

Minutes of the June 7, 2007 Meeting  
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in Board Room 1 of the General Administration Building in Chapel Hill, North Carolina on Thursday, June 7, 2007, at 1:30 p.m.

Members in attendance were: Mr. Bradley T. Adcock, Mr. Brent D. Barringer, Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Governor James E. Holshouser, Jr., and Mr. Peter Keber. Necessarily absent were Ms. Peaches G. Blank and Mr. David W. Young. Other Board of Governors' members attending were John W. Davis III, Phillip R. Dixon, Dudley E. Flood, Hannah D. Gage, G. Leroy Lail, Fred G. Mills, Cary C. Owen, Patsy B. Perry, Irvin A. Roseman, and Estelle Sanders. Others attending the meeting were Chief of Staff Jeffrey R. Davies; Vice President Robert O. Nelson; Associate Vice Presidents Ginger Burks, Shari Harris, David Harrison, and James O. Smith; Associate Vice President and University Property Officer Terrance Feravich; and Assistant Vice Presidents Claudia Odom and Jonathan Pruitt. Chancellors in attendance were: Kenneth E. Peacock (ASU), Steven C. Ballard (ECU), Anne Ponder (UNCA), James C. Moeser (UNC-CH), Philip L. Dubois (UNCC), Patricia A. Sullivan (UNCG), Allen C. Meadors (UNCP), Rosemary DePaolo (UNCW), and Michelle Howard-Vital (WSSU). Chair of the Faculty Assembly Brenda Killingsworth, Office of State Budget and Management Analyst Kristin Crosson, Associate Vice Chancellor for Facilities Kevin MacNaughton (NCSU), Treasurer Kathy Hart (NCSU), Director of Real Estate Ralph Recchie (NCSU), Associate Vice Chancellor for Facilities Jorge Quintal (WSSU), and Consulting Director for the Carolinas Associated Minority Contractors Kenneth Johnson were in attendance as well as members of the press.

Chair Bowden convened the meeting and welcomed new Board members. Since this would be his last meeting as Chair, he thanked the Vice Chair and Secretary, as well as the entire Committee, for their cooperation and support. Then the minutes of the meeting of May 10, 2007 were approved.

1. Each year when the General Assembly passed its budget, the Committee on Budget and Finance recommended allocations of funds made available by the General Assembly to the Board of Governors. It was uncertain when the General Assembly would pass its 2007-09 biennial budget, but it was anticipated that the budget would be in place before the Board met again in September.

It was 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 was ratified prior to the September meeting of the Board. There would be a special meeting for this purpose and the entire Board would be invited to participate, either in person or via telephone.

On the motion of Mr. Adcock, seconded by Mr. Barringer, the item was approved.

2. The 2000 session of the General Assembly authorized the Board of Governors to designate a Millennial Campus at each constituent institution when the Board found that such a designation would enhance the economic development of the region served by the

constituent institution. The legislation stated that the Board should act on the recommendation of the President after the President had consulted with the Chancellor and the Board of Trustees. The designation should be based on the express finding that the institution had the administrative and fiscal capacity to create and maintain such a campus. Each Millennial Campus would function in a manner similar to the Centennial Campus at North Carolina State University and each would be exempt from the provisions of the Umstead Act.

The Board of Trustees of the University of North Carolina at Wilmington had requested that the Board of Governors designate as a Millennial Campus approximately 210 acres in three separate sites based on their proximity to existing campus academic and research activities. The East site (47 acres) and the West site (103 acres) was located on the main campus. The South site (60 acres) was located on UNCW property about seven miles south of the main campus at the Center for Marine Science. The Millennial Campus, which would be known as CREST (Campus for Research, Entrepreneurship, Service, and Teaching) would be developed to enhance the research, teaching, and service missions of UNCW by relying on its respective strengths in Marine Biotechnology; Health, Fitness and Nutrition; and Chemistry, Biochemistry and Molecular Biology. The President and his staff had completed the required consultations and had found that the activities to be performed on the Millennial Campus would advance regional economic development and that the campus had the administrative and fiscal capacity that was required to successfully administer the program.

It was recommended that the findings of the President and his staff be accepted and the request of the Board of Trustees of UNC Wilmington be approved.

No questions were raised since there had been a policy discussion earlier on this topic. On the motion of Governor Holshouser, seconded by Mr. Barringer, the recommendation was approved.

