

DRAFT MINUTES

October 10, 2016

University of North Carolina General Administration
C.D. Spangler Building, Executive Conference Room
Chapel Hill, North Carolina

This regular meeting of the Committee on Budget and Finance was presided over by Chair Scott Lampe. The following committee members, constituting a quorum, participated via teleconference: Roger Aiken, Hannah D. Gage, J. Alex Mitchell, David Powers, Harry L. Smith, Jr., Chancellor Sheri Everts, and Chancellor Randy Woodson. The following committee members were absent: G.A. Sywassink, James L. Holmes, Jr., William “Marty” Kotis, and Chancellor Philip L. Dubois. Staff member present was Jonathan Pruitt.

Others present included: Members of the Board of Governors, Chancellors, General Administration staff, faculty/staff from the constituent institutions, and members of the press.

1. Call to Order and Approval of OPEN Session Minutes

Chair Lampe called the meeting to order at 3:03 p.m. on Monday, October 10, 2016, and called for a motion to approve the open session minutes of September 6 and September 8, 2016.

MOTION: Resolved, that the Committee on Budget and Finance approves the open session minutes of September 6 and September 8, 2016, as distributed.

Motion: Harry Smith

Motion carried

2. Refinance of Housing Foundation Indebtedness – UNCP

Associate Vice President Michael Vollmer presented the request from The University of North Carolina at Pembroke (UNCP) to authorize amendments to previously approved use agreements for University Village Apartments and Oak Hall on the campus of UNCP that were constructed through a university-related nonprofit entity. In total, the University estimated that it could achieve approximately \$1.7 million in gross cash savings and \$1.09 million in net present value savings, representing 7.15% of refunded par amount of bonds.

MOTION: Resolved, that the Committee on Budget and Finance approves the request from UNC Pembroke to authorize amendments to previously approved use agreements for University Village Apartments and Oak Hall on UNCP's campus.

Motion: Roger Aiken

Motion carried

3. Sale of Special Obligation Bonds Refinancing – UNCW

Mr. Vollmer presented the request from The University of North Carolina at Wilmington that the Board issue a special obligation bonds in an amount not to exceed \$12,000,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings and (2) paying the costs incurred in connection with the issuance of the 2016 Bonds. In total, the University estimated that it could achieve approximately \$3.47 million in gross cash savings and \$2.2 million in net present value savings, representing 18.6% of refunded par amount of bonds.

Board members reiterated that state aid interception would help leverage the financial strength of smaller institutions and that further exploring this option should be added as an operational cost goal for the future. Additionally, an assessment of Public Private Partnerships (P3s) transactions should also be looked into with greater detail.

MOTION: Resolved, that the President of the University, or her designee, be authorized to sell the special obligation bonds through the authorizing resolution.

Motion: Roger Aiken

Motion carried

4. Sale of Special Obligation Bonds Winkler Hall and Refinancing – ASU

Mr. Vollmer presented the request from Appalachian State University that the Board issue special obligation bonds in an amount not to exceed \$55,000,000 for the purpose of refinancing \$24,385,000 of outstanding indebtedness issued in 2009 and 2010 and for constructing a replacement for Winkler Residence Hall.

In total, the University estimated from the refunding portion of this issue that it could achieve approximately \$1.9 million in gross cash savings and \$1.48 million in net present value savings, representing 6.07% of refunded par amount of bonds.

MOTION: Resolved, that the President of the University, or her designee, be authorized to sell the special obligation bonds through the authorizing resolution.

Motion: Roger Aiken

Motion carried

5. Sale of Special Obligation Bonds – UNC Hospitals

Mr. Vollmer presented the request from UNC Hospitals that the Board issue special obligation bonds in an amount not to exceed \$110,000,000 for the purpose of constructing a new Surgical Pavilion at its main campus in Chapel Hill.

Mr. Aiken and Mr. Powers recused themselves from this item due to their affiliation with Wells Fargo and Womble Carlyle Sandridge & Rice LLC, respectively.

MOTION: Resolved, that the President of the University, or her designee, be authorized to sell the special obligation bonds through the authorizing resolution.

Motion: Harry Smith

Motion carried

6. Capital Improvements Projects – ASU, ECU, NCSU, UNC-CH, and UNCC

Associate Vice President Will Johnson presented requests for 15 capital improvement projects from five constituent institutions: four projects for advance planning, four projects for increased authorization, and seven new projects for authority.

MOTION: Resolved, that the Board of Governors approve these projects and that they be authorized and reported to the Office of State Budget and Management as non-appropriated projects do not require any additional debt or burden on state appropriations.

Motion: Harry Smith

Motion carried

7. Acquisition of Property by Lease – UNC-CH

Mr. Johnson introduced the request for the Board to renew the current lease and location for the Renaissance Computing Institute (RENCI) at the University of North Carolina at Chapel Hill (UNC-CH). RENCi was launched in 2004 as a collaboration involving UNC-CH, Duke University, and North Carolina State University.

MOTION: Resolved, that the Board of Governors approve these projects and that the property acquisitions be transmitted to the Council of State for final action.

