



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance

October 21, 2020 at 1:00 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 September 16, 2020 Minutes James L. Holmes
- A-2. General Fund Update.....Jennifer Haygood
- A-3. 2021-23 Budget PrioritiesJennifer Haygood
- A-4. Expenditure Benchmarks for the President and Special Responsibility
Constituent InstitutionsJennifer Haygood
- A-5. Duties and Authorities of Boards of Trustees – Proposed Policy ChangesJennifer Haygood
- A-6. System-wide STEM Study..... Katherine Lynn
- A-7. Capital Improvement Projects Katherine Lynn
- A-8. Acquisition of Property by Purchase – Appalachian State University Katherine Lynn
- A-9. Disposition of Property by Reallocation – NC State University Katherine Lynn
- A-10. Sale of Revenue Refunding Bonds – UNC HospitalsJennifer Haygood
- A-11. Task Force Updates..... James L. Holmes
 - a. Capital Construction Task Force
 - b. Task Force on Pricing, Flexibility, and Affordability
- A-12. Adjourn

Additional Information Available

- A-6a. System-wide STEM Program Needs Assessment (MGT)
- A-6b. System-wide STEM Capital Planning Study (JMZ)

DRAFT MINUTES

September 16, 2020 at 9:30 a.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

This meeting of the Committee on Budget and Finance was presided over by Chair James L. Holmes, Jr. The following committee members, constituting a quorum, were present in person or by phone: Darrell Allison, W. Marty Kotis, III, J. Alex Mitchell, Wendy Floyd. Murphy, and Michael Williford.

Chancellors participating were Sheri Everts, Kevin Guskiewicz, and Randy Woodson. Staff members present included Jennifer Haygood and others from the UNC System Office.

1. Call to Order and Approval of the July 22, 2020 (Item A-1)

The chair, James L. Holmes, called the meeting to order at 9:30 a.m. on September 16, 2020, and called for a motion to approve the minutes of July 22, 2020, for the regular meeting of the Committee on Budget and Finance.

MOTION: Resolved, that the Committee on Budget and Finance approve the minutes of July 22, 2020, for the regular meeting of the Committee on Budget and Finance, as distributed.

Motion: Darrell Allison

Motion: Carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

2. General Fund Update (Item A-2)

Senior Vice President Jennifer Haygood presented the General Fund Update to the board. This presentation provided a state general fund revenue summary and tax revenue collections for July 2020. This was an informational item.

3. Task Force Updates (Item A-3)

Committee Task Force updates focused on the work of the Capital Construction Task Force and the Task Force on Pricing, Flexibility, and Affordability. Senior Associate Vice President Katherine Lynn provided an update on the six initiatives that were approved in July by the Capital Construction Task Force. Mr. Kotis has been charged with continuing the efforts of the task force and he will name the new members by the next meeting.

Mr. Mitchell, chair of the Task Force on Pricing, Flexibility, and Affordability, reported the task force had its kick-off meeting on September 10th. Mr. Jonathan Pruitt, UNC System Chief Operating Officer, gave an overview of tuition and fees in the UNC System. For improvements in pricing, flexibility, and affordability, the task force will focus on optimizing available resources and updating the UNC System's tuition and fee policy. Recommendations will be presented to the Committee on Budget and Finance for further consideration.

4. 2021-22 Tuition and Fee Instructions (Item A-4)

Ms. Haygood reviewed the presentation for the 2021-22 Tuition and Fee Instructions to the committee. The key points addressed constitutional mandates, Board-approved fees (mandatory, special, and application), and tuition for resident and nonresident students. Each committee member offered suggestions including the following:

- No increase for resident tuition and fees;
- No increase in student fees, except for the health services fees; and
- Categorization of students for tuition purposes (distance education, online, on-campus)

MOTION: Resolved, that the Committee on Budget and Finance approve the 2021-22 tuition and fees guidance.

Motion: Darrell Allison

Motion: Carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

5. 2020-21 NC Promise Tuition Plan Annual Report (Item A-5)

Ms. Haygood presented the Annual Report for the NC Promise Tuition Plan. Ms. Haygood explained the FY 2020-21 calculated buy-down rate and allocations for Elizabeth City State University, UNC Pembroke, and Western Carolina University. This was an informational item.

6. 2020 Additional COVID-19 Allocations (Item A-6)

Ms. Haygood presented the 2020 Additional COVID-19 Funding Allocations. Appropriations by the General Assembly in response to the COVID-19 pandemic were allocated for PPE based on the number of students living on campus and budgeted FTE employees. Additional funds will be allocated by the president later for testing, tracing, enforcing required on-campus isolation and quarantine, providing COVID-19 related health care services, and for the New Teacher Support Program. In addition, the Board allocated coronavirus relief funds to NC State Education Assistance Authority (NCSEAA) as required by legislation. There was other funding appropriated directly to several institutions related to research and development of countermeasures for COVID-19, which did not require Board allocation.

MOTION: Resolved, that the Committee on Budget and Finance approve the 2020 Additional COVID-19 Funding Allocations and recommend them to the full Board of Governors for a vote.

Motion: W. Marty Kotis, III

Motion carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

7. Repairs and Renovations Carryforward Resolution (Item A-7)

Ms. Haygood presented the repairs and renovations carryforward resolution that would allow each constituent institution to retain the full amount of the carryforward savings it generates, up to five percent, for its own use as permitted by state law. Materials for this topic were previously emailed to the committee.

MOTION: Resolved, the Committee on Budget and Finance approve the repairs and renovations carryforward resolution and recommend it to the full Board of Governors for a vote.

Motion Darrell Allison

Motion: carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

8. Capital Improvement Project (A-8)

Ms. Lynn presented North Carolina State University's request for one new capital improvement project, Lake Wheeler Main Distribution Frame, for new project authority.

MOTION: Resolved, the Committee on Budget and Finance approve North Carolina State University's request for a new capital improvement project and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: W. Marty Kotis, III

Motion carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

9. Sale of Special Obligation Bonds – East Carolina University (A-9)

Ms. Haygood presented East Carolina University's request for issuance of special obligation bonds in an aggregate principal amount not to exceed \$20,000,000 for the purpose of refunding the callable maturities of ECU's Taxable General Revenue Bonds, Series 2010B, and paying costs of issuance related to the 2020 Bonds.

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

Motion: W. Marty Kotis, III

Motion carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

10. 2019-20 Annual Report of the Committee on Budget and Finance (A-10)

Ms. Haygood presented the 2019-20 Annual Report of the committee, consistent with UNC System policy. The report summarized all actions of the Committee on Budget and Finance from July 1, 2019 through June 30, 2020. Mr. Kotis requested that additional information about the proposed recommendations from the Capital Construction Task Force be added.

MOTION: Resolved, that the Committee on Budget and Finance adopt the 2019-20 Annual Report, as amended, for submission to the full Board of Governors.

Motion: W. Marty Kotis, III

Motion carried

Roll Call Vote	
Allison	Yes
Holmes	Yes
Kotis	Yes
Mitchell	Yes
Murphy	Yes
Williford	Yes

There being no further business, the meeting adjourned at 11:00 a.m.

Michael Williford, Secretary

AGENDA ITEM

A-2. General Fund UpdateJennifer Haygood

Situation: General Fund appropriations support approximately 25 percent of the University of North Carolina System budget. Given the economic uncertainty caused by COVID-19, the committee will monitor State General Fund revenues on an ongoing basis to identify potential impacts on University operations and inform future decisions.

Background: The Fiscal Research Division of the General Assembly and the Office of State Budget and Management routinely collaborate to develop General Fund revenue forecasts used to inform the development of the State budget. To maintain necessary situational awareness, the System Office monitors these forecasts, as well as information provided through monthly General Fund financial reports issued by the Office of State Controller.

Assessment: Since the last Board of Governors meeting, the Office of State Controller has released updated General Fund data through September 30, 2020. State General Fund revenues for August 2020 were \$71.9 million, or 4.2 percent, above August 2019 levels. This growth was concentrated in sales and use tax revenues. September 2020 revenues, however, were only \$35.2 million, or 1.6 percent, higher than September 2019.

General Fund revenues through September 30, 2020 have exceeded appropriation expenditures for the same period, resulting in an unreserved credit balance of \$3.9 billion. However, it is important to remember that revenues and expenditures do not occur evenly over the course of the fiscal year. In FY21, revenue collections are more uneven than usual, due to the significant shift in income tax revenues from FY20 to FY21 resulting from the delay of state tax payment deadlines from April to July. Also, the beginning of the fiscal year is less significant as an indicator of revenue trends for the fiscal year.

It is also important to note that *budgeted* General Fund appropriations exceed *projected* revenues for FY21 by approximately \$1 billion. The State's healthy unreserved credit balance will help bridge this gap in the current fiscal year, but will not be adequate to support the same level of expenditure in FY22 unless revenues grow.

Action: This item is for information only.