3. The 2000 session of the General Assembly authorized the Board of Governors to designate a Millennial Campus at each constituent institution when the Board found that such a designation would enhance the economic development of the region served by the constituent institution. The legislation stated that the Board should act on the recommendation of the President after the President had consulted with the Chancellor and the Board of Trustees. The designation should be based on the express finding that the institution had the administrative and fiscal capacity to create and maintain such a campus. Each Millennial Campus would function in a manner similar to the Centennial Campus at North Carolina State University and each would be exempt from the provisions of the Umstead Act.

The Board of Trustees of the University of North Carolina at Charlotte had requested that the Board of Governors approve the addition of the Smith Hall tract, approximately 1.5 acres of University-owned real property and appurtenant facilities, to become part of the existing UNCC Charlotte Research Institute (Millennial) Campus. The existing campus currently included about 100 acres of land, consisting of a 16-acre parcel on the core campus, which included Cameron Hall, Burson Hall, Health and Human Services, College

of Education, and Woodward Hall and an 84-acre parcel adjoining Tryon Street on the north side of the University, which included Grigg Hall and Duke Centennial Hall. Adding the Smith Hall Tract to the Millennial Campus would support additional partnerships involving engineering design, analysis, and testing; and would allow research partners in the Charlotte economic region to have flexible access to state of the art testing equipment and facilities housed in Smith Hall. In the near term, this addition would enable the creation of new partnerships between UNC Charlotte and private industry related to civil and environmental engineering while supporting the growth of collaborative research in energy production and infrastructure. In the long term, this action would also enable future collaborations as Smith Hall was renovated and repopulated with engineering and engineering technology faculty. The President and his staff had completed the required consultations and had found that the activities to be performed on the Millennial Campus would advance regional economic development and that the campus had the administrative and fiscal capacity that was required to successfully administer the program.

It was recommended that the findings of the President and his staff be accepted and the request of the Board of Trustees of UNC Charlotte be approved.

Chancellor DuBois answered questions from the Committee. On the motion of Mr. Broadwell, seconded by Mr. Adcock, the recommendation was approved.

4. The Board of Trustees of North Carolina State University requested authority to redevelop NCSU's Greek Court area.

NCSU had provided on-campus houses for fraternities and sororities since 1964. Fifteen chapter houses were located in the area known as Greek Court. These houses were owned by NCSU and leased to the chapters. In May of 2006, Chancellor Oblinger appointed a task force comprised of students, alumni, and University personnel to plan for the redevelopment of Greek Court. The Board of Trustees approved the task force's recommendations at their April 2007 meeting.

NCSU would allow fraternities and sororities to design, construct, own, and operate chapter houses on land leased from the university. The new Greek Village would include 20 individual building lots for houses, a row of Greek townhouses for smaller organizations, a community center, two large pavilions, and an amphitheater. Based on a successful program at the University of South Carolina, Greek organizations at NCSU, through alumni/ae house corporations, would be offered building sites in the redeveloped Greek Village. Development would involve the phased demolition of all current houses, realignment of the roadway through Greek Court, development of campus recreation fields, and other improvements. Houses untouched by early phases would continue to be leased to chapters during the course of construction. Construction would begin as early as January 2008 and continue over the course of the next 10 to 15 years. Construction, operating, and maintenance costs would be the responsibility of the Greek organizations. Planning and infrastructure costs would be shared between NCSU and the organizations. The construction would be consistent with campus policy and state statutory requirements for life safety and security.

NCSU requested approval to lease individual development parcels to non-profit corporations to provide Greek housing consistent with the Greek Village Master Plan. Each ground lease would have an initial term of 40 years with one option to renew for an additional 40 years. The annual cost of the lease would be \$1.00. Initial and ongoing infrastructure, common area, and operations costs would be shared for the duration of the lease. Upon the expiration of a lease, the land would revert to the State. Any improvements upon the land would, at the State's option, either revert to the State or be removed by the lessee at their expense.

It was recommended that the requests of the Board of Trustees of North Carolina State University for the redevelopment of Greek Court be approved, and at the appropriate time, leases to non-profit corporations to provide Greek housing be transmitted to the Council of State for final action.

Mr. Recchie and Ms. Hart answered questions from the committee. On the motion of Mr. Adcock, seconded by Mr. Barringer, the recommendation was approved.

5. The Chancellor of Elizabeth City State University had informed the President of the need to invoke emergency procedures as allowed by G.S. 143-129 to make needed repairs by the quickest means possible for the following project.

