

Minutes of the October 12, 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, October 12, 2006, at 9:00 a.m.

Members in attendance were: Mr. Bradley T. Adcock, Mr. Brent D. Barringer, Ms. Peaches G. Blank, Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Governor James E. Holshouser, Jr., and Mr. David W. Young. Necessarily absent was Mr. Peter Keber. Other Board members in attendance were Chairman Jim Phillips, Laura W. Buffaloe, Phillip R. Dixon, Dudley E. Flood, Hannah D. Gage, H. Frank Grainger, Adelaide D. Key, G. Leroy Lail, Charles S. Norwood, Cary C. Owen, Gladys Ashe Robinson, Benjamin S. Ruffin, Estelle Sanders, and Priscilla P. Taylor. Attending from General Administration were Vice Presidents Harold Martin, Alan R. Mabe, Robert O. Nelson, Andy Willis, and Leslie Winner; Associate Vice Presidents Leslie Boney III, Ginger Burks, George Burnette, Laura Foxx, Shari Harris, David Harrison, and James O. Smith; Assistant Vice Presidents Claudia Odom and Jonathan Pruitt; and Associate Vice President and University Property Officer Terrance Feravich. Chancellors in attendance were: Kenneth E. Peacock (ASU), Steven C. Ballard (ECU) Anne Ponder (UNCA), Patricia A. Sullivan (UNCG), and John W. Bardo (WCU). Also in attendance were Fiscal Research Analyst Richard Bostic, Office of State Budget and Management Analyst Elizabeth Grovenstein, as well as members of the press.

Chair Bowden convened the meeting. The minutes of the meeting of September 7, 2006 were approved.

1. In October 2001, the Board authorized North Carolina State University and the University of North Carolina at Chapel Hill to implement a commercial paper program through the periodic issuance of tax-exempt commercial paper bonds.

Commercial paper, short-term, unsecured debt issued in the form of promissory notes, presented an alternative to borrowing from banks. A commercial paper program provided the issuer access to a flexible, low cost source of capital to provide bridge financing for projects. The program was established to fund previously approved projects, up to the authorized maximum amount. The bonds were issued by the Board of Governors but were an obligation of the constituent institution secured by available funds excluding state appropriations, tuition, and restricted gifts. Funds were drawn on an as-needed basis for capital expenditures. The short-term program was repaid with proceeds from a long-term bond issue, gift receipts, or other sources. By providing continual access to capital for construction projects, North Carolina State University and UNC-Chapel Hill had not been required to issue long-term debt as frequently as in the past and had had greater flexibility over the timing of bond issues. In addition, less frequent issuance of bonds reduced the costs of issuance and achieved more attractive debt service costs. Tax-exempt commercial paper rates were often several percentage points lower than commercial bank loans.

North Carolina State University and the University of North Carolina at Chapel Hill requested that the Board approve and ratify the use of proceeds of special obligation bonds for participation in the Commercial Paper Program for the following projects, approved by the 2006 Session of the General Assembly:

**NC STATE PROJECTS**

Derr Track – Renovation and Expansion – Phase II (\$2,500,000)  
Partners VI Building and Parking Deck (\$40,000,000)  
Centennial Campus Infrastructure (\$10,000,000)  
Residence Halls – Renovation – Supplement (\$11,500,000)  
Thompson Theater – Renovation and Expansion – Supplement (\$4,500,000)

**UNC AT CHAPEL HILL PROJECTS**

Food Service Facilities – Renovation and Expansion (\$3,500,000)  
Science Complex – Phase II (\$92,200,000)  
Carmichael Auditorium – Renovation and Expansion (\$15,000,000)  
Research Resource Facility – Phase II (\$12,400,000)  
Residence Halls – Improvements (\$2,000,000)  
Woollen Gymnasium – Renovation (\$4,500,000)  
Boshamer Baseball Stadium – Improvements (\$14,000,000)  
Cogeneration Warehouse (\$500,000)  
Steam Infrastructure Improvements (\$55,700,000)  
Electrical Infrastructure Improvements (\$29,530,000)  
Bell Tower Development – Phase I (\$10,000,000)  
Global Education and International Studies Center – Improvements (\$2,500,000)  
Residence Halls – Improvements – Supplement (\$2,500,000)  
Botanical Garden Visitor Education Center – Supplement (\$5,000,000)  
Educational Foundation Office Building – Supplement (\$12,000,000)  
Cobb Residence Hall – Renovation – Supplement (\$5,116,000)  
Residence College – Phase II – Supplement (\$8,000,000)  
Rizzo Center – Expansion – Supplement (\$5,300,000)

It was recommended that the Resolution be adopted and that the Vice President for Finance be authorized to use commercial paper bonds for the projects listed.

