



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance

July 22, 2020 at 12:30 p.m.
Via Videoconference and UNC-TV Live Stream
University of North Carolina System Office
Center for School Leadership Development, Board Room
Chapel Hill, North Carolina

AGENDA

- A-1. Approval of the May 19, 2020 Minutes James L. Holmes
- A-2. 2020-21 Operating Budget Allocations..... Clinton Carter
- A-3. 2020-21 Capital Improvements Allocations (R&R) Clinton Carter
- A-4. Report on Need-Based Aid from Tuition 2020-21 Clinton Carter
- A-5. Update on Internal Bank – UNC Funding Corp. Clinton Carter
- A-6. Sale of Special Obligation Bonds – North Carolina A&T University Clinton Carter
- A-7. Sale of Special Obligation Bonds – Western Carolina University Clinton Carter
- A-8. Approval of Substitute Liquidity Facilities and
Successor Remarketing Agents – UNC Hospitals Clinton Carter
- A-9. Disposition of Property by Lease – East Carolina University Katherine Lynn and Sara Thorndike
- A-10. Other Business James L. Holmes
 - a. Report of the Capital Construction Task Force
 - b. Discussion on Tuition and Fee Scenario Planning
- A-11. Adjourn

DRAFT MINUTES

May 19, 2020
University of North Carolina System Office
Via Videoconference and UNC-TV Live Stream

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

Darrell Allison joined the meeting at 11:53 a.m.

Chancellors participating were Philip Dubois, Harold Martin, and Randy Woodson. Staff members present included Clinton Carter and others from the UNC System Office.

1. Call to Order and Approval of the April 16 and April 29, 2020 Minutes (Item A-1)

The chair called the meeting to order at 11:31 a.m. on May 19, 2020, and called for a motion to approve the minutes of April 16, 2020, for the regular meeting of the Committee on Budget and Finance and the minutes of April 29, 2020, for the special meeting of the Committee on Budget and Finance.

MOTION: Resolved, that the Committee on Budget and Finance approve the minutes of April 16, 2020, for the regular meeting of the Committee on Budget and Finance and the minutes of April 29, 2020, for the special meeting of the Committee on Budget and Finance, as distributed.

Motion: R. Doyle Parrish

Motion: carried

Roll Call Vote	
Allison	Had not arrived yet
Coward	Yes
Kotis	Yes
Parrish	Yes
Rucho	Yes
Sloan	Yes

2. 2020 COVID-19 Recovery Act Funding Allocations (Item A-2)

Senior Vice President Clinton Carter presented the 2020 COVID-19 Recovery Act Funding Allocations. Funds were appropriated to the Board of Governors by the General Assembly through the 2020 COVID-19 Recovery Act. The Act directs the distribution of federal emergency funding received from the Coronavirus Relief Fund created under the CARES Act and includes funding for the Board of Governors to allocate to the UNC System institutions. The Board is directed to allocate funds to cover increased costs related to moving classwork online, implementing a Digital Learning Accelerator, providing facility sanitization, and assisting students and employees. The General Assembly also made a number of other appropriations for designated programs related to research, development of countermeasures for COVID-19, and to the North Carolina State Education Assistance Authority (NCSEAA) to distribute to eligible private postsecondary institutions to support the transition to online education.

MOTION: Resolved, that the Committee on Budget and Finance approve the 2020 COVID-19 Recovery Act Funding Allocations for a vote by the full Board.

Motion: Carolyn Coward

Motion: carried

Roll Call Vote	
Allison	Had not arrived yet
Coward	Yes
Kotis	Yes
Parrish	Yes
Rucho	Yes
Sloan	Yes

3. Report on FY 2019 UNC System Debt Capacity Study (Item A-3)

Mr. Carter presented the Report on FY 2019 UNC System Debt Capacity Study, in compliance with G.S. 116D-56. The Study found that 15 out of 16 institutions maintained or increased their debt capacity over the five-year Study period; seven institutions have increased their debt capacity compared to last year; and all 16 institutions have improved at least one of their primary financial ratios since the FY 2018 Study. Moreover, in light of the impact of the coronavirus, the Study also provides revised credit rating outlooks for three UNC System institutions as of April 2020.

MOTION: Resolved, that the Committee on Budget and Finance approve the Report on FY 2019 UNC System Debt Capacity Study for a vote by the full Board through the consent agenda.

Motion: Darrell Allison

Motion: carried

Roll Call Vote	
Allison	Yes
Coward	Yes
Kotis	Yes
Parrish	Yes
Rucho	Yes
Sloan	Yes

4. Sale of Special Obligations Bonds – NC State University (Item A-4)

Mr. Carter presented North Carolina State University's request to issue special obligation bonds for the purpose of financing the remaining \$42,000,000 of construction, equipping, and furnishing costs of the Carmichael Gymnasium renovation project, a new Plant Sciences Building, and the new Fitts-Woolard Hall; refinancing NC State's outstanding Commercial Paper payables and converting to long-term debt; refinancing its outstanding series 2010B Bonds and 2013A Bonds and funding associated costs related to the 2020 bond issuance.

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

Motion: Darrell Allison

Motion: carried

Roll Call Vote	
Allison	Yes
Coward	Yes
Kotis	Yes
Parrish	Yes
Rucho	Yes
Sloan	Yes

5. Capital Improvements Projects – Appalachian State University (Item A-5)

Senior Associate Vice President Katherine Lynn presented prospective capital improvement projects at Appalachian State University to the committee. Appalachian State University requested a total of two capital improvement projects for advance planning authorization: Rivers Street (at Roess Dining Facility) and Trivette Hall Dining Renovations and University Bookstore.

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

Motion: R. Doyle Parrish

Motion: carried

Roll Call Vote	
Allison	Yes
Coward	Yes
Kotis	Yes
Parrish	Yes
Rucho	Yes
Sloan	Yes

6. Acquisition of Property by Lease – NC State University (Item A-6)

Ms. Lynn presented the acquisition of property by lease at University Towers Residence Hall at NC State University. The lease with University Towers is required to cover the need for additional student housing. The proposed lease is for three floors in a private residence hall immediately adjacent to the campus and will provide overflow residential housing for 384 students and six residential advisors. NC State leased the same facilities for the 2018-19 and 2019-20 academic years and the new lease terms are similar to the previous lease terms.

MOTION: Resolved, that the Committee on Budget and Finance approve the acquisition of property by lease at North Carolina State University and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: Darrell Allison

Motion: carried

Roll Call Vote	
Allison	Yes
Coward	Yes
Kotis	Yes
Parrish	Yes
Rucho	Yes
Sloan	Yes

7. Other Business (Item A-7)

Chair Sloan mentioned that the full and completed annually required reports are available within the materials. Chair Sloan asked that committee members reach out to Mr. Carter or himself directly if there are questions.

There being no further business, the meeting adjourned at 12:09 p.m.

Michael Williford, Secretary

AGENDA ITEM

A-2. 2020-21 Operating Budget Allocations Clinton Carter

Situation:	While most of the funding for each institution's current operations budget comes in the base budgets approved by the General Assembly, some funds for expansions and improvements are appropriated to the UNC Board of Governors for allocation to the institutions.
Background:	By statute, the Board is directed to allocate such funds in accordance with its 2020-21 budget priorities and with any specifications mandated by the General Assembly. A number of appropriations and adjustments for designated programs in University Operations were also included.
Assessment:	The allocations meet all of the directives cited in the various UNC System-related bills that comprise the enacted budget. Many of the changes were made directly to each institution's budget; however, two items requiring Board action are shown in the table on the following page.
Action:	This item requires a vote by the committee and a vote by the full Board of Governors.

2020-21 Operating Budget Allocations

This document includes recommended allocations for operating funding, as well as additional information about the 2020-21 budget and related bills. A comparison of the final enacted budget to the Board of Governors' budget priorities can be found in Appendix A. Due to the COVID-19 pandemic and resulting loss in state revenue, items requested by the Board for recurring funds, with the exception of the NCSSM Western Campus Operations, were appropriated with nonrecurring funds. We will continue to seek recurring dollars for these items.

It is recommended that the following proposed allocations for 2020-21 be approved and that the president be authorized to make refinements in the interest of accuracy and completeness. It is also recommended that the president be authorized to seek such concurrence as may be required of the director of the budget in the allocation of budget priorities.

A. Recommended Allocations for Items Requiring Board Approval

Table 1 summarizes the operating allocations requiring Board of Governors approval. Following the table is a summary of the methodology for each allocation.

Table 1: Recommended Allocations Requiring Board Approval

Institution	Enrollment Change Funding	NC Promise Tuition Plan
Appalachian State University	\$ 5,175,392	
East Carolina University	(1,111,913)	
Elizabeth City State University	1,049,297	\$ 624,549
Fayetteville State University	2,541,505	
N.C. A&T State University	(496,086)	
North Carolina Central University	(2,262,933)	
North Carolina State University	3,857,479	
UNC Asheville	(175,715)	
UNC-Chapel Hill	3,426,899	
UNC Charlotte	2,694,895	
UNC Greensboro	(1,766,615)	
UNC Pembroke	4,986,392	2,005,687
UNC Wilmington	9,767,957	
UNC School of the Arts	626,459	
Western Carolina University	1,915,860	4,008,287
Winston Salem State University	(931,853)	
NC School of Science & Mathematics	95,211	
UNC System Office, Institutional Prog.	–	8,361,477*
Total	\$29,392,231	\$15,000,000

FTE Model programs include: ECU Medical and Dental Schools, NCCU School of Law, NC State School of Veterinary Medicine, UNC-CH Schools of Dentistry, Law, Medicine, and Pharmacy, UNCSA, and NCSSM.

**NC Promise funds of \$8,361,477 will be allocated after Fall 2020 census.*

2020-21 Operating Budget Allocations

1. Enrollment Change Funding

The 2020 General Assembly fully funded the Board's enrollment change funding request by providing \$29,392,231 in nonrecurring funds for 2020-21. Senate Bill 817 (S.L. 2020-67) mandates that \$12,718,578 be transferred from the Department of Commerce's Job Development Investment Grant Special Revenue Fund and the remaining \$16,673,653 will be transferred from the General Fund to the UNC System Office, Institutional Programs (Board Reserve). For the first time, the UNC System has based its enrollment funding request on actual credit hours completed in arrears. Unlike in the past when funding arrived in the same semester as incremental growth, institutions will now be required to support increased enrollment for up to a year and a half with existing resources before they receive appropriation for these new students. However, this move allows for more accuracy and transparency in the enrollment funding request as well as efficiency gains in the process to determine the funding amounts. It is recommended that the enrollment change funding be allocated as shown in Table 1.

2. NC Promise Tuition Plan

The General Assembly provided an additional \$15,000,000 in nonrecurring funds for the NC Promise Tuition Plan, which sets undergraduate tuition at \$500 per semester for NC residents and \$2,500 per semester for nonresidents at three UNC institutions (ECSU, UNCP, and WCU). Funds will be used to support increased enrollment at each institution. Senate Bill 814 (S.L. 2020-43) mandates that \$10 million be transferred from the Education Lottery Reserve Fund and the remaining \$5 million will be transferred from the Department of Public Instruction's School Bus Replacement Fund to the UNC System Office, Institutional Programs (Board Reserve). The General Assembly also requires a report by the Board and the chancellors of the NC Promise institutions by October. More detailed information can be found in Appendix B. It is recommended that \$6,638,523 of the \$15 million appropriation be allocated to the three institutions as shown in Table 1. There was no appropriation for the FY 2019-20 growth at the NC Promise institutions, and this funding will bring the total buy-down amount up to the appropriate level for the prior year. It is recommended that the president be authorized to make further allocations for FY 2020-21 after fall 2020 census. Table 2 shown below provides more detail on the NC Promise buy-down calculation.

Table 2: NC Promise Buy-Down Allocation

		Fall FTE	Spring FTE	AAFTF	Calculated 2019-20 Buy Down	2018-19 Final Buy-Down Allocation	Difference
ECSU	Resident	1,308	1,230	1,269	\$2,355,264	\$2,094,487	
	Nonresident	293	256	275	3,019,500	2,655,728	
	Total	1,601	1,486	1,544	5,374,764	4,750,215	\$624,549
UNCP	Resident	5,404	5,030	5,217	13,574,634	12,484,556	
	Nonresident	388	318	353	3,598,129	2,682,520	
	Total	5,792	5,348	5,570	17,172,763	15,167,076	\$2,005,687
WCU	Resident	8,541	7,911	8,226	24,439,446	22,910,858	
	Nonresident	1,167	1,108	1,138	10,651,550	8,171,851	
	Total	9,708	9,019	9,364	35,090,996	31,082,709	\$4,008,287
Total	Resident	15,253	14,171	14,712	40,369,344	37,489,901	
	Nonresident	1,848	1,682	1,765	17,269,179	13,510,099	
	Total	17,101	15,853	16,477	\$57,638,523	\$51,000,000	\$6,638,523

2020-21 Operating Budget Allocations

B. Additional Budget Actions Not Requiring Board Approval (for information only)

The General Assembly increased appropriations directly to several institutional budgets, which do not require Board allocation. These are described on the following pages, for information only.

1. NCSSM Western Campus Operations

The General Assembly fully funded the Board's request of \$3,340,591 in recurring funds for the 2020-21 fiscal year to be allocated to the NC School of Science and Mathematics for operating funds, purchase of equipment and supplies, and to establish 46 new positions at the Morganton campus of NCSSM established pursuant to G.S. 116-235.5. These funds were appropriated to the UNC System Office, Institutional Programs (Board Reserve) and will be transferred to NCSSM per House Bill 1136 (S.L. 2020-31). See Appendix B for more information.

2. NC State Innovation in Manufacturing Biopharmaceuticals

The General Assembly provided nonrecurring funds of \$2,000,000 for North Carolina State University's participation in a collaborative effort to accelerate the development of innovative manufacturing processes for biopharmaceutical products. Funds will support the Biomanufacturing Training and Education Center at North Carolina State University and serve as matching funds for a federal grant from the National Institute of Standards and Technology. House Bill 472 (S.L. 2020-26) mandates that \$2 million be transferred from the Department of Public Instruction's School Bus Replacement Fund to NC State University, Academic Affairs.

3. N.C. A&T Agricultural Research and Cooperative Extension

The General Assembly provided nonrecurring funds of \$3,000,000 for North Carolina A&T State University to be used to support its agricultural research and cooperative extension activities by matching federal funds awarded to N.C. A&T State University as a land-grant university pursuant to the National Agricultural Research, Extension, and Teaching Policy Act of 1977. House Bill 472 (S.L. 2020-26) mandates that \$3,000,000 be transferred from the Department of Public Instruction's School Bus Replacement Fund to N.C. A&T State University. This bill also permits the institution to sell dairy products produced by N.C. A&T's University Farm at university-owned facilities so long as any profits are used to support the agricultural research program and the College of Agriculture and Environmental Sciences at N.C. A&T State University.

4. UNCP College of Health Sciences

The General Assembly provided \$2,000,000 in nonrecurring funds for the Department of Nursing in the College of Health Sciences at UNC Pembroke for assistance with specialized medical and patient safety training to address the unique settings and procedures necessary when caring for COVID-19 patients in a variety of facility settings. House Bill 1023 (S.L. 2020-80) mandates that \$2,000,000 be transferred from the Office of State Budget and Management to UNC Pembroke.

5. UNC Teacher and Principal Preparation Laboratory Schools

The General Assembly directed the Board of Governors through House Bill 1096 (S.L. 2020-56) to transfer \$200,000 in nonrecurring funds from the Future Teachers of North Carolina program to the UNC Teacher and Principal Preparation Laboratory Schools for 2020-21. These funds can be used for administrative and technical assistance related to the lab school program. It is recommended that the president be authorized to make further allocations. For more information, see Appendix B.

2020-21 Operating Budget Allocations

6. UNC Building Reserves

The General Assembly provided nonrecurring funds of \$12,609,867 to be used for operation and maintenance of building projects. Senate Bill 813 mandates that \$8,500,000 be transferred from the Department of Administration's E-Commerce Reserve Fund and \$3,991,578 from the Department of Revenue's Project Collect Tax will be transferred for 2020-21 to the UNC System Office, Institutional Programs (Board Reserve). In addition, \$118,289 is provided from the General Fund. These funds will be allocated, per Senate Bill 813 (S.L. 2020-76), as shown in Table 3.

Table 3: FY 2020-21 Building Reserves

Institution/Building	Amount
NC State University	
Utility Infrastructure (Fitts-Woolard and Plant Sciences)	\$ 585,615
Fitts-Woolard Hall	4,802,945
UNC Asheville	
Carmichael Hall Renovation	162,859
Owen Hall Renovation	232,134
UNC Greensboro	
Nursing and Instructional Building	1,715,960
South Chiller Plant	228,158
UNC Pembroke	
West Hall Renovation	325,544
UNC at Wilmington	
Allied Health (Veteran's Hall)	2,756,109
UNC School of the Arts	
Old Library Renovation	420,541
Winston-Salem State University	
Science and General Office Building	1,261,713
1602 Lowery Street Renovations	118,289
TOTAL	\$12,609,867

Note: This allocation only funds projects through the beginning of 2021. The UNC System Office plans to seek additional funding early next year to support the operations of other new buildings coming online later in the 2020-21 fiscal year.

7. Western School of Medicine (MAHEC)

The General Assembly provided nonrecurring funds of \$4,800,000 for the UNC School of Medicine's Asheville Campus, a joint program between the UNC School of Medicine, other UNC System universities, and the Mountain Area Health Education Center for COVID-19 related response activities, including outreach and education. House Bill 1023 (S.L. 2020-80) mandates that \$4,800,000 be transferred from the Office of State Budget and Management to UNC Chapel Hill, AHEC Programs.

2020-21 Operating Budget Allocations

8. Advanced Analytics at UNCP

The General Assembly provided nonrecurring funds of \$3,000,000 for an advanced analytics project at UNC Pembroke focusing on providing a better understanding of the nature and impact of the COVID-19 pandemic, particularly in rural and at-risk communities. House Bill 1023 (S.L. 2020-80) mandates that \$3,000,000 be transferred from the Office of State Budget and Management to UNC Pembroke.

9. Adjustment to the State Employer Salary-Related Contributions

Beginning July 1, 2020, the State employer contribution rates will be reduced for state retirement and state health plan for teachers and employees benefits. The Office of State Budget and Management is directed to adjust appropriations for the 2020-21 fiscal year for employer contribution rates for state retirement benefits and health plan benefits for all applicable agencies, departments, and institutions. This represents a decrease in General Fund net appropriations of \$5,048,710 in recurring funds for the 2020-21 fiscal year. Per House Bill 1218 (S.L. 2020-41), these funds would be made available for the 2020-21 fiscal year for the purpose of meeting the state's General Fund debt service obligations. For more information, see Appendix B.

Appendix A: 2020-21 Operating Budget Comparison

	Amended UNC System Budget Priorities 2020-21	Enacted Budget Summary of Funding Bills 2020-21
Base Budget (excludes Aid to Private Institutions)	2,911,183,451	2,911,183,451
Top Strategic Priorities		
Faculty Recruitment and Retention	2,000,000	-
Employee Compensation Increase	<i>Equity with State Agencies</i>	-
NCSSM Western Campus Operations	3,340,591	3,340,591
Doctoral Research Funding for N.C. A&T	2,000,000	-
Manufacturing Biopharmaceuticals at NC State	4,000,000 NR	2,000,000 NR
College of Health Sciences at UNCP	1,000,000	2,000,000 NR
Lab School Operations	1,000,000	<i>\$200k Transfer from FTNC</i>
Tuition Grant for NCSSM	3,389,820	-
N.C. A&T Ag. Research & Coop. Extension	1,640,710	-
	1,640,710 NR	3,000,000 NR
Enrollment Change Funding		
Enrollment Growth - Regular	29,392,231	29,392,231 NR
Emergency Reserve	3,000,000	-
NC Promise Buy Down	15,000,000	15,000,000 NR
Building Reserves	14,832,007	-
	4,408,768 NR	12,609,867 NR
Other UNC Items (not requested)		
Western School of Medicine (MAHEC)	-	4,800,000 NR
Advanced Analytics at UNCP	-	3,000,000 NR
Total Recurring Operating Changes	76,595,359	3,340,591
Total Nonrecurring Operating Changes	10,049,478	71,802,098
Total Recommended UNC Budget Changes	86,644,837	75,142,689
Total Recommended UNC Budget	2,997,828,288	2,986,326,140
Total Percent Change	3.0%	2.6%

Notes :

Items are recurring unless specified as nonrecurring.

Does not include the emergency appropriation from the COVID-19 Recovery Act (H 1043) that has already been allocated by the Board of Governors.

**SESSION LAW 2020-67
SENATE BILL 817****AN ACT TO FULLY FUND ENROLLMENT GROWTH AT THE UNIVERSITY OF NORTH CAROLINA.**

The General Assembly of North Carolina enacts:

SECTION 1.(a) By August 15, 2020, the Department of Commerce shall transfer the sum of twelve million seven hundred eighteen thousand five hundred seventy-eight dollars (\$12,718,578) in nonrecurring funds for the 2020-2021 fiscal year from the Job Development Investment Grant Special Revenue Fund (Budget Code: 24609; Fund Code: 2565) to the Board of Governors of The University of North Carolina (Budget Code: 16011). The funds transferred pursuant to this section are hereby appropriated to the Board of Governors of The University of North Carolina for the 2020-2021 fiscal year to be used to fund enrollment growth at The University of North Carolina.

SECTION 1.(b) There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of sixteen million six hundred seventy-three thousand six hundred fifty-three dollars (\$16,673,653) in nonrecurring funds for the 2020-2021 fiscal year to be used to fund enrollment growth at The University of North Carolina.

SECTION 1.(c) Departmental receipts, as defined in G.S. 143C-1-1, are appropriated for the 2020-2021 fiscal year up to the amounts needed to implement the provisions in this act for the 2020-2021 fiscal year.

SECTION 2. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

SECTION 3. Except where expressly repealed or amended by this act, the provisions of any other legislation enacted during the 2019 Regular Session of the General Assembly expressly appropriating funds to an agency, a department, or an institution covered under this act shall remain in effect.

SECTION 4. This act becomes effective July 1, 2020.

**SESSION LAW 2020-43
SENATE BILL 814****AN ACT TO APPROPRIATE FUNDS FOR THE NC PROMISE TUITION PLAN.**

The General Assembly of North Carolina enacts:

SECTION 1.(a) Notwithstanding G.S. 18C-164, by August 15, 2020, the Office of State Budget and Management shall transfer the sum of ten million dollars (\$10,000,000) in nonrecurring funds from the cash balance in the Education Lottery Reserve Fund (Budget Code: 23004; Fund Code: 2C01) to UNC Board of Governors – Institutional Programs (Budget Code: 16011).

SECTION 1.(b) By August 15, 2020, the Department of Public Instruction shall transfer the sum of five million dollars (\$5,000,000) in nonrecurring funds from the cash balance in the School Bus Replacement Fund (Budget Code: 73510; Fund Code: 7200) to UNC Board of Governors – Institutional Programs (Budget Code: 16011).

SECTION 2.(a) The funds transferred in this act are appropriated to the Board of Governors of The University of North Carolina for the 2020-2021 fiscal year to be used for the NC Promise Tuition Plan established under G.S. 116-143.11, which sets tuition at five hundred dollars (\$500.00) per semester for North Carolina residents and two thousand five hundred dollars (\$2,500) per semester for nonresidents at Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University.

SECTION 2.(b) Departmental receipts, as defined in G.S. 143C-1-1, are appropriated for the 2020-2021 fiscal year up to the amounts needed to implement the provisions in this act for the 2020-2021 fiscal year.

SECTION 3. It is the intent of the General Assembly to appropriate from the General Fund to the Board of Governors of The University of North Carolina the following additional funds for the purpose of the "buy down" of any financial obligations incurred by Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University for the NC Promise Tuition Plan:

- (1) For the 2021-2022 fiscal year, the sum of twenty million dollars (\$20,000,000) in recurring funds.
- (2) For the 2022-2023 fiscal year, the sum of four million dollars (\$4,000,000) in recurring funds.
- (3) For the 2023-2024 fiscal year, the sum of three million four hundred thousand dollars (\$3,400,000) in recurring funds.
- (4) For the 2024-2025 fiscal year, the sum of three million dollars (\$3,000,000) in recurring funds.

For the 2024-2025 fiscal year and subsequent fiscal years, it is the intent of the General Assembly that the net appropriation for the "buy down" of any financial obligations incurred by Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University for the NC Promise Tuition Plan shall not exceed the sum of eighty-one million four hundred thousand dollars (\$81,400,000) in recurring funds.

SECTION 4. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

SECTION 5. Except where expressly repealed or amended by this act, the provisions of any other legislation enacted during the 2019 Regular Session of the General Assembly expressly appropriating funds to an agency, a department, or an institution covered under this act shall remain in effect.

SECTION 6. This act becomes effective July 1, 2020.

SESSION LAW 2020-31 HOUSE BILL 1136

AN ACT TO APPROPRIATE FUNDS TO ESTABLISH AND OPERATE THE MORGANTON CAMPUS OF THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS.