Anticipating an unmet demand for 111 beds for Fall 2007, ECSU had decided to reactivate the second and third floors of the existing Mitchell-Lewis Residence Hall to provide additional on-campus housing. Once repaired, the second and third floors would provide 128 additional beds. The project, estimated to cost \$1.3 million, would be financed from a combination of Repair and Renovation funds and housing receipts. Work would include necessary exterior and interior repairs including window repairs and the replacement of plumbing fixtures, floor tile, doors and hardware, suspended ceiling system, and interior lighting. Also, information technology and communication services would be reinstalled as well as interior corridors and stairwells upgraded to meet current codes. The construction would be consistent with campus policy and state statutory requirements for life safety and security. The first floor of Mitchell-Lewis Residence Hall was renovated and re-opened for use during the spring 2007 semester.

In accordance with emergency procedures, the State Building Commission had been notified.

6. The Board of Trustees of the University of North Carolina at Greensboro had requested the authority to establish four new capital improvements projects.

The first project upgraded the electrical service and air-conditioning equipment serving the Bryan Building Data Center. The project upgraded the data center electrical service and added a new computer room air-conditioning unit, an additional UPS unit, and an emergency generator. The project, estimated to cost \$735,000, would be funded from a combination of Repairs and Renovation funds and carry-forward funds (operating funds unexpended on June 30 and, pursuant to state law, were "carried forward" into the next fiscal year to support one-time expenditures).

The second project would improve the existing landscaping of the grassy lawn on the west side of the Elliott University Center. Improvements included additional trees, ornamental shrubs and flowering plants, installation of an area irrigation system, and installation of additional pedestrian walkways. The project, estimated to cost \$562,000, would be funded from private gifts.

The third project would construct a new 228-space parking lot at 1200 West Lee Street. The lot would be paved with concrete curb and gutter, fenced, lighted, and have emergency telephones. The project, estimated to cost \$560,000, would be funded from parking receipts.

The fourth project would replace the existing fire alarm system and install a new fire sprinkler system in Grogan Hall, an eight-story, 330-bed residence hall built in 1963. The project, estimated to cost \$1,366,000, would be funded from housing receipts.

It was recommended that these projects be authorized and that the methods of financing as proposed by the University of North Carolina at Greensboro be approved.

On the motion of Mr. Keber, seconded by Mr. Barringer, the recommendation was approved.

7. The Board of Trustees of North Carolina State University had requested authorization to dispose of real property by sale.

Located in Dare County, NCSU was requesting permission to sell a 0.78-acre parcel of unimproved land in Hatteras Village. Deeded in 1963 by the Charles F. Johnson Foundation to North Carolina State University, the gifted property was intended to be used for purposes supporting NCSU's marine research programs. Because the parcel had been reduced by coastal erosion from 1.69 acres to the remaining 0.78 acres and was only accessible by watercraft, NCSU had determined that it would be in its best interest to sell this parcel and use the proceeds to support its marine research activities. As of January 24, 2007, the appraised market value of the parcel was \$200,000. NCSU would work with the State Property Office to confirm the appraised value, identify a buyer, and execute the sale within State rules and regulations. As allowed by G.S. 146-30, the proceeds from the sale of this property would be held by NCSU to support its marine research programs.

It was recommended that the request of the Board of Trustees of North Carolina State University be approved and transmitted to the Council of State for final action.

On the motion of Mr. Adcock, seconded by Mr. Barringer, the recommendation was approved.

8. The Board of Trustees of North Carolina State University had requested authorization to dispose of real property by demolition.

In order to construct a 65,000 square foot addition to Corporate Research I on the

Centennial Campus, NCSU planned to demolish the existing two-level, 192-space parking deck adjacent to the building. MeadWestvaco Corporation, the corporate partner asking for the building expansion, would pay to replace the lost parking in order to build an addition that would properly support the additional 200 jobs they would bring to the Centennial Campus. The demolition of the parking structure would be the first phase of the expanded building. Construction was expected to begin in January 2008.

It was recommended that the request of the Board of Trustees of North Carolina State University be approved and transmitted to the Council of State for final action.

On the motion of Mr. Barringer, seconded by Mr. Adcock, the recommendation was approved.

9. The Board of Trustees of the University of North Carolina at Charlotte requested the approval of a proposed exchange of property between the State of North Carolina and the Foundation of the University of North Carolina at Charlotte, Inc.

