

COMMITTEE ON BUDGET AND FINANCE

Draft Minutes: April 10, 2014 at 12:30 p.m.
Spangler Center, Board Room, Chapel Hill, North Carolina

OPEN SESSION

The following members were present: Chair W. Louis Bissette, Jr., Roger Aiken, Fred N. Eshelman, Hannah D. Gage, W. Marty Kotis III, Scott Lampe, Joan G. MacNeill, and Harry L. Smith, Jr. Other Board members in attendance were Chair Peter D. Hans, Ann B. Goodnight, Thomas J. Harrelson, Henry W. Hinton, James L. Holmes, Jr., Rodney E. Hood, G. Leroy Lail, Steven B. Long, Mary Ann Maxwell, W. Edwin McMahan, W.G. Champion Mitchell, Hari H. Nath, Joan T. Perry, Therence O. Pickett, David M. Powers, Robert S. Rippy, J. Craig Souza, George A. Sywassink, Richard F. Taylor, and Raiford Trask III.

The following staff were present: President Tom Ross, Chief of Staff Kevin FitzGerald, Chief Operating Officer Charles E. Perusse, Vice Presidents Tom Shanahan and Andrew Moretz, Senior Associate Vice President Jonathan Pruitt and Assistant Vice Presidents Andrea Poole, Michael Vollmer and Jonathan Womer, other General Administration staff, Chancellors and other faculty/staff from the universities, staff from the Office of State Budget and Management, and members of the press.

1. The Open Minutes of February 20, 2014 were properly approved, and seconded.

On a motion made by Mr. Kotis, seconded by Mr. Aiken, the voting of each item would be recorded for this and future meetings.

2. Discussion -- Athletics Financial Transparency: President Ross established the Athletics Financial Transparency Working Group in the fall of 2013 and tasked it with reviewing the University's policies and governance practices associated with the financial monitoring and oversight of intercollegiate athletics programs. The Working Group reviewed existing policies and practices that related to the financial oversight of intercollegiate athletics, along with the current financial reporting requirements for NCAA Division I and Division II institutions. The Working Group also reviewed statements and recommendations from the Association of Governing Boards (AGB) that pertained to the financial oversight and governance of intercollegiate athletics and athletically-related associated entities; material from the Knight Commission on Intercollegiate Athletics; applicable provisions of the UNC Policy Manual; information from the U.S. Department of Education; and information available through the NCAA Financial Dashboard. The Working Group confirmed that each of the fifteen constituent institutions with intercollegiate athletics programs had overseen the financial operations of those programs at the most senior management level, with regular and detailed reporting to the chancellor. Oversight by

boards of trustees was accomplished through a variety of arrangements, including review of information by athletics committees, finance committees, or audit committees. The Working Group also confirmed that each institution gathered, reported, and had access to detailed financial information concerning athletics programs in connection with standards, regulations, and audit and reporting requirements of the U.S. Department of Education, the NCAA, and the UNC Policy Manual.

- 3: Sale of Special Obligation Bonds – ASU: Appalachian State University had requested that the Board issue special obligation bonds for the purpose of (1) renovations to Anne Belk Hall, (2) renovations to Belk Residence Hall, (3) renovations and upgrades to the field hockey field, (4) refunding all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of Appalachian State University that resulted in sufficient savings, and (5) paying the costs incurred in connection with the issuance of the 2014 Bonds. The issuance of bonds for these projects would not exceed a par amount of \$36,965,000.

A vote was taken by the committee on the motion, which did pass. [unanimous vote of those in the room – Mr. Kotis was not in the room.]

4. Sale of Special Obligation Bonds – UNCG: The University of North Carolina at Greensboro had requested that the Board issue special obligation bonds for the purpose of (1) financing (a) the acquisition of residence halls on the UNC Greensboro campus known as Spartan Village and (b) the construction and equipping of a new student recreation center, and (2) costs incurred in connection with the issuance of the 2014 Bonds. The issuance of bonds for these projects would not exceed a par amount of \$138,000,000.

A vote was taken by the committee on the recommendation, which did pass. Mr. Aiken recused from the vote. [unanimous vote]

5. Tuition Bill Transparency: The Board had requested that a statement be developed to accompany each resident student's tuition bill. A proposed example with the following criteria was examined for the 2014-15 academic year:

- Current tuition rates for resident and nonresident undergraduate students
- Current fees charged to all students
- A graphical display of the uses of tuition receipts in the following categories:
 - academic and institutional support,
 - instruction,
 - need-based financial aid,
 - student services, and

- operation and maintenance of plant and other expenses
- A statement indicating the level of direct funding support provided by the State of North Carolina for each resident student

It was recommended that the Board of Governors adopt the proposed tuition statement for inclusion in the 2014-15 billing cycle.

