



THE UNIVERSITY OF NORTH CAROLINA

BOARD OF GOVERNORS

Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
School of
the Arts

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

Western Carolina
University

Winston-Salem
State University

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November 1, 2004

Members of the Board of Governors:

Contingent upon the approval of the Committee on Budget and Finance at its meeting on Thursday, November 11, 2004, attached are the recommendations the Committee will present to the Board at its meeting on November 12, 2004.

Jim W. Phillips, Jr., Chairman
Committee on Budget and Finance

Attachments

COMMITTEE ON BUDGET AND FINANCE

Board Room 1

General Administration Building

Chapel Hill, North Carolina

Thursday, November 11, 2004

Following the 11:30 a.m. meeting of Special Committee Reviewing the Funding Model

AGENDA

Minutes of the meetings of September 9 and 10, 2004 and October 7 and 8, 2004

Approval of the Annual Report of the Committee on Budget and Finance: July 1, 2003 through June 30, 2004

1. UNC Management Flexibility Legislation, Summary of Institutional Annual Reports, 2002-03
2. 2005-07 Budget Request of the Board of Governors
3. Recommendations of the Special Committee Reviewing the Funding Model for Enrollment Growth (please look behind the "Special Committee" tab)
4. Revision of Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions
5. Authorization of Capital Improvements Project – North Carolina State University
6. Disposition of Property – The University of North Carolina at Chapel Hill
7. Review of Actions Taken by Delegated Authority (no vote required)

DISCUSSION

1. Campus-Initiated Tuition Increases (no attachment)
2. A Progress Report on the UNC Bond Program
3. Next Steps – Ensuring Fiscal Integrity within UNC and its related Foundations (no attachment)

Minutes of the September 9, 2004 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in Board Room 1 of the General Administration Building in Chapel Hill, North Carolina, on Thursday, September 9, 2004, at 11:30 a.m.

Members in attendance were: Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Governor James E. Holshouser, Jr., Mr. Jim W. Phillips, Jr., and Mr. Benjamin S. Ruffin. Other Board of Governors' members attending the meeting were G. Irvin Aldridge, Anne W. Cates, Amanda Devore, Adelaide D. Key, G. Leroy Lail, Charles S. Norwood, Jr., Cary C. Owen, J. Craig Souza, and Robert F. Warwick. Others attending the meeting were Vice Presidents Jeffrey R. Davies, Robyn R. Render, and Leslie Winner; Associate Vice Presidents David Harrison, Ginger B. Jones, Robert O. Nelson, Dwayne L. Pinkney, and James O. Smith; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice Presidents Shari Harris and Claudia Odom; and Special Assistant to the University Kennis R. Grogan. Also in attendance were Charlotte Todd of the Fiscal Research Division; Ann Bander and Trey O'Quinn of the Office of State Budget and Management; Charles Leffler, Chief Finance Officer of North Carolina State University; Kathy Hart, University Treasurer of North Carolina State University; and members of the press.

Chairman Phillips called the meeting to order. The minutes of the meetings of July 8 and August 9, 2004 were approved.

1. In November 1998, the Board approved the first issuance of pooled bonds to provide long-term financing for multiple campuses at one time in lieu of individual institutional issues. A pooled issue presented an attractive offering for investors often resulting in lower interest rates and improved bond insurance rates. Additionally, the fixed costs of issuing bonds were spread among all participants resulting in savings for individual institutions through economies of scale. The Board also approved the issuance of pooled bonds in 2000, 2002, 2003, and in the winter of 2004. Since the last issue, East Carolina University and the University of North Carolina at Greensboro had asked to be included in the sixth pooled issue to finance eight projects previously approved by the Board of Governors. Bond proceeds would be used by ECU to make improvements to Dowdy-Ficklen Stadium. The debt would be repaid from athletic receipts. ECU would also construct College Hill Residence Halls, Phase I, and the bonds would be retired from housing receipts. At UNCG, bond proceeds would be used to fund three projects to repair and renovate a dining hall and two residence halls, to be repaid from dining and housing receipts. And UNCG would construct an exercise track for students and a softball complex as well as renovate the Student Health Center with the debt being repaid from the existing student facilities fee. The size of the bond issue was now being finalized and was anticipated to be between \$50 million and \$55 million.

The Board of Governors would issue the bonds and then make a "loan" to each institution participating in the pool. The bonds would be outstanding for a maximum of 30 years. The University had been assisted in drafting the bond documents by the legal firms of Parker Poe Adams & Bernstein and Thigpen, Blue, Stephens & Fellers. Banc of America

Securities, LLC and BB&T Capital Markets were providing underwriting services for the bonds. Robinson, Bradshaw & Hinson would serve as the underwriters' counsel. The trustee would be Wachovia Bank, N.A. The bond insurance provider would be selected by a competitive process.

It was recommended that the following resolution be approved and the Vice President for Finance be authorized to sell the bonds as requested between the September 2004 and January 2005 Board of Governors' meetings.

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM POOL REVENUE BONDS FOR THE PURPOSE OF PAYING THE COST OF MAKING LOANS TO CONSTITUENT INSTITUTIONS; PROVIDING FOR THE PAYMENT OF SUCH BONDS AND THE INTEREST THEREON FROM REVENUES DERIVED FROM THE LOANS; AND APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS WITH RESPECT THERETO

On the motion of Mr. Burns, seconded by Ms. Gage, the recommendation was approved.

2. On August 9, 2004 the Chancellor of North Carolina Agricultural and Technical State University informed the President of the need to invoke emergency procedures to immediately enter into a lease agreement for up to 94 beds to accommodate students wishing to reside on campus for the fall semester. This action was necessary because of an unforeseen construction delay in the renovation of Morrison Hall that reduced the University's available housing capacity. Morrison Hall was expected to be ready for student occupancy by the beginning of the 2005 spring semester.

The State Property Office, using its emergency procedures, secured a lease for the duration of the fall semester with Oakwood Corporate Housing at their Northwinds Apartments Community. Estimated at \$87,730, the cost of the lease would be funded from student housing receipts.

All students contracted and assigned to Morrison Hall were given the choice of staying at other assigned housing at the previously contracted cost or to select from other available university housing options and paying any additional cost called for by the university's housing cost schedule.

After placement of this leased space within the university's housing cost strategy, it was expected that a portion of the total lease cost would not be offset by rents charged to the students and would need to be funded from housing reserves.

3. At the Chairman's request, Mr. Leffler presented the next item for consideration and answered questions asked by Committee members.

