

July 19, 2023 at 10 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S West Street, Board Room (17th Floor)
Raleigh, North Carolina

AGENDA

- A-1. Approval of the Minutes of May 24, 2023.....Lee Roberts
- A-2. University of North Carolina at Chapel Hill Accessibility EffortChancellor Guskiewicz
- A-3. Authorization of Delegated Authority – 2023-24 Allocation of FundsJennifer Haygood
- A-4. Sale of Special Obligation Bonds –
North Carolina Agricultural and Technical State UniversityJennifer Haygood
- A-5. Loan Agreement and Promissory Note –
University of North Carolina at PembrokeJennifer Haygood
- A-6. Capital Improvement Projects Katherine Lynn
- A-7. Disposition of Property by Lease – NC State University Katherine Lynn
- A-8. Adjourn

Additional Information Available:

Report on Need-Based Aid from Tuition
University of North Carolina Quarterly Capital Project Report for July 1, 2023

DRAFT MINUTES

May 24, 2023 at 1 p.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S West Street, Board Room (17th Floor)
Raleigh, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Lee Roberts. The following committee members, constituting a quorum, were also present in person: Jimmy Clark, Terry Hutchens, and Wendy Murphy. The following committee member was absent: Reginald Holley.

Chancellors participating were Robin Cummings, Sheri Everts, and Randy Woodson.

Staff members present included Jennifer Haygood, Katherine Lynn, and others from the University of North Carolina System Office.

Committee Faculty Assembly Advisors present by phone included Carol Cain, Susan Harden, and Jim Westerman.

1. Approval of the Minutes of April 19, 2023 (Item A-1)

The chair called the meeting to order at 1 p.m. on Wednesday, May 24, 2023, and called for a motion to approve the minutes from the regular meetings of April 19, 2023.

MOTION: Resolved, that the Committee on Budget and Finance approve the joint and regular meetings minutes of April 19, 2023, as distributed.

Motion: Terry Hutchens

Motion carried

2. 2023-25 General Fund Budget Update (Item A-2)

Senior Vice President Haygood presented an update on the 2023-25 General Fund Budget, highlighting how the North Carolina Senate budget compared to the University of North Carolina Board of Governor's budget priorities. The Senate included funding for many of the University of North Carolina System's requests, including funding for the Faculty Retirement Incentive Program and Distinguished Professor matching funds, both of which were not included in the North Carolina House budget. The Senate budget also included funding to provide a five percent salary increase to all employees over the biennium.

This item was for information only.

3. FY 2024 All-Funds Budget (Item A-3)

Ms. Haygood also presented the FY 2024 all-funds budgets submitted by UNC System institutions. This was the second year the Board of Governors has required campus boards of trustees to approve comprehensive budget plans. Ms. Haygood highlighted key themes from the institutions' submissions and described how universities were using this process to better align resource allocation decisions with strategic goals. The System Office will continue to work with the institutions to mature this process with the goal of further improving transparency and effective financial management.

This item was for information only.

4. FY 2022 UNC System Debt Capacity (Item A-4)

The committee reviewed and approved the annual Debt Capacity Study detailing the System's current debt load and capacity to borrow. Ms. Haygood reported that 15 UNC System institutions maintained or increased their debt capacity over the five-year study period, 13 institutions increased their debt capacity compared to last year, and all 16 institutions maintained or improved at least one of their primary financial ratios since the 2021 study. The full report will be submitted to the North Carolina General Assembly.

MOTION: Resolved, that the Committee on Budget and Finance approve the FY 2022 UNC System Debt Capacity and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: Terry Hutchens

Motion carried

5. Capital Improvement Projects (Item A-5)

Vice President for Finance and Capital Planning Katherine Lynn presented to the committee requests of new capital improvement project authorizations at the University of North Carolina at Charlotte, as well as increased project authorizations at North Carolina Agricultural and Technical State University, North Carolina Central University, and North Carolina School of Science and Mathematics. The committee approved seven capital improvement projects at four institutions, including \$11.9 million for new capital projects and \$12.6 million in increased authorizations.

MOTION: Resolved, that the Committee on Budget and Finance approve the Capital Improvement Projects at North Carolina A&T State University, NC Central University, UNC Charlotte, and NCSSM and recommend them to the full Board of Governors for a vote through the consent agenda.

Motion: Wendy Murphy

Motion carried

Finally, Ms. Haygood reminded everyone that the Higher Education Emergency Relief Funds (HEERF) need to be expended by the end of June 30, 2023, unless the institutions receive an extension. To date, Fayetteville State University was the only institution that successfully requested and received an extension. She expressed to the committee that the other institutions either gave assurances they had plans to fully expend those funds or to seek an extension.

6. Adjourn (Item A-6)

There being no further business and without objection, the meeting adjourned at 1:51 p.m.

Reginald Holley, Secretary

AGENDA ITEM

A-2. University of North Carolina at Chapel Hill Accessibility EffortChancellor Guskiewicz

Situation: The Committee on Budget and Finance has requested an update from Chancellor Guskiewicz on the University of North Carolina at Chapel Hill's initiative to cover out-of-pocket costs for tuition and required fees for incoming North Carolina undergraduates from families that make less than \$80,000 per year and have typical assets. The benefit is applied after other scholarships and grants.

Background: UNC-Chapel Hill has a long-standing commitment to access and affordability, demonstrated by the Carolina Covenant and the Blue Sky Scholars programs designed to make a Carolina education affordable and accessible to all who earn admission. Despite already fully meeting demonstrated financial need of all resident undergraduates – and being #1 on Kiplinger's list of best value public colleges -- many students and parents in North Carolina still believe that a Carolina education is too expensive and out of their reach.