The statement was amended to insure that the amount shown in the statement for “need-based financial aid” did not include state appropriations. A vote was taken by the committee on the amended recommendation, which did pass. [unanimous vote]

6. Conditional Authorization of School-Based Tuition for Master of Professional Science in Toxicology – UNC-CH: The University of North Carolina at Chapel Hill had requested authority to establish a new Master of Professional Science in Toxicology degree program. If approved, UNC-CH requested a school-based tuition rate of \$8,000 to support the program. This tuition was in addition to the tuition rates approved for resident graduate students (\$8,693) and nonresident graduate students (\$25,904). Differential school-based tuition rates for new programs were reviewed for approval concurrent with new program review by the Board. Conditional to this program’s approval by the Board, UNC-CH requested tuition rates to be established as follows:

Master of Professional Science in Toxicology	
Resident	\$16,693 in 2014-15
Nonresident	\$33,904 in 2014-15

A vote was taken by the committee on the recommendation, which did pass. [unanimous vote]

7. Authorization of New Capital Improvements Projects – UNC-CH, UNCC, and UNCG: The University of North Carolina at Chapel Hill, the University of North Carolina at Charlotte, and the University of North Carolina at Greensboro had requested authority to establish new capital improvements projects using available funds derived from receipts, student fees, foundation funds, trust funds, research facilities and administrative funds, and carry forward operating funds.

UNC-Chapel Hill - Medical Biomolecular Research Building Energy Conservation
 UNC-Chapel Hill - Genetic Medicine Building - Vivarium Equipment
 UNC-Chapel Hill - Davis Library Life/Safety Improvements
 UNC-Chapel Hill - North Branch - Replacement of 1928 Storm Water Trunk Line
 UNC-Charlotte - Campus Infrastructure Renewal
 UNC-Charlotte - South Entrance Roadway Improvements
 UNC-Greensboro - Tower Village Fire Alarm Replacement

The University of North Carolina at Chapel Hill had requested authority to increase the scope of the following previously approved capital improvements projects:

Vivarium Equipment Replacement - Taylor Hall
Mary Ellen Jones Building Renovations, Phase I - Vivarium Renovation
Howell Hall Renovation
UNC-Chapel Hill - Lighting Upgrades in Campus Parking Facilities

A vote was taken by the committee on the recommendation, which did pass. [Mr. Kotis voted no; all others, yes]

8. UNC Efficiency Policy: In 2013, the Program Evaluation Division of the NC General Assembly (PED) conducted a study and report of operational efficiencies in the UNC system. The report was presented to the Joint Legislative Program Evaluation Committee in December 2013. The report recommended that the General Assembly require the Board of Governors and UNC to:
1. Adopt a policy that defined the vision and goals for operational efficiency
 2. Develop a comprehensive approach to operational efficiency
 3. Adopt metrics to track operational performance, use those metrics in funding decisions, and identify appropriate sources to monitor operational efficiency
 4. Link chancellor performance to operational efficiency goals

The report also recommended that the General Assembly amend state law to allow UNC to reinvest documented savings generated from operational efficiency efforts.

The Joint Legislative Program Evaluation Committee met in March to consider draft legislation for these recommendations, but delayed action until April.

In the response to the report, UNC noted the Board of Governors' strong commitment to operational efficiency, as evidenced by Goal 4 (Maximizing Efficiencies) in the Board's Strategic Plan. However, UNC agreed to raise the issue of a formal policy with the Board of Governors, and also agreed to provide an interim report on any metrics adopted by May 1, 2014.

The proposed Policy 1300.6 on Efficiency and Effectiveness, as amended in Committee, was recommended for approval. (see Attachment)

A vote was taken by the committee on the recommendation, which did pass. Policy 1300.6 would be presented to the Board for final vote at its June 2014 meeting. [unanimous vote of those in the room – Dr. Eshelman was not in the room]

9. Disposition of Real Property by Lease – WCU: Western Carolina University had requested approval to lease its Millennial Campus to its Endowment Fund for 65 years in order to speed development of the property. The Endowment Fund would have the ability to enter into subleases without further statutory, policy, or regulatory approval.

