

**ANNUAL REPORT  
OF THE COMMITTEE ON BUDGET AND FINANCE TO THE  
BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA  
July 1, 2014 through June 30, 2015**

**EXECUTIVE SUMMARY**

The Committee on Budget and Finance met eleven times between July 1, 2014 and June 30, 2015. The Committee was composed of the following Board members: Mr. Roger Aiken, Mr. W. Louis Bisette, Jr., Mrs. Hannah D. Gage, Mr. Peter D. Hans, Mr. Scott Lampe, Mr. W.G. Champion Mitchell, Mr. Harry L. Smith, Jr., and Mr. Raiford Trask III. Mr. Smith served as Chair; Mr. Lampe served as Vice-Chair; and Mr. Aiken served as Secretary. Chancellor Philip L. Dubois (UNCC), Chancellor M. Lindsay Bierman (UNCSA), and Chancellor David O. Belcher (WCU) also served on the Committee. Mr. Hans resigned from the Board on March 3, 2015.

**BUDGETS AND ALLOCATIONS, TUITION AND FEES**

The Committee recommended:

- Allocation of funds for university personnel (EHRA) salaries
- Allocation of funds for current operations - 2014-15
- Four-year Tuition Plan for school years 2015-19
- Authorization of tuition and fees for 2015-16 and 2016-17
- Authorization of a Campus Security Fee
- Operating and Capital Budget Priorities - 2015-17

**CAPITAL IMPROVEMENTS**

The Committee recommended:

- Allocation of funds for capital improvements - 2014-15
- Authorization of non-appropriated capital improvements projects - 2014
- Guaranteed energy saving projects for UNCW
- Capital improvements projects not requiring action by the General Assembly for ASU, ECU, NCA&T, NCCU, NCSU, UNCA, UNC-CH, UNCC, UNCG, UNCP, UNCW, and WCU

**INSTITUTIONAL BORROWING**

The Committee recommended:

- Line of credit agreements for UNC-Chapel Hill with three banks (Wells Fargo, U.S. Bank, and RBC) in a combined amount of \$400 million to replace existing Line of Credit Agreements in the same amount that expired in September 2014

- Special obligation bonds for NCSU and UNC-CH for participation in the Commercial Paper Program for certain projects approved by the 2014 Session of the General Assembly
- Special Obligation Bonds for ASU, ECU, FSU, UNCA, UNC-CH, UNCC, UNCG, and WCU
- Refinancing of Housing Foundation indebtedness for UNCC, UNCSA, UNCW, and WCU

## **PROPERTY**

The Committee recommended:

- Update of Millennial Campus at UNCC with seven boundary changes
- Acquisition of property at ECU (five properties)
- Acquisitions by lease for ECU, NCSU, UNC-CH, and UNCG
- Property lease delegation of authority for UNCW to acquire and dispose of real property by lease if the lease term was not more than 10 years

## **OTHER ACTIONS**

The Committee recommended:

- Findings of the Working Group on Financial Aid/Tuition
- UNC System Purchasing Thresholds
- Millennial Campus designation for ECU
- Establishment of an Associated Entity at UNC-CH
- Establishment of a For-Profit L.L.C. at WCU

## **DISCUSSION TOPICS**

- 2015-17 Budget Planning
- 2015-17 Budget Priorities
- Border Tuition
- Campus Security Fee
- Tuition and Fees
- UNC Advancement Update
- Performance Measures
- Report on Facilities and Administrative Receipts
- Governor's Bond Proposal
- Metrics

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The Committee advises and consults with the Board of Governors' Chair and the President concerning budget policy and preparation. The Committee considers the budget proposed by the President, recommends modifications if needed, and approves the budget for consideration by the Board; makes recommendations to the Board for allocations of funds appropriated by the General Assembly; works with the Committee on Educational Planning, Policies, and Programs to ensure proper funding of long-range objectives; and submits recommendations to the Board with respect to capital improvements projects, institutional borrowings, and property transactions, as well as other budgetary and financial matters within the jurisdiction of the Board of Governors.

### **BUDGETS AND ALLOCATIONS, TUITION AND FEES**

During the year, the Committee made specific recommendations for consideration by the Board related to budget requests, allocations of funds, and the establishment of tuition and fee rates.