The General Assembly of North Carolina enacts:

SECTION 1. Article 29 of Chapter 116 of the General Statutes is amended by adding a new section to read: "**§ 116-235.5. Morganton campus authorized of the North Carolina School of Science and Mathematics.**"

The Board of Trustees of the North Carolina School of Science and Mathematics is hereby authorized to establish a western campus of the school to be located in Morganton, North Carolina."

SECTION 2.(a) Section 3.15(c) of S.L. 2019-209 reads as rewritten:

"**SECTION 3.15.(c)** Effective July 1, 2020, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2020-2021 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	14.36%	14.36%	6.84%	36.00%	29.00%
Disability	0.10%	0.10%	0.10%	0.00%	0.00%
Death	0.16% 0.13%	0.16% 0.13%	0.00%	0.00%	0.00%
Retiree Health	6.82%	6.82%	6.82%	6.82%	6.82%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate ~~21.44%~~ 21.41% ~~26.44%~~ 26.41% 13.76% 42.82% 35.82%"

SECTION 2.(b) No later than August 15, 2020, the Office of State Budget and Management shall adjust the appropriations for State retirement contributions of all applicable agencies, departments, or institutions to reflect the changes implemented in subsection (a) of this section, representing a decrease in General Fund net appropriations totaling three million three hundred forty thousand five hundred ninety-one dollars (\$3,340,591) in recurring funds for the 2020-2021 fiscal year.

SECTION 3. From the funds made available pursuant to Section 2 of this act, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of three million three hundred forty thousand five hundred ninety-one dollars (\$3,340,591) in recurring funds for the 2020-2021 fiscal year to be allocated to the North Carolina School of Science and Mathematics (NCSSM) for operating funds, purchase of equipment and supplies, and to establish 46 new positions at the Morganton campus of NCSSM established pursuant to G.S. 116-235.5.

SECTION 4. It is the intent of the General Assembly to appropriate from the General Fund to the Board of Governors of The University of North Carolina the following additional funds for any financial obligations incurred to open and operate the Morganton campus of NCSSM:

- (1) For the 2021-2022 fiscal year, the sum of two million six hundred eight thousand one hundred sixty dollars (\$2,608,160) in recurring funds and the sum of one million three hundred thirty-four thousand two hundred sixty-four dollars (\$1,334,264) in nonrecurring funds.
- (2) For the 2022-2023 fiscal year, the sum of three million eight hundred twenty-two thousand four hundred seventy-four dollars (\$3,822,474) in recurring funds and the sum of three hundred forty-seven thousand four hundred twelve dollars (\$347,412) in nonrecurring funds.
- (3) For the 2023-2024 fiscal year, the sum of one million six hundred thirty-eight thousand seven hundred ninety-four dollars (\$1,638,794) in recurring funds and the sum of thirty-three thousand three hundred thirty-six dollars (\$33,336) in nonrecurring funds.

SECTION 5. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

SECTION 6. Except where expressly repealed or amended by this act, the provisions of any other legislation enacted during the 2019 Regular Session of the General Assembly expressly appropriating funds to an agency, a department, or an institution covered under this act shall remain in effect.

SECTION 7. This act becomes effective July 1, 2020.

**SESSION LAW 2020-26
HOUSE BILL 472**

AN ACT TO APPROPRIATE ADDITIONAL FUNDS TO NORTH CAROLINA STATE UNIVERSITY TO PROVIDE A MATCH FOR FEDERAL FUNDS TO SUPPORT THE DEVELOPMENT OF INNOVATIVE MANUFACTURING PROCESSES FOR BIOPHARMACEUTICAL PRODUCTS; TO APPROPRIATE ADDITIONAL FUNDS TO NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY TO PROVIDE A MATCH FOR FEDERAL FUNDS TO SUPPORT AGRICULTURAL RESEARCH AND COOPERATIVE EXTENSION PROGRAM ACTIVITIES; AND TO PERMIT NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY TO SELL DAIRY PRODUCTS AT UNIVERSITY-OWNED FACILITIES TO SUPPORT THE AGRICULTURAL RESEARCH PROGRAM AT THE UNIVERSITY.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Transfer for NC State University Funds. – By August 15, 2020, the Department of Public Instruction shall transfer the sum of two million dollars (\$2,000,000) in nonrecurring funds from the cash balance in the School Bus Replacement Fund (Budget Code: 73510; Fund Code: 7200) to NC State University – Academic Affairs (Budget Code: 16030).

SECTION 1.(b) Appropriation for the NC State University Match. – The funds transferred in subsection (a) of this section are appropriated to the Board of Governors of The University of North Carolina for the 2020-2021 fiscal year to be allocated to North Carolina State University (NC State University) to be used for NC State University's participation in a collaborative effort to accelerate the development of innovative manufacturing processes for biopharmaceutical products. These funds shall support the Biomanufacturing Training and Education Center at NC State University and shall serve as matching funds for a federal grant from the National Institute of Standards and Technology.

SECTION 2.(a) Transfer for NC A&T State University Funds. – By August 15, 2020, the Department of Public Instruction shall transfer the sum of three million dollars (\$3,000,000) in nonrecurring funds from the cash balance in the School Bus Replacement Fund (Budget Code: 73510; Fund Code: 7200) to NC A&T University (Budget Code: 16070).

SECTION 2.(b) Appropriation for the NC A&T State University Match. – The funds transferred in subsection (a) of this section are appropriated to the Board of Governors of The University of North Carolina for the 2020-2021 fiscal year to be allocated to North Carolina Agricultural and Technical State University (NC A&T State University) to be used to support its agricultural research and cooperative extension activities by matching federal funds awarded to NC A&T State University as a land-grant university pursuant to the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended, 7 U.S.C. § 3221, et seq.

SECTION 3. Exemption for Sale of NC A&T Dairy Products. – G.S. 66-58(c) reads as rewritten:

"(c) The provisions of subsection (a) shall not prohibit:

- (1) The sale of products of experiment stations or test farms.

(1a) The sale of products raised or produced incident to the operation of a community college or college viticulture/enology program as authorized by G.S. 18B-1114.4 or the operation of a community college or college brewing, distillation, or fermentation program as authorized by G.S. 18B-1114.6.

(1b) The sale by North Carolina State University at University-owned facilities of dairy products, including ice cream, cheeses, milk-based beverages, and the by-products of heavy cream, produced by the Dairy and Process Applications Laboratory, so long as any profits are used to support the Department of Food Science and College of Agriculture and Life Sciences at North Carolina State University.

(1c) The sale by North Carolina Agricultural and Technical State University (NC A&T State University) at University-owned facilities of dairy products, including ice cream, cheeses, milk-based beverages, and the by-products of heavy cream, produced by the University Farm at NC A&T State University, so long as any profits are used to support the Agricultural Research Program and the College of Agriculture and Environmental Sciences at NC A&T State University.

...."

SECTION 4. State Budget Act Applies. – The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

SECTION 5. Additional Limitations and Directions. – Except where expressly repealed or amended by this act, the provisions of any other legislation enacted during the 2019 Regular Session of the General Assembly expressly appropriating funds to an agency, a department, or an institution covered under this act shall remain in effect.

SECTION 6. Effective Date. – This act becomes effective July 1, 2020.

**SESSION LAW 2020-56
HOUSE BILL 1096**

AN ACT TO MAKE VARIOUS CHANGES RELATED TO THE UNIVERSITY OF NORTH CAROLINA SYSTEM; TO DIRECT THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA TO STUDY THE FEASIBILITY OF OFFERING ACCELERATED UNDERGRADUATE DEGREE PROGRAMS AT CONSTITUENT INSTITUTIONS; AND TO PROVIDE FUNDS FOR THE UNIVERSITY OF NORTH CAROLINA LABORATORY SCHOOLS.

The General Assembly of North Carolina enacts:

PART I. REPEAL BOG MANDATORY REVIEW OF CERTAIN UNC HUMAN RESOURCES ACTIONS

SECTION 1. G.S. 116-17.3 is repealed.

PART II. UNC LABORATORY SCHOOL MODIFICATIONS/FUNDS

SECTION 2.(a) G.S. 116-239.5(a) reads as rewritten:

"(a) The Board of Governors, upon recommendation by the President, shall designate ~~at least nine~~ constituent institutions to submit proposals to establish at least nine laboratory schools in total to serve public school students in accordance with the provisions of this Article. The Board of Governors shall select constituent institutions with high-quality educator preparation programs as demonstrated by the annual performance measures reported by the constituent institutions in accordance with G.S. 115C-296.35. The Board of Governors' Subcommittee on Laboratory Schools established under G.S. 116-239.7 shall review the proposals and approve at least nine of the proposals to establish laboratory schools. The Subcommittee may select a constituent institution to operate more than one laboratory school. The Subcommittee shall oversee the operations of those laboratory schools to meet the purposes set forth in this Article."

SECTION 2.(b) G.S. 116-239.5 is amended by adding a new subsection to read:

"(e) In addition to all other immunities provided to them by applicable State law, the Subcommittee, chancellor, the constituent institution, an advisory board, and a laboratory school, and their members, employees, and agents shall be entitled to the specific immunities provided for in Chapter 115C of the General Statutes applying to the State Board of Education, Superintendent of Public Instruction, a local board of education, a local school administrative unit, and their members and employees. Any such immunity to liability established by this subsection shall not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable. Immunity established by this subsection shall be deemed to be waived to the extent of indemnification under Article 31A and Article 31B of Chapter 143 of the General Statutes and to the extent sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of Chapter 143 of the General Statutes."

SECTION 2.(c) G.S. 116-239.7 reads as rewritten:

"§ 116-239.7. The Board of Governors' Subcommittee on Laboratory Schools; selection of laboratory schools; creation of a laboratory school; dissolution.

...

(a1) Approval of Laboratory Schools. – The Board of Governors, upon the recommendation of the President, shall designate ~~at least nine~~ constituent institutions to establish and operate a total of at least nine laboratory schools. The chancellor of each constituent institution shall adopt and submit to the Subcommittee a proposal to operate ~~a one or more laboratory school~~ schools in a one or more local school administrative unit ~~units that meets meet~~ the minimum threshold for the number of low-performing schools located in ~~the a~~ unit under G.S. 116-239.6(4). The proposal shall include the governance structure of the laboratory school. The Subcommittee shall evaluate the proposals for approval or disapproval by considering the design components and the strategic focus of the laboratory school and any other standards developed by the Subcommittee to be applicable to all laboratory schools. The Subcommittee shall also consider the location of each laboratory school so that, to the extent possible, there is a geographically diverse distribution of the laboratory schools throughout the ~~State and a maximum of one laboratory school located in a qualifying local school administrative unit.~~ State. From the proposals submitted to the Subcommittee, the Subcommittee shall approve the establishment of at least nine laboratory schools.

(a2) Waiver for Certain Local School Administrative Units. – Notwithstanding subsection (a1) of this section, a chancellor may submit a proposal to the Subcommittee to locate a laboratory school in a local school administrative unit that does not meet the minimum threshold for the number of low-performing schools located in the unit under G.S. 116-239.6(4) if the proposal demonstrates that the laboratory school shall primarily serve students who did not meet expected growth in the prior school year in accordance with G.S. 116-239.9(c1). The Subcommittee may waive the requirement for the number of low-performing schools in a local school administrative unit for the location of a laboratory school, for up to a total of ~~three~~ six laboratory schools established under this Article, only if both of the following conditions are met for the laboratory school:

- (1) The proposal has been submitted jointly by the chancellor and the local school administrative unit in which the laboratory school will be located.
- (2) The Subcommittee determines that the proposed location would satisfy the purposes set forth in G.S. 116-239.5.

(b) Resolution by the Subcommittee to Approve a Laboratory School. – The Subcommittee shall adopt a resolution upon the approval of each laboratory school, which shall include the following:

- (1) Name of the laboratory school.
- (2) The local school administrative unit in which the laboratory school shall be located.
- (3) A term of operation for the laboratory school of five years from the date of initial operation. At the end of the initial five years of operation, the Subcommittee shall renew the term of operation for additional five-year periods under the resolution if the laboratory school is still located in a local school administrative unit that has twenty-five percent (25%) or more of the schools located in the unit identified as low-performing under G.S. 115C-105.37, or if the Subcommittee renews a waiver of this requirement under subsection (a2) of this section, ~~the resolution may be renewed by the Subcommittee at the end of the term for an additional five years.~~ section. If the laboratory school is no longer (i) located in a qualifying local school administrative unit or (ii) meeting the purposes of this Article under a waiver at the end of five years, the Subcommittee ~~shall~~ may renew the term of operation for additional five-year periods under the resolution if the Subcommittee finds the school is successfully meeting its mission to improve student performance and provide valuable exposure and training for teachers and principals in the constituent institution's educator preparation program. The Subcommittee may terminate operation of any laboratory school during the initial term of operation or during a five-year renewal period if the Subcommittee finds it is failing to meet expected progress toward meeting the mission of the school consistent with the requirements of this Article. The Subcommittee shall notify the Board of Governors of the end of the term of operation of a laboratory school and request designation of additional constituent institutions with educator preparation programs to establish a laboratory school in accordance with the provisions of this Article.

...."

SECTION 2.(d) G.S. 116-239.8(b)(4) reads as rewritten:

"(4) ~~Food and transportation services.~~ — Operation and maintenance of laboratory schools. — The Board of Governors and the State Board of Education shall jointly determine standards for establishing the costs to local school administrative units for providing the facilities and services identified in this subdivision for operation and maintenance of a laboratory school. The standards shall include the lease amount by square foot for facility leases, which shall incorporate the cost of the outstanding debt service for the facility. A local school administrative unit shall provide, at the laboratory school's request, any of the following facilities and services to the laboratory school, but the costs of those facilities and services charged to the laboratory school shall not exceed the established standards for determination of costs. The following shall be determined in a memorandum of understanding between the chancellor and the local school administrative unit for the operation and maintenance of the laboratory school as needed:

- a. Facilities and leases. — Upon request, the local school administrative unit in which the laboratory school is located shall lease adequate facilities to the constituent institution for use as a laboratory school. Unless the laboratory school requests not to include any of the following, the lease shall include use of or access to any existing buildings, parking areas, playgrounds, driveways required for ingress and egress, furniture, classroom space, a cafeteria or multipurpose room, moveable equipment, appliances, playground materials, including a library collection, instructional materials, and classroom and other technology equipment necessary to operate the laboratory school. The lease term shall be terminated if the laboratory school ceases operation. Upon request, the local school administrative unit shall maintain the facilities and premises of the laboratory school and keep them in good repair and tenantable condition by providing all routine custodial services and routine facilities maintenance services, including routine indoor maintenance, routine mowing, trimming, and maintenance of exterior landscaping and snow removal, and timely repair of the facilities and premises. The chancellor is authorized to execute the lease agreement and memoranda of agreement for the operation of a laboratory school.
- b. Transportation services. — ~~The~~ Upon request, the local school administrative unit in which the laboratory school is located shall ~~provide food services and~~ provide transportation to students ~~attending who~~ reside in the local school administrative unit and attend the laboratory ~~school~~ school, including any students who are homeless and require assistance pursuant to 42 U.S.C. § 11301, et seq., the McKinney-Vento Homeless Assistance Act. The requirement to provide transportation to students residing in the local school administrative unit shall (i) apply regardless of where a laboratory school student resides in the unit or how the unit's transportation policies and practices are applied to other students and (ii) upon request, include providing transportation of students and personnel for laboratory school extracurricular activities and educational trips in the same manner as other schools in the unit for that school year.
- c. ~~The Food services.~~ — Upon request, the local school administrative unit in which the laboratory school is located shall administer the National School Lunch Program for the laboratory school in accordance with G.S. 115C-264. ~~The chancellor shall arrange for the provision of these services from the local school administrative unit.~~
- d. Student support services. — Upon request, the local school administrative unit in which the laboratory school is located shall provide any of the following student support services for the operation of the laboratory school, including:
 1. Services required by the Department of Public Instruction for children with disabilities.
 2. Children and family support services, including social worker and school nurse services.
 3. Other health services, including dental screenings, vision screenings, and similar health services that apply to other students enrolled in the local school administrative unit.
 4. Parent involvement coordinator services.
 5. School counselor services."

SECTION 2.(e) G.S. 116-239.11 reads as rewritten:**"§ 116-239.11. State and local funds.**

- (a) The State Board of Education shall allocate to a laboratory school the following:

- (1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the school is located for each child attending the laboratory school, except for the allocation for children with ~~disabilities, disabilities and~~ for the allocation for children with limited English proficiency, ~~and for the allocation for transportation services.~~ proficiency.

...."

SECTION 2.(f) G.S. 116-239.9 reads as rewritten:

"§ 116-239.9. Student admissions and assignment.

(a) A child shall be eligible to attend a laboratory school if the child resides in the local school administrative unit in which a laboratory school is located and meets at least one of the following criteria:

- (1) Is assigned to a low-performing school, as defined by G.S. 115C-105.37 at the time of the student's application.
- (2) Did not meet expected growth in the prior school year based on one or more indicators listed in subsection (c1) of this section.
- (3) Is the sibling of a child who is eligible under subdivision (1) or (2) of this subsection.
- (4) Is the child of a laboratory school employee.

(b) No local board of education shall require any student enrolled in the local school administrative unit to attend a laboratory school.

(c) During each period of enrollment, the laboratory school shall enroll an eligible student under subsection (a) of this section who submits a timely application, up to the capacity of a program, class, grade level, or building, in the order in which applications are received. Once enrolled, students are not required to reapply in subsequent enrollment periods. The laboratory school may give enrollment priority to the sibling of an enrolled student who attended the laboratory school in the prior school year.

(c1) For the purposes of this Article, any of the following shall serve as indicators that a student did not meet expected student growth in the prior school year: (i) grades, (ii) observations, (iii) diagnostic and formative assessments, (iv) State assessments, or (v) other factors, including reading on grade level.

(c2) Notwithstanding the requirements of subsection (a) of this section, if a laboratory school has not reached enrollment capacity in a program, class, grade level, or building by March 1, prior to the start of the next school year, the laboratory school may enroll children who reside in the local school administrative unit in which the laboratory school is located but do not meet one of the criteria set forth in subdivisions (1) through (4) of subsection (a) of this section for up to twenty percent (20%) of the total capacity of the program, class, grade level, or building.

(d) Notwithstanding any law to the contrary, a laboratory school may refuse admission to any student who has been expelled or suspended from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

(e) Within one year after a laboratory school begins operation, the laboratory school shall make reasonable efforts in the recruitment process for the population of the school to reasonably reflect the racial, ethnic, and socioeconomic composition of the general population of the students residing within the local school administrative unit in which the school is located. A laboratory school shall not unlawfully discriminate when making admissions determinations."

SECTION 2.(g) Section 11.6(d) of S.L. 2016-94, as amended by Section 4 of S.L. 2017-117, reads as rewritten:

"SECTION 11.6.(d) Notwithstanding G.S. 116-239.5, (i) at least nine ~~six~~ laboratory schools shall be established pursuant to Article 29A of Chapter 116 of the General Statutes, as enacted by this section, and in operation by the beginning of the 2019-2020-2020-2021 school year and (ii) at least an additional three laboratory schools shall be established pursuant to Article 29A of Chapter 116 of the General Statutes and in operation by the beginning of the 2022-2023 school year."

SECTION 2.(h) By August 15, 2020, the Board of Governors of The University of North Carolina shall transfer the sum of two hundred thousand dollars (\$200,000) in nonrecurring funds from those funds provided for the Future Teachers of North Carolina program for the 2020-2021 fiscal year to be used for administrative and technical assistance related to the UNC Teacher and Principal Preparation Laboratory School Program for support services. These funds shall not be used to create new positions or to hire additional consultants for The University of North Carolina System Office.

SECTION 2.(i) This section is effective when this act becomes law. Subsection (b) of this section applies to an action or omission of an action occurring on or after the date this act becomes law. Subsection (f) of this section applies beginning with the 2020-2021 school year. Subsections (d) and (e) of this section apply to leases and agreements entered into on or after the date this act becomes law and apply beginning with the 2021-2022 school year and subsequent school years. Subsections (d) and (e) shall not apply to or alter existing leases, contracts, or agreements without the consent of all parties to the lease, contract, or agreement. Notwithstanding subsection (e) of this section, if an existing lease, contract, or agreement includes transportation services, the local school administrative unit providing those services shall provide a copy of the lease, contract, or agreement to the Department of Public Instruction, and the Department shall not transfer the transportation allotment to the laboratory school until the existing lease, contract, or agreement expires or is mutually modified by all parties.

PART III. EXTEND REPORT DATE FOR UNC BOARD OF GOVERNORS PLANNING TASK FORCE

SECTION 3. Section 36.6 of S.L. 2018-5 reads as rewritten:

"SECTION 36.6.(a) There is created the UNC Board of Governors Planning Task Force. The Task Force shall consist of four current Board members appointed by the Board of Governors, one of whom shall be designated as chair. These appointments shall be made no later than August 1, 2018.

"SECTION 36.6.(b) The Task Force shall conduct a systemwide analysis of the capital needs of the campuses of each constituent institution in relation to the Science Technology Engineering and Mathematics (STEM) subject area, taking into account the strengths, weaknesses, opportunities, and needs of each constituent institution, and any regional similarities and differences. The Task Force shall also consider the impact of any relevant programmatic planning elements being currently utilized that could be implemented as a best-practice among other similar programmatic areas to encourage systemwide efficiencies. In particular, the Task Force shall consider the capital needs relating to the Brody School of Medicine at East Carolina University, the UNC Applied Physical Sciences and Institute for Convergent Science in Chapel Hill, and other STEM projects to determine areas where capital funds may be used more efficiently and effectively. The Task Force shall use the information gathered pursuant to this subsection to compile a UNC System Plan.

"SECTION 36.6.(c) The three million dollars (\$3,000,000) appropriated to the Board of Governors of The University of North Carolina in Section 36.2 of this act shall be used by the Task Force in conducting the analysis described in subsection (b) of this section. On or before ~~April 1, 2019~~, July 30, 2020, the Task Force shall submit a report containing the UNC System Plan and any legislative recommendations to the Joint Legislative Capital Improvements Oversight Committee and the Fiscal Research Division."

PART IV. MODIFY FUTURE TEACHERS OF NORTH CAROLINA

SECTION 4.(a) G.S. 116-41.30(b) reads as rewritten:

~~"(b) Program. – FTNC shall be a program providing professional development and curricula for courses that provide selective, application-based symposium for high school juniors and seniors, offering a challenging introduction to teaching as a profession for high school students through courses offered by participating high schools in conjunction with college partners. profession. FTNC courses shall include both content on pedagogy and the profession of teaching and field experiences for high school students. provide instruction on pedagogy, ethics and professionalism, child development, successful teaching strategies and classroom management practices, effective lesson planning, assessment and intervention, and requirements of teacher licensure. The FTNC Symposium should provide practical benefits to participating students, which may include interaction with current educators, administrators, and educator preparation program faculty members; a simulated student teaching experience; and information about financial aid and scholarship opportunities."~~

SECTION 4.(b) G.S. 116-41.31 reads as rewritten:

"§ 116-41.31. Oversight of Future Teachers of North Carolina.

~~(a) FTNC General Administration System Office. – FTNC shall be administratively located in The University of North Carolina System Office. The President shall select three constituent institutions with highly successful schools of education located in the western, central, and eastern regions of the State, respectively, to collaborate on development of curricula for FTNC and to provide professional development to high school teachers who will teach FTNC courses. The three constituent institutions shall also work with other constituent institutions and other institutions of higher education in the State to seek input in the development of curricula and professional~~

development for FTNC and to create a network of college faculty to provide support to high schools offering FTNC courses. establish a Future Teachers of North Carolina Advisory Council (FTNC Council) to oversee the FTNC program. At the President's discretion, the FTNC Council shall coordinate with constituent institutions to utilize expertise from administrators, faculty, and staff members of institutions of higher education in designing the agenda and instructional content for the FTNC Symposium. The FTNC Council shall ensure diverse representation of the educator preparation programs represented at the FTNC Symposium. The FTNC Council shall also be responsible for creating an application process for interested high school students, reviewing submitted applications, selecting students to attend, and recruitment and outreach efforts.

(b) ~~FTNC Site Applications. — All high schools in the State are encouraged to offer FTNC courses to students. A high school shall apply to offer FTNC courses with the geographically appropriate constituent institution overseeing FTNC and shall ensure that all teachers teaching FTNC courses have received appropriate training. High schools shall also seek a partner institution of higher education to provide support from college faculty. High schools participating in the FTNC program shall report demographic, survey, and other available outcome data to The University of North Carolina System Office as necessary for completion of the FTNC annual report required by G.S. 116-41.32.~~

(c) ~~FTNC Institution of Higher Education Partners. — Constituent institutions that partner with high schools shall offer dual credit for high school students who successfully complete the FTNC course with a grade of "B" or higher. Other institutions of higher education that partner with high schools are encouraged to offer dual credit for high school students who successfully complete the FTNC course with a grade of "B" or higher. Constituent institutions shall provide annually to The University of North Carolina System Office data on students who have received dual credit for completion of an FTNC course and students who applied for admission into an educator preparation program at a constituent institution who indicated in the application for admission that the student completed an FTNC course. Other institutions of higher education are encouraged to provide annually to The University of North Carolina System Office data on students who have received dual credit for completion of an FTNC course and students who applied for admission into an educator preparation program at the institution of higher education who indicated in the application for admission that the student completed an FTNC course."~~

SECTION 4.(c) G.S. 116-41.32 reads as rewritten:

"§ 116-41.32. Future Teachers of North Carolina reporting.

