

## DRAFT MINUTES

April 14, 2016

University of North Carolina General Administration  
C.S.L.D. Building, Board Room 111  
Chapel Hill, 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, Scott Lampe, W.G. Champion Mitchell, Chancellor Philip L. Dubois, Chancellor Harold L. Martin, Sr., and Chancellor Randolph Woodson. The following committee members were absent: James Holmes and Alex Mitchell. Staff member present was Jonathan Pruitt.

Others present included: President Margaret Spellings, members of the Board of Governors, Chancellors, General Administration staff, faculty/staff from the constituent institutions, Representative John A. Fraley, and members of the press.

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### 1. Call to Order and Approval of OPEN Session Minutes

The Chair called the meeting to order at 9:01 a.m. on Thursday, April 14, 2016, and called for a motion to approve the open session minutes of March 3, 2016.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the open session minutes of March 3, 2016, as distributed.

**Motion:** Roger Aiken

**Motion carried** unanimously

## **2. 2016-17 Budget Priorities**

Senior Vice President Jonathan Pruitt reminded the Committee that the draft 2016-17 budget priorities had been presented for discussion at the March Board meeting. He noted two non-technical changes: 1) moving the “Retain Top Talent” priorities to the top of the list, and 2) removing the specific 2% and \$58M amount for the reserve for merit/performance-based compensation increases.

In addition to those changes, Mr. Pruitt briefed the Committee that the STEM and Health scholarship proposal had been amended to give first priority for these scholarships to graduates of North Carolina School of Science and Mathematics.

Mr. Pruitt explained a possible issue regarding the \$8M sustainability funding provided for the Brody School of Medicine during the budget process last year. The Board requested \$8M of recurring funding for additional positions as part of their budget priorities last year. The General Assembly instead provided \$8M of nonrecurring funding in both years. ECU would like to change the nature of the funding from nonrecurring to recurring with no change to the total dollar amount. He pointed out that this request would be a technical change that wasn’t required to be on the Board’s budget priorities and could be negotiated during the short session of the General Assembly. If unsuccessful, the \$8M recurring request could be included in the budget priorities for the next long session of the General Assembly.

Associate Vice President Andrea Poole gave details on the \$18 million request for Innovative Intervention Strategies to Improve Completion Rates.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the 2016-17 Budget Priorities.

**Motion:** W.G. Champion Mitchell

**Motion carried** after debate

### 3. 2016 Non-appropriated Capital Projects and Associated Debt Service Fees – ASU, NCCU, NCSU, UNCA, UNCC, and UNC Healthcare System

For the 2016 Legislative Session, six constituent institutions were requesting approval for ten capital improvements projects totaling \$652 million and requiring aggregate debt issuance of \$538 million. Additionally, four constituent institutions were requesting approval of associated student debt service fees, and the elimination of one existing debt service fee.

Project	Total (\$)	Cash/ GO Bond/Other (\$)	Debt (\$)	Source of Funds
<b>Appalachian State University</b>				
Convocation Center Parking Deck	11,250,000	0	11,250,000	Parking receipts
<b>North Carolina Central University</b>				
New Student Center	36,084,571	0	36,084,571	\$250 new debt service fee starting 2016-17
<b>North Carolina State University</b>				
Plant Sciences	160,200,000	85,000,000	75,200,000	Gifts, grants, rental receipts
Carmichael Addition & Renovation	45,000,000	7,400,000	37,600,000	\$92.50 new debt service fee starting 2016-17
Case Commons Residence Hall	15,000,000	2,000,000	13,000,000	Gifts
<b>UNC Asheville</b>				
Highsmith Union Renovation	12,430,000	0	12,430,000	\$143 new debt service fee (net) starting 2016-17
Student Apartment Housing	33,795,000	0	33,795,000	Housing receipts
<b>UNC Charlotte</b>				
Scott Hall Renovations	22,500,000	5,130,000	17,370,000	Housing receipts
Health & Wellness Center	66,000,000	15,000,000	51,000,000	Debt service fees, including \$162 new fee starting 2018-19
<b>UNC Healthcare</b>				
Surgical Pavilion	250,000,000	0	250,000,000	Patient receipts
<b>Totals</b>	<b>\$652,259,571</b>	<b>\$114,530,000</b>	<b>\$537,729,571</b>	

**MOTION:** Resolved, that the Board of Governors approve the 2016 Non-appropriated Capital Projects and Associated Debt Service Fees and that they be forwarded to the General Assembly for authorization during the 2016 Legislative Session.

**Motion:** Roger Aiken

**Motion carried** after debate

#### 4. UNC System Debt Affordability Study

Jonathan Pruitt introduced Managing Director Walter Goldsmith and Director Michael Juby of First Tryon Advisors of Charlotte. They presented an overview of the Debt Affordability Study which reported the debt capacity of each UNC constituent institution for 2016.

**MOTION:** Resolved, that the Board of Governors approve the UNC System Debt Affordability Study to be forwarded to the General Assembly as required by statute.

