



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance

May 22, 2018 at 10:00 a.m.
University of North Carolina System Office
Center for School Leadership Development, Room 279
Chapel Hill, North Carolina

AGENDA

- A-1. [Approval of the Minutes of March 20 and March 22, 2018](#) Temple Sloan
- A-2. [Authorization for Guaranteed Energy Savings Performance Contract – NCSSM](#) Rick Whitfield
- A-3. [Capital Improvement Projects – ASU, ECU, FSU, N.C. A&T, NC State, UNCA, UNC-CH, UNCC, UNCG, and WCU](#) Nathan Knuffman
- A-4. [Acquisition of Property by Lease – UNCC](#) Nathan Knuffman
- A-5. [Disposition of Property by Demolition – UNCC](#) Nathan Knuffman
- A-6. [Disposition of Property by Lease – NC State](#) Nathan Knuffman
- A-7. [Sale of Special Obligation Bonds – NC State](#) Nathan Knuffman
- A-8. [Acquisition of Property by License – NCCU](#) Nathan Knuffman
- A-9. Adjourn

DRAFT MINUTES

March 20, 2018
University of North Carolina System Office
Spangler Center, Board Room
Chapel Hill, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were also present in person or by phone: Kellie Hunt Blue, Tom Fetzer, and Harry Smith. The following committee members were absent: Carolyn Coward, Walter Davenport, and Bob Rucho.

Chancellor participating was Carol Folt.

Staff members present included Rick Whitfield and others from the UNC System Office.

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

The chair called the meeting to order at 3:05 p.m. on Tuesday, March 20, 2018, and called for a motion to approve the open session minutes of January 23 and 25, 2018.

MOTION: Resolved, that the Committee on Budget and Finance approve the open session minutes of January 23 and 25, 2018, as distributed.

Motion: Tom Fetzer

Motion carried

2. 2018 Non-Appropriated Capital Improvement Projects (Item A-2)

Associate Vice President Will Johnson explained that non-appropriated capital projects were financed by non-state funds and required legislative approval for the issuance of debt. For 2018, six institutions requested approval of seven capital improvements projects totaling \$290,256,428 and requires aggregate debt issuance of \$114,602,516.

With Board approval, these projects would be forwarded to the General Assembly for authorization during the 2018 legislative session.

MOTION: Resolved, that the Committee on Budget and Finance approve the 2018 Non-appropriated Capital Improvement Projects and recommend them to the full Board of Governors for a vote.

Motion: Kellie Hunt Blue
Motion carried

3. Capital Improvement Projects – ASU, ECU, NCCU, NC State, UNC-CH, UNCW, and UNCSA (Item A-3)

Mr. Johnson presented thirteen capital improvement projects from ASU, ECU, NCCU, NC State, UNC-CH, UNCW, and UNCSA, including three projects for advance planning, six new projects for authority, and four projects for increased authorization.

Upon approval, these projects will be reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

MOTION: Resolved, that the Committee on Budget and Finance approve the Capital Improvement Projects at ASU, ECU, NCCU, NC State, UNC-CH, UNCW, and UNCSA and recommend them to the full Board of Governors for a vote through the consent agenda.

Motion: Tom Fetzer
Motion carried

4. Disposition of Property by Easement – UNC System Office and NCSEAA (Item A-4)

Mr. Johnson introduced the request for disposition of property by easement from the UNC System Office and NC State Education Assistance Authority (NCSEAA) to Time Warner Cable Southeast LLC dba Spectrum Business (Spectrum). This easement would allow Spectrum to install approximately 1,430 lineal feet of fiber optic cable along 10 UNC-TV Drive.

Upon approval, the State of North Carolina Department of Administration Disposition of Real Property PO-2 Form and back-up would be submitted to the State Property Office.

MOTION: Resolved, that the Committee on Budget and Finance approve the Disposition of Property by Easement for the UNC System Office and NCSEAA and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: Kellie Hunt Blue
Motion carried

5. Sale of Special Obligation Bonds – ECU (Item A-5)

Dr. Whitfield presented East Carolina University's request for authorization to issue special obligation bonds in one or more series to (1) finance and refinance the Dowdy-Ficklen Stadium Southside renovation project, (2) finance the second phase of various residence hall improvements, and (3) pay the costs incurred in connection with the issuance of the bonds.

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

Motion: Tom Fetzer

Motion carried

6. Sale of Special Obligation Bonds – UNCG (Item A-6)

Dr. Whitfield presented The University of North Carolina at Greensboro's request for authorization to issue special obligation bonds in an amount not to exceed \$50,900,000 for the purpose of acquiring Spartan Village Student Housing – Phase II and paying the costs incurred in connection with the issuance of the bonds.