The University of North Carolina System Office shall report annually, beginning October 15, 2019, 2021, on the following:

- (1) ~~Total number and names of local school administrative units with~~ List of high schools and local school administrative units represented by participating in FTNC, total number and names of high schools offering FTNC, partner institution of higher education for each high school, and number of sections of the course being offered at each high school. students.
 - (1a) Number of students who submitted an application to attend the FTNC Symposium.
 - (1b) Number of students attending the FTNC Symposium, including distribution by region.
 - (2) Demographic information of students enrolled in FTNC courses. attending the FTNC Symposium.
 - (2a) Description of the event agenda and content.
 - (3) Percentage of students who, after completing the course, attending the FTNC Symposium, reported the following:
 - a. The student plans to choose teaching as a profession.
 - a1. The student plans to enroll in a community college, a constituent institution, a private postsecondary institution located in North Carolina, or a postsecondary institution located in another state.
 - b. ~~The course~~ FTNC Symposium ~~was very or somewhat effective in helping the student formulate a positive perception of the education profession.~~
 - c. ~~The coursework and activities~~ FTNC Symposium ~~increased the student's knowledge of the teaching profession and other careers in education.~~
 - d. ~~The field experience helped the student understand the many factors that contribute to effective teaching.~~
 - (4) ~~Percentage of students who completed an FTNC course who received dual credit for successful completion of the course, by institution.~~

- (5) Percentage of students who completed an FTNC course who applied for admission into an educator preparation program, by institution.
- (6) Number of teachers provided professional development for FTNC."

PART V. MODIFY NC TEACHING FELLOWS PROGRAM

SECTION 5.(a) G.S. 116-209.62, as amended by subsections (b) and (c) of this section, reads as rewritten:

"§ 116-209.62. North Carolina Teaching Fellows Program established; administration.

...

(f) Program Selection Criteria. – The Authority shall administer the Program in cooperation with five up to eight institutions of higher education with approved educator preparation programs selected by the Commission that represent a diverse selection of both postsecondary constituent institutions of The University of North Carolina and private postsecondary institutions operating in the State. The Commission shall adopt stringent standards for selection of the most effective educator preparation programs, including the following:

- (1) Demonstrates high rates of educator effectiveness on value-added models and teacher evaluations, including using performance-based, subject-specific assessment and support systems, such as edTPA or other metrics of evaluating candidate effectiveness that have predictive validity.
- (2) Demonstrates measurable impact of prior graduates on student learning, including impact of graduates teaching in STEM or special education licensure areas.
- (3) Demonstrates high rates of graduates passing exams required for teacher licensure.
- (4) Provides curricular and co-curricular enhancements in leadership, facilitates learning for diverse learners, and promotes community engagement, classroom management, and reflection and assessment.
- (5) Requires at least a minor concentration of study in the subject area that the candidate may teach.
- (6) Provides early and frequent internship or practical experiences, including the opportunity for participants to perform practicums in diverse school environments.
- (7) Is approved by the State Board of Education as an educator preparation program.

(g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected students to be used at the five up to eight selected institutions for completion of a program leading to initial teacher licensure as follows:

...."

SECTION 5.(b) G.S. 116-209.62(c)(3) reads as rewritten:

- "(3) The Authority shall provide the Commission with up to six hundred thousand dollars (\$600,000) from the Trust Fund in each fiscal year for the Commission to provide mentoring and coaching support to forgivable loan recipients through the North Carolina New Teacher Support Program ~~as follows:~~
- a. ~~Up in an amount of up to two thousand two hundred dollars (\$2,000)-(\$2,200) for each Program recipient-recipient. Funds shall be prioritized for teachers serving as a teacher in a North Carolina public school-schools identified as low-performing under G.S. 115C-105.37.~~
 - b. ~~Up to one thousand dollars (\$1,000) for each Program recipient serving as a teacher in a North Carolina public school not identified as low-performing under G.S. 115C-105.37."~~

SECTION 5.(c) G.S. 116-209.62(g)(4) reads as rewritten:

- "(4) Students matriculating at institutions of higher education who are changing to ~~enrollment in an approved program of study at a~~ selected educator preparation program. – Forgivable loans of up to four thousand one hundred twenty-five dollars (\$4,125) per semester for up to four semesters."

SECTION 5.(d) Subsection (a) of this section applies to the award of forgivable loans beginning with the 2022-2023 academic year. Subsection (b) of this section becomes effective July 1, 2020.

PART VI. EXEMPT NORTH CAROLINA SCHOOL OF THE ARTS AND NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS FROM PUBLIC SCHOOL UNIT DEFINITION

SECTION 6.(a) G.S. 115C-5 is amended by adding a new subdivision to read:

"(3a) The governing body of a public school unit is the following:

- a. For a local school administrative unit, the local board of education.
- b. For a charter school, the nonprofit corporation board of directors.
- c. For a regional school, the regional school board of directors.

- d. For a school operated under Article 7A and Article 9C of this Chapter, the State Board of Education.
- e. For a school operated under Article 29A of Chapter 116 of the General Statutes, the chancellor of the constituent institution."

SECTION 6.(b) G.S. 115C-5(7a) reads as rewritten:

"(7a) Public school unit. – Any of the following:

- a. A local school administrative unit.
- b. A charter school.
- c. A regional school.
- d. A school providing elementary or secondary instruction operated by one of the following:
 - 1. The State Board of Education, including schools operated under Article 7A and Article 9C of this Chapter.
 - 2. ~~The University of North Carolina, including schools operated under Articles 4, 29, and Carolina under Article 29A of Chapter 116 of the General Statutes."~~

SECTION 6.(c) G.S. 115C-238.81(c) reads as rewritten:

"(c) Within funds available, NCVPS shall provide NCVPS courses at no cost to all students in North Carolina who are enrolled in North Carolina's public school units, Department of Defense schools, schools operated by The University of North Carolina under Articles 4 and 29 of Chapter 116 of the General Statutes, and schools operated by the Bureau of Indian Affairs."

PART VII. POLICE OFFICER POSITION EXEMPTION

SECTION 7. G.S. 126-5 is amended by adding a new subsection to read:

"(c16) Except as to the provisions of Articles 6, 7, and 8 of this Chapter, the provisions of this Chapter shall not apply to commissioned police officer positions of the University of North Carolina. Employees in positions covered by this exception shall be eligible for all employment and retirement benefits provided to State law enforcement officers subject to this Chapter."

PART VIII. MILLENNIAL CAMPUS DESIGNATION FOR UNC-AFFILIATED INSTITUTIONS

SECTION 8.(a) G.S. 116-198.33 reads as rewritten:

"§ 116-198.33. Definitions.

As used in this Article, the following words and terms shall have the following meanings, unless the context shall indicate another or different meaning or intent:

...

(3) The word "Institution" shall mean North Carolina State University at Raleigh and the University of North Carolina at Chapel Hill, or a constituent institution or affiliated institution of The University of North Carolina with a Millennial Campus as defined by G.S. 116-198.33(4b).

...

(4b) The term "Millennial Campus" means all real property and appurtenant facilities designated by the Board of Governors as part of a Millennial Campus of a constituent institution or affiliated institution of The University of North Carolina other than North Carolina State University or the University of North Carolina at Chapel Hill. The properties designated by the Board of Governors do not have to be contiguous with the constituent institution or an affiliated institution to be designated as part of the institution's Millennial Campus.

...."

SECTION 8.(b) G.S. 116-198.34(8b) reads as rewritten:

"(8b) Acting on recommendation made by the President of The University of North Carolina after consultation by the President with the Chancellor and the Board of Trustees of a constituent institution, or by the President with the chief executive officer or equivalent executive position for an affiliated institution, to designate real property held by, or to be acquired by, a constituent institution or an affiliated institution as a "Millennial Campus" of the institution. That designation shall be based on an express finding by the Board of Governors that the institution desiring to create a "Millennial Campus" has the administrative and fiscal capability to create and maintain such a campus

and provided further, that the Board of Governors has found that the creation of the constituent institution's or affiliated institution's "Millennial Campus" will enhance the institution's research, teaching, and service missions as well as enhance the economic development of the region served by the institution. Upon formal request by the ~~constituent~~ institutions, the Board of Governors may authorize two or more ~~constituent~~ institutions which meet the requirements of this section to create a joint Millennial Campus."

PART VIII-A. ACCELERATED DEGREE COMPLETION STUDY BY UNC

SECTION 8A.(a) The Board of Governors of The University of North Carolina shall study the feasibility of offering accelerated undergraduate degree programs at constituent institutions that are effective and efficient for students while remaining consistent with the access and affordability goals of the Strategic Plan for The University of North Carolina adopted by the Board of Governors. In conducting the study, the Board of Governors shall consider at least the following factors:

- (1) The use of online education for certain courses to shorten time to degree completion, particularly for general education requirements.
- (2) The feasibility of increasing summer term options or flexible calendar scheduling to accelerate degree completion.
- (3) The potential for piloting specific accelerated degree program models, such as three-year degree programs, combined bachelor's and master's degree programs, and competency-based programs. In reviewing potential pilot programs, the Board of Governors shall determine (i) whether a pilot program would be required or optional for constituent institutions, (ii) the type of flexibility that would be allowed during a pilot program, and (iii) whether incentive funding through the funding formula should be tied to constituent institutions relative to such a program.
- (4) Any obstacles or needed changes to State financial aid programs or the university funding model to incentivize accelerated paths to a degree.
- (5) The potential cost savings to students who enroll in accelerated degree programs, including any reduction to tuition and fees.
- (6) Any possible shifts in curriculum design to focus on specialized skills earlier in the degree program.
- (7) Issues related to student support to facilitate successful completion of requirements, selection of majors early in programs, and the management of increased student coursework loads in accelerated degree programs.
- (8) The importance of credit transfers from college level high school courses, community college courses, or courses from other institutions to maximize accelerated degree program efficiency.
- (9) The level of student interest and demand for accelerated degree programs.

SECTION 8A.(b) By March 1, 2021, the Board of Governors shall report on the results of the study and any recommendations to the Joint Legislative Education Oversight Committee.

SECTION 8A.(c) This section becomes effective July 1, 2020.

PART IX. APPLICABILITY OF HOUSE BILL 966, 2019 REGULAR SESSION

SECTION 9.(a) If House Bill 966, 2019 Regular Session, becomes law, Sections 8.4, 8.5, 8.6, 8.12, and 8A.6 of that act are repealed.

SECTION 9.(b) If House Bill 966, 2019 Regular Session, becomes law, and any provision of that act or a provision of the Committee Report described in Section 42.2 of that act conflicts with this act, this act shall control.

PART X. MISCELLANEOUS

SECTION 10.(a) The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

SECTION 10.(b) Except where expressly repealed or amended by this act, the provisions of any other legislation enacted during the 2019 Regular Session of the General Assembly expressly appropriating funds to an agency, a department, or an institution covered under this act shall remain in effect.

PART XI. EFFECTIVE DATE

SECTION 11. Except as otherwise provided, this act is effective when it becomes law.

SESSION LAW 2020-80

HOUSE BILL 1023

(only UNC-related excerpts are shown due to length of bill)

AN ACT TO PROVIDE ADDITIONAL AND REVISED USES FOR FEDERAL CORONAVIRUS RELIEF FUNDS; TO PROVIDE ADDITIONAL FUNDING FOR SCHOOL NUTRITIONAL NEEDS; TO EXTEND THE ABILITY OF CERTAIN GOVERNMENTAL RETIREES TO ENGAGE IN PART-TIME EMPLOYMENT WITHOUT AFFECTING RETIREMENT; TO PROVIDE FUNDING FOR THE IMPLEMENTATION OF THE SCHOOL BUSINESS SYSTEM MODERNIZATION PLAN; TO WAIVE MATCH REQUIREMENTS FOR A CERTAIN COMPETITIVE GRANT PROCESS FOR NONPROFITS; AND TO MAKE OTHER CHANGES.

The General Assembly of North Carolina enacts:

PART I. REVISIONS TO S.L. 2020-4

SECTION 1.1.(a) Section 2.3 of S.L. 2020-4 reads as rewritten:

"**SECTION 2.3.** The State Controller shall establish a Local Government Coronavirus Relief Reserve (Local Reserve) in the General Fund to maintain certain federal funds transferred from the Reserve established in Section 2.1 of this act that are eligible to mitigate the impact of the COVID-19 outbreak in North Carolina on the revenue of local governments. The State Controller shall transfer the sum of three hundred million dollars (\$300,000,000) from the Reserve to the Local Reserve. ~~It is the intent of the General Assembly to appropriate a sum of up to one hundred fifty million dollars (\$150,000,000) if local governments experience a revenue shortfall and the CARES Act, P.L. 116-136, is amended to allow the use of federal funds for that purpose.~~ Funds that are reserved in the Local Reserve do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution."

SECTION 1.1.(b) Section 3.1 of S.L. 2020-4, as amended by Section 1 of S.L. 2020-32, reads as rewritten:

"**SECTION 3.1.** Transfer of Funds from Reserves to Relief Fund. – The State Controller shall transfer the sum of ~~one billion five hundred seventy-five million nine hundred eighty-eight thousand twenty-nine dollars (\$1,575,988,029)~~ one billion seven hundred ninety-five million nine hundred eighty-eight thousand twenty-nine dollars (\$1,795,988,029) for the 2019-2020 fiscal year from the Reserve established in Section 2.1 of this act, and the sum of ~~one three hundred fifty million dollars (\$150,000,000)~~ (\$300,000,000) for the 2019-2020 fiscal year from the Local Government Coronavirus Relief Reserve established in Section 2.3 of this act, to the Fund established in Section 2.2 of this act."

SECTION 1.1.(c) Section 3.2 of S.L. 2020-4, as amended by Section 2 of S.L. 2020-32, reads as rewritten:

"**SECTION 3.2.** Appropriation of Funds from Relief Fund to OSBM. – There is appropriated from the Fund to OSBM the sum of ~~one billion seven hundred twenty-five million nine hundred eighty-eight thousand twenty-nine dollars (\$1,725,988,029)~~ two billion ninety-five million nine hundred eighty-eight thousand twenty-nine dollars (\$2,095,988,029) in nonrecurring funds for the 2019-2020 fiscal year to be allocated and used as provided in Section 3.3 of this act. The funds appropriated in this section shall not revert at the end of the 2019-2020 fiscal year but shall remain available to expend until December 30, 2020."

SECTION 1.1.(d) Section 3.3 of S.L. 2020-4 reads as rewritten:

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

- (50) \$4,800,000 to the University of North Carolina at Chapel Hill to be used for the UNC School of Medicine's Asheville Campus, a joint program between the UNC School of Medicine, other UNC System universities, and the Mountain Area Health Education Center for COVID-19 related response activities, including outreach and education.
- (65) \$3,000,000 to the University of North Carolina at Pembroke for an advanced analytics project focusing on providing a better understanding of the nature and impact of the COVID-19 pandemic, particularly in rural and at-risk communities.
- (66) \$2,000,000 to the University of North Carolina at Pembroke for the Department of Nursing in the College of Health Sciences for assistance with specialized medical and patient safety training to address the unique settings and procedures necessary when caring for COVID-19 patients in a variety of facility settings.

SECTION 3.6. Except as otherwise provided, this act is effective when it becomes law.

SESSION LAW 2020-78

SENATE BILL 681

(only UNC-related excerpts are shown due to length of bill)

AN ACT ENACTING AGENCY POLICY DIRECTIVES FOR THE 2019-2021 FISCAL BIENNIUM, CONSISTENT WITH CERTAIN POLICY DIRECTIVES IN RATIFIED HOUSE BILL 966 OF THE 2019 REGULAR SESSION; MODIFYING STAFFING IN THE OFFICE OF RECOVERY AND RESILIENCY; AND CLARIFYING THAT PARTIES TO AN INTERGOVERNMENTAL SUPPORT AGREEMENT WITH A MAJOR MILITARY INSTALLATION THAT OPERATES A PSAP MAY USE 911 FUNDS FOR NEXT GENERATION 911 SYSTEM COMPATIBILITY.

The General Assembly of North Carolina enacts:

PART III. THE UNIVERSITY OF NORTH CAROLINA SYSTEM**UNC REPORT ON STATE BUDGET ALLOCATIONS AND POLICIES**

SECTION 3.1. G.S. 116-11 is amended by adding the following new subdivision to read:

"(9b) The Board of Governors shall report by February 1 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division on the actions and adjustments necessary to its budgetary policies, regulations, and standards resulting from the Current Operations Appropriations Act for the administration and operation of The University of North Carolina and the distribution of State and federal funds to constituent institutions. The report shall include at least the following information for each constituent institution:

- a. Guidelines related to State salaries of University of North Carolina employees, including range, median, and mean of faculty salaries at the institution.
- b. Budget allocations and reductions, including for operating expenses and specific programs.
- c. Distribution of additional State allocations for enrollment funding.
- d. Use of State funds and budget flexibility.
- e. Availability of federal funds.
- f. Tuition and fees.
- g. Composition of the student population at the institution, including headcount enrollment and full-time student enrollment for both undergraduate and graduate students, and aggregate data on residency status, median household income, gender, race, and ethnicity.
- h. Student retention and graduation rates.
- i. Postsecondary educational attainment rate at the institution, including comparison to statewide data.
- j. A comparison to prior fiscal year expenditures and appropriations."

UNC SYSTEM OFFICE/CREATE SEARCHABLE DATABASE OF MILITARY CREDIT EQUIVALENCIES

SECTION 3.2. The University of North Carolina System Office, in collaboration with the North Carolina Community College System through the Military Credit Advisory Council, shall create a searchable database of military credit equivalencies to better serve military-affiliated students and to complete the initial phase of military credit evaluations.

PART III-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY**NEED-BASED SCHOLARSHIPS FOR PRIVATE INSTITUTIONS/DEPENDENTS OF VETERANS AND ACTIVE DUTY MILITARY**

SECTION 3A.1.(a) G.S. 116-281(3) reads as rewritten:

"(3) The student must meet at least one of the following:

- a. Qualify as a legal resident of North Carolina and as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with definitions of residency that may from time to time be adopted by the Board of Governors of The University of North Carolina.
- b. Be a veteran provided the veteran's abode is in North Carolina and the veteran provides the eligible private postsecondary institution a letter of intent to establish residency in North Carolina.
- c. Be an active duty member of the Armed Forces provided the member of the Armed Forces is abiding in this State incident to active military duty in this State.
- d. Be the dependent relative of a veteran who is abiding in North Carolina while sharing an abode with the veteran and the dependent relative provides the eligible private postsecondary institution a letter of intent to establish residency in North Carolina.
- e. Be the dependent relative of an active duty member of the Armed Forces who is abiding in North Carolina incident to active military duty while sharing an abode with the active duty member."

SECTION 3A.1.(b) This section applies beginning with the award of scholarships for the 2021-2022 academic year.

SESSION LAW 2020-70 SENATE BILL 208

AN ACT TO PROVIDE IMMUNITY FOR INSTITUTIONS OF HIGHER EDUCATION FOR CLAIMS RELATED TO COVID-19 CLOSURES FOR SPRING 2020.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 37.

"COVID-19 Immunity for Institutions of Higher Education.

"§ 116-310. Definitions.

The following definitions apply in this Article:

- (1) Claim. – A claim or cause of action seeking any legal or equitable remedy or relief.
- (2) COVID-19. – The coronavirus disease 2019.
- (3) COVID-19 emergency declaration. – Executive Order No. 116 issued March 10, 2020, by Governor Roy A. Cooper, including any amendments issued by executive order, subject to extensions under Chapter 166A of the General Statutes.
- (4) COVID-19 essential business executive order. – Executive Order No. 121 issued March 27, 2020, by Governor Roy A. Cooper, including any amendments issued by executive order, subject to extensions under Chapter 166A of the General Statutes.
- (5) Individual. – A person paying, or on whose behalf a third party is paying, tuition, fees, or room and board to an institution of higher education for the spring academic semester of 2020.
- (6) Institution of higher education. – Any of the following institutions, including the owners, directors, trustees, officers, employees, contractors, and agents of those institutions:
 - a. A constituent institution under the jurisdiction of The University of North Carolina.
 - b. A community college under the jurisdiction of the State Board of Community Colleges.
 - c. An eligible private postsecondary institution, as defined in G.S. 116-280(3).

"§ 116-311. Institutions of higher education; tuition liability limitation.

(a) Notwithstanding any other provision of law and subject to G.S. 116-312, an institution of higher education shall have immunity from claims by an individual, if all of the following apply:

- (1) The claim arises out of or is in connection with tuition or fees paid to the institution of higher education for the spring academic semester of 2020.
- (2) The claim alleges losses or damages arising from an act or omission by the institution of higher education during or in response to COVID-19, the COVID-19 emergency declaration, or the COVID-19 essential business executive order.
- (3) The alleged act or omission by the institution of higher education was reasonably related to protecting the public health, safety, or welfare in response to the COVID-19 emergency declaration, COVID-19

essential business executive order, or applicable guidance from the Centers for Disease Control and Prevention.

(4) The institution of higher education offered remote learning options for enrolled students during the spring academic semester of 2020 that allowed students to complete the semester coursework.

(b) Subsection (a) of this section shall not apply to losses or damages that resulted solely from a breach of an express contractual provision allocating liability in the event of a pandemic event.

(c) Subsection (a) of this section shall not apply to losses or damages caused by an act or omission of the institution of higher education that was in bad faith or malicious.

"§ 116-312. Applicability.

This Article applies to alleged acts or omissions occurring on or after the issuance of the COVID-19 emergency declaration until June 1, 2020. The provisions of this Article shall be in addition to all other immunities provided by applicable State law.

"§ 116-313. Severability.

It is a matter of vital State concern affecting the public health, safety, and welfare that institutions of higher education continue to be able to fulfill their educational missions during the COVID-19 pandemic without civil liability for any acts or omissions for which immunity is provided in this Article. This Article shall be liberally construed to effectuate those public purposes. The provisions of this Article are severable. If any part of this Article is declared to be invalid by a court, the invalidity does not affect other parts of this Article that can be given effect without the invalid provision."

SECTION 2. This act is effective when it becomes law and applies to all actions commenced on or after March 27, 2020.

SESSION LAW 2020-74

HOUSE BILL 308

(only UNC-related excerpts are shown due to length of bill)

AN ACT TO PROVIDE FURTHER REGULATORY RELIEF TO THE CITIZENS OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

COLLABORATORY REPORTING CHANGES

SECTION 8.(a) Section 13.1(g) of S.L. 2018-5, as amended by Section 7(d) of S.L. 2019-241, reads as rewritten:

"SECTION 13.1.(g) The North Carolina Policy Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) shall identify faculty expertise, technology, and instrumentation, including mass spectrometers, located within institutions of higher education in the State, including the Universities of North Carolina at Chapel Hill and Wilmington, North Carolina State University, North Carolina A&T State University, Duke University, and other public and private institutions, and coordinate these faculty and resources to conduct nontargeted analysis for PFAS, including GenX, at all public water supply surface water intakes and one public water supply well selected by each municipal water system that operates groundwater wells for public drinking water supplies as identified by the Department of Environmental Quality, to establish a water quality baseline for all sampling sites. The Collaboratory, in consultation with the participating institutions of higher education, shall establish a protocol for the baseline testing required by this subsection, as well as a protocol for periodic retesting of the municipal intakes and additional public water supply wells. No later than ~~October 15, 2020~~, April 15, 2021, the Collaboratory shall report the results of such sampling by identifying chemical families detected at each intake to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Environmental Review Commission, the Department of Environmental Quality, the Department of Health and Human Services, and the United States Environmental Protection Agency."

SECTION 8.(b) Section 2.1 of S.L. 2019-224, reads as rewritten:

"SECTION 2.1. Allocations. – The funds appropriated and reallocated in Part I of this act in the Hurricane Florence Disaster Recovery Fund shall be allocated as follows:

...

(8) \$10,160,000 to The University of North Carolina Board of Governors to be used as follows:

a. \$160,000 to the North Carolina Policy Collaboratory (Collaboratory) for the ModMon program.

- b. \$2,000,000 to the Collaboratory to study flooding and resiliency against future storms in Eastern North Carolina and to develop an implementation plan with recommendations. The Collaboratory shall report the flooding and resiliency implementation plan to the Joint Legislative Emergency Management Oversight Committee no later than ~~December 1, 2020~~ June 1, 2021. Notwithstanding Section 3.1(c) of S.L. 2018-134, funds allocated to the Collaboratory as provided in this sub-subdivision shall revert on ~~December 30, 2020~~ June 30, 2021. The University of North Carolina shall not charge indirect facilities and administrative costs against the funding provided for the Collaboratory from the Hurricane Florence Disaster Recovery Fund.
- c. \$8,000,000 to the University of North Carolina Wilmington (UNC-W) for repairs and renovations to the Dobo Hall science building, which was damaged by Hurricane Florence.

