

DRAFT MINUTES

March 3, 2016

Fayetteville State University
Rudolph Jones Student Center
Fayetteville, North Carolina

This regular meeting of the Committee on Budget and Finance was presided over by Chair Harry L. Smith, Jr. The following committee members, constituting a quorum, were present: Roger Aiken, W. Louis Bissette, Jr., Walter Davenport, Hannah D. Gage, James L. Holmes, Jr., J. Alex Mitchell, and W.G. Champion Mitchell, Chancellor David O. Belcher, Chancellor Philip L. Dubois, Chancellor Harold L. Martin, Sr., and Chancellor Randolph Woodson. The following committee member was absent: Scott Lampe. Staff members present were Charles Perusse and Jonathan Pruitt.

Others present included: President Margaret Spellings, members of the Board of Governors, Chancellors, General Administration staff, faculty/staff from the universities, staff from the Office of State Budget and Management, and members of the press.

1. Call to Order and Approval of OPEN Session Minutes

The Chair called the meeting to order at 8:30 a.m. on Thursday, March 3, 2016, and called for a motion to approve the open session minutes of January 21, 2016.

MOTION: Resolved, that the Committee on Budget and Finance approve the open session minutes of January 21, 2016, as distributed.

Motion: W.G Champion Mitchell

Motion carried unanimously

2. 2016-17 Budget Priorities

Senior Vice President and Chief Operating Officer Charles Perusse presented the working draft of the FY 2016-17 recommended adjustments that represented an increase of about \$65 million (2.5%) over FY 2015-16 levels. The majority of these funds were related to compensation increases. Excluding compensation, this recommendation represented an increase of 0.26% (\$6.7 million) over FY 2015-16 levels and a decrease of \$34.5 million from UNC's original request for FY 2016-17.

3. Adjustments to 2016-17 Tuition and Fees (Excluding New Debt Service Fees)

Associate Vice President for Finance Andrea Poole presented adjustments to the 2016-17 Tuition and Fee Rates that were previously approved by the Board of Governors in February 2015. These adjustments included school-based tuition for new programs, changes to existing debt service fees, and other technical adjustments. The establishment of debt service fees to support new capital projects would be considered at a future meeting.

MOTION: Resolved, that effective with the Fall Term of 2016 and notwithstanding the resolution on February 27, 2015, the constituent institutions are authorized to charge and collect the tuition and fee rates as written in the document.

Motion: Roger Aiken

Motion carried unanimously

4. Discussion: UNC System Debt Affordability Study

Vice President for Finance Jonathan Pruitt reviewed a new provision (SL 2015-241) adopted in the Fall of 2015, that required the Board of Governors to annually report on the estimated debt capacity of the UNC system for the upcoming five years. He shared the statute and UNC-GA's timeline.

5. Discussion: Self-Liquidating Projects and Debt Service Fees

Associate Vice President Will Johnson and Jonathan Pruitt reported that each campus had provided additional supplemental information for the committee's consideration. Additionally, UNC General Administration studied state requirements and their impact on the cost of University projects, as well as developed the newly required UNC System Debt Affordability Study that would be completed in April. A status update would be provided in March on all of this on-going work. Final consideration of the self-liquidating projects would take place at the April meeting of the Board of Governors.

6. Budget Adjustment for Exceeding the 18% Limit on Nonresident Freshman Enrollment – UNC-CH

Andrea Poole discussed the penalty and the committee asked Chancellor Folt to speak on UNC-CH's behalf. Questions were raised on the criteria for waiving or invoking the penalty for campuses.

MOTION: Resolved, that the penalty for UNC-CH exceeding the 18% limit on nonresident freshman enrollment be waived.

Motion: W.G. Champion Mitchell

Motion carried after debate

7. Refinancing of Housing Foundation Indebtedness – WCU

Jonathan Pruitt explained due to the favorable interest rate environment, the debt issued by WCU R&D Corp. to finance the construction of a student housing facility at WCU would be refinanced to achieve net present value savings on the remaining terms of the outstanding debt. This necessitated amendments to the respective use agreements in order to lower the debt service and reduce the rental payments made by WCU to its affiliated nonprofit entity. In total, the University would achieve approximately \$5 million in gross cash savings and \$3.6 million in net present value savings, representing 9.59% of refunded par amount of bonds.

MOTION: Resolved, that WCU be authorized to enter into the revised agreements as set out in the resolution.

