

September 5, 2017 at 10:00 a.m.  
University of North Carolina General Administration  
Spangler Center, Executive Conference Room  
Chapel Hill, North Carolina

## AGENDA

### OPEN SESSION

- A-1. Approval of the Minutes of May 15, July 11, and July 13, 2017 ..... O. Temple Sloan III
  - a. [May 15, 2017](#)
  - b. [July 11, 2017](#)
  - c. [July 13, 2017](#)
- A-2. [2016-17 Annual Report of the Committee on Budget and Finance](#) ..... Jonathan Pruitt
- A-3. [Sale of Special Obligation Bonds – ECU](#) ..... Jonathan Pruitt
- A-4. [Sale of Special Obligation Bonds – UNCC](#) ..... Jonathan Pruitt
- A-5. [Capital Improvement Projects – ECU, FSU, NCA&T, NCSU, UNC-CH, UNCC, UNCG, UNCSA, WCU, and WSSU](#) ..... Will Johnson
- A-6. [Disposition of Property by Demolition – ECU and FSU](#) ..... Will Johnson
- A-7. [Report Deregulation](#) ..... Nathan Knuffman
- A-8. Adjourn

## DRAFT MINUTES

May 15, 2017

University of North Carolina General Administration  
Spangler Center, Conference Room C  
Chapel Hill, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Scott Lampe. The following committee members, constituting a quorum, were also present by phone: Roger Aiken, Hannah Gage, Jim Holmes, Marty Kotis, Alex Mitchell, David Powers, Harry Smith, and G.A. Sywassink.

Chancellors participating were Phillip Dubois, Sheri Everts, and Randy Woodson.

Staff members present included Jonathan Pruitt and others from General Administration.

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### 1. Call to Order and Approval of OPEN SESSION Minutes (Item A-1)

The Chair called the meeting to order at 2:02 p.m., on Monday, May 15, 2017, and called for a motion to approve the open and closed session minutes of March 2, March 17, and April 26, 2017.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the open and closed session minutes of March 2, March 17, and April 26, 2017, as distributed.

**Motion:** Roger Aiken

**Motion carried**

### 2. Approval of Use Agreement – UNC Pembroke (Item A-2)

Senior Vice President Jonathan Pruitt reviewed the specific financial terms and the previously-approved lease extension of the existing housing foundation finance for the University Courtyard Apartments at The University of North Carolina at Pembroke (UNCP). The lease didn't originally match the term of the bond. This would give authorization to address the use agreement requested.

**MOTION:** Resolved, that the Committee on Budget and Finance approve that The University of North Carolina at Pembroke enter into the use agreement as set out in the resolution and recommend it to the full Board of Governors for a vote through the consent agenda.

Mr. Aiken recused himself from this item due to his affiliation with Wells Fargo.

**Motion:** Harry Smith

**Motion carried**

### **3. Acquisition of Property by Deed – ECU (Item A-3)**

Associate Vice President Will Johnson presented East Carolina University's request for acquisition of six remaining properties needed for the site of the Connect NC 2015 Life Sciences and Biotechnology Building and related parking deck. The total purchase price would be \$1,671,250 from Auxiliary Overhead Receipts.

With Board approval, these property acquisitions would be transmitted to the Council of State for final action.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the acquisition of these real estate properties and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** David Powers

**Motion carried**

### **4. Disposition of Property by Demolition – UNC Greensboro (Item A-4)**

Mr. Johnson explained that The University of North Carolina at Greensboro had requested to demolish the McIver Building in Greensboro. The estimated demolition cost of \$1.6 million would be funded by the Connect NC 2015 Bond. Upon demolition, the site would be used for the Connect NC 2015 Nursing and Instructional Building.

With Board approval, this property disposition would be transmitted to the Council of State for final action.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the disposition of property for demolition and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Roger Aiken

**Motion carried**

### **5. Disposition of Property by Demolition – WSSU (Item A-5)**

Mr. Johnson presented Winston-Salem State University's request to demolish the conjoined Health Building and Old Nursing Building located in Winston-Salem. The expected demolition cost of \$300,000 would begin in September 2017. Upon demolition, the site would be used as green space on the campus.

With Board approval, this property disposition would be transmitted to the Council of State for final action.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the disposition of property for demolition and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Smith

**Motion carried**

#### **6. Disposition of Property by Easement – ECU (Item A-6)**

Mr. Johnson reviewed ECU's request for authorization to dispose of property by way of the conveyance of easement rights to the City of Greenville associated with storm water drainage improvements as part of the Town Creek Culvert Project. The City requested use of 18 separate land parcels from ECU for a total cost of ten dollars (\$10.00).

With Board approval, this property disposition would be transmitted to the Council of State for final action.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the disposition of property for by easement and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Roger Aiken

**Motion carried**

#### **7. Capital Improvement Projects – ECU, NCCU, NCSU, UNC-CH, UNCC, UNCW, WCU, and UNC-TV (Item A-7)**

Mr. Johnson introduced a request for 29 capital improvement projects at seven constituent institutions and UNC-TV: four projects for advance planning, two projects for increased authorization, and 23 new projects for authority.

With Board approval, these projects would be reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the Capital Improvement Projects for ECU, NCCU, NCSU, UNC-CH, UNCC, UNCW, WCU, and UNC-TV and recommend it to the full Board of Governors for a vote through the consent agenda.

Mr. Kotis requested that the minutes reflect that he voted no.

**Motion:** Harry Smith

**Motion carried**

There being no further business, the meeting adjourned at 2:35 p.m.

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Harry Smith, Secretary

## DRAFT MINUTES

July 11, 2017

University of North Carolina General Administration

Spangler Center, Conference Room A

Chapel Hill, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were also present by phone: Walter Davenport, Harry Smith, Kellie Blue, Carolyn Coward, Thomas Fetzer, and Bob Rucho.

Chancellors participating were Carol Folt and Harold Martin.

Staff members present included Jonathan Pruitt and others from General Administration.

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### 1. Call to Order and Approval of OPEN SESSION Minutes (Item A-1)

The Chair called the meeting to order at 11:01 a.m., on Tuesday, July 11, 2017, and called for a motion to approve the open session minutes of May 15 and May 18, 2017.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the open minutes of May 15 and May 18, 2017, as distributed.

**Motion:** Harry Smith

**Motion carried**

### 2. 2017-19 Budget Update (Item A-2)

Senior Vice President Jonathan Pruitt gave an overview of the 2017-19 Budget Update and noted that it was for information only and required no vote.

Vice President Nathan Knuffman gave details of the 5.2% recommended increase that the UNC System received which was nearly doubled the increase provided to the rest of the state government. He also gave details of the recommended reductions. More details of the budget allocations will be provided at the September meeting.

### 3. Approval of Replacement Line of Credit Agreement – UNC-CH (Item A-3)

Mr. Pruitt presented UNC Chapel Hill's request for Approval of Replacement Line of Credit. The existing line of credit, \$100 million, with U.S. Bank National Association was set to expire in September 2017. UNC-CH undertook a competitive bid process to seek proposals for a replacement line of credit and received the most favorable bid from TD Bank, N.A.

With Board approval, the execution and delivery of the line of credit agreement would not impact UNC-CH's issuer credit rating.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the replacement line of credit agreement at UNC-CH and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Harry Smith

**Motion carried**

### 4. Capital Improvement Projects – ECU, NCSU, UNC-CH, UNCC, UNCG, WCU, WSSU, and UNC-TV (Item A-4)

Mr. Johnson introduced a request for 11 capital improvement projects at seven constituent institutions and UNC-TV: four projects for increased authorization, one project for funding source change, and six new projects for authority.

With Board approval, these projects would be reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the Capital Improvement Projects for ECU, NCSU, UNC-CH, UNCC, UNCG, WCU, WSSU, and UNC-TV and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** Walter Davenport

**Motion carried**

There being no further business, the meeting adjourned at 11:21 a.m.

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Harry Smith, Secretary

## DRAFT MINUTES

July 13, 2017  
University of North Carolina at Asheville  
Wilma Sherrill Center, Room 411  
Asheville, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were also present: Walter Davenport, Harry Smith, Kellie Blue, Carolyn Coward, Thomas Fetzer, and Bob Rucho.

Chancellor participating was Carol Folt.

Staff members present included Jonathan Pruitt and others from General Administration.

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Mr. Sloan called the meeting to order at 2:30 p.m., on Thursday, July 13, 2017.

### 1. Updates on Recent Activities (Item B-1)

Senior Vice President Jonathan Pruitt gave an overview of the responsibilities of the Committee and recent areas of focus.

### 2. Discussion of Activities for the Upcoming Year (Item B-2)

Chair Sloan introduced potential topics for committee work in 2017-18:

- What has driven tuition increases over the past 10 years?
- Policy on tuition going forward
- Policy on student fees going forward
- Overhead costs
  - GA office and individual campuses
  - Consolidated
- Strategy on shared services model
- Financial information
  - Campus balance sheets
  - Consolidated balance sheets
  - Cash reporting/liquidity
  - Cash balances
  - Review non-GF revenue at regular intervals

- Capital construction costs/process
- Funding model reform
- Data modernization
- Use of R&R and Carryforward
- Debt consolidation program/recapitalize capital debt

Next, Chair Sloan requested additional ideas for committee work in 2017-18:

- Eliminate redundancies and compliance
- Efficiency of information collection
- How to manage capital construction more efficiently
  - Account for R&R and operational expense upfront
- Tuition affordability – how to reduce costs without compromising quality
  - Why college education cost grows faster than other items and areas
  - Consider cost relative to outcomes generated

There being no further business, the meeting adjourned at 3:30 p.m.

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Harry Smith, Secretary



## AGENDA ITEM

A-2. 2016-17 Annual Report of the Committee on Budget and Finance ..... Jonathan Pruitt

**Situation:** Each standing committee submits an annual report of its activities to the Board of Governors.

**Background:** Under the UNC Policy Manual, Section 302 E of The Code, "Each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year."

**Assessment:** The Annual Report on the activities of the Committee on Budget and Finance for fiscal year 2016-17 is ready for review and submission.

**Action:** This item requires a vote by the committee to accept the report for submission to the Board of Governors.

## DUTIES AND MEMBERSHIP

The Committee on Budget and Finance advises and consults with the Board of Governors' Chair and the President concerning budget policy and preparation; considers the budget proposed by the President, recommends modifications if needed, and approves the budget for consideration by the Board; makes recommendations to the Board for allocation of funds appropriated by the General Assembly; works with the Committee on Educational Planning, Policies, and Programs to ensure the proper funding of strategic objectives; and submits recommendations to the Board with respect to capital improvement projects, institutional borrowings, and property transactions, as well as other budgetary and financial matters within the jurisdiction of the Board of Governors. This report summarizes the work of the committee from July 2016 through June 2017.

The Committee on Budget and Finance was composed of the following members: Roger Aiken, Hannah Gage, James L. Holmes, Jr., William (Marty) Kotis II, Scott Lampe, J. Alex Mitchell, David Powers, and Harry L. Smith. Mr. Lampe served as Chair, Mr. Holmes served as Vice Chair, and Mr. Kotis served as Secretary.

Chancellor Philip L. Dubois (UNCC), Chancellor Sheri Everts (ASU), and Chancellor Randy Woodson (NCSU) were assigned to the committee.

## ACTIONS

The Committee on Budget and Finance met in nine meetings between July 1, 2016 and June 30, 2017. The major actions of the committee are summarized as follows:

### **BUDGETS and ALLOCATIONS, TUITION and FEES**

During the year, the committee made specific recommendations for consideration by the Board related to budget requests, allocations of funds, and adjustments of tuition and fee rates.

#### **2016-17 Operating Budget Allocations Requiring Board Approval:**

The proposed 2016-17 Allocations for the Operating Budget were recommended for Board approval. The budget included specific allocations of funding to the constituent institutions and UNC General Administration: Enrollment Change funding (\$31,000,000), Management Flexibility Reduction (-\$44,914,851), and Compensation Bonus Reserve (nonrecurring funds of \$20,160,414) were appropriated for a one percent merit-based bonus for both EHRA and SHRA employees.

#### Enrollment Change Funding

The 2015 General Assembly appropriated \$31,000,000 for enrollment funding in the UNC system for 2016-17, which was 94 percent of the requested \$32,972,533. The appropriation was allocated to the campuses proportionally based on updated enrollment growth projections.