...."

SECTION 8.(c) Section 11.8 of S.L. 2016-94 reads as rewritten:

"SECTION 11.8. The one million dollars (\$1,000,000) in recurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2016-2017 fiscal year to establish and operate a North Carolina Policy Collaboratory at the University of North Carolina at Chapel Hill shall be used to establish a Collaboratory that facilitates the dissemination of the policy and research expertise of The University of North Carolina and other institutions of higher learning within North Carolina for practical use by State and local ~~government~~ government, although, wherever possible, funding preference may be given to campuses within The University of North Carolina System. Any funds appropriated by the General Assembly for use by the Collaboratory may not be used for indirect overhead costs. The Collaboratory, at a minimum, shall conduct research on natural resources management, including, but not limited to, research related to the environmental and economic components of the management of the natural resources within the State of North Carolina and of new technologies for habitat, environmental, and water quality improvement. The Collaboratory shall develop and disseminate relevant best practices to interested parties, may lead or participate in projects across the State related to natural resource management, and may make recommendations to the General Assembly from time to time."

ALLOW A TEACHING HOSPITAL AFFILIATED WITH BUT NOT PART OF ANY CONSTITUENT INSTITUTION OF THE UNIVERSITY OF NORTH CAROLINA TO ASSIGN CAMPUS POLICE OFFICERS OF ITS CAMPUS LAW ENFORCEMENT AGENCY TO ANY OTHER FACILITY WITHIN THE TEACHING HOSPITAL'S SYSTEM NETWORK

SECTION 25. G.S. 116-40.5 is amended by adding a new subsection to read:

"(a1) Any teaching hospital having established a campus law enforcement agency pursuant to subsection (a) of this section may assign its campus police officers to any other facility within the teaching hospital's system network. Campus police officers assigned to any other facility within the teaching hospital's system network pursuant to this subsection shall have the same authority and jurisdiction exclusively upon the premises of the assigned facility, but not upon any portion of any public road or highway passing through the property of the facility or immediately adjoining it, as a campus police officer assigned to a teaching hospital under subsection (a) of this section."

AGENDA ITEM

A-3. 2020-21 Capital Improvement Budget Allocations Clinton Carter

Situation: While the Board approves and then requests funding or authorization from the General Assembly for major capital improvement projects, funds for repairs and renovations (R&R) projects are appropriated to the Board of Governors for allocation to the institutions. The 2020 Appropriations Act [S.L. 2018-5 (Senate Bill 99)], Section 36.5(d) requires:

“In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, the Board of Governors shall negatively weight the availability of non-State resources and carryforward funds available for repair and renovations and shall include information about the manner in which this subsection was compiled within any report submitted pursuant to G.S. 143C-4-3(d).”

Background: On September 20, 2019, the Board of Governors approved the R&R allocation model. The model was based on the following factors: (1) gross square footage, (2) total number of buildings, (3) building condition, (4) number of full-time enrolled (FTE) students, and (5) availability of other resources. The allocation model that was adopted equally weights the physical building factors with the FTE and availability of other funding. The allocation model also included a minimum funding level, identified as a “floor”, and reserves 2.5% funds for R&R projects at the UNC System Office buildings or other affiliates (NC Arboretum and UNC-TV). The R&R funding to be allocated to each constituent institution based on the amount of funding approved by the 2020 General Assembly and the approved allocation model is shown on the attached materials.

If the additional funds pursuant to H.B. 1023, 2019 Session, are not allocated, there will not be sufficient funds to meet the funding “floor” for each constituent institution. It is recommended that the R&R funds, less the 2.5% reserve for the System Office and affiliates, be equally divided between the 17 constituent institutions.

The General Assembly also made a number of capital authorizations and appropriations from the General Fund. These items do not require Board of Governors approval but are included for information only.

Assessment:

It is recommended that the Reserve for Repairs and Renovations be distributed based on the allocation model previously approved by the Board of Governors. If the additional funds pursuant to H.B. 1023 are not allocated, it is recommended that the R&R funds be equally distributed to the 17 constituent institutions less the 2.5% reserved for the System Office and affiliates. It is also recommended that the president be authorized to make refinements in the interest of accuracy and completeness. It is further recommended that the president be authorized to seek such concurrence as may be required of the Director of the Budget in the foregoing allocations.

Action:

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

2020-21 Capital Improvement Budget Allocations

A. 2020-21 Allocations from the Reserve for Repairs and Renovations

For fiscal year 2020-21, the 2020 General Assembly appropriated \$85,250,000 from the State Capital Infrastructure Fund to the statewide Reserve for Repairs and Renovations, of which \$33,100,000 (40%) is allocated to the Board of Governors. If funds are deposited pursuant to House Bill 1023, 2019 Regular Session, an additional \$15,000,000 will be transferred to the statewide Reserve for Repairs and Renovations, of which \$6,000,000 is allocated to the Board of Governors.

On September 20, 2019, the Board of Governors approved the R&R allocation model. The model was based on the following factors: (1) gross square footage, (2) total number of buildings, (3) building condition, (4) number of full-time enrolled (FTE) students, and (5) availability of other resources. The allocation model also considers the availability of other resources for capital projects, including carry-forward funds, F&A fund balances, infrastructure fees, and other funding for R&R earmarked projects and negatively weights the ability to pay. The allocation model included a minimum funding level, identified as a “floor”, and reserves 2.5% funds for R&R projects at the UNC System Office buildings or other affiliates (NC Arboretum and UNC-TV). The allocation model that was adopted equally weights the physical building factors with the FTE and availability of other funding.

The R&R funding to be allocated to each constituent institution based on the funding approved by the 2020 General Assembly and the approved R&R allocation model is shown below:

2020-21 Allocations – Reserve for Repairs and Renovations	Total Funding
Appalachian State University	\$2,000,000
East Carolina University	\$2,374,654
Elizabeth City State University	\$2,000,000
Fayetteville State University	\$2,000,000
North Carolina A&T State University	\$2,000,000
North Carolina Central University	\$2,000,000
North Carolina State University	\$4,188,101
University of North Carolina at Asheville	\$2,000,000
University of North Carolina at Chapel Hill	\$3,559,745
University of North Carolina at Charlotte	\$2,000,000
The University of North Carolina at Greensboro	\$2,000,000
The University of North Carolina at Pembroke	\$2,000,000
University of North Carolina Wilmington	\$2,000,000
University of North Carolina School of the Arts	\$2,000,000
Western Carolina University	\$2,000,000
Winston-Salem State University	\$2,000,000
North Carolina School of Science and Mathematics	\$2,000,000
University of North Carolina System Office (2.5%)	\$977,500
TOTAL ALLOCATIONS	\$39,100,000

If the additional funds pursuant to House Bill 1023 are not transferred, then the available R&R funding will be \$33,100,000. Since the funds are not sufficient to allocate the minimum floor amount to each constituent institution, it is recommended that the 2.5% percent, or \$827,506, be allocated to the System

2020-21 Capital Improvement Budget Allocations

Office and that the remaining amount of \$32,373,494 be equally divided among the 17 universities. Each university would receive \$1,898,382.

It is recommended that allocations be made from the Reserve for Repairs and Renovations. It is also recommended that chancellors identify specific projects, consistent with any applicable rules and regulations, to be financed from the institutional allocations and present those projects to the president who shall report to the Joint Legislative Commission on Governmental Operations, as required by legislation.

It is recommended that allocations may be transferred as needed among projects within an institution upon request through existing approval processes. It is also recommended that the president be authorized to make further allocations from the reserve.

B. Capital Project Authorizations by the 2020 General Assembly for which no Board Action is required (for information only)

1. Capital Improvement Appropriations and Authorizations

The General Assembly appropriated \$58,750,000 from various funds for the following capital improvement projects:

ECSU	HVAC System	S.L. 2020-57 (S. 750)	\$4,000,000
ECSU	Chiller	S.L. 2020-57 (S. 750)	\$2,000,000
FSU	Dormitory Demolition and Removal	S.L. 2020-81 (S. 212)	\$2,500,000
NC State	STEM Building	S.L. 2020-81 (S. 212)	\$14,000,000
UNCA	Woods Residence Hall Reimbursement	S.L. 2020-81 (S. 212)	\$750,000
UNC-CH	Business School	S.L. 2020-81 (S. 212)	\$14,000,000
UNC-CH	Nursing School	S.L. 2020-81 (S. 212)	\$5,000,000
WCU	Steam Plant Replacement – Phase II	S.L. 2020-33 (S. 806)	\$16,500,000

2. Non-General Fund Capital Improvement Projects Authorizations

The General Assembly authorized capital projects funded from non-general fund sources totaling \$48,500,000 in S.L. 2020-66 (S. 733).

SECTION 2. The capital improvement projects and their respective costs authorized by this act, to be acquired or constructed and financed as provided in Section 1 of this act, including by revenue bonds, by special obligation bonds as authorized in Section 5 of this act, by a financing arrangement to the extent authorized in Section 3 of this act, or by any combination thereof, are as follows:

Project Authorization	Amount
University of North Carolina at Chapel Hill	
Morehead Chemistry Laboratory HVAC Upgrades	\$22,000,000
Campus-Wide Life Safety Upgrades-Phase 1	\$6,500,000
Western Carolina University	
Lower Campus Residence Halls – Phase 2	\$20,000,000

2020-21 Capital Improvement Budget Allocations

C. Other Actions by the 2020 General Assembly

The following capital improvement-related special provisions from the Appropriations Act of 2020 (S.L. 2020-81) are noted for information.

1.(e)	Capital Project Approval – University of North Carolina at Chapel Hill	Authorizes the University of North Carolina at Chapel Hill to spend up to \$150,000,000 on the Business School but requires a commitment of at least \$75,000,000 from non-State sources on or before June 30, 2022, as a match for the intended State allocations totaling \$75,000,000 for the project.
1.(f)	Capital Project Approval – North Carolina State University	Authorizes North Carolina State University to spend up to \$160,000,000 on the STEM Building but requires a commitment of at least \$80,000,000 from non-State sources on or before June 30, 2022, as a match for the intended State allocations totaling \$80,000,000 for the project.
1.(g)	Reimbursement to UNC Asheville	Appropriates funds to UNC Asheville to cover expenses incurred related to meeting the building requirements imposed by the Department of Insurance upon UNC-Asheville to allow students to occupy Woods Residence Hall.
4.(a)	Chancellor's Approval	Authorizes the chancellor of a constituent institution to pay for repair and renovation projects with funds available at the constituent institution when the total project does not exceed \$600,000. Projects must be reported quarterly to the Board of Governors and the Fiscal Research Division.
4.(h)	Increase to Carryforward	Increases the carryforward amount from 2.5% to 5%. Up to 2.5% of the carry forward funds may be retained. One-half of any amounts carried forward exceeding 2.5% shall be distributed to the University of North Carolina System Office, to be disbursed to the constituent institutions at the discretion of the Board of Governors, with the remaining amount retained in the designated budget code.

D. Additional Information

The table on the following page, *General Assembly Funding – Ten Year History*, provides a summary of each institution's capital improvement appropriations from 2010 through 2019.

The University of North Carolina - Capital Improvements General Assembly Funding - Ten Year History

Institutional Appropriations	2010 ¹ COPS	2011 ²	2012	2013	2014 ⁴	2015	2015 ⁵ Bonds	2016 ⁶	2017 ⁷	2018 ⁸	2019 ⁹	2010-2019
App State	\$ -	\$ 1,453,300	\$ 506,200	\$ 4,982,626	\$ 3,519,300	\$ 2,311,700	\$ 70,000,000	\$ 2,291,453	\$ 3,596,626	\$ 1,738,446	\$ -	\$ 90,399,651
ECU	-	3,124,900	1,065,200	6,223,834	1,084,100	4,826,500	90,000,000	3,813,019	4,044,303	2,767,091	-	116,948,947
ECSU	-	873,200	305,900	1,788,627	316,800	1,410,300	13,000,000	702,749	1,529,809	2,324,885	-	22,252,270
FSU	-	873,200	305,900	1,788,627	316,800	1,410,300	10,000,000	674,770	7,041,298	1,580,468	-	23,991,363
N.C. A&T	-	1,299,700	451,700	2,661,937	452,700	2,015,300	90,000,000	1,777,450	2,292,115	1,393,521	-	102,344,423
NCCU	-	905,500	305,900	1,807,823	337,500	1,502,500	30,000,000	1,498,710	2,679,962	10,420,385	-	49,458,280
NC State	-	5,904,300	2,074,000	12,206,701	2,115,200	9,013,500	160,000,000	7,971,067	9,247,351	3,902,793	-	212,434,912
UNCA	-	873,200	305,900	3,788,627	316,800	1,410,300	21,100,000	2,897,723	1,197,933	4,329,700	-	36,220,183
UNC-Chapel Hill	-	6,585,200	2,284,500	5,913,326 ³	2,392,000	8,766,500	68,000,000	14,320,915	9,038,073	4,060,204	-	121,360,718
UNCC	-	1,904,400	706,100	4,132,925	775,800	3,453,900	90,000,000	889,677	3,579,547	1,800,520	-	107,242,869
UNCG	-	2,073,300	714,900	4,254,199	739,600	3,292,800	105,000,000	2,472,004	2,514,816	1,501,947	-	122,563,566
UNCP	-	873,200	305,900	1,788,627	316,800	1,410,300	23,000,000	674,770	11,010,000	6,725,702	-	46,105,299
UNCW	-	1,291,100	482,700	2,664,083	476,000	2,119,200	66,000,000	1,185,683	1,913,915	6,339,523	-	82,472,204
UNCSA	-	873,200	305,900	1,788,627	316,800	1,410,300	10,900,000	674,770	1,538,276	2,036,583	-	19,844,456
WCU	-	1,097,900	390,800	2,232,057	410,100	1,826,000	110,000,000	1,408,422	2,375,229	17,635,239	-	137,375,747
WSSU	-	873,200	305,900	1,788,627	316,800	1,410,300	50,000,000	885,778	2,130,747	2,000,752	-	59,712,104
NCSSM	-	873,200	305,900	1,788,627	316,800	5,410,300	58,000,000	674,770	1,010,000	15,928,093	-	84,307,690
Subtotal	-	31,752,000	11,123,300	61,599,900	14,519,900	53,000,000	1,065,000,000	44,813,730	66,740,000	86,485,852	-	1,435,034,682
Non-Institutional Appropriations												
N.C. Arboretum	-	386,222	-	-	-	-	-	-	-	-	-	386,222
UNC Health Care	-	-	-	-	-	-	-	-	-	-	-	-
Other (UNC System, UNC-TV, SEAA, HBS, C.S.I., Land Acquisition, Fire Safety, 4-H Camps & Equipment)												
	-	936,500	462,162	2,400,100	480,100	2,000,000	-	674,770	1,010,000	283,613	-	8,247,245
Subtotal	-	1,322,722	462,162	2,400,100	480,100	2,000,000	-	674,770	1,010,000	283,613	-	8,633,467
TOTAL ALL FUNDING	-	33,074,722	11,585,462	64,000,000	15,000,000	55,000,000	1,065,000,000	45,488,500	67,750,000	86,769,465		1,443,668,149
Less: Repairs and Renovations Res.												
	-	33,074,722	11,585,462	60,000,000	12,000,000	50,000,000		33,738,500	50,500,000	32,399,465	-	283,298,149
TOTAL CAPITAL PROJECTS	-	-	-	4,000,000	3,000,000	5,000,000	1,065,000,000	11,750,000	17,250,000	54,370,000		1,160,370,000

Notes :

- The 2010 General Assembly provided UNC with special indebtedness funding of \$60M for repairing and renovating facilities and infrastructure and \$22M for acquiring equipment for teaching and research in the fields of health, science, engineering and technology and completing related capital improvements. These authorizations were repealed by S.L. 2011-66.
- Prior to distribution, S.L. 2012-2 and S.L. 2012-57 authorized the Director of the Budget to use up to \$114M of the 2011 Repairs and Renovations to ensure adequate funding in the state Medicaid program for the 2011-12 fiscal year. On November 15, 2012, \$33,074,722 was allocated to the University for 2011 Repairs and Renovations.
- Due to other available funds, UNC-Chapel Hill has been reduced by 50%.
- The 2014 General Assembly provided UNC with special indebtedness funding of \$12M for repairing and renovating facilities and infrastructure and ASU \$3M for planning the Health Sciences Building.
- The 2015 General Assembly provided UNC with bond funding of \$1,020,000,000 to be allocated among 15 projects for new construction, with voter approval and \$50 million for Repairs and Renovations. The Bond Act also identified additional bond proceeds of \$45 million for ECSU, UNCA, & UNCSA.
- The 2016 General Assembly appropriated \$81,400,000 to the statewide Reserve for Repairs and Renovations. Eight (8) specific capital projects for other state agencies were earmarked at a value of \$13,923,000, to be deducted from the \$81,400,000. This yields a net Reserve for Repairs and Renovations equal to \$67,477,000, of which \$33,738,500 (one-half) is allocated to the Board of Governors.
- The 2017 General Assembly appropriated \$125,000,000 to the statewide Reserve for Repairs and Renovations. Eight (8) specific capital projects for other state agencies were earmarked at a value of \$24,000,000, to be deducted from the \$125,000,000. This yields a net Reserve for Repairs and Renovations equal to \$101,000,000, of which \$50,500,000 (one-half) is allocated to the Board of Governors.
- The 2018 General Assembly appropriated \$64,798,930 to the statewide Reserve for Repairs and Renovations, of which \$32,399,465 (one-half) is allocated to the Board of Governors. Six (6) capital projects received appropriations funds from the Capital Improvement Project Reserve.
- The 2019 General Assembly passed a budget that was vetoed by the Governor.

UNC System R&R Allocation

Approved by BOG - 9/20/2019

\$39,100,000 Total Allocation						
Institution	Base Model				12.5% GSF 12.5% # of Bldgs 25% Condition 25% # of FTE 25% Avail. Res.	% Allocation
	Gross Square Footage (GSF)	# of Bldgs	# of Students	Available Resources		
ASU	2,362,740	40	18,294	\$3,855,950	\$2,000,000	5.1%
ECU	4,505,190	107	25,348	\$1,862,759	\$2,374,654	6.1%
ECSU	673,797	27	1,523	\$7,014,999	\$2,000,000	5.1%
FSU	818,380	28	5,079	\$3,783,979	\$2,000,000	5.1%
N.C. A&T	2,130,928	63	11,143	\$2,998,136	\$2,000,000	5.1%
NCCU	1,389,187	39	7,205	\$1,898,371	\$2,000,000	5.1%
NC State	8,788,031	305	31,060	\$36,653,073	\$4,188,101	10.7%
UNCA	894,047	21	3,354	\$929,878	\$2,000,000	5.1%
UNC-CH	11,023,891	174	27,671	\$34,577,183	\$3,559,745	9.1%
UNCC	3,486,275	49	26,827	\$11,460,176	\$2,000,000	5.1%
UNCG	2,793,340	52	17,901	\$5,433,210	\$2,000,000	5.1%
UNCP	1,196,672	30	6,286	\$1,427,308	\$2,000,000	5.1%
UNCW	1,744,436	47	14,865	\$3,463,935	\$2,000,000	5.1%
UNCSA	843,806	33	1,040	\$760,612	\$2,000,000	5.1%
WCU	1,681,162	30	10,519	\$18,755,741	\$2,000,000	5.1%
WSSU	1,067,755	31	4,783	\$2,331,861	\$2,000,000	5.1%
NCSSM	442,877	8	680	\$603,032	\$2,000,000	5.1%
Total	45,842,514	1,084	213,578	\$137,810,203	\$38,122,500	97.5%
System Reserve					\$977,500	2.5%
System Total					\$39,100,000	100.0%

Notes: - System Office, UNCTV, and NC Arboretum will be addressed from reserve balance.

- # Students is based on Full-Time Equivalent (Fall 2018), including undergraduate and graduate students, degree-seeking only, and excludes fully online student enrollment

- Available Resources defined as Change in F&A Fund Balance (Revenues less Expenses) + Carryforward (2.5%) + Infrastructure Fee Revenue + R&R-Related Capital Earmarks (all items budgeted in SCIF or otherwise) - System-approved reductions

Model parameters:	
\$ Floor (Min. per University)	\$2,000,000
System Reserve	2.50%

Condition factors:	Multiplier	% GSF
Condition 1	1.0x	16.7%
Condition 2	1.3x	22.2%
Condition 3	1.7x	27.8%
Condition 4	2.0x	33.3%
Condition 5	0.0x	0.0%
Total appropriated GSF		100.0%

AGENDA ITEM

A-4. Report on Need-Based Aid from Tuition 2020-21..... Clinton Carter

Situation: A recommendation of the Board of Governors Working Group on Financial Aid and Tuition requires UNC System institutions to report annually on tuition set-aside for need-based financial aid.

Background: In October 2014, the Board of Governors received a report from the Board's Working Group on Financial Aid and Tuition. The working group's final report made several recommendations. These include the implementation of a limit on need-based aid funded by tuition to a 15 percent maximum of an institution's total base tuition revenue along with a requirement that institutions report annually to the Committee on Budget and Finance of the Board of Governors on tuition used for need-based aid.

This item provides a summary of aid funded from tuition set-aside for each institution.

Assessment: All institutions are in compliance with the freeze and cap policy. Five are at or above 15 percent and are frozen, and 11 are not frozen. Since implementation, eight have increased the amount of need-based aid from tuition, three have decreased, and five have not changed.

Action: This item is for information only.

The University of North Carolina System
Budgeted Tuition Revenue Allocated to Need-Based Financial Aid
2013-14 to 2020-21

Instit.	2014-15 Freeze and Cap Begins	2014-15 % NBA	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Δ from 2019-20 to 2020-21	2020-21 % NBA
ASU	\$11,895,599	14.4%	\$11,919,809	\$11,919,809	\$11,919,809	\$11,919,809	\$11,919,809	\$13,619,809	\$1,700,000	13.9%
ECU	19,616,710	13.6%	19,616,710	19,616,710	19,616,710	19,616,710	19,616,710	19,616,710	—	13.4%
ECSU	1,866,687	20.1%	1,866,687	1,704,690	1,704,690	1,704,690	1,704,690	1,661,567	(43,123)	19.5%
FSU	2,956,034	16.9%	2,956,034	2,341,934	2,529,284	2,529,284	2,529,284	2,529,284	—	13.5%
N.C. A&T	7,536,243	12.8%	7,536,243	7,536,243	7,627,859	7,627,859	7,851,527	7,851,527	—	9.5%
NCCU	6,001,776	15.0%	6,192,555	6,192,555	6,192,555	6,192,555	6,192,555	6,192,555	—	15.1%
NCSU	44,981,653	17.9%	44,981,653	44,981,653	44,981,653	44,981,653	46,981,653	46,981,653	—	14.4%
UNCA	2,637,233	14.7%	2,771,742	2,968,376	3,017,260	2,965,831	3,184,105	3,184,105	—	16.8%
UNC-CH	66,151,033	20.9%	66,151,033	66,151,033	66,151,033	66,151,033	66,151,033	66,151,033	—	19.7%
UNCC	11,275,108	9.5%	11,275,108	11,275,108	11,425,108	12,275,108	12,275,108	12,275,108	—	8.9%
UNCG	11,125,825	13.9%	11,125,825	11,125,825	11,125,825	11,125,825	11,125,825	11,125,825	—	12.0%
UNCP	2,378,562	10.9%	2,378,562	2,378,562	2,378,562	2,044,830	2,044,830	2,044,830	—	7.1%
UNCW	9,012,300	11.7%	9,012,300	9,012,300	9,012,300	9,012,300	9,012,300	9,012,300	—	10.2%
UNCSA	1,626,713	10.6%	1,701,538	1,779,653	1,848,463	1,921,418	1,965,158	1,965,158	—	12.5%
WCU	4,458,066	11.5%	4,458,066	4,458,066	4,458,066	4,758,066	4,858,066	4,858,066	—	8.9%
WSSU	3,247,030	15.9%	3,247,030	3,247,030	3,247,030	3,247,030	3,247,030	3,247,030	—	16.4%
Total	206,766,572		207,190,895	206,689,547	207,236,207	208,074,001	210,659,683	212,316,560	1,656,877	

Notes: % NBA = the percentage of base tuition revenue set aside for need-based aid.

UNC-CH's 2014-15 and 2015-16 amounts have been updated.

Includes both undergraduate and graduate need-based financial aid.

The appropriation for the tuition buy down at NC Promise campuses was counted as tuition for the purpose of this report.

ECU's amounts for FY 2013-14 through FY 2019-20 have been updated to remove a SBTI amount incorrectly included.

AGENDA ITEM

A-5. Update on Internal Bank – UNC Funding Corp..... Clinton Carter

Situation: The UNC System has long pursued various avenues to increase efficiency of the process and to lower the borrowing costs of each of our constituent institutions as they secure debt financing for various capital and related projects on their campuses.

