage of development of a new care delivery model in Rockingham County, with services designed to meet the current needs of the community while also creating an opportunity to bring future-focused services including virtual care, training opportunities and clinical trials access to patients.

# LETTER OF INTENT
**between**
**The University of North Carolina Health Care System**
**and**
**University Health Systems of Eastern Carolina, Inc.**

This letter of intent (the "**Letter of Intent**") is entered into as of May 1st, 2025 ("**Effective Date**") by and between The University of North Carolina Health Care System ("**UNC Health**") and University Health Systems of Eastern Carolina, Inc., a North Carolina nonprofit corporation ("**UHS**," or, together with its subsidiaries, "**ECU Health**"). UNC Health and ECU Health may be collectively referred to herein as the "**Parties**", or individually as a "**Party**". This Letter of Intent sets forth the understanding of the Parties in principle with respect to collaboration between the Parties specifically related to the $10 million transferred to the UNC Board of Governors and allocated to UNC Health as part of the NC Care initiative for a clinically integrated network ("**CIN**"). *See*, North Carolina Session Law 2023-134, "Current Operations Appropriations Act of 2023". This Letter of Intent is an expression of the Parties' current intent and, except as specifically set forth in Part II, below, is not intended to be a binding agreement among the Parties.

## PART I – NON-BINDING PROVISIONS

1. Clinically Integrated Network. The Parties acknowledge that there are populations of patients that they co-manage and similar types of patients that they respectively treat and there is benefit to systematically managing them in a clinically integrated manner. The Parties aim to use this integration to undertake value-based activities to better serve the diverse needs of North Carolinians, including, without limitation, fostering the following value-based purposes:

- Improving access to care, preventative care, early intervention, and timely treatment, particularly in rural areas of the State;
- Enhancing care coordination and information sharing to promote seamless transitions of care;
- Collaboration on clinical best practices to improve quality of care, patient outcomes, and better manage the growing costs of health care for North Carolinians.

The Parties will use good faith, reasonable efforts to do the following in furtherance of the CIN:

a. Develop a process to examine ECU Health's and UNC Health's existing population health networks and resources.

b. Define specific areas where opportunities exist to deliver network access and capabilities more efficiently and effectively, jointly.

c. Review respective value-based care experience and outcomes and contemplate learnings that may impact future value models in North Carolina

d. Preliminary assessment of infrastructure and initiatives necessary to support better population health.

e. Share best practices for data and analytics infrastructure.

The funding for the CIN will help support this work by providing for the analytic and project management support and technology to assist the Parties in evaluating and completing the efforts listed above and developing the Parties' infrastructure to better collaborate and share data in the future. In addition, the Parties paid for a consultant, Innosight, to help develop the regional system of care, which assisted in evaluating populations and the networks in eastern North Carolina, and therefore, the funding for the CIN will be used to reimburse the Parties for such documented Innosight fees directly in support of the Parties' joint work on the regional system of care and evaluations of populations and network.

To the extent the Parties deem necessary to accomplish the efforts above, the Parties will, in good faith, use commercially reasonable efforts to negotiate a collaboration agreement.

## PART II – BINDING PROVISIONS

1. Binding and Non-Binding Terms. None of the Parties is bound or otherwise obligated by the terms set forth in Part I of this Letter of Intent. The Parties agree that terms set forth in Part II of this Letter of Intent ("**Binding Provisions**") are binding on each of the Parties, as applicable. Except as expressly set forth in this Part II, no Party has any binding obligation regarding the CIN.

2. Term; Termination. The "**Term**" of this Letter of Intent will commence on the Effective Date and will continue in full force and effect until the earlier of: (a) the execution of a collaboration agreement, (b) the mutual written agreement of the Parties to terminate this Letter of Intent, (c) notice of termination of this Letter of Intent by either Party upon ninety (90) days' prior written notice; or (d) reallocation or elimination of the $10 million of NC Care funds for the CIN as determined by the General Assembly. Upon termination, all further obligations of the Parties under this Letter of Intent will terminate automatically; provided, however, that the provisions set forth in Sections 2, 3 and 4 of Part II of this Letter of Intent will survive such termination.

3. Confidentiality. This Letter of Intent and all information exchanged by UNC Health and ECU Health during discussions, negotiations, due diligence, implementation planning, and other activities shall be subject to that certain Confidentiality Agreement by and between ECU Health and UNC Health effective April 8, 2024 (the "**Confidentiality Agreement**"). Without limiting the foregoing, the Parties acknowledge that pursuant to N.C. Gen. Stat. 131E-97.3, the exchange of competitive health care information is not a public record under Chapter 132 of the General Statutes and serves as a basis for closed session discussions under N.C. Gen. Stat. 143-318.11(a)(1) in any official meeting of a public body subject to Chapter 143, Article 33C of the General Statutes.

4. Miscellaneous.

a. Costs. Each Party will be responsible for and bear all of its own costs and expenses (including any broker's or finder's fees and the expenses of their respective attorneys and representatives) incurred at any time in connection with pursuing this Letter of Intent (except with respect to the reimbursement of expenses associated with Innosight and other projects/initiatives determined to be funded by NC Care funds).

b. No Liability. Other than the Binding Provisions, this Letter of Intent does not constitute and will not give rise to any legally binding obligation on the part of any of the Parties. Except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the Parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the CIN, or relating to the negotiation of the terms of the collaboration related to the CIN or any final agreements, will give rise to or serve as a basis for any obligation or other liability on the part of any of the Parties, nor shall any Party rely upon any of the foregoing with respect to any action or inaction of such Party.

c. Remedies. Each Party agrees that if it violates or breaches any Binding Provision of this Letter of Intent, each other Party shall be entitled to preliminary and permanent injunctive relief either pending or following a trial on the merits, together with any other remedies that may be available at law or in equity, without being required to post bond or other security. Should a Party seek or obtain a remedy against any other Party, such action shall not be considered an election of remedies, or a waiver of any right by such Party to assert any other remedy, it may have at law or in equity.

d. Entire Agreement. This Letter of Intent constitutes the entire agreement between the Parties, and supersedes all prior oral or written agreements, understandings, representations and warranties, and courses of conduct and dealing between the Parties on the subject matter hereof, other than the Confidentiality Agreement. Except as otherwise provided in this Letter of Intent, the Binding Provisions may be amended or modified only by a writing executed by all of the Parties.

e. Counterparts. This Letter of Intent may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Letter of Intent and all of which, when taken together, will be deemed to constitute one and the same agreement. Email transmission of a true scanned or .pdf copy of any signed original counterpart transmission shall be deemed the same as the delivery of an original.

f. Governing Law. This Letter of Intent will be governed by and construed in accordance with the internal substantive laws of the State of North Carolina without regard to conflicts of laws principles.

g. Press Releases. The Parties shall consult with one another and mutually agree concerning the form and substance of any press release or other public disclosure of the matters covered by this Letter of Intent, and shall make a diligent effort to prohibit their respective directors, trustees, managers, officers, employees, consultants, and advisors (and those of their respective affiliates and subsidiaries) from granting press interviews or engaging in similar actions that would result in other public disclosure of such matters; provided, however, that these obligations shall not be deemed to prohibit any Party from making any disclosure such Party reasonably deems necessary in order to fulfill such Party's disclosure obligations imposed by law.

h. Modification to Comply with Law. This Letter of Intent is intended to comply with all applicable federal and North Carolina laws and regulations. In the event that either party determines in good faith that this Letter of Intent or the collaboration contemplated by this Letter of Intent is not in compliance with such laws and regulations, then the Parties shall negotiate in good faith to modify the terms and provisions of this Letter of Intent to remedy any prior noncompliance. If compliance cannot be achieved reasonably within thirty (30) days, then this Letter of Intent shall terminate at the election of either Party.

[SIGNATURE PAGE ATTACHED]

*Signature Page to Letter of Intent*

**In consideration of the foregoing and other good and valuable consideration, the receipt and sufficient of which is hereby acknowledged, the parties hereby agree to the terms of this Letter of Intent.**

**The University of North Carolina Health Care System**

By: Signed by: 21F289DF104B4B0...

Name: Jeff Lindsay

Title: President and Chief Operating Officer

**University Health Systems of Eastern Carolina, Inc.**

By: Signed by: B4BC9021702B47B...

Name: Michael Waldrum, M.D.

Title: Chief Executive Officer

Initial
JBM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-5. FY 2024 UNC System Debt Capacity Study............................................................Jennifer Haygood

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

**Background:** G.S. 116D-56 requires the University of North Carolina 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 2024 UNC System Debt Capacity Study in compliance with G.S. 116D-56. The study finds that 15 institutions increased their debt capacity over the five-year study period, 15 institutions have increased their debt capacity compared to last year, and all 16 institutions have maintained or improved at least one of their primary financial ratios since the 2023 study.

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

# UNC SYSTEM FY 2024 DEBT CAPACITY STUDY

**Committee on Budget and Finance**
**May 14, 2025**

## Overview of FY 2024 Debt Capacity Study

**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:
  - 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.
- Debt capacity increases at 15 institutions over the five-year study period, 15 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 2023 study.

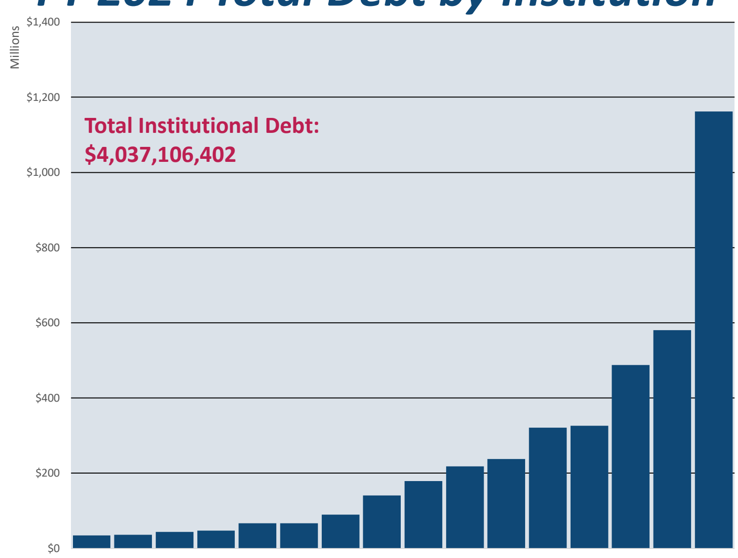
# Overview of FY 2024 Debt Capacity Study

## Campus Reports

- Each campus report provides context for the institution's financial model and addresses the legislative requirements.
- Campus 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 three 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.

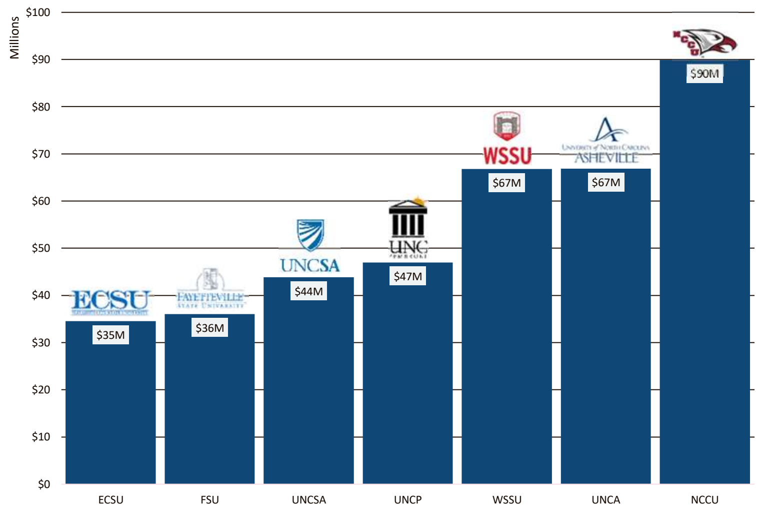


# FY 2024 Total Debt by Institution



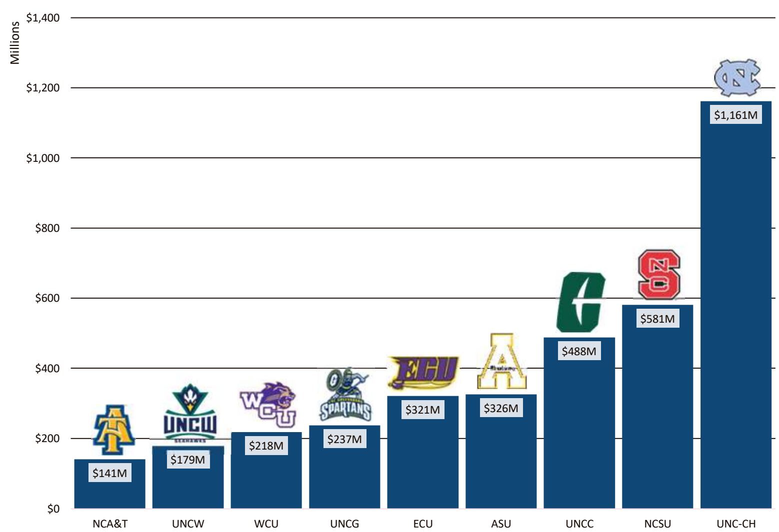

Note: Debt is as of 6/30/24 and excludes non-recourse and P3 debt.

