

Minutes of the May 11, 2006 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, May 11, 2006, at 2:00 p.m.

Members in attendance were: Mr. Bradley T. Adcock, 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. Benjamin S. Ruffin. Other Board of Governors' members attending were Brent D. Barringer, John W. Davis III, Phillip R. Dixon, Dudley E. Flood, Willie J. Gilchrist, H. Frank Grainger, Charles A. Hayes, Adelaide D. Key, Charles H. Mercer, Jr., Fred G. Mills, Charles S. Norwood, Cary C. Owen, Jim W. Phillips, Jr., Gladys Ashe Robinson, Estelle Sanders, William G. Smith, Priscilla P. Taylor, and David W. Young. Attending from General Administration were President Erskine Bowles, Chief of Staff Jeffrey R. Davies; Vice Presidents Russ Lea, Robert O. Nelson, Alan Mabe, and Leslie Winner; Associate Vice Presidents Ginger Burks, George Burnette, Shari Harris, David Harrison, Kimrey Rhinehardt, and James O. Smith; Assistant Vice President Claudia Odom; Associate Vice President and University Property Officer Terrance Feravich; and Special Assistant to the University Kennis R. Grogan. Chancellors in attendance were: Steven C. Ballard (ECU), T.J. Bryan (FSU), James H. Ammons, Jr. (NCCU), Patricia A. Sullivan (UNCG), Rosemary DePaolo (UNCW), and John W. Bardo (WCU). Chief Finance Officers in attendance were: Charles O'Duor (NCCU) and Chuck Wooten (WCU). Trey O'Quinn, Kristen Crosson, and Chris Harder from the Office of State Budget and Management, Consultant Eva Klein, Consultant John Merrill, Vice Chancellor for Student Affairs at NCCU Roland Gaines, and Chair of the Faculty Assembly Brenda Killingsworth were in attendance as well as members of the press.

Chair Gage convened the meeting. The minutes of the meetings of April 11, 2006 were approved.

1. Before the item was considered, Chancellor Bardo presented information prepared by Eva Klein and Associates in support of the agenda item. Questions were answered throughout the presentation. The 2000 session of the General Assembly authorized the Board of Governors to designate a Millennial Campus at each constituent institution when the Board found that such a designation would enhance the economic development of the region served by the constituent institution. The legislation stated that the Board should act on the recommendation of the President after the President had consulted with the Chancellor and the Board of Trustees. The designation should be based on the express finding that the institution had the administrative and fiscal capacity to create and maintain such a campus. Each Millennial Campus would function in a manner similar to the Centennial Campus at North Carolina State University and each would be exempt from the provisions of the Umstead Act.

The Board of Trustees of Western Carolina University had requested that the Board of Governors designate as a Millennial Campus the recently acquired 344.77 acres located on the west side of NC Hwy. 107 and the following buildings located on the east side of NC Hwy. 107: Outreach Center (formerly known as the Camp Lab School), Graham Building (former student health center); and Moore Building (current home to Allied Health

Programs). The Millennial Campus would be developed to enhance the research, teaching and service missions of WCU by relying on its respective strengths in the advanced manufacturing, human learning systems, media and media content, molecular biosciences, retirement, aging, and education. Vice President Nelson reported that the President had completed the required consultations and recommended that the Board approve the request. The campus had the administrative and fiscal capacity that was required; and the activities to be performed on the Millennial Campus would advance regional economic development.

It was recommended that 344.77 acres and the Outreach Center, the Graham Building, and the Moore Building be designated as a Millennial Campus.

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

2. Before the item was considered, Mr. Merrill presented information in support of the agenda item. Questions were answered throughout his presentation. In October 2003, the Boards of Trustees of North Carolina A&T State University and The University of North Carolina at Greensboro requested, and the Board of Governors approved, the designation of the land (formerly the Central School for the Deaf) reallocated to the Board of Governors by the 2003 Session of the General Assembly and a 75-acre parcel of land currently comprising a portion of the NCA&T State University Farm as a Joint Millennial Campus.

Now, the Boards of Trustees of NCA&T and UNCG were requesting permission to execute a ground lease of the land and existing improvements for the Joint Millennial Campus to the Greensboro Center for Innovative Development, a jointly-controlled and jointly-funded 501(c)(3) entity that would administer the educational, research, and economic development mission of the Joint Millennial Campus.

The \$1 lease would be for the initial term of 50 years with two, 10-year renewal options. Upon the expiration of the lease, the land and any improvements upon the land would revert to the State. The lease of the land would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and must be approved by the Council of State.

It was recommended that the request of the Board of Trustees of North Carolina A&T State University and the Board of Trustees of The University of North Carolina at Greensboro be approved and transmitted to the Council of State for final action.

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

3. The Board of Trustees of North Carolina Central University had requested permission to extend an existing lease and to seek additional leased student housing in order to accommodate a continuing high number of students seeking on-campus housing for the 2006-07 academic year.

Originally approved in August 2005, NCCU was requesting permission to extend and

increase the number of beds of its current lease with Campus Apartments, Inc. at their Campus Crossing Apartments Community located at 1400 E. Cornwallis Drive in Durham for the 2006-07 academic year. The lease would be for 564 beds (up from 480) and was estimated to cost \$3.2 million or \$20.03 per bed per day including utilities, janitorial services, transportation, security, and furnishings. Office space for NCCU staff and complex common spaces were provided at no additional charge.