The State would receive approximately 0.87 acre in uptown Charlotte to provide the site for UNCC's Center City Building project authorized by the Board of Governors and the General Assembly in 2006. The Foundation would receive approximately 13 acres on the northwest border of the UNCC campus along US-29. The land areas to be exchanged were considered of equal value by the State Property Office.

It was recommended that the request of the Board of Trustees be approved and transmitted to the Council of State for final action.

On the motion of Mr. Broadwell, seconded by Governor Holshouser, the recommendation was approved.

10. In 2006, the Board authorized the President to execute leases valued up to \$350,000 and other property interests up to \$500,000. The following property transactions were approved under this delegation and were reported to the Committee on Budget and Finance.

East Carolina University – Acquisition of Real Property by Lease

Use:	Renewal of existing lease that housed ECU's facilities' trade shops and offices
Owner:	Pitt County Board of Trustees
Location:	On the site of Eppes Middle School, located at the intersection of North Fourteenth Street and Berkley Drive, Greenville, NC
Description:	Approximately 26,000 square feet of office and shop space in six buildings
Cost:	\$1.00 annually
Term:	Twenty years
Source:	Department operating funds
Approvals:	The ECU Board of Trustees recommended this action in April 2007.

#### East Carolina University – Disposition of Real Property by Lease - Renewal

Owner: State of North Carolina  
Justification: Wahl Coates Elementary School was sited on land deeded by Greenville City Board of Education (now Pitt County Schools) in 1969 to ECU. ECU constructed the school to serve as a laboratory training school utilized by ECU School of Education for teacher training. The School was operated inclusive of all related expenses by Pitt County Schools.  
Location: 2200 East Fifth Street, Greenville, NC  
Description: Approximately 54,573 square foot brick facility consisting of eight buildings on approximately 16.8 acres  
Term: Twenty years  
Rental Income: \$1.00 annually. Lessee is responsible for all maintenance, custodial, and utility costs.  
Proceeds: State of North Carolina  
Approvals: The ECU Board of Trustees recommended this action in April 2007.

#### North Carolina Agricultural & Technical State University – Acquisition of Real Property

Use: Future campus expansion consistent with NCA&TSU's Campus Master Plan  
Owner: Mike Whaley  
Location: 909 Bluford Street, Greensboro, Guilford County  
Description: Approximately 0.17 acres with a 900 square foot, single-story house that would be demolished  
Cost: \$67,000  
Source: Carry Forward funds  
Approvals: The NCA&TSU Board of Trustees recommended this action in April 2006.

#### North Carolina Agricultural & Technical State University – Acquisition of Real Property

Use: Future campus expansion consistent with NCA&TSU's Campus Master Plan  
Owner: Lemanuel Devine Jr.  
Location: 923 Bluford Street, Greensboro, Guilford County  
Description: Approximately 0.14 acres with a 1,000 square foot, two-story house that would be demolished  
Cost: \$67,000  
Source: Carry Forward funds  
Approvals: The NCA&TSU Board of Trustees recommended this action in April 2007.

#### North Carolina State University – Acquisition of Real Property by Lease

Use: Lease of office and training space for The Ergonomics Center of NC  
Owner: To be determined by bid  
Location: To be determined by bid  
Description: Approximately 7,000 square feet of office and training space  
Cost: Estimated to be \$70,000 annually  
Term: Two year initial term with two, one-year renewal options  
Source: Center operating funds  
Approvals: The NCSU Board of Trustees recommended this action in April 2007.

#### North Carolina State University – Acquisition of Real Property by Lease

Use: Lease of classroom and office space to support teaching, research and extension activities of the College of Design - Prague Institute study abroad program in the Czech Republic  
Owner: Jana Abramson  
Location: 17 Michalska Street, Prague, Czech Republic  
Description: Approximately 3,197 square feet on the first and second floors of the building located near the historic center of Prague and metro stop. The building had a securable courtyard and alarm system.

Cost: Approximately \$59,719 annually based on the exchange rate, plus utilities and maintenance  
Term: Three years  
Source: Department operating funds  
Approvals: The NCSU Board of Trustees recommended this action in April 2007.