Authorization of Delegated Authority - Allocation of Funds: The Committee on Budget and Finance was delegated authority to allocate funds made available by the General Assembly if the 2014-15 and 2015-16 State Budgets were ratified prior to the scheduled Board meetings.

Allocation of Funds for University Personnel (EHRA) Salaries: The General Assembly appropriated \$5 million to the University of North Carolina to provide compensation increases to employees exempt from the State Human Resources Act (EHRA). [Senate Bill 744 (S.L. 2014-100), the 2014 Appropriations Act]

Allocation of Funds for Current Operations - 2014-15: The proposed 2014-15 Allocations for Current Operations were recommended for Board approval.

Four-Year Tuition Plan for School Years 2015-19: A new plan for the 2015-19 academic years established a 5% cap on tuition and fee increases for resident undergraduates. The Plan also incorporated the recommendations of the Board of Governors' Workgroup on financial aid and tuition regarding financial aid set aside from tuition revenue.

Border Tuition: The Committee on Budget and Finance recommended that for this tuition cycle, Elizabeth City State University and the University of North Carolina at Pembroke would be permitted to request border tuition rates for nonresident students. [Neither institution submitted a request to the Board.]

Authorization of Tuition and Fees for 2015-16 and 2016-17: The Committee convened a special meeting on February 9, 2015 to hear from campuses that proposed resident tuition rates greater than \$4,000 by 2016-17. In accordance with the new tuition and fees plan, campuses had submitted proposals for tuition and fees for two years.

Authorization of a Campus Security Fee: The 2013-14 UNC Campus Security Report included high priority recommendations for new initiatives, staffing, and security measures. The Committee recommended an annual University-wide student fee of \$30 to assist in funding campus-based and system-wide safety and security consistent with the recommendations.

Final Report from Board of Governors' Working Group on Financial Aid and Tuition: The Committee voted to receive the Final Report which documented all of the suggestions made by the Working Group. The Report included a request that the following three issues be addressed in the future:

- Innovative approaches to providing financial assistance to students, including lower cost loans through public-private partnerships and tuition payment plans (Educational Planning, Policies, and Programs Committee)
- Availability and sustainability of funding sources (including appropriations, lottery funds, escheat funds, and private funds) for need-based aid, as well as an increased focus on campus fundraising strategies (Budget and Finance/Public Affairs Committees)
- Investigating the possibility of tying system-wide financial aid funding to enrollment growth in future budget requests (Budget and Finance/Public Affairs Committees)

Operating and Capital Budget Priorities, 2015-17: The Committee considered and approved the proposed Operating and Capital Budget Priorities for 2015-17, with two amendments. First, the committee revised the request for \$10 million for medical school sustainability funds to specify \$8 million for ECU and \$2 million for UNC-CH. Second, two ECSU renovation projects totaling approximately \$13 million were placed in a reserve pending discussion between the President, Chancellor, and Board Chair.

Overall, the Operating Budget Priorities represented a \$47 million (1.9%) increase from the base budget in each year of the biennium, not including enrollment funding of \$47 million in FY 2015-16 and \$83 million in FY 2016-17. The Capital Budget Priorities included \$264 million for repairs and renovations, \$993 million for new capital projects, and \$251 million for targeted capital renewal projects.

## CAPITAL IMPROVEMENTS

Allocation of Funds for Capital Improvements - 2014-15: The proposed 2014-15 Allocations for Capital Improvements were recommended for Board approval.

Authorization of Non-Appropriated Capital Improvements Projects - 2014: The Committee recommended four capital improvements projects at four institutions (ASU, ECU, NCCU, NCSU) totaling \$184,500,000 requiring aggregate debt issuance of \$129,500,000. The projects were forwarded to the General Assembly for authorization during the 2015 legislative session. 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.

Guaranteed Energy Saving Projects: G.S. 143-64.12 required that all state buildings reduce energy use per gross square foot 30% by 2015. G.S. 143-64.17F authorized state agencies to utilize guaranteed energy savings contracts. To finance each project, the university would solicit competitive proposals from qualified lenders and the savings generated by the guaranteed energy savings contract would pay for the debt. After the debt was paid, the savings produced by the improvements would continue to accrue to each university and the State.

The following project was recommended and forwarded to the Department of Administration, the Office of State Budget and Management, the State Treasurer, and the Council of State for final approval.