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

Motion: Harry Smith

Motion carried

7. Authorization of Predevelopment Agreement – UNCW (Item A-7)

Dr. Whitfield presented University of North Carolina Wilmington's request for authorization to enter into a predevelopment agreement in connection with the expansion of up to 1,800 beds on UNC Wilmington's Millennial Campus.

UNCW will request Board approval of the ground lease's terms and conditions once those terms have been finalized.

MOTION: Resolved, that the Committee on Budget and Finance authorize UNC Wilmington's predevelopment agreement and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: Kellie Hunt Blue

Motion carried

There being no further business, the meeting adjourned at 3:17 p.m.

Carolyn Coward, Secretary

DRAFT MINUTES

March 22, 2018
University of North Carolina Wilmington
Burney Center, Ballroom C
Wilmington, North Carolina

This joint meeting of the Committee on Budget and Finance and Committee on Public Affairs was presided over by Chairs Temple Sloan and Leo Daughtry. The following Committee on Budget and Finance members, constituting a quorum, were also present: Kellie Hunt Blue, Tom Fetzner, and Harry Smith. The following committee members were absent: Carolyn Coward, Walter Davenport, and Bob Rucho.

Chancellors participating were Carol Folt and Elwood Robinson.

Staff members present included Kevin Howell, Andrew Moretz, Rick Whitfield, and others from the UNC System Office.

Chair Sloan called the meeting to order at 10:32 a.m. on Thursday, March 22, 2018.

1. Data Modernization Initiative Presentation (Item B-1)

Interim Senior Vice President Rick Whitfield introduced Senior Director John Thompson-Haas and Managing Partner Steve Kaplan, consultants with Gartner, to deliver a report on the Data Modernization Initiative. In the 2017 legislative budget, the University of North Carolina System was allocated \$1 million in non-recurring funds. This initiative was the University's largest request. The mission is "to provide the UNC System leadership, the UNC [System] Institutions, and the Board of Governors with clear, timely, consistent, actionable financial and related data, which will enable them to guide the UNC System in meeting its strategic goals."

The timeline since December 2017 was reviewed. Next steps for the project will include a progress report to the NC Joint Legislative Education Oversight Committee, initiation of phase 1 of the project, and a request for additional funding, non-recurring to recurring, in the 2018-19 Budget Priorities.

2. 2018-19 Budget Priorities (Item B-2)

Vice President Nathan Knuffman revisited the UNC System's goals from the 2017 Budget Priorities and summarized the progress made on those commitments. Then, he introduced the 2018-19 Budget Priorities which totaled \$18,570,000.

MOTION: Resolved, that the Committee on Budget and Finance approve the 2018-19 Budget Priorities and recommend it to the full Board of Governors for a vote.

Motion: Harry Smith
Motion carried

3. 2018 Legislative Agenda Review (Item B-3)

Chair Daughtry introduced the 2018 Legislative Agenda to the Committee on Public Affairs. Senior Vice President Kevin Howell mentioned the items that were previously targeted on the 2017 long session agenda. Vice President Andrew Moretz gave additional details that included Financial and Capital Efficiencies and Technical Changes.

MOTION: Resolved, that the Committee on Public Affairs approve the 2018 Legislative Agenda and recommend it to the full Board of Governors for a vote.

Motion: David Powers
Motion carried

4. Authorization of Tuition for 2018-19 (Item B-4)

Dr. Whitfield presented the request for Authorization of the 2018-19 Tuition. The tuition rates proposed were for undergraduate nonresidents and graduate students, including professional schools.

MOTION: Resolved, that the Committee on Budget and Finance approve Authorization of Tuition for 2018-19 and recommend it to the full Board of Governors for a vote.

Motion: Harry Smith
Motion carried

5. Authorization of Fees for 2018-19 (Item B-5)

Dr. Whitfield presented the request for Authorization of the 2018-19 Fees. The proposed fee increases were consistent with the tuition and fee instructions as enacted by the 2016 NC General Assembly, including a three percent cap on mandatory student fees (including debt service). The joint committee members discussed the UNC Kenan-Flagler School's newly proposed Program Expansion Fee.

MOTION: Resolved, that the Committee on Budget and Finance approve Authorization of Fees for 2018-19 and recommend them to the full Board of Governors for a vote.

Motion: Harry Smith
Motion carried

There being no further business, the meeting adjourned at 12:33 p.m.