Also, NCCU was requesting permission to work with the State Property Office to lease up to an additional 300 beds for the 2006-07 academic year at a location and price to be determined by bid. The lease of these 300 beds was estimated to cost \$1.2 million. (Once determined by bid, the Committee asked that the actual lease cost be forwarded to the Council of State for consideration.)

These additional beds would help address the 370 beds that had been taken off-line during the renovation of Eagleson Residence Hall, the 510 beds off-line with the closing of Chidley and Latham Residence Halls, and increased demand for on-campus housing. The rates charged would be consistent with equivalent on-campus housing.

The cost of the leases would be funded from student housing receipts and housing reserves.

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

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

4. The Board of Trustees of Winston-Salem State University had requested approval to enter into a lease for the long-term use of the City of Winston-Salem's Bowman Gray Stadium.

The City was embarking on a project to upgrade Bowman Gray Stadium, including the construction of a new 21,000 square-foot field house. Approximately 14,500 square feet of the new field house would be used by WSSU and would provide offices, conditioning/training facilities, hospitality suites, and other support spaces for the Athletics Department. Construction would be managed by the City with participation by the university.

Improvements to the stadium complex were expected to cost \$5.1 million. The City would issue debt for the project, as a 30-year bond, and WSSU would make lease payments that would pay the costs associated for its use of the facility, with a maximum of up to \$3.1 million of principal. In addition, WSSU's annual lease payments would include negotiated operating and maintenance costs. The project and method-of-financing were approved as part of the Board of Governors' request to the 2005 General Assembly.

The term of the lease would be for 30 years and the initial lease cost was expected to be \$320,000 per year. Lease payments would be funded by a \$44.00 University student debt service fee, included as part of the 2005 Budget Request, and by university receipts. WSSU would begin collecting the fee in the fall of 2006.

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. Broadwell, seconded by Mr. Bowden, the recommendation was approved.

5. The Chancellor of North Carolina Central University had informed the President of the need to invoke emergency procedures as allowed by G.S. 143-129 to provide for a new capital improvements project.

The project would repair steam leaks in lines serving McLendon-McDougald Gymnasium and Hubbard Chemistry, Lee Biology, and Robinson Science buildings. Because the leaks were producing high levels of humidity in mechanical rooms, utility tunnels, and adjacent support spaces, NCCU had invoked the procedures allowed by the statute to make the needed repairs by the quickest means possible to avoid unsafe conditions and costly damage to buildings and equipment. The project, estimated to cost \$134,000, would be funded from repair and renovation funds and Higher Education Bond funds.

In accordance with emergency procedures, the State Building Commission had been notified.

6. The Board of Trustees of Winston-Salem State University had requested the authority to establish a new capital improvements project.

Whitaker Basketball Courts Reconstruction would be accomplished by demolishing the existing deteriorated surface and providing new asphalt and concrete, new goals, new striping, and improved accessibility to the courts. The project, estimated to cost \$285,000, would be funded from the student activities trust fund. There would be no increase in the student activities fees to complete this project.

It was recommended that the project be authorized and that the method of financing as proposed by Winston-Salem State University be approved.

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

7. G.S. 116-13.2 required the Board of Governors to report on an annual basis to the Joint Legislative Commission on Governmental Operations as follows:

§ 116-13.2. Report on University Fiscal Liabilities.

The Board of Governors shall report on an annual basis to the Joint Legislative Commission on Governmental Operations on:

- (1) Any financing of buildings or other facilities, regardless of the ownership of those buildings or other facilities, located on land owned by The University of North Carolina or the constituent institutions of The University of North Carolina; and*
- (2) All fiscal liabilities or contingent liabilities, including payments for debt service or other contractual arrangements, of The University of North Carolina or any constituent institution.*

It was recommended that the Report on Fiscal Liabilities be accepted and reported to the Joint Legislative Commission on Governmental Operations.

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

Chair Gage asked for the update on the 2000 Higher Education Bond Program. On April 24, 2006, the Higher Education Bond Oversight Committee (HEBOC) held its quarterly meeting at UNCW. HEBOC members discussed with representatives from the University and the Community Colleges the need to place the remaining projects under contract as soon as practicable to minimize the affect of steadily increasing costs and, especially for UNC, the need to remain focused to finish the program on time. The Department of Insurance (DOI) summarized continuing efforts to ensure efficient reviews of construction documents that led to code-compliant facilities for the State. As requested by DOI, UNC had updated and submitted a priority list of projects for review. Aside from the HEBOC meeting, a follow-up session to the February project close-out training was being planned to assist and encourage timely project closure by the campuses. Approximately \$4.4M of allotment from past bond sales was available for distribution to the campuses. Working with the State Treasurer, the next bond sale was expected to occur in May 2006. Approximately \$4.4M of the \$25.2M Reserve for Repair and Renovations and Cost Overruns had been distributed to the campuses. Bond funding commitments now exceeded \$2.1 billion.

There being no further business, the meeting was adjourned.

Ms. Hannah Gage
Chair of the Committee
on Budget and Finance

Mr. R. Steve Bowden
Secretary of the Committee
on Budget and Finance