Motion: Harry Smith

Motion carried

8. Disposition of Property by Lease – WCU

Mr. Johnson introduced the request made by the Endowment Fund of Western Carolina University (WCU) to subground lease approximately two acres of land located on the Western Carolina University Millennial Campus to Summit Healthcare Group, LLC for a term of fifty (50) years plus renewal options and rent at fair market value of \$0.11 per square foot, totaling \$4,300 per acre.

MOTION: Resolved, that the Board of Governors approve these projects and that the property acquisitions be transmitted to the Council of State for final action.

Motion: Roger Aiken

Motion carried

9. Connect NC 2016 Bond Report

On March 15, 2016, the citizens of North Carolina approved the Connect NC 2016 bond referendum. The Connect NC 2016 bond contained 21 capital improvements projects at all 17 University of North Carolina institutions, 14 new projects, and seven renovation projects that totaled \$1,065,000,000 in bond funding. Other funds, including non-General Funds, had contributed to the projects at nine UNC institutions bringing the total to \$1,288,991,792.

10. Change of Vote re: Sale of Special Obligation Bonds – UNC-CH

During its October 2015 meeting, the Board unanimously approved the issuance of special obligation bonds for capital improvements projects at UNC-Chapel Hill. At the time, Board Member Rodney Hood inadvertently voted in favor of selecting JPMorgan as an underwriter for the bond offering, but has since discovered a potential conflict regarding his vote. Mr. Hood would like to change his vote to “abstain.”

MOTION: Resolved, that the Committee on Budget and Finance approves the change in vote.

Motion: Roger Aiken

Motion carried

Mr. Pruitt gave a preview of Thursday’s meeting which included discussing the next steps of the Strategic Plan Process, Affordability and Efficiency, and requested that the Board consider two draft goals.

There being no further business, the meeting adjourned at 3:48 p.m.

William “Marty” Kotis, Secretary

October 13, 2016

University of North Carolina General Administration
Center for School Leadership Building, Board Room
Chapel Hill, North Carolina

This regular meeting of the Committee on Budget and Finance was presided over by Chair Scott Lampe. The following committee members, constituting a quorum, were in attendance: Roger Aiken, Hannah D. Gage, James L. Holmes, Jr., J. Alex Mitchell, William “Marty” Kotis, David Powers, Chancellor Philip L. Dubois, and Chancellor Sheri Everts. Staff member present was Jonathan Pruitt. The following committee members were absent: William “Marty” Kotis, G.A. Sywassink, and Chancellor Randy Woodson.

Others present included: Members of the Board of Governors, Chancellors, General Administration staff, faculty/staff from the constituent institutions, and members of the press.

The Chair called the meeting to order at 2:30 p.m. on October 13, 2016.

11. Strategic Plan Working Documents: Summary Memorandum

During the September Board of Governors meeting, the Chair of the Committee on Strategic Planning requested that each committee write a memorandum to summarize discussion related to the chancellors’ proposed goals, as well as additional topical areas for discussion. Between the September and October Board of Governors meetings, the chair of the Committee on Strategic Planning provided feedback on the committee’s summary memorandum.

Based on past committee discussions and feedback from the Chair of the Committee on Strategic Planning, the committee had written a set of draft goals. Jonathan Pruitt reviewed the two draft goals, affordability and efficiency.

12. Strategic Plan Working Documents: Draft Goals

Based on past committee discussions and feedback from the Chair of the Committee on Strategic Planning, the committee has written a set of draft goals.

Chair Lampe recapped the language found in the goals of the draft goals, affordability and efficiency, as follows:

Draft Goal 1: Affordability

Goal: Offer education of equal or higher quality at a cost that is attainable to students and families in North Carolina.

Draft Goal 2: Efficiency

Goal: To pursue and utilize increased operational and financial flexibility for the benefit of the educational, research, and public service missions of The University of North Carolina.

13. 2016-17 Capital Improvements Allocations

Mr. Johnson explained that while the Board approves and then requests funding or authorization from the General Assembly for major capital improvements projects, funds for Repairs and Renovations projects are appropriated to the Board of Governors for allocation to the institutions. The 2016 Appropriations Act [S.L. 2016-94 (HB 1030)], Section 31.5(d) requires "In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, the Board of Governors shall consider all of and only the following:

- 1) The amount of each campus' deficiencies documented pursuant to the Facilities Condition Assessment Program.
- 2) The availability of non-state resources and carry-forward funds available for repair and renovations at each campus, which shall be negatively weighted in making allocation decisions."

Mr. Johnson presented the proposed Allocations for Capital Improvements for fiscal year 2016-17. The 2016 General Assembly appropriated \$81,400,000 to the statewide Reserve for Repairs and Renovations. Eight (8) specific capital projects for other state agencies were earmarked at a value of \$13,923,000, to be deducted from the \$81,400,000. This yielded a net Reserve for Repairs and Renovations equal to \$67,477,000, of which \$33,738,500 (one-half) was allocated to the Board of Governors.

MOTION: Resolved, that the Board of Governors approves the proposed Allocations for Capital Improvements for 2016-17. It was recommended that the President be authorized to make refinements in the interest of accuracy and completeness. It was further recommended that the President be authorized to seek such concurrence as may be required of the Director of the Budget in the foregoing allocations.

Motion: Harry Smith

Motion carried

There being no further business, the meeting adjourned at 3:38 p.m.

William "Marty" Kotis, Secretary