- UNCW: The Board of Trustees of the University of North Carolina at Wilmington had requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure, and reduce water consumption on central campus.

Emergency Procedures: Chancellors informed the President of the need to invoke emergency procedures as allowed by G.S. 143-129 to provide for new capital improvements projects. In accordance with emergency procedures, the State Building Commission was also notified.

- ECU: After investigating a potential movement problem in two exterior masonry walls in Howell Science Complex, a structural engineer informed that the originally constructed walls of the complex required reinforcement to meet the North Carolina State Building Code wind load requirements in force during the original building design. These findings were confirmed by a 3<sup>rd</sup> party independent structural engineer via peer review. The project, estimated to cost \$750,000, would be funded from carry-forward funds.
- UNC-CH: On March 25, 2015, an investigation by University maintenance and engineering staff revealed that several areas of the roof truss system in the Kennon Cheek/Rebecca Clark Building were severely deteriorated. Due to the emergent nature of the situation, emergency contracting procedures were implemented to stabilize the structure, design, and construct permanent repairs to the roof structure. The project, estimated to cost \$4,020,000, would be funded from non-general funds.

- UNC-CH: The Athletics Department retained consultant services to prepare a facilities condition assessment report of the Koury Natatorium. The report, received on April 28, 2015, identified severe deterioration of the filtration system. For safety reasons, it was recommended immediate replacement of the filtration system. The project, estimated to cost \$475,000, would be funded from non-general funds.
- UNC-CH: The University's Environment, Health, and Safety Department reported that sprayed-on coating containing asbestos on the ceiling was delaminating from the structure in several areas of the Van Hecke-Wettach Hall School of Law building. Immediate asbestos removal was necessary to keep the building occupants and the public safe from further exposure to hazardous material. The project, estimated to cost \$750,000, would be funded from non-general funds.

### Capital Improvements Projects Not Requiring Action by the General Assembly

During the year, the Committee recommended approval of the following capital improvements projects to be funded principally from nonappropriated funds.

#### **ASU**

J.E. Thomas Building Roof Replacement	\$ 494,477
Install Grease Traps at Plemmons Student Union	495,000
Advance Planning - New Residence Hall - Winkler Replacement	3,200,000
<b>Total</b>	<b>4,189,477</b>

#### **ECU**

Residence Hall Mail Service Improvements	800,000
Aycock Basement and Exterior Accessibility Improvements	1,705,000
Transit Facility Site Improvements	450,000
Reade Street Market Renovation	775,000
Brody School of Medicine Risk Management Office and Administrative Meeting/Conference	498,000
Haynie Building Repair and Renovation	2,840,075
Advance Planning - The Galley Renovation and Expansion, Jones Hall	100,000
Advance Planning - Dowdy Ficklen Stadium Press Box Renovation and Expansion	250,000
Advance Planning - Clement Residence Hall Renovation	2,500,000
<b>Total</b>	<b>9,918,075</b>

#### **NCA&TSU**

University Clock Tower	<b>1,301,000</b>
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#### **NCCU**

Shepard Library - Academic Improvements for Learning and Technology - Phase 1	<b>869,800</b>
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#### **NCSU**

Erdahl-Cloyd West Wing Sprinkler Addition	339,700
Research III HVAC Renovations	500,000
Lee Hall Stair Enclosure Upgrade	500,000
Millstone 4-H History and Learning Center	1,500,000
College of Veterinary Medicine Anatomy Lab Renovation	1,750,000
D.H. Hill Library - Faculty Research Commons	475,000
Talley Retail Space	342,975
Greek Village Phase 2 Infrastructure	6,301,000
Cox Hall Scale-up Classrooms	1,850,000
Patterson Hall Foundation Waterproofing	312,561
Biltmore Hall First Floor Labs	1,970,000
CC Thermal Utilities and Infrastructure (CTI, COT and MRC) - Phase 1	1,350,000

