

COMMITTEE ON BUDGET AND FINANCE

Draft Minutes: May 21, 2015 at 9:00 a.m.
Board Room, Spangler Center
Chapel Hill, North Carolina

OPEN SESSION

The following members were present: Chair Harry L. Smith, Jr., Roger Aiken, W. Louis Bissette, Jr., Hannah D. Gage, Scott Lampe, W.G. Champion Mitchell, and Raiford Trask III. Other Board members in attendance were Chair John C. Fennebresque, Joan Perry, M.D., H. Frank Grainger, Thomas J. Harrelson, James L. Holmes, Jr., W. Marty Kotis III, G. Leroy Lail, Joan G. MacNeill, W. Edwin McMahan, David M. Powers, and Robert S. Rippy.

The following staff were present: Senior Vice President and Chief of Staff Kevin FitzGerald, Senior Vice President and Chief Operating Officer Charles E. Perusse, Senior Vice President and General Counsel Tom Shanahan, Vice Presidents Timothy Minor, Jonathan Pruitt, and Joni Worthington, Associate Vice President for Finance and Capital Planning William Johnson, Associate Vice Presidents Andrea Poole and Michael Vollmer, other General Administration staff, Chancellors and other faculty/staff from the universities and UNC-TV, staff from the Office of State Budget and Management, and members of the press.

1. The Open Minutes of April 9, 2015 were properly approved, and seconded.
2. Authorization of Delegated Authority – Allocation of Funds: It was recommended that the Committee on Budget and Finance be delegated the authority to allocate funds made available by the General Assembly, if the State budget was ratified prior to the next Board meeting. There would be a special meeting for this purpose and the entire Board would be invited to participate, either in person or via telephone.

A vote was taken by the committee, which did pass. [unanimous vote]

3. Special Obligation Bond Maturity Date Modification – UNC-CH: Kenan Stadium Phase II was a \$63 million construction project. \$41M of the project was to be funded by UNC-CH and \$22M was to be funded through private donations to the Educational Foundation and gifted to the university. The facility was leased to the Educational Foundation to construct the improvements, finance the construction, and to fund raise for the project. The Educational Foundation financed the construction through a line of credit with BB&T that was set to expire in August of 2016. On December 12, 2012, the university closed on a purchase transaction to buy back the real property from the Educational Foundation by

issuing a privately placed bond to the Educational Foundation in the amount up to \$41M with a maturity date to coincide with maturity date of the BB&T line of credit in August of 2016.

BB&T approached the Educational Foundation about extending the current line of credit by ten years. The BB&T line of credit was underwritten based on the support of the University in the form of the purchase agreement and the special obligation bond. As a result of the extension of the line of credit, UNC-CH would like to push the current maturity date for the special obligation bond by 27 years which would equal a 30-year term from original bond issuance in 2012 and allow for the Educational Foundation's line of credit with BB&T to be extended.

A vote was taken by the committee, which did pass. [unanimous vote]

4. Loan Agreement – UNCP: The University of North Carolina at Pembroke had requested that the Board approve their entering into a tax free loan in an amount not to exceed \$5,500,000 for the purpose of (1) financing the cost of constructing and equipping a new student health services building on campus, approved by the Board of Governors and authorized by the General Assembly, (2) refunding the University's portion outstanding in the amount of \$1.41 million of the Series 2003B Pool Revenue Bonds, and (3) paying costs incurred in connection with entering into the loan.

A vote was taken by the committee, which did pass. [unanimous vote]

5. Refinancing of Housing Foundation Indebtedness – UNCSA: The University of North Carolina School of the Arts requested that the Board authorize amendments to previously approved agreements related to the financing of a student housing facility that was constructed through a university-created nonprofit entity, The UNCSA Housing Corporation (UNCSA Corp.).

Due to the favorable interest rate environment, the debt issued by UNCSA Housing Corp. to finance the construction of a student housing facility at UNCSA could be refinanced to achieve net present value savings on the remaining terms of the outstanding debt. The final maturity of the bonds would be shortened by six years (from 2036 to 2030). In total, the University would achieve approximately \$1.2 million in gross cash savings and \$771,000 in net present value savings representing 13.2% of refunded par amount of bonds.