Systemwide, enrollment was expected to increase by 2,943 FTE students. While in previous years, enrollment appropriations were allocated directly to the campuses through the continuation budget, the General Assembly made the appropriation to UNC-GA, Institutional Programs (BOG Reserve). The enrollment change request and allocations were based on the University's student-credit-hour funding model, except for the components that remain on the FTE funding model. UNC-GA, Institutional Programs (BOG Reserve).

#### Management Flexibility Reduction

The 2015 General Assembly directed an additional management flexibility recurring reduction of \$43,593,567 to take effect in 2016-17. A nonrecurring reduction of \$3 million was also implemented in 2016-17. The 2016 General Assembly also mandated an additional \$16,354,396 in flex cuts. The Appropriations Act prohibited reductions to certain campuses (ECSU, FSU, UNCA, UNCSA, and NCSSM) and outlined other parameters for allocating the reductions for the 2015-17 biennium.

Five BOG-adopted efficiency and effectiveness metrics and three additional factors were considered in the reduction methodology for the remaining institutions, in order for institutions increasing performance or exceeding peer averages to receive a lower reduction. In addition, \$7,684,140 of the reduction was allocated to campuses based on the amount of state funds spent on advancement activities in excess of \$1 million in 2014-15.

#### Compensation Bonus Reserve (merit-based)

Nonrecurring funds of \$20,160,414 were appropriated for a one percent merit-based bonus for both EHRA and SHRA employees. The Board of Governors was required to determine the criteria for disbursement among EHRA employees; SHRA guidelines will be governed by the NC Office of State Human Resources (OSHR).

#### **Additional Budget Actions Not Requiring Board Approval:**

The General Assembly mandated reductions and increased appropriations directly to several campus budgets, which did not require Board allocation. These are described on the following pages for information only. Additionally, although funding for compensation and benefit changes was appropriated directly to the UNC budget, Section 36.17 directed the Office of State Budget and Management (OSBM) to determine the allocation of these funds. Unless otherwise noted, appropriations were made in the 2016 Appropriations Act [S. L. 2016-94 (HB 1030)].

#### Compensation Increase Reserve:

The General Assembly appropriated \$41,966,294 in recurring funds for a 1.5 percent across-the-board salary increase for UNC employees both subject to and exempt from the State Human Resources Act (SHRA and EHRA). The recurring funds impacted the employee's base salary and retirement contributions.

The General Assembly also appropriated nonrecurring funds of \$13,854,891 for a 0.5 percent one-time bonus for UNC employees both subject to and exempt from the State Human Resources Act (SHRA and EHRA). This bonus was not be considered part of an employee's annual salary or base rate of pay for retirement purposes. The Office of State Budget and Management (OSBM) was directed to determine the allocation of these appropriated funds to each constituent institution

Retirement Funding – TSERS and ORP:

The General Assembly appropriated \$3,664,607 in recurring funds in order to increase the state's contribution for members of the Teachers' and State Employees' Retirement System (TSERS) from 15.32 percent to 16.12 percent. Nonrecurring funds of \$5,496,911 were also appropriated to provide a 1.6% one-time cost-of-living supplement to retirees. A recurring reduction of \$340,923 decreased the state's contribution for members of the Optional Retirement Program (ORP) from 20.32 percent to 21.12 percent to match the actuarially determined contribution for the Disability Income Plan. The Office of State Budget and Management (OSBM) was directed to determine the allocation of these appropriated funds to each constituent institution. No action was required by the Board of Governors to allocate these funds.

Reimburse Fine Assessed Against UNC-Chapel Hill for Exceeding Out-of-State Student Admission Limit:

Section 11. 9 of the Appropriations Act mandated that UNC-GA return \$500,000 of the \$1,041,017 fine assessed in March for exceeding the 18 percent limit on nonresident freshman enrollment for two consecutive years. Per the policy, these funds were forwarded to SEAA to be added to the UNC Need-Based Grant Financial Aid Program. In accordance with the special provision, NCSEAA returned \$500,000 to UNC-Chapel Hill, Academic Affairs.

Eliminate Enrollment Growth Performance Funding:

The General Assembly eliminated the enrollment growth performance funding that was originally appropriated in 2011 with a \$1,000,000 recurring reduction. The funds were reduced from UNC-GA, Institutional Programs (BOG Reserve).

UNC Teacher and Principal Preparation Program Lab School Administration:

The \$1,000,000 in nonrecurring funds appropriated by the General Assembly provided administrative and technical assistance related to the UNC Teacher and Principal Preparation Laboratory School Program. The funds were used to provide lab school start-up assistance to constituent institutions with educator preparation programs. These funds were appropriated to UNC-GA, Operating.

Internships and Career-Based Opportunities for HBCU Students:

The General Assembly appropriated \$183,000 in nonrecurring funds to expand the internship program for students attending Historically Black Colleges and Universities (HBCU). The funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve). It was recommended that the President be authorized to make further allocations.

Leveraging Technology and Learning Innovations to get Part-Way Students Home:

The General Assembly provided \$2,300,000 in nonrecurring funds for leveraging technology and learning innovations to get part-way students home. The funds were used for technology and academic support strategies in order to recruit, retain, and graduate students who had not finished their baccalaureate degree. These funds were appropriated to UNC-GA, Institutional Programs (BOG Reserve).

Advancement Activity Limitations:

The General Assembly restored the funds of \$16,354,396 due to the elimination of the cap on the amount of state funds used for advancement activities. S. L. 2015-268 prohibited more than \$1 million of state funds to be used toward advancement activities per campus that was to be effective beginning in 2016-17. A corresponding reduction of \$16,354,396 was added to the management flex reduction.

UNC Core:

The General Assembly converted recurring funding of \$1,000,000 to nonrecurring status for UNC Core, a distance education program for active duty service members and veterans administered by the Friday Center for Continuing Education at UNC-Chapel Hill. The adjustment was made to UNC-CH, Academic Affairs.

North Carolina Policy Collaboratory:

Recurring funds of \$1,000,000 appropriated by the legislature provided for the newly established NC Policy Collaboratory at UNC-Chapel Hill. The Collaboratory would conduct and disseminate research related to natural resources management for state and local government. These funds were appropriated to UNC-Chapel Hill, Academic Affairs. In addition to this appropriation, \$3,500,000 in nonrecurring funds was provided to OSBM to administer a new challenge grant for the Collaboratory. UNC-CH is required to match one-to-one the grant funds.

Jordan Lake Study:

The General Assembly appropriated \$500,000 in recurring funds for a Jordan Lake study. The Chief Sustainability Officer at UNC-CH would designate an entity to study nutrient management strategies. These funds were appropriated to UNC-Chapel Hill, Academic Affairs.

Western School of Medicine – Asheville:

The General Assembly appropriated \$3,000,000 in recurring funds for the UNC School of Medicine's Asheville campus, a joint program between the UNC School of Medicine and the Mountain Area Health Education Center. Funding would support administration, faculty, and related programs. These funds were appropriated to UNC-Chapel Hill, Health Affairs.

North Carolina State University – Agriculture Institute:

Recurring funds of \$200,000 appropriated by the General Assembly would provide for increased student support, recruitment, and marketing at NCSU's Agriculture Institute. The funds were appropriated to NCSU, Academic Affairs.

ECU Medical School Sustainability Funds:

The General Assembly converted half of the state budget sustainability funds (\$4,000,000) for the Brody School of Medicine to recurring status. The funds would provide support for the school due to lost revenue. The adjustment was made to ECU, Health Affairs.

UNC Pembroke Video Surveillance Upgrades:

The legislature provided nonrecurring funds of \$675,000 to expand and upgrade video surveillance systems on UNCP's campus. These funds were appropriated to UNC Pembroke.

Elizabeth City State University Marketing:

Nonrecurring funds of \$250,000 were provided for ECSU to market the NC Promise Tuition “Buy Down” Program. In accordance with HB 805 (technical corrections), the funds were appropriated to UNC-GA, Operating Budget.

Western School of Engineering and Technology:

The General Assembly appropriated \$130,000 in recurring funds and \$500,000 in nonrecurring funds for project management and curriculum development at the Western School of Engineering and Technology, which was funded in 2016 in the Connect NC Bond. An additional position, based in Morganton would provide construction management of the project. Additional funds would be used for curriculum development for the new school. These funds were appropriated to North Carolina School of Science and Mathematics.

Cheatham-White Scholarships:

The General Assembly is provided \$300,000 in recurring funds to administer a new scholarship program at North Carolina A&T State University and North Carolina Central University to be called the Cheatham-White Scholarships. The full scholarships would fund up to 50 students at each campus beginning in the fall 2018 semester. NCA&T and NCCU would be required to match the General Fund appropriation. These funds were appropriated to UNC-GA, Related Educational Programs.

Aid to Private Institutions:

The 2016 General Assembly appropriated \$9,300,000 in additional recurring funds and \$34,840,000 in nonrecurring for programs for private institutions. The funds for these programs were appropriated directly to Aid to Private Institutions.

Intra-Agency Transfers:

The following intra-agency transfers did not require Board action.

NCSU Energy Center:

In accordance with the Joint Conference Committee Report, nonrecurring funds of \$200,000 was be transferred to NCSU from the Environmental Quality budget for the Energy Center.

Crab Pot Cleanup:

In accordance with the Joint Conference Committee Report, nonrecurring funds of \$100,000 was be transferred to NCSU from the Environmental Quality budget for a crab pot cleanup pilot project to be managed by NC Sea Grant.

Applied Physical Sciences:

In accordance with the Joint Conference Committee Report, nonrecurring funds of \$4,000,000 was provided to OSBM to administer a new challenge grant for applied physical sciences at UNC-Chapel Hill. Receipt of these grant funds would require a one-to-one match by the recipient.

**Authorization of Tuition for 2017-18 (Excluding Debt Service Fees):**

The 2016 General Assembly enacted a new guaranteed tuition program, beginning in 2016-17, that fixes tuition rates for first-time full-time resident undergraduates and new transfer students that remain continuously enrolled for eight consecutive semesters or the equivalent number of remaining semesters for transfer students. New resident undergraduate tuition rates for 2017-18 would only apply to the students enrolled in the fall of 2017. The Committee on Budget and Finance recommended a maximum two percent tuition increase for undergraduate resident students.

**NC Promise:**

The 2016 General Assembly named Elizabeth City State University, The University of North Carolina at Pembroke, and Western Carolina University as the institutions for the new NC Promise Tuition Plan, which would reduce tuition costs for in-state undergraduate students to \$500 per semester beginning in fall 2018. Nonresident undergraduates would pay \$2,500 per semester.

**Authorization of Fees for 2017-18:**

The 2016 General Assembly enacted a provision that capped mandatory student fee increases (including debt service fees) to three percent per year.

**2017-19 Budget and Policy Priorities:**

The committee recommended approval of the following:

**Inform: Fulfill our responsibility to be more transparent and accountable.**

	<b>2017-18</b>		<b>2018-19</b>	
Data Modernization Initiative	\$10,000,000	NR	\$16,625,000	NR
			1,375,000	R
Student Outcomes and HR Data	750,000	R	750,000	R
Nonrecurring Subtotal	10,000,000	NR	16,625,000	NR
Recurring Subtotal	750,000	R	2,125,000	R
<b>Inform Total</b>	<b>\$10,750,000</b>		<b>\$18,750,000</b>	

**Innovate: Invest in promising new ideas that will raise graduation rates and grow our economy.**

Student Success Innovation Initiative	\$ 500,000	NR	\$ 3,500,000	R
“Finish in Four” Technology	1,200,000	NR	800,000	R
Research Opportunities Initiative	3,000,000	R	3,000,000	R
Faculty Recruitment and Retention Fund	3,000,000	R	3,000,000	R
Nonrecurring Subtotal	1,700,000	NR		
Recurring Subtotal	6,000,000	R	10,300,000	R
<b>Innovate Total</b>	<b>\$7,700,000</b>		<b>\$10,300,000</b>	

**Other Targeted Priorities**

	<b>2017-18</b>		<b>2018-19</b>	
Reinstate NCSSM Tuition Grant	\$	-	\$1,500,000	R
Lab Schools Operational Funding	1,000,000	NR		
	930,000	R	1,860,000	R
Elizabeth City State University	2,805,352	NR	2,185,352	NR
Medical Education Expansion	10,000,000	R	10,000,000	R
Doctoral Program at NC A&T	2,500,000	R	2,500,000	R
Operating Building Reserves	751,112	R	5,910,362	R
Nonrecurring Subtotal	3,805,352	NR	2,185,352	NR
Recurring Subtotal	14,181,112	R	21,770,362	R
<b>Other Targeted Priorities Total</b>	<b>\$17,986,464</b>		<b>\$23,955,714</b>	

**Enrollment Funding**

Enrollment Funding	\$46,571,112	R	\$94,734,518	R
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**Capital Construction: Repairs and Renovations**

UNC received 50% of state-wide repair and renovations funds.