North Carolina State University – Disposition of Real Property by Lease

Owner: State of North Carolina  
Justification: Ground lease of NCSU's Lot 86 to Carolina Solar Energy, LLC to construct a collaborative solar generation project with the NC Solar Center  
Location: NCSU's Lot 86, Raleigh, NC, Wake County  
Description: Approximately 0.25 acres to house a photovoltaic solar generation array  
Term: Five year initial term with three, five-year renewal options  
Rental Income: None  
Proceeds: The electricity would be sold to Progress Energy under an avoided cost contract and the renewable energy certificates would be sold to NC GreenPower. Annual revenues were expected to be \$18,800. This revenue would be used by Carolina Solar Energy, LLC to pay operating costs and to pay off the bank financing of the project.  
Approvals: The NCSU Board of Trustees recommended this action in May 2007.

North Carolina State University – Disposition of Real Property by Demolition

Owner: State of North Carolina  
Justification: Demolition of modular building at North Carolina State Centennial Biomedical Campus to make way for the construction of a new parking deck  
Location: NCSU Building #316 at 1212 Blue Ridge Road, NCSU Centennial Biomedical Campus, Raleigh, NC, Wake County  
Description: Approximately 3,509 square foot, one-story modular building constructed in 1979  
Costs: The cost of demolition was estimated at \$15,000 and was budgeted as part of the authorized project.  
Approvals: The NCSU Board of Trustees recommended this action in May 2007.

Winston-Salem State University – Acquisition of Real Property by Lease

Use: Lease of office and warehouse space for Facilities Planning and Facilities Maintenance storage  
Owner: W. Stokes Huff  
Location: 1604C Lowery Street  
Description: Approximately 6,250 square feet of office and warehouse space  
Cost: \$56,250 annually for the initial term (\$9.00 per square foot) of five years. \$9.75 per square foot for the renewal term of five years  
Term: Five-year initial term with one, five-year renewal option  
Source: Department operating funds  
Approvals: The WSSU Board of Trustees recommended this action in March 2007.

After the action items, the committee discussed lessons learned from the UNC bond program. Chair Bowden recognized Kenneth Johnson, Consulting Director for Carolinas Associated Minority Contractors, as well as other minority contractors in attendance. Vice President Nelson welcomed and introduced Kevin MacNaughton and Jorge Quintal. Both had been instrumental in the bond program from its beginning. Mr. Quintal discussed design, single prime, and the Construction Manager at Risk. Mr. MacNaughton discussed the operations and maintenance programs of the bond program.

Then Ms. Harris presented the progress report on the UNC bond program. Since the Board's last report a number of classroom projects had been completed including UNC-CH's Howell, Fetzer,



Hill, and Davie Renovation of Classroom and Lecture Halls projects collectively totaling just over \$1M. UNC-CH completed the ITS Building (\$30.5M, \$9.2M of which was bond funding) and NCSU completed the College of Engineering Complex-Phase II (\$42.2M, \$33.2M of which was bond funding). NCSU awarded a contract for Williams Hall Laboratory Building Comprehensive Renovation for \$2.7M. It had been important to keep staff equipped to manage both the bond program as well as all capital improvement projects. Because of staff turnover, changing procedures, or new software releases, training had been an important component in maintaining the program's progress. Capital project orientation was presented on May 2-3, and several sessions had been offered in the latest release of Primavera. CAPSTAT training was being calendared as well. Finally, regularly scheduled meetings continued with partners to address mutual concerns and improvements. The May 15 UNC/Department of Insurance (DOI) meeting continued the dialog surrounding plan review processes. A meeting with State Construction Office representatives and DOI was scheduled for June 11, 2007. An updated project status overview reflecting bond program activity by institution was included with this report.

### HUB Update

The campuses had been queried and HUB participation for both bond and non-bond program projects along with participation by classification and institution had been given to the group.

At this point, Chair Bowden called upon Ms. Johnson and she listed concerns that minority contractors had about University construction contracts. Mr. Bowden asked Ms. Johnson to provide specific information including names, dates, and details so that he and others could investigate each substantiated allegation.

On the motion of Mr. Adcock, seconded by Mr. Broadwell, the committee went into Closed Session to consult with our attorney to establish or instruct the staff concerning the negotiation of the price and terms of a contract concerning the acquisition of real property.

### CLOSED SESSION

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The Committee returned to open session.

There being no further business, on the motion of Mr. Adcock, seconded by Mr. Broadwell, the meeting was adjourned.

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Mr. R. Steve Bowden  
Chair of the Committee  
on Budget and Finance

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Mr. Bradley T. Adcock  
Secretary of the Committee  
on Budget and Finance