

## APPENDIX I

### **ANNUAL REPORT OF THE COMMITTEE ON BUDGET AND FINANCE TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA July 1, 2004 through June 30, 2005**

#### **EXECUTIVE SUMMARY**

The Committee on Budget and Finance met 12 times between July 1, 2004, and June 30, 2005. Ten of the meetings were held to conduct committee business and two of the meetings were workshops held for the purpose of discussing the *2005-07 Budget Request of the Board of Governors*.

#### **BUDGETS AND ALLOCATIONS, TUITION AND FEES**

The Committee considered campus requests for tuition and fee increases and made recommendations for these increases to the Board. The Committee recommended that there be no increase in tuition for undergraduate resident students for the 2005-06 academic year. Tuition increases for resident graduate and professional students and all nonresident students were recommended as requested by the campuses. A \$140 increase proposed by UNC Pembroke would support the establishment of a football program – along with anticipated gate receipts, booster club revenue, and foundation contributions.

The Committee made recommendations to the Board for allocating expansion funds provided by the General Assembly. Included among the allocations were appropriations for an annual salary increase of 2.5% for faculty and other employees who were exempt from the State Personnel Act (EPA). The General Assembly had appropriated \$83,327,040 for University Operations; \$2,321,199 for Agricultural Programs; \$4,620,000 for Related Educational Programs; and \$1,480,000 for the North Carolina School of Science and Mathematics. The 2004 Session of the General Assembly made no appropriations for expansions and improvements at the UNC Health Care System. Several special appropriations to the Board of Governors totaling \$6,792,260 were directed to program areas not included in the Schedule of Priorities requests.

The General Assembly provided \$17,500,000 from the Escheat Fund for the Board's need-based student financial aid program.

The 2004 Session also made budget reductions of \$40,741,659 in the continuing operating budgets of The University.

In November, the Committee recommended approval of the *2005-07 Budget Request of the Board of Governors* and it was forwarded to the Governor and General Assembly for consideration during the 2005 legislative session. The *Request* identified the funding needed to carry out the six strategic priorities of the Board of Governors.

Per the Board's policy, the Committee recommended that the budget for UNC Asheville be reduced by \$97,570 and that the funds be reallocated to the Board's need-based financial aid program for resident students. The Fall 2004 Enrollment Report indicated that UNC Asheville had nonresident freshmen enrollment – for two consecutive years – that exceeded 18% of the freshmen class.

## **CAPITAL IMPROVEMENTS**

In November 2000, North Carolina voters approved a bond issue to provide \$2.5 billion in State support for the first six years of the Board's ten-year capital plan. The Committee worked during the year to provide appropriate oversight for the bond program. Progress reports were received each month.

In addition, the Committee recommended the following: the allocation of \$12,500,000 made available in the State budget for capital improvements; the approval of projects funded by the General Assembly through special indebtedness – proposed projects totaled \$388,000,000; the allocation of \$35,325,786 for repairs and renovations; and the authorization of 30 capital improvements projects totaling \$298,557,000 and 11 supplements to previously approved capital improvements projects totaling \$114,578,000, all funded from nonappropriated sources to be submitted to the General Assembly for approval.

## **INSTITUTIONAL BORROWINGS**

One of the principal responsibilities of the Committee is to recommend the issuance of bonds to finance nonappropriated capital improvements projects. During the year, the Committee recommended the issuance of institutional issues of bonds totaling in excess of \$103 million for either financing new projects or refunding outstanding bonds when interest rate savings could be achieved.

The Committee further recommended approval of a variable-rate demand bond pooled loan program for fall 2004. The amount of the bonds issued would not exceed \$55 million. In March 2005, a pooled loan program was recommended for approval that would not exceed \$115 million.

The Committee recommended approval of special obligation bonds not to exceed \$110,000,000 for North Carolina State University.

The Committee recommended adoption of an authorizing Resolution and recommended that the Vice President for Finance be authorized to issue bonds as needed to carry out a commercial paper bonds program for North Carolina State University and the University of North Carolina at Chapel Hill.

The Committee recommended a resolution authorizing the Vice President for Finance and the Senior Associate Vice President for Finance to negotiate the terms and enter into Interest Rate Swap Agreements with respect to the bonds proposed to be issued for NC State in 2006.

## **PROPERTY**

The Committee is responsible for reviewing requests by Board of Trustees for the acquisition of property, either by purchase, lease, or exchange. Recommendations made by the Committee during the year included the following: six leases of property at four institutions; purchase of eleven parcels by six institutions; three ground leases at two institutions; disposition of a 345-acre parcel in northern Chatham County to the N.C. Wildlife Resources Commission and

disposition of a 420-acre parcel in southeastern Wake County; several dispositions by easement or demolition, as well as one exchange of property. Leasing arrangements were approved for N.C. State, UNC Charlotte, UNC Greensboro, UNC Wilmington, Western Carolina University and Winston-Salem State University to enable the universities to meet long-term projected housing demands associated with campus growth. Lease payments would be made from student housing receipts.

In April of 2001, the Committee recommended delegation to the Office of the President to authorize the execution of leases valued up to \$150,000 and the execution of contracts to acquire real property valued up to \$250,000. Actions taken under the delegated authority would be reported at the next scheduled meeting. Five leases of property at four institutions, and ten acquisitions of real property at four institutions were approved under the delegated authority.

## **OTHER ACTIONS**

Other actions taken by the Committee throughout the year were as follows.

In November, the Committee recommended for approval the recommendations of the Special Committee Reviewing the Funding Model for Enrollment Growth. The Committee held a series of meetings from September 2003 to October 2004.

The Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions, revised to clarify that campus Boards of Trustees had the authority to procure equipment through a lease without the approval of the Board of Governors, was recommended for approval.

The *Summary of Institutional Annual Reports, 2003-04*, was recommended for approval.

The report on the amount and uses of facilities and administrative receipts was recommended for approval.

The purchasing benchmark for Elizabeth City State University was recommended to be set at \$100,000 effective April 1, 2005.

## **INFORMATION SESSIONS**

In September, the Committee received information on privatized housing under construction and operational in the university system.

The Committee received an overview of the mission and activities of The University of North Carolina's Association of Student Governments.

Information was presented on tuition and fee trends. Comparisons of tuition and fee increases from the Southern Regional Education Board and from the Washington State Study on Tuition and Fees were discussed, as well as other approaches to tuition increases nationwide.

In October, the Committee received information about ongoing activities of the Finance staff in the President's Office to ensure fiscal integrity at the constituent institutions. The function and reporting of internal auditors was discussed.

In November, President Broad discussed steps taken at the North Carolina School of the Arts to address the findings of the State Auditor in his special review.

Board Chair Wilson appointed the Task Force on Best Financial Practices to outline the role that the Board should play in ensuring financial integrity system-wide, including accountability within non-profit entities established in support of the campuses.