Assessment: Through a combination of federal, state, and institutional aid, UNC-Chapel Hill already covers at least tuition and fees for nearly 5,000 North Carolina resident students. This new effort builds upon already robust accessibility programs and fills the gap to offer this promise to all qualifying students in this income group. Private donations will cover the additional cost, which is estimated to cost approximately \$500,000 - \$600,000 per year and cover an additional estimated 150 - 200 students. No additional state funds or tuition dollars will be used. The program will begin in Fall of 2024.

Action: This item is for information only.



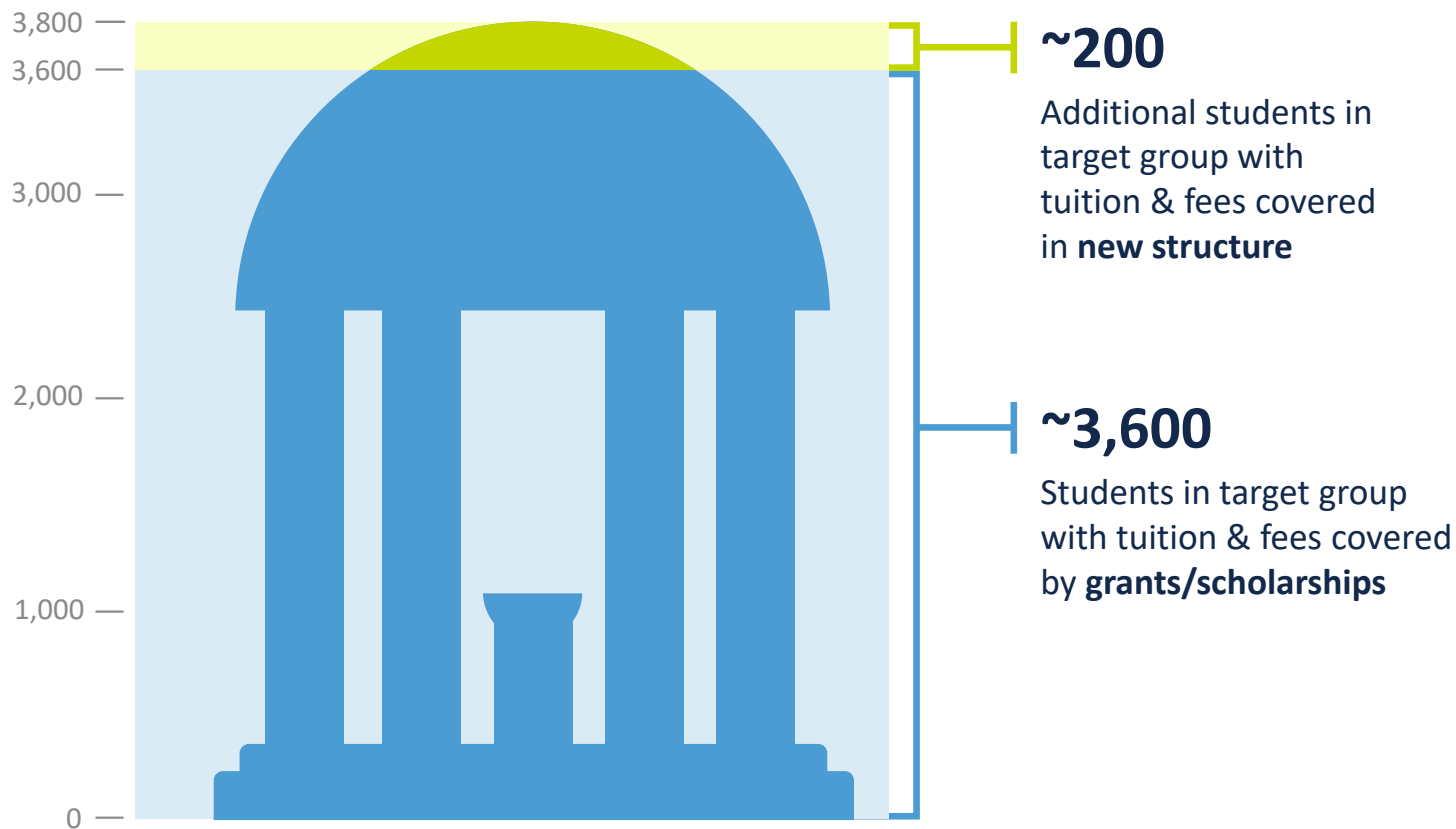
THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

Chancellor's Report

JULY 19, 2023

► Target Group: 3,800 Students

(All with family income less than \$80K and typical family assets)



A clear message

A slight expansion to already robust aid programs sends a clear message to families who may fear they cannot afford both household and college expenses.

► Carolina's Commitment

\$80,000

Students whose families make less than \$80,000 per year and have typical assets



Applied once other grants and scholarships are applied

**\$500,000-
\$600,000**

Estimated cost: \$500,000 to \$600,000 from philanthropy. Estimated to cover unmet tuition and fees for 150-200 students per year.



Extends opportunity beyond other programs, such as the Carolina Covenant and Blue Sky Scholars, that provide tuition and fees to 5,000 undergraduates, with 3,600 in this income category.

UNC-Chapel Hill Accessibility Effort: A Commitment to N.C. Families

Starting in 2024, UNC-Chapel Hill will cover out-of-pocket costs for tuition and required fees — after other grants and scholarships are applied — for North Carolina undergraduates whose families make less than \$80,000 a year and have typical assets.

