



The University of North Carolina

GENERAL ADMINISTRATION

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Constituent Universities
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Fayetteville State
University

North Carolina
Agricultural and
Technical State
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North Carolina
Central University

North Carolina
State University
at Raleigh

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North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

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North Carolina
at Charlotte

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North Carolina
at Greensboro

University of
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at Pembroke

University of
North Carolina
at Wilmington

University of
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School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School
North Carolina
School of Science
and Mathematics

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August 25, 2010

2011-13 BUDGET MEMORANDUM – Number 2

TO: The Chancellors

FROM: Ernie Murphrey *Ernie P. Murphrey*

SUBJECT: Preparation of the 2011-13 Capital Budget Priorities

This Budget Memorandum provides instructions for the preparation of the 2011-13 Budget Priorities for *Capital Improvements Projects*, whether funded from either appropriated or non-appropriated sources. Budget Memorandum #1, dated August 19, 2010, provided instructions for the preparation of priorities for current operations expansion and improvements. Forthcoming Budget Memorandum #3 will provide instructions for requesting increases in the continuation budget.

As stated in Budget Memorandum #1, the economic recovery in North Carolina will continue to be prolonged and we expect to face deep budget reductions again next year. Therefore, we are advising that you assume that the General Assembly will be able to provide only limited funding for capital projects. It is further advised that projects funded by non-appropriated funds should be proposed only for the most pressing campus needs.

We anticipate that the Board will request funds for repairs and renovations and for a limited number of major capital projects. As with your requests for operating funds, all of your requests will be thoroughly vetted within General Administration, separately with each of you, and collectively at our Chancellor's Administrative Council Meeting on September 20, 2010 or October 18, 2010.

Enrollment Planning and UNC Tomorrow Considerations

As each of you know, while we expect demand for a University education to increase next year, we do not know if the General Assembly will be able to provide funding to meet that demand or some portion thereof. The connection between enrollment targets and the space requirements in your capital improvements priorities needs to be carefully explained when you submit your capital priorities. The focus will be on how many additional students can be accommodated, how they will be accommodated (i.e. on or

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off campus), what existing facilities can be used more fully and efficiently, and what new facilities are needed to accommodate the additional students. Along with space for classrooms, offices, labs, and research, your plan should indicate your space needs for all auxiliary services that will be demanded by the student population. You should also demonstrate that your capital improvements priorities are aligned with the findings of the UNC Tomorrow Commission.

Six-Year Plan for Appropriated Capital Improvements – New and Major Renovation Projects

Submittal Date: on or before September 15, 2010

For your 2011-2017 Six-Year Appropriated Capital Improvements Plan, we ask that you update and revise your 2009-2015 plan. Allowed changes to your plan include deleting, adding or revising projects to reflect changing priorities. The total dollar amount of your 2011 request must be consistent with the total dollar amount of your 2009 request.

An Appropriated Capital Improvements template is attached to these instructions. Please note that we are asking you to identify any escalation, needed infrastructure, and required land acquisition costs included in your total project cost. It is important that the Justification section provide clear connections between campus enrollments and enrollment projections, UNC Tomorrow findings, and the efficient use of existing space. Please list your projects in priority order.

Your first two priority projects must be accompanied by a certified OC-25 from the State Construction Office and a completed Building Operating Reserve Model (attached) for the first five years of operation of the proposed facility.

Six-Year Plan for Non-Appropriated Capital Improvements Projects

Submittal Date: on or before September 22, 2010

Please use the attached template to develop your 2011-2017 plan for non-appropriated capital projects. Please list your projects in priority order.

It is important that the Justification section provide clear connections between campus enrollments and enrollment projections, UNC Tomorrow findings, and the efficient use of existing space.

All projects must be accompanied by a completed Form OC-25 (attached). Projects planned to start in 2011-12 require a Form OC-25 that has been certified by the State Construction Office.

For projects planned to start in 2011-12 that require indebtedness supported by a student debt service fee, please provide your plan to comply with the Board of Governors' required fee-approval process. Please also submit a Building Operating Reserve Model (attached) for the first five years of operation of the proposed facility.

We will be taking a very conservative approach on requests for new non-appropriated capital improvements projects that will be financed with debt. We will carefully review any plan with focus on future interest and fixed charges coverage based on various levels of enrollment. We must make sure the financial strength of any one university is not placed in jeopardy due to a drop in student enrollment resulting from increased tuition cost, reduced financial aid, and/or a continuing difficult environment.