**Empower: Grant institutions more flexibility in exchange for stronger accountability.**

In order to achieve the goals set out in UNC's Strategic Plan and fulfill its obligation to make well-informed decisions, UNC institutions need flexibility to pursue necessary reforms and relief from burdensome regulations. Some of this work could be achieved by simply reducing reporting requirements and focusing transparency efforts on an annual progress card. However, the University could realize even greater efficiencies if key pieces of legislation were amended to allow the Board of Governors and the institutions more authority in exchange for stronger accountability.

**Allow additional flexibility for more efficient use of state funds for repairs and renovations.**

The University currently has over \$1 billion in repair and renovation (R&R) needs as identified by the Facilities Condition and Assessment Program (FCAP). While UNC has benefited from an average R&R appropriation of just under \$30 million per year over the last 10 years, the University needs more flexibility to ensure regular maintenance of our facilities. Timely investment in facilities could reduce long-term maintenance costs for the University and the state while addressing issues that need immediate attention.

The following changes would allow chancellors and the Board of Governors more flexibility to use their operating funds for capital projects to facilitate strategic investment in institutional facilities:

- Reinstate 5 percent carryforward authority to allow problem solving with existing resources;
- Increase limit on operating funds used for capital projects from \$300,000 to \$1 million; and
- Allocate R&R funding directly to the Board of Governors.



**Reduce time and cost of planning, completing, and funding capital projects.**

The following changes would significantly impact UNC's ability to implement efficiencies related to design, review, and approval, thus leading to faster completion of capital projects at lower cost:

- Allow confidential approval for capital projects to be published publicly after the bid process;
- Create a State Aid Intercept Program to reduce interest expense and keep student fees low;
- Amend the State Construction Office process for review and approval as recommended by the UNC Working Group on Capital Construction Costs; and
- Eliminate the non-state funded Advanced Planning requirement before requesting legislative support.

**Reduce transactional management by the Office of State Budget and Management (OSBM).**

The following changes would significantly reduce the administrative burden of transactional approvals and allow for more efficient use of time by budget staff at each institution, General Administration, and OSBM:

- Require OSBM approval of budget revisions to certify funds to budget codes specified in the Appropriations Act;
- Allow for transfers between budget codes and capital projects for all Special Responsibility Constituent Institutions;
- Move from monthly to quarterly allotments; and
- Eliminate the requirement for the State Budget Director to approve the availability of funds for specific capital projects.

**Ensure that we attract and retain the best and brightest.**

The following changes target key segments of the workforce for highly competitive positions that are particularly difficult to recruit and susceptible to high turnover:

- Expand EHRA exemption to financial and IT positions to keep pace with competitive employment markets; and
- Grant authority to establish performance incentive, recruitment, and retention compensation policies for SHRA employees.

## CAPITAL IMPROVEMENTS

### 2016-17 Capital Improvement Allocations:

The proposed 2016-17 Allocations for Capital Improvements were recommended for Board approval.

### 2016-17 Allocations from the Reserve for Repairs and Renovations:

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, as shown below. By statute, the Board was directed to allocate such funds in accordance with guidelines developed in the UNC Funding Allocation Model for Repairs and Renovations.

<b>2016-17 Allocations - Reserve for Repairs and Renovations</b>	<b>Amount</b>
Appalachian State University	\$ 2,291,453
East Carolina University	3,813,019
Elizabeth City State University	702,749
Fayetteville State University	674,770
North Carolina A&T State University	1,777,450
North Carolina Central University	1,498,710
North Carolina State University	6,971,067
The University of North Carolina at Asheville	897,723
The University of North Carolina at Chapel Hill	5,570,915
The University of North Carolina at Charlotte	889,677
The University of North Carolina at Greensboro	2,472,004
The University of North Carolina at Pembroke	674,770
The University of North Carolina at Wilmington	1,185,683
The University of North Carolina School of the Arts	674,770
Western Carolina University	1,408,422
Winston-Salem State University	885,778
North Carolina School of Science and Mathematics	674,770
The University of North Carolina General Administration	674,770
<b>TOTAL ALLOCATIONS</b>	<b>\$33,738,500</b>

In accordance with the Appropriations Act, the Board allocated repair and renovation funds considering all of and only the following:

- (1) The amount of each institution's 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."

**Allocations from the Connect NC Bond Program for Capital Repairs and Renovations:**

The Connect NC Bond Program contained 21 capital improvement projects at the UNC constituent institutions, 14 new projects, and seven renovation projects that total \$1,065,000,000 with voter approval.

<b>Institution</b>	<b>Capital Project</b>	<b>Bond Funding</b>
ASU	Health Sciences Building	\$ 70,000,000
ECU	Life Sciences and Biotechnology Building	90,000,000
ECSU	Moore Hall Building Renovation	8,500,000
ECSU	G.R. Little Library Building Renovation	4,500,000
FSU	Lyons Science Building Renovation	10,000,000
NCA&T	Engineering Building	90,000,000
NCCU	Business School	30,000,000
NCSU	Engineering Building – Oval	75,000,000
NCSU	Plant Sciences Building/Ag-NCSU Partnership	85,000,000
UNCA	Owen Hall Renovation	15,100,000
UNCA	Carmichael Hall Renovation	6,000,000
UNC-CH	Medical Education Building Replacement	68,000,000
UNCC	Sciences Building	90,000,000
UNCG	Nursing and Instructional Building	105,000,000
UNCP	Business School	23,000,000
UNCW	Allied Health/Human Services/Nursing Building	66,000,000
UNCSA	Old Library Renovation	8,000,000
UNCSA	Performance Place Renovation	2,900,000
WCU	Science/STEM Building	110,000,000
WSSU	Sciences Building	50,000,000
NCSSM	N.C. School of Technology and Engineering	58,000,000
<b>Grand Total</b>		<b>\$1,065,000,000</b>

Other funds, including Non-General Funds, contributed to projects at nine UNC institutions bringing the Connect NC Bond Program total to \$1,288,991,792. These Non-General Funds projects are shown below.

**Allocations from Non-General Funds for  
Capital Repairs and Renovations**

	<b>Amount</b>
<b>Appalachian State University</b>	
Health Sciences Building	<b>\$10,000,000</b>
<b>East Carolina University</b>	
Life Sciences and Biotechnology Building	<b>5,050,000</b>
<b>North Carolina State University</b>	
Engineering Building	79,000,000
Plant Sciences Building/Ag-NCSU Partnership	75,200,000
<b>NCSU Subtotal</b>	<b>154,200,000</b>
<b>The University of North Carolina at Chapel Hill</b>	
Medical Education Building Replacement	<b>22,429,792</b>

<b>The University of North Carolina at Charlotte</b>	
Sciences Building	<b>11,000,000</b>
<b>The University of North Carolina at Pembroke</b>	
Business School	<b>13,000,000</b>
<b>University of North Carolina School of the Arts</b>	
Performance Place Renovation	<b>5,000,000</b>
<b>Winston-Salem State University</b>	
Sciences Building	<b>3,312,000</b>
<b>Grand Total</b>	<b>\$223,991,792</b>

**Non-General Fund Capital Improvement Projects Authorizations:**

In response to the Board's request, the 2016 General Assembly authorized capital projects funded from non-general fund sources totaling \$567,259,571 in House Bill 872 (S. L. 2016-97).

**SECTION 2.** The capital improvement projects, and their respective costs, authorized by this act to be acquired or constructed and financed as provided in Section 1 of this act, included by revenue bonds, by special obligation bonds as authorized in Section 4 of this act, or by both, were as follows:

<b>Project Authorization</b>	<b>Amount</b>
<b>Appalachian State University</b>	
Convocation Center Parking Deck	\$ 11,250,000
<b>North Carolina Central University</b>	
New Student Center	36,084,571
<b>North Carolina State University</b>	
Plant Sciences Building	75,200,000
Carmichael Addition and Renovation	45,000,000
Case Commons Residence Hall	15,000,000
<b>NCSU Subtotal</b>	<b>135,200,000</b>
<b>The University of North Carolina at Asheville</b>	
Highsmith Union Renovation	12,430,000
Student Apartment Housing	33,795,000
<b>UNCA Subtotal</b>	<b>46,225,000</b>
<b>The University of North Carolina at Charlotte</b>	
Scott Hall Renovations	22,500,000
Health and Wellness Center	66,000,000
<b>UNCC Subtotal</b>	<b>88,500,000</b>
<b>UNC Hospitals at Chapel Hill</b>	
Surgical Pavilion and Renovations	250,000,000
<b>Grand Total</b>	<b>\$567,259,571</b>

### Authorization of Non-Appropriated Capital Improvement Projects – 2017:

On an annual basis, the Board considers campus proposals for projects funded from non-appropriated sources requiring the issuance of long-term debt. The committee recommended ten capital improvement projects at six institutions totaling \$348.5 million and requiring aggregate debt issuance of \$238 million. Additionally, four campuses requested approval of associated student debt service fees. The projects were forwarded to the General Assembly for authorization during the 2017 legislative session. For each authorized project, a detailed financial plan would be reviewed in consultation with financial advisors and bond counsel before bonds were issued and construction contracts were awarded.

All projects complied with G. S. Chapter 143C (State Budget Act) and all associated fees complied with the guidelines set forth in the Four-Year Plan for Tuition and Fees.

Project	Total (\$)	Cash/GO Bond/Other (\$)	Debt (\$)	Source of Funds
<b>East Carolina University</b>				
Dowdy-Ficklen Stadium Southside Renovation	\$55,000,000	-	\$55,000,000	Athletic Receipts
<b>ECU Subtotal</b>	<b>\$55,000,000</b>	<b>\$0</b>	<b>\$55,000,000</b>	
<b>Elizabeth City State University</b>				
Demolition of Hugh Cale and Doles Halls	611,294	-	611,294	Housing Receipts
Renovation of Bias Hall	4,522,272	-	4,522,272	Housing Receipts
Renovation of Butler Hall	3,790,242	-	3,790,242	Housing Receipts
Demolition of Complex A-G Buildings	576,192	-	576,192	Housing Receipts
Update Master Plan	500,000	-	500,000	Housing Receipts
<b>ECSU Subtotal</b>	<b>\$10,000,000</b>	<b>\$0</b>	<b>\$10,000,000</b>	
<b>North Carolina Central University</b>				
Baynes Residence Hall Renovations	12,207,319	5,665,198	6,542,121	Housing Receipts
<b>NCCU Subtotal</b>	<b>\$12,207,319</b>	<b>\$5,665,198</b>	<b>\$6,542,121</b>	
<b>UNC Chapel Hill</b>				
Indoor Practice Facility and Fetzer Field	55,000,000	25,000,000	30,000,000	Fundraising/Educ. Foundation Bond
Media and Communication Studio (Athletics)	10,000,000	-	10,000,000	Athletic Receipts
DLAM Renovations (swing space for Berryhill Hall) & AAALAC Certification	22,340,000	450,000	21,890,000	F&A Receipts
Kenan Labs -Renovations to Labs 7A,7B,7C,8B, & 8C for Applied Physical	15,850,000	8,167,000	7,683,000	F&A, R&R, State Appropriation
Medical Education Building	90,600,000	68,000,000	22,600,000	Clinical Tax on UNC FP/F&A
<b>UNC-CH Subtotal</b>	<b>\$193,790,000</b>	<b>\$101,617,000</b>	<b>\$92,173,000</b>	

<b>UNC Greensboro</b>				
Spartan Village Phase II Acquisition	50,900,000	-	50,900,000	Housing and Dining Revenues
<b>UNCG Subtotal</b>	<b>\$50,900,000</b>	<b>\$0</b>	<b>\$50,900,000</b>	
<b>Western Carolina University</b>				
Parking Deck Facility	26,615,185	3,000,000	23,615,185	Parking Receipts
<b>WCU Subtotal</b>	<b>\$26,615,185</b>	<b>\$3,000,000</b>	<b>\$23,615,185</b>	
<b>Grand Total</b>	<b>\$348,512,504</b>	<b>\$110,282,198</b>	<b>\$238,230,306</b>	

#### **Authorization of Energy Conservation Measures – North Carolina State University:**

Pursuant to G.S. 143-64.17L, the Board of Governors of The University of North Carolina may authorize North Carolina State University (NCSU) to implement energy conservation measures related to the Centennial Campus central plant co-generation project. The installation would provide adequate firm steam capacity to support the EB Oval, Plant Sciences, and approximately four additional projects in the future.