## FY 2024 Total Debt by Institution with < $100M in Total Debt






## FY 2024 Total Debt by Institution with > $100M in Total Debt



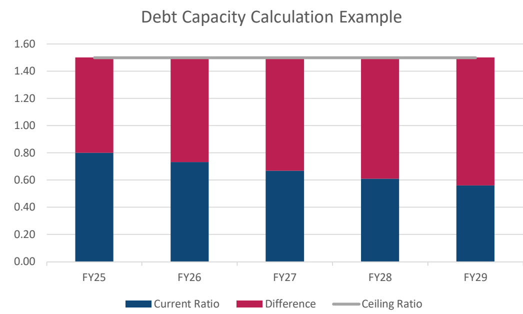
# How is Debt Capacity Calculated?

**Step 1:** Total Debt / Obligated Resources = Current Ratio

*ASU Example:* $307,129,323 / $383,713,298 = 0.80

**Step 2:** (Ceiling Ratio – Current Ratio) * Obligated Resources = Debt Capacity

*ASU Example:* (1.50 – 0.80) * $383,713,298 = $268,440,625




Obligated Resources = funds legally available to repay debt

Debt Capacity represents the difference between the current ratio (blue bar) and the ceiling ratio (grey line)



# *What Causes Debt Capacity to Change?*

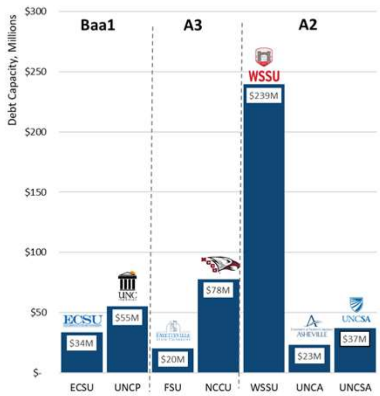
## Increase

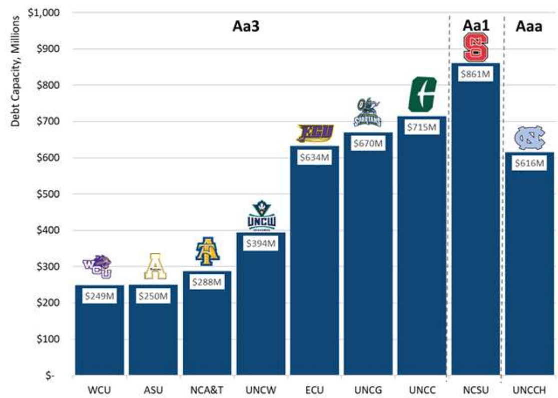
- Paying down existing debt
- Increase in "obligated resources"
    - Enrollment growth
    - Auxiliary revenue growth
    - Strong fundraising and investment returns
- Increase ceiling ratio
- Credit rating increase
- Refinancing at a lower interest rate

## Decrease

- Issuing new debt
- Decrease in "obligated resources"
    - Enrollment decline
    - Reduced auxiliary revenues
    - Lower investments returns
- Decrease ceiling ratio
- Credit rating decrease
- Higher interest rates

# Debt Capacity in FY 2025

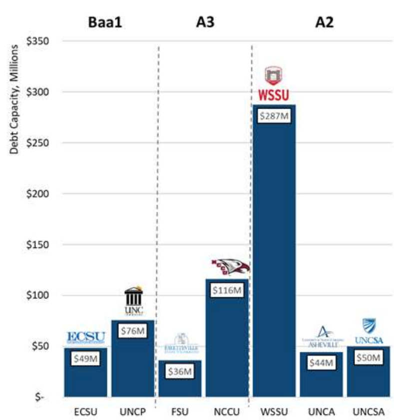


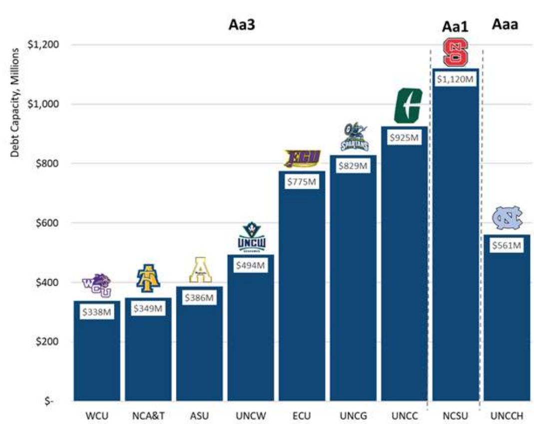




FSU is not currently rated by Moody's. FSU has been grouped based on its corresponding rating from Standard and Poor's. Standard and Poor's is no longer assigning a rating for UNCP. UNCP has been grouped based upon previous ratings.



# Projected Debt Capacity in FY 2029

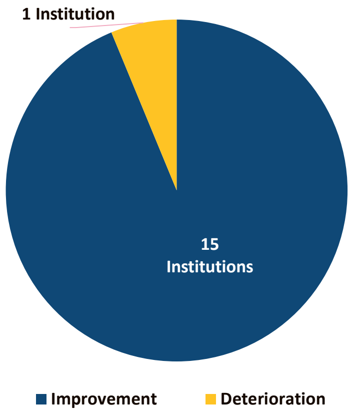



FSU is not currently rated by Moody's. FSU has been grouped based on its corresponding rating from Standard and Poor's. Standard and Poor's is no longer assigning a rating for UNCP. UNCP has been grouped based upon previous ratings.

# Campus Debt Capacity Trends

**Debt Capacity vs. FY 2023 Study**




**Breakdown of Debt Capacity Changes**

- Fifteen institutions improved their debt to obligated resources ratio as compared to the prior year.
- FSU's capacity decreased due to a combination of available funds decreasing and a planned debt issuance for 2025.

THE UNIVERSITY OF NORTH CAROLINA SYSTEM



# Campus Ratios Compared to Prior Year's Study

| Institution | Debt to Obligated Resources | 5-Year Payout Ratio | Debt Service to Operating Expenses |
|---|---|---|---|
| ASU | 0.85 | 29% | 4.98% |
| ECU | 0.44 | 24% | 2.28% |
| ECSU | 1.19 | 24% | 2.70% |
| FSU | 1.40 | 30% | 1.79% |
| N.C. A&T | 0.57 | 16% | 2.12% |
| NCCU | 1.05 | 32% | 2.98% |
| NCSU | 0.49 | 27% | 2.16% |
| UNCA | 1.47 | 24% | 5.08% |
| UNCCH | 0.33 | 17% | 1.95% |
| UNCC | 0.69 | 24% | 4.67% |
| UNCG | 0.62 | 36% | 5.23% |
| UNCP | 0.88 | 31% | 3.45% |
| UNCW | 0.53 | 30% | 3.62% |
| UNCSA | 1.07 | 13% | 3.01% |
| WCU | 0.98 | 20% | 5.57% |
| WSSU | 0.63 | 33% | 3.73% |

Improvement from prior year
Decline from prior year
No change from prior year

**Observations**

- Every institution improved in at least one category.
- 9 institutions improved in all three of the primary ratios.
- Debt to Obligated Resources saw the most improvements from the prior year's study.

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

# Campus Credit Rating Changes Since Prior Study

| Institution | Moody's | S&P | Fitch |
|---|---|---|---|
| ASU | Aa3 | | |
| ECSU | Baa1 | | |
| ECU | Aa3 | AA- | |
| FSU | | A- | A |
| NC A&T | Aa3 | | AA- |
| NCCU | A3 | | |
| NC State | Aa1 | AA | |
| UNCA | A2 | | |
| UNC-CH | Aaa | AAA | AAA |
| UNCC | Aa3 | AA- | |
| UNCG | Aa3 | A+ | |
| UNCP | | | |
| UNCSA | A2 | | |
| UNCW | Aa3 | | |
| WCU | Aa3 | | |
| WSSU | A2 | A- | |

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

## Observations

- S&P upgraded UNC Charlotte's rating from "A+" to "AA-" in September 2024.
- Moody's affirmed App State's "Aa3" rating and revised the outlook to "Negative" in November 2024.
- Moody's affirmed the "Aa3" rating for UNC Charlotte, UNC Wilmington, and Western Carolina.
- Moody's and S&P affirmed East Carolina University's ratings.
- All three agencies affirmed UNC-CH's "AAA" rating in April 2025.

Note: S&P is no longer providing a credit rating for UNCP's general revenue bonds. UNCP's most recent A- rating was in 2020 based on the institution's 2006B Pool Bonds that have since been retired.

# QUESTIONS?

CONNECT www.northcarolina.edu uncsystem @UNC_system @UNC_system

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

# FY 2024 UNC System Debt Capacity Study

May 14, 2025

# Table of Contents

# FY 2023-24 Debt Capacity Study

## Purpose of the Study

S.L. 2015-97 added a new Article 5 to Chapter 116D of the General Statutes of North Carolina (the "***Act***"), requiring each constituent institution (collectively, the "***Institutions***") of The University of North Carolina (the "***University***") to provide the University of North Carolina Board of Governors (the "***Board***") with an annual report on its current and anticipated debt levels. The Act requires that the University, in turn, submit to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina System (the "***UNC System Office***") an annual study incorporating each Institution Report.

This report (the "***Study***") has been developed to address the Act's mandate to advise stakeholders "on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years" and establish "guidelines for evaluating the University's debt burden."

The Act also requires the Board to submit a uniform report from each institution regarding its debt burden and anticipated debt levels, in addition to other data and information related to each institution's fiscal management. Those Institution Reports are attached to the Study as **Appendix D**.

## Methodology Used

Since the Act defines "debt" for the purposes of the Study to exclude debt serviced with "funds appropriated from the General Fund of the State," the Study primarily focuses on special obligation bonds issued under Article 3 of Chapter 116D ("***special obligation bonds***" or "***general revenue bonds***"), millennial campus bonds issued under Article 21B of Chapter 116, and other long-term debt issued on behalf of each institution to finance various capital facilities, including housing and other enterprise projects.

N.C. General Statute §116D-26(a) prohibits using the obligated resources of one institution to secure the debt of another institution, meaning the University has no debt capacity independent of its constituent institutions' individual ability to issue debt. The Study does not, therefore, aggregate each institution's individual debt levels and obligated resources to derive a Systemwide debt capacity metric. Instead, the Study offers a comprehensive review of each institution's debt capacity using the guidelines presented in the Act, which the UNC System Office has presented in detail in the Institution Reports included as part of **Appendix D**.

The Act expressly requires the University to establish guidelines for two ratios — **debt to obligated resources** and a **five-year payout ratio**. The Study also includes a ratio that is more widely used to measure a public university's debt burden — **debt service to operating expenses**. For more details on the ratios, see the information under the caption "Description of Ratios" on the following page.

The Study is based on a financial model that has been developed to measure three ratios on a pro forma basis over the next five years (the "***Study Period***"). Recognizing the wide diversity in enrollment, funding sources, and missions across each institution, the UNC System has worked with each institution to establish tailored and meaningful target policies for its respective ratios.

