



MEETING OF THE BOARD OF GOVERNORS  
Committee on Budget and Finance

March 19, 2020 at 12:00 p.m.  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
Chapel Hill, North Carolina

**AGENDA**

- A-1. Approval of the February 20, 2020 Minutes.....Temple Sloan
- A-2. 2020-21 Non-Appropriated Capital Improvement Projects ..... Katherine Lynn
- A-3. Capital Improvement Projects ..... Katherine Lynn
- A-4. Additional Delegation Authority for Real Property – Western Carolina University .....Clinton Carter
- A-5. Adjourn

## DRAFT MINUTES

February 20, 2020  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
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This meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were also present: Darrell Allison, Carolyn Coward, W. Marty Kotis, III, R. Doyle Parrish, and Robert Rucho.

Chancellors participating were Chancellor Dubois, Chancellor Martin, and Chancellor Woodson.

Staff members present included Clinton Carter, Katherine Lynn, and others from the UNC System Office.

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### 1. Call to Order and Approval of OPEN Session Minutes (Item A-1)

The chair called the meeting to order at 11:32 a.m. on February 20, 2020, and called for a motion to approve the open session minutes of January 16, 2020.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the open session minutes of January 16, 2020, as distributed.

**Motion:** Darrell Allison

**Motion:** carried

### 2. 2020-21 Budget Priorities (A-2)

Mr. Clinton Carter presented a review of short session budget priorities, which included items funded in the 2019 Appropriations Act and Strengthening Educator's Pay Act, as well as \$70 million in additional expansion items and \$51 million in base budget adjustments. These priorities and the legislative proposals will be discussed and considered for a vote at the March meeting.

Mr. Allison introduced a new item, Data Modernization in University Advancement, to add to the budget priorities request. The funding of \$1.5M would be used to implement the primary request of the Board's Committee on Historically Minority-Serving Institutions: a strategic investment in a System-level initiative in data modernization and a shared service to build an associated data mart to aid smaller institutions in their alumni engagement efforts. Elizabeth City State University, Fayetteville State University, N.C. A&T State University, North Carolina Central University, UNC Asheville, UNC Pembroke, UNC School of the Arts, Winston-Salem State University, and the NC School of Science and Mathematics are the nine UNC institutions that would be primarily supported.

**MOTION:** Resolved, that the Committee on Budget and Finance add the Data Modernization in University Advancement funding request to the 2020-21 budget priorities to be considered for a vote in March.

**Motion:** Darrell Allison

**Motion: carried**

**3. Capital Improvement Projects – NC State, UNC Charlotte, and NC School of Science and Mathematics (Item A-3)**

Ms. Katherine Lynn presented prospective capital improvement projects to the committee for the following institutions: NC State, UNC Charlotte, and NC School of Science and Mathematics. In total, five capital improvement projects were considered, including four advance planning projects and one increased authorization project.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the capital improvement projects for NC State, UNC Charlotte, and NC School of Science and Mathematics and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** W. Marty Kotis, III

**Motion: carried**

**4. Sale of Millennial Campus Bond – Appalachian State University (A-4)**

Mr. Carter presented Appalachian State University's request for issuance of a Millennial Campus revenue bond in an amount not to exceed \$2,650,000 for the purpose of acquiring and installing a field turf system for Kidd Brewer Stadium and paying costs incurred in connection with the issuance of the 2020 Bond.

**5. Sale of Special Obligation Bond – Appalachian State University (A-5)**

Mr. Carter presented Appalachian State University's request for issuance of a special obligation bond in a principal amount not to exceed \$2,350,000 for the purpose of refunding up to \$2,160,000 of outstanding special obligation bonds issued on Appalachian's behalf in 2010 and paying costs of issuance with respect to the Bond.

**MOTION:** Resolved, that the Committee on Budget and Finance approve Appalachian's request for the president of the University, or his designee, to be authorized to issue the Millennial Campus revenue bond (Item 4) and special obligation bond (Item 5) and recommend them to the full Board of Governors for a vote through the consent agenda.

Dr. Rucho made both motions and the committee approved with one vote.