**Motion:** Roger Aiken

**Motion carried** unanimously

#### 5. Authorization of Capital Improvements Projects – ASU, NCSU, UNC-CH, UNCC, and UNCW

Associate Vice President Will Johnson presented requests for thirteen capital improvements projects from five constituent institutions: two for advance planning, two for increased authorization, and nine new projects for authorization.

Institution/Project Title		Total Project Cost (\$)	Requested Authorization (\$)	Authorization Type	Funding Source
<b>Appalachian State University</b>					
1	Miles Annas Wellness Center	621,110	170,110	Increase	Fees
2	Doughton Hall Air Handler	330,148	330,148	New Project	Housing
<i>ASU Subtotal</i>		<i>\$951,258</i>	<i>\$500,258</i>		
<b>North Carolina State University</b>					
3	CC Thermal Utilities & Infrastructure	4,500,000	3,150,000	New Project	F&A, Carryforward
4	CBC Chiller Plant Expansion-CBC Flex Lab Building Utility	634,612	234,612	New Project	Trust Fund
5	Owen Hall Renovation	1,450,000	1,450,000	New Project	Housing
<i>NCSU Subtotal</i>		<i>\$6,584,612</i>	<i>\$4,834,612</i>		
<b>University of North Carolina at Chapel Hill</b>					
6	Boshamer Stadium-Visiting Team Locker Room Renovation	1,230,194	1,230,194	New Project	Gifts
<i>UNC-CH Subtotal</i>		<i>\$1,230,194</i>	<i>\$1,230,194</i>		
<b>University of North Carolina at Charlotte</b>					
7	Cone University Center HVAC Modernization	1,700,000	846,100	Increase	Auxiliaries, R&R
<i>UNCC Subtotal</i>		<i>\$1,700,000</i>	<i>\$846,100</i>		
<b>University of North Carolina at Wilmington</b>					

Institution/Project Title		Total Project Cost (\$)	Requested Authorization (\$)	Authorization Type	Funding Source
8	Athletic Softball and Baseball Indoor Hitting Facility	2,501,250	2,401,250	New Project	Gifts
9	Madeline Suite Dining Facility Renovation	750,750	750,750	New Project	Auxiliaries
10	Police Facility Expansion and Renovation	749,678	749,678	New Project	Fees
11	SRC Walton Drive Facility Improvements	3,641,426	3,641,426	New Project	Fees
12	Parking Deck II	11,695,527	150,000	Advance Planning	Auxiliaries
13	Freshman Residence Hall	56,805,491	400,000	Advance Planning	Housing
<i>UNCW Subtotal</i>		<i>\$76,144,122</i>	<i>\$8,093,104</i>		
<b>Grand Total</b>		<b>\$86,610,186</b>	<b>\$15,504,268</b>		

**MOTION:** Resolved, that the Board of Governors approve these projects and that they be reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**Motion:** Walter Davenport

**Motion carried** unanimously

## 6. Report on the 2015-16 Management Flexibility Reduction

Andrea Poole reported that the 2015 Appropriations Act [S.L. 2015-14, Section 11.4(c)] required a reduction of \$18,033,112 be allocated by the Board of Governors; a report on the implementation of the reduction had been submitted by April 1, 2016 to the Fiscal Research Division and the Office of State Budget and Management.

## 7. Policy Review Project – Financial Policies

Jonathan Pruitt explained that during the Board of Governors' Retreat in February 2016 and the recent organizational assessment of UNC General Administration (UNC-GA) revealed needs for adjustments to the UNC Policy Manual. The Committee on University Governance would act as the steering committee for the project and the Committee on Budget and Finance would be responsible for policy deregulation in the areas of capital construction, real property, and contracting.

## **8. Connect NC 2016 Bond Report**

Mr. Johnson reported that the Connect NC 2016 Bond referendum was approved by the citizens of North Carolina on March 15, 2016. The bonds would fund 21 capital improvements projects at the 17 University of North Carolina institutions: 14 new projects, and 7 renovation projects that total \$1,065,000,000. UNC-GA would work with the Office of State Construction, Fiscal Research Division, and the Office of State Budget and Management to coordinate design and construction reviews, funding procedures, and statutory reporting requirements for the Connect NC 2016 capital improvement projects.

## **9. Sale of Special Obligation Bonds – NCCU**

Mr. Pruitt presented North Carolina Central University's request for the Board to issue special obligation bonds in an amount not to exceed \$2,000,000 for the purpose of making emergency repair and renovations to the NCCU School of Law.

**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

## **10. Century Bonds – UNC-CH and NCSU**

Jonathan Pruitt introduced Matt Fajack, Vice Chancellor for Finance and Administration at UNC-CH, to explain Century Bonds. After much discussion, the Committee on Budget and Finance agreed to refer the item to the Committee on Public Affairs for their consideration.

**MOTION:** Resolved, that this request be referred to the Committee on Public Affairs to request the General Assembly of North Carolina to extend the terms of debt up to 100 years with the condition that the bonds with terms in excess of 30 years return to the Board of Governors for clear guidance on the use of funds and sources of repayment for principle and interest subject to a maximum of \$500M per institution.

**Motion:** W.G. Champion Mitchell

**Motion carried** after debate

There being no further business, the meeting adjourned at 11:11 a.m.

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Walter Davenport, Secretary