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

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

To construct the Dental Sciences Building, which would provide approximately 207,000 square feet of academic and research space, the university must demolish the Dental Office Building (15,759 square feet and constructed in 1975) and the Dental Research Building (39,881 square feet and constructed in 1967). The two structures had no historic significance. The \$864,000 needed for demolition was included in the budget of the Dental Sciences Building project. Construction was expected to begin in September 2008.

It was 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.

On the motion of Ms. Blank, seconded by Mr. Young, the recommendation was approved.

3. It was reported that on September 25, 2006, the Chancellor of North Carolina State University notified the President of the need to invoke emergency procedures as allowed by G.S. 143-129 to make repairs to damage caused by a ruptured water line.

On September 11, 2006, a water distribution line ruptured on the third floor of the Murphy Center, on the southwest side of Carter-Finley Stadium, causing extensive flooding on the third, second, and first floors. The project, estimated to cost \$1,200,000, would be funded from a combination of proceeds from the installing contractor's insurance, the university's insurance, and athletic receipts. Restoration work had begun. In addition to drying and dehumidifying, flooded areas would be restored to their original condition including replacing or repairing damaged ceiling tile, wall materials, and floor coverings.

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

4. In 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 were reported to the Committee on Budget and Finance.

The University of North Carolina at Chapel Hill – Lease of Real Property

Use: To lease office space for the Carolina Population Center  
Owner: Madison Partners, LLC  
Location: 211B West Cameron Avenue, Chapel Hill, Orange County  
Description: Approximately 5,730 square feet of office space  
Cost: \$96,723 in the initial year (\$16.88 per square-foot) with 3% annual increases. Cost did not include utilities and janitorial services.  
Term: Three-year initial term with two, one-year renewal options  
Source: Facilities and Administrative receipts  
Approvals: The UNC-CH Board of Trustees recommended this action on March 22, 2006.

North Carolina A&T State University – Acquisition of Real Property

Use: To provide for future expansion of the campus consistent with the Master Plan  
Owner: Samuel Mishner  
Location: 919 Bluford Street, Greensboro, Guilford County  
Description: 0.14 acres with a 1,100 square-foot house built in 1935 (to be demolished)  
Cost: \$60,000 (negotiated by State Property Office)  
Source: Carry-Forward Funds (operating funds unexpended on June 30 and, pursuant to state law, are "carried forward" into the next fiscal year to support one-time expenditures)  
Approvals: The NCA&TSU Board of Trustees recommended this action on April 19, 2006.

North Carolina A&T State University – Acquisition of Real Property

Use: To provide for future expansion of the campus consistent with the Master Plan  
Owner: Charles Davis  
Location: 1001 Bluford Street, Greensboro, Guilford County  
Description: 0.15 acres with a 1,994 square-foot house built in 1940 (to be demolished)  
Cost: \$53,000 (negotiated by State Property Office)  
Source: Carry-Forward Funds  
Approvals: The NCA&TSU Board of Trustees recommended this action on April 19, 2006.

At this point, Chair Bowden asked for the progress report on the UNC bond program. With this report, the program had reached the 90% milestone for bond funded commitments. At the same time, almost 57% of the dollar value of the entire bond program was now reflected in completed projects or land acquisitions. The release of the \$25M reserve for repairs and renovations and cost overruns had contributed to continued momentum, as it had permitted awards in cases where bids came in over initial budget projections. These funds were being distributed only as the need for a commitment arose. One measure of the success of any construction project in the current litigious culture was the dollar value of pending claims. The bond program had continued to be highly successful by this measure, as pending claims currently amounted to \$2.2M or .09% of the value of the entire program.

Total HUB participation for construction awards was 16.3% (\$350M) and was comprised of 3.5% for African American, 8.2% for Non-Minority Women Owned Businesses and slightly below 4.7% for Other minorities. Chair Bowden praised Chancellor Sullivan (UNCG) for increased HUB participation. The Committee acknowledged and praised Shari Harris' work with the HUB Academies. It was stated that the CM at Risk seemed to help more minority contractors in getting business opportunities.

After than, Mr. Nelson discussed the 2007-09 Budget Priorities which would be presented for Committee vote at the November meeting. During this time, comments were heard and questions were answered.

On the motion of Mr. Adcock, seconded by Ms. Blank, 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

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The Committee returned to open session.

There being no further business, the meeting was adjourned.

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

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Mr. Bradley T. Adcock  
Secretary of the Committee  
on Budget and Finance