The Board of Trustees of North Carolina State University had requested approval to enter into a ground lease with the N.C. State University Centennial Development LLC (name pending) to construct and operate a golf course on the NCSU Centennial Campus. Situated on approximately 193 acres in the southern section of the Centennial Campus and with a

capital cost of approximately \$12.8 million, the golf course and related facilities would be built to State and University requirements, meet Centennial Campus Development and Design Guidelines, and comply with all environmental and regulatory requirements. The NCSU men's and women's golf teams and students enrolled in the Professional Golf Management and Turfgrass Management programs would have programmatic use of the golf course.

The LLC would reimburse NCSU for golf course design costs incurred and the project would be completed at no cost to NCSU. The property and the improvements would revert to NCSU at the end of the 99-year lease.

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

On the motion of Mr. Burns, seconded by Governor Holshouser, the recommendation was approved.

4. The Board of Trustees of North Carolina State University had requested approval of revisions to the term and other items for the ground lease and air rights agreement previously approved by the Board of Governors at its May 2003 meeting. *Previous values of items revised are shown within parentheses in the description that follows.*

The lease would provide a 115,000 (104,000) square-foot area within Carter-Finley Stadium to the NCSU Student Aid Association, Inc. for the construction of a facility to replace the existing press box constructed in 1966. The new facility was proposed to be a four-level (three-level) structure that would include areas for the media, fifty suites, and the addition of approximately 900 club seats.

The area to be leased was along and above the west concourse of Carter-Finley Stadium. The term of the lease was up to 30 years to be consistent with financing requirements (20 years -- the time required to repay the debt borrowed by the Association) and the estimated value of construction improvements was \$40 million (\$30 million). The improvements would revert to North Carolina State University at the termination of the ground lease.

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

On the motion of Governor Holshouser, seconded by Mr. Bowden, the recommendation was approved.

5. On June 8, 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and acquisitions up to \$250,000. The following property transactions were approved under this delegation and were reported to the Committee on Budget and Finance.

East Carolina University – Disposition of Real Property by Lease

Owner: State of North Carolina

Disposition reason: Provide a ground lease to Pitt County Memorial Hospital to construct and operate a

Location:	Gamma Knife (radiology) facility The property is located adjacent to the MRI Building on the Brody School of Medicine campus.
Description:	Approximately 2,200 square-feet of land
Estimated value:	\$70,400
Rental Income:	20-year ground lease with one 5-year renewal option with the property and the improvements reverting to the lessor upon expiration of the lease or the lessor can require the lessee to restore the site to the condition it was when acquired at no cost to the lessor
Proceeds:	\$6,400 annually with periodic CPI adjustments over the life of the lease
Approvals:	The ECU Board of Trustees recommended this action on August 6, 2004.

Elizabeth City State University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	Provide Eastern North Carolina Natural Gas Company an easement to install, operate and maintain a natural gas distribution system dedicated to the ECSU campus that will initially serve the following buildings: Central Utility Plant, Student Center, University Suites, Bedell Cafeteria, Fine Arts Complex, Information Technology Center, 200 Bed Residence Hall and KE White Center.
Location:	Generally connecting to buildings on the southern part of campus
Description:	Generally 20-foot wide, non-exclusive easements that accommodate the main trunks and branches of the buried distribution system
Estimated value:	Benefits to ECSU by providing a more reliable source of energy, a choice of energy source (oil or natural gas) and an opportunity to reduce costs
Rental Income:	None
Proceeds:	No monetary consideration
Approvals:	The ECSU Board of Trustees recommended this action on June 8, 2004.

North Carolina State University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	This conservation easement to North Carolina Department of Transportation (NCDOT) will facilitate additional repair of Rocky Branch stream and its eroded banks. The restoration project will serve as a valuable and continuing teaching tool for the university and professional community.
Location:	Along each side of Rocky Branch stream between Morrill Drive and Pullen Road south of Derr Track
Description:	A total of approximately four acres including stream and buffer areas
Estimated value:	Benefits to NCSU. NCDOT will provide funding for stream restoration along Rocky Branch in exchange for stream credits to be used for future mitigation of disturbance of other urban streams.
Rental Income:	None
Proceeds:	No monetary consideration
Approvals:	The NCSU Board of Trustees recommended this action on July 12, 2004.

6. At the Chairman's request, Mr. Pinkney presented the next item and answered questions. He also presented the monthly progress report on the UNC Higher Education Bond Program at this time.

Senate Bill 912 (S.L. 2000-03), authorized the issuance of \$3.1 billion in higher education bonds subject to a vote of the qualified voters of the State. In November 2000, upon the approval of a majority of voters, \$2.5 billion was made available to the University of North Carolina for capital improvements.

Senate Bill 912 further required that the Board of Governors report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee on the bond program as well as on the condition of the University's capital facilities and proposed repair, renovation, and maintenance projects. The report had been prepared to meet the legislative requirement and had been sent to the Committee for review.

It was recommended that the report be approved and transmitted to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee.

On the motion of Mr. Broadwell, seconded by Ms. Gage, the recommendation was approved.

7. The Current Operations and Capital Improvements Appropriations Act of 2004 (SL 2004-124) included the following special provision that directed the Board of Governors to fund a study of the mission and educational program needs of the University System and the Community College System. The provision stated that the study should be financed from "funds appropriated to The University of North Carolina." Consistent with the historical interpretation of this language, a nonrecurring reduction to institutional budgets was recommended. It was recommended that the reductions be spread over two fiscal years to lessen the impact of the additional reductions on institutional budgets in the current fiscal year.

UNIVERSITY SYSTEM AND COMMUNITY COLLEGE SYSTEM STUDY

SECTION 9.14. The Board of Governors of The University of North Carolina shall use up to two million dollars (\$2,000,000) of funds appropriated to The University of North Carolina for the 2004-2005 fiscal year for the comprehensive study of the mission and educational program needs for the University System and the Community College System provided for in House Bill 1264 of the 2004 Regular Session of the 2003 General Assembly if that legislation becomes law.

The table below showed the recommended nonrecurring reduction for each institution to cover the cost of the study.