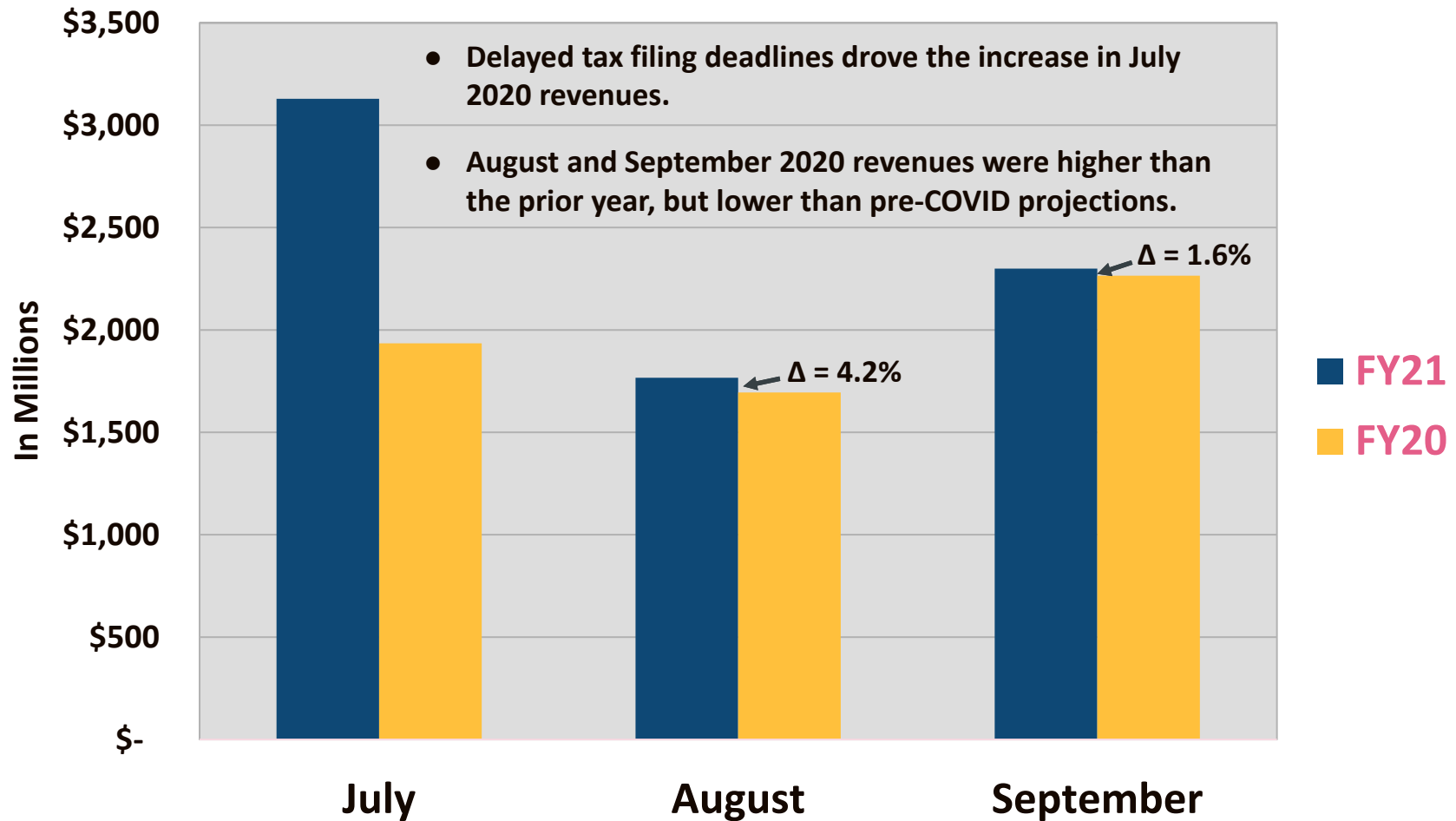


GENERAL FUND UPDATE

**Board of Governors
Committee on Budget and Finance**

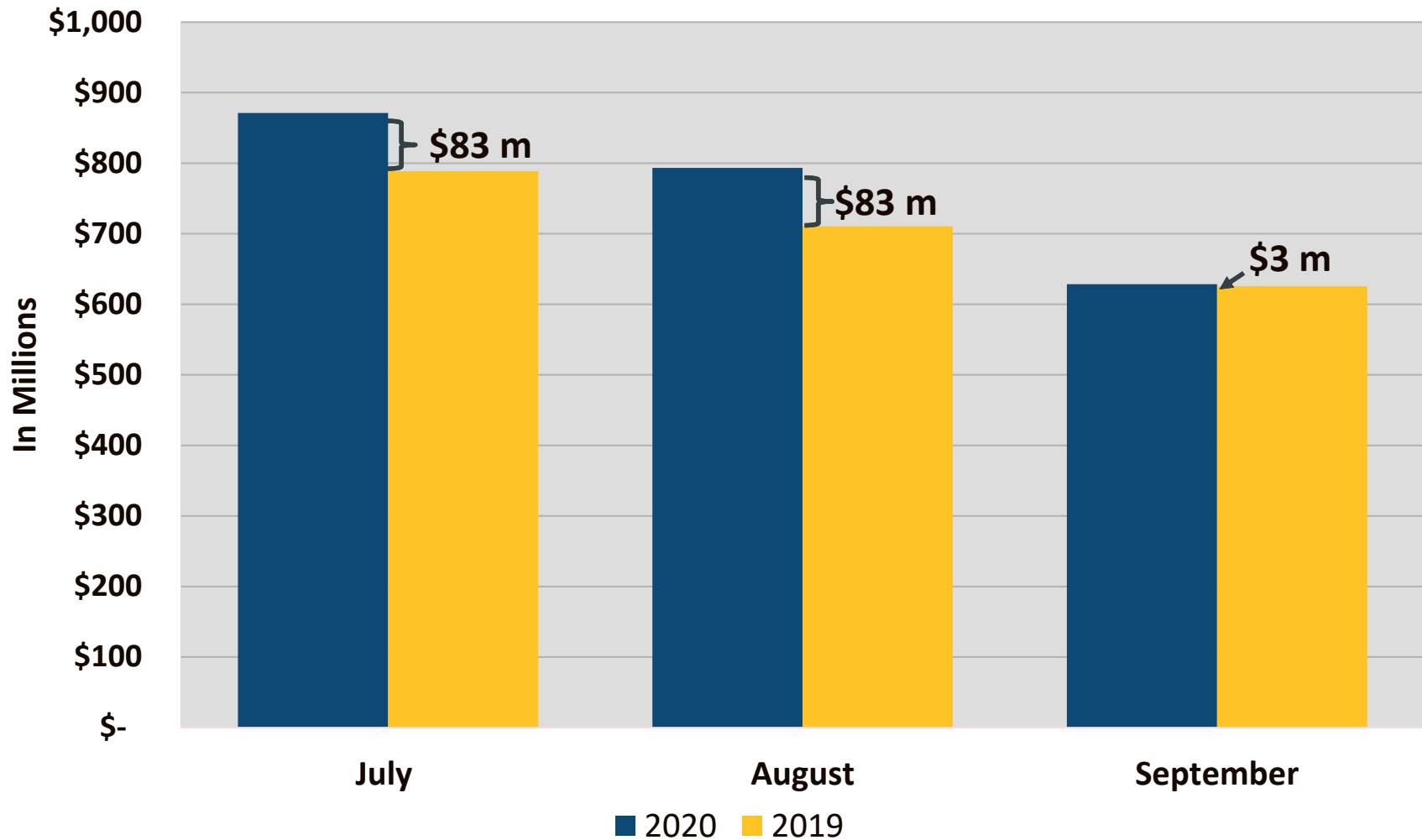
October 21, 2020

State General Fund Revenues



Source: *General Fund Financial Report – September 2020*, Office of State Controller

Fiscal Year Q1 Sales Tax Revenues



FY 2020-21 General Fund Summary

FY 2020-21 General Fund Unreserved Fund Balance (in millions)			
	Budget	YTD thru Sept. 30	% of Budget
Beg. Unreserved Fund Balance	\$1,471.1	\$1,471.1	
Projected Revenues*	23,466.3	7,195.1	30.7%
Appropriation Expenditures	(24,485.1)	(4,727.1)	19.3%
Transfers to/from Reserves		(15.0)	
Unreserved Fund Balance	452.3	3,924.1	
Unreserved Fund Balance Change	\$(1,018.8)	\$2,453.0	

- *Revenues and appropriation expenditures never occur evenly over the course of the fiscal year.*
- *FY21 budgeted expenditures exceed projected revenues.*

**Projected Revenues per May 2020 Consensus Revenue Forecast*

State Unemployment Benefits

- State unemployment benefits are paid from the Unemployment Insurance Trust Fund, which is supported by taxes on employers
 - Balance: March 2020 = \$3.9 billion; August 2020 = \$2.8 billion
 - Maximum benefit = \$350/week for up to 12 weeks
- Increased Benefit Amount program was created by S.L. 2020-97
 - Provides an additional \$50/week
 - Supported by \$87 million in federal Coronavirus Relief Funds (CRF)
 - Ends when the funds are exhausted or the benefit week ending December 26, 2020, whichever is later
- A significant portion of unemployment benefits recently paid to North Carolinians are federal benefits supported by federal sources.

QUESTIONS?

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AGENDA ITEM

A-3. 2021-23 Budget Priorities.....Jennifer Haygood

- Situation:** One of the principal responsibilities of the Board of Governors is to “develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for the constituent institutions of the University of North Carolina” [G.S. 116-11(9)a]. In odd numbered years, the governor recommends, and the General Assembly enacts a biennial (two-year) budget. In even-numbered years, adjustments are made to the budget for the second fiscal year of the biennium.
- Background:** While a preliminary revenue forecast for the 2021-23 biennium is still forthcoming, early indications suggest that recurring revenue availability will be limited. OSBM has deferred issuing budget instructions for budget request submissions until the revenue picture becomes clearer.
- Assessment:** Given the constrained revenue environment and the fact that multiple recurring needs were funded on a nonrecurring basis for FY21, the 2021-23 budget priorities should be limited to a disciplined list of priorities focused on core needs. Consequently, the System Office is not entertaining campus-specific operating budget requests.
- Action:** This item is for discussion only.



2021-23 BUDGET PRIORITIES

**Board of Governors
Committee on Budget and Finance**

October 21, 2020

2021-23 Operating Budget Priorities

- **Ensure full funding for enrollment change***
- **Continue to fully fund the NC Promise program***
- **Seek compensation funding to recognize our hard-working faculty and staff**
- **Fully fund building reserves***

** Includes converting last year's nonrecurring funding to recurring appropriation. FY 21 nonrecurring appropriations for these items total \$57 million.*

QUESTIONS?

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AGENDA ITEM

- A-4. Expenditure Benchmarks for the President and Special Responsibility
Constituent Institutions.....Jennifer Haygood

Situation: In the late 1990s and early 2000s, the North Carolina General Assembly authorized the Board of Governors, through G.S. 116-31.10, to set expenditure benchmarks of up to \$500,000 for UNC System constituent institutions. The delegated authority permitted by this statute has allowed constituent institutions to proceed quickly and efficiently with awarding certain contracts rather than submitting all contract proposals to the North Carolina Division of Purchase & Contract (P&C) for review and approval. In 2017, the statute was further amended to authorize the Board of Governors to establish an expenditure benchmark for the president of the UNC System of up to \$500,000.

Background: The most recent review of expenditure benchmarks for the constituent institutions occurred in April 2014. Additionally, since that time, the General Assembly has revised G.S. 116-31.10 to authorize the Board of Governors to set an expenditure benchmark for the president of the UNC System of up to \$500,000. The president currently operates with a \$25,000 purchasing threshold. The UNC System Office purchases greater than \$25,000 require P&C approval.

Assessment: Periodic review of expenditure benchmarks may identify opportunities for constituent institutions to transition into other tiers. System Office staff have completed a review and recommend adjustments to the tiered expenditure benchmarks for constituent institutions and the president, consistent with the Board of Governors' authority in statute to set such benchmarks. The recommended updates to expenditure benchmarks are attached for reference.

Approval of a \$100,000 threshold for the UNC System Office would align with the Tier 3 constituent institutions and allow for increased efficiencies and savings when executing higher value, System-wide contracts that leverage the buying power of the System. The president of the UNC System may approve purchases for institutions in Tier 2 or Tier 3 up to \$500,000. N.C. A&T State University will transition from Tier 2 into Tier 1.

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

Expenditure Benchmarks for the President and Special Responsibility Constituent Institutions

ISSUE OVERVIEW

The Board of Governors has the authority under G.S. 116-31.10 to approve expenditure benchmarks of up to \$500,000 for UNC System constituent institutions. In April 2014, the Board of Governors reviewed and revised these benchmarks (attached) and authorized the president of the UNC System to approve purchases for Tier 2 and Tier 3 constituent institutions in amounts between their benchmarks and \$500,000. However, until recently, G.S. 116-31.10 did not explicitly provide the Board of Governors with the authority to set an expenditure benchmark for the president of up to \$500,000. Revisions to G.S. 116-31.10, which became law in March 2017 through passage of Session Law 2017-68, authorize the Board of Governors to establish a threshold expenditure benchmark of up to \$500,000 for the president of the UNC System.

Applying the recommended tiers, which are based upon actual General Fund expenditures for FY20 to the UNC System Office, the System Office would have a \$100,000 threshold (Tier 3) to be exercised by the president of the UNC System or his designee. The president of the UNC System would maintain authority to approve expenditures for Tier 2 and Tier 3 entities up to \$500,000. The update to the expenditure threshold will allow for increased efficiencies and savings when executing higher value, System-wide contracts that leverage the buying power of the System.

The North Carolina Division of Purchase and Contract completed a satisfactory compliance review of the UNC System Office in June 2018.

Utilizing the recommended Tiers would also transition N.C. A&T State University from Tier 2 to Tier 1. The transition into Tier 1 will allow greater efficiencies when awarding higher value contracts that are more common with Tier 1 constituent institutions.

RECOMMENDATION

It is recommended that the Board of Governors approve this request to establish a \$100,000, Tier 3 purchasing threshold for the UNC System Office while maintaining the president's authority to approve purchasing expenditures for all Tier 2 and Tier 3 institutions, including the president of the UNC System up to \$500,000. It is also recommended that the Board of Governors approve the transition of N.C. A&T State University from Tier 2 to Tier 1, which will raise the university's expenditure threshold from \$250,000 to \$500,000.