Background: The UNC Funding Corp., a subsidiary of the UNC Foundation, is a nonprofit entity formed for the purpose of making loans available to UNC System's constituent institutions and entities associated with UNC System's constituent institutions for various statutorily permitted and legislatively approved capital projects and equipment purchases, including construction bridge loans, equipment and technology leasing, energy savings projects, auxiliary funded projects, other short-term, smaller capital projects and refinancing of certain existing debt.

The UNC Funding, LLC received proposals from two private banks. After reviewing all proposals, the UNC Funding, LLC proposes to negotiate final terms with PNC Bank, with final rates and terms variable depending on length of constituent loan.

Assessment: Upon execution of the loan agreement, the UNC Funding, LLC proposes to make this amount available to the constituent institutions and anticipates loaning the full amount within the next 12-18 months based on the proposed future projects and potential refinancing of existing debt. These internal loans can effectively reduce the overall institutional borrowing cost, decrease time required to access funds, and provide predictable interest rates.

Action: This item is for information only.



UPDATE ON INTERNAL BANK

July 22, 2020

Internal Bank

- For years, the UNC System has considered various ways to try to lend its (hypothetical) credit rating down to the lower-rated institutions to no avail
 - State Aid Intercept Program
 - Springing-Lien Concept
- Internal Bank Concept
 - UNC System acts as a bank to constituent institutions and affiliated entities at prevailing rates, essentially replacing an existing private placement lender
 - UNC System sources funds:
 - ~~Revolving Bank Loan~~ Fixed-Term Loan – with future internal loans pledged as the sole source of collateral for repayment (no explicit guarantee from the UNC System; however, a moral obligation would certainly be implied)
 - ◆ Advanced discussions – primary bank selected after RFP process, indicative terms for a ~~\$100 million~~ \$50 million term loan (w/ added \$50 million accordion feature)
 - ◆ Unsecured (pledged loans as sole asset), no financial covenants
 - ◆ Indicative terms: fixed rates at 1-10-yr. terms (currently in 1.8%-2.5% range)

Internal Bank

■ Types of Loans (capital projects only)

- Current refundings
- Construction bridge loans
- Capital leases under \$5 million (through a foundation)
- Energy-savings projects
- Equipment and technology leasing
- Other short-term or small-ticket loans (less than 1-year maturity)

■ Loan Underwriting

- Up to \$15-20 million outstanding (maximum exposure per institution)
- 5 to 7-year term optimal with P&I payments throughout term
- Interest rate at ~25bps above cost (indicative all-in rates in the 2.4%-2.6% range)
- All projects would still require traditional approvals (Board and/or Legislature)

■ Stream-lined approval process from UNC System, funds in three business days

■ Predictable interest rates (published quarterly, fixed rates/terms)

■ More efficient funds disbursement (eliminates capitalized interest)

Internal Bank

- Potential \$1-\$2 million savings annually (per \$100 million loan tranche):
 - Targeted all-in institutional rate (after UNC System ~25bps spread) of 2.4%-2.6%
 - Potential 1.0% interest rate reduction from the current institutional borrowing cost
 - Additional savings from reduction of capitalized interest, greater economies of scale, reduced institutional workforce requirements
- Frequently referred to in other states as:
 - Central Bank, Capital Bank, Internal Bank, Internal Lending Program
- Other State Examples:
 - Most of the large multi-campus universities (Washington, Rutgers, Ohio St, UVA)
 - Most of the large independents (R2 or larger) that utilize the RCM budget method
 - RCM – Responsibility Centered Management – Individual Profit/Loss by College
 - Most of the large privates (the Ivys, Emory, Vandy, Carnegie Mellon)
 - Privates and RCM users tend to focus on internal working capital purposes and re-investment of idle, excess cash reserves for their internal bank uses
 - Few state systems have effectively utilized due to weakest link problem (same problem at UNC System)

Internal Bank

■ Credit Considerations

- UNC System to use a private placement without ratings (direct bank loan)
- No expected credit impact to UNC System or any affiliated institutions (at \$100 million level), although future expansions (\$200 million +) could be impactful

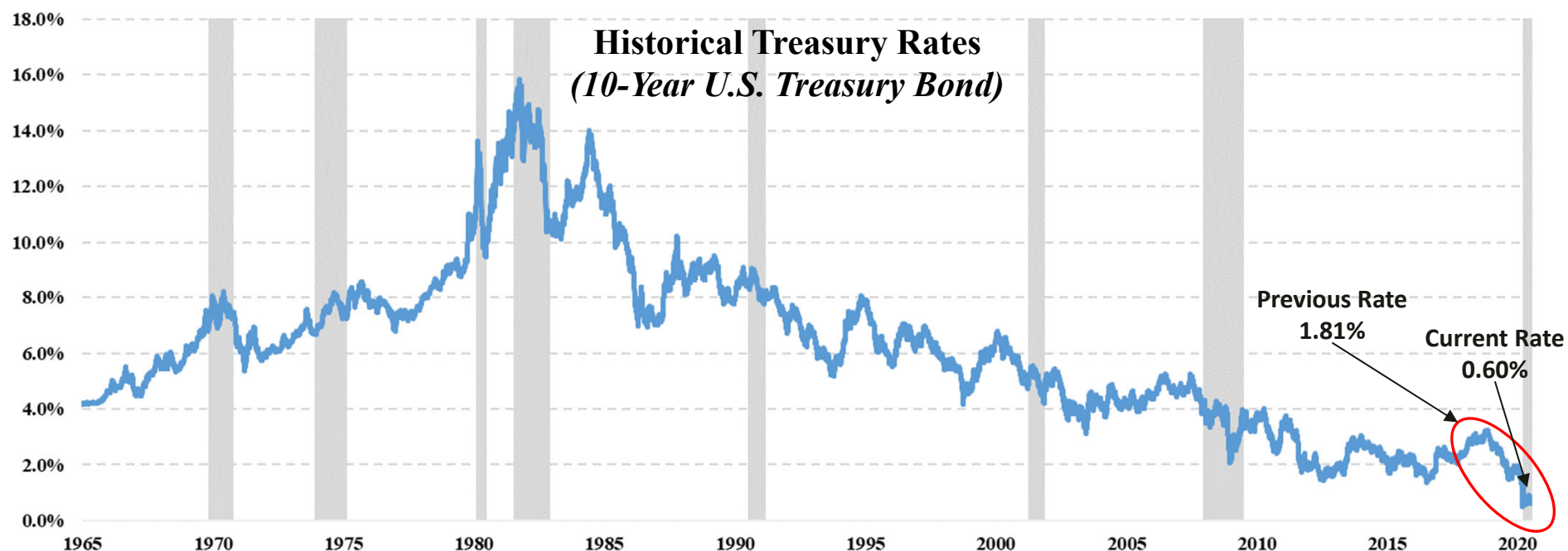
■ Impact to State of North Carolina

- No expected credit impact to the State (at \$100 million borrowing level), although an extended program (\$500 million +) could have implications

■ Potential Worst-Case Scenarios

- Default at an institution – mitigated through debt service reserve fund, through forced System-intercept of available funds and short-term loan duration (< 7 years)
- Timing of debt service payments – need to match bank loan repayment to institutional loan repayments
- Lending throughput volume – mitigated if sourced bank loan on a draw schedule (only pay interest on funds outstanding)

Indicative Pricing



UNC System - Internal Bank Pricing Matrix					
Tenor	Indicative Current Rate	Spread to Treasury	UNC System Rate	UNC Spread	UNC Institution Rate
1 Year	1.56%	0.24%	1.80%	0.25%	2.05%
3 Years	1.56%	0.34%	1.90%	0.25%	2.15%
5 Years	1.60%	0.47%	2.07%	0.25%	2.32%
7 Years	1.72%	0.43%	2.15%	0.25%	2.40%
10 Years	1.81%	0.71%	2.52%	0.25%	2.77%

- With long-dated U.S. Treasuries nearing all-time lows and a flattened yield curve, indicative pricing for UNC System in the 1.8% - 2.5% range, fixed rate
 - UNC System would charge ~25bps above its fixed-term debt cost (UNC spread)

Proposed Master Loan Terms

■ Proposed Terms

- \$50 million initial draw-down term loan (one-time spend, not a revolving line of credit); additional \$50 million accordion feature, based on mutual consent
- Fixed interest rates determined at draw-date; pricing grid by tenor based on scheduled spread to pre-determined benchmark at time of draw (fixed for 3, 5, 7-year period certain)
- Up to 24 months (with option to extend for up to 36 months) to lend out funds
- Borrower is UNC Funding LLC with security of pledged cash flows from underlying loans as sole repayment source for facility; DSRF to provide additional security
- Anticipate no upfront committee fee or unused fee; TBD annual fee expected, with a portion to be born pro rata by participants

■ Borrower Covenant

- No financial covenants
- Implied moral obligation to seek General Assembly assistance if necessary

Centralized Funding Update

- In process of new foundation LLC formation
 - Secretary of State incorporation, Articles of Incorporation, Board setup, etc.
- UNC Funding LLC, a 501(c)(3) nonprofit corporation, set up as a subsidiary of the University of North Carolina Foundation, for the exclusive purpose of providing loans to:
 - UNC System's constituent institutions and associated entities
 - Augment UNC System's existing long-term debt program
- UNC Funding LLC Board Members
 - Board Chair, Committee on Budget and Finance Chair
 - UNC System Office President, Chief Financial Officer, General Counsel
- UNC System Office Staff
 - UNC System Office Chief Financial Officer to serve as manager
 - David Kopplin, recently hired to head up System Office debt management

Centralized Funding Update – cont'd

■ Next Steps

- Board of Governors Update (July)
- Legal entity formation (July)
- Selection of bank partner to continue negotiations and finalize terms (July/August)
- UNC System Office loan finalization of security structure and terms, documentation and underwriting standardization (finalize late-summer)
- Funding agreement and MOU between UNC Funding LLC and associated entities (finalize late-summer)
- Loan pipeline (ongoing)
- Draft UNC System Office loan review policies and board approval processes (finalize fall)
- Master loan closure (fall)

■ Closing of Loan Facility

- At closing, provide evidence of commitments for at least 40% loan utilization (at least \$20 million of total \$50 million commitment; fall)

QUESTIONS?

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AGENDA ITEM

A-6. Sale of Special Obligation Bonds – N.C. A&T State University Clinton Carter

Situation: North Carolina A&T State University requests that the Board of Governors issue special obligation bonds in an aggregate principal amount not to exceed \$11,000,000 (the “2020 Bonds”) to (a) advance refund the callable maturities of the UNC System Pool Revenue Bonds, Series 2011C issued on N.C. A&T’s behalf (the “2011C Bonds”), (b) advance refund the callable maturities of N.C. A&T’s 2013 General Revenue Bonds (the “2013 Bonds”) and (c) pay costs of issuance of the 2020 Bonds.

Background: The request to issue the 2020 Bonds is to refund the 2011C Bonds and the 2013 Bonds which financed projects that have been previously approved by the Board and the General Assembly.

Assessment: N.C. A&T is seeking authority to refinance the 2011C Bonds and the 2013 Bonds to take advantage of prevailing market conditions. N.C. A&T will not pursue either refunding if such refunding fails to produce net present value savings in excess of 5% of the par amount refunded.

N.C. A&T estimates that it can achieve approximately \$865,000 in total net present value savings by refunding the 2011C Bonds and 2013 Bonds, representing over 8% of the par amount refunded. The 2020 Bonds matches the maturity schedule of the refunded bond series, and certain 2020 bonds are subject to optional redemption call provision.

N.C. A&T currently has issuer credit ratings of “A1” and “AA-” from Moody’s Investor Service and Fitch Ratings, respectively, both with a stable outlook. This transaction is expected to have no impact on N.C. A&T’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 A&T State University

ISSUE OVERVIEW

The Board of Governors (“Board”) 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

North Carolina A&T State University requests that the Board issue special obligation bonds in an aggregate principal amount not to exceed \$11,000,000 (the “2020 Bonds”) to (a) advance refund the callable maturities of the UNC System Pool Revenue Bonds, Series 2011C issued on N.C. A&T’s behalf (the “2011C Bonds”), (b) advance refund the callable maturities of N.C. A&T’s 2013 General Revenue Bonds (the “2013 Bonds”) and (c) pay costs of issuance of the 2020 Bonds.

N.C. A&T estimates that it can achieve approximately \$115,000 in net present value savings by refunding the 2011C Bonds, representing approximately 6% of the par amount refunded. N.C. A&T will not pursue the 2011C refunding if it fails to produce net present value savings in excess of 5% of the par amount of the 2011C Bonds refunded without the consent of the Senior Vice President for Finance and Administration.

N.C. A&T estimates that it can achieve approximately \$750,000 in net present value savings by refunding the 2013 Bonds, representing approximately 9% of the par amount refunded. N.C. A&T will not pursue the 2013 refunding if it fails to produce net present value savings in excess of 5.0% of the par amount of 2013 Bonds refunded without the consent of the Senior Vice President for Finance and Administration.

The 2020 Bonds will be sold on a negotiated basis by PNC Capital Markets LLC, which was selected through a competitive RFP process.

N.C. A&T currently has issuer credit ratings of “A1” and “AA-” from Moody’s Investors Service and Fitch Ratings, respectively, both with a stable outlook. This transaction is expected to have no impact on N.C. A&T’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 his designee, be authorized to sell the special obligation bonds through the attached resolution.

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

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

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

WHEREAS, North Carolina Agricultural & Technical State University (“N.C. A&T”) and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding (1) a portion of The University of North Carolina System Pool Revenue Bonds (North Carolina A&T), Series 2011C (the “2011C Bonds”), the proceeds of which were loaned to N.C. A&T to finance and refinance special obligation bond projects and (2) a portion of North Carolina Agricultural & Technical State University General Revenue Bonds, Series 2013 (the “2013 Bonds”), the proceeds of which were used to finance a student health facility;

WHEREAS, if debt service savings can be achieved, the Board has determined to issue North Carolina Agricultural & Technical State University Taxable General Revenue Refunding Bonds (with appropriate descriptions and series designations) in one or more series (the “Bonds”) in an aggregate principal amount not to exceed \$11,000,000 to (1) refund all or a portion of the 2011C Bonds maturing on and after October 1, 2022 (the “Refunded 2011C Bonds”), (2) refund all or a portion of the 2013 Bonds maturing on and after October 1, 2022 (the “Refunded 2013 Bonds” and together with the Refunded 2011C Bonds, the “Refunded Bonds”) and (3) pay the costs of issuing the Bonds; and

WHEREAS, the Board has determined to issue the Bonds under the General Trust Indenture dated as of December 1, 2012 (the “General Indenture”) between the Board and The Bank of New York Mellon Trust Company, N.A., (the “Trustee”), and a Series Indenture, Number 5 (the “Series Indenture”) between the Board and the Trustee; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of N.C. A&T or the Board held for N.C. A&T in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by N.C. A&T students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities (as defined in the General Indenture) and (5) funds restricted by law (the “Available Funds”);

WHEREAS, PNC Capital Markets 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:

1. the General Indenture;
2. the Series Indenture;
3. the Purchase Agreement;
4. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the refunding of the Refunded 2013 Bonds;
5. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the Bonds; and
6. the Bonds in the form set forth in the Series Indenture; and

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

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

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$11,000,000 under the General Indenture and the Series Indenture to pay the costs of refunding the Refunded Bonds and costs incurred in connection with the issuance of the Bonds. The Bonds may be issued in one or more series of bonds, as the Senior Vice President for Finance and Administration and CFO of the UNC System (the “*SVP-Finance*”), or his designee, in consultation with the appropriate officers at N.C. A&T, determine to be in N.C. A&T’s best interest to achieve debt service savings on the Refunded Bonds.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds and to provide for the maintenance and operation of the facilities at N.C. A&T to the extent required under the General Indenture.

Section 3. **Selection of Underwriters and other Financing Team Members.** That the Board authorizes the SVP-Finance and the Vice Chancellor for Business and Finance of N.C. A&T to select co-managing underwriters for the Bonds, if necessary or desirable, and any other professionals necessary to undertake the financing as contemplated in this Resolution.

Section 4. **Authorization of Board Documents.** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the UNC System, the SVP-Finance, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System, or anyone acting in an interim capacity, individually and collectively (the “*Authorized Officers*”), be and they hereby are each authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form

and content presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents, the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 5. **Authorization of Purchase Agreement.** That the Chairman of the Board, the President of the UNC System and the SVP-Finance, individually or collectively, be and they hereby are each authorized, empowered and directed to execute and deliver the Purchase Agreement for and on behalf of the Board, including necessary counterparts, in a form and substance consistent with the terms of this Resolution and that from and after the execution and delivery of the Purchase Agreement, the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Purchase Agreement as executed.

Section 6. **Authorization of Preliminary Official Statement and Official Statement.** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriters in connection with the sale of the Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution of the Purchase Agreement to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and the use of the Preliminary Official Statement and the Official Statement by the Underwriters in connection with the sale of the Bonds to investors is hereby authorized, approved and confirmed.

Section 7. **General Authority.** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the Bonds. Any provision in this Resolution that authorizes more than one Authorized Officer to take certain actions shall be read to permit such Authorized Officers to take the authorized actions either individually or collectively. The Chancellor and the Vice Chancellor for Business and Finance at N.C. A&T, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents as may be necessary to the issuance and on-going administration of the Bonds on behalf of N.C. A&T.

Section 8. **Conflicting Provisions.** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 9. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 23rd day of July, 2020.

STATE OF NORTH CAROLINA

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SECRETARY'S CERTIFICATE

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SS:

OF AUTHENTICATION

COUNTY OF ORANGE

)

I, Meredith R. McCullen, Assistant Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its meeting on July 23, 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 July 23, 2020 was sent to each member of the Board, and (3) a quorum was present at the meeting on July 23, 2020 at which time the foregoing Resolution was adopted.

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

[SEAL]

Assistant Vice President and Secretary of the University
of North Carolina System

AGENDA ITEM

A-7. Sale of Special Obligation Bonds – Western Carolina University..... Clinton Carter

Situation: Western Carolina University (WCU) requests that the Board of Governors issue special obligation bonds (1) in an aggregate principal amount not to exceed \$80,000,000, plus up to 5% to pay for certain financing costs as permitted by State law (the “2020B Bonds”), to finance the construction of three lower campus residence halls (the “Lower Campus Residence Halls Project”); and (2) in an aggregate principal amount not to exceed \$14,500,000 (the “2020C Bonds”) to refund the callable maturities of the UNC System Pool Revenue Bonds, Series 2011B issued on WCU’s behalf (the “2011B Bonds”) and pay costs of issuance of the 2020C Bonds.

Background: The Board is authorized to issue special obligation bonds for capital improvement projects that have been approved by the General Assembly. The General Assembly granted WCU \$60,000,000 in project and financing authority for the Lower Campus Residence Halls Project under S.L. 2019-124 (H.B. 402) and an additional \$20,000,000 in project and financing authority for the Lower Campus Residence Halls Project under S.L. 2020-66 (S.B. 733). The request to issue the 2020C Bonds is to refund the 2011B Bonds, which financed projects that have been previously approved by the Board and the General Assembly. With respect to those projects, this request is to refinance those previously issued bonds for savings.

Assessment: WCU is seeking authority to finance the Lower Campus Residence Halls Project and refinance the 2011B Bonds at the same time to streamline costs of issuance and provide WCU with maximum flexibility to take advantage of prevailing market conditions. WCU will not pursue the refunding if it fails to produce net present value savings in excess of 5.0% of the par amount refunded without the consent of the Senior Vice President for Finance and Administration. WCU estimates that it can achieve approximately \$1,800,000 in net present value savings by refunding the Refunded Bonds, representing over 13% of the par amount refunded. The 2020 Bonds matches the maturity schedule of the refunded bond series, and certain 2020 bonds are subject to optional redemption call provision.

WCU currently has an issuer credit rating of “Aa3” with a stable outlook from Moody’s Investor Service. This transaction is expected to have no impact on WCU’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 – Western Carolina University

ISSUE OVERVIEW

The Board of Governors (“Board”) 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. Specific funding sources for the current capital project include housing receipts and reserves (self-liquidating).

Western Carolina University (“WCU”) requests that the Board issue special obligation bonds (the “2020B Bonds”) in an aggregate principal amount not to exceed \$80,000,000 (plus up to 5% to pay for certain financing costs as permitted by State law), for the purposes of constructing three lower campus residence halls (the “Lower Campus Residence Halls Project”).

In 2019, the Board authorized WCU to issue \$60,000,000 in debt for the construction of the Lower Campus Residence Halls Project, totaling approximately 800 beds and approximately 200,400 square feet, to replace aging residence halls and accommodate future growth. In April 2020, the Board authorized an increase in (1) the number of beds to 932, (2) the total size of the facilities to approximately 235,000 square feet, and (3) WCU’s project and financing authority by an additional \$20,000,000. The total project cost is estimated to be \$87,000,000, with WCU contributing approximately \$7 million from its housing reserves. The General Assembly granted WCU \$60,000,000 in project and financing authority for the Lower Campus Residence Halls Project under S.L. 2019-124 (H.B. 402). The General Assembly granted an additional \$20,000,000 in project and financing authority for the Lower Campus Residence Halls Project under S.L. 2020-66 (S.B. 733).

WCU also requests that the Board issue special obligation bonds (the “2020C Bonds”) in an amount not to exceed \$14,500,000 for the purposes of (1) refinancing the callable maturities of the UNC System Pool Revenue Bonds, Series 2011B issued on WCU’s behalf (the “2011B Bonds”) and (2) paying costs of issuance of the 2020C Bonds.

WCU is seeking authority to finance the Lower Campus Residence Halls Project and refund the 2011B Bonds at the same time to streamline costs of issuance and provide WCU with maximum flexibility to take advantage of prevailing market conditions. WCU estimates that it can realize approximately \$1,800,000 in net present value savings by refunding the 2011B Bonds, representing approximately 13% of the par amount refunded. WCU will not pursue the refunding if it fails to produce net present value savings in excess of 5% of the par amount refunded without the consent of Senior Vice President for Finance and Administration.

The 2020B Bonds will be issued on a tax-exempt basis. The 2020C Bonds will be issued as either tax-exempt bonds or taxable bonds based on market conditions and the legislative environment at the time of pricing. The 2020B and 2020C Bonds will be sold on a negotiated basis by Goldman Sachs & Co. LLC and Raymond James & Associates, Inc., who were selected through a competitive RFP process.

WCU currently has an issuer credit rating of “Aa3” with a stable outlook from Moody’s Investor Service. This transaction is expected to have no impact on WCU’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 his designee, be authorized to sell the special obligation bonds through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH
CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS
TO FUND A SPECIAL OBLIGATION BOND PROJECT FOR
WESTERN CAROLINA UNIVERSITY**

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

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

WHEREAS, Western Carolina University (“WCU”) and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding a portion of The University of North Carolina System Pool Revenue Bonds (Western Carolina), Series 2011B (the “2011B Bonds”), the proceeds of which were loaned to WCU to finance and refinance special obligation bond projects;

WHEREAS, Western Carolina University (“WCU”) has requested the Board to issue special obligation bonds, the proceeds of which are to be used by WCU for the acquisition, construction, equipping and furnishing of Lower Campus Residence Halls project on WCU’s campus as authorized by S.L. 2019-124 of the 2019 Session Laws of the North Carolina General Assembly and S.L. 2020-66 of the 2020 Session Laws of the North Carolina General Assembly (the “Special Obligation Project”);

WHEREAS, the Board has determined to issue Western Carolina University General Revenue Bonds (with appropriate descriptions and series designations) in one or more series (the “Bonds”) (1) in an aggregate principal amount not to exceed \$80,000,000 to pay the costs of the Special Obligation Bond Project and not to exceed an additional 5% of such principal amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs related to the Bonds; and (2) in an aggregate principal amount not to exceed \$14,500,000 to refund a portion of the 2011B Bonds to achieve debt service savings and to pay the costs of issuing the Bonds; and

WHEREAS, the Board has determined to issue the Bonds under the General Trust Indenture dated as of November 1, 2015 (the “General Indenture”) between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a Series Indenture (the “Series Indenture”) between the Board and the Trustee; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of WCU or of the Board held for WCU in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State of North Carolina from the State General Fund, (2) tuition payments by WCU students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities (as defined in the General Indenture) and (5) funds restricted by law (the “Available Funds”);

WHEREAS, Goldman Sachs & Co. LLC and Raymond James & Associates, Inc. (the “Underwriters”) will agree to purchase all of the Bonds pursuant to the terms of a bond purchase agreement (the “Purchase Agreement”) between the Board and the Underwriters; and

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

1. the General Indenture;
2. the Series Indenture;
3. the Purchase Agreement;
4. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the refunding of the 2011B Bonds;
5. the Preliminary Official Statement (the “Preliminary Official Statement”) relating to the Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “Official Statement”) relating to the Bonds; and
6. the Bonds in the form set forth in the Fourth Series Indenture; and

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

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

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the issuance of the Bonds under the General Indenture and the Series Indenture, (1) in an aggregate principal amount not to exceed \$80,000,000 to pay the costs of the Special Obligation Bond Project plus not to exceed an additional 5% of such principal amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs related to the Bonds and (2) in an aggregate principal amount not to exceed \$14,500,000 to refund all or a portion of the 2011B Bonds to achieve debt service savings and to pay the costs of issuing the Bonds. The Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the President or the Senior Vice President for Finance and Administration and CFO of the UNC System (the “SVP-Finance”), or their respective designees, in consultation with the appropriate officers at WCU, determine to be in the best interest of the UNC System and WCU, and may be issued in one or more series indentures substantially in the form of the Series Indenture with appropriate modifications and the Authorized Officers (as defined below) deem necessary.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds and to provide for the maintenance and operation of the facilities at WCU to the extent required under the General Indenture.