Institution	Nonrecurring Reduction 2004-05	Nonrecurring Reduction 2005-06
UNIVERSITY OPERATIONS		
Appalachian State University	\$ (51,266)	\$ (51,266)
East Carolina University	(109,031)	(109,031)
Elizabeth City State University	(14,494)	(14,494)
Fayetteville State University	(21,486)	(21,486)
North Carolina A & T State University	(42,557)	(42,557)
North Carolina Central University	(29,957)	(29,957)
North Carolina School of the Arts	(11,683)	(11,683)
North Carolina State University	(206,526)	(206,526)
University of North Carolina at Asheville	(15,187)	(15,187)
University of North Carolina at Chapel Hill	(230,866)	(230,866)

University of North Carolina at Charlotte	(64,548)	(64,548)
University of North Carolina at Greensboro	(60,600)	(60,600)
University of North Carolina at Pembroke	(21,747)	(21,747)
University of North Carolina at Wilmington	(35,802)	(35,802)
Western Carolina University	(33,318)	(33,318)
Winston-Salem State University	(24,242)	(24,242)
UNC-General Administration, Operating	(26,690)	(26,690)
Total	(1,000,000)	(1,000,000)

It was recommended that the \$2,000,000 be allocated to UNC-General Administration, Institutional Programs to fund the study as required by the General Assembly.

The Committee engaged in substantial discussion concerning the need to create an opportunity for Board members to help shape the scope of the study in meeting the legislative directive. Mr. Farris proposed an amendment for consideration by the Committee. The amendment stated that the proposed budget reductions would be effective subject to the Board as a whole providing direction to the President on the parameters and focus of the study and the manner in which the study would be carried out to meet the legislative directive acknowledging that the Community Colleges were equal partners in the study.

On the motion of Mr. Farris, seconded by Mr. Bowden, the recommendation was approved as amended.

On the motion of Mr. Bowden, seconded by Ms. Gage, the Committee went into closed session, on the advice of counsel, to consider and give instructions concerning a potential or actual claim, administrative procedure, or judicial action, pursuant to 143-318.11(a)(1) to protect the confidentiality of a document pursuant to GS 147-64.6(d), and pursuant to 143-318.11(a)(3), and to establish or instruct the staff concerning the negotiation of the price and terms of a contract concerning the acquisition of real property.

CLOSED SESSION

The Committee returned to open session.

At the Chairman's request, Mr. Nelson presented information on privatized housing under construction and operational in the university system. The time and cost for constructing privatized residence halls was compared to that for constructing traditional on-campus housing. The differences in construction materials and anticipated life of the facilities were also compared.

Chairman Phillips then asked Amanda Devore to present an overview of the mission and activities of The University of North Carolina's Association of Student Governments. She discussed the mission statement, the history of the ASG, and the service activities that the organization provided throughout the past year and proposed to provide in the current year.

There being no further business, the meeting was adjourned.

Mr. Jim W. Phillips, Jr.
Chairman of the Committee
on Budget and Finance

Mr. F. Edward Broadwell, Jr.
Secretary of the Committee
on Budget and Finance

Minutes of the September 10, 2004 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance hosted a workshop in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Friday, September 10, 2004, at 8:00 a.m. The purpose of the meeting was to discuss the *2005-07 Budget Request of the Board of Governors*.

Members of the Committee on Budget and Finance, other Board of Governors' members, Chancellors, staff from the Office of the President, representatives from State government agencies, and members of the press were in attendance.

Chairman Phillips convened the meeting and recognized Vice President Jeff Davies. Mr. Davies discussed the strategic directions that will guide the preparation of the budget request. Senior Vice President Gretchen Bataille then discussed the proposed expansion budget requests for "Access" and "Intellectual Capital Formation," Vice President Richard Thompson discussed the request for "K-16 Initiatives," Vice President Russ Lea discussed the requests for "Creation, Transfer, and Application of Knowledge" and "Internationalization," and Vice President Robyn Render discussed the request for "Transformation and Change." When Ms. Render concluded, Mr. Davies discussed the requests for Agricultural Programs at North Carolina State University and North Carolina A&T State University; programs at the N.C. School of Science and Mathematics; the EPA Salary Plan; and the Six-Year Capital Plan. Questions were answered throughout the presentations.

Chairman Phillips then announced that a more detailed workshop would be held in conjunction with the October meetings of the Board.

There being no further business, the meeting was adjourned.

Mr. Jim W. Phillips, Jr.
Chairman of the Committee
on Budget and Finance

Mr. F. Edward Broadwell, Jr.
Secretary of the Committee
on Budget and Finance

Minutes of the October 7, 2004 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Thursday, October 7, 2004, at 1:30 p.m.

Members in attendance were: Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Governor James E. Holshouser, Jr., and Mr. Jim W. Phillips, Jr. Necessarily absent was Mr. Benjamin S. Ruffin. Other Board of Governors' members attending the meeting were G. Irvin Aldridge, Brent D. Barringer, C. Clifford Cameron, Anne W. Cates, John W. Davis III, Amanda Devore, Adelaide D. Key, G. Leroy Lail, and Robert F. Warwick. Others attending the meeting were President Molly Corbett Broad, Vice Presidents Jeffrey R. Davies and Leslie Winner; Associate Vice Presidents Ginger B. Jones, Robert O. Nelson, Dwayne L. Pinkney, and James O. Smith; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice Presidents Shari Harris and Claudia Odom; and Special Assistant to the University Kennis R. Grogan. Chancellors in attendance were James H. Mullen, Jr. (UNC Asheville), James H. Woodward (UNC Charlotte), and Rosemary DePaolo (UNC Wilmington). Also in attendance were Charlotte Todd of the Fiscal Research Division; Anne Bander of the Office of State Budget and Management, and members of the press.

Chairman Phillips called the meeting to order.

1. During the 2004 legislative session, a special provision in Section 9.1 of House Bill 1414 required that each Chancellor report to the Board of Governors on the reductions made to the General Fund budget codes in order to meet the reduction reserve amounts for his/her institution. The Board of Governors would then make a summary report to the Office of State Budget and Management and the Fiscal Research Division by December 31, 2004 on all the reductions made to reach the targeted amounts.

The Chancellors of the sixteen campuses and the Executive Director of the North Carolina School of Science and Mathematics had reported their reductions. The summary report was presented for approval.

It was recommended that the Board of Governors approve the 2004-05 Budget Reductions Report and that it be transmitted to the Office of State Budget and Management and the Fiscal Research Division by December 31, 2004.

On the motion of Mr. Burns, seconded by Ms. Gage, the recommendation was approved.

2. The Board of Trustees of Appalachian State University had requested authorization to dispose of two real properties by demolition.