#### **Emergency Procedures:**

Chancellors informed the president of the need to invoke emergency procedures as allowed by G. S. 143-129 to provide for new capital improvement projects. In accordance with emergency procedures, the State Building Commission was also notified.

<b>Institution/Project</b>	<b>Funding Source</b>	<b>Amount</b>
<b>North Carolina Central University</b>		
Repair Campus Steam System Leaks	R&R/Non-General Funds	<b>\$551,582</b>
<b>The University of North Carolina at Chapel Hill</b>		
Steam Line Repairs on Skipper Bowles Drive	Non-General Funds	\$2,600,000
Elevator Repairs – Gore Building & Medical Wings E&F	Non-General Funds	\$775,000
<b>UNC-CH Subtotal</b>		<b>\$3,375,000</b>
<b>The University of North Carolina at Greensboro</b>		
UNCG Auditorium Fire Damage Repairs	Insurance	<b>\$90,452</b>
<b>The University of North Carolina at Pembroke</b>		
Campus Gas Line Repair – Chavis Dining Hall	Repairs and Renovations	<b>\$411,455</b>
<b>UNC School of the Arts</b>		
Stevens Center Cladding and Structural System Repairs	Repairs and Renovations	<b>\$350,000</b>

**Capital Improvement Projects Not Requiring Action by the General Assembly:**

During the year, the committee recommended approval of the following capital improvement projects to be funded principally from non-appropriated funds.

<b>Institution and Project</b>	<b>Amount Requested</b>
<b>Appalachian State University</b>	
Holmes Convocation Center Scoreboard Installation	800,000
College of Health Sciences	5,000,000
Broyhill Inn Demolition	600,000
Doughton Hall Makeup Air Handler Replacement	110,521
Garwood Hall Lab and Classroom Renovations	918,856
Peacock Hall and Parking West Restroom Renovation	1,200,000
Stadium Video Scoreboard Structure	535,106
<b>ASU Subtotal</b>	<b>\$9,164,483</b>
<b>East Carolina University</b>	
Uptown 209	2,998,409
Life Sciences and Biotechnology Building	5,050,000
Student Recreation Center – Replace Steam Service	498,500
Biotechnology Building Elevator Modernization	321,000
Bate Steam Tunnel Renovations	1,228,620
Brody Building Upgrades to Emergency Power System – Phase II	3,000,000
Health Sciences Campus (HSC) Central Utility Plant Chiller #1 Replacement	1,200,000
Install Fuel Oil Containment Facilities - Main Campus Steam Plant	1,200,000
Brody Building – High Point Code Compliance	1,844,278
Croatan Renovations-Full Service Chick-fil-A	800,800
Advance Planning – Brody Auditorium Renovation (\$5,222,000)	600,000
Advance Planning – Fletcher Residence Hall Make Up Air (\$800,000)	100,000
Advance Planning – Mendenhall Comprehensive Renovation (\$20,000,000)	1,300,000
<b>ECU Subtotal</b>	<b>\$20,141,607</b>
<b>North Carolina Central University</b>	
One Stop Shop	<b>\$1,591,735</b>
<b>North Carolina State University</b>	
CVM North Theater Renovation	495,000
Dan Allen Parking Deck Repairs	1,400,000
CVM C273 Suite Renovation for General Dentistry	400,000
CVM Dining Seating Area Renovation	350,000
Harris Hall Student Services Center Renovation	1,750,000
Bureau of Mines Renovation	6,000,000
Morrill Sidewalk & Lighting Project	360,000
Bragaw Hall Toilet Room Finish Renovations – Phase 1	400,000
Varsity Research Building – Renovations Phase 1	350,000
Brooks Hall Roof Replacement	487,583
Daniels Hall Roof Replacement	1,000,000
ES King Village Roof Replacement – Phase II	1,400,000
Exterior Lighting LED Conversion Phase 1	1,438,645
Syme, Gold, Welch, Bragaw Residence Halls Water Line Replacement	605,000
Wolf Ridge Student Health Renovation	495,000
Patterson Hall Business Center Renovation	795,000
Owen Hall Renovation	350,000

<b>Institution and Project</b>	<b>Amount Requested</b>
<b>North Carolina State University (continued)</b>	
Theriogenology Facility at Reedy Creek Equine Farm	2,170,000
CBC Chiller Plant Expansion	3,514,329
North and Central Campus Precincts Electrical Distribution Master Plan – Phase 1	3,626,280
CVM Main Building Data Infrastructure Upgrades	900,000
EH&S Chilled Water Connection	350,000
Biltmore Data Infrastructure Upgrades	335,000
DH Hill North-South Tower & Poe Hall Waterproofing	725,000
Murphy Center – Media Center Renovation	5,230,000
Vaughn Towers, Dail Club Seating Upgrade	450,000
Carter-Finley Stadium, South End Video Board Upgrade	499,690
Advance Planning – Exterior Lighting LED Conversion Phase 1 (\$1,000,000)	100,000
Advance Planning – Academic Success Center at DH Hill Library (\$9,300,000)	700,000
Advance Planning – Case Academic Center Dining Addition (\$495,000)	49,500
Advance Planning – Murphy Center Media Center Renovation (\$2,000,000)	175,000
Advance Planning – Murphy Sports Medicine Renovation (\$1,000,000)	120,000
Advance Planning – Greek Village Phase 3 Infrastructure (\$5,500,000)	550,000
Advance Planning – CVM Main Building, B104 Lab Renovation (\$2,000,000)	200,000
Advance Planning – Varsity Research Renovations – Phase 2 (\$2,300,000)	230,000
<b>NCSU Subtotal</b>	<b>\$38,001,027</b>
<b>The University of North Carolina at Asheville</b>	
Mills Hall Bathroom Renovations 3 <sup>rd</sup> & 4 <sup>th</sup> Floors	<b>\$480,000</b>
<b>The University of North Carolina at Chapel Hill</b>	
Battle Grove Regenerative Storm Water Conveyance	84,000
Ehringhaus, Hinton James, and Carmichael Residence Halls – Elevator Modernization	400,000
Ambulatory Care Center – Musculoskeletal Enhancement Services Renovation	3,000,000
Everett, Lewis & Stacy Window Replacement & HVAC Improvements	4,500,000
Taylor Campus Health Sports Medicine and Specialty Clinics Renovation	1,900,000
Carmichael Maker Space	533,364
Kenan Stadium Turf Replacement	2,016,163
Men’s Locker Room Renovation at the Smith Center	1,391,897
UNC Student Stores Interior Renovations and Exterior Storefront Modifications	3,799,850
Energy Project: McGavran Greenberg AHU and ERU Repairs	409,000
Energy Project: Taylor Air Flow Reduction	520,000
Energy Project: Thurston Bowles Air Flow Reduction	1,300,000
Medical Education Building – Berryhill Vivarium Migration	21,890,000
Cheek Clark Repair and Renovation	4,995,825
Kenan Laboratory Renovations	14,850,000
New Women’s Field Hockey Stadium and Playing Field	14,185,500
University Master Plan	500,000
Faculty Recruitment Laboratory Renovations – Lineberger Cancer Center	379,960
Porthole Alley – Pedestrian, Bicycle and Vehicular Area Improvements	780,000
Advance Planning – Media and Communications Studios (\$10,000,000)	687,000
Advance Planning – North Carolina Botanical Garden Herbarium – Feasibility Study and Master Plan (\$31,091,457)	500,000
Advance Planning – Science Complex 3 & Institute of Convergent Science (\$175,000,000)	300,000
Advance Planning – Translational Research Building (\$133,400,000)	1,750,000
Advance Planning – Kenan Lab Building Renovation (\$12,595,106)	1,000,000
Advance Planning – UNC Innovation Center @ 200 W Franklin St. (\$2,699,796)	190,000
<b>UNC-CH Subtotal</b>	<b>\$81,862,559</b>



**The University of North Carolina at Charlotte**

Science Building	11,000,000
Irwin Belk Track Resurfacing	250,000
Student Counseling Center	400,000
Sycamore Hall Renovation	3,780,000
Campus Storm Water Improvements Phase 2 – Toby Creek Restoration	850,000
Union Deck Expansion	13,300,000
Reclaimed Water	2,100,000
Parking Lots Revitalization	1,600,000
Student Activity Center IT Upgrade	1,800,000
Facilities Operations (FO) Complex	18,805,093
Hawthorn Hall Basement Renovation	400,000
Baseball Indoor Training Facility	850,000
Softball Indoor Training Facility	650,000
Campus Storm Water Improvements – Davis Lake	250,000

**UNCC Subtotal** **\$56,035,093**

**The University of North Carolina at Greensboro**

Cone Residence Hall Renovation	9,806,700
Taylor Building Elevator Addition	450,000
Gove Student Health Center Elevator Modernization	315,000
Advance Planning – Parking Deck Repairs – Campus-wide (\$3,000,000)	300,000

**UNCG Subtotal** **\$10,871,700**

**The University of North Carolina at Wilmington**

Randall Library Fire Alarm System Replacement	725,000
Randall Library Restroom Additions and Refurbishments	731,711
Athletic Track Renovations and Improvements	1,250,438
Campus-wide Fire Alarm Panel Upgrades	400,000
Fisher Student Center Flooring Replacement	455,509
Hurst Parking Lot	3,458,771
Administrative Annex	5,306,415

**UNCW Subtotal** **\$12,327,844**

**The University of North Carolina at School of the Arts**

Campus Master Plan	500,000
Performance Place Renovations	5,000,000

**UNCSA Subtotal** **\$5,500,000**

**Western Carolina University**

Ramsey Activity Center – Façade Replacement	2,114,377
Highlands Biological Station – North Campus Project	1,546,708
Indoor Practice Facility	19,400,000
Advance Planning – Lower Campus Residence Hall (\$30,528,000)	50,000

**WCU Subtotal** **\$23,111,085**

**Winston-Salem State University**

Number 2 Chiller Replacement at O’Kelly Library	280,200
Chiller and Cooling Tower Replacement at Wilson Hall	447,000
Master Plan Update	450,000
New Freshman Living/Learning Center	2,150,000
Campus Bookstore Expansion	600,000

**WSSU Subtotal** **\$3,927,200**

**GRAND TOTAL** **\$263,014,333**

**Increases in Previously Authorized Projects:**

Capital improvements actions initiated throughout the year by the president pursuant to Board delegation are reported below. The following increases in previously authorized projects were approved.

<b>Institution and Project</b>	<b>Amount Increased</b>
<b>East Carolina University</b>	
Bate Steam Tunnel Renovations	\$ 11,450
<b>The University of North Carolina at Chapel Hill</b>	
Emergency Declaration - Steam Line Repairs on Skipper Bowles Drive	2,500,000
Emergency Declaration - Elevator Repairs in Gore Building & Medical Wings E&F	435,771
<b>UNC-CH Subtotal</b>	<b>\$2,935,771</b>
<b>GRAND TOTAL</b>	<b>\$2,947,221</b>

**INSTITUTIONAL BORROWING****Approval of USDA Financing – Elizabeth City State University:**

The committee approved authorization of various agreements related to the refinancing of the Viking Village student housing facility and the financing of various student housing facility projects through a loan from the United States Department of Agriculture (USDA).

**Bond Anticipation Note:**

The Board of Governors is authorized to issue special obligation bonds and bond anticipation notes for capital improvement projects that have been approved by the General Assembly. These projects have been previously approved by the Board of Governors and the General Assembly and have been approved for financing.