- UNC-Chapel Hill is not waiving tuition and fees.
- This effort broadens our deep commitment to access and affordability for North Carolina families and bridges gaps between already robust accessibility programs. Despite already covering tuition and fees for many Tar Heel undergraduates, many students and parents believe a Carolina education is out of their reach.
- After reviewing the coverage of our existing financial aid programs and the income levels of our current students, it was determined that a slight expansion in the number of students who have tuition and fees covered could provide a clear commitment to families in the low-to middle-income brackets under the \$80,000 threshold who may fear they cannot afford both household and college expenses.
- The university will cover these costs – after applying other grants and scholarships – with private gifts designated for student scholarships from the recent Campaign for Carolina.
No additional state funds or tuition dollars will be used to meet this commitment.
- Affordability for all students has long been a priority for the University of North Carolina System and UNC-Chapel Hill governing boards, campus leaders, elected officials, and donors to fulfill the North Carolina Constitution mandate that the benefits of public higher education “as far as practicable, be extended to the people of the State free of expense.”

Who is eligible? Students must first earn admission and qualify for need-based federal financial aid. An entering first-year student can receive this aid for up to eight undergraduate semesters.

How is family income eligibility determined? Based on a household’s total income.

How many additional students will qualify? An estimated 150-200 students. Through existing philanthropy and federal, state, and institutional financial aid programs, UNC-Chapel Hill already provides tuition and fees to nearly 5,000 North Carolina residents. This new promise extends opportunities for additional students beyond those who are covered by the Carolina Covenant, Blue Sky Scholars, and other offerings.

How much will it cost? An estimated \$500,000 to \$600,000 a year from private gifts. Most students in this under \$80,000 income bracket already receive support from existing sources, including federal, state, private, and institutional funds.

What are the Carolina Covenant and the Blue Sky Scholars? The Carolina Covenant supports the full financial need of academically qualified low-income students so they may graduate debt free. The privately funded Blue Sky Scholars program supports exceptionally qualified North Carolina residents from middle-class backgrounds who qualify for financial aid but do not meet the requirements for the Carolina Covenant. The new initiative will support more in-state students who would previously not have been covered by other aid programs, including the Carolina Covenant or Blue Sky programs.

Did governing boards approve this effort? Board approval was not required because no additional state funds or tuition dollars will be used to meet this commitment. UNC-Chapel Hill follows all tuition and fees policies, which are set by the University of North Carolina Board of Governors and UNC-Chapel Hill Board of Trustees.

Describe a separate accessibility effort to deploy outreach officers across the state. UNC-Chapel Hill is embedding five new community outreach and admissions officers in under-resourced communities across the state to help build relationships, spread awareness of affordability, and make sure students with high potential who want to come to Carolina feel confident to apply. The officers work in regions reaching 27 counties from Gaston to Craven. Locations were selected based on existing partnerships with under-resourced high schools through the Carolina College Advising Corps and with community colleges. We also used application rates to UNC-Chapel Hill and Department of Public instruction data on high school resources and college going intention.

AGENDA ITEM

A-3. Authorization of Delegated Authority – 2023-24 Allocation of Funds.....Jennifer Haygood

- Situation:** The 2023-24 North Carolina State budget or associated funding bills may be finalized before the next meeting of the University of North Carolina Board of Governors.
- Background:** Each year when the State budget is finalized, the Committee on Budget and Finance recommends allocations of funds made available by the North Carolina General Assembly to the Board of Governors.
- Assessment:** It is recommended that the Committee on Budget and Finance be delegated the authority to allocate funds made available by the General Assembly, if the State budget or other funding bills requiring allocation by the Board are ratified prior to the next Board meeting. There will be a special meeting for this purpose and the entire Board will be invited to participate, either in person or via Zoom.
- Action:** This item requires a vote by the committee and a vote by the full Board of Governors.

AGENDA ITEM

- A-4. Sale of Special Obligation Bonds –
North Carolina Agricultural and Technical State UniversityJennifer Haygood

Situation:	North Carolina Agricultural and Technical State University (“N.C. A&T”) requests that the University of North Carolina Board of Governors issue special obligation bonds (the “2023 Bonds”) in an aggregate principal amount not to exceed \$58 million, plus an additional amount not to exceed five percent of such principal amount, to finance the construction of the Bluford Street Residence Hall (the “Project”) and pay costs incurred in connection with the issuance of the 2023 Bonds.
Background:	The Board of Governors is authorized to issue special obligation bonds for capital improvement projects that have been approved by the North Carolina General Assembly. The project was previously approved by the Board and authorized by the General Assembly under S.L. 2022-15. The expected cost of funds of the 2023 Bonds is approximately 4.50 percent.
Assessment:	North Carolina A&T currently has issuer credit ratings of “A1” and “AA-” from Moody’s Investor Service and Fitch Ratings, respectively, both with positive outlooks. N.C. A&T is currently not rated by Standard & Poor’s Global. This transaction is expected to have no impact on N.C. A&T’s credit ratings.
Action:	This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Sale of Special Obligation Bonds – North Carolina Agricultural and Technical State University

ISSUE OVERVIEW

The University of North Carolina Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the North Carolina General Assembly. Although a specific source of funding is used by 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 Agricultural and Technical State University (“N.C. A&T”) requests that the Board issue special obligation bonds (the “2023 Bonds”) in an amount not to exceed \$58 million, plus an additional amount not to exceed five percent of such principal amount, to finance the construction of the Bluford Street Residence Hall (the “Project”) on North Carolina A&T’s campus and pay costs incurred in connection with the issuance of the 2023 Bonds. The total project cost is estimated to be \$64 million, with N.C. A&T contributing up to \$6 million from its housing reserves, university reserves, or additional proceeds from pricing of the 2023 Bonds. The General Assembly authorized the Project under S.L. 2022-15. The expected cost of funds of the 2023 Bonds is approximately 4.5 percent.