**While an institution's ultimate debt capacity is affected by numerous quantitative and qualitative factors, for the purposes of the Study, "*estimated debt capacity*" is defined as the maximum amount of debt each institution could issue without exceeding its ceiling ratio for debt to obligated resources in any single year of the study period.**

## Description of Ratios

The model considers the following three ratios:

### Statutory Ratios

| Ratio | Explanation | Commentary |
|---|---|---|
| Debt to Obligated Resources | Compares each institution's outstanding debt to the funds legally available to service its debt | • Provides a general indication of an institution's ability to repay debt from wealth that can be accessed over time<br>• Tied to the statutory framework for institution debt, so ratio is not used outside the State |
| Five-Year Payout | Measures the percentage of each institution's debt to be retired within the subsequent five year period | • Indicates how rapidly an institution's debt is amortizing and how much additional debt capacity may be created in the near term<br>• Five year horizon is not widely used |

### Supplementary Ratio

| Ratio | Explanation | Commentary |
|---|---|---|
| Debt Service to Operations | Measures debt service burden as a percentage of each institution's total operating expenses | • Indicates an institution's operating flexibility to finance existing requirements and new initiatives<br>• Uses expenses rather than revenues because expenses tend to be more stable year-over-year<br>• Permits comparison to peers outside the State |

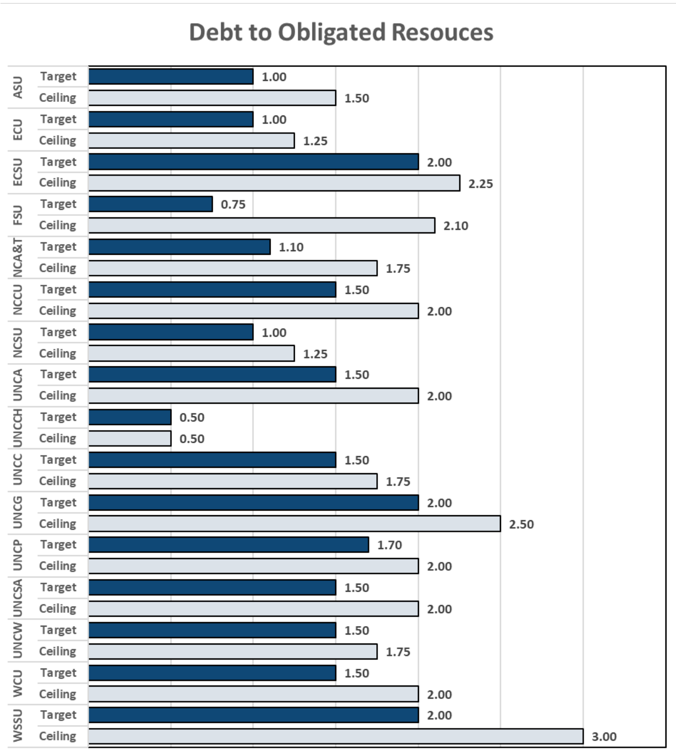
The first two ratios — **debt to obligated resources** and **five-year payout** — are mandated by the Act. While the ratios provide useful snapshots of each institution's debt profile and fiscal condition, the two ratios are not used outside of North Carolina. To provide additional data points and peer comparisons, the Study tracks an additional ratio — **debt service to operations**.

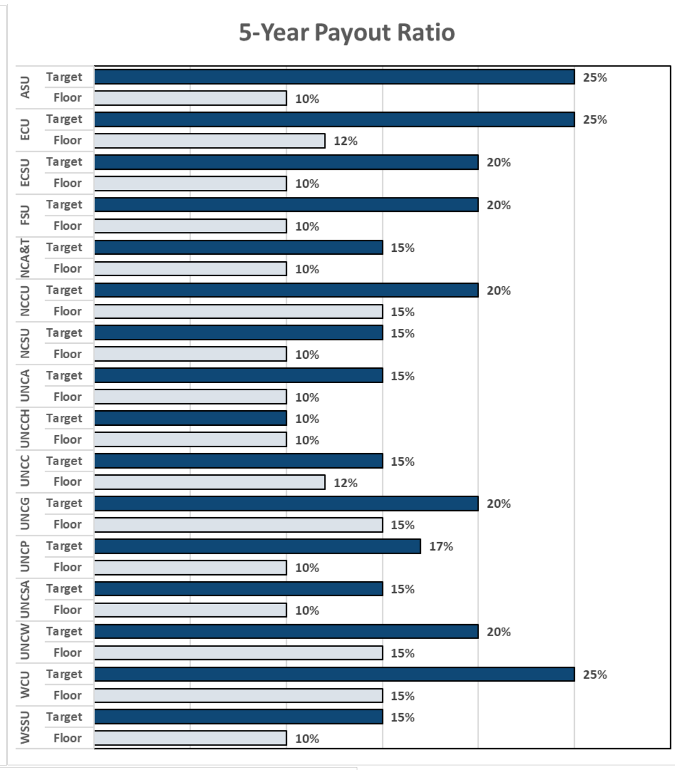
Note that the Study uses each institution's "Available Funds" as a proxy for its obligated resources. "Available Funds" is reported publicly by each institution with outstanding general revenue bond debt and reflects how Article 3's "obligated resources" concept has been translated into the bond documentation governing each institution's general revenue bonds. The two concepts are identical for most institutions, but to the extent there is any discrepancy, "Available Funds" will produce a lower, more conservative figure.

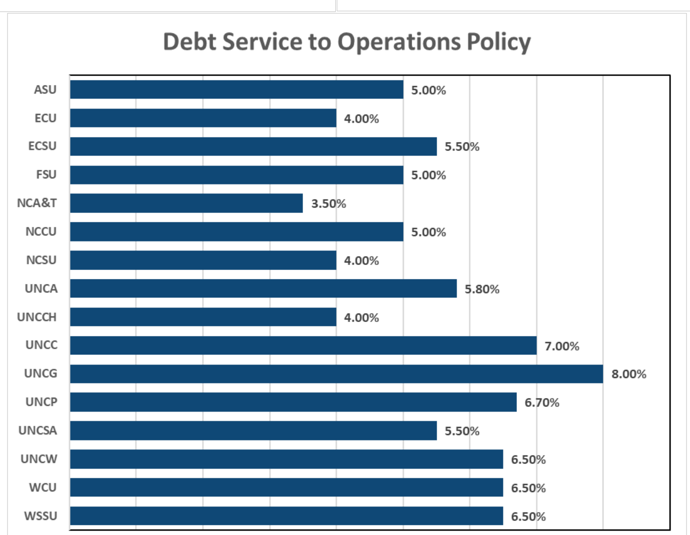
See **Appendix A** for more information on the ratios and the definitions for related terms.

## Overview of Target and Policy Ratios

For the two statutorily required ratios — **debt to obligated resources** and **the five-year payout ratio** — each institution has set both a target ratio and a floor or ceiling policy, as applicable. The target and policy ratios are summarized below. See **Appendix C** for more information on the methodology each institution used in setting its target and policy ratios.



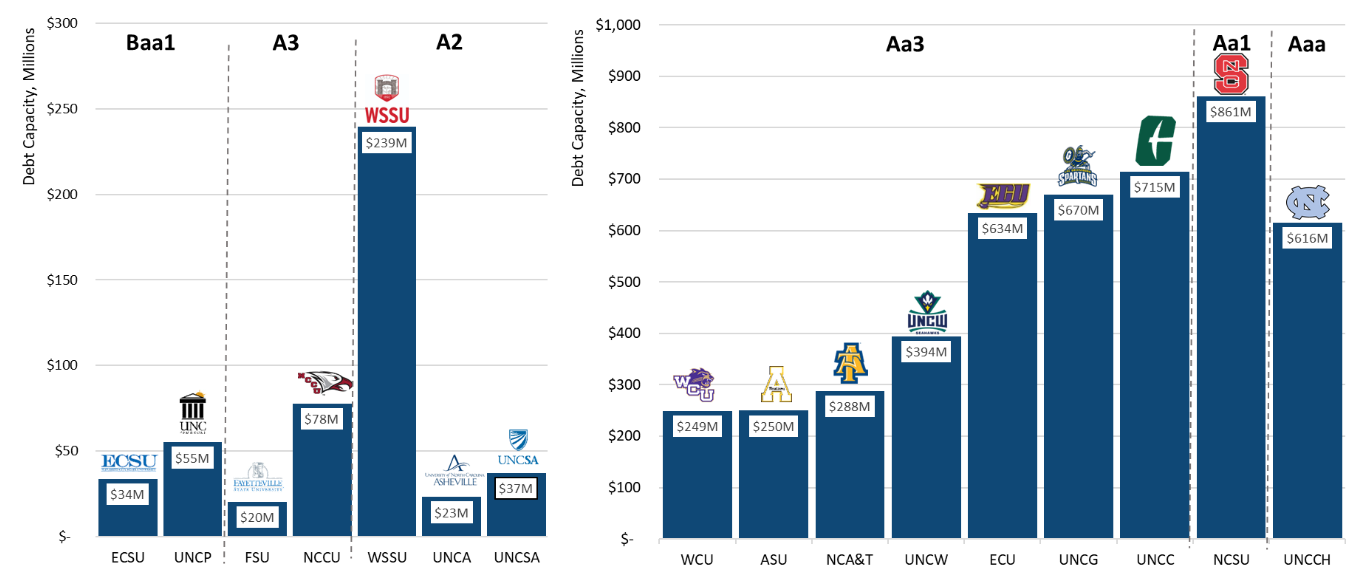




## Conclusions

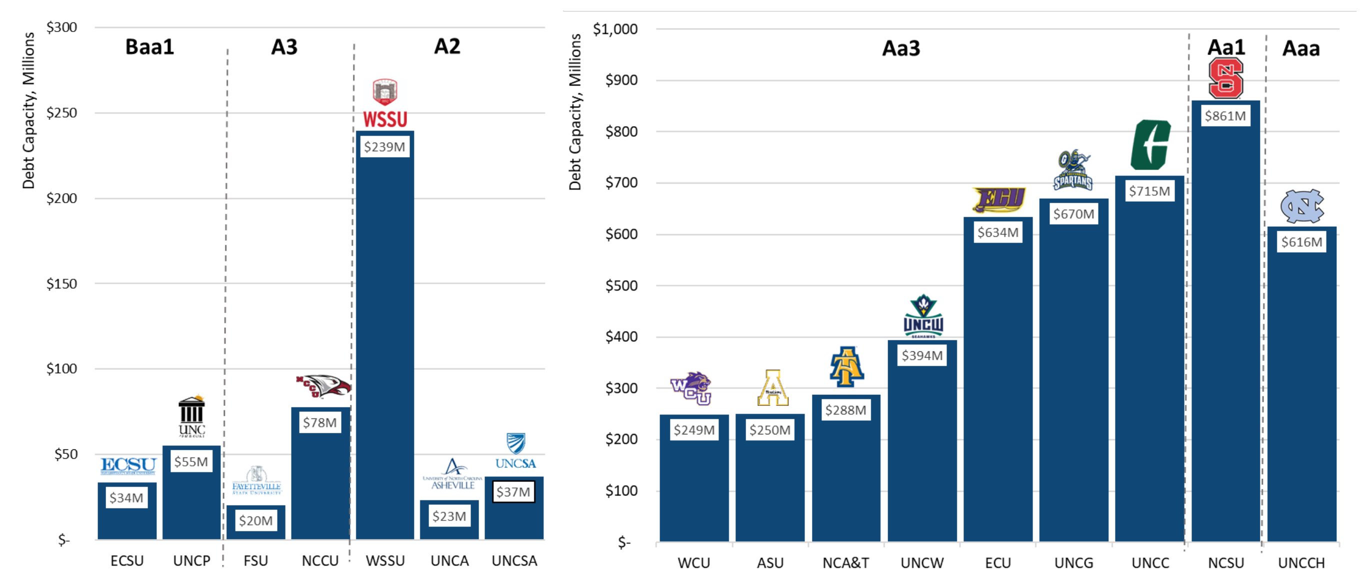
The following table summarizes the **current debt capacity** of each institution as defined for the purposes of the Study. The numbers in the table reflect **the maximum amount of debt each institution could issue in fiscal year 2025** without exceeding its ceiling ratio for **debt to obligated resources** during any year of the Study Period, after taking into account any approved future projects**.** The approved future projects for each institution, if any, are detailed in its report included as part of **Appendix D.** Fayetteville State University is not currently rated by Moody's. FSU has been grouped based on its corresponding rating from Standard and Poor's. Standard and Poor's is no longer assigning a rating for UNC Pembroke. UNCP has been grouped based upon previous ratings.