**Motion: Robert Rucho**

**Motion: carried**

## **6. Other Business (Item A-6)**

Vice Chair Parrish gave a brief review of an informal meeting of a few Capital Construction Task Force members on January 26, which included presentations from the State Construction Office and two UNC System institutions. Gov. Parrish shared preliminary details with the committee for the next task force meeting on Wednesday, February 26, including a panel discussion with general contractors and a presentation from another UNC System institution.

There being no further business, the meeting adjourned at 12:33 p.m.

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Carolyn Coward, Secretary



## AGENDA ITEM

A-2. 2020-21 Non-Appropriated Capital Improvement Projects.....Katherine Lynn

**Situation:** Non-appropriated capital projects are financed by the university and require legislative approval for the issuance of debt. For 2020, one institution is requesting approval for three capital improvement projects and one institution is requesting an additional borrowing approval, requiring total debt authority of \$74,000,000.

With Board approval, these projects will be forwarded to the General Assembly for authorization during the 2020-21 legislative session.

**Background:** On an annual basis, the Board considers university proposals for projects funded from non-appropriated sources requiring the issuance of long-term debt and associated changes to student debt service fees.

If approved, a detailed financial plan will be reviewed in consultation with financial advisors and bond counsel before bonds are issued and construction contracts are awarded. The Board will receive a subsequent request for approval for the issuance of bonds for these projects.

**Assessment:** The projects comply with G.S. 143C (State Budget Act) and all associated fees comply with the guidelines set forth in the Four-Year Plan for Tuition and Fees.

**Action:** This item requires a vote by the committee and a vote by the full Board of Governors.

## 2020-21 Non-Appropriated Capital Improvement Projects

### ISSUE OVERVIEW

Non-appropriated capital projects are financed by the university and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings. Legislative approval is required for the issuance of debt; these “self-liquidating” capital projects are approved by the legislature after the passage of the Appropriations Act. These projects, if approved by the Board, are submitted for legislative action. Legislative approval is not required for non-appropriated capital projects that do not require debt issuance.

Project	Total (\$)	Cash/GO Bond/ Other (\$)	Debt (\$)	Source of Funds
<b>University of North Carolina at Chapel Hill</b>				
Morehead Chemistry Laboratory HVAC Upgrades	\$22,000,000	-	22,000,000	Institutional Trust Funds
Bingham and Swain Halls Comprehensive Renovations	\$20,000,000	-	20,000,000	Institutional Trust Funds
Campus-wide Life Safety Upgrades	\$12,000,000	-	12,000,000	Institutional Trust Funds
<i>UNC-CH Subtotal</i>	<i>\$54,000,000</i>	<i>-</i>	<i>\$54,000,000</i>	
<b>Western Carolina University</b>				
Lower Campus Residence Halls-Phase 2	\$20,000,000	-	\$20,000,000	Housing Receipts
<i>WCU Subtotal</i>	<i>\$20,000,000</i>	<i>-</i>	<i>\$20,000,000</i>	
<b>Grand Total</b>	<b>\$74,000,000</b>	<b>-</b>	<b>\$74,000,000</b>	

### ADDITIONAL DETAIL

#### University of North Carolina at Chapel Hill

Project: Morehead Chemistry Laboratory HVAC Upgrades  
 Total Cost: \$22,000,000  
 Description: This project includes the replacement of outdated equipment that is unsuitable to maintain acceptable indoor environmental quality. The scope includes additional conditioned air to all laboratories, replacement of original, internally-lined ductwork, removal of re-circulated air systems, improvements to the chilled water infrastructure, current high-rise code compliance, and fume hoods replacement to meet minimum air changes required by code.  
 Funding: The funding source for this project is institutional trust funds currently used for debt service that will be retired.

Project: Bingham and Swain Halls Comprehensive Renovations  
 Total Cost: \$20,000,000  
 Description: This project addresses significant deferred maintenance in both buildings, including HVAC, electrical, waterproofing, building envelope repairs, hazardous materials abatement, and

accessibility. Program enhancements will be incorporated to address academic needs.  
Funding: The funding source for this project is institutional trust funds currently used for debt service that will be retired.

