

COMMITTEE ON BUDGET AND FINANCE

Draft Minutes: February 20, 2014 at 12:45 p.m.
Spangler Center, Board Room, Chapel Hill, North Carolina

OPEN SESSION

The following members were present: Chair W. Louis Bisette, Jr., Roger Aiken, Fred N. Eshelman, Hannah D. Gage, W. Marty Kotis III, Scott Lampe, Joan G. MacNeill, and Harry L. Smith, Jr. Other Board members in attendance were Chair Peter D. Hans, H. Frank Grainger, Ann B. Goodnight, John C. Fennebresque, Thomas J. Harrelson, Henry W. Hinton, James L. Holmes, Jr., G. Leroy Lail, Steven B. Long, Mary Ann Maxwell, W. Edwin McMahan, W.G. Champion Mitchell, Hari H. Nath, Robert J. Nunnery, Joan T. Perry, Robert S. Rippy, J. Craig Souza, George A. Sywassink, Richard F. Taylor, Raiford Trask III, Phillip D. Walker, and Laura I. Wiley.

The following staff were present: President Tom Ross, Chief of Staff Kevin FitzGerald, Chief Operating Officer Charles E. Perusse, Vice President Andrew Moretz, Senior Associate Vice President Jonathan Pruitt and Acting Associate Vice President and University Property Officer Kevin MacNaughton and other Finance Division staff, other General Administration staff, Chancellors and other faculty/staff from the universities, staff from the Office of State Budget and Management, and members of the press.

1. The Open Minutes of January 9, 2014 were properly approved, and seconded.
2. Authorization of Tuition for 2014-15: G.S. 116-143 requires that the Board of Governors fix the tuition and fees, not inconsistent with the actions of the General Assembly, at the constituent institutions of the University of North Carolina. On an annual basis, the Board considers campus proposals for tuition and fee increases.

For 2014-15, the President had recommended no increases for resident undergraduate students. The 2013 General Assembly mandated increases for nonresident undergraduates at 14 institutions. Campuses had recommended alternative rates for nonresident undergraduates if the legislative rates were repealed during the 2014 General Assembly Session. Campuses followed guidelines set forth in the BOG's *A Second Four-Year Plan* for tuition and fee increases. All campuses had complied with the Plan requirement that combined tuition and fee rates for resident undergraduates remain in the bottom quarter of each institution's public peers.

A vote was taken by the committee on the recommendation, which did pass.

- 3: Authorization of Fees for 2014-15: General Fees (Athletics, Health Services, Student Activities, Educational and Technology), Debt Service Fees, Application Fees, and Special

Fees were recommended for approval. System-wide general fee increases proposed for 2014-15 averaged 4.2%. Two campuses recommended application fee increases and several institutions proposed new special fees or increases to existing fees.

During discussion, a motion was made and seconded to defer action until the April meeting on UNC-Chapel Hill's Health Services Fee.

A vote was taken by the committee on the motion, which did pass.

After that, a motion was made and seconded to approve all remaining fees.

A vote was taken by the committee on the motion, which did pass.

4. 2014-15 Short Session Budget Priorities: At the January meeting, one of the policy discussions focused on the Board of Governor's 2014-15 Short Session Budget Priorities. The Committee discussed the revised priorities which included investments in the 2013-2018 Strategic Plan, funding to retain the system's talented workforce, eliminating the additional management flexibility reduction and the nonresident undergraduate tuition increase budgeted for 2014-15, and other critical campus and system needs.

There was considerable discussion and questions were answered. Mr. Kotis moved to not approve the recommendation. The motion failed for lack of a second.

A vote was taken by the committee on the recommendation, which did pass.

5. Establishment of an Associated Entity - UNCW: The University of North Carolina at Wilmington had requested approval to establish a for-profit associated entity to enable its Research Foundation to partner with a private Venture Capital fund. University of North Carolina Regulation 600.2.5.2 Section C.2. requires constituent institutions to receive approval from the Board of Governors to establish an associated entity on a for-profit basis.

A vote was taken by the committee on the recommendation, which did pass.