Tucker Hall Renovation	\$ 1,405,000
Bragaw Window Replacement	1,535,000
CVM Finger Barn #2	400,000
CVM 3B Lab Renovation	2,500,000
CALS Animal Health Research Building Addition	212,000
Advance Planning - Cox Hall Scale-Up Classrooms	25,000
Advance Planning - Harrelson Hall Demolition	270,000
Advance Planning - Patterson Hall Business Center Renovation	220,000
Advance Planning - Patterson Hall Foundation Waterproofing	31,000
Advance Planning - Centennial Biomedical Campus Chiller Plant Expansion	200,000
Advance Planning - CC Thermal Utilities and Infrastructure (TIC, COT and MRC)	700,000
Advance Planning - Facility Operations and Grounds Management Support Facility	500,000
<b>Total</b>	<b>25,189,236</b>

#### UNCA

Highsmith Student Union Renovation Study	<b>50,000</b>
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#### UNC-CH

Thurston Bowles Cage Wash Installation	919,828
Biomedical Engineering Renovations in Phillips Hall	1,699,000
Murray Hall Laboratory Up-Fits, Rooms 1101 and 3401	3,923,000
Improvements to Athletic Facilities	3,198,000
Faculty Office Renovations Lineberger Cancer Center	488,000
Renovate Greenlaw 101	464,000
Lineberger Cancer Center Common Equipment Rooms	487,000
Renovate Kenan Lab 8A for Applied Physical Sciences	491,000
Tomkins Chilled Water - Thermal Storage Tank Stabilization	663,000
Elevator Modernization - Davie Hall, Gardner Hall, and Lineberger Cancer Center	2,035,375
Improvements to Meet Fire Safety Needs - Taylor Hall	1,896,000
Kenan Laboratories and Friday Center - Roof Repairs and Replacements	1,505,800
Carolina Inn, Restaurant and Bar Renovation	2,328,000
Ehringhaus, Hinton James, and Carmichael Residence Halls - Roof Replacement	1,200,000
Energy Efficiency Program, Chapman Hall, ITS Manning, and Glaxo Building	1,355,000
Ehringhaus, Hinton James, and Carmichael Residence Halls - Elevator Modernization	1,900,000
Structural Repairs - Knapp Sanders and Abernethy Hall	1,076,700
University Master Plan	1,500,000
Repairs to Electrical, Plumbing, and HVAC Systems - School of Dentistry, Davis Library, Lineberger Cancer Center, and Morehead Chemistry Laboratory	2,458,375
Campus Way-Finding Sign Project	2,466,250
Morehead Planetarium Building, Renovation of Classrooms, Offices, and Exhibit Space	5,576,122
South Building Accessibility Improvements	319,700
Battle Grove Regenerative Stormwater Conveyance	362,439
Medical Biomedical Research Building (MBRB)/Glaxo Building	440,000
Campus Safety Upgrade	4,750,000
Carolina Performing Arts at Carolina Square (123 W. Franklin St)	4,000,000
Children's Wonder Garden, NC Botanical Gardens	765,839
Classroom Renovations to Beard Hall 2nd Floor	499,859
Joan H. Gillings Auditorium (Renovation of Rosenau 133 and adjacent spaces)	2,400,000
Rizzo Center Guest Room Upgrade	4,978,050
McGavran Greenburg Animal Facility Improvements	1,949,968
Lineberger Laboratory Renovations	495,000
Hooker Fields Improvements	1,990,098
<b>Total</b>	<b>60,581,403</b>

<b>UNCC</b>	
Campus Storm Water Improvements	\$ 450,000
Student Counseling Center	4,000,000
North Library Lane Improvements	498,000
Kennedy Emergency Generator	500,000
Outdoor Events Shelter	1,200,000
Student Activity Center Fitness Center Renovation	489,650
Cone Center Food Service Renovation	491,800
Advance Planning - Residence Dining Hall Renovation	900,000
Advance Planning - Scott Hall	2,250,000
Advance Planning - Health and Wellness Center	6,600,000
<b>Total</b>	<b>17,379,450</b>

<b>UNCG</b>	
Jackson Library Digital Media Commons Renovation	395,000
Moore-Strong Fire Alarm Replacement	1,373,000
Advance Planning - Cone Residence Hall Renovation	1,164,300
<b>Total</b>	<b>2,932,300</b>

<b>UNCP</b>	
Grace Johnson Stadium Expansion Phase I	905,250
Renovate Existing Toilets - Belk Hall	498,750
<b>Total</b>	<b>1,404,000</b>