Section 3. ***Selection of Underwriters and other Financing Team Members.*** That the Board authorizes the SVP-Finance, in consultation with the appropriate officers at WCU, to select additional co-managing underwriters for the Bonds, if necessary or desirable, and any other professionals necessary to undertake the financing as contemplated in this Resolution.

Section 4. ***Authorization of Board Documents.*** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the UNC System, the SVP-Finance, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System, and their respective designees, individually and collectively (the “*Authorized Officers*”), be and they hereby are each authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 5. ***Authorization of Purchase Agreement.*** That the Chairman of the Board, the President of the UNC System and the SVP-Finance, and their respective designees, individually or collectively, be and they hereby are each authorized, empowered and directed to execute and deliver the Purchase Agreement for and on behalf of the Board, including necessary counterparts, in a form and substance consistent with the terms of this Resolution and that from and after the execution and delivery of the Purchase Agreement the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Purchase Agreement as executed.

Section 6. ***Authorization of Preliminary Official Statement and Official Statement.*** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriters in connection with the sale of the Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution of the Purchase Agreement to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and the use of the Official Statement by the Underwriters in connection with the sale of the Bonds with investors is hereby authorized, approved and confirmed.

Section 7. ***General Authority.*** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the

issuance and on-going administration of the Bonds. The Chancellor and the Vice Chancellor for Administration and Finance at WCU, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents as may be necessary to the issuance and on-going administration of the Bonds on behalf of WCU.

Section 8. ***Conflicting Provisions.*** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 9. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 23rd day of July, 2020.

STATE OF NORTH CAROLINA

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SECRETARY'S CERTIFICATE

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SS:

OF AUTHENTICATION

COUNTY OF ORANGE

)

I, Meredith R. McCullen, Assistant Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its meeting on July 23, 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 July 23, 2020 was sent to each member of the Board, and (3) a quorum was present at the meeting on July 23, 2020 at which time the foregoing Resolution was adopted.

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

[SEAL]

Assistant Vice President and Secretary of the University
of North Carolina System

AGENDA ITEM

- A-8. Approval of Substitute Liquidity Facilities and
Successor Remarketing Agents – UNC Hospitals..... Clinton Carter

Situation: The University of North Carolina Hospitals at Chapel Hill (“UNC Hospitals”) requests approval from the UNC Board of Governors to enter into replacement Standby Bond Purchase Agreements (“SBPAs”) with TD Bank, N.A. and to appoint TD Securities (USA) LLC, an affiliate of TD Bank, N.A., as successor Remarketing Agent.

The Board of Governor will need to enter into new remarketing agreements among the Board of Governors, UNC Hospitals and TD Securities (USA) LLC.

Background: On July 20 2020, the UNC Health Care System Board, as governing body of UNC Hospitals, approved the execution and delivery of the SBPAs with TD Bank, N.A. for the outstanding Series 2001A/B Bonds and Series 2003B Bonds to replace the current SBPAs that will be soon expiring by their respective terms. The outstanding principal amounts of the Variable Rate Demand Bonds (“VRDB”) are \$41,200,000 (Series 2001A), \$41,200,000 (Series 2001B) and \$22,455,000 (Series 2003B). The new SBPAs and remarking agreements will have terms of seven years.

In connection with a new SBPAs and remarketing of the tendered Series 2001A/B Bonds and Series 2003B Bonds, UNC Hospitals is requesting the Board of Governors to appoint TD Securities (USA) LLC, as successor Remarketing Agent, pursuant to the applicable Series Indentures authorizing such bonds.

Assessment: The new SBPAs will provide adequate liquidity support for the Series 2001A/B and the Series 2003B Bonds and will ensure prudent management of the variable rate debt. Both the replacement of the SBPAs and the change in the remarketing agent will not change the bond series or create any additional indebtedness of UNC Hospitals.

TD Bank is currently rated “Aa2/VMIG1” with a stable outlook by Moody’s Investors Service, Inc., “AA-/A-1+” with a stable outlook by S&P Global Ratings and AA/F1+ with a negative outlook by Fitch Ratings.

UNC Hospitals currently maintains long-term credit ratings of Aa3 with a stable outlook by Moody’s Investors Service, Inc. and AA with a stable outlook by S&P Global Ratings. Fitch does not currently provide a credit rating for UNC Hospitals. The proposed transaction is expected to have no impact on UNC Hospitals’ credit ratings.

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

Approval of Substitute Liquidity Facilities and Successor Remarketing Agent – UNC Hospitals

ISSUE OVERVIEW

The Board of Governors has previously issued on behalf of the University of North Carolina Hospitals at Chapel Hill (“UNC Hospitals”) its University of North Carolina Hospitals at Chapel Hill Revenue Bonds, Series 2001A and Series 2001B (collectively, the “Series 2001A/B Bonds”) and its University of North Carolina Hospitals at Chapel Hill Revenue Refunding Bonds, Series 2003B (the “Series 2003B Bonds”). The original par amounts for the Series 2001A/B Bonds and Series 2003B Bonds are \$110,000,000 (\$55,000,000 per series) and \$34,245,000, respectively. Currently, the outstanding principal amounts are \$82,400,000 (\$41,200,000 per series) and \$22,455,000, amounts for the Series 2001A/B Bonds and Series 2003B Bonds, respectively. The Series 2001A/B Bonds are variable rate demand bonds and currently bear interest at the daily rate as provided in the Series Indenture relating to the Series 2001A/B Bonds. The Series 2003B Bonds are variable rate demand bonds and currently bear interest at the weekly rate as provided in the Series Indenture relating to the Series 2003B Bonds. The Series 2001A/B Bonds and the Series 2003B Bonds are callable at any time without premium and have final maturities of February 15, 2031 and February 1, 2029, respectively.

The Standby Bond Purchase Agreements (“SBPAs”) supporting the Series 2001A/B Bonds are currently provided by Landesbank Hessen-Thüringen Girozentrale, New York Branch, and expire by their terms on September 18, 2020. The SBPA supporting the Series 2003B Bonds is currently provided by Wells Fargo Bank, National Association (“Wells Fargo”) and expires by its terms on July 31, 2020.

UNC Hospitals has undertaken a competitive process to solicit proposals for the replacement of the existing SBPAs supporting the Series 2001A/B Bonds and the Series 2003B Bonds. UNC Hospitals desires to use TD Bank, N.A. (“TD Bank”) as the substitute liquidity facility provider for both the Series 2001A/Bonds and the Series 2003B Bonds. TD Bank has a strong short-term credit rating and has provided a competitive fee structure. Additionally, in connection with the substitution of the liquidity facilities, UNC Hospitals has determined through a competitive proposal process to appoint TD Securities (USA) LLC, an affiliate of TD Bank, to serve as the successor remarketing agent for both the Series 2001A/B and Series 2003B Bonds.

All of the outstanding Series 2001A/B and Series 2003B Bonds will be subject to mandatory tender for purchase on the respective dates of substitution of the liquidity facilities, without the option to retain such bonds. Upon such mandatory tenders for purchase, the tendered bonds will be remarketed by TD Securities (USA) LLC, as the successor remarketing agent. The rate is set by the remarketing agent.

In connection with the consummation of the transactions described above, UNC Hospitals will cause to be distributed to the public remarketing circulars relating to the Series 2001A/B and Series 2003B Bonds.

On July 20, 2020, the Board of Directors of the University of North Carolina Health Care System, as the governing body of UNC Hospitals, approved the transaction and related documents as described above.

As additional background information, the SBPAs provide liquidity support to purchase tendered bonds in the event that such bonds cannot be remarketed. The SBPAs do not constitute additional debt. UNC Hospitals has four series of outstanding variable rate demand bonds (2001A, 2001B, 2003B, 2009A), which are floating rate tax-exempt debt instruments, where the interest rates reset either daily or weekly by the remarketing agent. Furthermore, if such bonds are tendered for purchase and cannot be remarketed, funds to be used to purchase the tendered bonds will be provided by the liquidity facility provider pursuant to the terms of the applicable SBPA. Please note that the par amount of bonds outstanding, CUSIPs, and principal amortization schedules will not change as a result of the upcoming transaction.

TD Bank is currently rated “Aa2/VMIG1” with a stable outlook by Moody’s Investors Service, Inc., “AA-/A-1+” with a stable outlook by Standard & Poor’s Global Ratings, and “AA/F1+” with a negative outlook by Fitch Ratings.

UNC Hospitals currently maintains long-term credit ratings of Aa3 with a stable outlook by Moody’s Investors Service, Inc. and AA with a stable outlook by Standard & Poor’s Global Ratings. Fitch does not currently provide a credit rating for UNC Hospitals. The proposed transaction is expected to have no impact on UNC Hospitals’ credit ratings.

Womble Bond Dickinson (US) LLP is serving as bond counsel and Ponder & Co. is the financial advisor for the transaction.

It is recommended that the Board of Governors adopt the two resolutions approving the proposed transaction and authorizing the execution and delivery by the Board of Governors of the related remarketing agreements in connection therewith.

REMARKETING – NOT A NEW ISSUE
Book-Entry-Only

RATINGS:
Moody's: Aa3/VMIG1
S&P: AA/(Expected) A-1+
See "RATINGS" herein

REMARKETING CIRCULAR
SUPPLEMENTING THE OFFICIAL STATEMENT
Dated February 5, 2003
relating to

\$34,245,000*

Board of Governors of The University of North Carolina
University of North Carolina Hospitals at Chapel Hill Revenue Refunding Bonds
Series 2003B

Dated: Date of Original Delivery

Price: 100%

Due: February 1, 2029

This Remarketing Circular is intended to supplement the Official Statement, dated February 5, 2003 (as supplemented, the "2003 Official Statement"), relating to the issuance by the Board of Governors of The University of North Carolina System (the "Issuer") of the above-referenced bonds (the "Series 2003B Bonds"). The 2003 Official Statement can be accessed at <https://emma.msrb.org/MS203044-MS178352-MD345605.pdf>, and is hereby incorporated herein by reference. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the 2003 Official Statement.

THE SERIES 2003B BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, AND THE ISSUER WILL NOT BE OBLIGATED TO PAY DEBT SERVICE ON THE SERIES 2003B BONDS EXCEPT FROM REVENUES AND OTHER FUNDS PLEDGED OR ASSIGNED THEREFOR UNDER THE TRUST INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE SERIES 2003B BONDS. THE ISSUER HAS NO TAXING POWER. See "SECURITY AND SOURCES OF PAYMENT" in the 2003 Official Statement.

As described in the 2003 Official Statement, the payment of the purchase price of the Series 2003B Bonds tendered or deemed tendered for purchase and not remarketed was originally supported pursuant to the terms of a Standby Bond Purchase Agreement, dated as of February 1, 2003, as supplemented and amended from time to time (the "Original Standby Agreement"), between the University of North Carolina Hospitals at Chapel Hill ("UNC Hospitals") and Wachovia Bank, National Association (succeeded by Well Fargo Bank, National Association). On July 24, 2020 (the "Substitution Date"), the Original Standby Agreement will be replaced by a Standby Bond Purchase Agreement, dated as of the date of delivery thereof (the "Standby Agreement"), between UNC Hospitals and TD Bank, N.A. (the "Bank"). The Standby Agreement will expire on July 23, 2027, unless extended or earlier terminated pursuant to the terms of the Standby Agreement. The Standby Agreement constitutes a Substitute Liquidity Facility within the meaning of the Series Indenture.

All of the outstanding Series 2003B Bonds are subject to mandatory tender for purchase on the Substitution Date without the option to retain such Series 2003B Bonds. Upon such mandatory tender for purchase, the Series 2003B Bonds so tendered will be remarketed by TD Securities (USA) LLC (the "Remarketing Agent"), who has been appointed as successor Remarketing Agent effective on the Substitution Date. The Series 2003B Bonds currently bear interest at the Weekly Rate as provided in the Series Indenture. The Weekly Rate set by TD Securities (USA) LLC, as Remarketing Agent, on the

Substitution Date will be effective from such date to and including July 29, 2020. See “THE SERIES 2003 BONDS” in the 2003 Official Statement.

UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, THE OBLIGATION OF THE BANK TO PROVIDE FUNDS FOR THE PURCHASE OF THE SERIES 2003B BONDS MAY BE TERMINATED IMMEDIATELY WITHOUT NOTICE TO THE OWNERS. SEE “THE STANDBY AGREEMENT AND THE BANK – IMMEDIATE TERMINATION BY THE BANK” HEREIN. IN SUCH EVENT, FUNDS MAY NOT BE AVAILABLE TO PURCHASE THE SERIES 2003B BONDS THAT ARE TENDERED FOR OPTIONAL OR MANDATORY PURCHASE.

This Remarketing Circular has been prepared for use by the Remarketing Agent for the sole purpose of providing information relating to the matters set forth herein. This Remarketing Circular speaks only as of its date, and the information contained herein is subject to change.

Certain legal matters related to the execution and delivery of the Standby Agreement will be passed upon by Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, Bond Counsel, and by Chapman and Cutler LLP, Chicago, Illinois, special counsel to the Bank and the Remarketing Agent.

This cover page contains certain information for general reference only. This Remarketing Circular should be read in its entirety, in conjunction with the 2003 Official Statement, to obtain information essential to making an informed investment decision with respect to the Series 2003B Bonds. Prospective purchasers of the Series 2003B Bonds should rely on this Remarketing Circular for information pertaining to the Standby Agreement and the Bank beginning on the Substitution Date.

**TD SECURITIES
Remarketing Agent**

The date of this Remarketing Circular is July __, 2020.

* \$22,455,000 of the Series 2003B Bonds are currently outstanding.

SUMMARY AND CONTACT INFORMATION

Series 2003B Bonds CUSIP Number:	91471F AZ8*
Series 2003B Bonds Dated:	February 13, 2003
Settlement Date:	February 13, 2003
Final Maturity:	February 1, 2029
Federal Tax Status:	Tax-Exempt; Non-AMT
State Tax Exempt:	Yes
Mandatory Sinking Fund:	Yes
Interest Rate Modes:	Daily, Weekly, Unit Pricing, Term, Fixed
Current Interest Rate Mode:	Weekly
Maximum Interest Rate:	The lesser of 12% per annum and the maximum rate permitted by law.
Interest Rate Accrual Period:	Monthly
Interest Payment Date:	First Business Day of each month
Optional Tender:	Upon delivery of irrevocable written notice of tender or irrevocable telephonic notice of tender to the Remarketing Agent, promptly confirmed in writing to the Tender Agent, by 4:00 P.M., New York City time, on a Business Day at least 7 days prior to the Purchase Date specified by the Owner in such notice
Bank:	TD Bank, N.A.
Standby Agreement Expiration Date:	July 23, 2027

Remarketing Agent:

TD Securities (USA) LLC
Short-Term Municipal Trading Desk
Telephone: (212) 827-7171
Email: chris.dimon@tdsecurities.com

Trustee/Tender Agent:

U.S. Bank National Association
Allison Lancaster Poole/Global Corporate Trust
Telephone: (704) 335-4559
Email: allison.lancasterpoole@usbank.com

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. The CUSIP number has been assigned by an independent company not affiliated with the Issuer, UNC Hospitals or the Remarketing Agent and is included solely for the convenience of the owners and prospective purchasers of the Series 2003B Bonds. Neither the Issuer, UNC Hospitals nor the Remarketing Agent is responsible for the selection or use of such CUSIP number, and no representation is made as to its correctness on the Series 2003B Bonds or as indicated above. The CUSIP number is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2003B Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2003B Bonds.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation in connection with this offering other than as contained in this Remarketing Circular and the 2003 Official Statement, and, if given or made, such other information or representation must not be relied upon. This Remarketing Circular and the 2003 Official Statement do not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003B Bonds by any person, in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from UNC Hospitals, the Bank and from other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness by the Remarketing Agent, and is not to be construed as a representation by the Remarketing Agent.

The electronic distribution of this Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy the Series 2003B Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The Series 2003B Bonds shall not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

NEITHER THE SERIES 2003B BONDS NOR THE TRUST INDENTURE HAS BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 304(a)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2003B BONDS AND THE TRUST INDENTURE IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2003B BONDS AND THE TRUST INDENTURE HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2003B BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS REMARKETING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Remarketing Circular involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Circular nor any sale of the Series 2003B Bonds shall under any circumstances create any implication that there has been no change in the affairs of UNC Hospitals or the Bank since the date hereof.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Remarketing Circular.

The Bank has not prepared or assisted in the preparation of this Remarketing Circular, including any financial information included or incorporated herein, except for the information contained under the caption "THE STANDBY AGREEMENT AND THE BANK" herein and in Appendix A hereto. Except for such information, the Bank is not responsible for any other statements made in this Remarketing Circular or the 2003 Official Statement. Accordingly, the Bank disclaims responsibility for such other information

in this Remarketing Circular and the 2003 Official Statement or otherwise made in connection with the remarketing, sale and distribution of the Series 2003B Bonds.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Circular. The Remarketing Agent has reviewed the information in this Remarketing Circular in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

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**REMARKETING CIRCULAR
SUPPLEMENTING THE OFFICIAL STATEMENT**

**Dated February 5, 2003
relating to**

\$34,245,000*

**Board of Governors of The University of North Carolina
University of North Carolina Hospitals at Chapel Hill Revenue Refunding Bonds, Series 2003B**

INTRODUCTION

This Remarketing Circular provides certain information regarding the \$34,245,000* Board of Governors of The University of North Carolina University of North Carolina Hospitals at Chapel Hill Revenue Bonds, Series 2003B (the “Series 2003B Bonds”) to supplement the information set forth in the Official Statement, dated February 5, 2003 (the “2003 Official Statement”), prepared and distributed in connection with the issuance of the Series 2003B Bonds. The Series 2003B Bonds were issued pursuant to the General Trust Indenture, dated as of January 1, 1992 (as supplemented and amended, the “General Indenture”), between the Board of Governors of the University of North Carolina System (the “Issuer”) and First Union National Bank (succeeded by U.S. Bank National Association), as trustee (the “Trustee”), and a Series Indenture Number 5, dated as of February 1, 2003 (the “Series Indenture”), between the Issuer and the Trustee, both as accepted and agreed to by the University of North Carolina Hospitals at Chapel Hill (“UNC Hospitals”).

The purpose of this Remarketing Circular is to (a) provide certain information relating to the execution and delivery of the Standby Bond Purchase Agreement, dated as of the date of delivery thereof (the “Standby Agreement”), between UNC Hospitals and TD Bank, N.A. (the “Bank”), to provide liquidity support for the Series 2003B Bonds, (b) provide certain information relating to the Bank, (c) provide certain information relating to the remarketing of the Series 2003B Bonds and (d) provide certain other information relating to UNC Hospitals and the Series 2003B Bonds. The Standby Agreement constitutes a Substitute Liquidity Facility within the meaning of the Series Indenture.

THE STANDBY AGREEMENT AND THE BANK

The following is a summary of certain provisions of the Standby Agreement to be in effect on the date of the execution and delivery thereof. The Standby Agreement for the Series 2003B Bonds is only available to support the Series 2003B Bonds during the Daily Mode or Weekly Mode. This summary is not a complete recital of the terms of the Standby Agreement, and reference is made to Appendix A hereto and the definitive Standby Agreement in its entirety for the definitive terms thereof. The Standby Agreement may be amended or otherwise modified without notice to, or consent by, the Owners.

The following information replaces in its entirety the information set forth under the heading “THE STANDBY AGREEMENTS AND THE BANKS” in the 2003 Official Statement (except for the information set forth under the subheadings “THE SERIES 2003A STANDBY AGREEMENT” and “THE SERIES 2003A BANK” under such heading) but only as it relates to the Series 2003B Bonds:

General

As described under “THE SERIES 2003 BONDS – Tender Provisions” in the 2003 Official Statement, under certain circumstances, the Owners of the Series 2003B Bonds may elect or be required to

* \$22,455,000 of the Series 2003B Bonds are currently outstanding.

tender their Series 2003B Bonds for purchase. On July 24, 2020 (the “Substitution Date”), UNC Hospitals will enter into the Standby Agreement with the Bank. Pursuant to the Standby Agreement, the Bank will agree, subject to the terms and conditions stated therein, to purchase Series 2003B Bonds in the Daily Mode or Weekly Mode from time to time on any Purchase Date or Mandatory Purchase Date in the event that remarketing proceeds are not sufficient for such purpose. The Standby Agreement will continue in effect, subject to extension and earlier termination as set forth therein, until July 23, 2027.

The Standby Agreement will provide funds only for the payment of the purchase price of Series 2003B Bonds tendered or deemed tendered for purchase as described above. The Standby Agreement will be subject to termination at the option of the Bank as described below.

See Appendix A hereto for a summary of certain terms and provisions of the Standby Agreement.

Immediate Termination by the Bank

The Bank’s obligation to purchase the Series 2003B Bonds will terminate immediately, without the requirement of notice, upon the occurrence of any of the following “Special Events of Default” under the Standby Agreement:

(a) any failure, wholly or partially, to make timely any payment of the principal of or interest when due (whether by scheduled maturity, required prepayment, redemption or otherwise) on the Series 2003B Bonds or Bank Bonds (as defined in the Standby Agreement) (other than with respect to an acceleration of the principal of and interest on Bank Bonds in accordance with the Standby Agreement by reason of an Event of Default thereunder);

(b) (i) any failure, wholly or partially, to make payment when due of the principal of and/or interest on any Parity Debt (as defined in the Standby Agreement), beyond the period of grace, if any, specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Parity Debt (other than a failure to pay any direct reimbursement obligations arising under standby letters of credit, liquidity facilities and loan agreements which have been accelerated pursuant to the terms of the applicable agreement); or (ii) there shall occur any default in the payment of any Parity Debt, the effect of which payment default is to cause any such Parity Debt to become immediately due and payable in full; or

(c) (i) UNC Hospitals shall (A) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, (E) admit in writing its inability to pay its debts as they become due, (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or (ii) there shall be commenced against UNC Hospitals any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a custodian, receiver, trustee, examiner, liquidator or similar official or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against UNC Hospitals, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) UNC Hospitals shall impose or declare a debt moratorium, debt restructuring, debt adjustment or

comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any Parity Debt, or (v) any Governmental Authority (as defined in the Standby Agreement) having appropriate jurisdiction over UNC Hospitals shall make a finding or ruling or other determination or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the Series 2003B Bonds, the Bank Bonds or on all Parity Debt of UNC Hospitals;

(d) any provision of the Standby Agreement or any Related Document (other than the Letter Agreement and the Remarketing Agreement) (each as defined in the Standby Agreement) related to the payment of principal or interest on the Series 2003B Bonds, the Bank Bonds or the pledge of and lien on the Revenues shall at any time for any reason cease to be valid and binding on UNC Hospitals as determined by any Governmental Authority of competent jurisdiction in a final nonappealable judgment;

(e) UNC Hospitals shall in writing (i) claim that any provision that provides for the payment of principal of or interest on the Series 2003B Bonds, the Bank Bonds or the pledge of and lien on the Revenues is not valid or binding on it, (ii) publicly deny or repudiate its obligations under the Standby Agreement or any of the provisions that provide for the payment of principal of or interest on the Series 2003B Bonds, the Bank Bonds or the pledge of and lien on the Revenues or (iii) contest or initiate any legal proceedings to seek an adjudication that the Standby Agreement or any of the provisions that provide for the payment of principal of or interest on the Series 2003B Bonds or the Bank Bonds or the pledge of and lien on the Revenues is not valid or binding on UNC Hospitals;

(f) The long-term rating by Moody's and S&P (to the extent then rating the Series 2003B Bonds or any other Parity Debt) of the Series 2003B Bonds or any other Parity Debt of UNC Hospitals not supported by credit enhancement shall be withdrawn or suspended for credit-related reasons or reduced below "Baa3" by Moody's, and "BBB-" by S&P; or

(g) A final, non-appealable judgment or order for the payment of money in excess of \$10,000,000 in the aggregate that ranks senior to or on a parity with the Series 2003B Bonds shall be rendered against UNC Hospitals with respect to which, in the opinion of the Bank, adequate cash reserves have not been established and shall continue unsatisfied and unstayed for a period of sixty (60) days.

In the event of such termination, the Bank will not be obligated to purchase the Series 2003B Bonds on any Purchase Date or Mandatory Purchase Date, and under the Series Indenture, funds to purchase the Series 2003B Bonds will be available only from the proceeds of the remarketing of the Series 2003B Bonds (which remarketing proceeds will not be available unless UNC Hospitals obtains a Substitute Liquidity Facility or the Series 2003B Bonds are converted to a Fixed Rate) or from other funds made available by the Issuer or UNC Hospitals.