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

6. Authorization of Capital Improvements Projects – ECU, NCCU, NCSU, UNC-CH, UNCC, UNCG, UNCW, and WCU:

- NCCU – Shepard Library – Academic Improvements for Learning and Technology – Phase 1, \$869,800
- NCSU – CC Thermal Utilities and Infrastructure (CTI, COT and MRC) – Phase 1, \$1,350,000
- NCSU – Tucker Hall Renovation, \$1,405,000
- NCSU – Bragaw Window Replacement, \$1,535,000
- NCSU – CVM Finger Barn #2, \$400,000
- NCSU – CVM 3B Lab Renovation, \$2,500,000
- NCSU – CALS Animal Health Research Building Addition, \$212,000
- UNC-CH – McGavran Greenburg Animal Facility Improvements, \$1,949,968
- UNC-CH – Lineberger Laboratory Renovations, \$495,000
- UNC-CH – Hooker Fields Improvements, \$1,990,098
- UNCC – Student Activity Center Fitness Center Renovation, \$489,650
- UNCC – Cone Center Food Service Renovation, \$491,800
- UNCW – Data Network Modernization Wi-Fi Project, \$7,000,000
- WCU – Hinds University Center Roof Replacement, \$593,616
- WCU – Lot 73 Parking Expansion, \$2,552,151
- NCSU – Facility Operations and Grounds Management Support Facility: advance planning authorization of \$500,000
- UNCC – Health and Wellness Center: advance planning authorization of \$6,600,000
- UNCG – Cone Residence Hall Renovation: advance planning authorization of \$1,164,300
- ECU – Aycock Basement and Exterior Accessibility Improvements: increase in scope of \$1,256,100 (from \$1,705,000 to \$2,961,100)
- NCSU – Centennial Campus Reuse Water: increase in scope of \$620,000 (from \$1,200,000 to \$1,820,000)

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

7. Disposition of Property by Easement and Right-of-Way – ECU: East Carolina University proposed to grant temporary construction easements, temporary and permanent easements, and right-of-ways to the N.C. Department of Transportation for the 10th Street Connector Project in Greenville. This project would connect the main campus of East Carolina University with the ECU Health Science Millennial Campus and the Warehouse District site, both of which were part of the East Carolina Research and Innovation Campus.

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

8. Acquisition of Real Property by Lease – UNC-CH: This request was to acquire approximately 63,471 square feet of office space from The Endowment Fund of The University of North Carolina at Chapel Hill. The space was within three separate buildings, each with an individual lease. The buildings were currently leased to the University and were initially purchased by the Endowment Fund for that purpose. Leasing these buildings in their entirety would allow the University to allocate space within each building to various departments as needed throughout the lease term.

The Committee questioned details and wanted more information. This item was moved to the August 2015 meeting for vote.

9. Property Actions Approved Under Delegated Authority:

ECU - acquisition of real property by lease of office space from Eastern Area Health Education Center to house the Office of Clinical Skills Assessment and Education, Division of Health Sciences.

NCCU - acquisition of two parcels by deed to accommodate campus expansion per the Master Plan

NCSU - disposition of real property by right-of-way to the City of Raleigh and/or N.C. Department of Transportation to facilitate the extension of Pullen Road from Western Boulevard south to Bilyeu Street and further to the west to connect with the Centennial Parkway intersection with Oval Drive on Centennial Campus

UNCP - acquisition/disposition by easement exchange for relocation of an accessory easement, water main, and nine water meters

10. Proposed Waiver of Potential Conflict – UNC-TV: UNC-TV and Kotis Holdings and related Kotis entities of Greensboro, NC, proposed to enter into a memorandum of understanding or similar partnering agreement intended to help UNC-TV meet certain goals in its strategic plan. Marty Kotis, President and Chief Executive Officer of Kotis Holdings and related Kotis entities, was a member of the Board of Governors. Approval of the proposed partnership was sought in accordance with University policy 200.1 to address any potential conflicts.

The MOU between UNC-TV and Kotis Holdings and related Kotis entities was an opportunity to raise awareness of UNC-TV's content and brand in the Greensboro Market and was responsive to specific recommendations from the UNC-TV strategic review. Neither party would receive any compensation from the other for any of the partnership opportunities.

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

11. Budget Update: The Board's budget priorities, the Governor's budget, and the DRAFT House Budget, House Bill 97, 3rd Edition were discussed.
12. Governor's Bond Proposal: Strategic capital priorities, as well as funds from the Repairs and Renovations Reserve, were discussed.
13. Metrics: Proposed UNC system metrics were considered and would be used in allocation of budget reductions and performance funding. The metrics concerned student success, cost efficiency, and economic impact. This topic would continue to be vetted over the next several months.

Harry L. Smith, Jr., Chair
Committee on Budget and Finance

Roger Aiken, Secretary
Committee on Budget and Finance