<b>UNCW</b>	
Housing Repairs and Renovations, Phase I	5,000,000
Housing Repairs and Renovations, Phase II	5,000,000
Dining Facilities Repairs and Renovations	1,500,000
Residential Dining Facility (South)	10,000,000
Parking Repairs and Improvements	1,750,000
Data Network Modernization Wi-Fi Project	7,000,000
<b>Total</b>	<b>30,250,000</b>

<b>WCU</b>	
Hinds University Center Roof Replacement	593,616
Lot 73 Parking Expansion	2,552,151
<b>Total</b>	<b>3,145,767</b>

Campuses also requested authority to increase the scope of the following previously approved capital improvements projects:

- ECU: Aycock Basement and Exterior Accessibility Improvements - increase of \$1,256,100
- NCA&T: Agricultural Pavilion - increase of \$3,328,000
- NCSU: Gregg Museum of Art and Design - increase of \$5,688,400
- NCSU: Centennial Campus Reuse Water - increase of \$620,000
- UNC-CH: Thurston Bowles Cage Wash Installation - increase of \$1,000,000
- UNC-CH: Mary Ellen Jones Renovation - increase of \$52,578,067
- UNCP: Student Health Services - increase of \$723,841

Increases in Previously Authorized Projects: Capital improvements actions initiated throughout the year by the President pursuant to Board delegation are reported below. The following increases in previously authorized projects were approved.

ASU

Geographical Information Systems (GIS) Program Development	\$ 175,000
Anne Belk Hall (formerly the Old Library Classroom Building)	117,732

ECU

Fletcher Residence Hall Renovations and Accessibility Improvements	799,000
Dance Studio	665,000
Minges Natatorium Lighting and Acoustical Improvements	65,000

NCSU

Erdahl-Cloyd West Wing Sprinkler Addition	135,300
Lee Hall Stair Enclosure Upgrade	355,000
Talley Retail Space	212,000

UNC-CH

Repair Fire Alarm Systems - Craige, Ehringhaus, and Hinton James Residence Halls	25,779
Estes Drive Commuter Lot Expansion	60,676
Odum Village Replacement	2,500,000
HVAC Controls Upgrades for Energy Efficiency	35,000
Davis Library Life/Safety Improvements	1,127,500
Craige Residence Hall - Roof Replacement	121,370
GA Chiller Replacements	321,707
Thurston Bowles Cage Wash Installation	80,173

UNCC

Cone Plaza Repairs	80,000
Holshouser Hall Renovation	2,240,480
Outdoor Events Shelter	400,000

WSSU

New Residence Hall - Freshmen Living/Learning	350,000
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Delegated Authority: In 2006, the Board of Governors delegated to the President the authority to approve capital improvements projects estimated to cost less than \$500,000. Items were to be sent to Committee members one week prior to approval by the President's Office so that members would have an opportunity to consider the projects, ask questions, and determine if the projects warranted further discussion at the next Committee meeting. There were no projects submitted in the 2014-15 fiscal year.

## **INSTITUTIONAL BORROWING**

Line of Credit Agreement: The Committee recommended UNC-Chapel Hill's request to enter into Line of Credit Agreements with three banks (Wells Fargo, U.S. Bank, and RBC) in a combined amount of \$400 million to replace existing Line of Credit Agreements in the same amount that expired in September 2014.

Commercial Paper Program: In 2001, the General Assembly and the Board authorized NCSU and UNC-Chapel Hill to implement a commercial paper program allowing the periodic issuance of tax-exempt commercial paper bonds. The Committee recommended approval and authorized the Vice President for Finance to use commercial paper bonds for the following projects approved by the 2014 Session of the General Assembly.

NCSU: Reynolds Coliseum Renovation - \$35,000,000

UNC-CH: Chilled Water Plant at Manning Drive - \$32,000,000

Special Obligation Bonds: The Board of Governors is authorized to issue special obligation bonds for capital improvements projects approved by the General Assembly. Although a specific source of funding is used by a campus when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, State appropriations, and restricted reserves. The Committee recommended that the President of the University, or his designee, be authorized to sell the following special obligation bonds.

ASU: Appalachian State University had requested that the Board issue special obligation bonds in an amount not to exceed \$35,000,000 for the purpose of (1) refunding all or a portion of the Series 2006A University of North Carolina System Pool Revenue Bonds, and (2) costs incurred in connection with the issuance of these 2014 Bonds. Note: The bonds sold for \$23,514,582.70 and closed on 11/25/14.