The University of North Carolina
Potential Authorized Purchasing Benchmarks

Current Delegation						Proposed Delegation				
Tier	Institution	Authorized Benchmark	Effective Date	Presidential Approval Required	P&C Approval Required	Tier	Benchmark Without Pre-Approval	Change from Current Benchmark	Presidential Approval Required	P&C Approval Required
Tier 1 GF > \$175M	NC State	\$500,000	1-Jul-15	N/A	> \$500,000	Tier 1 GF > \$180M	\$500,000	N/C	N/A	> \$500,000
	UNC-CH	\$500,000	1-Jul-15	N/A	> \$500,000		\$500,000	N/C	N/A	> \$500,000
	UNCC	\$500,000	1-Jul-15	N/A	> \$500,000		\$500,000	N/C	N/A	> \$500,000
	ECU	\$500,000	1-Jul-15	N/A	> \$500,000		\$500,000	N/C	N/A	> \$500,000
	UNCG	\$500,000	1-Jul-15	N/A	> \$500,000		\$500,000	N/C	N/A	> \$500,000
	ASU	\$500,000	1-Jul-15	N/A	> \$500,000		\$500,000	N/C	N/A	> \$500,000
	UNCW	\$500,000	1-Jul-15	N/A	> \$500,000		\$500,000	N/C	N/A	> \$500,000
Tier 2 GF \$75M-\$175M	N.C. A&T	\$250,000	1-Jul-15	> \$250,000	> \$500,000	Tier 2 GF \$80M-\$180M	\$500,000	\$250,000	N/A	> \$500,000
	WCU	\$250,000	1-Jul-15	> \$250,000	> \$500,000		\$250,000	N/C	> \$250,000	> \$500,000
	NCCU	\$250,000	1-Jul-15	> \$250,000	> \$500,000		\$250,000	N/C	> \$250,000	> \$500,000
	UNCP	\$250,000	1-Jul-15	> \$250,000	> \$500,000		\$250,000	N/C	> \$250,000	> \$500,000
	WSSU	\$250,000	1-Jul-15	> \$250,000	> \$500,000		\$250,000	N/C	> \$250,000	> \$500,000
Tier 3 GF < \$75M	FSU	\$100,000	1-Jul-15	> \$250,000	> \$500,000	Tier 3 GF < \$80M	\$100,000	N/C	N/C	> \$500,000
	UNCA	\$100,000	1-Jul-15	> \$100,000	> \$500,000		\$100,000	N/C	N/C	> \$500,000
	UNCSA	\$100,000	1-Jul-15	> \$100,000	> \$500,000		\$100,000	N/C	N/C	> \$500,000
	UNC Sys Ofc	\$25,000		N/A	> \$25,000		\$100,000	\$75,000	> \$100,000	> \$500,000
	ECSU	\$100,000	1-Jul-15	> \$100,000	> \$500,000		\$100,000	N/C	N/C	> \$500,000
	NCSSM	\$100,000	1-Jul-15	> \$100,000	> \$500,000		\$100,000	N/C	N/C	> \$500,000

AGENDA ITEM

A-5. Duties and Authorities of the Boards of Trustees – Proposed Policy Changes Jennifer Haygood

- Situation:** The Committee on Budget and Finance will consider proposed policy revisions, which delegate additional powers and duties to boards of trustees for the advance planning of capital improvement projects.
- Background:** The Board of Governors is working to ensure that it properly allocates authority and responsibility to boards of trustees for campus-based matters. As part of that effort, the Committee on Budget and Finance gave preliminary approval in July 2020 for proposed additional delegations of powers and duties to the boards of trustees related to advance planning of capital improvement projects. The additional delegations of authority required revisions to two existing policies and regulations to incorporate necessary updates and conforming changes, including updated delegations to the president aligned with the delegations of authority approved for boards of trustees.
- Assessment:** Proposed policy revisions require amendments to Sections 200.6 and 600.1.1 of the UNC Policy Manual. The revisions will delegate the authority for advance planning of capital projects to the president and boards of trustees where the advance planning effort is funded entirely with non-general fund money.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda at the next meeting.

ISSUE OVERVIEW

The Committee on Budget and Finance formed the Capital Construction Task Force on November 14, 2019, to review the capital project delivery process and to make recommendations to improve efficiency and ensure value in the execution of capital projects. The Capital Construction Task Force presented its recommendations to the Committee on Budget and Finance in July 2020, all of which were adopted. The recommendations included delegating the authority for advance planning to the president and boards of trustees when funded entirely with non-general fund money. The recommendation requires changes to Sections 200.6 and 600.1.1 of the UNC Policy Manual and the changes are included in the supplemental information.

Currently, the constituent institutions are required to obtain approval from the Board of Governors for the advance planning of any capital project over \$750,000 that is funded entirely with non-general fund money. The constituent institutions are required to submit a project scope and budget estimate before engaging a design consultant or obtaining a full understanding of the project requirements. The constituent institutions are also required to request approval for a new capital project when the advance planning is completed. Delegating advance planning authority to the constituent institutions will allow engagement of design professionals to assist with the development of initial project planning, schematic project development, and preliminary project budgets. This will allow the constituent institutions to present a definitive project scope and project budget and to verify the availability of funds before requesting approval from the Board of Governors for a new capital project.

RECOMMENDATION

It is recommended that the committee approve the policy changes and recommend that the full Board of Governors adopt the amended policies at the next meeting.

200.6

Adopted 11/13/06
Amended 06/08/07
Amended 04/08/11
Amended 08/10/12
Amended 10/11/12
Amended 07/29/16
Amended 10/14/16
Amended 05/22/19
Amended / /20

Policy on Delegation of Authority to the President

I. Pursuant to N.C.G.S. § 116-11(13) and other North Carolina law as referenced herein, and notwithstanding *The Code* or any other Board of Governors policy,¹ the Board of Governors delegates the following authorities to the president of the University:

....

D. Real Property

1. The power to authorize acquisition or disposition of the following interests in real property without obtaining approval of the Board of Governors, subject to any necessary approvals from state officials and agencies:

- a. Any interest in real property, other than a leasehold, with a value less than \$750,000; and
- b. A leasehold interest in real property with annual value less than \$750,000 and a term of not more than 10 years.

The president's authority may be exercised on behalf of the University of North Carolina System Office, affiliated entities, or the constituent institutions in the president's discretion² (Sections 600.1.3 and 600.1.3[R] of the UNC Policy Manual).

2. Authority to approve capital improvement projects funded entirely with non-General Fund money³ that are projected to cost less than \$750,000 (Section 600.1.1 of the UNC Policy Manual)⁴.

3. Authority to approve advance planning of capital improvement projects, where the advance planning effort is to be funded entirely with non-General Fund money.

1 The Secretary of the University is authorized to annotate the referenced policies and regulations to cross-reference these delegations.

2 The Board of Governors may delegate additional authority to the president or boards of trustees for real property transactions consistent with Section 600.1.3 of the UNC Policy Manual.

3 This delegation shall be interpreted consistent with G.S. 143C-8-12.

4 The Board of Governors may delegate additional authority to the president or boards of trustees for approval of capital improvement projects consistent with Section 600.1.1 of the UNC Policy Manual.

600.1.1

Adopted 11/14/97

Amended 06/08/01

Amended 06/14/13

Amended 05/22/19

Amended / /20

Policy on Design, Construction, and Financing of Capital Improvement Projects

....

II. Approval of Certain Capital Improvement Projects

A. General Delegations of Authority to the President and Boards of Trustees for Approval of Certain Capital Improvement Projects

1. The Board of Governors delegates to the president and the boards of trustees the power to approve capital improvement projects that are funded entirely with non-General Fund money that are projected to cost less than \$750,000.¹ The president's authority may be exercised on behalf of the UNC System Office, affiliated entities, or the constituent institutions in the president's discretion.

2. The Board of Governors delegates to the president and the boards of trustees authority to approve advance planning of capital improvement projects, where the advance planning effort is to be funded entirely with non-General Fund money.

2.3. After the long-term financing of a capital improvement project has been approved in accordance with statutory requirements, the president may approve interim financing or bank loans as a means of short-term financing. The president shall report any such actions to the Committee on Budget and Finance at its next meeting.

¹ This delegation of authority shall be interpreted consistent with G.S. 143C-8-12. See also Appendix 1 to *The Code* and Section 200.6 of the UNC Policy Manual.

AGENDA ITEM

A-6. System-wide STEM Study Katherine Lynn

- Situation:** S.L. 2018-5 created the UNC Board of Governors Stem Planning Task Force to conduct a System-wide analysis of STEM capital needs and to submit a report to the legislature.
- Background:** The BOG STEM Planning Task Force was formed in November 2018 and appointed System Office staff to conduct the STEM analysis pursuant to S.L. 2018-5. The System Office hired MGT Consulting Group to conduct the System-wide STEM Program Needs Assessment to address STEM job growth and projected STEM enrollment growth. JMZ Architects and Planners was hired to conduct the System-wide STEM Capital Planning Study. Both reports have been completed and are ready to submit to the legislature upon review of the BOG.
- Assessment:** The reports provide information on future STEM enrollment growth and the demand for future STEM space.
- Action:** This item is for information only.



SYSTEM-WIDE STEM CAPITAL PLANNING STUDY

October 21, 2020

1

UNC Board of Governors STEM Planning Task Force

- S.L. 2018-5 created the UNC BOG STEM Planning Task Force

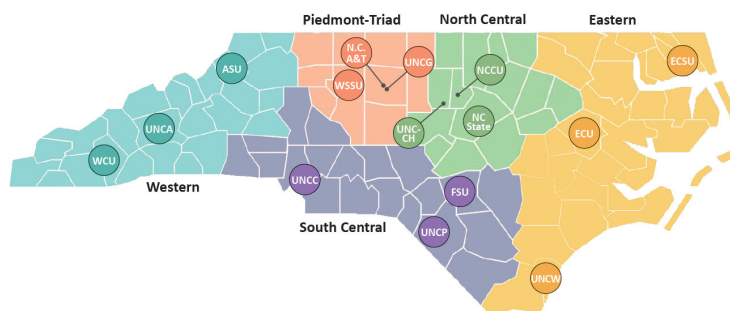
S.L. 2018-5, SECTION 36.6.(b) *The Task Force shall conduct a systemwide analysis of the capital needs of the campuses of each constituent institution in relation to the Science Technology Engineering and Mathematics (STEM) subject area, taking into account the strengths, weaknesses, opportunities, and 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.*

- MGT Consulting Group prepared System-wide STEM Program Needs Assessment
- JMZ Architects + Planners prepared System-wide STEM Capital Planning Study

Purpose of STEM Reports

- System-wide STEM Program Needs Assessment (MGT)
 - What is the outlook for STEM jobs - nationally, by STEM category, and in NC?
 - How much of the System's current undergraduate upper division enrollment is in STEM majors?
 - How much will STEM enrollment grow by 2030?
 - Where is the STEM enrollment growth expected?
- System-wide STEM Capital Planning Study (JMZ)
 - How much space is currently dedicated to STEM?
 - How well utilized are STEM classroom and class labs?
 - How much STEM academic space is needed for 2030 STEM enrollment growth?
 - Is there enough existing STEM space to absorb 2030 STEM enrollment growth?

Universities by Job Region



Western	Piedmont-Triad	North Central	South Central	Eastern
ASU	NC A&T	NCCU	FSU	ECU
UNCA	UNCG	NC State	UNCC	ECSU
WCU	WSSU	UNC - CH	UNCP	UNCW

Projected STEM Job Growth

- 36,545 new STEM jobs in NC by 2026
- Majority of STEM jobs in South Central (35.6%) and North Central (33.4%) regions
- Highest job demand in Health Sciences (33%) and other STEM (27%) categories

Job Growth by STEM Category 2018-2026

Annual Projected Openings by Standard Occupational Classification
Data prepared by MGT from NC Department of Commerce 2019 reports

STEM Category	Western	Piedmont-Triad	North Central	South Central	Eastern	Statewide Growth	% Statewide Growth
Engineering	608	791	2,454	2,378	647	6,878	18.8%
Other STEM*	814	1,126	2,970	3,997	1,003	9,910	27.1%
Health Science	1,423	1,804	3,569	3,533	1,740	12,069	33.0%
Math	86	140	357	592	103	1,278	3.5%
Technology	298	427	2,864	2,501	320	6,410	17.5%
Statewide Growth	3,229	4,288	12,214	13,001	3,813	36,545	
% Statewide Growth	8.8%	11.7%	33.4%	35.6%	10.4%		

*Includes Hard Science and STEM occupations that do not fit one distinct STEM category.