**University of North Carolina Hospitals:**

Surgical Pavilion (\$110,000,000)

**Commercial Paper Program:**

In 2001, the General Assembly and the Board authorized NCSU and UNC-Chapel Hill to implement a commercial paper program allowing the periodic issuance of tax-exempt commercial paper bonds. The committee recommended approval and authorized the vice president for finance to use commercial paper bonds for the following projects approved by the 2013 Session of the General Assembly.

**North Carolina State University:**

\$75,200,000 Plant Sciences Building  
 \$45,000,000 Carmichael Addition and Renovation  
 \$15,000,000 Case Commons Residence Hall

## Refinancing of Housing Foundation Indebtedness Bonds:

<b>Institution</b>	<b>Refinancing of Housing Foundation Indebtedness Bonds</b>	<b>Approved by BOG</b>
FSU	Authorization of a use agreement to memorialize terms of a refinancing related to a previously approved lease extension for a housing foundation financing of University Place Apartments.	1/13/2017
UNCP	Amendments to previously approved agreements related to the financing of student housing facilities on the campus of UNCP that were constructed through a university-created nonprofit entity, The University of North Carolina Pembroke Student Housing Foundation, LLC.	10/14/2016
WSSU	Amendments to previously approved agreements related to the financing of student housing facilities on the campus of WSSU that was constructed through a university-created nonprofit entity, The WSSU Housing Foundation, LLC.	7/26/2016

## Special Obligation Bonds:

The Board of Governors is authorized to issue special obligation bonds for capital improvement projects 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 committee recommended that the president of the University, or his/her designee, be authorized to sell the following special obligation bonds.

<b>Institution</b>	<b>Special Obligation Bonds</b>	<b>Approved by BOG</b>
NCA&T	An amount not to exceed \$2,700,000 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 2017 Bond.	1/13/2017
NCSU	An amount not to exceed \$56,200,000 for the purpose of (1) financing the construction, equipping, and furnishing of Case Commons Residence Hall, the renovation of Reynolds Coliseum, and the completion of the Phytotron Energy Savings project (the "2017 Projects"), and (2) refunding some or all of North Carolina State University at Raleigh General Revenue Bond, Series 2002A (commercial paper), the proceeds of which were used to pay costs of the 2017 Projects.	3/3/2017
UNCA	An amount not to exceed \$48,536,000 for the purpose of (1) constructing a residence facility on the campus of UNCA, (2) renovation of the Highsmith Student Center, and (3) paying the costs incurred in connection with the issuance of the 2017 Bonds.	1/13/2017
WSSU	An amount not to exceed \$29,500,000 for the purpose of (1) constructing and equipping a New Residence Hall-Freshmen Living/Learning facility, (2) refund a portion of the outstanding The University of North Carolina system Pool Revenue Bonds, Series 2008A, the proceeds of which were loaned to WSSU, maturing on and after October 1, 2019 (the "Refunded 2008A Bonds"), and (3) finance the costs incurred in connection with the issuance of the Bonds.	3/3/2017
<b>Special Obligation Bonds Refinancing</b>		
ASU	An amount not to exceed \$55,000,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings, and (2) constructing a residence hall on the campus of ASU, and (3) paying the costs incurred in connection with the issuance of the 2016 Bonds.	10/14/2016
UNCW	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.	10/14/2016

**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 improvement projects at UNC-Chapel Hill. At that time, Board Member Rodney Hood inadvertently voted in favor of selecting JPMorgan as an underwriter for the bond offering, but discovered a potential conflict regarding his vote. In October 2016, Mr. Hood changed his vote to “abstain.”

**Approval of Capital Projects and Financing – UNC Charlotte:**

The committee recommended authorization of the capital projects and the special obligation bond for financing of Scott Hall Renovations and the Health and Wellness Center.

**PROPERTY**

All property transactions, other than leases, of \$250,000 or more require approval of the Board and, therefore, action by the Committee on Budget and Finance unless approved under the President’s delegation up to \$500,000. Upon the approval of the Board, the committee staff forwards such items to the Council of State for final action. The following property transaction was recommended for approval.

<b>Institution</b>	<b>Property Acquisition</b>	<b>Approved by BOG</b>
ECU	Six properties were acquired at cost of \$1,671,250. This strategic acquisition completes assemblage of two city blocks west of the campus. These two blocks would be the site of the Connect NC 2015 Life Sciences and Biotechnology Building and a related parking deck.	5/19/2017

Lease transactions in excess of \$150,000 for campuses without delegated authority require approval of the Board. Lease costs will be at market rate, subject to approval by the State Property Office, and accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration. The following property transactions were recommended for approval.

<b>Institution</b>	<b>Acquisition of Real Property by Lease</b>	<b>Approved by BOG</b>
FSU	Amendment to the current ten-year lease term (SPO File No. : 26-15. 140) to match the bond repayment term for the bond debt financing this housing facility and owned by the FSU Housing Foundation.	9/6/2016
UNC-CH	Renewal of the current lease and location for the Renaissance Computing Institute (RENCI). RENCi develops and deploys advanced technologies to enable research discoveries and practical innovations and is an institute of The University of North Carolina at Chapel Hill. RENCi was launched in 2004 as a collaboration involving UNC-CH, Duke University, and North Carolina State University.	10/14/2016
UNCG	Approval to lease this State property asset to the CFF for the purpose of a construction renovation project undertaken to create administrative space. The University also requests approval to enter into a long-term lease to acquire the improved property asset when construction is complete.	12/2/2016
UNCP	UNCP requests amendment of the current five-year lease term (SPO File No.: 78-014D010) for this student residential apartment property to match the bond repayment term for the bond debt that is financing this property and owned by The UNCP University Foundation, LLC.	3/3/2017
<b>Acquisition of Right-of-Way</b>		
NCSU	Authorization to assume ownership from the North Carolina Department of Transportation (NCDOT) for +/-0.742 acres of surplus right-of-way along Centennial Parkway.	1/13/2017

<b>Institution</b>		<b>Demolition of Real Property</b>	<b>Approved by BOG</b>
UNCG	Mclver Building located in the City of Greensboro, Guilford County, North Carolina.		5/19/2017
WSSU	Conjoined Health Building and Old Nursing Building located in the City of Winston-Salem, Forsyth County, North Carolina.		5/19/2017
<b>Disposition of Real Property by Ground Lease</b>			
UNCG	The Capital Facilities Foundation, Inc. (CFF) a North Carolina nonprofit corporation wholly controlled by UNCG, acquired properties on 812 Lilly Avenue and 326 S. Tate Street and 328 S. Tate Street (Theater Department Facilities) for the purpose to renovate and accommodate the programmatic needs of the UNC Greensboro Theater Department. The facilities would be developed in support of space needs related to moving university staff in the existing UNCG Mclver building to allow for its demolition and the construction of a new Nursing and Instructional Building as part of the Connect NC Bond Program.		12/2/2016
<b>Disposition of Real Property by Lease</b>			
WCU	The Endowment Fund requested to sub-ground 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.		10/14/2016
<b>Disposition of Real Property by Easement</b>			
ECU	The City of Greenville was completing the Town Creek Culvert Project which would drain approximately 250 acres of the uptown area. In order to complete this project, the City had requested the use of 18 separate land parcels from East Carolina University that include 3.71 acres of permanent easements and 1.65 acres of temporary construction easements.		5/19/2017
UNCC	Authorization to grant an easement to Mecklenburg County for the non-exclusive right to enter, construct, maintain, and stabilize 1.5 miles of embankment along Toby Creek.		1/13/2017

**Approval of Use Agreement – UNC Pembroke:**

The committee authorized a use agreement to memorialize terms related to a previously approved lease extension for an existing housing foundation financing for the University Courtyard Apartments.

## TRANSACTIONS BY DELEGATED AUTHORITY

In 2012, G. S. 116-31. 12 delegated to the Board of Governors of The University of North Carolina the authority to authorize the constituent institutions and The University of North Carolina General Administration to acquire and dispose of real property by lease if the lease was for a term of not more than ten years. The Board had delegated that authority to the president, NC State University, UNC-Chapel Hill, and East Carolina University up to \$500,000. The following property transactions were approved under delegated authority.

Campus	Description	Transaction Type	Approval Date
ECU	20800 SF office space for admin use	Lease Acquisition	11/29/2016
	Demo of 1350 SF wash facility to make room for bus parking, approx. \$7K	Demolition	3/27/2017
	Grant of easement to City of Greenville for fiber optic network	Disposition Easement/ROW	3/27/2017
ECSU	19,921 SF of space on campus for use by public charter school	Lease Disposition	7/21/2016
NCCU	Purchase of property for new Business School	Acquisition – Deed	1/31/2017
	Purchase of property for new Business School	Acquisition – Deed	5/4/2017
UNC-CH	17,864 SF office space to be used while on-campus space is renovated	Lease Acquisition	8/8/2016
UNCC	Surface parking lot with 400 spaces for construction contractors to park	Lease Acquisition	11/8/2016
	Surface parking lot with 205 spaces	Lease Acquisition	11/8/2016
	7500 SF warehouse lease to accommodate swing space	Lease Acquisition	12/21/2016
	Grant of easement by UNCC Real Estate Foundation for sidewalk to improve connectivity from campus to light rail station	Acquisition Easement/ROW	5/8/2017
WSSU	Supplemental student housing: 15 – three-bedroom and four – two-bedroom	Lease Acquisition	6/14/2017

## OTHER ACTIONS

### Annual Report:

The Annual Report of the Committee on Budget and Finance to the Board of Governors of The University of North Carolina for July 1, 2015 through June 30, 2016 was recommended for approval.

**ECU Physicians/Vidant:**

The committee authorized:

- a.) President Spellings, Chancellor Staton, and Chairman Lampe to negotiate and execute, on behalf of ECU and the Board of Governors, such final agreement or agreements as may be necessary to integrate ECU Physicians and Vidant Medical Group into a new organization, according to the material terms that were discussed with UNC legal counsel;
- b.) Chairman Bissette to review the final agreement or agreements before such agreement or agreements were signed by President Spellings, Chancellor Staton, and/or Chairman Lampe, to ensure that the agreement or agreements contained the material terms discussed and established in conversations with UNC legal counsel; and
- c.) No further action or approval was required by the Board of Governors or by this committee.

**Millennial Campus:**

- ASU – An expansion by approximately 87.96 acres on a single site based on its proximity to existing campus academic student services, residence halls, and athletic performance activities was recommended.
- UNC Greensboro – The committee designated a Millennial Campus of approximately 72.85 acres in two separate sites. The Health and Wellness across the Lifespan District would encompass approximately 52.72 acres. The Visual and Performing Arts District would encompass approximately 20.13 acres.

**UNC Strategic Plan:**

The Plan focused on five themes: Access, Student Success, Affordability and Efficiency, Economic Impact and Community Engagement, and Excellent and Diverse Institutions. In December, after months of committee work, the Strategic Planning Committee approved the final draft of the definitions, goals, metrics, and targets. The Committee on Budget and Finance was charged with the theme of Affordability and Efficiency.

**Definition of Affordability & Efficiency**

Article IX, Section 9 of the North Carolina State Constitution requires that “The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.” That constitutional mandate encourages a working compact among the state’s elected officials, taxpayers, and UNC to deliver the University’s multifaceted mission at the highest levels of quality in a cost-effective manner without regard to a student’s ability to pay.

**Goal 1: Affordability**

*Topical Area:* The cost of attending The University of North Carolina has been increasing faster than the median income in North Carolina.

*Goal:* Offer education of equal or higher quality at a cost that is both consistent with the State constitution and attainable to students and families in North Carolina.

*Metric:* Commit to affordable tuition by tying annual percent increases in undergraduate resident tuition rates to no more than the increase in the rate of inflation (CPI/Average Annual Wages/Median Family Income), while providing autonomy and incentives for campuses that can demonstrate that the financial investment made by students, families, and taxpayers is of excellent value.

*Potential Target:* Keep the annual increases to undergraduate resident tuition rates at or below the three- year rolling average annual increase in CPI/Average Annual Wages/Median Family Income.

Goal 2: Efficiency

*Topical Area:* The University of North Carolina is charged to fulfill its mission through the efficient use of available resources to ensure the highest quality of service to the citizens of the State.

*Goal:* 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.