Welborn Dining Hall, a two-story 64,316-square-foot masonry building was constructed in stages commencing in 1925. The second floor contained two large general dining rooms, a service line, and a reserved dining area with a total seating capacity of 975 people. The ground level was principally utilized for food preparation. A portion of the site now

occupied by this structure would be required to facilitate the construction of the new Central Dining Facility and the proposed expansion of the central campus “open space.” Evaluated by the Office of State Construction and Department of Insurance, the building had been cited for a significant number of major deficiencies with regard to compliance with current structural, fire and life safety and accessibility standards and, due to its limited size, functional deficiencies and obsolescent infrastructure no longer served the needs of ASU. ASU estimated that the demolition of the structure would cost \$515,000 and these costs were included in the replacement building project budget funded by indebtedness to be retired from food service receipts. The self-liquidating project was authorized in 1998 and construction was expected to start by June 2005.

Owens Field House, a two-story 28,212-square-foot masonry building was initially constructed in 1963, with an addition in 1982. The building currently housed facilities for the intercollegiate athletic program including offices, locker and dressing rooms, group meeting space and training and support facilities. The site occupied by this structure was required to construct a replacement facility in the only functional campus location. The structure was functionally deficient with respect to its limited size and adaptability to support the expansion needed to serve the expanding athletic program. ASU estimated the demolition of the structure to cost \$226,000 and these costs were included in the project budget for a replacement facility that would be funded through the issuance of indebtedness to be retired from a debt service fee. The self-liquidating replacement project was authorized by the General Assembly in 2003, at the request of the Board, and construction was expected to start in January 2005.

It was recommended that the requests of the Board of Trustees of Appalachian State University be approved and transmitted to the Council of State for final action.

On the motion of Mr. Bowden, seconded by Mr. Burns, the recommendation was approved.

3. On June 8, 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and acquisitions up to \$250,000. The following property transactions were approved under this delegation and were reported to the Committee on Budget and Finance.

Appalachian State University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	Provide the Town of Boone the opportunity to relocate an existing water line that crosses ASU property that has to be moved because of university construction on Phase III of the Turchin Center for the Visual Arts
Location:	Along the west edge of the Turchin Center property located at 423 West King Street
Description:	Generally a 3' wide utility easement to the Town of Boone for a water line serving the Wesley Foundation.
Estimated value:	Benefits to ASU
Rental Income:	N/A
Proceeds:	No monetary consideration
Approvals:	The ASU Board of Trustees recommended this action on September 3, 2004.

North Carolina State University – Disposition of Real Property by Easement

Owner: State of North Carolina
Disposition reason: North Carolina Department of Transportation has requested additional right-of-way on Reedy Creek Road to facilitate paving of this road with divided median and the addition of a greenway trail that will provide a connection between the Museum of Art and Umstead State Park
Location: Along the north side of Reedy Creek Road between Edwards Mill Road and Richland Lake
Description: The requested easement is variable in width and will include approximately 1.4 acres
Estimated value: Benefits to NCSU
Rental Income: N/A
Proceeds: No monetary consideration
Approvals: The NCSU Board of Trustees recommended this action on September 17, 2004.

4. House Bill 1414 (S.L. 2004-124) appropriated funds for certain capital projects. House Bill 1264 (S.L. 2004-179) authorized the issuance of certificates of participation to fund capital projects and land acquisitions for capital projects.

On August 9, the Committee on Budget and Finance of the Board of Governors approved a recommendation that institutions with capital projects authorized in the bills previously cited should present their plans for carrying out these projects to the Board for approval.

The projects at the UNC Health Care System (North Carolina Cancer Hospital) and at East Carolina University (Eastern Carolina Cardiovascular Facility) were funded by the General Assembly at the request of the Board; therefore, no additional Board action was required. The projects at Elizabeth City State University (School of Pharmacy) and the University of North Carolina at Pembroke (Optometry School) required the authorization of academic programs upon the recommendation of the Committee on Educational Planning, Policies and Programs before proceeding with the design of a facility. Recommendations for the other capital projects follow. Although a recommendation was not made below for the distribution of funds provided for the Center for Design Innovation, a recommendation would be forthcoming at the November meeting.

Recommendations

Fayetteville State University

Centers of Excellence in Teaching and Nursing, \$10,000,000

Fayetteville State University requested that the Board authorize the institution to purchase land and begin design of two 30,000 square-foot facilities, one to house the Center of Excellence in Nursing Education and Research and the other for the Center for Excellence in Teacher-Education Effectiveness and Research. These Centers had been established by Fayetteville State University.

It was recommended that the Board authorize Fayetteville State University to purchase land and plan facilities for an amount not to exceed \$3 million.

North Carolina A&T State University and The University of North Carolina at Greensboro

Joint Millennial Campus, \$14,000,000

Plans submitted jointly by these two institutions provided for North Carolina A&T State University to be responsible for overseeing the planning of a new facility on the South Millennial Campus (the North Carolina A&T State University farm) and for UNC Greensboro to be responsible for planning the renovations on the North Millennial Campus (the former North Carolina School for the Deaf).

It was recommended that the Board authorize North Carolina A&T State University to spend up to \$647,500 and UNC Greensboro to spend up to \$400,000 to plan projects on the Joint Millennial Campus.

The University of North Carolina at Asheville

Center for Health Promotions and Partnerships, \$35,000,000

Conditioned upon the approval of a new academic program at the current Board meeting, the University proposed to construct a 110,000 square-foot facility for programs that promoted preventive health education and related outreach efforts. The proposed facility would provide modern classrooms and biometrics labs and office space for Health and Fitness faculty members.

It was recommended that the Board authorize UNC Asheville to use the funds made available by the General Assembly to plan and construct the proposed facility.

The University of North Carolina at Charlotte

Bioinformatics Center, \$35,000,000

The University proposed to construct a 102,000 square-foot facility to provide space for state-of-the-art research in bioinformatics that would house the Institute for Bioinformatics and Biomedical Computing. Research conducted by the Institute focused on cancer detection and prevention, computer-aided drug discovery, defense against biological attacks, and security of biological data. The facility would include wet and dry labs, computer labs, and office and support space for faculty and students. Collaborative research would involve the Colleges of Information Technology, Engineering, Health and Human Services, Biology, Chemistry, Mathematics, and Philosophy.

It was recommended that the Board authorize UNC Charlotte to use the funds made available by the General Assembly to plan and construct the proposed facility.

The University of North Carolina at Charlotte

Motorsports Testing and Research Complex, \$4,000,000

The University proposed to use the funds provided by the General Assembly to design a facility that would house potential motorsports research programs.