STEM Job Growth

- Job growth across all sectors is 7.4%, STEM job growth nationally is 10.8%
- STEM occupations are forecasted to grow at a rate 76% higher than non-STEM nationwide*
- STEM employment paid on average \$84,880 compared to \$37,020 for non-STEM occupations*
- 70% of STEM jobs require a bachelor's degree as a minimum level of educational attainment compared to 21% of overall job market*

*Source: 2020 STEM Job Growth Index, RCLCO

STEM Jobs in NC

STEMdex Rankings over Time

RANK	2020 STEMDEX	2019 STEMDEX	2017 STEMDEX	2016 STEMDEX
1	Charlotte	Austin	Austin	Austin
2	Austin	Raleigh	Raleigh	Dallas
3	Denver	Charlotte	Charlotte	Raleigh
4	Seattle	Seattle	San Jose	Houston
5	Raleigh	Denver	San Francisco	Phoenix
6	Atlanta	Atlanta	Seattle	Seattle
7	Orlando	Phoenix	Dallas	Atlanta
8	San Francisco	San Francisco	Denver	San Jose
9	Portland	Las Vegas	Atlanta	Charlotte
10	Phoenix	San Jose	Houston	San Francisco

"It is expected that the cities in the top five will all remain at or near the top in the future years of study." - 2020 STEM Job Growth Index, RCLCO

Projected STEM Enrollment Growth

Upper Division Undergraduate STEM Enrollment

Upper Division Undergraduate STEM Enrollment					
Region	Institution	2018	2030 Projection	Difference	Annual Percent Change
Western	Appalachian State University (ASU)	3,100	4,946	1,846	4.0%
	University of North Carolina at Asheville (UNCA)	712	1,013	301	3.0%
	Western Carolina University (WCU)	1,949	3,016	1,067	3.7%
Western Subtotal		5,761	8,975	3,214	3.8%
Piedmont-Triad	North Carolina A&T State University (N.C. A&T)	2,316	4,271	1,955	5.2%
	University of North Carolina at Greensboro (UNCG)	2,108	3,360	1,252	4.0%
	Winston-Salem State University (WSSU)	1,240	1,679	439	2.6%
Piedmont-Triad Subtotal		5,664	9,310	3,646	4.2%
North Central	North Carolina Central University (NCCU)	579	869	290	3.4%
	North Carolina State University (NC State)	7,157	9,081	1,924	2.0%
	University of North Carolina at Chapel Hill (UNC-CH)	5,154	9,020	3,866	4.8%
North Central Subtotal		12,890	18,970	6,080	3.3%
South Central	Fayetteville State University (FSU)	850	1,293	443	3.6%
	University of North Carolina at Charlotte (UNCC)	6,505	11,383	4,878	4.8%
	University of North Carolina at Pembroke (UNCP)	641	1,163	522	5.1%
South Central Subtotal		7,996	13,839	5,843	4.7%
Eastern	East Carolina University (ECU)	4,751	7,209	2,458	3.5%
	Elizabeth City State University (ECSU)	176	264	88	3.4%
	University of North Carolina at Wilmington (UNCW)	3,334	5,712	2,378	4.6%
Eastern Subtotal		8,261	13,185	4,924	4.0%
System Total Upper Division Undergraduate STEM Enrollment		40,572	64,279	23,707	3.9%

Assume STEM enrollment will increase even if overall enrollment remains level

Purpose of STEM Reports

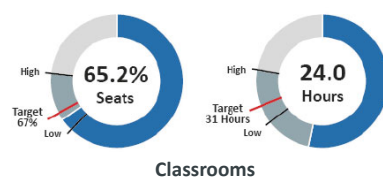
- System-wide STEM Program Needs Assessment (MGT)
 - What is the outlook for STEM jobs - nationally, by STEM category, and in NC?
 - How much of the System's current undergraduate upper division enrollment is in STEM majors?
 - How much will STEM enrollment grow by 2030?
 - Where is the STEM enrollment growth expected?
- System-wide STEM Capital Planning Study (JMZ)
 - How much space currently dedicated to STEM?
 - How well utilized are STEM classroom and class labs?
 - How much STEM academic space is needed for 2030 STEM enrollment growth?
 - Is there enough existing STEM space to absorb 2030 STEM enrollment growth?

Evaluating Demand for STEM Space

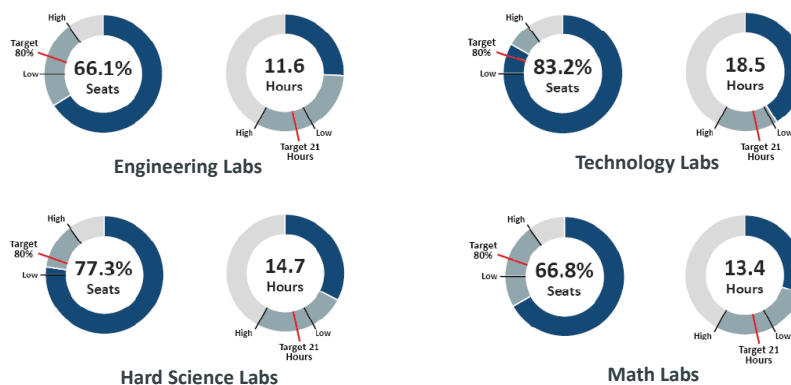
- STEM space includes classrooms, labs, and support space (offices, storage, prep areas, etc.)
 - STEM classrooms are the same as general classrooms
 - STEM labs may be unique and generally not interchangeable
 - Other STEM space is required to support labs or classrooms and adjacency is a factor
- Methodology for determining demand for future STEM space based on **capacity**, **utilization**, and **condition** of current STEM space

STEM Classroom Capacity and Utilization

- Target for classroom seat utilization is 67%
- UNC System standard for scheduled class hours is 35 hours per week which includes day and night classes
 - Annual *Facilities Inventory and Utilization Study* includes public higher education and community colleges
- System-wide STEM study used 31 hours per week
 - Based on national standard, Association for Learning Environments
 - Based on highest demand (M-F, 8 a.m. – 5 p.m.)



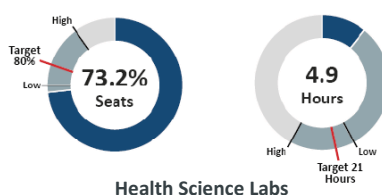
STEM Lab Capacity and Utilization



- Target for class lab seat utilization is 80%
- Target for scheduled class lab hours is 21 hours per week

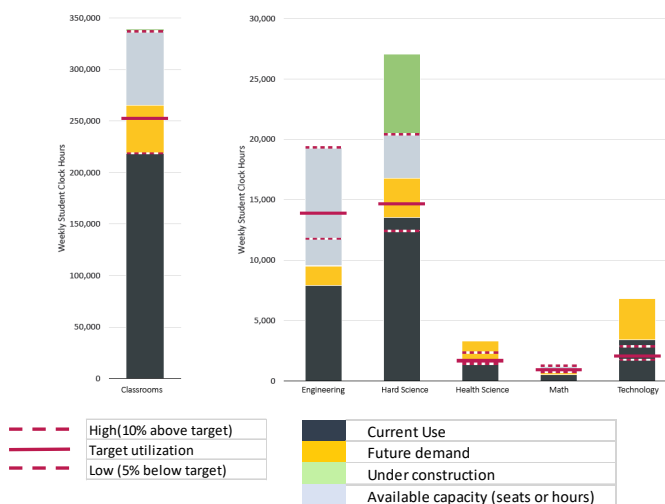
STEM Class Lab Capacity and Utilization

- Health Science seat fill is high; class lab utilization appears low
 - Scheduling and utilization of health science labs appears to be at departmental level
 - Additional verification needed to determine actual capacity and utilization



STEM Space Capacity and Utilization for Campus

Utilization, Capacity, and Projections



Projected STEM Space Needs

STEM Space Need Projections

Region	Institution	2017 STEM Inventory and Projects Underway (ASF)		2030 Calculated Additional Space Needed to Meet STEM Demand* (ASF)				2030 Total STEM Space Need (ASF)
		2017 STEM Inventory	Net New STEM Construction	Classroom	Class Lab**	Office	2030 STEM Space Need	
Western	ASU	330,255	0	0	101,562	29,880	131,442	461,697
	UNCA	77,921	0	0	20,294	7,340	27,634	105,555
	WCU	162,996	27,195	0	58,584	13,737	72,321	262,512
Western Subtotal		571,172	27,195	0	180,440	50,957	231,397	829,764
Piedmont-Triad	N.C. A&T	274,073	29,888	0	43,020	30,399	73,419	377,380
	UNCG	223,721	21,262	0	7,161	50,222	57,383	302,366
	WSSU	89,151	47,266	0	4,368	1,300	5,668	142,085
Piedmont-Triad Subtotal		586,945	98,416	0	54,549	81,921	136,470	821,831
North Central	NCCU	124,300	0	0	17,996	9,850	27,846	152,146
	NC State	1,322,217	76,421	0	98,820	21,375	120,195	1,518,833
	UNC-CH	428,720	0	0	22,428	0	22,428	451,148
North Central Subtotal		1,875,237	76,421	0	139,244	31,225	170,469	2,122,127
South Central	FSU	78,837	0	0	12,266	5,020	17,286	96,123
	UNCC	373,282	39,111	13,568	85,147	51,913	150,628	563,021
	UNCP	62,096	0	0	13,008	11,800	24,808	86,904
South Central Subtotal		514,215	39,111	13,568	110,421	68,733	192,722	746,048
Eastern	ECU	237,676	9,591	0	100,330	64,955	165,285	412,552
	ECSU	66,131	0	0	2,400	2,670	5,070	71,201
	UNCW	193,637	42,219	0	66,247	0	66,247	302,103
Eastern Subtotal		497,444	51,810	0	168,977	67,625	236,602	785,856
Systemwide Total STEM Space		4,045,013	292,953	13,568	653,631	300,461	967,660	5,305,626
Space Need for Potential Graduate Student Growth								433,762
2030 Additional STEM Space Need								1,401,422
2030 Total STEM Space Need								5,739,388

*Space needs may be offset by improving or repurposing existing space before new construction is necessary

**Calculated space need may be low due to universities' possible underreporting of Health Science lab use



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Projected STEM Lab Needs by STEM Category

2030 Additional Class Lab Projections by STEM Category

Region	Institution	2030 Calculated Additional Lab Space Needed to Meet STEM Demand* (ASF)					Total STEM Labs
		Engineering	Hard Science	Health Science**	Math	Technology	
Western	ASU	19,699	42,504	25,368	4,871	9,120	101,562
	UNCA	5,832	8,568	0	2,534	3,360	20,294
	WCU	37,584	10,248	10,752	0	0	58,584
Western Subtotal		63,115	61,320	36,120	7,405	12,480	180,440
Piedmont-Triad	N.C. A&T	19,700	21,260	0	2,060	0	43,020
	UNCG	0	0	7,161	0	0	7,161
	WSSU	0	0	4,368	0	0	4,368
Piedmont-Triad Subtotal		19,700	21,260	11,529	2,060	0	54,549
North Central	NCCU	0	7,140	2,184	8,672	0	17,996
	NC State	12,847	79,716	0	2,297	3,960	98,820
	UNC-CH	0	22,428	0	0	0	22,428
North Central Subtotal		12,847	109,284	2,184	10,969	3,960	139,244
South Central	FSU	0	4,116	4,032	4,118	0	12,266
	UNCC	20,218	28,401	14,700	1,188	20,640	85,147
	UNCP	0	6,048	0	0	6,960	13,008
South Central Subtotal		20,218	38,565	18,732	5,306	27,600	110,421
Eastern	ECU	27,216	67,738	0	2,376	3,000	100,330
	ECSU	0	0	0	0	2,400	2,400
	UNCW	0	49,812	0	6,415	10,020	66,247
Eastern Subtotal		27,216	117,550	0	8,791	15,420	168,977
Systemwide Total STEM Space		143,096	347,979	68,565	34,531	59,460	653,631

*Space needs may be offset by improving or repurposing existing space before new construction is necessary

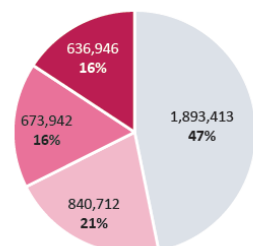
**Calculated space need may be low due to universities' possible underreporting of Health Science lab use



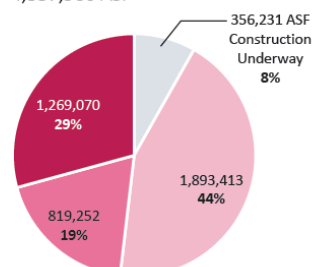
17

Projected Condition of Existing STEM Space

Actual 2017
4,045,013 ASF



Progression to 2030
4,337,966 ASF



Building Condition

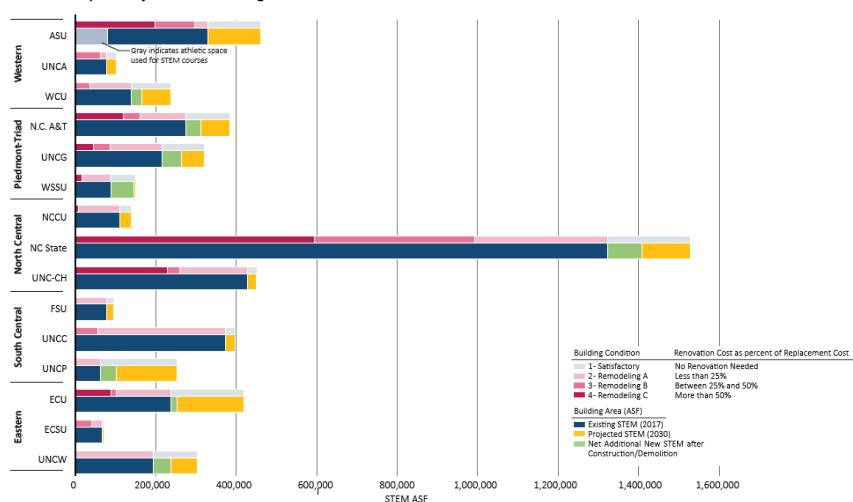
- 1 - Satisfactory
- 2 - Remodeling A
- 3 - Remodeling B
- 4 - Remodeling C

Renovation Cost as percent of Replacement Cost

- No Renovation Needed
- Less than 25%
- Between 25% and 50%
- More than 50%

Projected STEM Space and Building Condition

2030 STEM Space Projection and Building Condition



STEM Capital Projects





- STEM capital projects required to address the increase in STEM enrollment, optimization of STEM space, changing pedagogy, and deteriorating building conditions
 - Almost 50% of existing STEM space will be Condition 3 or 4 by 2030
 - Student station sizes below UNC space planning standards
 - Spaces not equipped with current technology or state-of-the-art equipment
- ECU – Brody School of Medicine: Constructed in 1982, renovated in 1999, Building Condition 3, renovation through replacement
- UNC-Chapel Hill – Institute for Convergent Sciences: number of departments housed in aging buildings, consolidation into collaborative shared space, renovation through replacement



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THANK YOU

QUESTIONS?