Termination by the Bank Resulting in Mandatory Tender

The Bank's obligation to purchase the Series 2003B Bonds is subject to termination by the Bank upon 30 days' notice to the Issuer, UNC Hospitals, the Tender Agent, the Trustee and the Remarketing Agent in the case of any of the following Events of Default under each of the Standby Agreement:

(a) (i) UNC Hospitals shall not pay when due any amount owed to the Bank pursuant to the Standby Agreement with respect to increased costs resulting to a Change in Law (as defined in the Standby Agreement) or (ii) UNC Hospitals shall fail to pay within ten (10) days after the same shall become due certain other amounts payable by it under the Standby Agreement (not otherwise referred to in clause (a) under "Immediate Termination by the Bank" above);

(b) any material representation or warranty made by or on behalf of UNC Hospitals in the Standby Agreement or in any certificate or statement delivered hereunder shall be incorrect or untrue in any material respect when made or deemed to have been made;

(c) UNC Hospitals shall default in the due performance or observance of certain specified covenants set forth in the Standby Agreement (and in certain cases, only after giving effect to the applicable cure period under the applicable Related Document);

(d) UNC Hospitals shall default in the due performance or observance of certain other specified terms, covenants or agreements contained or incorporated by reference in the Standby Agreement and such default shall remain unremedied for a period of thirty (30) days after the Bank shall have given written notice thereof to UNC Hospitals;

(e) (i) pursuant to the provisions of any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such obligations of UNC Hospitals senior to or on a parity with the Series 2003B Bonds, the maturity of any such obligations of UNC Hospitals senior to or on a parity with the Series 2003B Bonds, as a result of a default of any nature thereon, shall have been or may be accelerated or may be required to be prepaid prior to the stated maturity thereof; or (ii) UNC Hospitals shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Debt (as defined in the Standby Agreement) of UNC Hospitals aggregating in excess of \$10,000,000, other than that referred to in clause (b) under “Immediate Termination by the Bank” above, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation or concerning such Debt, or any other default under any resolution, indenture, contract or instrument providing for the creation of or concerning such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such resolution, indenture, contract or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or pursuant to the provisions of any such resolution, indenture, contract or instrument the maturity of any Debt, other than that referred to in clause (b) under “Immediate Termination by the Bank” above, shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof;

(f) any Indenture Event of Default (as defined in the Standby Agreement) or any “event of default” which is not cured within any applicable cure period under any of the other Related Documents shall occur;

(g) other than as set forth in clauses (d) and (e) under “Immediate Termination by the Bank” above, any material provision of the Standby Agreement or any other Related Document shall at any time for any reason cease to be valid and binding on UNC Hospitals or any material provision of the Standby Agreement or any other Related Document shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability of any material provision of this Agreement or any other Related Document shall be publicly contested by UNC Hospitals;

(h) (i) the long-term rating of the Series 2003B Bonds or any Parity Debt not supported by credit enhancement shall be reduced below “A3” by Moody’s or “A-” by S&P or (ii) the long-term rating of the Series 2003B Bonds are withdrawn or suspended by Moody’s or S&P for any credit related reason for more than five (5) Business Days; or

(i) a final, non-appealable judgment or order for the payment of money in excess of \$10,000,000 in the aggregate that ranks senior to or on a parity with the Series 2003B Bonds shall be rendered against UNC Hospitals with respect to which, in the opinion of the Bank, adequate cash reserves have not been

established, and such judgment or order shall continue unsatisfied and unstayed for a period of thirty (30) days.

In the event of such termination, under the Series Indenture, the Series 2003B Bonds are subject to mandatory tender for purchase prior to the termination of the applicable Standby Agreement. See “THE SERIES 2003 BONDS - Tender Provisions - Mandatory Purchase Upon Substitution, Expiration or Termination of Liquidity Facility” in the 2003 Official Statement.

Substitute Liquidity Facility

Subject to the conditions set forth in the Series Indenture, UNC Hospitals may provide for a Substitute Liquidity Facility for the Liquidity Facility then in effect. See “DEFINITION OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Liquidity Facility” in Appendix C to the 2003 Official Statement.

The Bank

TD Bank, N.A. (the “Bank”) is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank (“TD”) and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer and trust services and indirect automobile dealer financing. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of March 31, 2020, the Bank had consolidated assets of \$355.8 billion, consolidated deposits of \$305.7 billion and stockholder's equity of \$40.9 billion, based on regulatory accounting principles.

Additional information regarding the foregoing, and the Bank and TD, is available from the filings made by TD with the U.S. Securities and Exchange Commission (the “SEC”), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Standby Agreement has been executed and delivered by the Bank and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attention: Corporate and Public Affairs

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at <https://cdr.ffiec.gov/public>. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with International Financial Reporting Standards, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in this subheading "The Bank" is correct as of any time subsequent to its date.

NEITHER TD NOR ANY OTHER SUBSIDIARY OF TD OTHER THAN THE BANK IS OBLIGATED TO MAKE PAYMENTS UNDER THE STANDBY AGREEMENT.

The Bank is responsible only for the information contained under this subheading of this Remarketing Circular and did not participate in the preparation of, or in any way verify the information contained in, any other part of this Remarketing Circular. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of this Remarketing Circular.

REMARKETING OF SERIES 2003B BONDS

TD Securities (USA) LLC will serve as the successor Remarketing Agent for the Series 2003B Bonds effective as of the Substitution Date.

Set forth below is certain information to be considered relating to the remarketing of the Series 2003B Bonds:

The Remarketing Agent is paid by UNC Hospitals. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the Series 2003B Bonds that are optionally or mandatorily tendered by the purchasers thereof (subject, in each case, to the terms of the Series Indenture and the Remarketing Agreement, dated as of the date of delivery thereof (the "Remarketing Agreement", among the Issuer, UNC Hospitals and the Remarketing Agent), all as further described in this Remarketing Circular and the 2003 Official Statement. The Remarketing Agent is appointed by the Issuer at the direction of UNC Hospitals and is paid UNC Hospitals for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Owners and potential purchasers of Series 2003B Bonds.

The Remarketing Agent May routinely purchase Series 2003B Bonds for its own account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is

permitted, but not obligated, to purchase tendered Series 2003B Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Series 2003B Bonds in order to achieve a successful remarketing of the Series 2003B Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2003B Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2003B Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2003B Bonds by routinely purchasing and selling Series 2003B Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2003B Bonds. The Remarketing Agent may also sell any Series 2003B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2003B Bonds. The purchase of Series 2003B Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2003B Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2003B Bonds being tendered in a remarketing.

Series 2003B Bonds may be offered at different prices on any date, including an interest rate determination date. Pursuant to the Series Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2003B Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series 2003B Bonds (including whether the Remarketing Agent is willing to purchase Series 2003B Bonds for its own account). There may or may not be Series 2003B Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2003B Bonds tendered for purchase on such date at par and the Remarketing Agent may sell the Series 2003B Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of its Series 2003B Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2003B Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2003B Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The ability to sell the Series 2003B Bonds other than through the tender process may be limited. The Remarketing Agent may buy and sell its Series 2003B Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Owners that wish to tender their Series 2003B Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2003B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2003B Bonds other than by tendering such Series 2003B Bonds in accordance with the tender process.

Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Series Indenture and the Remarketing Agreement.

Owners do not have the right to own Series 2003B Bonds for any specific period of time. As a result of a decision by an Owner of Series 2003B Bonds to optionally tender its Series 2003B Bonds, an election to convert Series 2003B Bonds to another interest rate mode (as further described in the 2003 Official Statement) or an election to optionally redeem or cause a mandatory tender of the Series 2003B Bonds in whole or in part, an Owner may be required to tender its Series 2003B Bonds or its Series 2003B Bonds may be optionally redeemed in accordance with the provisions of the Series Indenture. In determining whether to purchase any Series 2003B Bonds, investors should consider the risk to the duration and liquidity of their portfolios which may result from their actions or the actions of others.

BONDHOLDERS' RISKS

The purchase of the Series 2003B Bonds involves certain investment risks. Each prospective purchaser of the Series 2003B Bonds should make an independent evaluation of all the information presented in the 2003 Official Statement and this Remarketing Circular. The risks outlined under the heading "BONDHOLDERS' RISKS" in the 2003 Official Statement should be taken into account in connection with the purchase of the Series 2003B Bonds.

CONTINUING USE OF 2003 OFFICIAL STATEMENT

The provisions of this Remarketing Circular should be read in connection with the 2003 Official Statement. Except as otherwise described herein, the provisions of the 2003 Official Statement remain in full force and effect.

The Series 2003B Bonds are not subject to the continuing disclosure provisions of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). However, UNC Hospitals has agreed under the Series Indenture to provide certain annual and quarterly financial information and operating data relating to the Series 2003B Bonds as described in the 2003 Official Statement. Furthermore, UNC Hospitals has agreed under the Rule to provide certain annual financial information and designated event notices with respect to certain other outstanding revenue bonds issued by the Issuer on behalf of UNC Hospitals. UNC Hospitals has previously filed certain annual financial information through the fiscal year ended June 30, 2019 and certain unaudited quarterly financial information through March 31, 2020 with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system at www.emma.msrb.org. Owners and potential purchasers of Series 2003B Bonds should refer to such information to obtain further information regarding UNC Hospitals and its finances that is more recent than the information set forth in the 2003 Official Statement.

[Language related to COVID-19 and impact on UNC Hospitals to be inserted]

TAX MATTERS

On the date of the original issuance and delivery of the Series 2003B Bonds, Womble Carlyle Sandridge & Rice, PLLC (now Womble Bond Dickinson (US) LLP), Raleigh, North Carolina, Bond Counsel, delivered its opinion with respect to the Series 2003B Bonds, the form of which is included in Appendix E to the 2003 Official Statement. Such opinion speaks only as of its date.

On the Substitution Date, Bond Counsel will deliver an opinion to U.S. Bank National Association, as Tender Agent, to the effect that the execution and delivery of the Standby Agreement (1) is authorized and permitted by the General Indenture and the Series Indenture and complies with the terms of the Series Indenture and (2) will not, in and of itself, adversely affect the validity of the Series 2003B under the laws of the State of North Carolina or the exclusion from gross income for federal and State income tax purposes of interest on the Series 2003B Bonds. Except as expressly described above, Bond Counsel will not render any opinion regarding the tax-exempt status of the Series 2003B Bonds or any other tax consequences relating to the acquisition, ownership or disposition of, or the accrual or receipt of interest on, the Series 2003B Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a long-term rating of "Aa3" to the Series 2003B Bonds, and S&P Global Ratings ("S&P") has assigned a long-term rating of "AA" to the Series 2003B Bonds. Moody's has also assigned a short-term rating of "VMIG1" to the Series 2003B Bonds, and S&P is expected to assign a short-term rating of "A-1+" to the Series 2003B Bonds effective upon the execution and delivery of the Standby Agreement on the Substitution Date. Such ratings reflect only the view of Moody's and S&P at the time the ratings are given, and neither the Issuer, UNC Hospitals nor the Remarketing Agent make any representations as to the appropriateness of such ratings. The ratings are not a recommendation to buy, sell or hold the Series 2003B Bonds and should be evaluated independently. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions of their own. There is no assurance that the ratings on the Series 2003B Bonds will remain in effect for any given period of time or that the rating may not be lowered, suspended or withdrawn entirely by such rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the secondary market price of the Series 2003B Bonds.

CERTAIN RELATIONSHIPS

The Bank and the Remarketing Agent are both wholly-owned subsidiaries of The Toronto-Dominion Bank and part of TD Bank Group. The Remarketing Agent is not a bank and is a distinct legal entity from the Bank. The Bank and the Remarketing Agent may have other banking and financial relationships with the Issuer, UNC Hospitals or any other party that may be involved in the transactions contemplated by this Remarketing Circular.

MISCELLANEOUS

The information set forth herein is subject to change without notice, and neither the delivery of this Remarketing Circular nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, UNC Hospitals, the Bank, the Remarketing Agent or any other party mentioned herein since the date of the information set forth or referred to herein.

This Remarketing Circular has been prepared for use by TD Securities (USA) LLC, as the Remarketing Agent for the Series 2003B Bonds, for the sole purpose of providing information with respect to the Series 2003B Bonds in connection with the execution and delivery of the Standby Agreement and the appointment of a successor Remarketing Agent for the Series 2003B Bonds.

SUMMARY OF THE STANDBY AGREEMENT

The following summary of the Standby Agreement does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Standby Agreement to which reference is hereby made. Capitalized terms used under this Appendix A and not otherwise defined have the same meanings given such terms in the Standby Agreement, the Series Indenture or the 2003 Official Statement, as applicable. Investors should obtain and review a copy of the Standby Agreement in order to understand all of the terms and provisions thereof. Copies of the Standby Agreement may be obtained from the Trustee upon request. Please see “THE STANDBY AGREEMENT AND THE BANK – The Bank” in the front part of this Remarketing Circular for certain information regarding the Bank.

General

Liquidity support for the Series 2003B Bonds will be provided by the Standby Agreement. Subject to the terms and conditions of the Standby Agreement, the Bank agrees from time to time during the Commitment Period (as defined below) to purchase, at a purchase price equal to the unpaid principal amount thereof plus accrued interest thereon from the prior Interest Payment Date to but excluding the Purchase Date thereof, in each case at par without premium, provided that accrued interest will not be included in the purchase price if the applicable Purchase Date is an Interest Payment Date (the “Purchase Price”), with immediately available funds, Bonds which are in the Daily Mode or the Weekly Mode, and which are not Bank Bonds or Bonds owned by or on behalf of, or for the account of, UNC Hospitals or any Related Person of UNC Hospitals (“Eligible Bonds”) which are tendered pursuant to (i) an optional tender or (ii) a Mandatory Purchase which, in each case, the Remarketing Agent has been unable to remarket.

“Commitment Period” means the period from the Effective Date to and including the earliest of (i) 5:00 p.m. New York time on July 23, 2027 (the “Scheduled Termination Date”), (ii) the date on which no Bonds are Outstanding (as such term is defined in the General Indenture), (iii) the earlier to occur of (a) 5:00 p.m. on the Business Day following the date on which the interest rate on all of the Series 2003B Bonds are converted out of the Daily Mode or the Weekly Mode or the Substitution Date, as applicable, and (b) the date on which the Bank honors any properly made request to purchase Eligible Bonds tendered for purchase as a result of such conversion or substitution, as applicable, (iv) the close of business on the thirtieth (30) day following the date on which a Notice of Termination of Commitment to Purchase is received by UNC Hospitals and the Tender Agent, and (v) the date on which, the Available Commitment has been reduced to zero or terminated in its entirety in accordance with the terms of the Standby Agreement.

The aggregate principal amount of all Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment. The Available Principal Commitment is initially the aggregate principal amount of the Series 2003B Bonds Outstanding, that is, \$22,455,000, and thereafter such initial amount adjusted downward and upward from time to time in accordance with the terms of the Standby Agreement, provided, however, that the sum of the Available Principal Commitment plus the aggregate principal amount of Bank Bonds shall never exceed \$22,455,000. The aggregate amount of the Purchase Price comprising interest on Bonds (the “Interest Component”) purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest accrued on such Bonds to but not including such Purchase Date. The Available Interest Commitment is initially \$258,387 which equals 35 days’ interest on the initial amount of the Available Principal Commitment based upon an assumed rate of interest of twelve percent (12%) per annum and a three hundred sixty-five (365) day year and thereafter means such initial amount adjusted upward and

downward from time to time in proportion to any adjustment to the Available Principal Commitment in accordance with the terms of the Standby Agreement.

Under certain circumstances described below, the obligation of the Bank to purchase Eligible Bonds may be suspended or terminated. In such event, sufficient funds may not be available to purchase such Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Standby Agreement does not provide security for the payment of principal of or interest or premium, if any, on the Series 2003B Bonds.

Method of Purchasing

Subject to the terms and conditions set forth in the Standby Agreement, the Bank agrees to purchase Series 2003B Bonds in the Daily Mode or Weekly Mode upon receipt of a notice from the Tender Agent in the form attached to the Standby Agreement. If such notice is received no later than 12:00 noon (New York time) on a Business Day, and if no Special Event of Default shall have occurred, payment will be made to the Tender Agent of the amount specified, in immediately available funds, by 2:00 p.m. (New York time) on the same Business Day.

Interest Rate on Bank Bonds

Bank Bonds will bear interest at the Formula Rate. The Formula Rate is equal to the Base Rate until 180 days after the initial date of purchase of any Bank Bonds, and thereafter, it is equal to the Base Rate plus one percent (1%) per annum, unless an Event of Default shall have occurred and be continuing, in which case it will be equal to the Base Rate plus three percent (3%); provided that at no time shall Bank Bonds bear interest in excess of the maximum rate permitted by law (the "Maximum Rate"). The Base Rate means a fluctuating rate of interest per annum equal to the greatest of (a) the Prime Rate, (b) the Federal Funds Rate plus .50% and (c) 3.00%. In the event the Formula Rate would exceed the Maximum Rate for any interest period, the Bank shall receive interest on account of Bank Bonds only at the Maximum Rate for such interest period (the difference between the interest that would have been payable to the Bank at the Formula Rate and the interest actually paid at the Maximum Rate is hereinafter referred to as "Excess Bank Bond Interest"). However, and notwithstanding any subsequent reduction in the Formula Rate, Bank Bonds shall bear interest, from and after the date on which any Excess Bank Bond Interest is accrued, at the Maximum Rate until payment to the Bank of such Excess Bank Bond Interest. Interest on Bank Bonds, whether accruing at the Base Rate or the Default Rate, shall be calculated on the basis of a 365-day year and the actual number of days elapsed. The rate at which Bank Bonds bear interest pursuant to this paragraph is herein called the "Bank Rate."

Bank Bonds – Mandatory Redemption; Payment of Interest

UNC Hospitals agrees that, with respect to each Bank Bond, (i) such Bank Bond shall be due and payable (in whole or in part, as applicable) and redeemed (in the case of the following clause (z)) or repaid (in the case of the following clauses (x) and (y)), as applicable, by UNC Hospitals on the earlier to occur of (x) the Substitution Date, (y) the Conversion Date and (z) subject to the provisions of the Standby Agreement, the related Amortization Commencement Date immediately succeeding the related Purchase Date (which, with respect to each Bank Bond, shall be the earlier to occur of (1) the 366th day immediately succeeding the related Purchase Date and (2) the Scheduled Termination Date); (ii) the interest on the unpaid amount of each such Bank Bond from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, as determined pursuant to the Standby Agreement; and (iii) interest payable pursuant to clause (ii) shall be payable by UNC Hospitals (A) monthly on the first Business Day of each month, (B) upon redemption (to the extent of the interest accrued on the amount being redeemed), (C) at maturity (whether by acceleration or otherwise), and (D) after maturity on demand. In

the event any Bank Bond is remarketed or otherwise transferred by the Bank before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this paragraph shall continue to apply to such indebtedness until all sums for all periods during which the same was a Bank Bond are paid.

Unless otherwise paid in full, UNC Hospitals shall cause the Bank Bonds to be redeemed on the Amortization Commencement Date; provided that, if (i) no Inchoate Default or Event of Default shall have occurred and be continuing and (ii) the representations and warranties set forth in the Standby Agreement shall be true and correct on, and shall be deemed to have been made on, the Amortization Commencement Date, then UNC Hospitals shall cause the principal amount of such Bank Bonds to be redeemed in installments payable by UNC Hospitals on each Amortization Payment Date (each such payment, an "Amortization Payment"), with the final installment in an amount equal to the entire then outstanding principal amount of such Bank Bonds to be redeemed on the Amortization End Date (the period commencing on the Amortization Commencement Date and ending on the Amortization End Date is herein referred to as the "Amortization Period") by UNC Hospitals. Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During the Amortization Period, interest on Bank Bonds shall accrue at the Bank Rate, be payable by UNC Hospitals (A) monthly on the first Business Day of each month, (B) upon redemption (to the extent of the interest accrued on the amount being redeemed), (C) at maturity (whether by acceleration or otherwise), and (D) after maturity on demand, and be calculated on the basis of a three hundred sixty-five (365) day year and actual days elapsed. Notwithstanding anything to the contrary contained herein, all Bank Bonds shall be subject to mandatory redemption by UNC Hospitals on the Amortization End Date.

Events of Default

Events of Default under the Standby Agreement are set forth under the captions "THE STANDBY AGREEMENT AND THE BANK - Immediate Termination by the Bank" and "- Termination by the Bank Resulting in Mandatory Tender" in the forepart of this Remarketing Circular.

Remedies

(a) In the case of an Event of Default specified under the caption "THE STANDBY AGREEMENT AND THE BANK - Immediate Termination by the Bank" in the forepart of this Remarketing Circular (each, a "Special Event of Default"), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank under the Standby Agreement to purchase the Series 2003B Bonds shall immediately terminate and expire without the requirement of notice by the Bank. After such termination or expiration, the Bank shall deliver, within two (2) Business Days, to the Issuer, UNC Hospitals, the Tender Agent, the Trustee and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

(b) Upon the occurrence of any Event of Default, including a Special Event of Default, the Bank shall have all other remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) declare all obligations of UNC Hospitals to the Bank under the Standby Agreement to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; (ii) deliver to the Issuer, UNC Hospitals, the Tender Agent, the Trustee and the Remarketing Agent written notice that an Event of Default has been declared under the Standby Agreement (a "Notice of Termination of Commitment to Purchase"), whereupon the remarketing of Bonds shall cease immediately

and at the close of business on the 30th day following the date such Notice of Termination of Commitment to Purchase is received by the Tender Agent and the Trustee the Available Commitment shall be reduced to zero and the obligations of the Bank under the Standby Agreement to purchase the Series 2003B Bonds shall terminate; provided, however, that prior to such termination, the Bank shall remain obligated to purchase Eligible Bonds in accordance with the terms hereof so long as no Special Event of Default has occurred; (iii) require immediate purchase of Bank Bonds by UNC Hospitals; (iv) exercise any right or remedy available to it under any other provision of the Standby Agreement; or (v) exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Bonds except as expressly provided above.

AGENDA ITEM

- A-9. Disposition of Property by Ground Lease (Warehouse District) –
East Carolina University..... Katherine Lynn and Sara Thorndike

Situation:	The Board of Trustees of East Carolina University requests the disposition of real property by ground lease for the purpose of developing additional properties in the Millennial Campus Warehouse District.
Background:	East Carolina University proposes to enter into a 25-year ground lease with two 25-year and one 24-year options-to-renew for up to 2.5 acres in Leasing Zone 1 of the Warehouse District. The length of this lease is consistent with the 99-year “estate for years” transaction previously authorized for three adjacent properties in the historic warehouse district involving the same developer. The parcels to be leased would vary throughout the term of the lease but would not exceed 2.5 acres. The lease rate will be calculated based on the current assessed land value. The annual lease payments would be set based on the acreage to be leased with a cap rate of 4.75% for years 1 to 5. Beginning in year 6, the rate is increased annually by 1.5% for inflation.
Assessment:	The disposition of the property by ground lease is requested to support economic development in the Warehouse District.
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 Ground Lease (Warehouse District) – East Carolina University

ISSUE OVERVIEW

East Carolina University proposes to enter into a 25-year ground lease with two 25-year and one 24-year options-to-renew for up to 2.5 acres in Leasing Zone 1 of the Warehouse District. The length of this lease is consistent with the 99-year “estate for years” transaction previously authorized for three adjacent properties in the historic warehouse district involving the same developer. The Board of Governors approved the “estate for years” transaction for the three historic parcels in January 2020.

The parcels to be leased to the developer would vary throughout the term of the lease but would not exceed 2.5 acres at any time. The lease rate will be calculated based on the current assessed land value. The annual lease payments would be set based on the acreage to be leased with a cap rate of 4.75% for years 1 to 5. Beginning in year 6, the rate is increased annually by 1.5% for inflation. All parcels to be leased would be located in Zone 1 as shown in the attached materials. The proposed lease rates for each parcel are also included. All parcels are located on the East Carolina University Millennial Campus Warehouse District. Funds received from the lease will be deposited into the Millennial Campus Fund.

The disposition by ground lease was approved on June 18, 2020 by the Board of Trustees of East Carolina University.

It is recommended that the Board of Governors approve the disposition of property by lease.

**STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION
DISPOSITION OF REAL PROPERTY**

Institution or Agency: East Carolina University

Date: June 18, 2020

The Department of Administration is requested, as provided by GS §146-28 et seq., to dispose of the real property herein described by *purchase, lease, rental, or other (specify)*. Ground Lease

This disposition is recommended for the following reasons:

Ground lease University owned property to support the Historic Building Renovation on the East Carolina University Millennial Campus. ECU will ground lease property located on the millennial campus as depicted in the attachments to Elliot Sidewalk. The twenty-five (25) year ground will have two (2) twenty-five, and one (1) twenty-four (24) year optional renewals of up to two and one half (2.5) acres of university owned property in Zone 1.

