



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance

February 20, 2020 at 11:30 a.m.
University of North Carolina System Office
Center for School Leadership Development, Board Room
Chapel Hill, North Carolina

AGENDA

- A-1. Approval of the January 16, 2020 Minutes.....Temple Sloan
- A-2. 2020-21 Budget PrioritiesClinton Carter
- A-3. Capital Improvement Projects Katherine Lynn
- A-4. Sale of Millennial Campus Revenue Bond – Appalachian State UniversityClinton Carter
- A-5. Sale of Special Obligation Bond – Appalachian State UniversityClinton Carter
- A-6. Other BusinessTemple Sloan
 - a. Capital Construction Task Force Update
- A-7. Adjourn

DRAFT MINUTES

January 16, 2020
University of North Carolina System Office
Center for School Leadership Development, 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: Darrell Allison, Carolyn Coward, W. Marty Kotis, III, R. Doyle Parrish, and Robert Rucho.

Chancellors participating were Chancellor Woodson and Chancellor Dubois.

Staff members present included Clinton Carter, Katherine Lynn, 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 10:30 a.m. on January 16, 2020, and called for a motion to approve the open session minutes of December 12, 2019.

MOTION: Resolved, that the Committee on Budget and Finance approve the open session minutes of December 12, 2019, as distributed.

Motion: Darrell Allison

Motion: carried

2. UNC System Internal Bank Presentation (A-2)

Mr. Clinton Carter gave a presentation on the concept of the UNC System Internal Bank, which would serve as an internal lender, exclusively to our constituent institutions, and would make loans available for various capital projects. Internal banking has been effectively used by other multi-campus universities and large private universities to reduce overall institutional borrowing costs, create greater economies of scale, and reduce institutional workforce requirements. Final loan details are still to be determined and will be brought back to the Board of Governors for consideration and any necessary approval.

3. 2020-21 Tuition and Fee Proposals Presentation (A-3)

Mr. Carter presented a glance of the proposed 2020-21 Tuition and Fees that were received from the UNC System constituent institutions to the committee. These proposals will be discussed in-depth during the Tuition and Fee Workshop on February 19, 2020. The proposals will be considered for a vote in March.

4. Capital Improvement Projects – East Carolina University, Fayetteville State University, NC State, UNC-Chapel Hill, and NC School of Science and Mathematics (Item A-4)

Ms. Katherine Lynn presented prospective capital improvement projects to the committee for the following institutions: East Carolina University, Fayetteville State University, NC State, UNC-Chapel Hill, and NC School of Science and Mathematics. In total, five capital improvement projects were considered, including two advance planning projects and three increased authorization projects.

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

Motion: Darrell Allision

Motion: carried

Mr. Kotis voted no, citing previously stated concerns about the capital projects approval process.

5. Disposition of Property by Deed and by Ground Lease – East Carolina University (A-5)

Ms. Lynn introduced Ms. Sara Thorndike, ECU's vice chancellor for Administration and Finance, to present East Carolina University's request for the disposition of three historic warehouse properties located on the Millennial Campus by deed. This type of transaction would be an Estate for Years transaction for 80 years (property sale that reverts back to ECU), followed by 19-year ground lease option negotiated in year 70, so historical tax credits can be used and monetized by the developer.

Upon approval, final action by the NC Council of State will be required.

Motion: To recommend that the full Board authorize the chancellor of ECU, or the chancellor's designee, to enter into the disposition by deed transaction and ground lease agreement consistent with the terms provided in our materials, and to enter into those other agreements anticipated by these transactions that are necessary to bring the project to completion.

Motion: Robert Rucho

Motion: carried

6. Disposition of Property by Ground Lease – East Carolina University (A-6)

Ms. Thorndike presented ECU's request for the disposition of real property by ground lease for the purpose of developing a 125-room hotel. The hotel will be located on the Millennial Campus on East Fourth Street. The initial ground lease is for 65 years with an option to renew for an additional 34 years.

Motion: To recommend that the full Board authorize the chancellor of ECU, or the chancellor's designee, to enter into the ground lease consistent with the terms provided in our materials and to enter into those other agreements anticipated by the ground lease that are necessary to bring the project to completion.

Motion: Darrell Allison

Motion: carried

Mr. Kotis voted Nay.