It was recommended that the Board authorize UNC Charlotte to use the funds made available by the General Assembly for planning the proposed facility.

The University of North Carolina at Wilmington

Planning for a School of Nursing, \$500,000

House Bill 1414 provided \$500,000 for UNC Wilmington to plan a new facility to house the School of Nursing.

It was recommended that the Board approve all funds for planning the School of Nursing facility.

Western Carolina University, North Carolina Center for Health and Aging, the Mountain Area Health Education Center, \$10,000,000

The General Assembly provided \$10,000,000 for health-related gerontological projects in western North Carolina. Detailed plans for the use of these funds would be presented to the Board at a future meeting; however, it was recommended that funds be made available for use by Western Carolina University to plan a Health and Gerontological Sciences building to be located on the WCU campus in Cullowhee. This facility would provide for the relocation of existing academic programs as well as space for future health-related programs.

It was recommended that the Board authorize Western Carolina University to use up to \$1,300,000 to plan a new Health and Gerontological Sciences facility.

Winston-Salem State University

Land Acquisition, \$2,000,000

House Bill 1414 provided \$2,000,000 for use by Winston-Salem State University to purchase land consistent with its master plan.

It was recommended that the Board authorize Winston-Salem State University to use the funds provided by the General Assembly for this purpose.

On the motion of Mr. Broadwell, seconded by Mr. Bowden, the recommendations for release of funds to support the projects were approved.

5. Chairman Phillips then called upon Claudia Odom to present information on tuition and fee trends. She presented comparisons of tuition and fee increases from information made available by the Southern Regional Education Board and from the Washington State Study on Tuition and Fees. She then led a discussion of other approaches to tuition increases nationwide.

After this, Mr. Farris proposed an amendment to the Tuition and Fee Policy that had been drafted by Ms. Devore and the SGA whereby the following wording was added in the "Undergraduate Tuition" section. *"If a campus submits a multi-year increase and the proposal for one or more of the years is not approved by the Board, the campus must conduct a consultative process, including participation by students, before resubmitting the previously unapproved portions of the proposal."* The Committee discussed the amendment and in the end, the proposal was withdrawn and the Committee agreed to discuss the topic at a future meeting.

6. Next, Vice President Davies discussed ongoing activities of the Finance staff in the President's Office and to ensure fiscal integrity at the constituent institutions. Questions were answered during the presentation and the function and reporting of internal auditors was discussed.
7. The Committee received a report on the UNC Bond Program. One important accomplishment during the past month had been the graduation of 23 minority contractors from The Contractor Academy. The pilot program was the result of a consorted effort between UNC, the Carolinas Associated General Contractors, Small Business Technology & Development Center, the N.C. Institute of Minority and Economic Development, and local prime general contractors. The program focused on developing skills essential to managing a competitive construction business. As a result of the Academy, five of the participants had formed a joint venture, Academy Construction, Inc.
8. A draft of the Annual Report for 2003-04 was presented to the Committee. The final Report would be considered at the November meeting.

On the motion of Mr. Bowden, seconded by Mr. Burns, the Committee went into closed session to consult with our attorney to establish or instruct the staff concerning the negotiation of the price and terms of a contract concerning the acquisition of real property.

CLOSED SESSION

The Committee returned to open session.

There being no further business, the meeting was adjourned.

Mr. Jim W. Phillips, Jr.
Chairman of the Committee
on Budget and Finance

Mr. F. Edward Broadwell, Jr.
Secretary of the Committee
on Budget and Finance

Minutes of the October 8, 2004 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance hosted a workshop in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Friday, October 8, 2004, at 9:30 a.m. The purpose of the meeting was to discuss the *2005-07 Budget Request of the Board of Governors*.

Members of the Committee on Budget and Finance, other Board of Governors' members, Chancellors, staff from the Office of the President, representatives from State government agencies, and members of the press were in attendance.

Chairman Phillips convened the meeting and recognized Vice President Jeff Davies. Mr. Davies discussed the strategic directions that had guided the preparation of the budget request. Senior Vice President Gretchen Bataille then discussed the proposed expansion budget requests for "Access," "Intellectual Capital Formation," and "Creation, Transfer, and Application of Knowledge." Vice President Richard Thompson discussed the request for "K-16 Initiatives." Vice President Robyn Render discussed the request for "Transformation and Change." When Ms. Render concluded, Dr. Bataille discussed the requests for Agricultural Programs at North Carolina State University and North Carolina A&T State University; programs at the N.C. School of Science and Mathematics; and the EPA Salary Plan. Mr. Davies discussed the Six-Year Capital Plan. Questions were answered throughout the presentations.

Chairman Phillips announced that the request would be considered for approval at the November meeting.

There being no further business, the meeting was adjourned.

Mr. Jim W. Phillips, Jr.
Chairman of the Committee
on Budget and Finance

Mr. F. Edward Broadwell, Jr.
Secretary of the Committee
on Budget and Finance

UNC Management Flexibility Legislation, Summary of Institutional Annual Reports, 2003-04

The UNC Management Flexibility legislation directs the Board of Governors to report annually by March 31 of each year to the General Assembly's Joint Legislative Education Oversight Committee on operating results. In this regard, the *Operating Instructions for Special Responsibility Constituent Institutions* adopted by the Board require each designated institution to submit an annual report. In its 1999 Legislative Session, the General Assembly enacted legislation that extended management flexibility to the University of North Carolina General Administration on a basis comparable to that authorized for the special responsibility constituent institutions; in the 2001 Legislative Session, management flexibility was extended to the North Carolina School of Science and Mathematics. All institutions have complied with the reporting requirement for the 2003-04 fiscal year and the reports have been summarized into the *Summary of Institutional Annual Reports* attached. Copies of the individual campus reports are available upon request.

On August 11, 2000, the Board took action to require increased accountability over the expenditure of lapsed salary funds. The accountability is partially fulfilled through additions to the annual report that deal with lapsed salary expenditures and a list of positions held vacant for nine months or more. Highlights of 2003-04 results are shown in the Executive Summary.

It is recommended that the attached *Summary of Institutional Annual Reports, 2003-04*, be approved and forwarded to the General Assembly's Joint Legislative Education Oversight Committee.

