

Minutes of the February 10, 2005 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in Ballroom 1 of the Warwick Center at the University of North Carolina at Wilmington, on Thursday, February 10, 2005, at 10:30 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 Board Chair J. Bradley Wilson, G. Irvin Aldridge, Patsy B. Perry, Bradley T. Adcock, Brent D. Barringer, J. Addison Bell, Anne W. Cates, John F.A.V. Cecil, Bert Collins, John W. Davis, III, Amanda Devore, Willie J. Gilchrist, Adelaide D. Key, G. Leroy Lail, Charles H. Mercer, Jr., Charles S. Norwood, Jr. Cary C. Owen, Gladys Ashe Robinson, Estelle Sanders, J. Craig Souza, Priscilla P. Taylor, and Robert F. Warwick. Others attending the meeting were Vice Presidents Gretchen Bataille, Jeffrey R. Davies, Russ Lea, Robyn R. Render, and Leslie Winner; Secretary of the University Bart Corgnati; Associate Vice Presidents Ginger Burks, Robert O. Nelson, Michelle Howard-Vital, Joni Worthington, and Laura Young; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice President Claudia Odom; and Special Assistant to the University Kennis R. Grogan. Also in attendance were Steve Brooks, Director of the State Education Assistance Authority, Richard Bostic of the Fiscal Research Division, Trey O'Quinn and Kristin Crosson of the Office of State Budget and Management, Sara Kamprath of the Legislative Research Office, and members of the press. In attendance to assist the Committee during the discussion of tuition and fees were Chancellors, Provosts, Deans, and Chief Finance Officers of the 16 constituent institutions.

Chairman Phillips called the meeting to order. The minutes of the meeting of January 13, 2005 were approved.

Chairman Phillips first recognized Mr. Steve Brooks of the North Carolina State Education Assistance Authority. He presented "*Benchmarks: Measures of College Affordability and Student Aid in North Carolina*" and explained the effectiveness of the Board's need-based financial aid program. A question/answer session followed his presentation. Mr. Nelson and Ms. Odom then presented information about the cost of education at the constituent institutions that had been calculated consistent with the cost model developed by the National Association of College and University Business Officers.

Following these presentations, Chairman Phillips asked the Chancellor of each institution proposing campus-initiated tuition increases to discuss their proposals for tuition and fees. The chancellors explained the planned uses of the revenues that would be generated from the increases and answered questions during the presentations and afterwards engaged in a discussion about tuition and fees.

Following considerable discussion, on the motion of Ms. Gage, seconded by Mr. Hans, it was recommended that decisions concerning campus-initiated tuition increases for nonresident students and for students enrolled in graduate and professional schools, as well as fee increases, be deferred until the March meeting. The motion carried.

Next, on the motion of Ms. Gage, seconded by Mr. Broadwell, it was recommended that tuition rates for 2005-06 for resident undergraduate students remain at the 2004-05 level. The motion carried.

The Committee then continued with the regular agenda.

1. At its November meeting, the Board of Governors approved the *2005-07 Budget Request*. It was requested that the *Budget Request* be amended to include additional funds required for the UNC Need-Based Student Financial Aid Program.

The UNC Need-Based Student Financial Aid Program, administered by the State Education Assistance Authority (SEAA), makes careful use of state funds by specifying that federal Pell grants and tax credits are used first to meet students' needs. The Board of Governors' original request for this program was for an additional \$8,674,000 in 2005-06 and \$16,078,500 in 2006-07. Since the approval of the original request, changes in federal rules governing Pell Grants would reduce the availability of Pell Grants to North Carolina resident students. As a result, more funding was required for the UNC Need-Based Student Financial Aid Program in order to hold students harmless.

It was recommended that the *Budget Request* for Current Operations be increased by \$3,200,000 in 2005-06 and 2006-07 to hold North Carolina students harmless from changes in the federal Pell Grant formula. The amendment would change the Board of Governors' request for the UNC Need-Based Student Financial Aid Program to \$11,874,000 in 2005-06 and \$19,278,500 in 2006-07.

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

2. The NCCHA, a partnership between the University of North Carolina at Asheville, Western Carolina University, and the Mountain Area Health Education Center, has the primary mission to promote healthy lifestyles and successful aging among all population groups.

House Bill 1264 authorized the issuance of certificates of participation totaling \$10 million to the partnership for land acquisition and advance planning, including engineering studies and utility extensions, for new facilities serving Western Carolina University and the Mountain Area Health Education Center.

At its October 2004 meeting, the Board approved the allocation of \$1,300,000 for advance planning activities for a new Health and Gerontological Sciences facility at WCU.

The members of the partnership requested that the Board authorize the allocation of the remaining \$8,700,000 for land acquisition (budgeted at \$7,000,000), advance planning of the MAHEC facility (budgeted at \$1,261,575), engineering studies/utilities extensions (budgeted at \$393,296), and additional advance planning for the Health and Gerontological Sciences Building at WCU (\$45,129). Land proposed to be purchased for use by the partnership would follow the approved University and State acquisition process including

being subject to specific review and approval by the Board of Governors.