Carolyn Coward, Secretary

AGENDA ITEM

A-2. Authorization for Guaranteed Energy Savings Performance Contract – NCSSM..... Rick Whitfield

- Situation:** North Carolina School of Science and Mathematics (NCSSM) has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract in order to improve energy efficiencies on the campus.
- Background:** G.S. 143-64.12 requires that all state buildings reduce energy use per gross square foot 20 percent by 2010 and 30 percent by 2015 based on fiscal year 2002-2003 energy consumption. G.S. 143-64.17F authorizes state agencies to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts.
- Assessment:** Working with the Utility Savings Initiative staff in the Energy Group in the NC Department of Environmental Quality and the state list of pre-qualified energy service companies, NCSSM selected Trane U.S. Inc. as the energy services company to execute the performance contract. Trane U.S. Inc. has validated the estimated project cost and utility savings through an investment grade audit, with oversight from Sud Associates, NCSSM's third-party engineer, and is willing to enter into a contract to guarantee achievement of 100 percent of the projected savings, and if those agreed upon savings are not achieved, Trane U.S. Inc., is contractually responsible for the shortfall. If approved, the project, the guaranteed energy savings contract, and the method of financing would be accomplished within the guidelines, procedures, and policies of the Department of Administration, the Office of State Budget and Management, and the Department of State Treasurer. It would be subject to the approval of the Council of State.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Authorization for Guaranteed Energy Savings Performance Contract – NCSSM

ISSUE OVERVIEW

G.S. 143-64.17F authorizes state agencies and institutions to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts. This is consistent with G.S. 143-64.12, which requires that all state buildings reduce energy consumption per gross square foot by 20 percent by 2010 and 30 percent by 2015, as calculated on fiscal year 2002-2003 base consumption. Guaranteed energy savings projects are important tools to achieve facility efficiencies and maintain proper environmental stewardship. On October 9, 2009, the Board of Governors adopted Chapter 600.6.1 of The UNC Policy Manual, which identifies sustainable development and resource management as a core value of institutional operations, planning, capital construction, and purchasing practices. The UNC Policy Manual authorizes the implementation of sustainable practices in order to meet or exceed statutory requirements to reduce energy and water use, while still maintaining air quality and comfort, giving priority to the installation of high-efficiency equipment as part of an ongoing Sustainability Action Plan.

The NCSSM Board of Trustees has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure, and reduce water consumption on campus. The project involves a total of 472,799 square feet in 14 buildings on the campus, including residence halls, academic spaces, and administrative offices.

Working with the Utility Savings Initiative staff in the Energy Group in the NC Department of Environmental Quality and the state list of pre-qualified energy service companies, NCSSM selected Trane U.S. Inc. as the energy services company to execute the performance contract, following a competitive RFP process which resulted in four proposals from which Trane was selected. Trane U.S. Inc. has validated the estimated project cost and utility savings through an investment grade audit, with oversight from Sud Associates, NCSSM's third-party engineer, and is willing to enter into a contract to guarantee achievement of 100 percent of the projected savings, and if those agreed upon savings are not achieved, Trane U.S. Inc., is contractually responsible for the shortfall.

The estimated cost of the project is expected not to exceed \$2,550,000 and would be financed with a tax exempt loan to be repaid from utility savings. After the debt is paid, the residual savings produced by the improvements – estimated to be an average of \$263,623 minimum per year throughout the financing term – will continue to accrue to NCSSM and the State. The project is expected to reduce the current energy consumption on campus by at least 22 percent. To finance the project, NCSSM will solicit competitive proposals from qualified lenders and expects a competitive finance rate (not to exceed 4 percent). The term of the loan will not exceed 15 years after a 1-year construction period. Construction is anticipated to commence in fall 2018, upon approval of all State regulatory authorities.

It is recommended that the request of the NCSSM Board of Trustees be approved with a total financed amount not to exceed \$2,550,000, and a finance rate not to exceed four percent, with the understanding that the guaranteed energy savings contract, and the method of financing would be accomplished within the guidelines, procedures, and policies of the Department of Administration, the Office of State Budget and Management, and the Department of State Treasurer. This contract would be subject to the approval of the Council of State.

Further, it is recommended that the following Resolution be adopted (see next page):

**DELEGATING AUTHORITY TO THE PRESIDENT FOR AN
INSTALLMENT FINANCING CONTRACT
RELATED TO A GUARANTEED ENERGY SAVINGS CONTRACT
FOR THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS**

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

WHEREAS, the North Carolina School of Science and Mathematics has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure and reduce energy consumption on campus (the "Project"); and

WHEREAS, the Board finds that the energy savings resulting from the implementation of the Project, according to the energy savings analysis received under N.C.G.S. 143-64.17M(a), equals or exceeds the total cost of implementing the Project; and

WHEREAS, the North Carolina School of Science and Mathematics will solicit competitive proposals from qualified lenders to enter into an installment financing contract with the University (the "Contract"); and

WHEREAS, the North Carolina School of Science and Mathematics expects that the interest rate under the Contract will not exceed 4% on a principal amount not to exceed \$2,550,000.00;

NOW, THEREFORE, THE BOARD DOES HEREBY RESOLVE, DETERMINE, AUTHORIZE AND ORDER AS FOLLOWS:

Section 1. Authorization of Contract. That the form and content of the Contract is in all respects authorized, approved and confirmed, and the President and Chief Operating Officer of the University are authorized, empowered and directed to execute, approve and deliver the Contract, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as are necessary, desirable or appropriate, the execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions, and that from and after the execution and delivery of the Contract, the President and Chief Operating Officer of the University are 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 Contract as executed.