2005-07 Budget Request of the Board of Governors

One of the principal responsibilities of the Board of Governors is to make the University's needs for funding known to the Governor and the General Assembly. To fulfill this responsibility, on a biennial basis, the Board prepares a budget request documenting the University's needs. The proposed 2005-07 Budget Request of the Board of Governors identifies the funding needed to carry out the six strategic priorities of the Board of Governors. The Request was discussed at the Board's workshops on September 10 and October 8, 2004.

It is recommended that the Vice President for Finance be authorized to make refinements to the request in the interest of accuracy and completeness. It is further recommended that the 2005-07 Budget Request of the Board of Governors be approved and forwarded to the Governor and General Assembly.

Note: Several items in the draft 2005-07 Budget Request are dependent upon final approval by the Board of Governors at its November meeting. If these items, such as the recommendations of the Special Committee Reviewing the Funding Model for Enrollment Growth, are not approved, the draft Request will be adjusted accordingly.

Revision of Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions

The 2003 Session of the North Carolina General Assembly enacted legislation granting the Board of Governors additional responsibilities for the management of purchasing contracts. Session Law 2003-228 provided additional purchasing flexibility for procurements made from non-general fund sources.

Upon the recommendation of the Committee on Budget and Finance, the Board of Governors, in February, 2004, voted to approve changes to Policy # 600.3.1, *Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions* to accommodate improvements in purchasing practices authorized by the General Assembly.

Additional revisions to the Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions are required in order to clearly define the authority delegated to the constituent institutions for the procurement of personal property. Deletions are indicated by strike-through and additions are underlined.

It is recommended that the Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions, as revised, be approved.

Adopted 09/13/91
 Amended 09/09/94
 Amended 09/08/95
 Amended 09/13/96
 Amended 05/22/97
 Amended 11/13/98
 Amended 08/13/99
 Amended 02/13/04¹
DRAFT 11/11/04

Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions

A. Achieving and Retaining Status as a Special Responsibility Constituent Institution

Management Staffing Standards and Internal Controls and Safeguards

1. Responsibilities of Special Responsibility Constituent Institutions

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

- a. The Chancellor/Executive Director must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor/Executive Director must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.
- b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.
- c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.
- d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.

¹ On February 13, 2004, the Board placed into policy changes to these criteria that it had adopted on 2/08/02 and 9/12/03.

- e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.
 - f. Each Chancellor/Executive Director shall prepare a plan for the uses of appropriations carried forward from the previous fiscal year and anticipated lapsed salary funds for the current fiscal year, which should be submitted to the Office of the President by July 15 of each year.
 - g. Chancellors/Executive Director may delegate the authority for approving departmental plans for expenditures authorized under budget flexibility, but may not delegate the authority below the level of the appropriate Vice Chancellor.
 - h. The Chancellors/Executive Director shall review an annual internal audit report on expenditures authorized under budget flexibility.
 - i. The Chancellor shall ensure that procedures and support systems are in place to provide for the effective operation and maintenance of all existing campus buildings and infrastructure. New facilities financed by the 2000 Higher Education Bond Program or any other sources of funds shall become a part of an effective program of preventive maintenance from the time that construction is completed. Procedures shall also be in place to assure proper accountability and safeguarding of all fixed assets and other items purchased by the University.
2. Responsibilities of the President and the Board of Governors

The President is directed to establish the administrative procedures necessary to carry out the following rules:

- a. The President and her/his staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.
- b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor/Executive Director of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.
- c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of

The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest.

- d. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.
- e. The President and her/his staff, after consultation with the State Auditor, shall review and consult with the Director of the Office of State Personnel and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 116-31.10. Such review and consultation must take place no less frequently than once each biennium.
- f. The President shall review plans submitted by the Chancellors/Executive Director for uses of funds carried forward from the previous fiscal year and anticipated lapsed salary funds and, upon approval, present a summary of these plans to the Board of Governors at its August meeting each year.

B. Budget Administration

1. Appropriations to Special Responsibility Constituent Institutions

- a. All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made.
- b. Notwithstanding G.S. 143-23(a1), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor/Executive Director to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors including but not limited to the following:
 - 1. A current institutional expenditure plan for each budget code must be established and maintained under the direction of the Chancellor/Executive Director.
 - 2. No action shall be taken that would materially change the capability of the institution to carry out its educational mission as defined by the Board of Governors. The Board of Governors will retain program responsibility. No actions taken should have the effect of either establishing a new academic, research, or public service program or closing such a program without the specific approval by the Board. Reallocation of academic program resources

should not be made to the extent that a particular existing program is seriously weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.

3. Reallocations of interinstitutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.
 4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.
 5. Appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations cannot be reallocated for other purposes without specific approval by the Board of Governors.
- c. The quarterly allotment procedure established pursuant to G.S. 143–17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.
 - d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.
 - e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.

2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, at the close of a fiscal year, any amount of the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State.

However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution. *(Note advanced approval requirement in Sections A1.f. and A2.f. above.)*

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance

Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or

- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the number or amount of Regular Term budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than \$500,000. The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

Institutions with an expenditure benchmark greater than \$250,000 but not greater than \$500,000 shall submit to the Division of Purchase and Contract for that Division's approval, or other action deemed necessary by the Division, a copy of all offers received and the institution's recommendation of award or other action. Notice of the Division's decision shall be sent to that institution. The institution shall then proceed with the award of contract or other action recommended by the Division.

The power and authority granted to the Board of Governors with regard to the acquisition, operation, maintenance and disposition of real and personal property and services shall be subject to, and exercised in accordance with, the provisions of Chapter 143 and 146 of the General Statutes and related sections of the North Carolina Administrative Code, except when a purchase is being made that is not covered by a State term contract and either:

- (1) The funds used to procure personal property or services are not moneys appropriated from the General Fund or received as tuition or, in the case of multiple fund sources, moneys appropriated from the General Fund or received as tuition do not exceed thirty percent (30%) of the total funds; or

- (2) The funds used to procure personal property or services are contract and grant funds or, in the case of multiple fund sources, the contract and grant funds exceed fifty percent (50%) of the total funds.

When a special responsibility constituent institution ~~makes a purchase~~ procures personal property or services under condition (1) or (2) above, the special responsibility constituent institution is delegated the authority to procure the property without approval by the Board of Governors, and the requirements of Chapter 143, Article 3 shall apply, except the approval or oversight of the Secretary of Administration, the State Purchasing Officer, or the Board of Awards shall not be required, regardless of dollar value.