*Metric:* Increase operational and financial flexibility for The University of North Carolina and demonstrate its financial impact.

**UNC System Debt Affordability Study:**

It was recommended that the Board of Governors approve the UNC Debt Affordability Study.

The 2015 Appropriations Act bill (SL 2015-241) contained a provision that required the Board of Governors to annually advise the General Assembly and the Governor on the estimated debt capacity of The University of North Carolina for the upcoming five years. The provision also required each constituent institution to report current and anticipated debt levels to the Board of Governors by November 1 of each year. Following the institution reports, the Board was to report findings for the UNC system as a whole by April 1 of each year.

To comply with this new provision, the University selected a financial advisor to assist UNC General Administration. First Tryon Advisors of Charlotte was selected through a competitive process and worked with the constituent institutions and UNC-GA to develop the UNC system Debt Affordability Study.



## AGENDA ITEM

A-3. Sale of Special Obligation Bonds – ECU..... Jonathan Pruitt

**Situation:** East Carolina University requests that the Board of Governors issue (1) a special obligation bond anticipation note for the purpose of providing funds for the construction of the Dowdy-Ficklen Stadium Southside Renovation Project, and (2) special obligation bonds in one or more series for the purpose of refinancing outstanding indebtedness to achieve interest rate savings.

**Background:** The Board of Governors is authorized to issue special obligation bonds and bond anticipation notes for capital improvement projects that have been approved by the General Assembly. All projects in this request have been previously approved by the Board of Governors and the General Assembly, and the refunding request is to refinance previously issued bonds. The Dowdy-Ficklen Stadium Southside Renovation was approved under S.L. 2017-620.

**Assessment:** Due to the favorable interest rate environment, up to \$19,675,000 of outstanding special obligation bonds issued on behalf of ECU may be refinanced for debt service savings. ECU estimates that it can achieve approximately (1) \$794,000 in net present value savings by refunding the 2010A Bonds, representing approximately 6.8 percent of the par amount refunded; and (2) \$412,000 in net present value savings by refunding the 2012 Bonds, representing approximately 5.1 percent of the par amount refunded. ECU is seeking authority to refund both series of bonds at the same time it issues debt for its new money project to streamline costs of issuance and provide ECU with maximum flexibility to take advantage of prevailing market conditions, but ECU will pursue the refinancings only if market conditions remain favorable at the time of pricing.

ECU has an issuer credit rating of “Aa2” with Stable Outlook by Moody’s Investor Service and an issuer credit rating of “AA-” with Stable Outlook by Standard & Poor’s. This transaction is expected to have no impact on the ECU’s credit ratings.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Sale of Special Obligation Bonds – East Carolina University

### ISSUE OVERVIEW

The Board of Governors is authorized to issue special obligation bonds and bond anticipation notes for capital improvement 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.

East Carolina University requests that the Board of Governors issue (1) a special obligation bond anticipation note (the “2017 Note”) for the purpose of providing funds for the construction of Dowdy-Ficklen Stadium Southside Renovation Project and to pay related costs of issuance; and (2) special obligation bonds in one or more series (the “2017 Refunding Bonds,” and together with the 2017 Note, the “2017 Bonds”) for the purpose of refinancing outstanding indebtedness to achieve interest rate savings and to pay related costs of issuance. The General Assembly authorized the \$55,000,000 Dowdy-Ficklen Stadium Southside Renovation Project under SL 2017-620.

The resolution authorizes the issuance of the 2017 Bonds in an aggregate principal amount not to exceed \$76,500,000 (collectively, the “2017 Bonds”).

Due to the favorable interest rate environment, up to \$19,675,000 of outstanding special obligation bonds issued on behalf of ECU may be refinanced for debt service savings. ECU estimates that it can achieve approximately (1) \$794,000 in net present value savings by refunding the 2010A Bonds, representing approximately 6.8 percent of the par amount refunded, and (2) \$412,000 in net present value savings by refunding the 2012 Bonds, representing approximately 5.1 percent of the par amount refunded.

The 2017 Bonds will be privately placed with one or more lenders selected through a competitive RFP process. ECU anticipates structuring the 2017 Note as a drawdown loan facility, which will save ECU interest cost during the construction period and provide ECU with increased prepayment flexibility. ECU will refinance the 2017 Note on a permanent basis at the end of the construction period (or earlier, if market conditions warrant).

ECU is seeking authority to issue the 2017 Refunding Bonds at the same time it issues the 2017 Note to streamline costs of issuance and provide ECU with maximum flexibility to take advantage of prevailing market conditions. ECU will issue the 2017 Refunding Bonds only if a lender proposes terms that are favorable to ECU.

ECU has an issuer credit rating of “Aa2” with a Stable Outlook by Moody’s Investor Service and an issuer credit rating of “AA-” with a Stable Outlook by Standard & Poor’s. This transaction is expected to have no impact on ECU’s credit ratings.

Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon is the financial advisor.

It is recommended that the president of the University, or her designee, be authorized to sell the special obligation bonds through the attached resolution.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH  
CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS AND BOND  
ANTICIPATION NOTES TO FINANCE AND REFINANCE SPECIAL OBLIGATION BOND  
PROJECTS FOR EAST CAROLINA UNIVERSITY**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of the University of North Carolina (the “University”) is vested with general control and supervision of Appalachian State University, East Carolina University (“ECU”), Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina State University, The University of North Carolina at Asheville, The University of North Carolina at Chapel Hill, The University of North Carolina at Charlotte, The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, The University of North Carolina at Wilmington, The University of North Carolina School of the Arts, Western Carolina University and Winston-Salem State University and other institutions; and

**WHEREAS**, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “Act”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, (1) special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing special obligation projects and (2) refunding bonds for the purpose of refunding any bonds by the Board under the Act or under any Article of Chapter 116 of the General Statutes of North Carolina, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

**WHEREAS**; the Board has determined to issue East Carolina University General Revenue Bonds (with appropriate descriptions and series designations) in one or more series of bonds or bond anticipation notes (the “Bonds”) in an aggregate principal amount not to exceed \$76,500,000 to pay (a) the costs of renovating the South Side of Dowdy-Ficklen Stadium (the “Project”); (b) the costs of refunding in advance of their maturities The University of North Carolina System Pool Revenue Bonds (East Carolina), Series 2010A maturing on and after October 1, 2020 and the East Carolina University General Revenue Refunding Bond, Series 2012 (collectively, the “Refunded Bonds”) and (3) the costs incurred in connection with the issuance of the Bonds; and

**WHEREAS**, the Board has determined to issue the Bonds to finance the Project and pay related costs of issuance under the General Trust Indenture dated as of June 1, 2003 (the “General Indenture”) between the Board and Wachovia Bank, National Association, the successor to which is U.S. Bank National Association, as trustee (the “Trustee”), and Series Indenture, Number 14 dated as of October 1, 2017 (the “Fourteenth Series Indenture”) between the Board and the Trustee; and

**WHEREAS**, if the Board can achieve debt service savings, the Board has determined to issue the Bonds to refund all or a portion of the Refunded Bonds and pay related costs of issuance under the General Indenture and Series Indenture, Number 15 dated as of October 1, 2017 (the “Fifteenth Series Indenture”) between the Board and the Trustee; and

**WHEREAS**, the Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of ECU or the Board in each Fiscal Year remaining after satisfying

obligations of ECU or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt as of the date of the General Indenture of the Board with respect to ECU, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by ECU students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities (as defined in the General Indenture) and (5) funds restricted by law (the “Available Funds”);

**WHEREAS**, the Board proposes to sell the Bonds through a request for proposals process to one or more financial institutions whose bid or bids result in the most favorable terms for ECU; and

**WHEREAS**, there have been made available to the Board forms of the following documents (the “Board Documents”), which the Board proposes to approve, ratify, execute and deliver, as applicable, to effectuate the financing:

1. the Fourteenth Series Indenture;
2. the Fifteenth Series Indenture; and
3. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the advance refunding of The University of North Carolina System Pool Revenue Bonds (East Carolina), Series 2010A;
4. the Bonds in the form set forth in the Fourteenth Series Indenture and the Fifteenth Series Indenture; and

**WHEREAS**, the issuance of the Bonds does not directly or indirectly or contingently obligate the State or any agency or political subdivision of the State to levy or to pledge any taxes to pay the cost, in whole or in part, of the Special Obligation Bond Project in compliance with Section 116D-23 of the Act;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Governors of the University of North Carolina as follows:

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$76,500,000 under the General Indenture, the Fourteenth Series Indenture and the Fifteenth Series Indenture. The Senior Vice President for Finance and Budget of the University, in consultation with the Vice Chancellor for Finance and Administration of ECU, is hereby authorized and directed to select and negotiate with one or more financial institutions through a request for proposals process to purchase the Bonds as described in this Resolution, including for the purpose of refunding all or a portion of the Refunded Bonds to the extent debt service savings can be achieved that he deems to be in the best interest of ECU.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds.

Section 3. **Authorization of Board Documents.** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, the Secretary and the Assistant Secretary of the Board and the Senior Associate Vice President and Secretary of the University, individually and collectively (the "*Authorized Officers*"), be and they hereby are each authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 4. **General Authority.** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers and Vice Chancellor for Finance and Administration of ECU are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the Bonds.

Section 5. **Conflicting Provisions.** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 6. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 8th day of September, 2017.

STATE OF NORTH CAROLINA       )  
  )  
COUNTY OF ORANGE               )

SECRETARY'S CERTIFICATE  
OF AUTHENTICATION

I, Andrea Poole, Senior Associate Vice President and Secretary of the University of North Carolina, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina at its regular meeting on September 8, 2017, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on September 8, 2017 was sent to each member of the Board, and (3) a quorum was present at the meeting on September 8, 2017 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina this \_\_\_\_ day of \_\_\_\_\_, 2017.

[SEAL]

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Andrea Poole, Senior Associate Vice  
President and Secretary  
The University of North Carolina

## AGENDA ITEM

A-4. Sale of Special Obligation Bonds – UNCC..... Jonathan Pruitt

**Situation:** The University of North Carolina at Charlotte requests that the Board of Governors issue special obligation bonds in an amount not to exceed \$91,644,000 for the purpose of (1) renovating and improving Scott Residence Hall and acquiring, constructing, and equipping a Health and Wellness Center; (2) paying in advance of its maturity the outstanding principal amount of The University of North Carolina General Revenue Bond Anticipation Note, Series 2016, which financed the renovation and improvement of Elm, Maple, and Pine Residence Halls; (3) paying interest on the 2017 Bonds during construction of certain projects; and (4) paying the costs incurred in connection with the issuance of the 2017 Bonds.

**Background:** The Board of Governors is authorized to issue special obligation bonds for capital improvement projects that have been approved by the General Assembly. These projects have been previously approved by the Board and the General Assembly and have been approved for financing.

**Assessment:** UNC Charlotte currently has issuer credit ratings of Aa3/A+ with Stable Outlooks from Moody's and S&P, respectively.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Sale of Special Obligation Bonds – UNC Charlotte**

### **ISSUE OVERVIEW**

The Board of Governors is authorized to issue special obligation bonds for capital improvement 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 requests that the Board issue special obligation bonds in an amount not to exceed \$91,644,000.

The University of North Carolina at Charlotte currently has an issuer credit rating of “Aa3/A+/NR” with “Stable” outlooks.

Robinson Bradshaw & Hinson is bond counsel and disclosure counsel and Hilltop Securities is the financial advisor.

It is recommended that the president of the University, or her designee, be authorized to sell the special obligation bonds through the attached resolution.