Section 2. General Authority. From and after the execution and delivery of the Contract, the President and Chief Operating Officer, and the Secretary of the University are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Contract 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 complete the transaction contemplated by the Contract.

Section 3. Conflicting Provisions. All resolutions or parts thereof of the Board that are in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby superseded and repealed.

Section 4. **Effective Date.** This Resolution is effective on its adoption.

PASSED, ADOPTED, AND APPROVED this 24th day of May, 2018.

AGENDA ITEM

A-3. Capital Improvement Projects – ASU, ECU, FSU, N.C. A&T, NC State, UNCA, UNC-CH, UNCC, UNCG, and WCU..... Nathan Knuffman

Situation: Ten UNC System institutions have requested a total of 25 capital improvement projects: five projects for advance planning, ten new projects for authority, and ten projects for increased authorization.

Background: The Board of Governors may authorize capital construction projects and advance planning projects at UNC System institutions using available funds.

Assessment: ASU, ECU, FSU, N.C. A&T, NC State, UNCA, UNC-CH, UNCC, UNCG, and WCU have requested projects that meet the statutory requirements, and it is recommended that the Board of Governors approve the projects and their methods of funding. It is further recommended that these projects be reported to the 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 – ASU, ECU, FSU, N.C. A&T, NC State, UNCA, UNC-CH UNCC, UNCG, and WCU

ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with non- appropriated capital 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.

Ten UNC System institutions have requested a total of twenty-five capital improvement projects: five projects for advance planning, ten new projects for authority, and ten projects for increased authorization.

I. ADVANCE PLANNING

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
Appalachian State University					
1.	Sanford Hall – Comprehensive Renovation & Modernization (\$18,006,545)	\$1,854,900	-	\$1,854,900	Student Fee Receipts
<i>ASU Subtotal</i>		<i>\$1,854,900</i>	<i>\$0</i>	<i>\$1,854,900</i>	
East Carolina University					
2.	Fleming Residence Hall – Renovation of HVAC System, Bathrooms and Apartment (\$3,595,315)	\$250,000	-	\$250,000	Housing Receipts
<i>ECU Subtotal</i>		<i>\$250,000</i>	<i>\$0</i>	<i>\$250,000</i>	
North Carolina State University					
3.	Steam Repairs Phase VIIC (\$1,870,000)	\$65,000	-	\$65,000	F&A
<i>NC State Subtotal</i>		<i>\$65,000</i>	<i>\$0</i>	<i>\$65,000</i>	
University of North Carolina at Chapel Hill					
4.	School of Dentistry Vacuum Pipe Remediation (\$4,964,608)	\$150,000	-	\$150,000	F&A
<i>UNC-CH Subtotal</i>		<i>\$150,000</i>	<i>\$0</i>	<i>\$150,000</i>	
Western Carolina University					
5.	Lower Campus Residence Hall (\$64,600,000)	\$3,980,329	\$500,000	\$3,480,329	Housing Receipts
<i>WCU Subtotal</i>		<i>\$3,980,329</i>	<i>\$500,000</i>	<i>\$3,480,329</i>	

II. NEW PROJECTS

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
East Carolina University					
6.	Fletcher Residence Hall - Make Up Air	\$802,000	\$100,000	\$702,000	Housing Receipts
<i>ECU Subtotal</i>		<i>\$802,000</i>	<i>\$100,000</i>	<i>\$702,000</i>	
North Carolina A&T State University					
7.	Barbee Hall Roof Replacement	\$336,000	-	\$336,000	Housing Receipts
<i>N.C. A&T Subtotal</i>		<i>\$336,000</i>	<i>\$0</i>	<i>\$336,000</i>	
North Carolina State University					
8.	Fuel Oil Tank Expansion – Centennial Campus	\$825,000	-	\$825,000	Gifts (52%)/ Carry-forward (48%)
<i>NC State Subtotal</i>		<i>\$825,000</i>	<i>\$0</i>	<i>\$825,000</i>	
University of North Carolina at Asheville					
9.	Edgewood Road Parking Lot	\$1,427,141	-	\$1,427,141	Endowment
<i>UNCA Subtotal</i>		<i>\$1,427,141</i>	<i>\$0</i>	<i>\$1,427,141</i>	
University of North Carolina at Chapel Hill					
10.	Hwy 54 Park & Ride Lot - Stormwater Pond Repair & Retrofit	\$330,000	-	\$330,000	Trust Funds
<i>UNC-CH Subtotal</i>		<i>\$330,000</i>	<i>\$0</i>	<i>\$330,000</i>	
University of North Carolina at Charlotte					
11.	Bioinformatics Fourth Floor Build-out	\$11,500,000	-	\$11,500,000	Carry-forward (60%)/F&A (40%)
12.	Intercollegiate Swimming Upfit	\$3,500,000	-	\$3,500,000	Athletic Receipts
13.	Miltmore-Wallis Roof Replacement	\$450,000	-	\$450,000	Athletic Foundation
<i>UNCC Subtotal</i>		<i>\$15,450,000</i>	<i>\$0</i>	<i>\$15,450,000</i>	
The University of North Carolina at Greensboro					
14.	Sprinkle Theatre Renovations	\$427,000	-	\$427,000	Gifts (70%)/ Carry-forward (30%)
<i>UNCG Subtotal</i>		<i>\$427,000</i>	<i>\$0</i>	<i>\$427,000</i>	
Western Carolina University					
15.	Utility Relocation Phase II & III	\$2,800,000	-	\$2,800,000	Auxiliary
<i>WCU Subtotal</i>		<i>\$2,800,000</i>	<i>\$0</i>	<i>\$2,800,000</i>	

III. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
Fayetteville State University					
16.	Lyons Science Building Comprehensive Renovation	\$11,000,000	\$10,000,000	\$1,000,000	Title III
<i>FSU Subtotal</i>		<i>\$11,000,000</i>	<i>\$10,000,000</i>	<i>\$1,000,000</i>	
North Carolina State University					
17.	Exterior Lighting LED Conversion	\$2,209,681	\$1,538,645	\$671,036	Carry-forward
18.	North and Central Campus Precincts Electrical Distribution	\$4,600,000	\$4,100,000	\$500,000	Trust Funds
<i>NC State Subtotal</i>		<i>\$6,809,681</i>	<i>\$5,638,645</i>	<i>\$1,171,036</i>	
University of North Carolina School at Chapel Hill					
19.	Musculoskeletal Enhancement Service	\$7,177,219	\$3,000,000	\$4,177,219	Hospital CI Fund
20.	UNC Carolina Union Auditorium Renovation	\$1,999,744	\$1,500,000	\$499,744	Trust Funds
<i>UNC-CH Subtotal</i>		<i>\$9,176,963</i>	<i>\$4,500,000</i>	<i>\$4,676,963</i>	
University of North Carolina School at Charlotte					
21.	Baseball Indoor Training Facility	\$1,100,000	\$850,000	\$250,000	Athletic Foundation (80%)/Gifts (20%)
22.	Campus Circulation Improvements	\$1,400,000	\$1,000,000	\$400,000	F&A
23.	Parking Lot 8 Expansion	\$900,000	\$475,000	\$425,000	Parking Receipts
24.	Softball Indoor Training Facility	\$1,250,000	\$650,000	\$600,000	Athletic Foundation (80%)/Gifts (20%)
<i>UNCC Subtotal</i>		<i>\$4,650,000</i>	<i>\$2,975,000</i>	<i>\$1,675,000</i>	
The University of North Carolina at Greensboro					
25.	Weil Winfield Fire Alarm Replacement	\$1,926,000	\$903,000	\$1,023,000	Housing Receipts
<i>UNCG Subtotal</i>		<i>\$1,926,000</i>	<i>\$903,000</i>	<i>\$1,023,000</i>	
Grand Total		\$62,260,014	\$24,616,645	\$37,643,369	

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 Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

AGENDA ITEM

A-4. Acquisition of Property by Lease – UNCC Nathan Knuffman

- Situation:** The University of North Carolina at Charlotte Board of Trustees requests authorization to acquire property by lease at 150 N. Research Campus Drive in Kannapolis, NC.
- Background:** The Bioinformatics Research Center needs to expand its existing leased space to accommodate growth.
- Assessment:** UNCC's Bioinformatics Research Center has leased space at the North Carolina Research Campus (NCRC) in Kannapolis since 2009. Additional space is required to accommodate additional research staff. The requested lease will initially be for six years and five months with one option to renew for five years. It will be synchronized with the existing lease agreement.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Acquisition of Property by Lease – UNCC

ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property. In this case, UNCC has authority, with approval by the president or her designee, to execute leases that are no more than 10 years in length and \$50,000 to \$350,000 in annual rent. While the proposed lease falls within the dollar parameters, it potentially exceeds 10 years in length and requires review and approval by the UNC Board of Governors.

The UNCC Board of Trustees has requested authorization to lease space for the Bioinformatics Research Center at the North Carolina Research Campus (NCRC) in Kannapolis to expand leased space to accommodate additional research staff. The existing lease covers 4,185 square feet and expires December 31, 2019, with an option to extend. The requested lease will be synchronized with the existing lease to result in a common lease expiration date for the entire space.