Motion: W.G. Champion Mitchell

Motion carried unanimously

8. Authorization of Capital Improvements Projects – ECU, NCSU, UNC-CH, UNCC, and UNCG

ECU – Biotechnology Building Elevator Modernization, \$321,000
ECU – Replace Steam and Condensate at College Hill Area, \$1,000,000
ECU – Joyner Library Roof Replacement, \$1,637,010
ECU – Main Campus Switch Replacement, \$329,295
ECU – College Hill and Minges Stormwater Relining, \$376,000
ECU – Replace Chilled Water Service and Repair HVAC System in McGinnis, Messick, and Speight, \$1,140,000
ECU – Replace Steam and Condensate Lines at Mendenhall, North Side, \$520,000
NCSU – Talley Retail Upfit – Suite 2260, \$450,000
UNC-CH – Men’s Locker Room Renovation at the Smith Center, \$4,208,103
UNCC – Campus Circulation Improvements, \$1,000,000
UNCC – Admissions Center, \$8,000,000
UNCG – Renovations to 1510 Walker Avenue, \$7,523,000
ECU – Brody Building High Rise Code Study, advance planning of \$125,000
ECU – Mendenhall Catering Kitchen Renovation, advance planning of \$200,000
NCSU – Murphy Center Media Center Renovation, advance planning of \$195,000
UNCC – West Substation, advance planning of \$650,000
UNCG – Ragsdale-Mendenhall Residence Hall Renovation, advance planning of \$1,030,000
NCSU – Murphy Center Locker Room Upgrade, increase in authorization of \$200,000 (from \$472,000 to \$672,000)

MOTION: Resolved, that the Board of Governors approved the projects and their methods of funding.

Motion: Roger Aiken

Motion carried unanimously

9. Acquisition of Property - ECU

Will Johnson presented the acquisition property that was located at 209 East Fifth Street in Greenville, North Carolina and explained that it would be used for additional office space by ECU. The negotiated price was \$1,103,099 and would be funded with auxiliary overhead receipt funds.

MOTION: Resolved, that the request of the Board of Trustees be approved.

Motion: W.G. Champion Mitchell

Motion carried unanimously

10. Acquisition of Property by Lease - NCSU

Will Johnson told that The NCSU Distance Education and Learning Technology Applications (DELTA) requested to lease a new space that would allow currently three locations to be consolidated into one space.

MOTION: Resolved, that the recommendation of the NCSU Board of Trustees be approved.

Motion: Roger Aiken

Motion carried unanimously

11. Acquisition of Property - ECU

Will Johnson explained the disposition of property was required to combine adjacent property assets for developing a hotel property that would house an ECU Alumni Center in space owned and operated by the ECU Alumni Association.

MOTION: Resolved, that the recommendation of the ECU Board of Trustees be approved.

Motion: W.G. Champion Mitchell

Motion carried unanimously

12. Disposition of Property by Demolition – UNC-CH

Will Johnson stated this demolition was required to remove building properties that were beyond their useful life. The University of North Carolina at Chapel Hill Board of Trustees approved the demolition of the Odum Village Student Apartment Complex located in the Town of Chapel Hill.

MOTION: Resolved, that the recommendation of UNC-CH Board of Trustees be approved.

Motion: James L. Holmes, Jr.

Motion carried unanimously

13. Report of Facilities and Administrative (F&A) Receipts, 2014-15

Associate Vice President Michael Vollmer reported The University of North Carolina received \$230.1 million in overhead receipts during the fiscal year and expended \$317.2 million. Of the expenditures, \$100 million was used to provide for the maintenance and operation of facilities constructed with or

operated by general fund appropriations. The systemwide ending fund balance supported by these receipts on June 30, 2015 was approximately \$164.8 million.

14. Sale of Special Obligation Bonds – NCCU

Jonathan Pruitt presented North Carolina Central University's request for the Board to issue special obligation bonds in an amount not to exceed \$65,000,000 for the purpose of (1) refinancing all or a portion of the 2009C General Revenue Bonds to achieve interest rate savings, and (2) paying the costs incurred in connection with the issuance of the 2016 Bonds.

MOTION: Resolved, that the President of the University, or her designee, be authorized to sell the special obligation bonds through the authorizing resolution.

Motion: W.G. Champion Mitchell

Motion carried unanimously

There being no further business, the meeting adjourned at 10:00 a.m.

Walter Davenport, Secretary