7. Sale of Special Obligation Bonds – UNC School of the Arts (A-7)

Mr. Carter presented the University of North Carolina School of the Arts' request to authorize issuance of special obligation bonds (the "2020 Bonds") in an amount not to exceed \$46,000,000 for the purpose of constructing, equipping, and furnishing a new residence hall on UNCSA's campus, and not to exceed an additional 5% of such principal amount to pay the costs incurred in connection with the issuance of the 2020 bonds.

MOTION: Resolved, that the Committee on Budget and Finance approve UNCSA's request for the president of the University, or his designee, be authorized to issue the special obligation bonds and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: R. Doyle Parrish

Motion: carried

8. Other Business (Item A-8)

Vice Chair Parrish gave an update on the Capital Construction Task Force. Gov. Parrish shared preliminary details with the committee for the next task force meeting on Thursday, January 23, including presentations from stakeholders.

There being no further business, the meeting adjourned at 12:57 p.m.

Carolyn Coward, Secretary

AGENDA ITEM

A-2. 2020-21 Budget Priorities..... Clinton Carter

- Situation:** One of the principal responsibilities of the 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 governor recommends, and 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:** The Office of State Budget and Management (OSBM) has requested supplemental budget proposals for 2020-21, encouraging state agencies to focus requests around their mission and strategic plan.
- Assessment:** The 2020-21 budget priorities and legislative proposal are a continuation of efforts to lay the foundation for a more productive, data driven, and accountable system of higher education, and include support for faculty and staff recruitment and retention and promotion of summer school for student success. In addition, since no budget has been enacted for 2019-20, the proposal requests appropriation of items funded in the 2019 Appropriations Act (H. 966) and the Strengthening Educators’ Pay Act (S.354).
- Action:** This item is for discussion only.

Funding in the 2019 Appropriations Act (H. 966) & Strengthening Educators' Pay Act (S. 354)

Operating Items Funded in H. 966 & S. 354

- | | |
|---|---|
| <ul style="list-style-type: none">• <i>Faculty and Staff Salaries (~3.7%)</i>• <i>NC Promise Buy Down</i>• <i>Data Modernization</i>• <i>Lab Schools Operations</i> | <ul style="list-style-type: none">• <i>Faculty Recruitment and Retention</i>• <i>NCSSM Western Campus</i>• <i>NCSSM Tuition Grants</i> |
| <ul style="list-style-type: none">• <i>Doctoral Funding for N.C. A&T</i>• <i>Innovation in Manufacturing</i>
<i>Biopharmaceuticals at NC State</i>• <i>College of Health Sciences at UNCP</i> | <ul style="list-style-type: none">• <i>Western School of Medicine (MAHEC)</i>• <i>Southern Regional AHEC</i>• <i>N.C. A&T Agricultural Research and Cooperative Extension</i> |

Capital Items Authorized in H. 966

- | | |
|---|--|
| <ul style="list-style-type: none">• <i>\$631.9 M of Capital Project Authorization for 11 Universities</i> | <ul style="list-style-type: none">• <i>\$130 M of Repair and Renovations Funding</i> |
|---|--|

Policy Changes in H. 966

- | | |
|--|---|
| <ul style="list-style-type: none">• <i>Increase UNC System Carryforward %</i>• <i>Eliminate BOG Pre-Approval on Salaries</i>• <i>Chancellor-Approved Projects up to \$1M</i>• <i>Changes to Veterans In-State Provisions</i>• <i>Lab Schools Changes</i> | <ul style="list-style-type: none">• <i>NC Promise Appropriations Through 2024-25</i>• <i>Carryforward of STEM Capital Study Funds</i>• <i>UNCA Woods Residence Hall Reimbursement</i>• <i>Modify Future Teachers NC Program</i>• <i>Modify Teaching Fellows</i> |
|--|---|

The University of North Carolina System

2020-21 Budget Priorities

Expansion Priorities	FY 2020-21
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1. Faculty and Staff Salaries (1% Increase)	33,410,993
2. Summer Funding	21,104,011
	8,559,447 NR
3. Digital Learning Opportunities in Cybersecurity	3,096,000
	2,000,000 NR

Total Requested Expansion	\$68,170,451
<i>Percent Increase above 2020-21 Base Budget</i>	<i>2.34%</i>