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AGENDA ITEM

A-7. Capital Improvement Projects – NC Central University and NC State University Katherine Lynn

- Situation:** Two UNC System institutions have requested a total of three capital improvement projects: two new projects and one project for increased authorization.
- Background:** The Board of Governors may authorize capital construction projects at UNC System institutions using available funds.
- Assessment:** NC Central University and NC State University have requested projects that meet the statutory requirements, and it is recommended that the Board of Governors approve the projects and their methods of funding. It is further recommended that the projects be reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Capital Improvement Projects – North Carolina Central University and North Carolina State University

ISSUE OVERVIEW

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

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

I. NEW PROJECTS

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
North Carolina State University					
1.	Dairy Facility at College of Veterinary Medicine	\$5,500,000	\$400,000	\$5,100,000	Trust Funds
2.	Greek Village Phase 4 - Infrastructure, Townhomes, and Apartments	\$47,500,000	\$3,600,000	\$43,900,000	Trust Funds
<i>NC State Subtotal</i>		<i>\$53,000,000</i>	<i>\$4,000,000</i>	<i>\$49,000,000</i>	
Grand Total		\$53,000,000	\$4,000,000	\$49,000,000	

II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
North Carolina Central University					
1.	New Student Center	\$50,379,332	\$47,279,332	\$3,100,000	Trust Funds
<i>NC Central Subtotal</i>		<i>\$50,379,332</i>	<i>\$47,279,332</i>	<i>\$3,100,000</i>	
Grand Total		\$50,379,332	\$47,279,332	\$3,100,000	

RECOMMENDATION

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act).

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

AGENDA ITEM

- A-8. Acquisition of Property by Deed (Raven Rocks Residence Hall) –
Appalachian State University Katherine Lynn

Situation: The Board of Trustees of Appalachian State University requests acquisition of Ravens Rock Residence Hall (also referenced as Building 200), a 322-bed new residence hall, constructed by Beyond Boone 200 LLC on existing property owned by the university.

Background: Appalachian State University entered into a ground lease with Beyond Boone 200 LLC to develop, construct, furnish, equip, and operate a P3 housing project. The construction of Raven Rocks Residence Hall (also referred to as Building 200) was included in the P3 agreement and included a purchase option upon completion. The 322-bed residence hall was granted a certificate of beneficial occupancy by the State Construction Office on August 6, 2020.

Appalachian State University has unapplied proceeds of General Revenue Bonds, Series 2016C, that were previously issued to finance the replacement of Winkler Hall, an existing residence hall on campus. The project was unable to proceed because the bids were not within budget when the bonds were issued. The proceeds of the 2016 C Bonds together with additional funds from university housing reserves will be used to acquire Raven Rocks Hall. The purchase price is \$28,845,000.

Assessment: The acquisition is recommended to support the development of suitable on-campus housing for Appalachian State University.

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

Acquisition of Property by Deed (Raven Rocks Residence Hall) – Appalachian State University

ISSUE OVERVIEW

The Board of Trustees of Appalachian State University requests approval to purchase Raven Rocks Residence Hall (Building 200) from Beyond Boone 200, LLC, under an option in the P3 agreement.

Appalachian State University entered into a ground lease with Beyond Boone 200 LLC to develop, construct, furnish, equip, and operate a P3 housing project. The construction of Raven Rocks Residence Hall (also referred to as Building 200) was included in the P3 agreement and included an option for Appalachian State University to purchase Raven Rocks Residence Hall upon completion. The new residence hall is 84,362 gross square feet, four stories with a basement, and includes 322 beds. The building was constructed under the jurisdiction of the State Construction Office and was granted a certificate of beneficial occupancy on August 6, 2020.

Appalachian State University has unapplied proceeds of General Revenue Bonds, Series 2016C, that were previously issued to finance the replacement of Winkler Hall, an existing residence hall on campus. The project was unable to proceed because the bids were not within budget when the bonds were issued. The proceeds of the 2016 C Bonds, together with additional funds from university housing reserves, will be used to acquire Raven Rocks Hall. Following purchase, the building will be operated and maintained by the university. The appraised value is \$28,845,000.

The Board of Trustees for Appalachian State University approved the resolution to purchase Raven Rocks Residence Hall on September 25, 2020.

RECOMMENDATION

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

**STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION**

***ACQUISITION OF REAL PROPERTY**

Institution or Agency: **Appalachian State University**

Date: **September 16, 2020**

The Department of Administration is requested, as provided by GS §146-22 et seq., to acquire the real property herein described by *purchase, lease, rental, or other (specify)*. **Purchase**

This Property is needed for the following reasons and purposes: *(Attach additional pages if needed.)*

The property is a 322-bed residence hall constructed as a part of a three-phase public private partnership re-developing 14 acres of Appalachian State University's campus. The new residence hall is a leasehold improvement made by Beyond Boone 200 LLC on existing property owned by the State of North Carolina for the benefit of Appalachian State University, currently leased to Beyond Boone 200 LLC.

The State of North Carolina holds the fee simple title to existing property on the campus of Appalachian State University designated as a Millennial Campus pursuant to Article 21B of Chapter 116 of the NC General Statutes. The University of North Carolina System delegated authority to Appalachian State University to lease real property located on a Millennial Campus for a period up to 99 years on October 10, 2018, and after receiving this authority, Appalachian State University entered into a ground lease agreement with Beyond Boone 200 LLC to develop, finance, construct, furnish, equip and operate a student housing facility called Raven Rocks Residence Hall (also referred to as Building 200) on the property. PNC Bank, NA provided interim financing to Beyond Boone 200 LLC on February 1, 2019 for the purpose of financing the costs of designing, acquiring, constructing, furnishing and equipping the improvements on the property, called Raven Rocks Residence Hall. Under the terms of the Ground Lease between Appalachian State University and Beyond Boone 200 LLC, the University has the option to either purchase Raven Rocks Residence Hall or amend the terms of the existing Ground Lease to accommodate the long-term operation of Raven Rocks Residence Hall as privatized housing.

The University intends to execute the option for purchase by terminating the ground lease with Beyond Boone 200 LLC, paying the principal and associated interest and fees for the construction loan between Beyond Boone 200 LLC and PNC Bank, NA. The ground lease between Appalachian State University and Beyond Boone 200 LLC defined the purchase price of Beyond Boone 200 LLC's right, title, and interest in Raven Rocks Residence Hall as the principal balance then outstanding of the construction loan, plus all interest accrued through the date of payment, plus any other charges due and payable under the Loan Agreement with PNC Bank, NA, along with any associated closing costs.

The Raven Rocks Residence Hall was constructed under the jurisdiction of the State Construction Office who reviewed and approved all plans and specifications prior to

construction. The State Construction Office assigned a construction monitor and provided regular monitoring visits. Raven Rocks Residence Hall received a certificate of beneficial occupancy from the State Construction Office on August 6, 2020 and will receive a final occupancy certificate from the State Construction Office within ninety (90) days of the receipt of beneficial occupancy.

Name and Address of Present Owner: Beyond Boone 200 LLC
2600 Willow Street Pike N, PMB 218
Willow Street, PA 17584

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

The improvements on the ground leased property are a 322-bed residence hall constructed between February 2019 and August 2020. It is located at 176 Jack Branch Road in Boone, North Carolina.

The building is 84,362 gross square feet with a net square footage of 69,134. The building is constructed as four stories with a basement; occupancy uses of R-2, A-3 and S-2; Wood trusses with wood studs; Single-ply roof above deck over insulation on sheathing and engineered wood trusses; and, full NFPA 13 sprinkler system.

Estimated value: \$28,845,000 Rental price *(if applicable)*: N/A

Funds for the acquisition of this property are available in our budget under Code: _____, Item: _____, Other: Proceeds from Appalachian State University's General Revenue Bonds, Series 2016C together with funds available in a Trust Fund held by Appalachian State University for the purpose of University Housing on Appalachian's campus.

In the event the above described real property is not acquired, is there other real property available, owned by the State or otherwise, that you believe would, if acquired, fulfill the requirements of your agency? If so, give details.

There are no other alternative properties available that meet the requirements of the university.

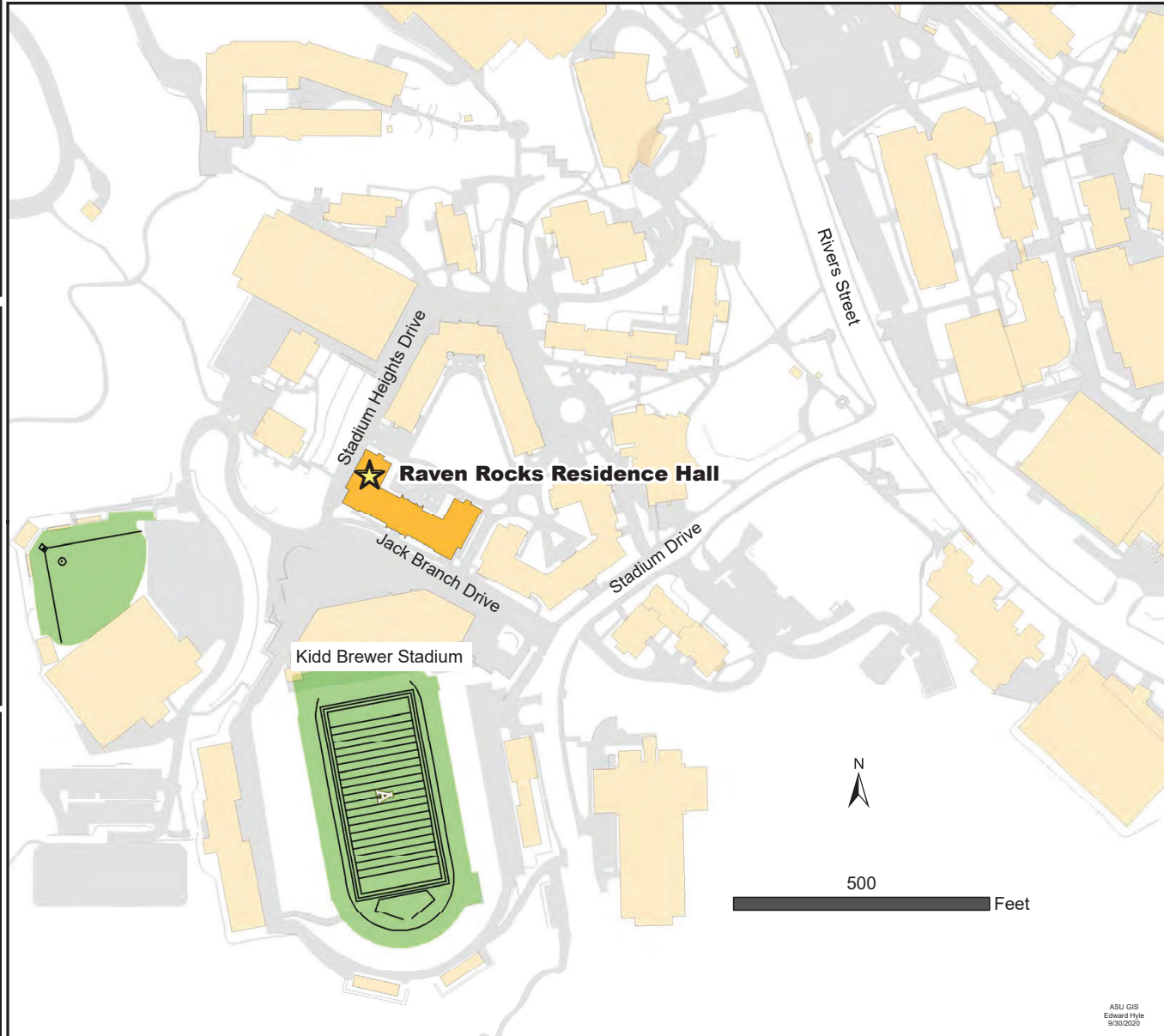
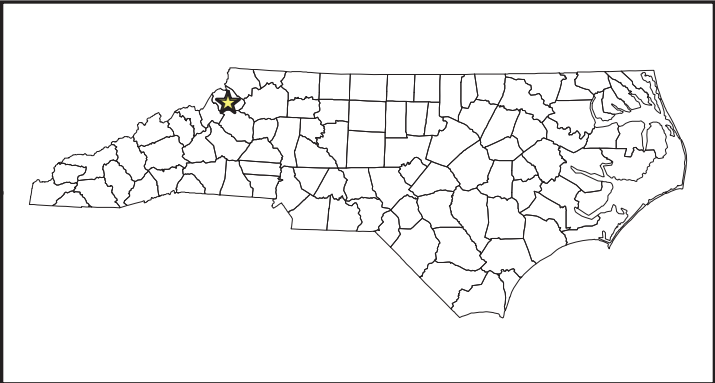
(Complete if Agency has a Governing Board.)