Special responsibility constituent institutions shall have the authority to purchase equipment, materials, supplies, and services from sources other than those certified by the Secretary of Administration on term contracts, subject to the following conditions:

- (1) The purchase price, including the cost of delivery, is less than the cost under the State term contract;
- (2) The items are the same or substantially similar in quality, service, and performance as items available under State term contracts;
- (3) The cost of the purchase shall not exceed the benchmark established under G. S. 116-31.10; and
- (4) The special responsibility constituent institution notifies the Department of Administration of purchases consistently being made under this provision so that State term contracts may be improved.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116–30.1 through G.S. 116–30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. The measures shall be taken from accountability reports to the Board and any other performance measures developed for this purpose by the Board.

F. Reporting Requirements

1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD–701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor/Executive Director, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

2. Fiscal Year Plan

Each Chancellor/Executive Director of a special responsibility constituent institution must prepare a fiscal year plan, due to the President by July 15, as follows:

- a. An annual plan specifying programmatic, and major expenditure classification detail, for expending funds carried forward from the previous fiscal year as allowed under G.S. 116-30.3.
- b. An annual plan for expending anticipated lapsed salary funds for the fiscal year. This portion of the plan would be a projection of the amount of lapsed salaries and the programmatic priorities for expending the estimated funds.

3. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report must be submitted to the Office of the President by October 10 following fiscal year end, and shall include the following information:

- a. an annual operating report in the same format as the monthly report described above
- b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures related to this topic
- c. fiscal savings
- d. management initiatives undertaken
- e. increased efficiency and effectiveness achieved, including institutional purchases under the expenditure benchmark established by the Board of Governors for the institution
- f. other outcomes made possible by the flexibility provided
- g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers, including the actual uses of funds reallocated during the fiscal year as a result of lapsed salaries
- h. the actual uses of appropriations carried forward from the previous fiscal year
- i. any additional costs incurred
- j. a schedule of positions established and positions abolished
- k. list of positions that were vacant for more than 9 months during the fiscal year and an explanation for the length of the vacancy
- l. compliance certification letter to the President from each SRCI Chancellor/Executive Director

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.

Authorization of Capital Improvements Project – North Carolina State University

The Board of Trustees at North Carolina State University requests approval of a new capital improvements project.

The project would provide for the construction of a contamination remediation system for groundwater at the NC State Lot 86 Superfund site in accordance with the Statement of Work for the Remedial Design and Remedial Action approved by the U.S. Environmental Protection Agency.

The project is estimated to cost \$525,000 and would be financed from facilities and administrative receipts.

It is recommended that the project be authorized and that the method of financing as proposed by North Carolina State University be approved.

Disposition of Property – The University of North Carolina at Chapel Hill

The Board of Trustees of the University of North Carolina at Chapel Hill has requested authorization to dispose of real property by demolition consistent with their master plan.

To construct the Student and Academic Services project, which will consolidate a number of student support services into one facility and free up space in academic buildings in the center of the campus, the university must demolish Chase Hall. Constructed in 1965, Chase Hall is used primarily as a dining hall with some office space for the School of Medicine. Dining Services will be relocated to the new Ramshead Complex and the Medical School offices will use swing space until the completion of the Genetic Medicine Building in 2006. The \$1,200,000 needed to demolish Chase Hall is included in the budget of the Student and Academic Services project, a 2000 Higher Education Bond project. Construction is expected to begin in June 2005.

UNC-Chapel Hill is also requesting approval to demolish all or some portion of seven buildings to construct the Arts Common project which is a phased redevelopment of the northwest quadrant of its north campus that will provide new and renovated instructional and performance facilities to support the study, practice, and enjoyment of the Arts. To pursue this project, UNC-CH is requesting that the following demolitions be approved:

1. Abernethy Hall, built in 1907, would be demolished to make way for the new Music Building and underground parking deck. Abernethy Hall is currently used by Public Policy and Academic Technology and Networking Services.
2. Evergreen House, built in 1890, would be demolished to make way for the new Communications Building. Evergreen House is currently used as office space for Recreation and Leisure Studies.
3. Hill Hall Annex, built 1930, would be demolished to make way for the expansion of the Ackland Art Museum. The Hill Hall Annex is currently occupied by the Music Department.

4. Porthole Building, built in 1930, would be demolished to make way for the expansion of the Ackland Art Museum. The Porthole Building is currently occupied by the Study Abroad Program and the Advancement Office.
5. West House, built in 1935, would be demolished to make way for the new Music Building and underground parking deck. The West House is currently used by the Arts and Humanities Institute.
6. Retaining the original part of Hill Hall (built in 1907 and also known as the Carnegie Library), the additions, built in 1930 and 1963, would be demolished to make way for the new Fine Arts Library. The Hill Hall additions are currently occupied by the Music Department.
7. Retaining the original Swain Hall (built in 1913), the addition, built in 1963, would be demolished to make way for the new Music Building and underground parking deck. The Swain Hall addition is currently occupied by Academic Technology and Networking Services.

The offices located in these buildings will use swing space until the completion of the ITS Building in 2006 or the Music Building in 2008. The \$1,100,000 needed for these demolitions is included in the Arts Common project budget. Construction is expected to begin in March 2007.

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

**Property Actions Approved Under Delegated
Authority to the Office of the President**

On June 8, 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and dispositions up to \$250,000. The following property transactions were approved under this delegation and are reported to the Committee on Budget and Finance.

East Carolina University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	The North Carolina Department of Transportation has requested right-of-way easements for the 14 th Street Bridge replacement and street widening project.
Location:	Four parcels along 14 th Street between Charles Boulevard and West Rock Spring Road
Description:	The DOT project will replace the 14 th Street Bridge and widen 14 th Street from the bridge east to Charles Boulevard.
Estimated value:	\$115,975
Rental Income:	N/A
Proceeds:	The proceeds shall revert to the Office of State Budget and Management.
Approvals:	The ECU Board of Trustees recommended this action on October 5, 2004.

University of North Carolina Board of Governors
UNC Bond Program Report
November 2004

Bond dollar commitments increased by \$11 million since the October report. Although a more rapid pace had been anticipated, the program is experiencing some of the effects of a recovering economy as bidders are attracted to opportunities in the private sector where many of them prefer to work. This has resulted in the extension of some bid opening dates in order to solicit sufficient competition to permit award.

At the same time, however, the movement of projects from construction into the "Complete" column is continuing. Some projects completed since the last report include Founders Hall (\$1M) and Walker Hall (\$1.7M) at ASU, Spaulding Renovation (\$1M) and Continuing Education Center Renovation (\$300,000) at FSU, Expansion and Renovation of Rivers (\$10.4M) at ECU, Support Services Center (\$8.1M) at NCSU, and Primary Electrical Distribution (\$2.2M) at UNC-W. A total in excess of \$442 million is reported in completed projects alone.