Other Requested Base Budget Adjustments

Enrollment Changes (Allocated from \$75M Reserve)	32,068,910
Enrollment Funding	29,068,910
Enrollment Growth and Emergency Reserve	3,000,000
Building Reserves - Connect NC Bond Projects	21,494,534

Total Requested Operating Increase	\$121,733,895
<i>Percent Increase above 2020-21 Base Budget</i>	<i>4.18%</i>



2020-21 UNC SYSTEM OPERATING BUDGET PRIORITIES DISCUSSION

*Board of Governors
Committee on Budget and Finance*

February 20, 2020

Funding in the 2019 Appropriations Act (H. 966) & Strengthening Educators' Pay Act (S. 354)

Operating Items Funded in H. 966 & S. 354	
<ul style="list-style-type: none"> • Faculty and Staff Salaries (~3.7%) • NC Promise Buy Down • Data Modernization • Lab Schools Operations 	<ul style="list-style-type: none"> • Faculty Recruitment and Retention • NCSSM Western Campus • NCSSM Tuition Grants
<ul style="list-style-type: none"> • Doctoral Funding for N.C. A&T • Innovation in Manufacturing • Biopharmaceuticals at NC State • College of Health Sciences at UNCP 	<ul style="list-style-type: none"> • Western School of Medicine (MAHEC) • Southern Regional AHEC • N.C. A&T Agricultural Research and Cooperative Extension
Capital Items Authorized in H. 966	
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Policy Changes in H. 966	
<ul style="list-style-type: none"> • Increase UNC System Carryforward % • Eliminate BOG Pre-Approval on Salaries • Chancellor-Approved Projects up to \$1M • Changes to Veterans In-State Provisions • Lab Schools Changes 	<ul style="list-style-type: none"> • NC Promise Appropriations through 2024-25 • Carryforward of STEM Capital Study Funds • UNCA Woods Residence Hall Reimbursement • Modify Future Teachers NC Program • Modify Teaching Fellows

2020-21 UNC System Budget Priorities

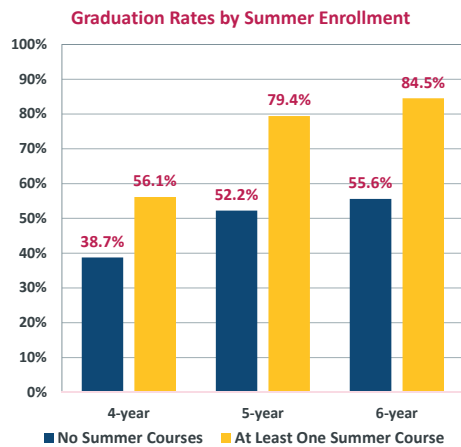
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Faculty and Staff Salaries

- SL 2019-209 (H. 226) granted a 2.5% salary increase in each year of the biennium (5% total) for state employees, but excluded raises for education agencies.
- An increase of 1% along with the funding in the 2019 Appropriations Act (0.9%), and the Strengthening Educators' Pay Act (2.8%) would provide UNC System employees with a 4.7% increase.

Room to Improve On-time Graduation Rates



- Students who took at least one summer course had a 4-year graduation rate that was 17.4 percentage points higher than those who did not.
- However, only 58% of students took one or more courses in the summer.
- Increasing student enrollment in the summer has the potential to dramatically increase on-time graduation.

Summer Funding

- The System Office requested detailed information from institutions concerning the following:
 - Barriers to increasing summer enrollment
 - Undergraduate courses each campus would offer if summer enrollment was funded at the same level as fall and spring
 - Student services that could better leverage summer courses

Summer Funding Request	2020-21
Start-up Funding for Identified Courses	\$8,559,447 NR
Student Services	\$11,104,011 R
Summer Scholarships	\$10,000,000 R

Digital Learning Opportunities in Cybersecurity

- A newly created “UNC Accelerator” will provide funds through a competitive internal grant process that leverages demonstrated strengths of the UNC institutions.
- The funding requested will lay the ground work for the dramatic acceleration in the UNC System’s ability to address critical workforce needs.
- This will include support for the expansion of essential programs, like cybersecurity, and online delivery options that will increase access for military, veterans, and rural students.