UNC Charlotte Property Acquisition - Lease

LESSOR:	Castle & Cooke - NCRC Properties 1, LLC
LESSEE:	State of North Carolina, UNC Charlotte
LOCATION:	150 N. Research Campus Drive, Kannapolis, NC
LEASE AMOUNT:	\$132,776.15 (2.45% per year escalation)
DESCRIPTION:	4,667 sf additional space (expansion of current occupancy)
LEASE TERM:	6 years, 5 months, with option for one five-year extension
LEASE EXPIRATION:	December 31, 2025

The lease of this property was approved by the UNCC Board of Trustees at its meeting on October 11, 2017.

RECOMMENDATION

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

AGENDA ITEM

A-5. Disposition of Property by Demolition - UNCC Nathan Knuffman

- Situation:** The University of North Carolina at Charlotte Board of Trustees requests authorization to dispose of property by demolition of two residence hall structures at 9021 and 9029 Alumni Way in Charlotte, NC.
- Background:** UNCC needs to demolish these two campus structures in order to proceed with construction of a new residence hall.
- Assessment:** Both of these structures, constructed in 1969, are functionally obsolete, and renovation costs would exceed 80 percent of the cost of building a new structure. Recent renovations to comparable buildings uncovered significant unforeseen conditions confirming that renovations on these aged structures would not be economical. Construction of a new residence hall is expected to meet growing student demand.
- 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 – UNCC

ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property.

The UNCC Board of Trustees has requested authorization to demolish two (2) structures located on the campus in Charlotte, NC:

<u>STRUCTURE</u>	<u>GSF</u>	<u>YEAR BUILT</u>	<u># OF BEDS</u>
1. Moore Hall, 9021 Alumni Way, Charlotte, NC	+/- 95,710	1969	500
2. Sanford Hall, 9029 Alumni Way, Charlotte, NC	+/- 95,710	1969	500

Construction of a new approximately 700 bed residence hall is planned for the site to meet student demand for lower cost on-campus accommodations. Demolition will be phased with one building being demolished and followed by new construction before the process is repeated with the second building. The estimated cost of the demolition is \$4,000,000 to be funded from a combination of housing cash reserves and bond receipts.

The UNCC Board of Trustees voted to approve this project at its February 15, 2018 meeting.

RECOMMENDATION

It is recommended that the Board of Governors approve this request. Following Board approval, final action will be required by the Council of State.

AGENDA ITEM

A-6. Disposition of Property by Lease - NC State..... Nathan Knuffman

Situation: The North Carolina State University at Raleigh Board of Trustees requests authorization to dispose of property by lease at Poulton Innovation Center Building, 1021 Main Campus Drive in Raleigh, NC, on the Centennial Campus.

Background: ABB, a global leader in technology, is an existing tenant and a significant partner on Centennial Campus. The company is interested in continuing the relationship.

Assessment: ABB has a long history of participation on Centennial Campus and programmatic connectivity with NC State University. That continued partnership is of benefit to the University.

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 Lease – NC State

ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property. In this case, NC State University has been delegated authority to approve and execute leases that are no more than 10 years in length and less than \$500,000 in annual rent. The lease proposed between NC State and ABB exceeds \$500,000 and this requires BOG review and approval.

The NC State University Board of Trustees has requested authorization to extend a lease to ABB for space in the Poulton Innovation Center Building, 1021 Main Campus Drive, Raleigh, NC, on the Centennial Campus. This lease furthers programmatic connectivity between private firms located on Centennial Campus and the university at large.

North Carolina State University at Raleigh Property Disposition - Lease

LESSOR:	State of North Carolina, North Carolina State University
LESSEE:	ABB
LOCATION:	1021 Main Campus Drive, Raleigh, NC
LEASE AMOUNT:	\$792,956.25 (3% per year escalation)
DESCRIPTION:	+/- 28,575 rsf
LEASE TERM:	Five-year term with option for one five-year extension
LEASE EXPIRATION:	November 30, 2023

The lease of this property was approved by the NC State Board of Trustees at its meeting on February 16, 2018.

RECOMMENDATION

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

AGENDA ITEM

A-7. Sale of Special Obligation Bonds – NC State Rick Whitfield

Situation: North Carolina State University at Raleigh requests that the Board issue special obligation bonds in an aggregate principal amount not to exceed \$100,000,000 for the purpose of (1) refinancing outstanding indebtedness; and (2) paying the costs incurred in connection with the issuance of the 2018 bonds.

Background: The Board of Governors is authorized to issue special obligation bonds for capital improvement projects that have been approved by the General Assembly. These projects have been previously approved by the Board of Governors and the General Assembly and have been approved for financing. This request is for refinancing the previously issued bonds.

Assessment: To reduce interest rate risk in its portfolio and to take advantage of a favorable market for a fixed rate financing, NC State is requesting authority to refinance its variable rate 2003B and 2015 Bonds, which are currently outstanding in the aggregate principal amount of \$99,025,000.