ECU: East Carolina University requested that the Board issue special obligation bonds in an amount not to exceed \$80.0 million for the purpose of (1) financing the cost of constructing and equipping a new student services building on the Health Sciences Campus of the University, approved by the Board of Governors and authorized by the 2014 General Assembly, (2) refunding outstanding indebtedness for interest rate savings, and (3) paying the costs incurred in connection with the issuance of the 2015 Bonds. [Note: The bonds sold for \$57,303,070.70 and closed on 2/13/14.]

FSU: Fayetteville State University requested that the Board issue special obligation bonds in an amount not to exceed \$1,575,000 for the purpose of (1) refunding all or a portion of the remaining maturities of the 2005B UNC System Pool Bonds allocable to FSU and (2) to pay the costs incurred in connection with the issuance of the 2015 Bond. [Note: The bonds sold for \$1,497,000 and closed on 3/31/15.]

UNCA: UNC Asheville had requested that the Board issue special obligation bonds for the purpose of (1) financing (a) the completion of the Karl Straus Track Building and (b) Student Recreation Center improvements, both on the UNC Asheville campus, and (2) paying the costs incurred in connection with the issuance of the 2014 Bonds. [Note: The bonds sold for \$1,039,500 and closed on 9/18/14.]

UNC-CH: The University of North Carolina at Chapel Hill had requested that the Board issue special obligation bonds in an amount not to exceed \$270 million for the purpose of (1) refunding of prior revenue bonds or special obligation bonds, and (2) costs incurred in connection with the issuance of the 2014 Bonds. [Note: The bonds sold for \$264,979,620.80 and closed on 10/9/14.]

UNCC: The University of North Carolina at Charlotte requested that the Board issue special obligation bonds for the purpose of (1) the construction of a new residence hall, Residence Hall XIV, approved by the Board of Governors and authorized by the 2014 General Assembly, (2) renovations and improvements to aging infrastructure within core campus and information technology improvements, and (3) paying the costs incurred in connection with the issuance of the 2015 Bonds. [Note: The bonds sold for \$125,943,714.90 (including refunding) and closed on 4/1/15.]

UNCG: The University of North Carolina at Greensboro had requested that the Board issue special obligation bonds in an amount not to exceed \$11.0 million for the purpose of (1) refunding a portion of the remaining maturities of 2005A Bonds allocable to UNC Greensboro (the “Refunded 2005A Bonds”), (2) to refund the remaining maturities of the 2012B Bonds (the “Refunded 2012B Bonds”), and (3) to pay the costs incurred in connection with the issuance of the 2015 Bond. [Note: The bonds sold for \$10,109,000 and closed on 4/29/15.]

WCU: Western Carolina University requested that the Board issue special obligation bonds for the purpose of (a) financing a portion of the costs of renovations and the construction of an addition to Brown Building and (b) refunding all or a portion of the Series 2003A and 2008A University of North Carolina System Pool Revenue Bonds allocable to WCU, and (c) costs incurred in connection with the issuance of these 2015 Bonds. [Note: The bonds sold for \$47,783,654.10 and closed on 11/19/15.]

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 desired 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.

Interim Financing: For North Carolina A&T State University, the Committee recommended the authorization of a Bond Anticipation Note in an amount not to exceed \$10,000,000 as interim financing for the student center project previously approved by the Board of Governors and the General Assembly.

Loan Agreement - NCCU: North Carolina Central University had requested that the Board approve their entering into a tax free loan in an amount not to exceed \$5.2 million for the purpose of (1) refunding the remaining portion of the Series 2004B University of North Carolina System Pool Revenue Bonds, and (2) paying costs incurred in connection with entering into the loan.

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.

Refinancing of Housing Foundation Indebtedness: Due to the favorable interest rate environment, the debt issued could be refinanced to achieve net present value savings on the remaining terms of the outstanding debt for the following schools:

- UNCC: The University of North Carolina at Charlotte requested that the Board authorize amendments to previously approved Use Agreements related to the rental of student housing facilities on the campus of UNCC that were constructed through a university-related nonprofit company, The University of North Carolina at Charlotte Facilities Development Corporation, Inc.
- 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.
- UNCW: The University of North Carolina at Wilmington requested that the Board authorize amendments to previously approved agreements related to the financing of student housing facilities that were constructed through a university created nonprofit entity, The UNCW Corporation.
- WCU: Western Carolina University requested that the Board authorize amendments to previously approved Use Agreements related to the rental of student housing facilities on the campus of Western Carolina University that were constructed through a university-related Limited Liability Company, Affinity Housing LLC.