Digital Learning Opportunities in Cybersecurity	2020-21 Request	
	Recurring	Nonrecurring
Support Services	\$676,000	–
Program Development	\$980,000	\$1,000,000
Business Development	\$190,000	–
Technology	\$750,000	–
Outreach	\$500,000	\$1,000,000

Funding Model – 12-Cell Matrix

Program Category	Student Credit Hours (SCH)			SCH per Instructional Position			Instructional Positions Required		
	UG	Masters	Doctoral	UG	Masters	Doctoral	UG	Masters	Doctoral
Category I	1,993	(1,081)	-	708.64	169.52	115.56	2.81	(6.38)	-
Category II	743	(1,003)	73	535.74	303.93	110.16	1.39	(3.30)	0.67
Category III	5,564	1,404	-	406.24	186.23	109.86	13.70	7.54	-
Category IV	642	(10)	-	232.25	90.17	80.91	2.77	(0.11)	-
Total	8,942	(690)	73				20.66	(2.25)	0.67
All SCH Total			8,325				All Positions Total		
							19.08		

Total Positions Required	19.08
Instructional Salary Rate of Campus	\$ 81,547
Instructional Salary	\$ 1,555,967
Other Academic Costs	44.89% \$ 698,474
Total Academic Requirements	\$ 2,254,441
Library	11.48% \$ 258,810
General Institutional Support	54.05% \$ 1,218,525
Total Requirements	\$ 3,731,775
Tuition Revenue	FTE Rate FTE x Rate
In-State Undergrad	369 \$ 4,197 \$ 1,549,324
Out-of-State Undergrad	15 \$ 19,049 \$ 293,316
In-State Grad	(76) \$ 4,839 \$ (369,401)
Out-of-State Grad	6 \$ 18,271 \$ 105,076
Total Expected Tuition Revenue	\$ 1,578,316
Appropriation Requested	\$ 2,153,460

Enrollment Funding Request

- Funding request is based on actual enrollment in arrears for the first time.
- Incremental change is determined by increase/decrease in credit hours from CY 2018 to 2019.
- Amount of funding depends on the change in number and type (discipline) of credit hours and the residency of the student.

Instit.	Requirements	Receipts	Appropriation
ASU	\$ 9,726,214	\$ 4,550,822	\$ 5,175,392
ECU	(6,307,730)	(5,195,817)	(1,111,913)
ECSU	2,787,537	1,738,240	1,049,297
FSU	3,517,709	976,204	2,541,505
NCA&T	3,118,056	3,614,142	(496,086)
NCCU	(2,161,050)	101,883	(2,262,933)
NCSU	6,909,225	3,051,746	3,857,479
UNCA	(921,714)	(745,999)	(175,715)
UNC-CH	(327,679)	(3,748,483)	3,420,804
UNCC	4,357,728	1,980,059	2,377,669
UNCG	(4,381,346)	(2,614,731)	(1,766,615)
UNCP	9,453,425	4,467,033	4,986,392
UNCW	12,837,850	3,069,893	9,767,957
UNCSA	916,094	289,635	626,459
WCU	6,783,611	4,867,751	1,915,860
WSSU	(1,058,075)	(126,222)	(931,853)
NCSSM	95,211	–	95,211
TOTALS	\$45,345,066	\$16,276,156	\$29,068,910

Enrollment Growth and Emergency Reserve

Enrollment Growth Reserve

- Moving to actual enrollment in arrears puts a strain on rapidly growing campuses making it difficult to support new programs and incoming students.
- This reserve would provide temporary funding to bridge extreme growth until enrollment is funded in the formula.

Emergency Reserve

- FY 2019-20 has seen a substantial increase in the number of one-time campus emergency requests.
- The budget impasse is expected to exacerbate this issue.

