

Minutes of the January 12, 2012 Meeting  
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Executive Conference Room of the Spangler Center in Chapel Hill, North Carolina on Thursday, January 12, 2012 at 2:00 p.m.

Committee members in attendance were Mr. W. Louis Bissette, Jr., Mr. John M. Blackburn, Mr. Walter C. Davenport, Dr. Fred N. Eshelman, Mr. Paul Fulton, Mr. Fred G. Mills, Mr. J. Bradley Wilson, and Mr. David W. Young. Necessarily absent was Governor James E. Holshouser, Jr. Other Board members in attendance were Chair Hannah D. Gage, Atul Bhula, W. Edwin McMahan, and Richard F. Taylor. Vice Presidents Laura Bernstein Fjeld, Charles Perusse and Anita Watkins; Associate Vice Presidents Ginger Burks, Jonathan Pruitt, Lynne Sanders, and Brooks Skinner; Associate Vice President for Finance and University Property Officer Terrance Feravich; Assistant Vice President Jeffrey A. Henderson; Director of State Government Relations Lesley Cates; and Project Management Officer Gwen Canady were in attendance. Chancellor Kenneth E. Peacock (ASU), Chancellor Steven Ballard (ECU), Chancellor Willie J. Gilchrist (ECSU), Chancellor Harold L. Martin, Sr. (NCA&TSU), Chancellor Charlie Nelms (NCCU), Chancellor W. Randolph Woodson (NCSU), Chancellor Anne Ponder (UNCA), Chancellor H. Holden Thorp (UNC-CH), Chancellor Philip L. Dubois (UNCC), Chancellor Kyle Carter (UNCP), Chancellor J. Todd Roberts (NCSSM), Chief Operating Officer George Burnette (UNCSA), Chief Finance Officer John Pierce (UNCA), Chief Finance Officer Elizabeth A. Hardin (UNCC), Chief Finance Officer R. Neil Hawk (UNCP), Provost and Executive Vice Chancellor David H. Perrin (UNCG), Chair of Faculty Assembly Sandy Gravett, and Assistant State Budget Officer for Education Elizabeth Grovenstein were in attendance as well as members of the press.

Chair Young convened the meeting. The minutes of the meeting of November 10, 2011 were approved.

1. The Fall 2011 Enrollment Report indicated that UNC-Chapel Hill had nonresident freshmen enrollment – for two consecutive years – that exceeded 18% of the freshmen class, an over-enrollment of twenty-four (24) nonresident freshmen students. The Board's policy [700.1.3], as shown below, required a budgetary adjustment at the institution.

*Beginning with the fall of 1994, any constituent institution, except the North Carolina School of the Arts, that exceeds the 18% out-of-state freshman enrollment limitation prescribed in paragraph (a) above for two consecutive fiscal years shall have its state operating budget reduced. This reduction shall be made in the second fiscal year in which the two consecutive fiscal years' condition is violated; the reduction shall be made, on a non-recurring basis, immediately after the Board of Governors approves the annual enrollment report at its November meeting. The budget reduction shall be based on the number of out-of-state freshmen enrolled in excess of the 18% limitation and the established method used for calculating the operating requirements for Regular Term enrollment changes.*

The required budget adjustment and freshmen enrollment information follow.

	Budget Adjustment	2011 Freshmen Enrollment				Total Freshmen
		Out-of-State Freshmen	%	In-State Freshmen	%	
UNC-CH	\$334,652	749	18.6%	3,277	81.4%	4,026

For the 2011-12 fiscal year, it was recommended that the budget for UNC-Chapel Hill be reduced by \$334,652. It was further recommended that the funds be reallocated to the Board's UNC need-based financial aid grant program for resident undergraduate students.

On the motion of Mr. Bissette, seconded by Dr. Eshelman, the recommendation was not approved.

2. The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the 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 University of North Carolina at Charlotte requested that the Board issue special obligation bonds for the purpose of (1) financing the construction of projects approved by the General Assembly and the Board of Governors, (2) paying capitalized interest on a portion of the Bonds related to the Projects, (3) refinancing of UNCC indebtedness and refunding all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of UNCC that resulted in sufficient savings, and (4) paying the costs incurred in connection with the issuance of the 2012 Bonds. The 2012 Bonds could be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the President of the University, or his designee, in consultation with the appropriate officers at UNCC, determined to be in the best interest of the University.

The issuance of bonds for the projects previously approved by the Board and the General Assembly would not exceed a par amount of \$145,000,000 and are listed below. These improvements would be funded from a combination of revenue sources including housing and dining receipts, and parking receipts. The PORTAL Building would be funded from facilities and administrative receipts.

The issuance of bonds to refund all or a portion of prior revenue bonds or special obligation bonds issued on behalf of UNC Charlotte and the 2011 Fire Sprinkler Loan would not exceed \$11,100,000. It was possible that no bonds would be refunded with this transaction.