**Current Debt Capacity Across the System (2025)**




Generally, debt capacity for each institution will grow over the course of the Study Period as enrollment and obligated resources increase. The table below summarizes each institution's **projected debt capacity for fiscal year 2029,** assuming it issued no debt (other than debt to finance any approved future projects) until the last year of the Study Period.

**Projected Debt Capacity Across the System (2029)**




The range of capacities reflects the diversity among the institutions, each with its own strengths, challenges, and mission. The Study reflects the general health and proactive management of each institution's balance sheet, much of which is attributable to the State's history of strong support for the University and its institutions. The general growth in capacity over the course of the Study Period indicates relatively rapid amortization rates for most institutions.

A small handful of institutions are facing significant headwinds in terms of enrollment and revenue growth. For those institutions, improving debt capacity alone may not be a priority; instead, their debt capacity will improve as they continue to work with the UNC System Office to implement new strategies and policies to meet their unique challenges. Due to the uncertain inflationary environment, the study uses the average Consumer Price Index over the past 12 months (2.9 percent) for the first out year of the study (FY24-25). For the remaining four out years (FY25-29), the study uses 2.5 percent, which is in line with economic forecasts and closer to the historical average inflation. Each institution was given the option, however, to adjust the growth factor for each of the model components based on its reasonable expectations for its performance over the Study Period. Any growth rate adjustment, along with the factors considered in making the adjustment, is described in the individual Institution Reports attached as **Appendix D**.

While the Study provides useful insight into the overall fiscal position and capital needs of each institution, policymakers and other stakeholders identify trends and challenges facing each institution and the University over time, the Study also underscores the unique nature of public higher education debt and the value of the UNC System's centralized support and oversight. **<u>The Study's emphasis on aggregate debt and asset levels is valuable, but the current approval process, which is predicated on a collaborative, project-by-project analysis of tailored cost estimates and project-specific sources of repayment, should continue to drive decision-making with respect to any proposed project</u>.**

## Recommendations

### Recommended Use of the Study

Since the Study is framed broadly to accommodate the complexity and diversity of each institution's mission, business model, size, and infrastructure needs, the Study should be used as a general assessment of each institution's overall fiscal position and to help institutions, policymakers, and other stakeholders identify trends and challenges facing each institution and the UNC System over time. Like any other management tool, the Study is not intended as a substitute for the considered judgment of institution leadership, the UNC System, the Board, or the General Assembly. An institution may be better served, for example, forgoing a project when it has significant debt capacity or pursuing a financing even if doing so would cause the institution to exceed one of its stated target ratios.

While the Study will help policymakers and stakeholders determine when additional scrutiny for a project may be warranted to ensure institutions are deploying debt prudently and strategically, institution debt policies and the University's debt approval process — which is predicated on a project-by-project analysis of tailored cost estimates and identified sources of repayment — should continue to drive decision-making with respect to any proposed project.

The graphic below summarizes how the Study is intended to be integrated into a comprehensive debt management framework that includes each institution's debt policy and the University's debt approval process.

**Annual Debt Capacity Study**

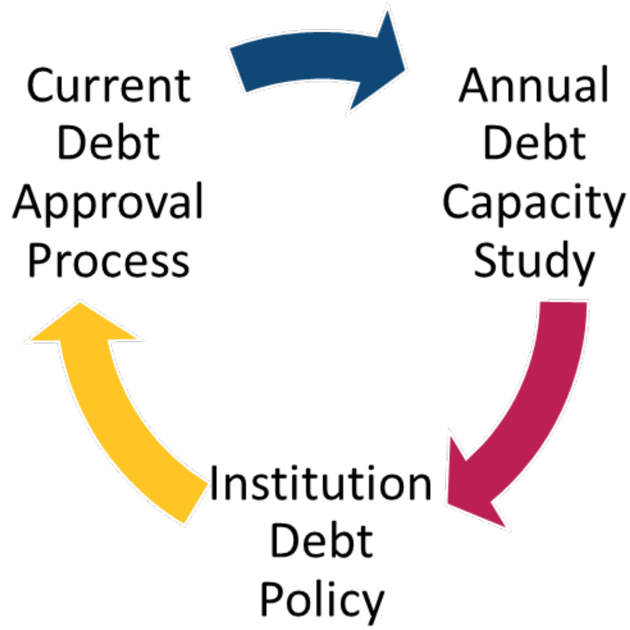
- Provides a snapshot of each institution's current estimated debt capacity
- May indicate when a proposed project requires heightened scrutiny
- Updated annually to reflect newly approved debt and the institution's latest financial results and projects

**Institution Debt Policy**

- Clarifies each institution's strategic approach to debt and its capital investment needs
- Establishes criteria for evaluating projects and approving debt, including benchmarks to measure prudent debt levels

**Current Debt Approval Process**

- Evaluates each proposed project's affordability based on identified sources of repayment and projected impact on student cost
- Uses estimated debt capacity results to assess strategic value of proposed projects in light of an institution's overall debt burden, mission, and needs




### Use and Impact of Project-Based Financing Structures

Project-based financing structures — i.e., debt obligations payable solely or primarily from the financed project's revenues (collectively, "**Project Financings**") — have been used effectively throughout the State for many years. Institutions have structured their Project Financings using both their affiliate support organizations (collectively, "**Foundation Financings**") and unaffiliated, tax-exempt organizations (collectively, "**Privatized Financings**"). Many Project Financings have been structured with the support of master lease arrangements with the institutions (collectively, "**University-Supported Project Financings**"), while others have been structured so that the institutions have no obligation to repay any associated debt (collectively, "**Nonrecourse Project Financings**").

Since project revenues in Nonrecourse Project Financings accrue to the project owner and not the institution, Nonrecourse Project Financings are not payable from the obligated resources of an institution and have therefore been **excluded** from the Study's debt capacity calculations. Ratings agencies do consider these financings in their credit assessments, which can lead to a disconnect between the numbers in the Study and those published by the ratings agencies. By contrast, State-Supported Project Financings, which are supported by the institution's obligated resources, **are included** in the Study's debt capacity calculations.

Over the past couple years, several institutions have entered into (or have obtained approval to enter into) large-scale Project Financings for new, on-campus housing facilities. Each of those transactions has been structured as Nonrecourse Project Financings, so those debt instruments are **not** included in the Study's debt capacity calculations. The rating agencies have made it clear, however, that they will be more likely to include Nonrecourse Project Financings in their institution leverage metrics for on-campus housing, even if the institution has no legal obligation to repay the debt. Thus, the use of Nonrecourse Project Financing structures may reduce the debt capacity of an institution in the eyes of the rating agencies.

The UNC System Office has developed guidelines for the prudent use of Project Financing structures and will continue to work with the institutions and other stakeholders in State government to ensure Project Financing structures are used strategically and in keeping with the UNC System's mandate to provide access to the benefits of the University at the lowest practicable cost.

### 2025 Moody's Outlook for Higher Education

Moody's maintained its stable outlook for the higher education section in its December 2024 report but revised the outlook to negative in March 2025. Moody's cites cuts to research funding, a potential increase on the tax on endowments, cuts to the Department of Education, potential decreases in the number of student visas issued, and potential disruptions of federal financial aid as reasons for the negative outlook.

Since January 1, 2024, Moody's affirmed App State's Aa3 rating and UNC Asheville's A2 rating but revised both institutions' outlook from stable to negative. Moody's affirmed UNC Charlotte's Aa3 rating and stable outlook. Standard and Poor's upgraded UNC Charlotte's rating from A+ to AA- and affirmed ECU's AA- rating and stable outlook.

## Appendix A: Key Definitions

Debt: Debt incurred under Chapter 116D or Article 21B of Chapter 116 of the North Carolina General Statutes or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds from the General Fund of the State. “Debt” does not include project-based financing structures that are nonrecourse to the institutions.

Obligated Resources: Any sources of income or receipts of the Board of Governors or the institution at which a special obligation bond project is or will be located that are designated by the Board as the security and source of payment for bonds issued under this Article to finance a special obligation bond project, including, without limitation, any of the following:

a. Rents, charges, or fees to be derived by the Board of Governors or the institution from any activities conducted at the institution.

b. Earnings on the investment of the endowment fund of the institution at which a special obligation project will be located, to the extent that the use of the earnings will not violate any lawful condition placed by the donor upon the part of the endowment fund that generates the investment earnings.

c. Funds to be received under a contract or a grant agreement, including "overhead costs reimbursement" under a grant agreement, entered into by the Board of Governors or the institution to the extent the use of the funds is not restricted by the terms of the contract or grant agreement, or the use of the funds as provided in this Article does not violate the restriction.

d. Funds appropriated from the General Fund to the Board of Governors on behalf of a constituent institution for utilities of the institution that constitute energy savings as that term is defined in G.S. 143-64.17.

Generally, obligated resources do not include funds appropriated to the Board of Governors or the institution from the General Fund by the General Assembly from funds derived from general tax and other revenues of the State, and obligated resources do not include tuition payment by students.

5-Year Payout Ratio: Percentage of each institution’s long-term debt scheduled to be retired during the succeeding five-year period.

Debt Service to Operations: Ratio that measures an institution’s debt service burden as a percentage of its total expenses. Ratio uses aggregate operating expenses as opposed to operating revenues since expenses are generally more stable. Operating expenses also include an adjustment for any non-cash charge relating to the implementation of GASB 68 and 75.

Debt Service to Operations = (Annual Debt Service) / (Total Operating Expenses)

## Appendix B: Overview of UNC System Debt

Most debt within the scope of the Study is comprised of special obligation bonds issued by the Board on behalf of each institution in accordance with Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended ("***Article 3***"). Institutions may use special obligation bonds (or "***general revenue bonds***," as they are commonly called) to finance any capital facility located at the campus that supports the institution's mission, but only if the Board has specifically designated the project as a "special obligation bond project" in accordance with Article 3.

Article 3 contains procedural safeguards to ensure the thoughtful use of special obligation bonds. For example, before any general revenue bonds are issued, Article 3 requires the approval of the institution's board of trustees, the Board of Governors, the General Assembly, and the Director of the Budget (in consultation, if necessary, with the Joint Legislative Commission on Governmental Operations).

As part of its approval, the Board of Governors must (1) designate the proposed project as a "special obligation bond project" and the obligated resources that will serve as the source of repayment for the proposed bonds and (2) establish that sufficient obligated resources are reasonably expected to be available to service the proposed bonds. In its report to the General Assembly seeking approval for a proposed Article 3 project, the Board must provide details regarding the project need, expected project costs, expected increases in operating costs following completion (including any contemplated impact on student costs), estimated debt service, and the sources and amounts of obligated resources to be used to repay the debt.

Although Article 3 focuses on an institution's obligated resources in the aggregate, as a practical matter, the plan of finance for each proposed project is evaluated on a standalone basis. **If an institution is unable to demonstrate that existing or future revenues associated with a project are sufficient to service the proposed debt, then the financing will generally not move forward unless the project is redesigned to a sustainable and appropriate scale**. Those project-specific revenues may take the form of enterprise system revenues (such as dormitory or dining system revenues) or other dedicated revenue sources (such as capital campaign donations or student fees). Institution debt issued under other legislative authority, including student housing revenue bonds under Article 19 of Chapter 116D, is also subject to procedural safeguards and is evaluated on a project-by-project basis.