Building Reserves for New Construction

Institution	Building	2020-21 Request	Project Status
ECSU	Moore Hall*	\$ 109,129	Bidding
NC State	Utility Infrastructure*	585,615	Under Construction
NC State	Fitts-Woolard Hall*	4,802,945	Under Construction
UNCA	Carmichael Hall Renovation*	162,859	Under Construction
UNCA	Owens Hall Renovation*	232,134	Under Construction
UNCC	Science Building*	1,758,799	Under Construction
UNCG	Nursing & Instructional Building*	1,715,960	Under Construction
UNCG	South Chiller Plant*	761,650	Under Construction
UNCW	Allied Health (Veteran's Hall)*	3,131,849	Under Construction
UNCSA	Performance Place Renovation*	42,901	Under Design
UNCSA	Old Library Renovation*	377,078	Under Construction
WCU	STEM Building*	3,490,619	Under Construction
WSSU	Science & General Office Building*	1,088,373	Under Construction
WSSU	1602 Lowery Street Renovation	1,397,916	Under Design
NCSSM	NCSSM Morganton*	1,836,707	Under Construction
TOTAL		\$21,494,534	

QUESTIONS?

AGENDA ITEM

A-3. Capital Improvement Projects –NC State, UNC Charlotte, and NC School of Science and Mathematics..... Katherine Lynn

- Situation:** Three UNC System institutions have requested a total of five capital improvement projects: four projects for advance planning and one project 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:** NC State, UNC Charlotte, and the NC School of Science and Mathematics 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 NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Capital Improvement Projects – NC State, UNC Charlotte, and NCSSM

ISSUE OVERVIEW

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

There are three UNC System institutions that have requested a total of five capital improvement projects: four for advance planning and one project for increased authorization.

I. ADVANCE PLANNING

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
North Carolina State University					
1.	Physical Master Plan	\$2,000,000	\$ –	\$2,000,000	Carry-forward
<i>NC State Subtotal</i>		<i>\$2,000,000</i>	<i>\$ –</i>	<i>\$2,000,000</i>	
University of North Carolina at Charlotte					
2.	Remembrance Memorial	\$2,000,000	\$ –	\$200,000	Donations & Gifts
<i>UNCC Subtotal</i>		<i>\$2,000,000</i>	<i>\$ –</i>	<i>\$200,000</i>	
North Carolina School of Science and Mathematics					
3.	Residence Hall Renovations	\$8,318,690	\$ –	\$800,000	Donations & Gifts
4.	Academic Commons Renovations	\$12,600,000	\$ –	\$1,200,000	Donations & Gifts
<i>NCSSM Subtotal</i>		<i>\$20,918,690</i>	<i>\$ –</i>	<i>\$2,000,000</i>	

II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
North Carolina State University					
5.	Cates Avenue Water, Steam, and Condensate Replacement	\$966,523	\$366,523	\$600,000	F&A
<i>NC State Subtotal</i>		<i>\$966,523</i>	<i>\$366,523</i>	<i>\$600,000</i>	
Grand Total		\$25,885,213	\$366,523	\$4,800,000	

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 do not require any additional debt or burden on state appropriations.

AGENDA ITEM

A-4. Sale of Millennial Campus Revenue Bond – Appalachian State University..... Clinton Carter

Situation: Appalachian State University (“Appalachian”) requests that the Board of Governors issue a Millennial Campus revenue bond (the “2020 Bond”) in an amount not to exceed \$2,650,000 for the purpose of acquiring and installing a field turf system (the “2020 Project”) for Kidd Brewer Stadium (the “Stadium”) and paying costs incurred in connection with the issuance of the 2020 Bond.

Background: The Board of Governors, pursuant to the Millennial Campuses Financing Act, Article 21B of Chapter 116 of the General Statutes (the “Act”), by resolution adopted on September 9, 2016, designated an 87.96-acre area of Appalachian that includes the Stadium and a number of west campus residence halls as a Millennial Campus (the “Millennial Campus”). The Board of Governors is authorized to issue Millennial Campus revenue bonds payable from any leases, rentals, charges, fees, and other revenues of a “project” (as defined in the Act) located on a Millennial Campus, and the 2020 Project constitutes a “project” under the Act.

Assessment: Appalachian currently has an issuer credit rating of “Aa3” with a negative outlook from Moody’s Investor Service, and Appalachian’s outstanding Millennial Campus revenue bonds are rated “A1” with a negative outlook from Moody’s Investor Service. This transaction is not expected to have any impact on Appalachian’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 Millennial Campus Revenue Bond – Appalachian State University

ISSUE OVERVIEW

The Board of Governors, pursuant to the Millennial Campuses Financing Act, Article 21B of Chapter 116 of the General Statutes (the “Act”), by resolution adopted on September 9, 2016, designated an 87.96-acre area of Appalachian State University (“Appalachian”) that includes Kidd Brewer Stadium (the “Stadium”) and a number of west campus residence halls as a Millennial Campus (the “Millennial Campus”). The Board of Governors is authorized to issue Millennial Campus revenue bonds payable from any leases, rentals, charges, fees, and other revenues of a “project” (as defined in the Act) located on a Millennial Campus.