Project: Campus-wide Life Safety Upgrades

Total Cost: \$12,000,000

Description: This project includes replacement of UNC-Chapel Hill's central fire alarm communicator system with a new network including new transmitters from each building to a new receiving station at the Public Safety and EHS Emergency Operations Center, as well as replacement of obsolete control systems no longer supported or upgraded by the manufacturer.

Funding: The funding source for this project is institutional trust funds currently used for debt service that will be retired.

### **Western Carolina University**

Project: Lower Campus Residence Halls – Phase 2

Total Cost: \$20,000,000

Description: In 2019, H.B. 402 authorized Western Carolina University to issue \$60,000,000 in debt for the construction of three new residence halls totaling up to 800 beds and 200,400 sf (+/-) to replace aging residence halls and accommodate future growth. WCU is increasing the number of beds to 932 and increasing the building size to 235,000 sf (+/-). WCU is requesting approval to increase the debt by \$20,000,000 for the additional beds. The total project cost is estimated at \$87,000,000. Of the \$87,000,000, \$7 million will be paid via the university's housing reserves.

Funding: The funding source for this project is housing receipts.

### **RECOMMENDATION**

It is recommended that the non-appropriated capital projects be approved and submitted for legislative approval of debt issuance.



**AGENDA ITEM**

A-3. Capital Improvement Projects – East Carolina University, NC Central University and UNC-Chapel Hill ..... Katherine Lynn

**Situation:** Three UNC System institutions have requested a total of eight capital improvement projects: six new projects for authority and two projects for increased authorization.

**Background:** The Board of Governors may authorize capital construction projects at UNC System institutions using available funds.

**Assessment:** East Carolina University, NC Central University, and UNC-Chapel Hill have requested projects that meet the statutory requirements, and it is recommended that the Board of Governors approve the projects and their methods of funding. It is further recommended that these projects be reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



# Capital Improvement Projects – East Carolina University, NC Central University, and UNC-Chapel Hill

## ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with non-appropriated projects using available funds (non-general funds). Non-appropriated capital projects are funded by the institution and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings.

There are three UNC System institutions that have requested a total of eight capital improvement projects: six new projects for authority and two projects for increased authorization.

## I. NEW PROJECTS

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
<b>East Carolina University</b>					
1.	Electrical Renovations at Brody Building & Central Plant	\$1,574,470	\$0	\$1,574,470	Carry-forward
2.	MC College Hill Drive Steam - Phase 2 (Jones Manhole to Scott Manhole)	\$2,000,000	\$0	\$2,000,000	Carry-forward
3.	MC Steam & Condensate -South and West of Building 43	\$2,250,000	\$0	\$2,250,000	Carry-forward
4.	McGinnis to Wright-Chilled Water Infrastructure Extension	\$1,685,487	\$85,487	\$1,600,000	Carry-forward
<i>ECU Subtotal</i>		<i>\$7,509,957</i>	<i>\$85,487</i>	<i>\$7,424,470</i>	
<b>North Carolina Central University</b>					
5.	Farrison Newton Building - Radio Studio Renovation	\$1,500,000	\$0	\$1,500,000	Title III
6.	New Collaborative Learning Center	\$3,000,000	\$0	\$3,000,000	50% Title III, 50% Dining Receipts
<i>NCCU Subtotal</i>		<i>\$4,500,000</i>	<i>\$0</i>	<i>\$4,500,000</i>	

## II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
<b>University of North Carolina at Chapel Hill</b>					
7.	National Pan-Hellenic Council Garden	\$1,400,000	\$750,000	\$650,000	77% Utility Trust Funds 23% Donations & Gifts
8.	School of Media & Journalism Media & Communication Studio	\$10,400,000	\$7,200,000	\$3,200,000	Donations & Gifts
<i>UNC-Chapel Hill Subtotal</i>		<i>\$11,800,000</i>	<i>\$7,950,000</i>	<i>\$3,850,000</i>	
<b>Grand Total</b>		<b>\$23,809,957</b>	<b>\$8,035,487</b>	<b>\$15,774,470</b>	

**RECOMMENDATION**

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act).