NC State University currently has an issuer credit rating of “Aa1” with a stable outlook by Moody’s Investors Service and an issuer credit rating of “AA” with a stable outlook by Standard & Poor’s. This transaction is expected to have no impact on NC State’s credit rating.

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

Sale of Special Obligation Bonds – North Carolina State University at Raleigh

ISSUE OVERVIEW

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

NC State University requests that the Board issue special obligation bonds in one or more series in an aggregate principal amount not to exceed \$100,000,000 for the purpose of refinancing up to \$99,025,000 of outstanding special obligation bonds issued in 2003 and 2015 (the “Refunded Bonds”). NC State conservatively estimates that the transaction will save roughly \$5.7 million on a cash flow basis. After factoring in the cost to terminate NC State’s existing interest rate swaps associated with the Refunded Bonds, NC State expects that the transaction will be breakeven to slightly positive on a net present value basis (including the swap termination costs). NC State will finance the swap termination payments with cash.

The 2018 Bonds will be sold in the public market on a negotiated basis by Barclays Capital Inc. and Morgan Stanley & Co. LLC.

NC State University is seeking authority to refund each series of bonds to streamline costs of issuance, provide NC State with maximum flexibility to take advantage of prevailing market conditions, and to eliminate the interest rate risk and basis risk associated with the Refunded Bonds and their related interest rate swaps.

NC State currently has an issuer credit rating of “Aa1” with a stable outlook by Moody’s Investors Service and an issuer credit rating of “AA” with a stable outlook by Standard & Poor’s. This transaction is expected to have no impact on NC State University’s credit rating.

Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon Advisors is the financial advisor.

It is recommended that the president of the University, or her designee, be authorized to sell the special obligation bonds through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF
NORTH CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION
BONDS TO REFUND SPECIAL OBLIGATION BONDS FOR NORTH CAROLINA
STATE UNIVERSITY**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “*Board*”) of the University of North Carolina (the “*University*”) is vested with general control and supervision of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina State University at Raleigh (“*NC State*”), University of North Carolina at Asheville, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, University of North Carolina Wilmington, University of North Carolina School of the Arts, Western Carolina University, and Winston-Salem State University, and other institutions; and

WHEREAS, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “*Act*”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, (1) special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing special obligation projects and (2) refunding bonds for the purpose of refunding any bonds by the Board under the Act or under any Article of Chapter 116 of the General Statutes of North Carolina, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

WHEREAS, the Board has determined to issue North Carolina State University General Revenue Refunding Bonds (with appropriate description and series designation) (the “*Bonds*”) in an aggregate principal amount not to exceed \$100,000,000 to refund (1) North Carolina State University at Raleigh Variable Rate General Revenue Bonds, Series 2003B (the “*2003B Bonds*”), the proceeds of which were used to finance special obligation bond projects and refund prior bonds issued to finance special obligation projects at NC State and (2) North Carolina State University at Raleigh Variable Rate General Revenue Refunding Bonds, Series 2015 (the “*2015 Bonds*”), the proceeds of which were used to refund prior bonds issued to finance special obligation projects at NC State; and

WHEREAS, the Board has determined to issue the Bonds under a General Trust Indenture dated as of October 1, 2001 (the “*General Indenture*”) between the Board and The Bank of New York, the successor to which is U.S. Bank National Association, as trustee (the “*Trustee*”), and Series Indenture, Number 14 (the “*Fourteenth Series Indenture*”) between the Board and the Trustee; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of NC State or the Board in each Fiscal Year remaining after satisfying obligations of NC State or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to NC State as of the date of the General Indenture, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by NC State students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities (as defined in the General Indenture) and (5) funds restricted by law (the “*Available Funds*”); and

WHEREAS, Barclays Capital Inc. and Morgan Stanley & Co. LLC (the “*Underwriters*”) will agree to purchase all of the Bonds pursuant to the terms of a bond purchase agreement (the “*Purchase Agreement*”) between the Board and the Underwriters; and

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

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

WHEREAS, the issuance of the Bonds does not directly or indirectly or contingently obligate the State or any agency or political subdivision of the State to levy or to pledge any taxes to pay the cost, in whole or in part, of the Special Obligation Bond Project in compliance with Section 116D-23 of the Act; and

WHEREAS, in connection with the issuance of the Bonds and the refunding of the 2003B Bonds and the 2015 Bonds, NC State has determined it is in its best interest to terminate the interest rate swap agreement with Bank of America, N.A. (the “*BoA Swap Agreement*”) that currently hedges NC State’s interest rate risk related to the 2003B Bonds and the interest rate swap agreement with JP Morgan Chase Bank, N.A. (the “*JP Morgan Swap Agreement*”) and collectively with the BoA Swap Agreement, the “*Swap Agreements*”) that currently hedges NC State’s interest rate risk related to the 2015 Bonds and NC State intends to use its currently available non-appropriated funds to pay the termination payment related to the Swap Agreements;

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

Section 1. ***Authorization of Bonds.*** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$100,000,000 under the General Indenture and the Fourteenth Series Indenture to refund the 2003B Bonds and the 2015 Bonds and to pay the costs incurred in connection with the issuance of the Bonds. The Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the Senior Vice President for Finance and Budget, or his designee, in consultation with the appropriate officers at NC State, determine to be in the best interest of the University and NC State.