The Board of Governors is authorized to issue Millennial Campus revenue bonds and bond anticipation notes for projects under the Act.

Appalachian requests that the Board issue a Millennial Campus revenue bond (the “2020 Bond”) in an amount not to exceed \$2,650,000 for the purpose of acquiring and installing a field turf system for the Stadium (the “2020 Project”) and paying costs incurred in connection with the issuance of the 2020 Bond. The 2020 Project constitutes a “project” under the Act.

Charges and other revenues associated with the use of the 2020 Project will be used by Appalachian to retire the 2020 Bond. The 2020 Bond will be placed with DNT Asset Trust, an affiliate of JPMorgan Chase & Co., which was selected through a competitive RFP process.

Appalachian currently has an issuer credit rating of “Aa3” with a negative outlook from Moody’s Investor Service, and Appalachian’s outstanding Millennial Campus revenue bonds are rated “A1” with a negative outlook from Moody’s Investor Service. This transaction is not expected to have any impact on Appalachian’s credit ratings. McGuireWoods LLP is bond counsel, and First Tryon Advisors is the financial advisor.

It is recommended that the president of the University, or his designee, be authorized to sell the 2020 Bond through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF
NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF A
MILLENNIAL CAMPUS REVENUE BOND FOR APPALACHIAN STATE
UNIVERSITY TO FUND THE ACQUISITION AND INSTALLATION OF A
FIELD TURF SYSTEM AT KIDD BREWER STADIUM**

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

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

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

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

WHEREAS, the Board has now determined to issue not-to-exceed \$2,650,000 aggregate principal amount of Appalachian State University Millennial Campus Revenue Bond, Series 2020 (the "2020 Bond"), to (a) pay all or a portion of the costs of the acquisition and installation of a field turf system at the Stadium (collectively, the "2020 Project" and, together with the 2018 Project, the "Project"), and (b) pay the costs of issuing the 2020 Bond;

WHEREAS, the Board has determined that the 2020 Project constitutes a "Special Facility" under the Board's General Trust Indenture dated as of May 1, 2003, between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and supplemented, pursuant to which the Board issues its Appalachian State University General Revenue Bonds (the "General Revenue Bond Indenture") and

WHEREAS, the Board has determined to issue the 2020 Bond on a parity basis with the 2018 Bonds under the Master Indenture and a Series Indenture, Number 2, dated as of February 1, 2020 (the "Second Series Indenture" and, together with the Master Indenture and the First Series Indenture, the "Indenture"); and

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

WHEREAS, DNT Asset Trust has been selected to purchase the 2020 Bond (the "Purchaser"), and is expected to purchase the 2020 Bond pursuant to the terms of a bond purchase agreement (the "Purchase Agreement") between the Board and the Purchaser; and

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

1. the Master Indenture;
2. the Second Series Indenture;
3. the form of the 2020 Bond, as set forth in the Second Series Indenture; and
4. the Purchase Agreement.

WHEREAS, the 2020 Bond shall not be deemed to constitute a debt or liability of the State of North Carolina or any political subdivision thereof or a pledge of the faith and credit of the State of North Carolina or of any such political subdivision, but shall be payable solely from the funds herein provided therefor from the Revenues in compliance with Section 116-198.32 of the Act;

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

Section 1. Authorization of Bond. The Board hereby authorizes and approves the issuance of the 2020 Bond in an aggregate principal amount not to exceed \$2,650,000, subject to the terms and conditions of this Resolution. The 2020 Bond may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds, as the Senior Vice President for Finance and Administration and CFO of the UNC System, or his designee, in consultation with the appropriate officers at Appalachian, determine to be in the best interest of the UNC System and Appalachian.

Section 2. Designation of Special Facility. The Board hereby designates the 2020 Project (and any additional Millennial Campus Project designated in the future pursuant to the Master Indenture) as a "Special Facility" under the General Revenue Bond Indenture.