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.



## AGENDA ITEM

- A-4. Additional Delegation of Authority for Real Property –  
Western Carolina University .....Clinton Carter

**Situation:** Western Carolina University has requested additional delegated authority to authorize real property transactions under UNC Policy 600.1.3.

**Background:** Under UNC Policy 600.1.3, the UNC Board of Governors may delegate additional authority to a constituent institution’s board of trustees to authorize the acquisition and disposition of an interest in real property. The additional delegated authority allows the constituent institution to authorize the acquisition and disposition of real property, other than by lease, for property valued at less than \$1,000,000, and the acquisition and disposition of property by lease if the lease is valued at less than \$750,000 annually and the lease term is not more than 10 years. A constituent institution requesting additional delegated authority for real property is required to meet minimum criteria under UNC Policy 600.1.3 and regulation 600.1.3 [R]. With this additional delegated authority, authorization by the Board of Governors is not required.

**Assessment:** Western Carolina University completed the self-assessment and certification and submitted a request for additional authority on July 5, 2019. A team assembled by the System Office reviewed WCU’s submittal and performed an on-site capabilities appraisal on October 7, 2019 to confirm the assessment. Based on the evaluation of the team, it is recommended that WCU’s request for additional delegated authority to authorize real property transactions be approved.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Additional Delegation of Authority for Real Property – Western Carolina University**

### **ISSUE OVERVIEW**

Consistent with G.S. 116-31.12 and other state law, through UNC Policy 600.1.3, the UNC Board of Governors has delegated to the boards of trustees of the constituent institutions the ability to authorize the acquisition and disposition of real property other than by lease if the property is valued at less than \$500,000 and to the acquisition and disposition of real property by lease if the annual value of the lease is less than \$500,000 and the lease term is not more than 10 years. UNC Policy 600.1.3 allows constituent institutions to request additional delegated real property authority which will increase the value of acquisition and disposition of real property other than by lease to less than \$1,000,000 and the acquisition and disposition of property by lease to an annual value of less than \$750,000 if the term is not more than 10 years. If such additional authority is granted, authorization by the Board of Governors is not required.

In accordance with UNC Policy Manual 600.1.3 and 600.1.3[R], to request additional delegated authority to authorize real property transactions, a university must complete a comprehensive, written self-assessment and must:

- Have an individual on staff, designated by the chancellor as the campus property officer, with substantial experience in managing commercial real estate transactions
- Have a properly constituted and active campus property review committee comprised of individuals with sufficient technical expertise, strategic perspective, and executive authority to perform the required duties
- Have appropriate and sufficient technical and professional staff with demonstrated capability in the development, evaluation, and execution of commercial leasing transactions
- Have sufficient administrative, technical and support resources to properly carry out the delegated authority
- Have a documented comprehensive policy and associated procedures in accordance with UNC Policy 600.1.3 and 600.1.3[R],
- Be certified by the chancellor as meeting the policy, and
- Have the policy adopted by its board of trustees.

The chancellor of the university must certify compliance with the requirements and submit the request to the UNC System Office. The senior vice president for finance and administration assembles a team to evaluate the request. Currently, the Board has approved additional delegated authority for real property leases to East Carolina University, NC State University, UNC-Chapel Hill, UNC Charlotte, UNC Wilmington, and the president.

The UNC System Office received WCU's request on July 5, 2019, and assembled an assessment team, which performed a site visit on October 7, 2019, to meet with university staff and to perform an on-site capabilities appraisal. The assessment team determined that WCU has staff with appropriate expertise and documented organizational structure, policies, and procedures to support delegated authority and meets the criteria of UNC Policy 600.1.3 and regulation 600.1.3 [R].

**RECOMMENDATION**

It is recommended that the Board of Governors approve the Board of Trustees of Western Carolina University's request for additional delegated authority to authorize the acquisition and disposition of real property through lease and non-lease transactions consistent with G.S. 116-31.12, UNC Policy 600.1.3 and 600.1.3 [R].