The 2023 Bonds will be issued on a tax-exempt basis and sold in the public market on a negotiated basis by RBC Capital Markets, LLC and Loop Capital Markets LLC which were 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 positive outlooks. N.C. A&T is currently not rated by Standard & Poor’s Global. This transaction is expected to have no impact on N.C. A&T’s credit ratings.

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

RECOMMENDATION

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

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

WHEREAS, pursuant to 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 and Technical State University (“*N.C. A&T*”) has requested that the Board issue special obligation bonds, the proceeds of which are to be used by N.C. A&T to finance the construction of the Bluford Street Residence Hall project on N.C. A&T’s campus as authorized by S.L. 2022-15 of the 2021 Session of the North Carolina General Assembly (the “*Special Obligation Project*”);

WHEREAS, the Board has determined to issue North Carolina Agricultural and Technical State University General Revenue Bonds (with appropriate descriptions and series designations) in one or more series (the “*Bonds*”) to (1) finance the Special Obligation Project and (2) 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*”) and a series indenture (the “*Series Indenture*”), each between the Board and The Bank of New York Mellon Trust Company, N.A.; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any legally available 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, RBC Capital Markets, LLC and Loop Capital Markets LLC (collectively, 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. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the Bonds; and
5. the Bonds in the form set forth in the Series Indenture; and

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

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

Section 1. **Authorization of Bonds.** The Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$58,000,000, plus up to an additional five percent (5%) of such amount to pay issuance expenses and other related additional costs, under the General Indenture and the Series Indenture to pay the costs of financing the Special Obligation Project 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 her designee, in consultation with the appropriate officers at N.C. A&T, determine to be in N.C. A&T’s best interest. While the Bonds are being authorized in an aggregate principal amount set forth above as provided in S.L. 2022-15, the Board has previously approved at its meeting held on May 25, 2023 an increase in the authority to proceed with the Special Obligation Project using non-general funds from \$58,000,000 to \$64,000,000.

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

Section 3. **Selection of Underwriters and other Financing Team Members.** The Board authorizes the SVP-Finance and the Vice Chancellor for Business and Finance of N.C. A&T 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.** The form and content of the Board Documents are in all respects authorized, approved and confirmed, and the Chair of the Board, the President of the UNC System, the 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, and their respective designees, individually and collectively (the “*Authorized Officers*”), are each authorized, empowered and directed to execute and deliver, as applicable, the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein. From and after the execution and delivery of the Board

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

Section 5. **Authorization of Purchase Agreement.** The Chair of the Board, the President of the UNC System and the SVP-Finance, individually or collectively, 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. From and after the execution and delivery of the Purchase Agreement, the Authorized Officers are each hereby 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.** The form, terms, and content of the Preliminary Official Statement 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, are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in 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. 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 Board Documents, as applicable, the Authorized Officers are each hereby authorized, empowered, and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the Bonds. Any provision in this Resolution that authorizes more than one Authorized Officer to take certain actions shall be read to permit such Authorized Officers to take the authorized actions either individually or collectively. The Chancellor and the Vice Chancellor for Business and Finance 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 19th day of July, 2023.

STATE OF NORTH CAROLINA

)

SECRETARY'S CERTIFICATE

)

SS:

OF AUTHENTICATION

COUNTY OF WAKE

)

I, Meredith R. McCullen, Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System (the "*Board of Governors*") at its meeting on July 19, 2023 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on July 19, 2023 was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on July 19, 2023 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this ____ day of _____, 2023.

[SEAL]

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

AGENDA ITEM

- A-5. Loan Agreement and Promissory Note –
University of North Carolina at Pembroke Jennifer Haygood

Situation: The University of North Carolina at Pembroke (“UNCP”) requests that the University of North Carolina Board of Governors enter into a loan agreement (the “Loan Agreement”) and promissory note (the “Note”) not to exceed \$9.511 million for the purpose of (1) financing the construction of the Campus Recreation/Baseball Softball Outdoor Complex (the “Special Obligation Bond Project”), (2) as market conditions warrant, refinancing UNCP’s allocable share of the outstanding 2008A UNC System Pool Revenue Bonds (the “2008A Bonds”), and (3) paying issuance expenses and other related additional costs.

The Loan Agreement and Note may be entered into with respect to financing the Special Obligation Bond Project and related costs in an aggregate principal amount not to exceed \$7.82 million plus up to five percent of such amount to pay issuance expenses and other related additional costs. The Loan Agreement and Note may be entered into with respect to refinancing the 2008A Bonds allocable to UNCP and finance related issuance expenses and other related additional costs in an aggregate principal amount not to exceed \$1.3 million.

Background: The Board is authorized to issue special obligation bonds for capital improvement projects that have been approved by the North Carolina General Assembly. The project was previously approved by the Board on March 21, 2018, and authorized by the General Assembly under S.L. 2018-35. Additional project funding was approved by the Board on February 23, 2023, and authorized by the General Assembly under S.L. 2023-66. The Board may also enter into or negotiate a note with an acceptable bank in lieu of issuing special obligation bonds for the financing of special obligation bond projects.

The projects funded by the 2008A Bonds have been previously approved by the Board and the General Assembly and have been approved for financing. This request is to refinance for savings the previously issued bonds.

Assessment: UNCP has the opportunity to refinance the 2008A Bonds for debt service savings. UNCP expected cost of funds is approximately four percent and UNCP estimates that it can achieve approximately \$30,000 in net present value savings by refunding the 2008A Bonds, representing roughly 2.6 percent of the par amount refunded.