Section 3. Authorization of Board Documents. The form and content of the Board Documents are hereby in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the UNC System, the Senior Vice President for Finance and Administration and CFO of the UNC System, the Secretary and the Assistant Secretary of the Board and the Senior Associate Vice President and Secretary of the UNC System (collectively, the "Authorized Officers") are hereby authorized, empowered and directed, individually and collectively, to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as any Authorized Officer may deem necessary, desirable or appropriate, including such changes as may be necessary to reflect the terms of the 2020 Bond (including, but not limited to, the setting of interest rates, whether fixed rate to one or

more terms or to maturity, or variable rates, and the amortization of principal). The execution of the Board Documents shall constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein. From and after the execution and delivery of the Board Documents, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Master Indenture and the Board Documents as executed.

Section 4. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary for the issuance and sale of the 2020 Bond. The Authorized Officers are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the 2020 Bond. 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 5. 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 6. Effective Date. This Resolution is effective immediately on the date of its adoption.

**SECRETARY'S CERTIFICATE
OF AUTHENTICATION**

STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, Meredith McCullen Steadman, Secretary of the University of North Carolina System, DO HEREBY CERTIFY that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its meeting on February 21, 2020, and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on February 21, 2020 was sent to each member of the Board, and (3) a quorum was present at the meeting on February 21, 2020, at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this ____ day of February, 2020.

[SEAL]

Meredith McCullen Steadman, Secretary of the
University of North Carolina System

AGENDA ITEM

A-5. Sale of Special Obligation Bonds – Appalachian State University.....Clinton Carter

Situation: Appalachian State University requests that the Board of Governors issue a special obligation bond in a principal amount not to exceed \$2,350,000 (the “Bond”) for the purpose of refunding up to \$2,160,000 of outstanding special obligation bonds issued on Appalachian’s behalf in 2010 (the “2010B-1 Bonds”) and paying costs of issuance with respect to the Bond.

Background: The Board 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 and the General Assembly and have been approved for financing. This request is to refinance for savings those previously issued bonds.

Assessment: Due to the favorable interest rate environment, Appalachian has the opportunity to refinance the 2010B-1 Bonds for debt service savings. Appalachian estimates that it can achieve approximately \$120,000 in net present value savings by refunding the 2010B-1 Bonds, representing roughly 5.7% of the par amount refunded. Appalachian is pursuing this refinancing simultaneously with its turf field financing to streamline costs and improve savings.

Appalachian currently has an issuer credit rating of “Aa3” with a negative outlook by Moody’s Investor Service. This transaction is expected to have no impact on Appalachian’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 – Appalachian State University

ISSUE OVERVIEW

The Board of Governors is authorized to issue special obligation bonds for capital improvement 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.

Appalachian State University requests that the Board issue a special obligation bond in a principal amount not to exceed \$2,350,000 (the “Bond”) for the purpose of refinancing up to \$2,160,000 of outstanding special obligation bonds issued on behalf of Appalachian in 2010 (the “2010B-1 Bonds”). Appalachian estimates that it can achieve approximately \$120,000 in net present value savings by refunding the 2010B-1 Bonds, representing roughly 5.7% of the par amount refunded. Appalachian is pursuing this refinancing simultaneously with its turf field financing to streamline costs and improve savings.

The Bond will be privately placed with DNT Asset Trust, an affiliate of JPMorgan Chase & Co., which was selected through a competitive RFP process.

Appalachian currently has an issuer credit rating of “Aa3” with a negative outlook by Moody’s Investor Service. This transaction is expected to have no impact on Appalachian’s credit rating. McGuireWoods LLP is bond counsel, and First Tryon is the financial advisor to Appalachian.