## **PROPERTY**

All property transactions, other than leases, of \$250,000 or more, require approval of the Board and, therefore, action by the Committee on Budget and Finance unless approved under the President's delegation up to \$500,000. Upon the approval of the Board, the committee staff forwards such items to the Council of State for final action.

Lease transactions in excess of \$150,000 for campuses without delegated authority require approval of the Board. Lease costs will be at market rate, subject to approval by the State

Property Office, and accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration.

The following property transactions were recommended for approval:

Update of Millennial Campus - UNCC: The Board of Trustees of The University of North Carolina at Charlotte requested Board of Governors' approval to expand and revise the Millennial/CRI Campus boundary. UNCC had grown significantly. Growth, along with the expansion of the light rail system, led to strategic restructuring on campus. There were seven proposed boundary changes not reflected in the campus Master Plan. It was also recommended that the Master Plan be updated within one year.

Acquisition of Property - ECU: The Board of Trustees of East Carolina University had requested approval to acquire by deed five properties for future campus expansion consistent with the ECU Master Plan.

#### Acquisitions by Lease

ECU: East Carolina University requested approval to lease off-campus apartments to house approximately 174 students in the fall semester of 2015 and the spring semester of 2016 due to the construction renovations of White, Clement, and Greene Residence Halls.

NCSU: The Board of Trustees of North Carolina State University had requested a lease of new space for the Institute for Advanced Analytics because of program expansion.

NCSU: The Board of Trustees of North Carolina State University had requested the approval of an acquisition lease between NCSU and Keystone Corporation, LLC, the private developer of the planned Textiles Innovation Center to house the NCSU NonWovens Institute.

UNC-CH: The Board of Trustees of the University of North Carolina at Chapel Hill had requested the approval of two acquisition leases for the Frank Porter Graham Child Development Institute.

UNC-CH: The University of North Carolina at Chapel Hill requested approval of a 95,000 SF acquisition lease as part of a large public-private partnership to create a mixed-use development at 123 West Franklin Street. The lease by UNC-CH was required to ensure financing of the project.

UNCG: The Board of Trustees of the University of North Carolina at Greensboro requested authorization to enter into a long-term lease of housing (Spartan Village Student Housing Phase II) with the Capital Facilities Foundation, Inc. to construct 330 beds of student housing and retail space on land owned by the foundation and contiguous to an existing 870-bed student housing complex (Spartan Village Student Housing Phase I) owned by UNCG.

Disposition by Lease - NCSU: The Board of Trustees of North Carolina State University had requested authorization for disposition by lease of +/-125 acres of the Swannanoa 4-H Center in Buncombe County, North Carolina to a camp operator to be identified through an RFP selection process.

Disposition of Property by Demolition - NCA&T: The Board of Trustees of North Carolina A&T State University had requested authorization to demolish the Memorial Student Union and to replace with a new Student Center.

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 10<sup>th</sup> Street Connector Project to connect the main campus 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.

Property Lease Delegation of Authority - UNCW: The Committee recommended that the Board of Governors delegate to the Board of Trustees of the University of North Carolina at Wilmington authority to acquire and dispose of real property by lease if the lease term was not more than 10 years. The leases do not require approval from the Department of Administration or Council of State. Institution leases over \$500,000 a year must still come before the Board of Governors for approval. Currently ECU, NCSU, UNC-CH, and the President have been approved to operate under G.S. 116-31.12.

#### Transactions by Delegated Authority

In 2012, N.C. General Statute 116-31.12 delegated to the Board of Governors of the University of North Carolina the authority to authorize the constituent institutions and the University of North Carolina General Administration to acquire and dispose of real property by lease if the lease was for a term of not more than ten years. The Board delegated that authority to the President, ECU, NCSU, UNC-CH, and UNCW up to \$500,000.

The following property transactions were approved under delegated authority.