This slight disconnect between the statutory framework for evaluating debt capacity — **with its focus on affordability relative to each institution's aggregate obligated resources** — and the practical manner in which projects are evaluated and approved — **with its focus on an individual project's affordability based on a specific source of repayment** — means that the Study presents an inherently conservative picture of each institution's debt capacity. While the model's inherent conservatism encourages prudent planning, the Study's limitations in evaluating the affordability of any single campus project should be noted.

Unlike the State of North Carolina's debt capacity study, for example, where future debt service is paid out of well-defined and relatively predictable revenue streams, campus projects may be financed through a variety of revenue sources, none of which is easily modeled on a pro forma basis at the aggregate obligated resources level. In addition, the Act establishes a target ratio that compares aggregate debt (which will increase immediately by the full amount of the debt once issued) to obligated resources (which will increase incrementally over time). This means that any new financing will generally reduce the institution's debt capacity as reflected in the Study, even if the new project would be entirely supported by new revenues that would not exist but for the project.

None of the institution debt included in the Study affects the State of North Carolina's debt capacity or credit rating. Such obligations are payable only from the applicable institution's obligated resources (or other pledged revenues) and do not constitute a debt or liability of the State or a pledge of the State's full faith and credit.

# Appendix C: Study Methodology and Background

### Overview of Strategic Debt Management and Credit Assessment

The prudent use of debt, in service of each institution's mission, provides several strategic benefits:

- **Achieving intergenerational equity** – Most capital projects will benefit students for decades. Financing a portion of each institution's planned capital investments enables each institution to better align the benefits and financial burdens across multiple generations.
- **Enhancing effectiveness** – An institution may use debt to invest in transformative projects on an accelerated schedule, permitting the institution to leverage its resources to better scale its programs, serve its stakeholders, and meet its mandated mission.
- **Imposing discipline** – Debt can be used to clarify priorities and reduce other spending that may crowd out investments necessary for the institution's long-term health.

Burdensome debt levels, however, can undermine an institution's effectiveness and viability. Debt may diminish the future operational flexibility of an institution and may limit its ability to adapt to developments and trends in the marketplace. In the worst instances, debt levels may hasten the decline of an institution, creating a downward spiral that exerts ever-increasing pressure on its balance sheet.

Each institution's credit rating (for those with rated debt) serves as a general barometer of how the rating agencies view the institution's financial strength and its debt management practices, which, in turn, informs the institution's reputation in the capital markets. In assessing a public university's creditworthiness, rating agencies generally consider broad categories of factors. In August 2021, Moody's Investors Service ("***Moody's***") updated its rating methodology and approach to assess credit risks of public and private universities. The table below summarizes the updated factors that Moody's considers as part of its "scorecard," which guides its credit profile analysis in the higher education sector:

| Primary Factors | | | | | |
|---|---|---|---|---|---|
| Scale<br>**15%** | Market Profile<br>**20%** | Operating Performance<br>**10%** | Financial Resources and Liquidity<br>**25%** | Leverage and Coverage<br>**20%** | Financial Policy<br>**10%** |
| Sub-factors | | | | | |
| *Adjusted Operating Revenue* ***15%*** | *Brand and Strategic Positioning* ***10%***<br><br>*Operating Environment* ***10%*** | *Earnings Before Interest, Depreciation, and Amortization (EBIDA) Margin* ***10%*** | *Total Cash and Investments* ***10%***<br><br>*Total Cash and Investments / Operating Expenses* ***15%*** | *Total Cash and Investments / Total Adjusted Debt* ***10%***<br><br>*Annual Debt Service Coverage* ***10%*** | *N/A* |
| + | | | | | |
| **Other Considerations** | | **Instrument Considerations** | | **Cross-Sector Methodologies** | |
| = | | | | | |
| **Assigned Ratings** | | | | | |

The Study focuses on Moody's methodology, as it rates nearly all of the institutions.

As part of their criteria, the rating agencies give significant weight to various qualitative factors, such as the strength of the institution's leadership, the quality and responsiveness of its long-range planning, and the role of any centralized oversight. In a rating report issued in February 2016 in connection with an institution bond offering, for example, Moody's noted that the institution "**benefits from being part of the UNC System, which has a demonstrated history of strong oversight of member institutions**" and listed the institution's "**generous operating and capital support from the State of North Carolina**" as a primary credit strength.

<u>**For several reasons, the Study has not attempted to tie "debt capacity" to the predicted impact any new debt may have on an institution's credit rating**</u>. First, each institution's mission and strategic planning should drive its debt management decisions, not the rating agencies' outside assessment of the institution's credit profile. Managing an institution's operations solely to achieve a certain credit rating may distort strategic objectives and lead to unintended consequences. As Moody's states in its Rating Methodology for Global Higher Education (dated November 23, 2015):

> "Strategic positioning depends on effective short- and long-range planning, consistent self-assessment and benchmarking, and ongoing monitoring and accountability. ... Determining the appropriate level of investment is a significant challenge, as too little investment can result in a gradual loss of student demand, research funding, or philanthropy if donors feel that the university is in decline. Overinvesting can saddle a college with an unsustainable business model, with revenue unable to support high fixed costs, including debt service."

Second, projecting the exact amount of debt an institution could issue during the Study Period without negatively impacting its credit rating is difficult. Any single financial ratio makes up only a fraction of the overall credit analysis, and weak ratios may be ignored or deemphasized in a particular situation based on multiyear trends, projections, and other qualitative factors. Further, while the financial performance of its institutions has no impact on the State's credit rating, each institution's credit rating has historically benefited from the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category, making comparisons to median ratios challenging. Finally, because median ratios are not perfectly correlated to rating outcomes, a model that attempts to draw a linear relationship between any single ratio and a projected rating outcome would have limited predictive value.

In this context, **it is important to distinguish "debt capacity" from "debt affordability."** Debt capacity provides a general indication of each institution's ability to absorb debt on its balance sheet during the Study Period. Debt affordability, on the other hand, evaluates the merits of a specific financing (or a specific amount of debt), taking into account a number of quantitative and qualitative factors related to the projects under consideration, including project revenues and expenses, cost of funds, competing strategic priorities, and the "hidden" costs of forgoing the projects entirely.

### Development of the Financial Model

To support the Study, a financial model has been developed to analyze four financial ratios for each institution on a pro forma basis over the course of the Study Period. Since Article 3 does not permit the institutions to pool their obligated resources to form a common source of funds to support all institution project financings, the Study focuses on the individual institution data and does not attempt to aggregate each institution's capacity to derive a University-wide measure of "debt capacity." The other components of the model are designed to assist each institution in establishing guidelines for maintaining prudent debt levels and for evaluating capital investment priorities in light of fiscal constraints.

Each institution's debt capacity reflects the amount of debt each institution could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**. Each institution has developed its own target policy for each ratio in consultation with the UNC System Office to ensure the ratio is tailored and meaningful for that institution's size, mission, resources, and average age of plant.

### Methodology for Setting Target Ratios

Since there are differences in each institution's mission, enrollment, resources, and capital needs, imposing a single set of target policies across all institutions would distort the information produced by the Study — either by generating too much capacity for the larger institutions or by holding smaller institutions to unrealistic benchmarks relative to their size and scale. To produce a more meaningful model for each institution, the institutions, in consultation with the UNC System, have set their own target policies for the model ratios.

In setting its target policies, each institution considered many quantitative and qualitative factors, including comparisons to its designated peer institutions, its strategic initiatives, its historical results, its average age of plant, its recent and projected growth, and any existing debt policies. As discussed above, the credit ratings of the institutions are bolstered by several favorable qualitative factors, including, most importantly, the State's long history of support. Since the institutions benefit from those qualitative factors, it follows that many quantitative measures are weaker than the median ratios for their assigned rating category. Institutions were not forced, therefore, to set their target ratios directly in line with those median ratios, as that approach would invite quantitative comparisons to larger, wealthier peers. Institutions used median ratios as an important benchmark in setting their policy ratios.

### Other Assumptions and Factors Affecting the Model

The financial model is based on each institution’s financial results as of **June 30, 2024** — the most recent period for which audited financials are available. The model includes debt issued to finance new projects since June 30, 2024, but the model excludes any refinancing, redemption or other debt payments that have occurred during the current fiscal year, building an additional element of conservatism into the model.

The financial model also takes into account any legislatively approved project that an institution plans to finance during the Study Period. Interest rate assumptions for any pro forma debt are based on conservative, fixed rate projections and are adjusted to account for each institution’s credit rating and the expected term of the financing.

The financial model adds back to each institution’s unrestricted and restricted expendable net assets any noncash charge taken in connection with the implementation of Governmental Accounting Standards Board (GASB) 68 and GASB 75 and will make similar adjustments for the implementation of related accounting policies in the future. While GASB 68 impacts an institution’s unrestricted net assets and not restricted expendable net assets, GASB 75 impacts both figures. This is relevant as the calculation of Available Funds incorporates unrestricted net assets but not restricted expendable net assets, while the calculation of Expendable Financial Resources includes both figures. Therefore, the GASB 75 adjustment made to Available Funds and Expendable Financial Resources will not match. The Debt Capacity Study focuses on special obligation bonds and excludes liabilities or leases pursuant to GASB 87.

## Appendix D: Reports from Constituent Institutions

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-6. Sale of Special Obligation Bonds — Elizabeth City State University ..................................Jennifer Haygood

**Situation:** Elizabeth City State University requests that the University of North Carolina Board of Governors issue special obligation bonds (the "2025 Bonds") in a principal amount not to exceed $5 million, plus an additional amount not to exceed five percent of such principal amount for the purpose of (a) paying the remaining cost of the construction of a new student residence hall (the "Project") and (b) paying the costs of issuing the 2025 Bonds.

**Background:** The Board is authorized to issue special obligation bonds for capital improvements projects that have been approved by the North Carolina General Assembly. The General Assembly authorized the issuance of debt under S.L. 2022-15. The expected cost of funds is approximately 4.24 percent.

The new residence hall will provide approximately 352 new student beds. Construction began in October 2023, and the estimated completion date is July 2025. The Project received $40 million in appropriated funds. The debt issuance is required to complete the project.

**Assessment:** ECSU is rated "Baa1" with a stable outlook by Moody's Investors Service. ECSU is not rated by S&P Global Ratings or Fitch Ratings. The 2025 Bonds will not be rated, and the transaction is expected to have no impact on ECSU's credit ratings.

**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 — Elizabeth City State University

**ISSUE OVERVIEW**

The University of North Carolina Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the North Carolina General Assembly. Although a specific source of funding is used by an institution when retiring these bonds, special obligation bonds are generally payable from all university revenues excluding tuition, state appropriations, and restricted reserves.

Elizabeth City State University requests that the Board of Governors issue special obligation bonds (the "2025 Bonds") in a principal amount not to exceed $5 million, plus an additional amount not to exceed five percent of such principal amount for the purpose of (a) paying the remaining cost of the construction of a new student residence hall (the "Project"), and (b) paying the costs of issuing the 2025 Bonds.

The General Assembly authorized the issuance of debt under S.L. 2022-15. The General Assembly authorized the project and appropriated $40 million of State Capital and Infrastructure Fund (SCIF) from FY21 to FY24. Proceeds from the 2025 Bonds will finance the remaining project costs. The expected cost of funds for the 2025 Bonds is approximately 4.24 percent.

The new residence hall will provide approximately 352 new student beds in semi-suite configurations on campus. The facility includes community common areas, a shared kitchen, lounge spaces, and student study areas on each floor. Construction began in October 2023, and the estimated completion date is July 2025.

The 2025 Bonds will be directly placed with PNC Bank, National Association, which was selected through a competitive request for proposal (RFP) process.

Currently, ECSU is rated "Baa1" with a stable outlook by Moody's Investors Services. ECSU is not rated by S&P Global Ratings or Fitch Ratings. The 2025 Bonds will not be rated, and the transaction is expected to have no impact on ECSU's credit rating.