The Office of the President and the campuses are continuing to improve processes and working relationships with the construction community. A November meeting is scheduled with interested Capital Project Coordinators to review experiences with the Construction Manager at Risk procurement method and share lessons learned. In addition, a meeting has been scheduled with representatives of the American Institute of Architects in December, similar to the earlier initiative with the Association of General Contractors. It is anticipated that improved communication channels between the University and the architectural community will benefit both groups.

Overall, the bond program currently has \$1.58 billion in contractual commitments for projects that are in design, under construction, completed, or funds expended for land acquisitions. An updated project status overview is included in this report reflecting the activity by institution.

The University of North Carolina
Bond Project Status Overview - November 2004 Data
Contractual Commitments from Bond Funds

Institution	# of Projects per Bond List*	# of Project Bid Packages*	Total Dollar Value	In Design Phase				In Construction Phase				Complete				Land Acquisitions	
				\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Appalachian State University	13	23	\$87,406,200	\$5,155,108	5.90%	3	13.04%	\$57,899,076	66.24%	7	30.43%	\$14,673,627	16.79%	11	47.83%	\$829,300	0.95%
East Carolina University	13	23	\$190,609,500	\$7,671,791	4.02%	3	13.04%	\$70,552,694	37.01%	6	26.09%	\$74,796,634	39.24%	12	52.17%	\$7,667,248	4.02%
Elizabeth City State University	19	21	\$46,296,800	\$3,058,675	6.61%	6	28.57%	\$20,707,182	44.73%	4	19.05%	\$4,540,710	9.81%	5	23.81%	\$0	0.00%
Fayetteville State University	16	25	\$46,021,400	\$1,931,599	4.20%	10	40.00%	\$15,106,494	32.82%	11	44.00%	\$2,154,024	4.68%	5	20.00%	Not Applicable	N/A
North Carolina A&T State University	24	38	\$161,800,091	\$9,495,286	5.87%	6	15.79%	\$67,056,501	41.44%	15	39.47%	\$24,317,074	15.03%	13	34.21%	\$6,081,437	3.76%
North Carolina Central University	23	43	\$121,246,203	\$8,798,063	7.26%	6	13.95%	\$64,272,650	53.01%	24	55.81%	\$7,328,862	6.04%	8	18.60%	\$1,733,376	1.43%
North Carolina School of the Arts	12	11	\$42,547,500	\$785,051	1.85%	2	18.18%	\$7,033,454	16.53%	4	36.36%	\$21,718,048	51.04%	3	27.27%	\$2,602,802	6.12%
North Carolina State University	40	102	\$468,256,655	\$19,721,949	4.21%	23	22.55%	\$164,112,006	35.05%	25	24.51%	\$64,554,087	13.79%	47	46.08%	\$1,377,975	0.29%
UNC-Asheville	9	12	\$50,464,200	\$3,052,742	6.05%	4	33.33%	\$4,746,963	9.41%	1	8.33%	\$13,474,943	26.70%	7	58.33%	Not Applicable	N/A
UNC-Chapel Hill	50	87	\$510,539,075	\$32,246,708	6.32%	35	40.23%	\$204,765,557	40.11%	31	35.63%	\$78,283,729	15.33%	21	24.14%	\$1,338,342	0.26%
UNC-Charlotte	15	22	\$190,033,501	\$12,763,414	6.72%	5	22.73%	\$146,666,842	77.18%	11	50.00%	\$11,652,551	6.13%	6	27.27%	Not Applicable	N/A
UNC-Greensboro	17	26	\$166,008,255	\$5,686,594	3.43%	5	19.23%	\$44,964,726	27.09%	7	26.92%	\$43,081,153	25.95%	10	38.46%	\$3,113,921	1.88%
UNC-Pembroke	17	15	\$56,873,600	\$2,408,927	4.24%	7	46.67%	\$12,405,819	21.81%	5	33.33%	\$21,042,165	37.00%	2	13.33%	Not Applicable	N/A
UNC-Wilmington	18	29	\$109,201,800	\$7,195,028	6.59%	7	24.14%	\$25,705,170	23.54%	7	24.14%	\$5,553,805	5.09%	13	44.83%	\$2,100,000	1.92%
Western Carolina University	15	26	\$100,336,744	\$5,622,743	5.60%	7	26.92%	\$33,187,928	33.08%	8	30.77%	\$22,728,725	22.65%	10	38.46%	\$0	0.00%
Winston-Salem State University	13	26	\$46,786,581	\$1,204,248	2.57%	3	11.54%	\$15,658,072	33.47%	9	34.62%	\$16,302,793	34.85%	14	53.85%	Not Applicable	N/A
UNC Center for Public Television**	2	6	\$65,890,600	\$0	0.00%	0	0.00%	\$28,170,366	42.75%	0	0.00%	\$8,994,347	13.65%	6	100.00%	Not Applicable	N/A
NC School of Science and Math	2	4	\$5,163,000	\$0	0.00%	0	0.00%	\$0	0.00%	0	0.00%	\$5,163,000	100.00%	4	100.00%	Not Applicable	N/A
The NC Arboretum	1	6	\$9,331,700	\$362,807	3.89%	2	33.33%	\$1,614,984	17.31%	2	33.33%	\$1,966,000	21.07%	2	33.33%	Not Applicable	N/A
Reserve – For Repairs and Renovations and Cost Overruns			\$25,186,595														
Total	319	545	\$2,500,000,000	\$127,160,733	5.09%	134	24.59%	\$984,626,484	39.39%	177	32.48%	\$442,326,277	17.69%	199	36.51%	\$26,844,401	1.07%

*The number of projects undertaken by the institutions differs from the number as listed in the bond legislation because projects are in some instances combined or separated into multiple phases. The percentages reported are based on the number of bid packages being prepared by the institution in order to give a more accurate progress picture.

The number of projects listed based on legislation, reflects the original 316 items with adjustments approved through scope change requests.

**With no construction projects in progress, a dollar commitment continues to be reported reflecting the related equipment purchases currently on order and required to complete the digital conversion project.

Additional equipment will be ordered as this technology stabilizes.

Construction Manager at Risk preconstruction fee is listed under "Construction" column and will reflect a project count when a Gross Maximum Price contract is executed.