UNCP's existing special obligation bonds do not carry a credit rating, and the Note is likewise not expected to be rated. Entering into the Loan Agreement and Note is thus expected to have no impact on UNCP'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.

Loan Agreement and Promissory Note – University of North Carolina at Pembroke

ISSUE OVERVIEW

The University of North Carolina Board of Governors (the “Board”) is authorized to issue special obligation bonds for capital improvements projects that have been approved by the North Carolina General Assembly. Although a specific source of funding is used by a campus when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, State appropriations, and restricted reserves. The Board may also enter into or negotiate a note with an acceptable bank in lieu of issuing special obligation bonds for the financing of special obligation bond projects.

The University of North Carolina at Pembroke (“UNCP”) requests that the Board enter into a loan agreement not to exceed \$9.511 million (the “Loan Agreement”) and promissory note (the “Note”) for the purpose of (1) financing the construction of the Campus Recreation/Baseball Softball Outdoor Complex (the “Special Obligation Bond Project”), (2) as market conditions warrant, refinancing UNCP’s allocable share of the outstanding 2008A UNC System Pool Revenue Bonds (the “2008A Bonds”), and (3) paying issuance expenses and other related additional costs. UNCP estimates that it can achieve approximately \$30,000 in net present value savings by refunding the 2008A Bonds, representing roughly 2.6 percent of the par amount refunded. UNCP’s expected cost of funds is approximately four percent.

The total project cost for the Campus Recreation/Baseball Softball Outdoor Complex is estimated to be \$11.3 million. The General Assembly authorized financing of \$4.4 million under S.L. 2018-35 and authorized an increase of \$3.42 million under S.L. 2023-66. UNCP will contribute up to \$3.48 million from previously collected debt service fees or university reserves.

The Loan Agreement and Note may be entered into with respect to financing the Special Obligation Bond Project and related costs in an aggregate principal amount not to exceed \$7.82 million plus up to five percent of such amount to pay issuance expenses and other related additional costs. The Loan Agreement and Note may be entered into with respect to refinancing the 2008A Bonds allocable to UNC Pembroke and finance related issuance expenses and other related additional costs in an aggregate principal amount not to exceed \$1.3 million. Loan Agreement and Note will be entered into with DNT Asset Trust, a wholly owned subsidiary of JPMorgan Chase Bank, N.A., (the “Lender”), which was selected through a competitive Request for Proposal process. UNCP’s interest payments to the Lender will be exempt from federal taxes.

UNCP’s existing special obligation bonds do not carry a credit rating, and the Note is likewise not expected to be rated. Entering into the Loan Agreement and Note is thus expected to have no impact on UNCP’s credit rating.

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

RECOMMENDATION

It is recommended that the president of the University, or his designee, be authorized to enter into a loan agreement, in lieu of selling a special obligation bond, through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS
OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING
THE UNIVERSITY OF NORTH CAROLINA AT PEMBROKE
TO ENTER INTO A LOAN TO FINANCE AND REFINANCE
SPECIAL OBLIGATION BOND PROJECTS**

WHEREAS, pursuant to 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, the Board may enter into or negotiate a note with an acceptable bank in lieu of issuing special obligation bonds for the financing of special obligation bond projects under the Act;

WHEREAS, the University of North Carolina at Pembroke (“*UNC Pembroke*”) has advised the Board that it is ready to undertake the construction of a campus recreation center / baseball and softball outdoor complex as authorized by S.L. 2018-35 of the 2018 Session of the North Carolina General Assembly and supplemented by S.L. 2023-66 of the 2023 Session of the North Carolina General Assembly (the “*Special Obligation Bond Project*”);

WHEREAS, UNC Pembroke and its financial advisor have advised the Board that it may be able to achieve debt service savings related to refunding the portion of The University of North Carolina System Pool Revenue Bonds, Series 2008A (the “*2008A Bonds*”) allocable to UNC Pembroke, previously issued by the Board to finance and refinance the acquisition, construction and equipping of a football/multipurpose tower at UNC Pembroke;

WHEREAS, UNC Pembroke requests that the Board authorize UNC Pembroke, on the Board’s behalf, to enter into a loan agreement (the “*Loan Agreement*”) and promissory note (the “*Note*”) with DNT Asset Trust, a wholly owned subsidiary of JPMorgan Chase Bank, N.A. (the “*Lender*”), selected through a request for proposal process, to (1) finance the Special Obligation Bond Project, (2) refinance the portion of the 2008A Bonds allocable to UNC Pembroke and (3) pay the costs of entering into the Loan Agreement and Promissory Note; and

WHEREAS, the obligations under the Loan Agreement and Note will be payable solely from any legally available funds of UNC Pembroke, or of the Board held for UNC Pembroke, in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State of North Carolina (the “*State*”) from the State General Fund, (2) tuition payments by UNC Pembroke students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities, and (5) funds restricted by law (the “*Available Funds*”); and

WHEREAS, in order to lock the interest rate with the Lender until the execution and delivery of the Loan Agreement and the Note, UNC Pembroke will either enter into a separate agreement with the Lender (a "*Rate Lock Agreement*") to pay an amount necessary to make the Lender whole for a change in interest rates if UNC Pembroke does not execute and deliver the Loan Agreement and Note as described in this Resolution;

WHEREAS, there have been made available to the Board form of the Loan Agreement, Note and the Rate Lock Agreement (collectively, the "*Financing Documents*") which the Board proposes to approve, ratify and authorize UNC Pembroke to execute and deliver to effectuate the financing; and