Parker Poe Adams & Bernstein, LLP, is the bond counsel, and First Tryon Advisors, LLC, 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 UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO FINANCE SPECIAL OBLIGATION BOND PROJECTS FOR ELIZABETH CITY STATE UNIVERSITY**

**WHEREAS**, pursuant to 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");

**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;

**WHEREAS**, Elizabeth City State University ("ECSU") has requested that the Board issue special obligation bonds, the proceeds of which are to be used by ECSU, together with other funds available to ECSU, to finance the construction of a new residence hall as authorized by S.L. 2022-15 of the 2021 Session Laws of the North Carolina General Assembly (collectively, the "Special Obligation Bond Project");

**WHEREAS**, the Board has determined to issue Elizabeth City State University General Revenue Bonds (with appropriate descriptions and series designations) (the "Bonds") to (1) finance the Special Obligation Bond Project and (2) pay the costs of issuing the Bonds;

**WHEREAS**, the Board has determined to issue the Bonds under the General Trust Indenture dated as of December 1, 2010 (the "General Indenture") between the Board and U.S. Bank National Association, the successor to which is U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and a series indenture (the "Series Indenture"), between the Board and the Trustee;

**WHEREAS,** the Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of ECSU or of the Board held for ECSU in each Fiscal Year, but excluding (1) appropriations by the North Carolina General Assembly from the State General Fund, (2) tuition payments by ECSU 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");

**WHEREAS**, the Bonds will be purchased by PNC Bank, National Association (the "Purchaser") selected via a request for proposals process by ECSU and its financial advisor pursuant to a term sheet submitted by the Purchaser and under the terms of the Series Indenture;

**WHEREAS**, there have been made available to the Board forms of the Series Indenture and the Bond (the "Board Documents") which the Board proposes to approve, ratify, execute, and deliver, as applicable, to effectuate the financing;

**WHEREAS**, the issuance of the Bonds does not directly, 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;

**WHEREAS,** the Board desires to proceed with the Special Obligation Bond Project and ECSU will incur and pay certain expenditures in connection with the Special Obligation Bond Project prior to the date of issuance of the Bonds (the "Original Expenditures"), such Original Expenditures to be paid for originally from a source other than the proceeds of the Bonds, and the Board intends, and reasonably expects, to cause ECSU to be reimbursed for such Original Expenditures from a portion of the proceeds of the Bonds to be issued at a date occurring after the dates of such Original Expenditures;

**NOW, THEREFORE, BE IT RESOLVED** by the Board as follows:

Section 1. **Authorization of Bonds.** The Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed $5,000,000, plus up to an additional five percent of such amount to pay issuance expenses and other related additional costs, under the General Indenture and the Series Indenture to pay the costs of financing the Special Obligation Bond Project and costs incurred in connection with the issuance of the Bonds.

Section 2. **Sufficiency of Available Funds.** 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 ECSU to the extent required under the General Indenture.

Section 3. **Authorization of Board Documents.** The form and content of the Board Documents are 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 Administration and Chief Financial Officer of the UNC System, the Secretary of the Board, and the Associate Vice President and Secretary of the UNC System, or anyone acting in an interim capacity, and their respective designees, individually and collectively (the "Authorized Officers"), are each authorized, empowered, and directed to execute and deliver, as applicable, 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. From and after the execution and delivery of the Board Documents, as applicable, 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 4. **Official Declaration of Intent to Reimburse.** The Board presently intends, and reasonably expects, to cause ECSU to be reimbursed for the Original Expenditures incurred and paid by ECSU on or after the date occurring 60 days prior to the date of adoption of this Resolution from a portion of the proceeds of the Bonds. The Board reasonably expects to issue the Bonds to finance costs of the Special Obligation Bond Projects and the maximum principal amount of Bonds expected to be issued by the Board to pay costs of the Special Obligation Bond Projects is $5,000,000. This Resolution is a declaration of official intent of the Board under Section 1.150-2 of the Treasury Regulations promulgated under Section 103 of the Internal Revenue Code of 1986, as amended, to evidence the Board's intent to cause ECSU to be reimbursed for the Original Expenditures from proceeds of the Bonds.

Section 5. **General Authority.** From and after the execution and delivery of the Board Documents, as applicable, 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 Business and Finance of ECSU, 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 ECSU.

Section 6. **Conflicting Provisions.** This resolution supersedes the Prior Resolution. All other 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.

PASSED, ADOPTED, AND APPROVED this 15th day of May, 2025.

| | | | |
|---|---|---|---|
| STATE OF NORTH CAROLINA | ) | | SECRETARY'S CERTIFICATE |
| | ) | SS: | OF AUTHENTICATION |
| 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 Board of Governors of the University of North Carolina System (the "Board of Governors") at its meeting on May 15, 2025 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on May 15, 2025 was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on May 15, 2025 at which time the foregoing Resolution was adopted.

**WITNESS,** my hand and the seal of the University of North Carolina System this ____ day of __________________, 2025.

[SEAL]

_______________________________________
Associate Vice President and Secretary of the University of North Carolina System

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-7. Authorization of Associated Entity Project — East Carolina University .............................Jennifer Haygood

**Situation:** The East Carolina University Board of Trustees requests the University of North Carolina Board of Governors to authorize East Carolina University Educational Foundation Inc. to expand and renovate baseball facilities located on state property. Section 600.2.5.2[R], Para. V.J. of the UNC Policy Manual, *Regulation on Required Elements of University-Associated Entity Relationship*, states that "unless approved by the Board of Governors, any acquisition, disposition, or capital project undertaken by an Associated Entity shall not materially alter the value or functionality of any State property."

**Background:** East Carolina University Educational Foundation Inc. is proposing a $10.3 million capital project to expand and modernize the baseball facilities at Clark-LeClair Stadium. The scope includes the renovation and expansion of the existing locker rooms and training areas, the addition of a new second-story club level, an open-air covered party deck, and a lower-level multipurpose indoor club area. The estimated project budget is $10.3 million and will be funded from donations and gifts, including $700,000 of gifts-in-kind.

**Assessment:** It is recommended that the Board approve the associated entity's request for the Clark-LeClair Stadium Expansion project for East Carolina University. The project will enhance the value and functionality of State property and will be funded entirely from donations and gifts.

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

## Authorization of Associated Entity Project — East Carolina University

**ISSUE OVERVIEW**

Section 600.2.5.2[R], Paragraph V.J. UNC Policy Manual, *Regulation on Required Elements of University-Associated Entity Relationship,* states that "unless approved by the Board of Governors, any acquisition, disposition, or capital project undertaken by an Associated Entity shall not materially alter the value or functionality of any State property." This requirement was instituted effective May 11, 2021, to ensure the University of North Carolina Board of Governors has adequate visibility and oversight of associated entity actions that may impact State property.

East Carolina University Educational Foundation Inc. is proposing a capital project to modernize and expand Clark-LeClair Stadium. The project scope includes the expansion and renovation of the baseball player development and team areas, including increasing the players' locker room, a new video room, upgraded training rooms, additional office space, and renovation of the coaches' locker room. The project also includes the addition of a second-story club level, an open-air covered party deck, and a lower-level multiuse club space. The project will also address stadium upgrades for ADA requirements, building code compliance, water intrusion, and other deferred maintenance.

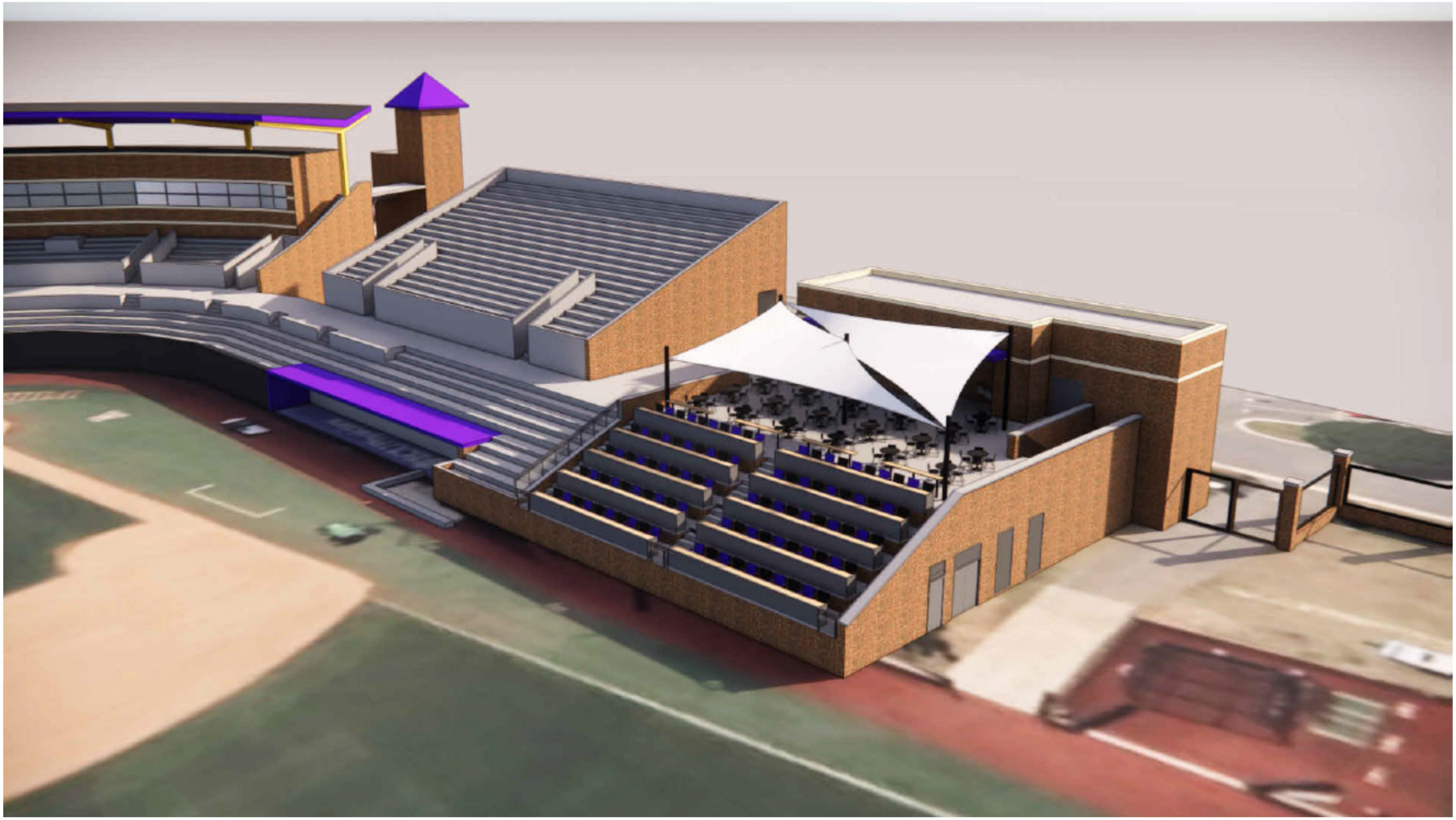
East Carolina University Educational Foundation Inc. has committed to fully funding the construction of the facility, with a total estimated cost of $10.3 million. The project will include a $700,000 contribution in the form of gifts-in-kind (GIK), leaving a funding requirement of $9.6 million. The project is 102 percent committed, with approximately $5.5 million in gifts received to date and $4.7 million in outstanding pledges.

The ECU Board of Trustees approved the project on April 25, 2025.

**RECOMMENDATION**

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


PIRATE BASEBALL
CLUB
DECK



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-8. UNC Health Care System Replacement Bonds ........................................................................ Tom Shanahan

**Situation:** The UNC Health Care System (UNC Health) is combining its two obligated groups into a single obligated group through the issuance of a replacement trust indenture and replacement bonds for UNC Hospitals bonds that were previously issued under the authority of the University of North Carolina Board of Governors. The replacement of indebtedness for UNC Hospitals requires the approval of the Board of Governors as the original issuer.

**Background:** UNC Health issues bonds under two obligated groups: UNC Hospitals and Rex Healthcare, Inc. Until recently, debt issued under UNC Hospitals required approval from the Board of Governors as issuer under Chapter 116D of the North Carolina General Statutes. Recent amendments to UNC Health's statute and Chapter 116D now provide the UNC Health Board of Directors with the power to issue bonds and notes on its own initiative. As a private, nonprofit entity, Rex Healthcare, Inc., has traditionally issued debt through the North Carolina Medical Care Commission.