It was recommended that the remaining funds be allocated to Western Carolina University for the identified purposes.

On the motion of Ms. Gage, seconded by Governor Holshouser, the recommendation was approved.

3. The University of North Carolina at Greensboro requested approval to lease State land to the Capital Facilities Foundation, Inc., (Capital Facilities Foundation) for the purpose of constructing student housing and parking. The University also requested approval to enter into a long-term lease to acquire up to 400 beds of student housing and 200 parking deck spaces from the Capital Facilities Foundation when construction was complete.

The University of North Carolina at Greensboro would lease approximately 3.4 acres of land on campus to the Capital Facilities Foundation. The Capital Facilities Foundation would construct up to 400 beds of student housing and 200 parking deck spaces which would then be leased back to the University of North Carolina at Greensboro at a cost not to exceed \$480 per month per bed and not to exceed \$33 per month per parking space for a lease term of thirty years. The cost would be consistent with the current rate structure for the University's comparable residence halls and parking decks. It was anticipated that the leased housing and parking would be available by fall 2006 and would allow for the accommodation of anticipated enrollment growth. The University of North Carolina at Greensboro residence halls were currently at 99 percent occupancy for fall 2004 and waiting lists existed for parking permits. This leasing arrangement would enable the university to meet the long-term projected housing and parking demands associated with university enrollment growth to over 18,000 students by 2008. Lease payments would be made from student housing and from parking operations receipts.

The lease of state land and the lease of the 400 beds/200 parking spaces would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State including the demolition of existing facilities on the site. Construction documents would be reviewed by the Office of State Construction and the Department of Insurance.

It was recommended that the following resolution be approved and the request of the University of North Carolina at Greensboro be transmitted to the Council of State for final action.

RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE
CONSTRUCTION OF PRIVATE HOUSING AND PARKING FACILITIES
ON THE CAMPUS OF THE UNIVERSITY OF NORTH CAROLINA AT
GREENSBORO

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

4. The University of North Carolina at Wilmington requested approval to lease state land to the UNCW Corporation Housing I, LLC for the purpose of constructing student housing. The University also requested approval to enter into a long-term lease to acquire up to 524 beds of student housing from UNCW Corporation Housing I, LLC when construction was complete.

The University of North Carolina at Wilmington would lease approximately 15 acres of land on campus to the UNCW Corporation Housing I, LLC. The UNCW Corporation Housing I, LLC would construct up to 524 beds of student housing which would then be leased back to the University of North Carolina at Wilmington for a lease term of not to exceed thirty-two years. The initial cost per bed for students would not exceed \$499 per month. The cost would be consistent with the current rate structure for the University's comparable residence halls. It was anticipated that the leased housing would be available by fall 2006 and would allow for the accommodation of anticipated enrollment growth. The University of North Carolina at Wilmington residence halls were currently at 100 percent occupancy for 2004-2005. This leasing arrangement would enable the university to meet current and long-term projected housing demands associated with campus growth to 13,200 students by 2010. Lease payments would be made from student housing receipts.

The lease of state land and the lease of the 524 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents would be reviewed by the Office of State Construction and the Department of Insurance.

It was recommended that the following resolution be approved and the request of the University of North Carolina at Wilmington be transmitted to the Council of State for final action.

RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE
CONSTRUCTION OF PRIVATE HOUSING FACILITIES ON THE CAMPUS
OF THE UNIVERSITY OF NORTH CAROLINA AT WILMINGTON

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

5. Legislation enacted by the 2001 General Assembly (S.L. 2001-424) included the following special provision directing the Board of Governors to report on the amount and uses of facilities and administrative receipts:

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 31.14. The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to this legislation, the report had been prepared for fiscal year ending June 30, 2004.

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

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

6. In the bond update report, it was stated that 312 of the 316 certified projects were underway or completed. Currently, 80 projects were in design, 154 projects were in construction, and over 550 contracts were being managed. The program had more than \$1.67 billion under contract or completed. With the Treasurer's well-timed December 2004 bond sale, additional allotments totaling over \$251 million were distributed to the campuses in January 2005 and were expected to sustain the program's expenditure stream through June 2005. Though moderating because of the holiday season, the program's cash flow had been averaging more than \$50 million per month. This continued to benefit the North Carolina economy with an estimated 52,700 jobs created by the bond program. The program teams at the campuses continued to work through the specific challenges of an increasing demand for construction services, material cost increases, and local contractors, large and small, who had committed their available capacity and the need to extend opportunities across a broader range of participants, particularly in the African-American community. While not desired, these cyclical or on-going challenges were all too familiar to the professional teams at the campuses and, with the proper attentiveness, would be successfully managed.

On the motion of Governor Holshouser, seconded by Ms. Gage, the Committee went into closed session to consult with legal counsel to establish or instruct the staff concerning the negotiation of the price and terms of contracts 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