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

Ground lease up to 2.5 acres within the Warehouse District on the ECU Millennial Campus parcels in Zone 1. Acres subject to specific metes and bounds and to be determined based on adjoining warehouse renovation project schedule.

Estimated value: **\$39,184 per acre in years 1-5 with 1.5% inflation increase each year thereafter. Illustrative ground lease payment schedule attached.**

Where deed is filed, if known: Pitt County

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

Rental income, if applicable, and suggested terms: N/A

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

ECU's Millennial Campus Account

(Complete if Agency has a Governing Board.)

Action recommending the above request was taken by the ECU Governing Board of Trustees and is recorded in the minutes thereof on June 18, 2020.

Signature:


Chancellor



ECU Life Sciences

Leasing Zone 1

Leasing Zone 2

Parcel Numbers	Addresses	Zone	Acres	Appraised Valuations		Initial Offers		Revised Offer
				Andy Piner	Coastal	ECU	ESC	ECU
18883, 82507, 82508	Greene St	1	1.64	1,207,000	1,315,000	1,315,000	1,173,000	1,244,000
23713	1101 Clark St	1	2.31	1,142,000	2,170,000	2,170,000	1,652,000	1,911,000
06869 & 07809	1100 S Washington St	1	2.37	1,172,000	1,914,000	1,914,000	1,718,000	1,816,000
03737	223 W 10th St	1	1.91	1,414,000	1,686,000	1,686,000	1,576,000	1,631,000
01872	1003 Clark St	1	1.58	693,000	1,781,000	1,781,000	1,200,000	1,490,500
09098, 13099	Clark St	2	6.39	2,852,000	2,200,000	2,852,000	2,500,000	2,676,000
			16.20	8,480,000	11,066,000	11,718,000	9,819,000	10,768,500

Revised ECU Offer							MV per Acre
ZONE	1	9.81	5,628,000	8,866,000	7,319,000	8,092,500	824,924
ZONE	2	6.39	2,852,000	2,200,000	2,852,000	2,500,000	418,779
		16.20	8,480,000	11,066,000	11,718,000	9,819,000	664,722

Terms:

99 years, unless shorter length requested by ESC

4.75% cap rate

1.5% inflation rate to begin 5 years from date first ground lease signed

East Carolina University

Warehouse District Parcels
Illustrative Ground Lease Payment Schedule Worksheet

		Zone 1			Zone 2	
Tax Parcels	18883, 82507, 82508	23713	06869 & 07809	03737	01872 (excl. Prichard Hughes)	Totals
Address	Greene St	1101 Clark St	1100 S Washington St	223 W 10th St	1003 Clark St	
Acreage	1.64	2.31	2.37	1.91	1.58	9.81
Per Acre Valuation						\$824,924
						418,779

Assumptions	
Lease Start Date	2/1/2021
Ground Lease Cap Rate	4.75%
Inflation Rate	1.50%
Inflation Begins After Year	5
Zone 1 - Total Acreage	9.81
Zone 2 - Total Acreage	6.39
Valuation Per Acre - Zone 1	824,924
Valuation Per Acre - Zone 2	418,779

Weighted Average Acreage Sandbox	
Lease Year	2025
Day Count	365
Actual Acreage - Day 1	
Additional Parcel 1 - Acreage	2/1/2024
Additional Parcel 1 - Date	
Additional Parcel 2 - Acreage	2/1/2024
Additional Parcel 2 - Date	
Weight Avg. Acreage	-

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
1	2022	1.00	824,924	39,184	1.00	418,779	19,892	59,076
2	2023	1.00		39,184	1.00	418,779	19,892	59,076
3	2024	1.00	824,924	39,184	1.00	418,779	19,892	59,076
4	2025	1.00	824,924	39,184	1.00	418,779	19,892	59,076
5	2026	1.00	824,924	39,184	1.00	418,779	19,892	59,076
6	2027	1.00	837,297	39,772	1.00	425,061	20,190	59,962
7	2028	1.00	849,857	40,368	1.00	431,437	20,493	60,861
8	2029	1.00	862,605	40,974	1.00	437,908	20,801	61,774
9	2030	1.00	875,544	41,588	1.00	444,477	21,113	62,701
10	2031	9.81	888,677	414,101	6.39	451,144	136,934	551,035
11	2032	9.81	902,007	420,313	6.39	457,911	138,988	559,300
12	2033	9.81	915,537	426,617	6.39	464,780	141,072	567,690
13	2034	9.81	929,270	433,017	6.39	471,752	143,188	576,205
14	2035	9.81	943,209	439,512	6.39	478,828	145,336	584,848
15	2036	9.81	957,357	446,105	6.39	486,011	147,516	593,621
16	2037	9.81	971,718	452,796	6.39	493,301	149,729	602,525
17	2038	9.81	986,294	459,588	6.39	500,700	151,975	611,563
18	2039	9.81	1,001,088	466,482	6.39	508,211	154,255	620,737
19	2040	9.81	1,016,104	473,479	6.39	515,834	156,568	630,048
20	2041	9.81	1,031,346	480,581	6.39	523,571	158,917	639,498
21	2042	9.81	1,046,816	487,790	6.39	531,425	161,301	649,091
22	2043	9.81	1,062,518	495,107	6.39	539,396	163,720	658,827
23	2044	9.81	1,078,456	502,534	6.39	547,487	166,176	668,710
24	2045	9.81	1,094,633	510,072	6.39	555,700	168,669	678,740
25	2046	9.81	1,111,052	517,723	6.39	564,035	171,199	688,921
26	2047	9.81	1,127,718	525,488	6.39	572,496	173,767	699,255
27	2048	9.81	1,144,634	533,371	6.39	581,083	176,373	709,744
28	2049	9.81	1,161,803	541,371	6.39	589,019	179,019	720,390
29	2050	9.81	1,179,231	549,492	6.39	598,646	181,704	731,196
30	2051	9.81	1,196,919	557,734	6.39	607,626	184,430	742,164
31	2052	9.81	1,214,873	566,100	6.39	616,740	187,196	753,296
32	2053	9.81	1,233,096	574,592	6.39	625,991	190,004	764,596
33	2054	9.81	1,251,592	583,211	6.39	635,381	192,854	776,065
34	2055	9.81	1,270,366	591,959	6.39	644,912	195,747	787,706
35	2056	9.81	1,289,422	600,838	6.39	654,586	198,683	799,521

East Carolina University

Warehouse District Parcels
Illustrative Ground Lease Payment Schedule Worksheet

Zone 1				Zone 2	
Tax Parcels	18883, 82507, 82508	23713	06869 & 07809	01872 (excl. Prichard Hughes)	Totals
Address	Greene St	1101 Clark St	1100 S Washington St	223 W 10th St	
Acreage	1.64	2.31	2.37	1.58	9.81
Per Acre Valuation					\$824,924
					418,779

Assumptions	
Lease Start Date	2/1/2021
Ground Lease Cap Rate	4.75%
Inflation Rate	1.50%
Inflation Begins After Year	5
Zone 1 - Total Acreage	9.81
Zone 2 - Total Acreage	6.39
Valuation Per Acre - Zone 1	824,924
Valuation Per Acre - Zone 2	418,779

Weighted Average Acreage Sandbox	
Lease Year	2025
Day Count	365
Actual Acreage - Day 1	
Additional Parcel 1 - Acreage	2/1/2024
Additional Parcel 1 - Date	
Additional Parcel 2 - Acreage	2/1/2024
Additional Parcel 2 - Date	
Weight Avg. Acreage	-

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations				Zone 2 - Ground Lease Payment Calculations				Total Lease Payment
		Weight. Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight. Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment			
36	2057	9.81	1,308,763	609,851	6.39	664,404	201,663	811,514		
37	2058	9.81	1,328,394	618,999	6.39	674,371	204,688	823,687		
38	2059	9.81	1,348,320	628,284	6.39	684,486	207,759	836,042		
39	2060	9.81	1,368,545	637,708	6.39	694,753	210,875	848,583		
40	2061	9.81	1,389,073	647,273	6.39	705,175	214,038	861,312		
41	2062	9.81	1,409,909	656,983	6.39	715,752	217,249	874,231		
42	2063	9.81	1,431,058	666,837	6.39	726,489	220,507	887,345		
43	2064	9.81	1,452,524	676,840	6.39	737,386	223,815	900,655		
44	2065	9.81	1,474,312	686,992	6.39	748,447	227,172	914,165		
45	2066	9.81	1,496,427	697,297	6.39	759,673	230,580	927,877		
46	2067	9.81	1,518,873	707,757	6.39	771,069	234,039	941,795		
47	2068	9.81	1,541,656	718,373	6.39	782,635	237,549	955,922		
48	2069	9.81	1,564,781	729,149	6.39	794,374	241,112	970,261		
49	2070	9.81	1,588,253	740,086	6.39	806,290	244,729	984,815		
50	2071	9.81	1,612,076	751,187	6.39	818,384	248,400	999,587		
51	2072	9.81	1,636,257	762,455	6.39	830,660	252,126	1,014,581		
52	2073	9.81	1,660,801	773,892	6.39	843,120	255,908	1,029,800		
53	2074	9.81	1,685,713	785,500	6.39	855,766	259,747	1,045,247		
54	2075	9.81	1,710,999	797,283	6.39	868,603	263,643	1,060,926		
55	2076	9.81	1,736,664	809,242	6.39	881,632	267,597	1,076,839		
56	2077	9.81	1,762,714	821,381	6.39	894,857	271,611	1,092,992		
57	2078	9.81	1,789,155	833,701	6.39	908,279	275,685	1,109,387		
58	2079	9.81	1,815,992	846,207	6.39	921,904	279,821	1,126,028		
59	2080	9.81	1,843,232	858,900	6.39	935,732	284,018	1,142,918		
60	2081	9.81	1,870,880	871,783	6.39	949,768	288,278	1,160,062		
61	2082	9.81	1,898,944	884,860	6.39	964,015	292,603	1,177,463		
62	2083	9.81	1,927,428	898,133	6.39	978,475	296,992	1,195,125		
63	2084	9.81	1,956,339	911,605	6.39	993,152	301,446	1,213,052		
64	2085	9.81	1,985,684	925,279	6.39	1,008,049	305,968	1,231,247		
65	2086	9.81	2,015,470	939,158	6.39	1,023,170	310,558	1,249,716		
66	2087	9.81	2,045,702	953,246	6.39	1,038,518	315,216	1,268,462		
67	2088	9.81	2,076,387	967,544	6.39	1,054,095	319,944	1,287,489		
68	2089	9.81	2,107,533	982,058	6.39	1,069,907	324,743	1,306,801		
69	2090	9.81	2,139,146	996,789	6.39	1,085,955	329,615	1,326,403		
70	2091	9.81	2,171,233	1,011,740	6.39	1,102,245	334,559	1,346,299		

East Carolina University

Warehouse District Parcels
Illustrative Ground Lease Payment Schedule Worksheet

Zone 1					Zone 2	
Tax Parcels	18883, 82507, 82508	23713	06869 & 07809	03737	01872 (excl. Prichard Hughes)	Totals
Address	Greene St	1101 Clark St	1100 S Washington St	223 W 10th St	1003 Clark St	
Acreage	1.64	2.31	2.37	1.91	1.58	9.81
Per Acre Valuation						\$824,924
						418,779

Assumptions	
Lease Start Date	2/1/2021
Ground Lease Cap Rate	4.75%
Inflation Rate	1.50%
Inflation Begins After Year	5
Zone 1 - Total Acreage	9.81
Zone 2 - Total Acreage	6.39
Valuation Per Acre - Zone 1	824,924
Valuation Per Acre - Zone 2	418,779

Weighted Average Acreage Sandbox	
Lease Year	2025
Day Count	365
Actual Acreage - Day 1	
Additional Parcel 1 - Acreage	2/1/2024
Additional Parcel 1 - Date	
Additional Parcel 2 - Acreage	2/1/2024
Additional Parcel 2 - Date	
Weight Avg. Acreage	-

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
71	2092	9.81	2,203,802	1,026,916	6.39	1,118,778	339,577	1,366,494
72	2093	9.81	2,236,859	1,042,320	6.39	1,135,560	344,671	1,386,991
73	2094	9.81	2,270,411	1,057,955	6.39	1,152,593	349,841	1,407,796
74	2095	9.81	2,304,468	1,073,824	6.39	1,169,882	355,089	1,428,913
75	2096	9.81	2,339,035	1,089,932	6.39	1,187,431	360,415	1,450,347
76	2097	9.81	2,374,120	1,106,281	6.39	1,205,242	365,821	1,472,102
77	2098	9.81	2,409,732	1,122,875	6.39	1,223,321	371,308	1,494,163
78	2099	9.81	2,445,878	1,139,718	6.39	1,241,670	376,878	1,516,596
79	2100	9.81	2,482,566	1,156,814	6.39	1,260,295	382,531	1,539,331
80	2101	9.81	2,519,805	1,174,166	6.39	1,279,200	388,269	1,562,435
81	2102	9.81	2,557,602	1,191,778	6.39	1,298,388	394,093	1,585,872
82	2103	9.81	2,595,966	1,209,655	6.39	1,317,864	400,005	1,609,660
83	2104	9.81	2,634,905	1,227,800	6.39	1,337,632	406,005	1,633,805
84	2105	9.81	2,674,429	1,246,217	6.39	1,357,696	412,095	1,658,312
85	2106	9.81	2,714,545	1,264,910	6.39	1,378,062	418,276	1,683,186
86	2107	9.81	2,755,263	1,283,884	6.39	1,398,733	424,550	1,708,434
87	2108	9.81	2,796,592	1,303,142	6.39	1,419,714	430,919	1,734,061
88	2109	9.81	2,838,541	1,322,689	6.39	1,441,009	437,382	1,760,072
89	2110	9.81	2,881,119	1,342,530	6.39	1,462,624	443,943	1,786,473
90	2111	9.81	2,924,336	1,362,668	6.39	1,484,564	450,602	1,813,270
91	2112	9.81	2,968,201	1,383,108	6.39	1,506,832	457,361	1,840,469
92	2113	9.81	3,012,724	1,403,854	6.39	1,529,435	464,222	1,868,076
93	2114	9.81	3,057,915	1,424,912	6.39	1,552,376	471,185	1,896,097
94	2115	9.81	3,103,784	1,446,286	6.39	1,575,662	478,253	1,924,538
95	2116	9.81	3,150,341	1,467,980	6.39	1,599,297	485,427	1,953,406
96	2117	9.81	3,197,596	1,490,000	6.39	1,623,286	492,708	1,982,708
97	2118	9.81	3,245,560	1,512,350	6.39	1,647,635	500,099	2,012,448
98	2119	9.81	3,294,243	1,535,035	6.39	1,672,350	507,600	2,042,635
99	2120	9.81	3,343,657	1,558,060	6.39	1,697,435	515,214	2,073,274
100	2121	9.81	3,393,811	1,581,431	6.39	1,722,897	522,942	2,104,374
101	2122	9.81	3,444,719	1,605,153	6.39	1,748,740	530,786	2,135,939
102	2123	9.81	3,496,389	1,629,230	6.39	1,774,971	538,748	2,167,978
103	2124	9.81	3,548,835	1,653,669	6.39	1,801,596	546,829	2,200,498
104	2125	9.81	3,602,068	1,678,474	6.39	1,828,620	555,032	2,233,505
105	2126	9.81	3,656,099	1,703,651	6.39	1,856,049	563,357	2,267,008

East Carolina University

Warehouse District Parcels
Illustrative Ground Lease Payment Schedule Worksheet

Zone 1					Zone 2	
Tax Parcels	18883, 82507, 82508	23713	06869 & 07809	03737	01872 (excl. Prichard Hughes)	09098, 13099 (excl. American Tobacco 2)
Address	Greene St	1101 Clark St	1100 S Washington St	223 W 10th St	1003 Clark St	Clark St
Acreage	1.64	2.31	2.37	1.91	1.58	6.39
Per Acre Valuation						418,779
Totals					9.81	\$824,924

Assumptions	
Lease Start Date	2/1/2021
Ground Lease Cap Rate	4.75%
Inflation Rate	1.50%
Inflation Begins After Year	5
Zone 1 - Total Acreage	9.81
Zone 2 - Total Acreage	6.39
Valuation Per Acre - Zone 1	824,924
Valuation Per Acre - Zone 2	418,779

Weighted Average Acreage Sandbox	
Lease Year	2025
Day Count	365
Actual Acreage - Day 1	
Additional Parcel 1 - Acreage	2/1/2024
Additional Parcel 1 - Date	
Additional Parcel 2 - Acreage	2/1/2024
Additional Parcel 2 - Date	
Weight Avg. Acreage	-

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
106	2127	9.81	3,710,940	1,729,205	6.39	1,883,890	571,808	2,301,013
107	2128	9.81	3,766,604	1,755,143	6.39	1,912,148	580,385	2,335,528
108	2129	9.81	3,823,103	1,781,471	6.39	1,940,830	589,091	2,370,561
109	2130	9.81	3,880,450	1,808,193	6.39	1,969,943	597,927	2,406,120
110	2131	9.81	3,938,657	1,835,316	6.39	1,999,492	606,896	2,442,211
111	2132	9.81	3,997,737	1,862,845	6.39	2,029,484	615,999	2,478,845
112	2133	9.81	4,057,703	1,890,788	6.39	2,059,927	625,239	2,516,027
113	2134	9.81	4,118,568	1,919,150	6.39	2,090,826	634,618	2,553,768
114	2135	9.81	4,180,347	1,947,937	6.39	2,122,188	644,137	2,592,074
115	2136	9.81	4,243,052	1,977,156	6.39	2,154,021	653,799	2,630,955
116	2137	9.81	4,306,698	2,006,813	6.39	2,186,331	663,606	2,670,420
117	2138	9.81	4,371,298	2,036,916	6.39	2,219,126	673,560	2,710,476
118	2139	9.81	4,436,868	2,067,469	6.39	2,252,413	683,664	2,751,133
119	2140	9.81	4,503,421	2,098,481	6.39	2,286,199	693,919	2,792,400
120	2141	9.81	4,570,972	2,129,959	6.39	2,320,492	704,327	2,834,286

DUTIES AND MEMBERSHIP

The Capital Construction Task Force was formed on November 14, 2019, to review the capital project delivery process and to make recommendations to improve efficiency and ensure value. This report summarizes the work of the task force from November 2019 to July 2020.

The Capital Construction Task Force is composed of the following members:

Governor R. Doyle Parrish, Chair
Governor Robert Rucho, Vice Chair
Governor W. Marty Kotis, III
Governor James L. Holmes, Jr.
Chancellor Randy Woodson, NC State University
Chancellor Sheri Everts, Appalachian State University
Jonathan Pruitt, CFO, UNC–Chapel Hill
Mike Byers, CFO, Western Carolina University
Virginia Teachey, CFO, UNC Pembroke
Mark Edwards, NC Department of Administration

ACTIONS

The Capital Construction Task Force met three times between November 2019 and July 14, 2020. Several members of the task force also met with campus representatives and the State Construction Office in an informational meeting. The major actions of the task force are summarized as follows:

Formation:

The Capital Construction Task Force held its first meeting by conference call on December 6, 2019. A majority of the task force members were present for the meeting. The task force discussed the problems with the current project approval process, including concerns over the limitations and use of the OC-25 form, and areas for improvement. The task force generally agreed that the following areas should be studied:

- Improving the project cost estimating and budgeting process; including the use of the OC-25 form
- Improving the efficiency of the project construction process
- Improving the bid market by increasing bid participation and bid outcomes

Several task force members discussed the work that had been done by the previous working group. It was recommended that any information or reports from the previous working group be collected and shared with the current task force before the next meeting.

Vice Chair Rucho recommended that the task force have a better understanding of the complete approval process. It was agreed that the task force would research the project delivery process, including the project approval process at the individual campus level, the approval process at the Board of Governors level, and any required approvals from the State Construction Office.

Information on Capital Project Approval Process:

On January 23, 2020, Chair Parrish, Vice Chair Rucho, and Mr. Kotis met informally to learn about the design and construction approval process for a university capital project. The informational meeting included presentations from representatives from several universities and the State Construction Office. Nick Katers, associate vice chancellor for facilities management, Appalachian State University, and Doug Morton, associate vice chancellor, Facilities Division, for North Carolina State University, both made individual presentations highlighting current capital construction projects, their universities' processes, and the challenges with the current project delivery process. Latif Kaid, State Construction Office, presented information on the role of the State Construction Office for state projects, including the reviews, approvals, and inspections required by statute. Mr. Kaid also discussed the State Construction Office's building standards. Materials from the previous working group were also shared with the task force members.

Review of OC-25 Development and Contractors Panel:

Members of the Capital Construction Task Force met on February 26, 2020. Jonathan Pruitt, chief financial officer for University of North Carolina-Chapel Hill, talked about the university's capital project process and discussed the OC-25 process. Representatives from several construction companies participated in a roundtable discussion, which explored their experiences and observations related to work on UNC System projects. The representatives included David Philyaw from T.A. Loving; Brian Walker from Vannoy Construction; Eric Reichard from Rodgers Builders, Inc.; Aaron Thomas from Metcon, Inc.; and Marty Moser from Barnhill Contracting Company. The task force members discussed all of the information presented in past meetings by the State Construction Office, the university representatives, and the contractors and previewed ideas for improvements to the capital construction and project process.

Discussion of Ideas and Recommendations:

On July 14, 2020, members of the task force met to review and discuss proposed ideas for improving the capital construction approval and project delivery process. The task force discussed a list of proposed ideas and recommends approval of the action items on the attached table to the Committee on Budget and Finance.

CAPITAL CONSTRUCTION TASK FORCE

Summary of Ideas for Discussion

Goal: To ensure capital resources are being used efficiently and that the value of the final project is equal to the expenditure

Concerns:

- **High Cost per SF** – Construction costs often are not comparable to private sector (significantly higher) or similar historical project costs.
- **Appropriate Project** – Project scope should be right-sized, and demand driven as opposed to adhering to a “bigger is better” sensibility.
- **Appropriate Building Standards** – The 50-year life cycle is not always compatible with fast-changing program needs.
- **Lack of Competition** – Too many bid openings have few or even a single bidder.

<u>Potential Actions:</u>	<u>Primary Party</u>	<u>Approve, Further Study, or Table?</u>
1. Modify BOG capital project approval policies and procedures <ul style="list-style-type: none"> • Delegate advanced planning authority to the campus level, further limited to design & development aspects only • Delay approval of new capital projects and OC-25 cost estimate until design development when project scope and initial project schedules/costs have been defined • Require professional cost estimates and funding verification prior to advertising for bids • Allow cost increases of up to 10% without requiring additional BOG approval; increases of more than 10% must be submitted to BOG for approval and must be justified 	BOG BOG BOG BOG	Approved
2. Improve construction cost estimating <ul style="list-style-type: none"> • Establish shared services agreement at UNC Sys Ofc for professional cost estimating consultants • Use historical data, cost information from State Construction Office, and cost estimating services to develop a cost reference database (updated annually) for use by universities 	UNC Sys Ofc UNC Sys Ofc	Approved
3. Establish baseline for R&R funding <ul style="list-style-type: none"> • Ensure predictable annual R&R funding at a level that will allow campuses to effectively plan projects; avoid constant use of R&R for overdue deferred maintenance • Establish sinking fund to support R&R needs • Establish building maintenance standards to prevent early building deterioration 	Legislature Legislature SCO	Approved

<p>4. Develop appropriate life cycle building standards based on building type</p> <ul style="list-style-type: none"> • Adjust building standards and life cycle to best fit the intended use of the building • Consider impact of lower construction standards on long-term maintenance and operations cost • Consider impact of lower construction standards on DOI insurance premiums 	<p>SCO</p> <p>UNC Sys Ofc</p> <p>UNC Sys Ofc</p>	<p>Approved</p>
<p>5. Improve capital construction project delivery</p> <ul style="list-style-type: none"> • Strategically manage construction market capacity; stagger bidding of major construction projects to avoid market saturation • Streamline prequalification process to maximize participation from qualified bidders • Award projects under a guaranteed maximum price (GMP); discourage use of preliminary GMP and phasing as a way to begin projects before final project costs are established • Review costs of project acceleration to ensure costs are reasonable and justified • Evaluate projects at completion for quality of work, timely completion, and delivery within budget and schedule to ensure quality and value 	<p>UNC Sys Ofc</p> <p>SCO</p> <p>SCO</p> <p>UNC Sys Ofc</p> <p>UNC Sys Ofc</p>	<p>Approved</p>
<p>6. Increase value of project and efficient use of project funding</p> <ul style="list-style-type: none"> • Develop alternative insurance programs, such as CCIP (Contractor Controlled Insurance Programs), OCIP (Owner Controlled Insurance Program), to reduce individual project insurance costs • Develop library of common building types and prototypical designs (such as housing) to minimize design time and cost • Review fees for design professionals and CMs to ensure fees are reasonable and comparable to surrounding states and peer institutions • Encourage better project management through peer-to-peer mentoring between universities and additional training opportunities 	<p>BOG</p> <p>UNC Sys Ofc</p> <p>SCO</p> <p>UNC Sys Ofc</p>	<p>Approved</p>