6. Establishment of an Associated Entity - UNC-CH: It was recommended that the Board of Governors approve the establishment of KFBSF Real Estate Fund III, L.P. as a UNC-Chapel Hill associated entity and an educational program at the Kenan-Flagler School of Business without obtaining nonprofit tax-exempt status.

A vote was taken by the committee on the recommendation, which did pass.

7. Declaration of Emergency Capital Improvements Project - UNC-CH: The Chancellor of the University of North Carolina at Chapel Hill 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 because recent extreme cold weather caused freezing that irreparably damaged heat exchange coils at McGavran-Greenburg and Lineberger Cancer Research Buildings. It was essential to replace the coils immediately in both buildings to avoid ruining years of invaluable research.

This item was for information only.

8. Authorization of New Capital Improvements Project - NCA&TSU: North Carolina A&T State University had requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies on the campus.

A vote was taken by the committee on the recommendation, which did pass.

9. Authorization of New Capital Improvements Projects - ASU, NCSU, UNC-CH, and UNCG: ASU, NCSU, UNC-CH, and UNCG had requested authority to proceed with non-appropriated capital projects using available funds derived from receipts, student fees, foundation funds, trust funds, research facilities and administrative funds, and carried forward operating funds.

- ASU - Replacement of Steam System Condensate Line
- ASU - State Farm Recreational Field Improvements
- ASU - Steam Plant Roof Replacement
- NCSU - Centennial Campus Reuse Water
- NCSU - 3501 Avent Ferry Renovation
- NCSU - Morrill Entrance Safety Improvements
- UNC-CH - Burnett Womack First Floor Renovations
- UNC-CH - Bynum Hall Third Floor Renovation
- UNC-CH - Manning Steam Plant Upgrade
- UNC-CH - Manning Steam Plant Re-Roofing
- UNC-CH - Hill Hall Renovations
- UNC-CH - Howell Hall Renovation
- UNC-G - North and South Spencer Residence Hall Roof Replacement

A vote was taken by the committee on the recommendation, which did pass.

- 10: Authorization of Non-Appropriated Capital Improvements Projects: Kevin MacNaughton shared a presentation on the authorization process.

On an annual basis, the Board considers campus proposals for projects funded from non-appropriated sources requiring the issuance of long-term debt. It was recommended that the Board approve 12 capital improvements projects at six institutions totaling \$403,129,000 requiring aggregate debt issuance of \$364,179,000. For each authorized project, a detailed financial plan would be reviewed in consultation with financial advisors

and bond counsel before bonds were issued and construction contracts were awarded. The Board would receive subsequent requests to approve the issuance of bonds for these projects. With Board approval, the projects would be forwarded to the General Assembly for authorization during the 2014 legislative session.

A presentation was given for the new ECU Student Union, Parking Structure, and Health Sciences Campus Student Services Building. Questions were answered.

A vote was taken by the committee on the recommendation for the ECU project, which did pass.

Presentations were then given on the remaining non-appropriated capital improvements projects at NCSU, UNCA, UNC-CH, UNCC, WCU, and WSSU. Questions were answered.

A vote was taken by the committee on the recommendation for approval of the remaining projects, which did pass.

11. Acquisition of Space by Lease - ECU: The Board of Trustees of East Carolina University had requested approval to lease off-campus apartments to house approximately 250 students in the fall semester of 2014 and the spring semester of 2015. The Province Greenville NC, L.P. was the recommended provider, based on the combination of the closest proximity and competitive price.

A vote was taken by the committee on the recommendation, which did pass.

12. Property Actions Approved Under Delegated Authority:

- For NCCU -- acquisition of real property by lease at 706 Ellis Road, Durham, NC
- For UNC General Administration -- acquisition of real property by lease at 120 Penmarc Drive, Suite 103, Raleigh, NC

This item was for information only.

13. Discussion: Disposition of Real Property by Lease - WCU: Chancellor Belcher presented a general overview of Western Carolina University's Millennial Campus and will present further information at the April meeting.

W. Louis Bissette, Jr., Chair
Committee on Budget and Finance

Harry Leo Smith, Jr., Secretary
Committee on Budget and Finance