**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF  
NORTH CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL  
OBLIGATION BONDS TO FINANCE AND REFINANCE SPECIAL  
OBLIGATION BOND PROJECTS FOR THE UNIVERSITY OF NORTH  
CAROLINA AT CHARLOTTE**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of the University of North Carolina (the “University”) is vested with general control and supervision of Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, The University of North Carolina School of the Arts, North Carolina State University, The University of North Carolina at Asheville, The University of North Carolina at Chapel Hill, The University of North Carolina at Charlotte (“UNC Charlotte”), The University of North Carolina at Greensboro, The University of North Carolina at Pembroke, The University of North Carolina at Wilmington, Western Carolina University and Winston Salem State University and other institutions; and

**WHEREAS**, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “Act”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing special obligation projects and refunding bonds for the purpose of refunding any bonds issued by the Board under the Act or under any Article of Chapter 116 of the General Statutes of North Carolina, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

**WHEREAS**, the Board has determined to issue not to exceed \$91,644,000 aggregate principal amount of The University of North Carolina at Charlotte General Revenue Bonds, Series 2017 (with appropriate descriptions and series designations) in one or more series (the “2017 Bonds”) for the purpose of (1) financing (i) the renovation and improvement of Scott Residence Hall and (ii) the acquisition, construction and equipping of a Health and Wellness Center (together, the “Special Obligation Bond Project”), (2) paying in advance of its maturity all or a portion of the outstanding principal amount of The University of North Carolina at Charlotte General Revenue Bond Anticipation Note, Series 2016 (the “BAN”), plus interest to the prepayment date, the proceeds of which have been used for the renovation and improvement of Elm, Maple, and Pine Residence Halls, (3) the renovation and improvement of Elm, Maple, and Pine Residence Halls, to the extent the full \$19,477,500 authorized principal amount of the BAN are not drawn down and used for that purpose, (4) refunding all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of UNC Charlotte that result in sufficient savings to UNC Charlotte as set forth below, (5) if applicable, paying the premium on one or more municipal bond insurance policies to be issued simultaneously with the issuance of some or all of the 2017 Bonds, (6) if applicable, paying interest on a portion of the 2017 Bonds during construction of portions of the Special Obligation Bond Project, and (7) paying the costs incurred in connection with the issuance of the 2017 Bonds; and

**WHEREAS**, the Board has determined to issue the 2017 Bonds under the General Trust Indenture dated as of July 1, 2006 (the “General Indenture”) between the Board and U.S. Bank National Association, as trustee (the “Trustee”) and Series Indenture, Number 10 dated as of October 1, 2017 (the “Tenth Series Indenture” and together with the General Indenture, the “Indentures”) between the Board and the Trustee; and

**WHEREAS**, the 2017 Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of UNC Charlotte, or of the Board held for UNC Charlotte, in each Fiscal Year remaining after satisfying obligations of UNC Charlotte or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to UNC Charlotte existing prior to January 10, 2002, but excluding (1) appropriations by the General Assembly of the State of North Carolina from the State General Fund, (2) tuition payments by UNC Charlotte students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, and (4) revenues generated by Special Facilities, as defined in the General Indenture (the “Available Funds”);

**WHEREAS**, it is anticipated that in September 2017, Citigroup Global Markets Inc. (the “Underwriter”) will agree to purchase all of the 2017 Bonds pursuant to the terms of a bond purchase agreement (the “Purchase Agreement”) between the Board and the Underwriter; and

**WHEREAS**, there have been made available to the Board forms of the following documents (the “Board Documents”), which the Board proposes to approve, execute and deliver, as applicable, to effectuate the financing:

1. the Tenth Series Indenture;
2. the Purchase Agreement;
3. the Preliminary Official Statement (the “Preliminary Official Statement”) relating to the 2017 Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “Official Statement”) relating to the 2017 Bonds; and
4. the 2017 Bonds as set forth in the Tenth Series Indenture; and

**WHEREAS**, the 2017 Bonds will be payable from Available Funds designated by the Board in the General Indenture as obligated resources; and

**WHEREAS**, the issuance of the 2017 Bonds does not directly or indirectly or contingently obligate the State or any agency or political subdivision of the State to levy or to pledge any taxes to pay the cost, in whole or in part, of the Special Obligation Bond Project in compliance with Section 116D-23 of the Act;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Governors of the University of North Carolina as follows:

Section 1. **Authorization of 2017 Bonds.** That the Board hereby authorizes the issuance of the 2017 Bonds in an aggregate principal amount not to exceed \$91,644,000 (plus any amount necessary for refunding as described below) for the purposes recited above. The 2017 Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the Senior Vice President for Finance and Budget of the University, in consultation with the appropriate officers at UNC Charlotte, determine to be in the best interest of the University and UNC Charlotte.

Section 2. ***Sufficiency of Available Funds.*** That the Board hereby finds that sufficient Available Funds are reasonably expected to be available to pay the principal of and interest on the 2017 Bonds.

Section 3. ***Authorization of Refundings.*** That the Board authorizes each of the President and the Senior Vice President for Finance and Budget of the University to include with the purpose for which the 2017 Bonds are issued the refunding of all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of UNC Charlotte which produce not less than 2% net present value savings to UNC Charlotte as certified by UNC Charlotte's financial advisor. To the extent any such refinancing or refunding requires an escrow agreement to hold and invest proceeds of the 2017 Bonds, each of the President and the Senior Vice President for Finance and Budget of the University hereby are authorized, empowered and directed to execute and deliver such an escrow agreement for and on behalf of the Board.

Section 4. ***Authorization of Board Documents.*** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, the Secretary and the Assistant Secretary of the Board and the Secretary of the University, individually and collectively (the "Authorized Officers") be and they hereby are authorized, empowered and directed to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized Officers are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Board Documents as executed.

Section 5. ***Authorization of Preliminary Official Statement and Official Statement.*** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriter in connection with the sale of the 2017 Bonds is hereby in all respects authorized, approved, ratified and confirmed. The Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate, their execution of the Purchase Agreement to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and the use of the Official Statement by the Underwriter in connection with the sale of the 2017 Bonds is hereby authorized, approved and confirmed.

Section 6. ***General Authority.*** From and after the execution and delivery of the documents hereinabove authorized, the Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, the Secretary and the Assistant Secretary of the Board and the Secretary of the University are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the 2017 Bonds.

Section 7. ***Conflicting Provisions.*** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 8. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on September 8, 2017 and that the same was passed and adopted by the following vote:

STATE OF NORTH CAROLINA       )  
  )  
COUNTY OF ORANGE                )

SS:

SECRETARY'S CERTIFICATE  
OF AUTHENTICATION

I, Andrea Poole, Senior Associate Vice President and Secretary of the University of North Carolina, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina at its regular meeting on September 8, 2017 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on September 8, 2017 was sent to each member of the Board, and (3) a quorum was present at the meeting on September 8, 2017 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina as of September \_\_, 2017.

[SEAL]

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Andrea Poole, Senior Associate Vice  
President and Secretary  
The University of North Carolina

## AGENDA ITEM

A-5. Capital Improvement Projects – ECU, FSU, NCA&T, NCSU, UNC-CH, UNCC, UNCG  
UNCSA, and WCU<sup>1</sup>.....Will Johnson

**Situation:** Nine UNC institutions have requested a total of seventeen capital improvement projects: one project for advance planning, five projects for increased authorization, and eleven new projects for authority.

**Background:** The Board of Governors may authorize capital construction projects and advance planning projects at UNC campuses using available funds.

**Assessment:** ECU, FSU, NCA&T, NCSU, UNC-CH, UNCC, UNCG, UNCSA, and WCU have requested projects that meet the statutory requirements and it is recommended that the Board of Governors approve the projects and their methods of funding. It is further recommended that these projects be reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

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<sup>1</sup> As amended by the Committee on Budget and Finance during its meeting on September 5, 2017.

## Capital Improvement Projects – ECU, FSU, NCA&T, NCSU, UNC-CH, UNCC, UNCG, UNCSA, and WCU<sup>1</sup>

### ISSUE OVERVIEW

UNC institutions are required to request authority from the Board of Governors to proceed with non-appropriated capital projects using available funds (non-general funds). Non-appropriated capital projects are funded by the institution and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings.

Nine UNC institutions have requested a total of seventeen capital improvement projects: one project for advance planning, five projects for increased authorization, and eleven new projects for authority.

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Authorization Type	Funding Source
<b>East Carolina University</b>						
1.	Mendenhall Catering Kitchen Renovation	\$5,200,000	\$200,000	\$5,000,000	New Project	Dining Receipts
2.	Dowdy-Ficklen Stadium Southside Renovation	\$60,000,000	\$55,000,000	\$5,000,000	Increase	Foundation
<i>ECU Subtotal</i>		<i>\$65,200,000</i>	<i>\$55,200,000</i>	<i>\$10,000,000</i>		
<b>Fayetteville State University</b>						
3.	Chick-Fil-A at Rudolph Jones Student Center	\$718,750	-	\$718,750	New Project	Auxiliary (50%)/ Vendor (50%)
<i>FSU Subtotal</i>		<i>\$718,750</i>	<i>\$0</i>	<i>\$718,750</i>		
<b>North Carolina A&amp;T State University</b>						
4.	New Community and Urban Food Complex	\$5,600,000	-	\$5,600,000	New Project	Federal Grant
<i>NCA&amp;T Subtotal</i>		<i>\$5,600,000</i>	<i>\$0</i>	<i>\$5,600,000</i>		
<b>North Carolina State University</b>						
5.	Case Academic Center Dining Addition	\$1,999,000	\$90,000	\$1,909,000	New Project	Dining Receipts
6.	Data Infrastructure Upgrades FY18	\$1,695,000	-	\$1,695,000	New Project	Trust Funds
7.	Greek Village Phase 3 Infrastructure	\$5,500,000	\$550,000	\$4,950,000	New Project	Trust Funds /Gifts
8.	Rigging Replacement Stewart Theatre (\$1,150,000)	\$75,000	-	\$75,000	Advance Planning	Trust Funds
<i>NCSU Subtotal</i>		<i>\$9,269,000</i>	<i>\$640,000</i>	<i>\$8,629,000</i>		
<b>The University of North Carolina at Chapel Hill</b>						

<sup>1</sup> As amended by the Committee on Budget and Finance during its meeting on September 5, 2017.

9.	Burnett Womack 4th Floor Renovation	\$457,494	-	\$457,494	New Project	Trust Funds
10.	Carmichael Hall Maker Space	\$659,364	\$533,364	\$126,000	Increase	Housing Receipts
<b>Institution/Project Title</b>		<b>Total Project Cost (\$)</b>	<b>Previous Authorization (\$)</b>	<b>Requested Authorization (\$)</b>	<b>Authorization Type</b>	<b>Funding Source</b>
<b>The University of North Carolina at Chapel Hill continued</b>						
11.	Chase Dining Hall Second Floor Renovation	\$4,440,674	\$3,850,000	\$590,674	Increase	Dining Receipts
12.	Kenan Flagler School of Business Renovations at 1st, 2nd and 4th Floor	\$1,651,197	-	\$1,651,197	New Project	Trust Funds
13.	UNC Parking Decks- LED Lighting Safety Upgrades	\$896,000	-	\$896,000	New Project	Parking Receipts
<i>UNC-CH Subtotal</i>		<i>\$8,104,729</i>	<i>\$4,383,364</i>	<i>\$3,721,365</i>		
<b>The University of North Carolina at Charlotte</b>						
14.	Energy Projects – Phase 1	\$424,533	-	\$424,533	New Project	Carry-forward
<i>UNCC Subtotal</i>		<i>\$424,533</i>	<i>\$0</i>	<i>\$424,533</i>		
<b>The University of North Carolina at Greensboro</b>						
15.	UNCG Biology - Plant and Pollination Center	\$488,500	-	\$488,500	New Project	F&A
<i>UNCG Subtotal</i>		<i>\$488,500</i>	<i>\$0</i>	<i>\$488,500</i>		
<b>The University of North Carolina School of the Arts</b>						
16.	Campus Master Plan	\$798,000	\$500,000	\$298,000	Increase	Auxiliary Reserves
<i>UNCSA Subtotal</i>		<i>\$798,000</i>	<i>\$500,000</i>	<i>\$298,000</i>		
<b>Western Carolina University</b>						
17.	Parking Deck Facility	\$26,615,185	\$23,615,185	\$3,000,000	Increase	Parking Receipts
<i>WCU Subtotal</i>		<i>\$26,615,185</i>	<i>\$23,615,185</i>	<i>\$3,000,000</i>		
<b>Grand Total</b>		<b>\$117,218,697</b>	<b>\$84,338,549</b>	<b>\$32,880,148</b>		

## RECOMMENDATION

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act). It is recommended that these projects be authorized and reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.



## AGENDA ITEM

A-6. Disposition of Property by Demolition – ECU and FSU .....Will Johnson

**Situation:** This disposition of property by demolition was approved by the East Carolina University Board of Trustees on July 28, 2017 and by the Fayetteville State University Board of Trustees on July 26, 2017 and requires approval by the Board of Governors.