Action recommending the above request was taken by the Governing Board of the University of North Carolina System and is recorded in the minutes thereof on _____ *(date)*.

Signature: _____
Title:

*The term "real property" includes timber rights, mineral rights, etc. (GS §146-64)

Location and Overview of Raven Rocks Residence Hall Appalachian State University



AGENDA ITEM

A-9. Disposition of Property by Reallocation – NC State University..... Katherine Lynn

- Situation:** The Board of Trustees of NC State requests permission to dispose of property by reallocation to the NC Department of Transportation to support the I-440 widening project.
- Background:** North Carolina State University owns two parcels east and west of Ligon Street that will be reallocated to the North Carolina Department of Transportation for permanent rights of way, permanent easements, and temporary easements. The total amount of property to be reallocated is approximately 6.577 acres, and the total value of the two properties is \$2,185,000. Pursuant to Section 34.4, S.B. 99, 2017 Regular Session (NC 2017), the compensation to NC State University shall be deposited in the university's account and shall be used to remedy the impact from the I-440 Expansion project.
- Assessment:** The disposition of the two properties by reallocation is required to support the I-440 widening project.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda, and approval by the Council of State.

Disposition of Property by Reallocation – NC State University

ISSUE OVERVIEW

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

The Board of Trustees of North Carolina State University is requesting authorization to dispose of property by reallocation to the North Carolina Department of Transportation to support the I-440 widening project. The two parcels are located on the east and west side of Ligon Street. In September 2019, the Board of Governors previously approved the disposition of four properties on Brickhaven Drive to the North Carolina Department of Transportation to support the widening of I-440. The two properties on Ligon Street are additional dispositions to support the I-440 expansion project.

The request includes disposition of the two parcels as listed below:

Parcel #1

USDA and Greenhouse Complex

Location: Ligon Street, east of I-440
Disposition: Permanent Right of Way – 0.088 acres (approximately)
Permanent Easements – 0.694 acres (approximately)
Temporary Easement – 1.059 acres (approximately)
Estimated Value: \$335,000

Parcel #2

Dearstyne Complex

Location: Ligon Street, west of I-440
Disposition: Permanent Right of Way – 3.95 acres (approximately)
Permanent Easements – 0.487 acres (approximately)
Temporary Easement – 0.299 acres (approximately)
Estimated Value: \$1,850,000

The total acreage is approximately 6.577 acres, and the total value is \$2,185,000.

Pursuant to Section 34.4, S.B. 99, 2017 Regular Session (NC 2017), compensation to NC State University shall be deposited in the university's account and shall be used to remedy the impact from the I-440 Expansion project.

RECOMMENDATION

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

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

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

Institution or Agency: North Carolina State University

Date: September 10, 2020

The Department of Administration is requested, as provided by GS 146-28 to dispose of the real property herein described by ~~(sale), (lease), (rental), or (land exchange):~~

Assent to reallocation

This disposition is recommended for the following reasons:

The subject property is being acquired by the Department of Transportation as part of the I-440 Expansion Project (STIP Project No. U-2719).

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

The subject property, identified as the Dearstyne Complex, is located on Ligon Street west of I-440. The final quantity, description and exact location of the reallocated property will be determined by survey and is expected to include +/- 3.95 acres of Permanent Right of Way, +/- 0.487 acres of Permanent Easements, and +/- 0.299 acres of Temporary Easements.

Estimated value: \$1,850,000.00

Where deed is filed, if known: Wake County Register of Deeds

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

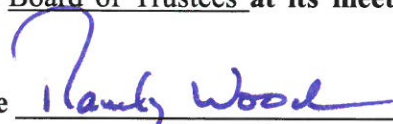
Rental income, if applicable, and suggested terms: N/A

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

Pursuant to Section 34.4, S.B. 99, 2017 Reg. Sess. (NC 2017), compensation for any impact from the I-440 Expansion Project to lands allocated to North Carolina State University shall be deposited in the university's account and shall be used to remedy the impact from the I-440 Expansion Project.

Action recommending this transaction was taken by the Board of Trustees at its meeting held on September 11, 2020

Signature


Chancellor

**DISPOSITION
OF REAL PROPERTY**

ASSENT TO REALLOCATION

GRANTOR State of North Carolina on behalf of North Carolina State University

GRANTEE State of North Carolina

LOCATION Ligon Street, West of I-440 (the Dearstyne Complex)

SIZE +/- 3.95 acres of Permanent Right of Way
+/- 0.487 acres of Permanent Easements
+/- 0.299 acres of Temporary Easements

RATE \$1,850,000.00

TERM Permanent

USE The subject property is being acquired by the Department of Transportation as part of the I-440 Expansion Project (STIP Project No. U-2719).

TRANSMITTAL OF REQUEST FOR ACQUISITION/DISPOSITION OF REAL PROPERTY

Form

Number: PO-2

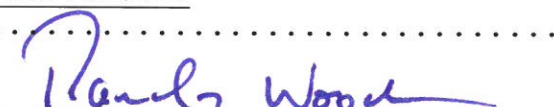
Preparation

Date: 9/10/2020

Request: Assent to reallocation of property located on Ligon Street west of I-440 being acquired by the Department of Transportation as part of the I-440 Expansion Project (STIP Project No. U-2719).

Institution NORTH CAROLINA STATE UNIVERSITY

RECOMMENDED BY CHANCELLOR, NCSU


(Chancellor's Signature)

RECOMMENDED BY COMMITTEE ON
BUILDINGS AND PROPERTY

DocuSigned by:

(Chairman's Signature)

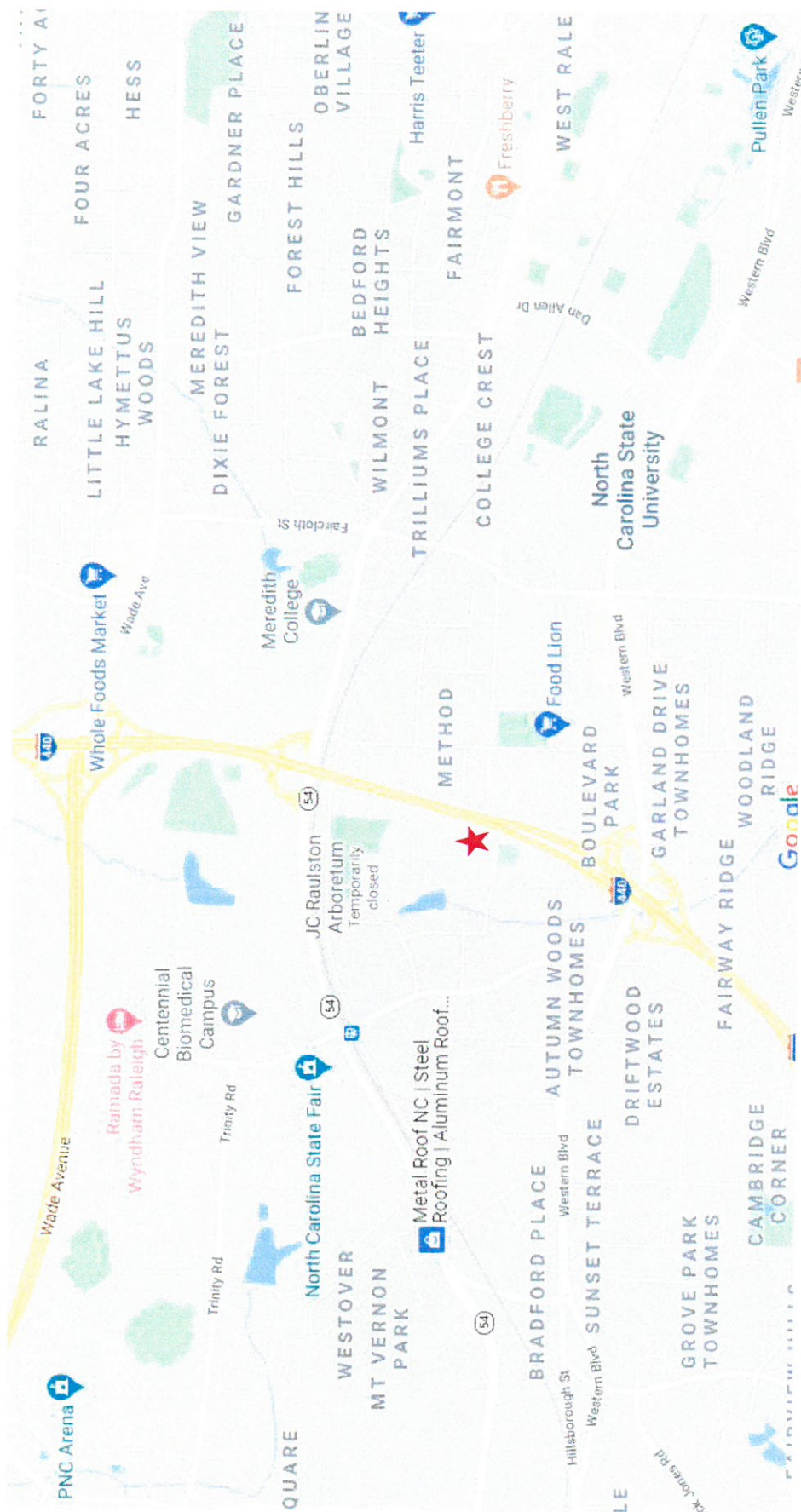
RECOMMENDED BY BOARD OF TRUSTEES,
NCSU


(Chairman's Signature)