WHEREAS, the execution and delivery of the Financing Documents 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 financing and refinancing described herein in compliance with Section 116D-23 of the Act;

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

Section 1. ***Authorization of Financing Documents.*** That the form and content of the Loan Agreement and Note are and the same hereby are in all respects authorized, approved and confirmed, and to finance the Special Obligation Bond Project, refinance the portion of the 2008A Bonds allocable to UNC Pembroke and pay the costs of entering into the Loan Agreement and Promissory Note, the Chancellor and Vice Chancellor for Finance and Administration of UNC Pembroke, and their respective designees, be and they hereby are each authorized, empowered and directed to execute and deliver the Loan Agreement and Note for and on behalf of the Board and UNC Pembroke, 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. The Loan Agreement and Note may be entered into with respect to financing the Special Obligation Bond Project and related costs in an aggregate principal amount not to exceed \$7,820,000, plus up to five percent (5%) of such amount to pay issuance expenses and other related additional costs. The Loan Agreement and Note may be entered into with respect to refinancing the 2008A Bonds allocable to UNC Pembroke and finance related issuance expenses and other related additional costs in an aggregate principal amount not to exceed \$1,300,000.

In order to lock the interest rate before the execution and delivery of the Loan Agreement and the Note, the Chancellor and Vice Chancellor for Finance and Administration of UNC Pembroke, and their respective designees, individually or collectively, are authorized to (1) either enter into a Rate Lock Agreement whereby UNC Pembroke will agree to make a payment under certain circumstances to compensate the Lender for a change in interest rates if the Loan Agreement and the Note are not executed and delivered, and (2) to the extent necessary, make any such payment from any legally available funds of UNC Pembroke that may be required under the Rate Lock Agreement.

Section 2. ***Sufficiency of Available Funds.*** The Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Loan Agreement and the Note and to provide for the maintenance and operation of the facilities at UNC Pembroke to the extent required under the Loan Agreement and the Note.

Section 3. **General Authority.** From and after the execution and delivery of the Loan Agreement and Note, the Chancellor and Vice Chancellor for Finance and Administration of UNC Pembroke and the President and the Senior Vice President for Finance and Administration and CFO of the UNC System (the “SVP-Finance”), the Chair, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System, or anyone acting in an interim capacity, and their respective designees, individually and collectively, 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 Loan Agreement and Note.

Section 4. **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 5. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 19th day of July, 2023.

STATE OF NORTH CAROLINA

)

SECRETARY'S CERTIFICATE

)

SS:

OF AUTHENTICATION

COUNTY OF WAKE

)

I, Meredith R. McCullen, Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System (the "*Board of Governors*") at its meeting on July 19, 2023, and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on July 19, 2023, was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on July 19, 2023, at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this ____ day of _____, 2023.

[SEAL]

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

AGENDA ITEM

A-6. Capital Improvement Projects..... Katherine Lynn

- Situation:** Appalachian State University, NC State University, and University of North Carolina at Chapel Hill have requested new authorization for four capital improvement projects, and Fayetteville State University, North Carolina Central University, and NC State University have requested increased authorization for three capital improvement projects.
- Background:** The University of North Carolina Board of Governors may authorize capital construction projects at University of North Carolina System institutions using available funds.
- Assessment:** App State, FSU, NCCU, NC State, and UNC Chapel Hill are requesting projects that meet the statutory requirements. It is recommended that the Board approve the projects and the method of funding. It is further recommended that these projects be reported to the North Carolina Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Capital Improvement Projects - Appalachian State University, Fayetteville State University, North Carolina Central University, NC State University, and University of North Carolina at Chapel Hill

ISSUE OVERVIEW

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

Five UNC System institutions have requested seven capital improvement projects: four new projects and three projects for increased authorization.

I. NEW PROJECTS

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
Appalachian State University					
1.	Post Office Remodeling	\$1,231,000	\$0	\$1,231,000	Trust Funds
2.	Roess Roof Replacement	\$2,500,000	\$0	\$2,500,000	Dining Receipts
<i>App State Subtotal</i>		<i>\$3,731,000</i>	<i>\$0</i>	<i>\$3,731,000</i>	
NC State University					
3.	4H and FFA Building - Beryl Road	\$4,500,000	\$175,000	\$4,325,000	DOT I-440 Widening Funds
<i>NC State Subtotal</i>		<i>\$4,500,000</i>	<i>\$175,000</i>	<i>\$4,325,000</i>	
University of North Carolina at Chapel Hill					
4.	Genetic Medicine Building First Floor Lab Renovation	\$4,000,000	\$200,000	\$3,800,000	Trust Funds
<i>UNC-Chapel Hill Subtotal</i>		<i>\$4,000,000</i>	<i>\$200,000</i>	<i>\$3,800,000</i>	
Grand Total		\$12,231,000	\$375,000	\$11,856,000	

II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
Fayetteville State University					
5.	McLeod Hall 2-Pipe to 4-Pipe Conversion	\$5,569,184	\$5,269,184	\$300,000	HEERF (94.6%)/Housing Receipts (5.4%)
<i>FSU Subtotal</i>		<i>\$5,569,184</i>	<i>\$5,269,184</i>	<i>\$300,000</i>	
North Carolina Central University					
6.	School of Business	\$39,773,480	\$39,271,964	\$501,516	State appropriations (97%)/ Trust Funds (1.7%)/ Carry forward (1.3%)
<i>NCCU Subtotal</i>		<i>\$39,773,480</i>	<i>\$39,271,964</i>	<i>\$501,516</i>	