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

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH
CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION
BONDS TO REFINANCE SPECIAL OBLIGATION BOND PROJECTS FOR
APPALACHIAN STATE UNIVERSITY**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, as amended, the Board of Governors (the "Board") of the University of North Carolina System (the "UNC System") is vested with general control and supervision of the constituent institutions of the UNC System, including Appalachian State University ("Appalachian"); and

WHEREAS, the Board is authorized by Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (the "Act") to issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing a special obligation project and refunding bonds for the purpose of refunding any bonds issued by the Board under the Act or under any Article of Chapter 116 of the General Statutes, including the payment of any redemption premium on the bonds refunded and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

WHEREAS, the Board has determined that it may achieve debt service savings by refunding all or a portion of its the University of North Carolina System Pool Revenue Bonds (Appalachian State/UNC Charlotte Pool Revenue Bonds), Series 2010B-1 (the "Refunded Bonds"); and

WHEREAS, in order to refund the Refunded Bonds, the Board has determined to issue the Appalachian State University General Revenue Refunding Bond, Series 2020, in an aggregate principal amount not to exceed \$2,350,000 (the "2020 Bond"), to (a) refund all or a portion of the Refunded Bonds and (b) pay the costs of issuing the 2020 Bond; and

WHEREAS, if the Board can achieve debt service savings, the Board has determined to issue the 2020 Bond to refund all or a portion of the Refunded Bonds and pay related costs of issuance under the General Trust Indenture, dated as of November 1, 2003 (the "General Indenture"), between the Board and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), and Series Indenture, Number 17, to be dated as of February 1, 2020 (the "Seventeenth Series Indenture" and, together with the General Indenture, the "Indentures"), between the Board and the Trustee; and

WHEREAS, through a request for proposals process, DNT Asset Trust (the "Purchaser") has been selected to purchase the 2020 Bond, and is expected to purchase the 2020 Bond pursuant to the terms of a bond purchase agreement (the "Purchase Agreement") between the Board and the Purchaser]; and

WHEREAS, the projects to be refinanced with the proceeds of the 2020 Bond are collectively referred to herein as the "Special Obligation Bond Projects"; and

WHEREAS, the 2020 Bond and other obligations issued under the General Indenture are payable solely from "Available Funds" as defined in the General Indenture; and

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

1. the Seventeenth Series Indenture;

2. the form of the 2020 Bond, as set forth in the Seventeenth Series Indenture;
3. an Escrow Agreement dated as of February 1, 2020, between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent related to the refunding of the Refunded Bonds; and
4. [the Purchase Agreement; and]

WHEREAS, the issuance of the 2020 Bond does not directly or indirectly or contingently obligate the State of North Carolina 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 refinancing the Special Obligation Bond Projects in compliance with Section 116D-23 of the Act;

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

Section 1. Sufficiency of Available Funds. The Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the 2020 Bond.

Section 2. Authorization of Bonds. The Board hereby authorizes and approves the issuance of the 2020 Bond in the maximum amount of \$2,350,000, subject to the terms and conditions of this Resolution.

Section 3. Authorization of Board Documents. The form and content of the Board Documents are hereby in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the UNC System, the Senior Vice President for Finance and Administration and CFO of the UNC System, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System (collectively, the "Authorized Officers") are hereby authorized, empowered and directed, individually and collectively, to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as any Authorized Officer may deem necessary, desirable or appropriate, including such changes as may be necessary to reflect the terms of the 2020 Bond (including, but not limited to, the setting of interest rates, whether fixed rates to one or more terms or to maturity, or variable rates, and the amortization of principal). The execution of the Board Documents shall constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein. From and after the execution and delivery of the Board Documents, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the General Indenture and the Board Documents as executed.

Section 4. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary for the issuance and sale of the 2020 Bond and the refunding of the Refunded Bonds. The 2020 Bond may be sold to the Purchaser in a private placement, and the foregoing officers are hereby authorized, empowered and directed to execute and deliver such documents, instruments and certificates as may be required to effect the sale of the 2020 Bond to the Purchaser. The Authorized Officers are further authorized to take any and all further

actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the 2020 Bond.

Section 5. 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 6. Effective Date. This Resolution is effective immediately on the date of its adoption.

SECRETARY'S CERTIFICATE OF AUTHENTICATION

STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, Meredith McCullen Steadman, 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 (the "Board") at its regular meeting on February 21, 2020, and appearing in the minutes of such meeting, (2) notice of the meeting of the Board held on February 21, 2020 was sent to each member of the Board, and (3) a quorum was present at the meeting on February 21, 2020, at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina this 21st day of February, 2020.

[SEAL]

Meredith McCullen Steadman, Secretary of the
University of North Carolina System