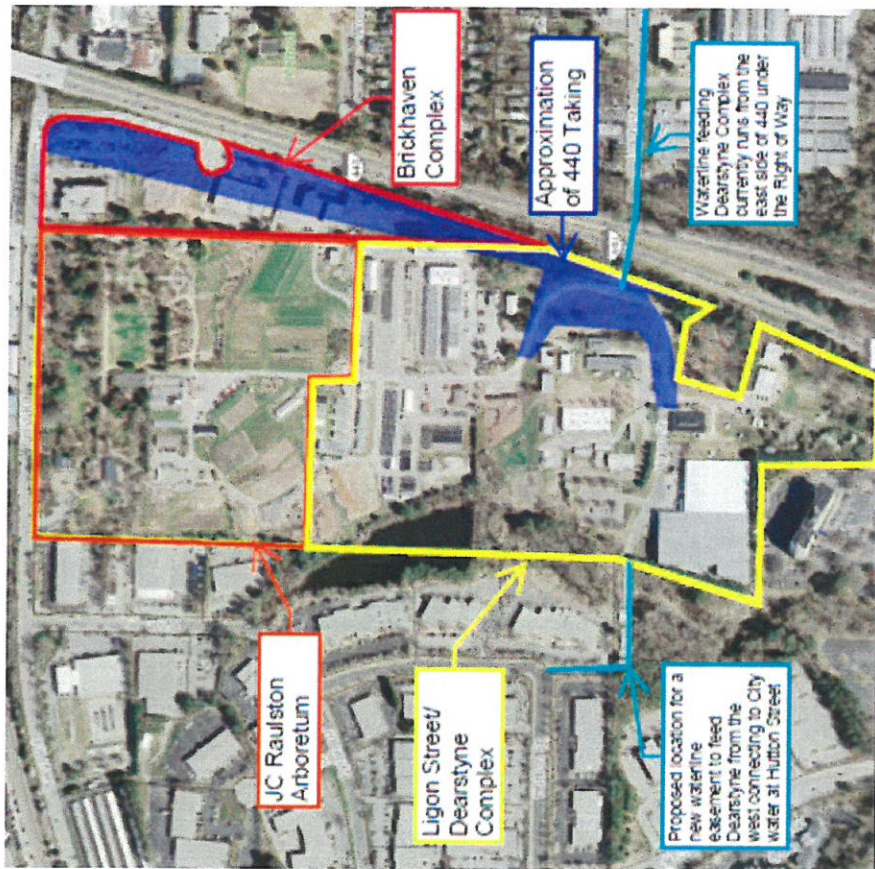
RECOMMENDED BY BOARD OF GOVERNORS

(Secretary's Signature)

PO2 for Ligon Street West of I-440 (Dearstyne Complex) Vicinity Map



PO2 for Ligon Street West of I-440 (Dearstyne Complex)



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

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

Institution or Agency: North Carolina State University

Date: September 10, 2020

The Department of Administration is requested, as provided by GS 146-28 to dispose of the real property herein described by ~~(sale), (lease), (rental), or (land exchange):~~

Assent to reallocation

This disposition is recommended for the following reasons:

The subject property is being acquired by the Department of Transportation as part of the I-440 Expansion Project (STIP Project No. U-2719).

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

The subject property, identified as the USDA and Greenhouse Complex, is located on Ligon Street east of I-440. The final quantity, description and exact location of the reallocated property will be determined by survey and is expected to include +/- 0.088 acres of Permanent Right of Way, +/- 0.694 acres of Permanent Easements, and +/- 1.059 acres of Temporary Easements.

Estimated value: \$335,000.00

Where deed is filed, if known: Wake County Register of Deeds

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

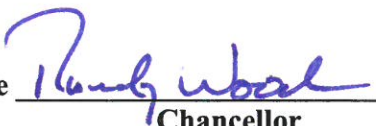
Rental income, if applicable, and suggested terms: N/A

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

Pursuant to Section 34.4, S.B. 99, 2017 Reg. Sess. (NC 2017), compensation for any impact from the I-440 Expansion Project to lands allocated to North Carolina State University shall be deposited in the university's account and shall be used to remedy the impact from the I-440 Expansion Project.

Action recommending this transaction was taken by the Board of Trustees at its meeting held on September 11, 2020 —

Signature


Chancellor

**DISPOSITION
OF REAL PROPERTY**

ASSENT TO REALLOCATION

GRANTOR State of North Carolina on behalf of North Carolina State University

GRANTEE State of North Carolina

LOCATION Ligon Street, East of I-440 (the USDA and Greenhouse Complex)

SIZE +/- 0.088 acres of Permanent Right of Way
+/- 0.694 acres of Permanent Easements
+/- 1.059 acres of Temporary Easements

RATE \$335,000.00

TERM Permanent

USE The subject property is being acquired by the Department of Transportation as part of the I-440 Expansion Project (STIP Project No. U-2719).

Form

Preparation

Date: 9/10/2020

Institution NORTH CAROLINA STATE UNIVERSITY

Randy Wood

(Chancellor's Signature)

DocuSigned by:
Committee Chair Ed Stack

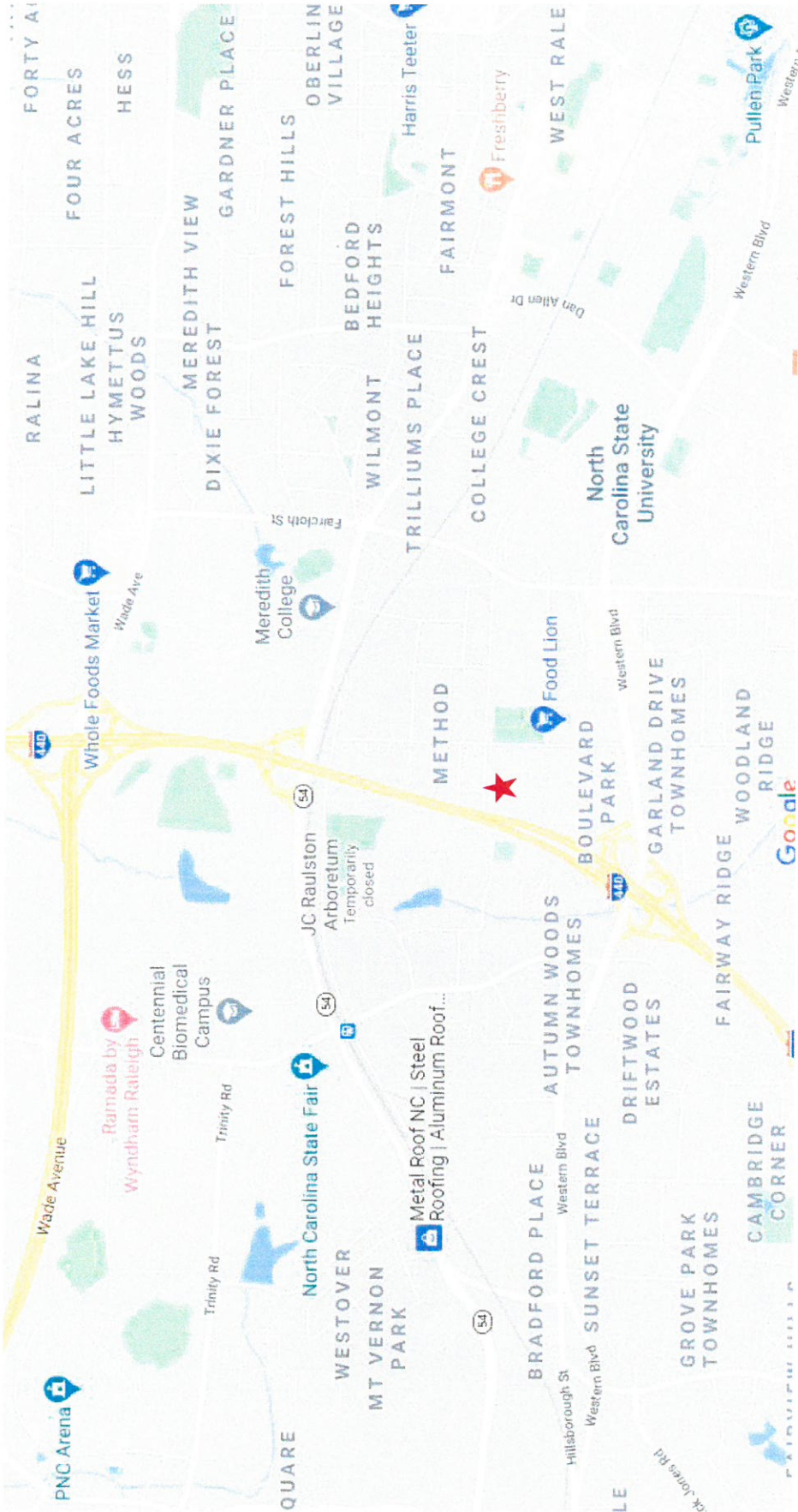
(Chairman's Signature)

Thurs & Certain

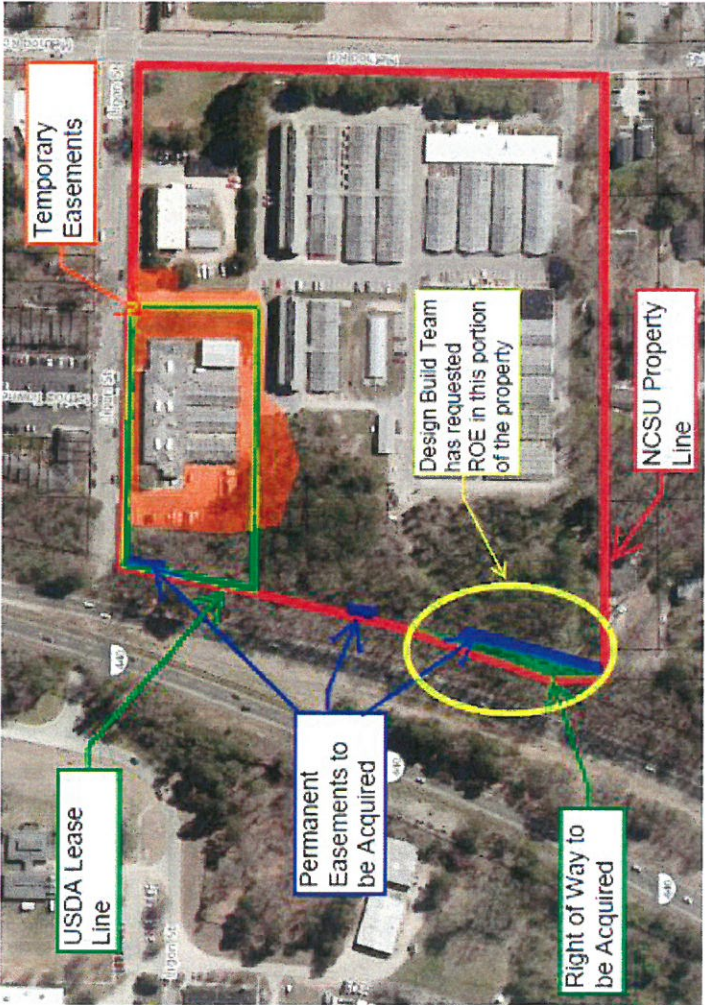
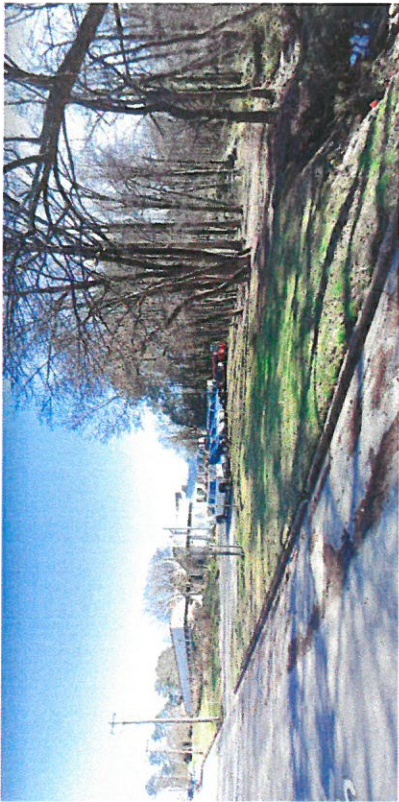
(Chairman's Signature)

(Secretary's Signature)

PO2 for Ligon Street East of I-440 (USDA and Greenhouse Complex)
Vicinity Map



PO2 for Ligon Street East of I-440 (USDA and Greenhouse Complex)



AGENDA ITEM

A-10. Sale of Revenue Refunding Bonds – UNC Hospitals.....Jennifer Haygood

Situation: The University of North Carolina Hospitals at Chapel Hill (“UNC Hospitals”) requests that the Board issue revenue refunding bonds (the “2021A Bonds”) in an aggregate principal amount not to exceed \$28,280,000 for the purpose of refunding the callable maturities of UNC Hospitals’ taxable Series 2010B Build America Bonds (“2010B Bonds”).

Background: The request to issue the 2021A Bonds is to refund the 2010B Bonds callable for redemption on February 1, 2021, which financed capital projects that have been previously approved by the UNC Hospitals Board.

Assessment: UNC Hospitals is seeking authority to refinance the 2010B Bonds to take advantage of prevailing market conditions. UNC Hospitals will not pursue the refunding if such refunding fails to produce net present value savings in excess of five percent of the par amount refunded.