A vote was taken by the committee on the recommendation, which did pass. [unanimous vote]

- 10: Acquisition of Space by Lease - NCA&TSU and UNCG: North Carolina A&T State University and the University of North Carolina at Greensboro had requested approval to acquire space by lease as part of a public-private partnership involving a private developer, Cone Health, Guilford Technical Community College, the City of Greensboro, and other institutions.

Union Square Campus, Inc., a non-profit entity formed for this collaboration was building a \$37 million, 100,000 square-foot facility to focus on health care education in downtown Greensboro. The space would house expansion of the university nursing programs, community college nursing programs, and training facilities for Cone Health. The building would include office space, laboratory space, and health care education space, including a simulation lab. NCA&TSU was expected to lease 25,000 square feet, and UNCG was expected to lease 33,000 square feet, both for 10 years at \$18 to \$23.50 per square foot per year.

A vote was taken by the committee on the recommendation, which did pass. [Dr. Eshelman abstained from the vote; all others voted yes]

11. Acquisition of Property – ECU: The Board of Trustees of East Carolina University had requested approval to acquire by deed property, contiguous to the main campus on three sides, for future campus expansion. The property was identified in the campus Master Plan.

Located at 511 East 10th Street in Greenville, Pitt County, the property was 0.66 acres with a 5,400 square-foot brick and concrete block structure built in 1950. This property would become part of the new ECU Student Union currently under design and approved by the Board of Governors on February 21, 2014. The structure would be demolished in preparation for the Student Union construction.

The negotiated purchase price was \$775,000 and was supported by the State Property Office. The purchase would be funded with auxiliary overhead receipt funds.

A vote was taken by the committee on the recommendation, which did pass. [unanimous vote of those in the room – Dr. Eshelman was not in the room]

12. Property Actions Approved Under Delegated Authority:

- For NCSU -- disposition of real property by easement at the intersection of Trailwood Drive and Main Campus Drive
- For UNCW – disposition of real property by lease to NextGlass, Inc.

This item was for information only.

13. Student Health Services Fee - UNC-CH. At the February meeting, the Board of Governors approved all tuition and fee rates at UNC constituent institutions for the 2014-15 academic year with the exception of the Student Health Services Fee at UNC-Chapel Hill.

The fee and the services that were supported by the fee were reviewed. As a result, UNC-Chapel Hill requested approval of a Student Health Services Fee of \$416, which was \$20 less than the fee paid by students in 2013-14. Further, the campus was removing some programs that had previously been supported by the fee. UNC-Chapel Hill would also conduct a comprehensive external review of Student Health Services.

A vote was taken by the committee on the recommendation, which did pass. [unanimous vote of those in the room – Dr. Eshelman was not in the room]

14. Discussion -- FY 2013-14 Budget Management: Mr. Perusse shared with the Committee a letter received from Governor Pat McCrory about 2013-14 budget management initiatives and discussed spending guidelines for the remainder of the fiscal year.

W. Louis Bissette, Jr., Chair
Committee on Budget and Finance

Harry Leo Smith, Jr., Secretary
Committee on Budget and Finance

Policy on Efficiency and Effectiveness

The Board of Governors, consistent with its responsibility for the general direction and control of the University of North Carolina, is committed to ensuring continuous improvement in the consistency, efficiency and effectiveness of the operations of the University of North Carolina system, including the constituent institutions. It shall be the policy of the Board of Governors, the University's General Administration and the constituent institutions to identify and implement efficiencies that strengthen processes and productivity, that compete favorably with our peers and that generate cost or resource savings that may be reinvested to support key initiatives, [approved by the Board of Governors](#), within the University's core mission of teaching, research, and public service.

The Board of Governors delegates to the president authority and responsibility to lead the University in the identification, implementation, and realization of academic and non-academic efficiencies in any area including, but not limited to, expanded shared services, strategic sourcing, non-instructional positioning, credit hour production, information technology infrastructure, utilization of facilities, and energy consumption. The Board of Governors shall, on recommendation of the president, [adopt metrics to track operational performance and shall](#) ensure that the University has the resources and expertise necessary to identify and implement efficiencies. The president shall report to the Board of Governors at least annually starting with calendar year 2014 on the progress of these initiatives and identified metrics. This policy shall be implemented and applied in accordance with such regulations and guidelines as may be adopted by the president.