**Background:** ECU is requesting authorization to demolish four existing structures on the grounds of Dowdy-Ficklen Stadium located in the City of Greenville, Pitt County, North Carolina. FSU is requesting authorization to demolish one existing structure on its campus located in the City of Fayetteville, Cumberland County, North Carolina.

**Assessment:** ECU's Dowdy-Ficklen Stadium Southside Renovation project is a debt-supported project that has been authorized by S.L. 2017-141. This capital improvement project requires the demolition of four existing structures. FSU is demolishing the Newbold Building since it has been deemed unsafe to occupy by the State Fire Marshall's office.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Disposition of Property by Demolition – ECU and FSU

### ISSUE OVERVIEW

UNC institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property. Two UNC institutions have requested authority to demolish five structures in connection with capital projects that have either been authorized previously by the BOG or by General Assembly action.

Institution/Project Title		Structure to be demolished	Size	Year Built	Estimated Cost	Funding Source
<b>East Carolina University</b>						
1.	Dowdy-Ficklen Stadium Southside Renovation project	Press Box	9,100 SF	1978	\$416,250	Authorized Debt
2.	Dowdy-Ficklen Stadium Southside Renovation project	Ticket Office	4,767 SF	1965	\$415,365	Authorized Debt
3.	Dowdy-Ficklen Stadium Southside Renovation project	Concession Building	960 SF	1963	\$23,535	Authorized Debt
4.	Dowdy-Ficklen Stadium Southside Renovation project	Concession Building	1,664 SF	1963	\$25,242	Authorized Debt
<i>ECU Subtotal</i>					\$880,392	
<b>Fayetteville State University</b>						
5.	Fitness Center	Newbold Building	5,500 SF	1957	\$78,000	2016 R&R
<i>FSU Subtotal</i>					\$78,000	
<b>Grand Total</b>					<b>\$958,392</b>	

### RECOMMENDATION

It is recommended that the Board of Governors approve this request. It is further recommended that the property dispositions be transmitted to the Council of State for final action.

## AGENDA ITEM

A-7. Report Deregulation..... Nathan Knuffman

**Situation:** The UNC Policy Manual imposes reporting and data collection requirements on the University and its constituent institutions. While some of the reporting requirements are essential, many others have accumulated over a period of years and no longer provide information that is necessary for business and performance analysis. In addition, the reporting and data collection requirements are scattered throughout the policy manual, making it difficult for institutions to comply with the requirements in an effective and efficient manner.

**Background:** The president's staff has undertaken a thorough review of the UNC Policy Manual as part of a project overseen by the Committee on Audit, Risk Management, and Compliance (CARMC). Some of the reporting requirements are outdated, have a compliance and regulatory focus, or are not designed to assist the Board with performance analysis. The Board recently revised its policy on reporting (UNC Policy 100.2) to provide that future data collection and reporting to the Board, University leadership, and the public, should: (1) inform decision-making; (2) be relevant to strategic priorities/goals; (3) be cost effective compared to the reporting burden; (4) support risk management and risk mitigation; and (5) go to the appropriate level (president, chancellor, BOT, BOG, or committee). Reporting requirements should also be centrally maintained by the president and easily accessible.

**Assessment:** The proposed policy, regulation, and guideline revisions and updates presented to the committee for review are designed to eliminate or streamline reporting requirements consistent with the Board's policy. A description of each policy, regulation, or guideline that has been revised or is being presented to the committee for action is attached. Policies require action by the committee. Regulations and guidelines are presented for information only.

**Action:** This item requires a vote by the committee, with a full Board vote through the consent agenda at the next meeting. The regulation and guideline revisions are for information only.

600.3.3

Adopted 07/14/00

Repealed XX/XX/17

### **Expenditure of Funds Generated Through Lapsed Salaries**

Prior to the expenditure of funds generated through lapsed salaries, each chancellor shall submit to the Board of Governors, through the President, his/her respective plans and justifications for the expenditure of such funds. Further, the chancellors shall identify the staff positions by department or school that generated the lapsed salary funds. In the case of vacant positions, the plan should document the position and the length of time the position has been vacant, as well as the expected duration of the vacancy. A report shall be due on or before sixty days prior to the end of each fiscal year on all lapsed salaries. Reporting requirements are set out in policy 600.3.1.

1000.2.2.1[R]

Adopted 10/22/77

Amended 02/08/91

Amended 12/01/99

Amended 10/12/01

Amended 08/16/06

Amended 05/19/10

Amended 03/02/15

Amended XX/XX/17

## **Regulations on the Waiver of Tuition and Fees for Faculty and Staff**

North Carolina General Statute §116-143(d) provides for a waiver of tuition and fees for faculty and staff under certain conditions. Through its Policy on the Waiver of Tuition and Fees for Faculty and Staff, the Board of Governors has delegated to the president the authority to issue necessary and appropriate regulations. The following regulations are hereby adopted.

I. **Definitions.** With respect to the provisions of North Carolina General Statute §116-143(d), the following terms are defined:

A. *Employee.* Employee shall mean an individual who is either a faculty member or a staff employee, employed by an Employing Institution, who is eligible for participation in either the NC Teachers' and State Employees' Retirement System or the UNC Optional Retirement Program.<sup>1</sup> The terms "faculty member" and "staff employee" shall include:

1. Personnel of the United States armed forces during the time they are assigned under military orders to a Reserve Officer Training Corps (ROTC) program of a constituent institution of the University of North Carolina as a permanent change of station; and
2. Civilian personnel federally employed thirty (30) or more hours per week on a continuing basis in a position adjunct to an ROTC program of a constituent institution of the University of North Carolina.

B. *Employing Institution.* Employing Institution shall mean a constituent institution of the University of North Carolina which is the employer of record, including the North Carolina School of Science and Mathematics, the University of North Carolina Health Care System, and General Administration.

C. *Enrolling Institution.* Enrolling Institution shall mean a constituent institution of the University of North Carolina in which the employee is enrolled and receiving academic credit and to which tuition/fees would be paid if not covered under tuition/fee waiver.

D. *Fees.* Fees shall mean those student fees required for the course(s) in which the Employee is enrolled. Each constituent institution must adopt a policy that specifies under what circumstances, if any, an Employee may receive a waiver of fees.

E. *Normal Employment Obligations.* Normal Employment Obligations shall mean those services that the Employee is obligated to perform for the Employing Institution.

F. *Period of Normal Employment.* Period of Normal Employment shall mean that period of time beginning with the effective date of permanent employment as defined in Section I.A., above, and ending with the effective date of discontinuation of employment.

G. *Tuition.* Tuition shall mean the tuition charged for credit instruction, regardless of when the instruction occurs or by what means it is delivered. Each constituent institution must adopt a policy that specifies under what circumstances, if any, an Employee may receive a waiver for receipts-supported courses. Pursuant to North Carolina General Statute § 116-143.1(m), an Employee of the University of North Carolina who is a legal resident of North

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<sup>1</sup> Employees are eligible for retirement system participation if they are employed on a recurring basis (permanent position) for thirty (30) or more hours per week for nine (9) or more months per calendar year.

Carolina qualifies as a resident for tuition purposes irrespective of the length of legal residency in the State.

H. *Year.* Year shall mean an academic year of fall semester, spring semester, and the summer sessions that follow, unless otherwise specified.

## II. Limitations

Employees of an Employing Institution may, during the Period of Normal Employment enroll in certain courses free of charge of tuition and fees, as described in this regulation, provided the enrollment does not interfere with Normal Employment Obligations.

The waiver of tuition for an employee shall be limited to three (3) courses per academic year. The waiver of fees for an Employee may be limited according to institutional policy determined by the Board of Trustees of each employing institution.

The Employee must maintain Employee status, as defined above in Section I.A., for the duration of the course. Otherwise, the Employee shall be responsible for payment of all applicable tuition and fees. However, this payment requirement shall not apply to an Employee who is eligible under this policy at the time of enrollment in a course and is later reduced in force (SPA) or separated for budgetary reasons (EPA) prior to completion of the course. This exception does not apply to the end of a time-limited or term position.

## III. General Fund Appropriations

Tuition-waiver enrollment of an Employee shall not be counted for the purpose of receiving general fund appropriations.

## IV. Employing Institution Responsibility

The president, the chancellor, or his or her designee shall determine that enrollment in the course shall not interfere with the satisfactory performance of the Employee's Normal Employment Obligations.

## V. Enrolling Institution Responsibility

The chancellor of the enrolling institution or his or her designee shall determine:

- A. The Employee seeking to enroll under this regulation is academically eligible for admission to the institution; and
- B. Space is available for the Employee's enrollment in the course.

## VI. Employee Responsibility

Prior to the commencement of a course for which tuition and/or fee waiver is requested, the Employee shall:

- A. Complete the application form and obtain all required approvals from the Employing Institution and/or the Enrolling Institution according to procedures set forth by each institution, and;
- B. Deliver one (1) copy of the completed and approved application to the proper authority of the Employing Institution. If enrolling in an institution other than the Employing Institution, the Employee must provide an approved copy to the proper authority of the enrolling institution.

## VII. Campus Policies and Procedures

Each constituent institution shall establish policies and procedures, including any delegations of authority, consistent with these regulations and as necessary to implement the Policy on the Waiver

of Tuition and Fees for Faculty and Staff. ~~Each Employing Institution shall provide to the president or his or her designee, all policies and procedures established pursuant to the regulations.~~

VIII. Taxability

Each constituent institution is responsible for ensuring that its employees are informed about the possible taxability of courses for which tuition and fees are waived and for appropriately withholding any expected taxes.

## Guidelines on Recycling

The 1989 Session of the General Assembly produced legislation providing a statewide effort to reduce solid waste through economical reclaiming material which would otherwise be discarded as solid waste. The portion of the legislation known as the Solid Waste Management Act of 1989 (N.C.G.S. § 130A-309.1) provides for the reduction, recycling, and reuse or treatment of solid waste. The Act further establishes a goal of at least a 25% reduction in the total waste stream by January 1, 1993. To meet this goal, each state agency is required to develop a recycling plan which is consistent with the solid waste management policy of the state. The purpose of this policy is to provide an outline that will allow each constituent institution to develop solid waste recycling plans tailored to develop strategies and to utilize recycling resources both on campus and in the local area.

The following policy and procedural guidelines shall be incorporated into the institutional recycling plans:

1. Each constituent institution of the University shall develop a solid waste recycling plan and forward the plan to the North Carolina Department of Environment, Health and Natural Resources with a copy to UNC General Administration by May 1, 1992. To the extent that institutional plans have been previously developed, such plans should be reexamined in light of this policy statement.
2. Each campus will designate a person as the institutional recycling coordinator. Although certain institutions have previously established the recycling coordinator as a full-time position, most institutions will require designation of an individual on an *ad hoc* basis. It is not the intention of this policy to require establishment of a new position for this purpose.
3. ~~Each institutional recycling plan will include a means of annual measurement of solid waste generated, recycled, and disposed, and the methods of solid waste recycling and disposal used. This portion of the plan will require study of the waste stream of the institution with identification of those components of the waste stream which can be feasibly recycled. It is anticipated that this data will be developed for reporting to the North Carolina Department of Environment, Health, and Natural Resources, with a copy to UNC General Administration.~~
4. Each institutional recycling plan should specifically prohibit non-conforming disposal of waste materials in violation of General Statutes.
5. Each campus should promote the purchase of commodities which are manufactured with recycled products where economically feasible to do so.
6. Each institutional plan should be developed with consideration of local or municipal efforts in recycling and joining with local programs where practical. Copies of a *Directory of North Carolina State and Local Contacts for Recycling Information and Assistance — 1991* and a *Directory of Industrial and Commercial Recyclers Serving North Carolina Businesses and Communities* have previously been provided. These documents are intended to enhance local contacts for joint recycling efforts and as a source of firms specializing in material recycling.
7. Each institutional recycling plan should include a time frame for reporting implementation of the plan. Also previously provided was a document entitled *Guidelines for Developing Recycling Implementation Plans for North Carolina State Agencies* which is intended to serve as a resource for determining program elements which should be considered for inclusion in the institutional recycling plan.

[This is a rewrite of Administrative Memorandum #320.]

\*Moved from 600.5.6[G]