Six-Year Plan for Repairs and Renovations
Submittal Date: on or before September 29, 2010

G.S.143C-4-3 (b) states:

Use of Funds – The funds in the Repairs and Renovations Reserve Account shall be used only for the repair and renovation of State facilities and related infrastructure that are supported from the General Fund. Funds from the Repairs and Renovations Reserve Account shall be used only for the following types of projects:

- (1) Roof repairs and replacements;
- (2) Structural repairs;
- (3) Repairs and renovations to meet federal and State standards;
- (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems;
- (5) Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
- (6) Improvements to meet fire safety needs;
- (7) Improvements to existing facilities for energy efficiency;
- (8) Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks;
- (9) Improvements and renovations to improve use of existing space;
- (10) Historical restoration;
- (11) Improvements to roads, walks, drives, utilities infrastructure; and
- (12) Drainage and landscape improvements.

Funds from the Repairs and Renovations Reserve Account shall not be used for new construction or the expansion of the building area (sq. ft.) of an existing facility unless required in order to comply with federal or State codes or standards.

G.S.143C-8-4 (b) requires:

Each proposed repair and renovation expenditure shall be justified by reference to the Facilities Condition Assessment Program [FCAP] operated by the Office of State Construction.

As a starting point for your 2011-2017 Six-Year Repairs and Renovation Plan, we have attached, in an Excel template, UNC's submittal to the Office of State Budget and Management for the current biennium R&R request. Please adjust this document by adding and deleting projects so that the total dollar amount of your 2011-13 request is consistent with the total dollar amount of your 2009-11 request.

Please enter your data directly into the template and prioritize the projects within each project type. This will help with the roll-up of data for a University-wide summary. As required by G.S.143C-8-4 (b), please provide the associated FCAP ASSET NUMBER and DEFICIENCY NUMBER for each proposed project. Understanding that your proposed project might align with a number of FCAP items, please include, in rank order, as many major FCAP items as you feel appropriate. If the proposed project has not been identified by the FCAP visitation team, please supply your rationale for completing this project in front of identified projects.

All projects with an expected total cost in excess of \$500,000 that you expect to be funded in 2011-12 or 2012-13 must be accompanied by a completed Form OC-25 (attached). Projects valued at \$2,000,000 or greater will require a Form OC-25 that has been certified by the State Construction Office prior to allocation of funds.

Formatting Guidelines for the Three Submittals

Please use the following guidelines to help consistency:

- Please round all values to the thousand-dollar level (i.e. 2,501,000 instead of 2,500,750)
- Please do not use acronyms in your description and justification section narratives (i.e. HVAC should be spelled out to Heating, Ventilating and Air-Conditioning)
- Please use the full name of the building or buildings involved in the project (i.e. Johnson Humanities Building instead of Johnson)
- For Appropriated and Non-Appropriated projects, please place the name of the building or buildings involved in the project at the beginning of the title (i.e. Belk Science Building - Expansion).
- For R&R projects, please place the name of the building or buildings involved in the project at the end of the title (i.e. ADA Modifications – Belk Hall; Roof Repairs – 6 Buildings; Roof Replacements – Friday Hall, Carmichael Hall and Hines Hall).
- For Appropriated and Non-Appropriated projects, please use one of the following descriptions of the work: New; Replacement; Comprehensive Modernization; Conversion; Renovation; Expansion; Renovation and Expansion; Infrastructure Improvements; Acquisition; Land Acquisition; Advance Planning.

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- While campus-wide projects are acceptable, they should be of a reasonable dollar amount. Avoid lumping too much together such as “Plumbing Repairs, Steam Distribution Repairs and Air Duct Replacement – 3 Buildings.”
- While the “Campus-wide” designation might be appropriate for a minor roof repair project, the same designation on a high-dollar, multiple-roof replacement project raises questions.
- Where you have similar needs distributed across campus, it is acceptable to establish a single project (i.e. Athletic Facilities Improvements; Parking Facilities – Expansion). In the project description, please provide the expected locations for the work.
- Please retain the original headings, formatting, and font in the template.

If you have any questions regarding this request, please contact Terrance Feravich at (919) 962-4611 or by email at feravich@northcarolina.edu.

Please email your submissions to jrose@northcarolina.edu and feravich@northcarolina.edu.

Attachments

cc: Chief Finance Officers
Chief Facilities Officers
Capital Project Coordinators
Legislative Liaisons