II. INCREASED AUTHORIZATION cont.

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
NC State University					
7.	Tri-Towers Residential Fire Alarm System Replacement	\$2,400,000	\$800,000	\$1,600,000	Housing Receipts
<i>NC State Subtotal</i>		<i>\$2,400,000</i>	<i>\$800,000</i>	<i>\$1,600,000</i>	
Grand Total		\$47,742,664	\$45,341,148	\$2,401,516	

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

III. REPORTING

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

Institution/Project Title		Amount	Fund Source	R&R Category
East Carolina University				
1.	Eakin Student Rec Center-Indoor Pool Pump Room Repairs	\$499,000	Student Fees	(4) Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning systems
2.	Student Health Service - Nurse Station Counter Security	\$540,000	Health Services Fees	(9) Improvements and renovations to improve use of existing space
North Carolina Central University				
3.	James Shepard (formerly Clyde R. Hoey) Administration Building Windows Replacement	\$500,000	Trust Funds	(10) Historical restoration
University of North Carolina at Charlotte				
4.	Industrial Solutions Lab Renovation	\$500,000	Appropriations	(9) Improvements and renovations to improve use of existing space

AGENDA ITEM

A-7. Disposition of Property by Lease – NC State University..... Katherine Lynn

Situation: NC State University Board of Trustees requests authorization to dispose of property by ground lease at the Central Crops Research Station to the United States Department of Agriculture, Agricultural Research Service (USDA ARS). The property is approximately 0.13 acres and will be ground leased for \$1 per year for a term of 20 years for the purpose of constructing an equipment storage building and related support facilities. Central Crops Research Station is located at 13223 US 70 West, Clayton, North Carolina.

Background: Central Crops Research Station is one of NC State's 18 agricultural research stations located throughout the state. The 523-acre site supports a wide range of plant breeding programs and hosts a weather reporting station. NC State works cooperatively with the USDA ARS across NC State's various research stations and has a long-term, ongoing collaborative relationship. The ground lease will permit construction of an equipment storage building to support NC State faculty research in coordination with USDA ARS staff working at the research stations.

The NC State University Board of Trustees approved the disposition of the property by ground lease on November 4, 2022.

Assessment: The disposition supports collaborative research activities between NC State and USDA ARS at the agricultural research stations and benefits the institution.

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

Disposition of Property by Lease – NC State University

ISSUE OVERVIEW

The University of the North Carolina System institutions and affiliates are required to request authority from the University of North Carolina Board of Governors to proceed with certain acquisitions and dispositions of real property.

NC State University Board of Trustees requests authorization to dispose of property by ground lease at the Central Crops Research Station to the United States Department of Agriculture, Agricultural Research Service (USDA ARS). The property is approximately 0.13 acres and will be ground leased for \$1 per year for a term of 20 years for the purpose of constructing an equipment storage building and related support facilities. Central Crops Research Station is located at 13223 US 70 West, Clayton, North Carolina.

Central Crops Research Station is one of NC State's eighteen agricultural research stations located throughout the state. The 523-acre site is located twenty miles from campus and supports a wide range of plant breeding programs. The site also hosts a weather reporting station that feeds data to the State Climatology Office and the National Weather Service. NC State works cooperatively with the USDA ARS across NC State's various research stations and has a long-term, ongoing collaborative relationship. The ground lease for the construction of an equipment storage building and related support facilities will support NC State faculty research in coordination with USDA ARS staff working at the research stations. The lease does not include any renewal terms and will terminate if construction on the proposed facilities does not begin within five years of commencement, unless extended by mutual agreement.

The NC State University Board of Trustees approved the disposition of the property by ground lease on November 4, 2022.

RECOMMENDATION

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

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

Institution or Agency: North Carolina State University

Date: November 3, 2022

The Department of Administration is requested, as provided by GS 146-28 to dispose of the real property herein described by lease:

This disposition is recommended for the following reasons:

NC State University is requesting approval for a new lease with United States Department of Agriculture, Agriculture Research Service (USDA ARS) for construction of an equipment storage building at the Central Crops Research Station. The USDA ARS program is an important long-term government partner for the University.

Description of Property: 0.13 acres of land located at 13223 US Business Hwy 70 West, Clayton, NC

Estimated value: \$1per lease year

Where deed is filed, if known: Johnston County, NC 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:

Lease will be for twenty years at nominal value.

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

Action recommending this transaction was taken by the Board of Trustees at its meeting held on November 4, 2022.

Signature-


Assistant Secretary
Board of Trustees

**DISPOSITION
OF REAL PROPERTY**

GROUND LEASE

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

GRANTEE USDA Agricultural Research Service

LOCATION Central Crops Research Station, Clayton, NC, Johnston County

SIZE Approximately 0.13 acres

RATE \$1.00/year

TERM 20 years

USE Construction and use of an equipment storage building

TRANSMITTAL OF REQUEST FOR ACQUISITION/DISPOSITION OF REAL
PROPERTY

Form

Number: PO-2


Preparation

Date: November 3, 2022

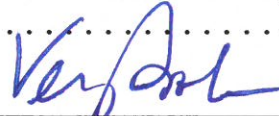
Request: Approval for disposition by lease of real property
between North Carolina State University (NCSU) and USDA
Agricultural Research Service for 0.13 acre parcel at Central
Crops Research Station (CCRS), Clayton, NC

Institution NORTH CAROLINA STATE UNIVERSITY

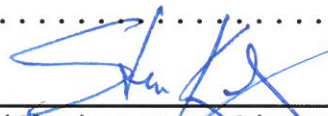
RECOMMENDED BY CHANCELLOR, NCSU


(Chancellor's Signature)

RECOMMENDED BY COMMITTEE ON
BUILDINGS AND PROPERTY


(Chairman's Signature)