### **NEW CONSTRUCTION**

Residence Hall X	(\$32,500,000)
Residence Hall XI	(\$31,000,000)
Parking Deck I	(\$6,000,000)
Parking Deck J	(\$16,500,000)
South Village Dining	(\$12,500,000)
PORTAL Building	(\$27,000,000)
Regional Utility Plant	(\$7,000,000)
2012 Fire Sprinkler Project	(\$7,000,000)

### **REFINANCING**

2011 Fire Sprinkler Loan Refinancing	(\$4,100,000)
Refunding Bonds	(\$7,000,000)

UNC Charlotte was currently rated Aa3 and AA- by Moody's Investor Service and Standard & Poors, respectively. After issuance of these bonds, it was expected UNCC would maintain its Aa3/AA- rating.

Barclays Capital would be the underwriter for the issue. Bank of America Merrill Lynch and Wells Fargo would be the co-underwriters. Robinson, Bradshaw and Hinson was bond counsel. RBC Capital Markets was the financial advisor.

It was recommended that the Resolution be adopted and that the President of the University, or his designee, be authorized to sell the special obligation bonds between the January 2012 and the February 2012 meetings of the Board.

On the motion of Mr. Blackburn, seconded by Mr. Bissette, the recommendation was approved.

3. In 2001, the UNCP University Foundation, LLC was organized as a non-profit entity to support and aid the University of North Carolina at Pembroke by providing modern residential facilities to students. In 2001, this Foundation acquired 12.82 acres adjacent to the UNCP campus and constructed a 336-bed student housing complex known as the University Courtyard Apartments.

The Board of Trustees had requested approval to lease the University Courtyard Apartments from the Foundation. The cost would be consistent with the current rate structure for comparable on-campus student housing. The leasing arrangement would enable UNCP to meet long-term projected housing demands and to manage all Foundation-owned housing. The initial lease term would be for five years with an option to renew the lease for two additional terms of five years each. Payments would be made from student housing receipts which would be used to retire the remaining tax-exempt, long-term indebtedness issued by the Foundation to cover the cost of constructing the facility.

The lease of the 336 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and would be subject to approval by the Council of State.

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

On the motion of Mr. Blackburn, seconded by Mr. Fulton, the recommendation was approved.

4. The University of North Carolina at Pembroke had requested authority to establish a new capital improvements project -- Chavis Dining Hall Renovation.

The project would make improvements to approximately 20,650 square feet of existing kitchen, serving, and dining space in the Chavis University Center (69,468 square feet, two-story, built in 1987). Work would include the installation of new equipment, furniture, lighting, finishes, fire suppression sprinkler system, and required modifications to existing building systems to accommodate five new foodservice venues and a new "Take-Out" service area. The project, to be completed by August 2012, was estimated to cost \$1,800,000 and would be funded from a combination of gifts from Sodexo, the food service vendor (\$630,000) and dining receipts (\$1,170,000).

It was recommended that this project be authorized and that the proposed methods of financing be approved.

On the motion of Mr. Davenport, seconded by Mr. Bissette, the recommendation was approved.

In 2006, the Board authorized the President to execute leases valued up to \$350,000 and other property interests up to \$500,000. The 2011 General Assembly further authorized the President to approve the acquisition of real property by lease without the approval of the Department of Administration, the Governor and Council of State if the lease was for a term of no more than 10 years. The following property transactions were approved under this delegation.

The University of North Carolina at Asheville – Acquisition of Real Property by Lease

Use:	The facility would provide clinic, counseling, office and support space for UNCA's Student Health and Counseling Center, Office of Advancement, the UNC Asheville Foundation, Alumni Affairs and the Office of University Events.
Owner:	North Carolina Mountain Area Health Education Center, Inc. (Teck Penland, President/CEO)
Location:	118 WT Weaver Boulevard, Asheville, N.C., Buncombe County
Description:	A 22,738 square foot medical office and clinic building built in 1993 on 3.2 acres fronting 547 feet on WT Weaver Boulevard in North Asheville -- Building is up-fitted with 25 exam rooms, x-ray room, procedure room and lab on the first floor. Second floor houses the residency program, faculty and administrative offices, break room, conference rooms, and utility room. Assessed by a team from the State Construction Office, the facility was found to be in good condition with minimal immediate needs identified (estimated to cost \$17,000).
Term:	2.5 years
Cost:	\$386,546 annually (\$17 per square foot) including utilities, custodial services, insurance, taxes, exterior maintenance, and trash collection

Source: Student health services fee, gifts, grants, and facilities and administrative receipts  
Approvals: The UNCA Board of Trustees recommended this action on December 2, 2011.

The University of North Carolina at Greensboro – Acquisition of Real Property by Lease

Use: UNCG had leased 800 parking spaces from the City of Greensboro at the corner of West Lee Street and Chapman Street since 2001. This new lease would continue the partnership that supported UNCG's Park & Ride Program.  
Owner: City of Greensboro  
Location: Corner of West Lee and Chapman Streets, Greensboro, N.C., Guilford County  
Description: Approximately 800 parking spaces at the Greensboro Coliseum Complex  
Term: Five-year initial term with two, five-year renewal options  
Cost: \$100,000 annually for the initial year and decreasing to \$75,000 annually for year four and year five -- The rent will remain \$75,000 annually for each year of any exercised options.  
Source: Parking receipts  
Approvals: The UNCG Board of Trustees recommended this action on September 15, 2011.

There being no further business, the meeting was adjourned.

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Mr. David W. Young, Chair  
Committee on Budget and Finance

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Mr. Paul Fulton, Secretary  
Committee on Budget and Finance