UNC Hospitals estimates that it can achieve approximately \$3.5 million in total net present value savings by refunding the 2010B Bonds, representing over 12 percent of the par amount refunded. The 2021A Bonds match the final maturity schedule of the refunded bond series with optional redemption call provisions set forth in the Series Indenture.

UNC Hospitals currently has ratings of AA with a stable outlook from Standard & Poor’s and Aa3 with a stable outlook from Moody’s. UNC Hospitals is not rated by Fitch. The proposed transaction is expected to have no impact on UNC Hospitals’ 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 Revenue Refunding Bonds – UNC Hospitals

ISSUE OVERVIEW

UNC Hospitals is requesting that the Board of Governors issue revenue refunding bonds (“2021A Bonds”), not to exceed \$28,280,000, for the purpose of refunding the callable portion of the 2010B fixed-rate Build America Bonds (“2010B Bonds”). The 2021A Bonds will be secured on a parity basis by a pledge and lien on certain UNC Hospital revenues as defined in the General Indenture.

UNC Hospitals has \$30,595,000 outstanding of the 2010B Bonds. After the principal payment on February 1, 2021, \$28,280,000 of these bonds are callable at par and have a final maturity of February 1, 2031. The 2021A bonds will be used to refund the 2010B Bonds, which were issued to finance capital projects previously approved by the UNC Hospitals Board. UNC Hospitals intends to pay the fees and expenses incurred in connection with the sale and issuance of the Series 2021A Bonds.

Since the 2010B Bonds were issued as taxable “Build America Bonds” under the American Recovery and Reinvestment Act of 2009, UNC Hospitals pays a taxable rate of interest on the 2010B Bonds, but receives a subsidy payment from the federal government equal to a percentage of each interest payment. The subsidy, which was originally set at 35 percent of each interest payment, has been reduced in recent years due to federal budget sequestration. In addition to the anticipated savings described below, refinancing the 2010B Bonds with traditional, tax-exempt bonds will eliminate the risk associated with any further reduction or elimination of the federal subsidy payments.

UNC Hospitals ran a comprehensive request for proposal process and selected JP Morgan. Due to the favorable interest rate environment, the contract of purchase with JPMorgan for the 2021A Bonds creates an opportunity for UNC Hospitals to lower borrowing costs of the existing bonds from 4.03 percent to 1.76 percent. This will allow UNC Hospitals to realize debt service savings of approximately \$3.5 million on a total net present value basis (12.2 percent of refunded par).

UNC Hospitals currently has ratings of AA with a stable outlook from Standard & Poor’s and Aa3 with a stable outlook from Moody’s. UNC Hospitals is not rated by Fitch. The proposed transaction is expected to have no impact on UNC Hospitals’ credit rating.

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

RECOMMENDATION

It is recommended that the Board of Governors authorize the sale and issuance of the revenue refunding bonds through the attached resolution.

RESOLUTION OF THE BOARD OF GOVERNORS

RESOLUTION AUTHORIZING THE SALE AND ISSUANCE BY THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA OF NOT TO EXCEED \$28,280,000 AGGREGATE PRINCIPAL AMOUNT OF BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA UNIVERSITY OF NORTH CAROLINA HOSPITALS AT CHAPEL HILL REVENUE REFUNDING BONDS, SERIES 2021A AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN OTHER DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, pursuant to Chapter 116 of the General Statutes of North Carolina, the Board of Governors of The University of North Carolina (the "Board of Governors") is vested with general control and supervision of the University of North Carolina Hospitals at Chapel Hill ("UNC Hospitals") and other institutions;

WHEREAS, pursuant to Section 116-37, as amended, of the General Statutes of North Carolina, the University of North Carolina Health Care System (the "UNC Health Care System") has been created as an affiliated enterprise of the University of North Carolina, and a board of directors of the UNC Health Care System, as a successor board to the board of directors of UNC Hospitals, has been created which is charged with the responsibility for making rules, regulations and policies governing the management and operation of the UNC Health Care System, including UNC Hospitals;

WHEREAS, the Board of Governors is authorized by Sections 116-187 to 116-198, inclusive, of the General Statutes of North Carolina, as amended (the "Act"), to issue, subject to the approval of the Director of the Budget of the State of North Carolina, at one time or from time to time revenue bonds of the Board of Governors for the purpose of refunding any revenue bonds issued by the Board of Governors under the Act, including the payment of any redemption premium thereon and any interest accrued to the date of redemption of such bonds;

WHEREAS, the Board of Governors is authorized by the Act to enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under the Act;

WHEREAS, the Board of Governors has heretofore issued \$43,290,000 University of North Carolina Hospitals at Chapel Hill Revenue Bonds, Series 2010B (Build America Bonds) (the "Series 2010B Bonds"), of which \$30,595,000 principal amount is currently outstanding;

WHEREAS, the Board of Governors desires to issue revenue refunding bonds on behalf of UNC Hospitals pursuant to the Act for the purpose of refunding all of the outstanding Series 2010B Bonds maturing on and after February 1, 2022 (the "Refunded Bonds") in order to achieve debt service savings;

WHEREAS, under the proposed refunding plan, the Board of Governors has determined to issue revenue refunding bonds in an aggregate principal amount of not to exceed \$28,280,000 designated

“Board of Governors of the University of North Carolina University of North Carolina Hospitals Revenue Refunding Bonds, Series 2021A (the “Series 2021A Bonds”) for the purpose of providing funds, together with other available funds, (a) to refund the Refunded Bonds and (b) pay the fees and expenses incurred in connection with the sale and issuance of the Series 2021A Bonds;

WHEREAS, the Series 2021A Bonds will be issued pursuant to the terms of a General Trust Indenture, dated as of January 1, 1992 (as supplemented and amended, the “General Indenture”), between the Board of Governors and First Union National Bank of North Carolina (succeeded by U.S. Bank National Association), as trustee (the “Trustee”), and as accepted and agreed to by UNC Hospitals, and a Series Indenture Number 11, to be dated as of February 1, 2021 or such other date mutually agreeable to the parties (the “Series Indenture”), between the Board of Governors and the Trustee, and as accepted and agreed to by UNC Hospitals;

WHEREAS, arrangements have been made for the direct purchase of the Series 2021A Bonds by JPMorgan Chase Bank, National Association (the “Purchaser”) pursuant to a Contract of Purchase, to be dated as of February 1, 2021 or such other date mutually agreeable to the parties (the “Contract of Purchase”), among the Board of Governors, UNC Hospitals and the Purchaser; and

WHEREAS, there have been presented to the Board of Governors forms of the following documents relating to the transactions described above, which forms the Board of Governors proposes to authorize and approve, and to execute and deliver, as applicable, to effectuate the financing as described above:

(a) the Series Indenture;

(b) the Contract of Purchase; and

(c) the Continuing Covenants Agreement, to be dated as of February 1, 2021 or such other date as is mutually agreeable to the parties (the “Continuing Covenants Agreement”), among the Board of Governors, UNC Hospitals and the Purchaser;

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

Section 1. Pursuant to the provisions of the Act, the Board of Governors hereby authorizes the sale, issuance and delivery of the Series 2021A Bonds in an aggregate principal amount not to exceed \$28,280,000. The Series 2021A Bonds shall be in substantially the form set forth in the Series Indenture presented to the Board of Governors at this meeting, subject to such modifications as the Chair, the Vice Chair or the Secretary of the Board of Governors, with the advice of counsel, may deem necessary and appropriate in order to comply with the provisions of the General Indenture and the Series Indenture. The Series 2021A Bonds shall mature at such times and in such amounts and shall contain such other terms as shall be set forth in the Series Indenture, subject to the provisions of this resolution.

Section 2. The Series 2021A Bonds shall be dated as of the date of delivery thereof and shall be initially issued as one fully registered bond to the Purchaser, all as provided in the Series Indenture.

Interest on the Series 2021A Bonds shall be payable on February 1 and August 1 of each year, beginning August 1, 2021, until the payment in full of the principal thereof. The final maturity of the Series 2021A Bonds shall not exceed February 1, 2031. The Series 2021A Bonds shall be subject to redemption at the times, upon the terms and conditions and at the prices as shall be set forth in the Series Indenture. The proceeds of the Series 2021A Bonds shall be applied as provided in the Series Indenture. The Series 2021A Bonds, together with any Bonds heretofore or hereafter issued and remaining Outstanding (as defined in the General Indenture) under the provisions of the General Indenture, shall be secured on a parity basis by a pledge and lien upon the Revenues (as defined in the General Indenture) and certain other moneys made available therefor under the General Indenture, in the manner and to the extent provided in the General Indenture and the Series Indenture.

Section 3. The proposal set forth in the Contract of Purchase submitted by the Purchaser offering to purchase the Series 2021A Bonds at the aggregate purchase price and bearing interest at the rate to be set forth therein is hereby approved, provided that the interest rate on the Series 2021A Bonds shall not exceed 3.00% (subject to adjustment as provided in the Series Indenture). The Series 2021A Bonds may be sold and awarded to the Purchaser, subject to the approval of UNC Hospitals, in accordance with the terms and provisions set forth in the Contract of Purchase. The Chair and Vice Chair of the Board of Governors and the Senior Vice President for Finance and Administration and Chief Financial Officer of the University are each hereby individually designated to approve, on behalf of the Board of Governors, the sale of the Series 2021A Bonds to the Purchaser at such interest rate, for such purchase price and upon such terms and conditions as such person, with the advice of counsel, shall determine as set forth in the Contract of Purchase, subject to the provisions of this resolution. The Chair and Vice Chair of the Board of Governors and the Senior Vice President for Finance and Administration and Chief Financial Officer of the University are each hereby individually authorized and directed to execute and deliver the Contract of Purchase, in the name of and on behalf of the Board of Governors, in substantially the form presented to the Board of Governors at this meeting, together with such modifications as the person executing the Contract of Purchase shall, with the advice of counsel, deem necessary or appropriate, such execution and delivery thereof to be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 4. The form, terms and content of the Series Indenture and the Continuing Covenants Agreement are in all respects authorized and approved, and the Chair and Vice Chair of the Board of Governors and the Senior Vice President for Finance and Administration and Chief Financial Officer of the University are each hereby individually authorized and directed to execute and deliver the Series Indenture and the Continuing Covenants Agreement, in the name of and on behalf of the Board of Governors, in substantially the forms presented to the Board of Governors at this meeting with such modifications as the person executing the Series Indenture and the Continuing Covenants Agreement shall, with the advice of counsel, deem necessary or appropriate, such execution and delivery thereof to be conclusive evidence of the approval and authorization in all respects of the form and content thereof. The Secretary or any Assistant Secretary of the University shall be authorized to affix the official seal of the Board of Governors to the Series Indenture and the Continuing Covenants Agreement and to attest the same as may be required. The Board of Governors also hereby authorizes and approves the execution and delivery of the Series Indenture and the Continuing Covenants Agreement by UNC Hospitals.

Section 5. The Refunded Bonds are hereby called for redemption on February 1, 2021, in accordance with the General Indenture, Series Indenture Number 8, dated as of November 1, 2010 (“Series Indenture Number 8”), between the Board of Governors and the Trustee and accepted and agreed to by UNC Hospitals, and the Series 2010B Bonds. Such call for redemption shall be conditioned upon the issuance of the Series 2021A Bonds as provided in Series Indenture Number 8 and the Series 2010B Bonds. The providing of notice of redemption in the manner provided in the General Indenture, Series Indenture Number 8 and the Series 2010B Bonds is hereby authorized and approved.

Section 6. The officers of the Board of Governors and the University are hereby authorized to execute and deliver for and on behalf of the Board of Governors any and all additional certificates, documents, opinions or other papers, and to perform all other acts as may be required by the documents contemplated above or as they may deem necessary or appropriate in order to implement and carry out the intent and purposes of this resolution.

Section 7. The officers, agents and employees of the Board of Governors and the University are hereby authorized and directed to do all acts and things required of them by the provisions of this resolution, the Series 2021A Bonds, the General Indenture, the Series Indenture, the Continuing Covenants Agreement or the Contract of Purchase for the full, punctual and complete performance of the terms, covenants, provisions and agreements of the same.

Section 8. This resolution shall become effective on the date of its adoption.

ADOPTED this 22nd day of October, 2020.

Meredith R. McCullen
Secretary
The University of North Carolina System