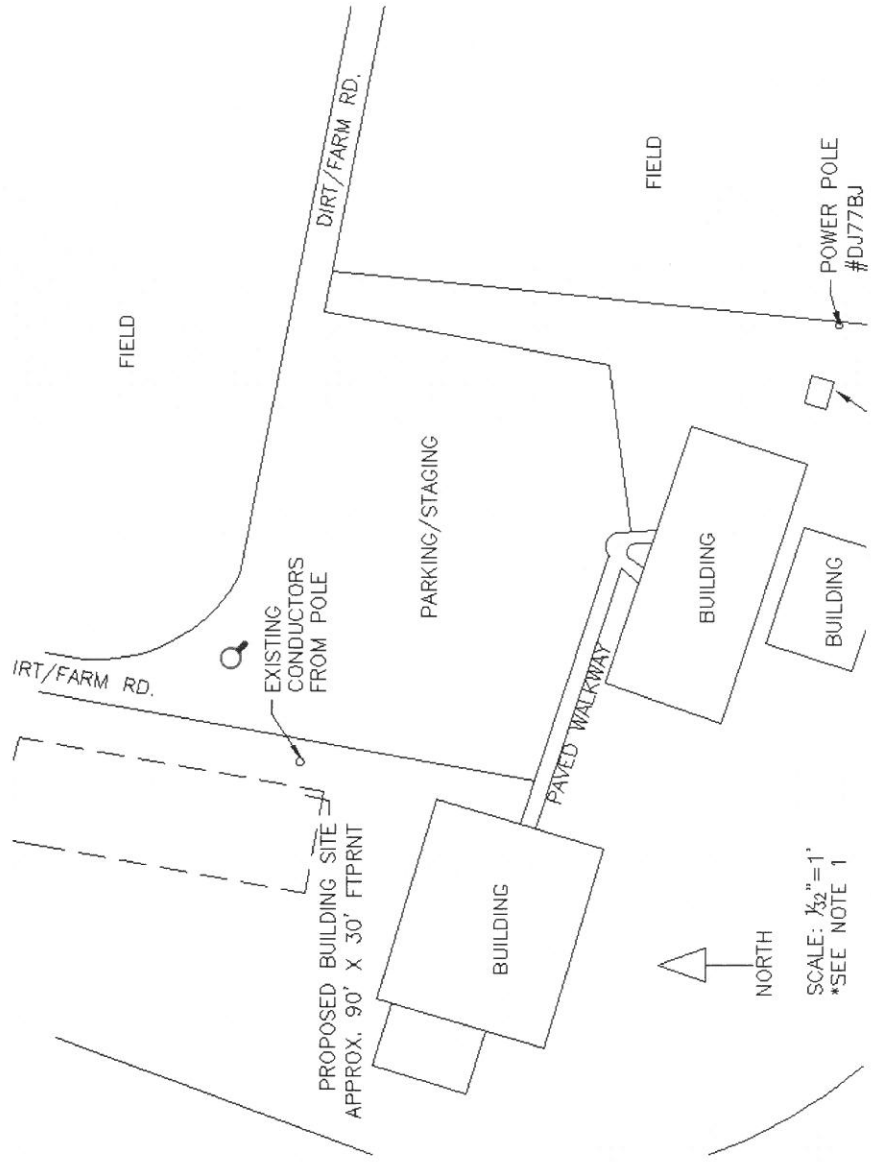
RECOMMENDED BY BOARD OF TRUSTEES,
NCSU


(Chairman's Signature)

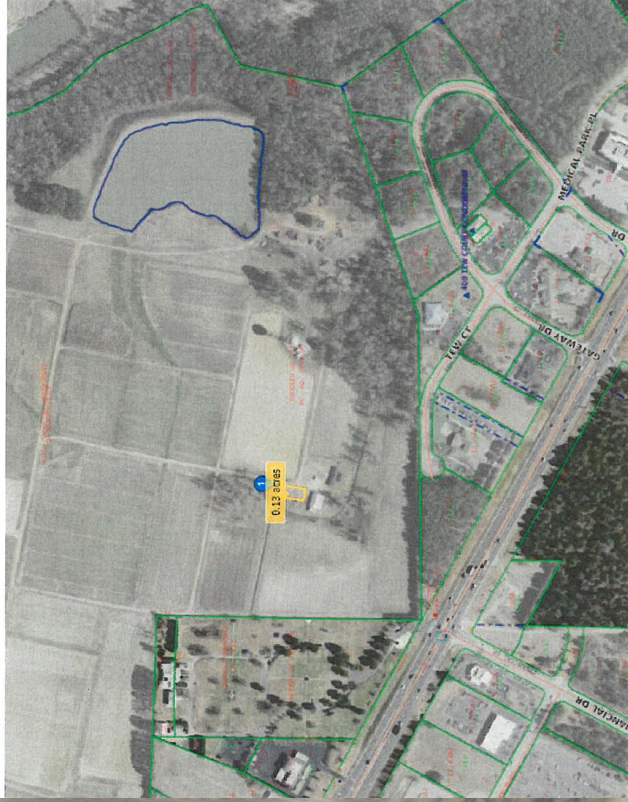
RECOMMENDED BY BOARD OF GOVERNORS

(Secretary's Signature)

C2 for USDA Equipment Storage Building
te Drawing



C2 for USDA Equipment Storage Building Vicinity Map



02 for USDA ARS Facility at Lake Wheeler Field Lab
example of proposed facility



The proposed building is best described as a three-sided, uninsulated, steel framed, steel sided, building with gravel/gravel screenings floor, for equipment storage and maintenance purposes similar in style to the building pictured.