**Assessment:** This proposal represents a significant step toward optimizing the financial structure of the UNC Health Care System, ensuring long-term sustainability and enhancing the ability to provide high-quality health care services to the residents of North Carolina. Therefore, it is recommended that the Board of Governors approve the attached Resolution of the Board of Governors giving approval to replace the Board of Governors as issuer via the issuance of the replacement trust indenture and issuance of replacement bonds by the UNC Health Care System and authorizing the execution and delivery of certain documents in connection with that action.

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

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

# CONSOLIDATING UNC HEALTH OBLIGATED GROUPS

*Committee on Budget and Finance*

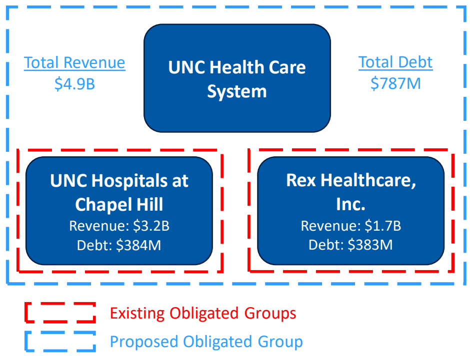
*May 14, 2025*

## UNC Health is seeking Board of Governors approval to replace the Board of Governors with the UNC Health Care System as the issuer of UNC Hospitals bonds to enable the consolidation of UNC Health obligated groups

- UNC Health maintains a "public" obligated group under UNC Hospitals and a "private" obligated group under UNC Rex
    - The Board of Governors was the issuer for all UNC Hospitals debt, while UNC Health ensures that debt is serviced
- Prior to statutory changes in 2023 this was needed to provide flexibility for debt issuance and management, though it also results in additional complexity and cost
- With statutory flexibility recently granted, the benefits of the current structure are no longer required, making this an ideal time to streamline into a more contemporary structure
- UNC Health began exploring the opportunity to move to a single obligated group earlier this fiscal year, and has developed a plan that would facilitate the consolidation by the end of FY25 if approved
- This entails replacing the two current Master Trust Indentures (MTI) with a new single MTI, with the following benefits:
    - Simplifies and streamlines debt issuance under a single obligated group with anticipated reduction in issuance cost
    - More flexible covenants and a rating upgrade for UNC Rex debt
    - Reduces risk of bond covenant non-compliance across multiple entities that are part of UNC Health
    - Reduction in the number of audits and ratings maintained by UNC Health, reducing ongoing debt management cost
    - Reduces the amount of debt issued by/under the Board of Governors

## Capital Structure | **Obligated Group Merger**

**By creating one single Obligated Group, UNC Health Care System can recognize operational efficiencies, cash flow savings and align .**




**Key Benefits**

- Align legal structure with operational structure
- One set of covenants for compliance
- Single Audit ($ savings)
- Ease of cash transfers between organizations
- Lower rating agency fees
- Modernize the overall legal structure




KaufmanHall
a Vizient company

## UNC Health debt is currently split between the UNC Hospitals and UNC Rex obligated groups, with several issuances that can be refinanced or retired in 2025

| Debt Summary | Par | Product | Frequency | Cost[1] | Avg. Life | Final Maturity | Call Date | Credit Support | Credit Provider | Remkt. Agent | Expiration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UNCH 2001A | 36,500,000 | VRDB | Daily | 3.50% | 3.9 | 2/15/2031 | Anytime | SBPA | TD | TD | 9/10/2027 |
| UNCH 2001B | 36,500,000 | VRDB | Daily | 3.50% | 3.9 | 2/15/2031 | Anytime | SBPA | TD | TD | 9/10/2027 |
| UNCH 2003A | 24,905,000 | VRDB | Weekly | 3.50% | 2.2 | 2/1/2029 | Anytime | SBPA | BofA | BofA | 7/1/2027 |
| UNCH 2003B | 13,395,000 | VRDB | Weekly | 3.50% | 2.2 | 2/1/2029 | Anytime | SBPA | TD | TD | 7/23/2027 |
| UNCH 2016 | 99,945,000 | Fixed | -- | 4.25% | 19.1 | 2/1/2046 | 8/1/2026 | -- | -- | -- | -- |
| UNCH 2019 | 149,995,000 | Fixed | -- | 4.85% | 20.1 | 2/2/2049 | 2/1/2029 | -- | -- | -- | -- |
| UNCH 2021A | 20,270,000 | Fixed DP | -- | 1.74% | 3.1 | 2/1/2031 | Make-Whole | -- | JPM | -- | To Maturity |
| **UNCH Total** | **$384,510,000** | | | **4.13%** | **14.0** | | | | | | |
| Rex 2015A | 50,000,000 | Fixed | -- | 4.23% | 13.7 | 7/1/2044 | 7/1/2025 | -- | -- | -- | -- |
| Rex 2015B-1 | 50,000,000 | Var. DP | -- | 4.35% | 13.6 | 7/1/2044 | Anytime | 81.5% SOFR + 0.78% | TD | -- | 8/1/2031 |
| Rex 2015B-2 | 49,400,000 | Var. DP | -- | 4.35% | 12.3 | 7/1/2044 | Anytime | | TD | -- | 8/1/2031 |
| Rex 2020A | 193,585,000 | Fixed | -- | 3.90% | 17.5 | 7/1/2049 | 1/1/2030 | -- | -- | -- | -- |
| Rex 2020B | 40,945,000 | Fixed DP | -- | 1.64% | 3.0 | 7/1/2030 | Make-Whole | -- | JPM | -- | To Maturity |
| **Rex Total** | **$383,930,000** | | | **3.87%** | **14.3** | | | | | | |
| **UNC Health Total** | **$765,440,000** | | | **4.00%** | **14.2** | | | | | | |

| Swap Hedge | Notional | Type | Final Maturity | Pay | Receive | Counterparty | MTM (2/24/25) |
|---|---|---|---|---|---|---|---|
| UNCH 2003AB | 31,195,000 | Fixed Payer | 2029 | 3.48% | 67% SOFR + 0.08% | BofA | ($546,000) |

(1) The Series 2029 bonds maturing 2045 and 2049 ($123.6 million) have a make whole call. The Series 2029 bonds maturing 2032 to 2040 ($25.4 million) are callable at par anytime after February 1, 2029.
Note: As of 2/24/25. (1) VRDB cost assumes 3.50%. Excludes line of credit and smaller Note Payables. TD 2015B Fee of 81.5% SOFR + 0.78% is derived from 81.5% * (SOFR + 0.114%) + 0.69%.

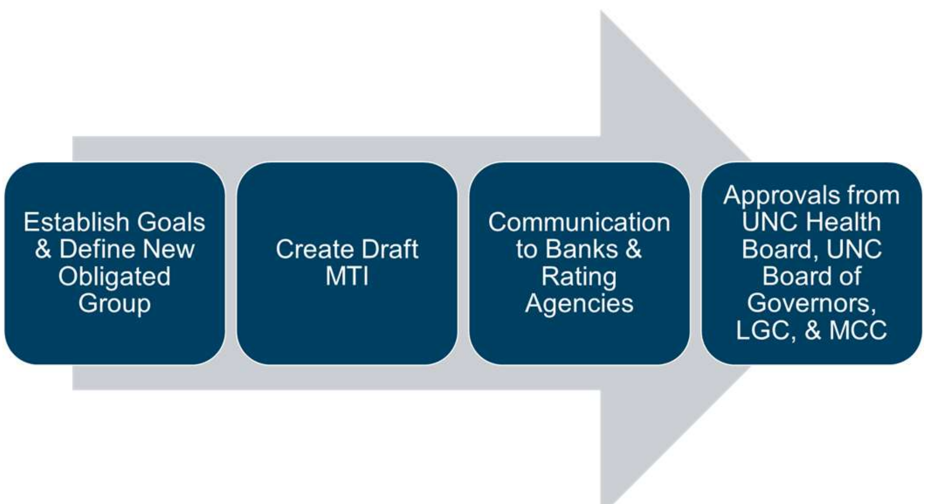
THE UNIVERSITY OF NORTH CAROLINA SYSTEM

**UNC Health's debt structure is well-diversified through different products that will require transition via several different pathways to consolidate to a new single obligated group under one master trust indenture**

| Product | Series | Most-likely Pathway | Description | Graphical Depiction |
|---|---|---|---|---|
| Public Fixed Rate Bonds | 2015A (Rex) | Legal or Financing | Refund Callable 2015A Bonds or MTI Substitution | Rex 2015A → Refund or Note Sub → UNC Health MTI |
| Bank Held Bonds | 2015B-1 (Rex)<br>2015B-2 (Rex)<br>2020B (Rex)<br>2021A (UNCH) | Legal or Financing | Refund or Bank Consent | Rex 2015B, Rex 2020B, UNCH 2021 → Refund or Consent → UNC Health MTI |
| Variable Rate Demand Bonds | 2001A (UNCH)<br>2001B (UNCH)<br>2003A (UNCH)<br>2003B (UNCH) | Legal | Consent via Mandatory Tender | UNC Hospitals MTI → Transition all obligations → UNC Health MTI |
| Public Fixed Rate Bonds | 2020A (Rex)<br>2016 & 2019 | Legal | MTI Substitution as Bonds are not yet callable | Rex 2020, UNCH 2016/2019 → Transition all obligations → UNC Health MTI |
| Swap | Fixed Payor Swap (UNCH) | Legal or Financing | Seek counterparty consent or terminate swap | UNCH FXP Swap → Bank Consent or Termination → UNC Health MTI |



**While management has been preparing to be able to move to a single obligated group for several months, key engagement points and approvals to proceed are anticipated over the next two months**



UNC Health is seeking Board of Governors approval to replace the Board of Governors with the UNC Health Care System as the issuer of existing UNC Hospitals debt to facilitate its transition to a single obligated group



QUESTIONS?

## RESOLUTION OF THE BOARD OF GOVERNORS

**RESOLUTION APPROVING A REPLACEMENT INDENTURE TO SECURE CERTAIN OUTSTANDING REVENUE BONDS ISSUED BY THE BOARD OF GOVERNORS ON BEHALF OF THE UNIVERSITY OF NORTH CAROLINA UNIVERSITY OF NORTH CAROLINA HOSPITALS AT CHAPEL HILL AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH**

WHEREAS, pursuant to Article 37A of Chapter 116 of the General Statutes of North Carolina, as amended (the "System Act"), there has been created as an affiliated enterprise of the University, the University of North Carolina Health Care System (the "UNC Health Care System"), and a Board of Directors of the UNC Health Care System, as a successor board to the board of directors of UNC Hospitals (as defined below), which is charged with the responsibility for making rules, regulations and policies governing the management and operation of the UNC Health Care System, including UNC Hospitals and its other component units and system affiliates;

WHEREAS, pursuant to Sections 116-187 to 116-198, inclusive, of the General Statutes of North Carolina, as amended, the University of North Carolina Board of Governors (the "Board of Governors") has heretofore issued for and on behalf of the University of North Carolina Hospitals at Chapel Hill ("UNC Hospitals") various series of revenues bonds that are currently outstanding as identified in Exhibit A hereto (the "Existing UNC Hospitals Bonds");

WHEREAS, the Existing UNC Hospitals Bonds have been issued and are secured under the provisions of a General Trust Indenture, dated as of January 1, 1992, between the Board of Governors and First Union National Bank of North Carolina (succeeded by U.S. Bank Trust Company, National Association), as trustee (the "UNC Hospitals Bond Trustee"), as accepted and agreed to by UNC Hospitals, as supplemented and amended by a First Supplemental Indenture, dated as of February 15, 1996, a Second Supplemental Indenture, dated as of May 1, 1999 and a Third Supplemental Indenture, dated as of January 1, 2001 (collectively, the "UNC Hospitals General Indenture"), each between the Board of Governors and the UNC Hospitals Bond Trustee, and each as accepted and agreed to by UNC Hospitals;

WHEREAS, pursuant to Section 5.15 of the UNC Hospitals General Indenture, the Existing UNC Hospitals Bonds can be substituted for replacement bonds issued under and secured by an existing or new master trust indenture, trust indenture, trust agreement, bond order, bond resolution or any similar instrument (defined therein as a "Replacement Indenture"), subject to the terms and conditions set forth therein;

WHEREAS, the UNC Health Care System and UNC Hospitals desire to substitute the prior UNC Hospitals Indenture with a master trust agreement (the "Master Trust Agreement") between the UNC Health Care System and U.S. Bank Trust Company, National Association, as trustee (which Master Trust Agreement will constitute a "Replacement Indenture" under the provisions UNC Hospitals General Indenture) and issue replacement bonds in substitution for the Existing UNC Hospitals Bonds pursuant to the provisions of the System Act, Article 3 of Chapter 1116D, as amended, of the General Statutes of North Carolina and the Master Trust

Agreement and the replacement bonds will constitute special obligations of the UNC Health Care System payable solely from and secured solely by certain revenues of UNC Hospitals and Rex Hospital, Inc., as members of the obligated group;

WHEREAS, the Board of Governors has determined to approve a Master Trust Agreement as a Replacement Indenture under Section 5.15 of the UNC Hospitals General Indenture;

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

Section 1. The Board of Governors hereby approves the Master Trust Agreement as a Replacement Indenture under the provisions of Section 5.15 of the UNC Hospitals General Indenture and the related issuance of the replacement bonds in substitution for the Existing UNC Hospital Bonds. The Chair and Vice Chair of the Board of Governors and the Senior Vice President for Finance and Chief Financial Officer of the University (together, the "Authorized Officers" and each an "Authorized Officer") are each hereby authorized and directed to execute and deliver the Master Trust Agreement and the replacement bonds, the execution and delivery by an Authorized Officer of such documents shall conclusively evidence such approval by the Board of Governors.