Section 2. ***Sufficiency of Available Funds.*** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds.

Section 3. ***Authorization of Board Documents.*** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the University, the Senior Vice President for Finance and Budget, the Secretary and the Assistant Secretary of the Board and the Senior Associate Vice President and Secretary of the University, including anyone serving in an interim capacity (the “*Authorized Officers*”), be and they hereby are each authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized

Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 4. ***Authorization of Preliminary Official Statement and Official Statement.*** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriters in connection with the sale of the Bonds is hereby in all respects authorized, approved, ratified and confirmed. The Authorized Officers are authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution of the Purchase Agreement to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and the use of the Official Statement by the Underwriters in connection with the sale of the Bonds with investors is hereby authorized, approved and confirmed.

Section 5. ***Authorization of Swap Termination.*** That the Board authorizes the Authorized Officers and the Vice Chancellor of Finance and Administration at NC State to terminate the Swap Agreements and use currently available non-appropriated funds of NC State to pay the termination payment related to the Swap Agreements. The Authorized Officers and the Vice Chancellor of Finance and Administration at NC State be and they hereby are each authorized, empowered and directed to execute and deliver such documentation as shall to them seem necessary, desirable or appropriate to effect the termination of the Swap Agreements.

Section 6. ***General Authority.*** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the Bonds. Any provision in this Resolution that authorizes more than one officer to take certain actions will be read to permit such officers to take the authorized actions either individually or collectively.

Section 7. ***Conflicting Provisions.*** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 8. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 24th day of May, 2018.

STATE OF NORTH CAROLINA)
)
COUNTY OF ORANGE)

SS:

SECRETARY'S CERTIFICATE
OF AUTHENTICATION

I, ANDREA POOLE, Senior Associate Vice President and Secretary of the University of North Carolina, *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 at its meeting on May 24, 2018 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on May 24, 2018 was sent to each member of the Board, and (3) a quorum was present at the meeting on May 24, 2018 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina this ____ day of _____, 2018.

[SEAL]

ANDREA POOLE, Senior Associate Vice President and
Secretary
The University of North Carolina

AGENDA ITEM

A-8. Acquisition of Property by License – NCCU..... Nathan Knuffman

Situation:	The North Carolina Central University Board of Trustees requests authorization to acquire property by license at 2515 Meridian Parkway in Durham, NC.
Background:	NCCU does not currently have sufficient on-campus housing to guarantee housing to all students who desire it and needs to obtain housing space for the fall and spring semesters for the 2018-19 academic year.
Assessment:	NCCU has previously contracted for housing in 2005 and 2009, and anticipates that enrollment with related housing needs will necessitate this for the 2018-19 school year. A public private partnership project is currently in planning to address housing needs for the longer term.
Action:	This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Acquisition of Property by License – NCCU

ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property.

The North Carolina Central University Board of Trustees has requested authorization to acquire space for fall and spring semesters to meet student housing needs. All NCCU freshmen are required to live on campus, and with a projected freshman class of 1,212, a current housing inventory of 2,828 beds for all students, and the need to maintain a balance of on-campus residents across all class levels, existing space is insufficient.

Space acquired by license will involve a maximum of 40 double occupancy and 26 single occupancy hotel rooms, beginning no earlier than August 10, 2018 and ending no later than May 11, 2019. Competitive proposals were solicited by the State Property Office with resulting rates of \$85 per room per night and no minimum guarantee requirement. With seven (7) days written notice, NCCU may reduce the number of beds and receive rent credit without additional penalty or charge.

NCCU

Property Acquisition - License

LICENSOR:	Double Tree Suites by Hilton Raleigh Durham
LICENSEE:	State of North Carolina, North Carolina Central University
LOCATION:	2515 Meridian Parkway, Durham, NC
LICENSE AMOUNT:	Maximum of \$1,542,750
DESCRIPTION:	Maximum of 66 rooms (40 double occupancy, 26 single occupancy)
LICENSE TERM:	Nine (9) months, beginning August 10, 2018
LICENSE EXPIRATION:	May 11, 2019

The acquisition of this property by license is pending approval by the North Carolina Central University Board of Trustees, anticipated at its meeting on May 17, 2018.

RECOMMENDATION

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