Section 2. The members, officers, agents and employees of the Board of Governors are hereby authorized to execute and deliver for and on behalf of the Board or Governors any and all additional certificates, documents, opinions or other papers, and to perform all other acts as may be required to effectuate the transactions contemplated hereby or as they may deem necessary or appropriate in order to implement and carry out the intent and purpose of this resolution.

Section 3. This resolution shall become effective on the date of its adoption.

*     *     *     *     *

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 a resolution adopted by the Board of Governors of the University of North Carolina (the "Board of Governors") at its meeting duly called and held on May 15, 2025 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on May 15, 2025 was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on May 15, 2025 at which time the foregoing resolution was adopted.

WITNESS, my hand this ____ day of ___________, 2025.

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

EXHIBIT A

Existing UNC Hospitals Bonds

- **Series 2001A/B Bonds (Daily VRDOs)**
  - Issued for acquiring a controlling interest in Rex Healthcare, Inc. and various capital improvements at UNC Hospitals.
  - Principal outstanding: Series 2001A - $33,100,000; Series 2001B - $33,100,000.

- **Series 2003A/B Bonds (Weekly VRDOs)**
  - Issued for advance refunding Series 1996 Bonds.
  - Principal outstanding: Series 2003A - $20,285,000; Series 2003B - $10,910,000.

- **Series 2016 Bonds (Fixed Rate - Publicly Offered)**
  - Issued for financing initial costs of new surgical pavilion, renovation of vacated space, and relocation/improvement of emergency supply system and chilled water system.
  - Principal outstanding: $99,945,000

- **Series 2019 Bonds (Fixed Rate - Publicly Offered)**
  - Issued for financing remaining costs of new surgical pavilion, renovation of vacated space, and relocation/improvement of emergency supply system and chilled water system.
  - Principal outstanding: $149,995,000

- **Series 2021A Bonds (Fixed Rate - Direct Placement with JPMorgan Chase Bank, N.A.)**
  - Issued for refunding the outstanding Series 2010B Bonds.
  - Principal outstanding: $17,510,000

## AGENDA ITEM

A-9. Capital Improvement Projects........................................................................................ Katherine Lynn

**Situation:** University of North Carolina at Chapel Hill has requested two new capital improvement projects, and Appalachian State University has requested increased authorization for one capital improvement project.

**Background:** The University of North Carolina Board of Governors may authorize capital construction projects at University of North Carolina System institutions using available funds.

**Assessment:** UNC-Chapel Hill and App State are requesting projects that meet statutory requirements. It is recommended that the Board approve the projects and the method of funding. It is further recommended that these projects be reported to the North Carolina 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 and University of North Carolina at Chapel Hill

**ISSUE OVERVIEW**

University of North Carolina System institutions are required to request authority from the University of North Carolina 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.

Two UNC System institutions have requested three capital improvement projects: two new projects and one project for increased authorization.

**I. NEW PROJECTS**

| Institution/Project Title | | Total Project Cost | Previous Authorization | Requested Authorization | Funding Source |
|---|---|---|---|---|---|
| **University of North Carolina at Chapel Hill** | | | | | |
| 1. | Kenan Stadium Upgrades | $7,300,000 | $0 | $7,300,000 | Donations/Gifts |
| 2. | House Undergraduate Library Renovations[1] | $8,250,000 | $600,000 | $7,650,000 | Donations/Gifts |
| *UNC-CH Subtotal* | | *$15,550,000* | *$600,000* | *$14,950,000* | |
| **Grand Total** | | **$15,550,000** | **$600,000** | **$14,950,000** | |

[1] *Previous authorization reflects advance planning authority delegated to Boards of Trustees.*

**II. INCREASED AUTHORIZATION**

| Institution/Project Title | | Total Project Cost | Previous Authorization | Requested Authorization | Funding Source |
|---|---|---|---|---|---|
| **Appalachian State University** | | | | | |
| 3. | Peacock Hall Addition/Renovation | $43,500,000 | $40,000,000 | $3,500,000 | SCIF Appropriations (92%)/ Donations & Gifts (8%) |
| *App State Subtotal* | | *$43,500,000* | *$40,000,000* | *$3,500,000* | |
| **Grand Total** | | **$43,500,000** | **$40,000,000** | **$3,500,000** | |

**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 will be funded and operated entirely with non-General Fund and non-State Capital and Infrastructure Fund monies.

**III. REPORTING**

The following projects are being reported to the Board of Governors and Fiscal Research Division in compliance with GS 143C-8-13 (d) which permits Chancellors to authorize Repairs and Renovation projects less than $600,000 in thirteen allowable categories.

| | Institution/Project Title | Amount | Fund Source | R&R Category |
|---|---|---|---|---|
| **East Carolina University** | | | | |
| 1. | Roads, Walks, and Drives Repair - Campus Wide | $225,000 | Appropriations | 11-Improvements to roads, walks, drives, and utilities infrastructure |
| 2. | Tyler Residence Hall Elevator Drives | $200,000 | Housing Receipts | 5-Improvements to meet the requirements of the Americans with Disabilities Act |
| 3. | Joyner Library Study Rooms Cosmetic Upgrades | $499,000 | Foundation | 9-Improvements and renovations to improve use of existing space |
| 4. | Bate Pirate Market Renovation | $300,000 | Dining Receipts | 9-Improvements and renovations to improve use of existing space |
| 5. | Croatan Chick-Fil-A Refresh | $380,000 | Dining Receipts | 9-Improvements and renovations to improve use of existing space |
| 6. | Todd Dining Outdoor Seating Expansion | $300,000 | Dining Receipts | 9-Improvements and renovations to improve use of existing space |
| 7. | Student Center Ballroom Lighting Upgrades | $200,000 | Student Fees | 9-Improvements and renovations to improve use of existing space |
| 8. | Mendenhall Sanitary Sewer Pipe Replacement | $300,000 | Carry-forward | 11-Improvements to roads, walks, drives, and utilities infrastructure |
| 9. | Minges Central Chiller Plant #2 Replace Cooling Towers | $570,317 | Carry-forward | 4-Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning systems |
| 10. | Greenville Centre Replace Both Rooftop HVAC Units | $440,000 | Carry-forward | 4-Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning systems |
| 11. | Warren Life Sciences Elevators 3 and 4 Partial Modernization | $127,000 | Carry-forward | 5-Improvements to meet the requirements of the Americans with Disabilities Act |
| 12. | Brody GE-101 Replace Air-Cooled Chiller | $200,000 | Carry-forward | 4-Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning systems |
| **Western Carolina University** | | | | |
| 13. | Roads, Walks, and Drives Repair - Campus Wide | $225,000 | Appropriations | 11-Improvements to roads, walks, drives, and utilities infrastructure |

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
May 14, 2025

## AGENDA ITEM

A-10. Disposition of Property by Demolition — University of North Carolina System Office ......... Katherine Lynn

**Situation:** The University of North Carolina System Office (UNC System Office) requests authorization to dispose of property by demolition of the two-story building located at 2 UNC-TV Drive, Research Triangle Park, North Carolina.

**Background:** The UNC System Office requests approval to demolish the building previously occupied by the North Carolina State Education Assistance Authority (NCSEAA). The building is approximately 20,019 gross square feet (GSF) and has an estimated replacement value of $6,106,697. The building was vacated in 2022 and is being used for storage. The building is no longer usable due to numerous deferred maintenance issues including a failed heating and cooling system and an obsolete fire alarm monitoring system. The estimated project cost is $450,100 and will be funded from 2021-22 and 2022-23 State Capital and Infrastructure Fund (SCIF) maintenance repair and renovation (R&R) funds allocated to the UNC System Reserve.

**Assessment:** It is recommended that the disposition by demolition be approved and that the project be funded from 2021-22 and 2022-23 SCIF maintenance R&R funds allocated to the UNC System Reserve.

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

## Disposition of Property by Demolition — University of North Carolina System Office

**ISSUE OVERVIEW**

The University of North Carolina System Office (UNC System Office) is required to request authority from the University of North Carolina Board of Governors to proceed with certain acquisitions and dispositions of real property.

The UNC System Office requests approval to demolish the two-story building located at 2 UNC-TV Drive, Research Triangle Park, North Carolina. The building is approximately 20,019 gross square feet (GSF) and has an estimated replacement value of $6,106,697. The building was formerly occupied by the North Carolina State Education Assistance Authority (NCSEAA) until it relocated to downtown Raleigh in 2022. The building is no longer occupied due to the failure of the boiler and the fans for the cooling system and is being used for storage. Other deferred maintenance issues include an obsolete fire alarm and security system, outdated elevators, aging plumbing systems, deteriorated roof, and worn-out interior finishes. Estimates to repair the building systems range from $3.2 million to $4.1 million.

The estimated project cost to demolish the building is $450,100 and will be funded from 2021-22 and 2022-23 State Capital and Infrastructure Fund (SCIF) maintenance repair and renovation (R&R) funds allocated to the UNC System Reserve.

**RECOMMENDATION**

It is recommended that the Board of Governors approve this request. This item requires approval by the Council of State.

Form PO-2
Rev. 10/01
*Original and one copy to State Property Office*

# STATE OF NORTH CAROLINA
# DEPARTMENT OF ADMINISTRATION

## DISPOSITION OF REAL PROPERTY

Institution or Agency: **UNC System Office** Date: **May 15, 2025**

The Department of Administration is requested, as provided by GS §146-28 et seq., to dispose of the real property herein described by *purchase, lease, rental,* or *other (specify)*. **2 UNC-TV Drive (former North Carolina State Education Assistance Authority)**

This disposition is recommended for the following reasons:

**Building is no longer in use and is cost-prohibitive to renovate**

Description of Property: *(Attach additional pages if needed.)*

Two-story 20,019 GSF structure located in Research Triangle Park.

Estimated value: **$6,106,697**

Where deed is filed, if known: **Durham County**

If deed is in the name of agency other than applicant, state the name:

____________________________________________

Rental income, if applicable, and suggested terms:

**N/A**

Funds from the disposal of this property are recommended for the following use:

**N/A**

*(Complete if Agency has a Governing Board.)*
Action recommending the above request was taken by the Governing Board of **the University of North Carolina** and is recorded in the minutes thereof on **May 15, 2025** *(date)*.

Signature: ______________________________
Title:

**Location Map for 2 UNC-TV Drive**