- ECU: acquisition of real property by deed for the future site of proposed academic buildings housing the Colleges of Education and Business
- ECU: acquisition of real property by lease of office space from the 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 easement for storm water for the Textile Innovation Center
- NCSU: disposition of real property by easement to meet the requirements of the privately developed 45,000 sq. ft. CBC Flex Laboratory Building
- 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

- UNC-CH: acquisition of real property by lease for renewal of the current lease for the Ackland Art Museum Store and the UNC Equal Opportunity and Compliance Office
- UNCC: acquisition of real property by lease for a warehouse storage facility
- UNCP: acquisition/disposition by easement exchange for relocation of an accessory easement, water main, and nine water meters
- UNCW: disposition of real property by lease for lab/office space in the Marine Biotechnology Building
- WCU: exchange of real property by deed for the redevelopment of the center of campus to include student housing and commercial space
- UNC-TV: acquisition of real property by lease for renewal of the site lease for UNC-TV's Murphy translator, W31AN-D
- UNC TV: disposition of real property by lease for installing equipment to support a microwave data connection to a communications site being installed for emergency responder communications in the Brier Creek area in the City of Raleigh

## **OTHER ACTIONS**

Working Group on Financial Aid/Tuition: The Working Group recommended that the Board of Governors end the practice of linking revenue from tuition increases to need-based financial aid and instead implement a 15% "Freeze and Cap" proposal. Under this proposal, a maximum of 15% of total base tuition revenue may be used for need-based aid. If a campus exceeded the 15% cap, the dollar amount of financial aid that was set aside from tuition revenue was frozen until it fell below 15% of total base tuition revenue.

UNC System Purchasing Thresholds: In the late 1990's, the North Carolina General Assembly authorized the Board of Governors to set purchasing thresholds between \$0 and \$500,000 for UNC campuses. Purchases above the campus thresholds still required approval from P&C. Growth in campus general funds following the last delegations, as well as price inflation, had left some campuses with smaller delegations. Three tiers were established: (1) delegation to the largest campuses for purchases not to exceed \$500,000, (2) delegation to mid-sized campuses not to exceed \$250,000, and (3) delegation to the smallest campuses not to exceed \$100,000. Campuses in the smaller two tiers were also granted a delegation for individual purchases not to exceed \$500,000 with prior review and approval by the President of the University.

Millennial Campus Designation - ECU: The Board of Trustees of East Carolina University had requested that the Board of Governors designate as a Millennial Campus approximately 328.35 acres in four separate sites based on their proximity to existing campus academic, health science, athletic and human performance activities, Greenville historic and arts districts, and the Tar River front.

Purchase of Liability Insurance - ECU: The Committee recommended that the Board of Governors approve the purchase of professional liability coverage for health care providers serving the Brody School of Medicine and that delegation be given to the ECU Board of Trustees to arrange for insurance coverage as contemplated in its Plan.

Establishment of an Associated Entity - UNC-CH: The Committee recommended that the Board of Governors approve the establishment of a sixth student investment fund -- KFBSF Private Equity 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.

Establishment of a For-Profit L.L.C. - WCU: Western Carolina University requested approval to establish a for-profit associated entity (Newco2, L.L.C.) to provide entrepreneurial business, scientific, and technical services in collaboration with the College of Business and other colleges and schools.

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 to raise awareness of UNC-TV's content and brand in the Greensboro Market. Neither party would receive any compensation from the other for any of the partnership opportunities. 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.

Report on Facilities and Administrative (F&A) Receipts: Legislation enacted by the 2013 General Assembly directed the Board of Governors to report annually by March of each year to the Joint Legislative Education Oversight Committee on the amounts and uses of facilities and administrative receipts. The report was presented to the Board through the Committee.

The Annual Report of the Committee on Budget and Finance to the Board of Governors of the University of North Carolina for July 1, 2013 through June 30, 2014 was presented to the Board. It reviewed the work of the committee during the preceding year.

At most meetings throughout the year, the Committee discussed specific topics. Those topics included:

- 2015-17 Budget Planning
- 2015-17 Budget Priorities
- Border Tuition
- Campus Security Fee
- Tuition and Fees
- UNC Advancement Update
- Performance Measures
- Report on Facilities and Administrative Receipts
- Governor's Bond Proposal
- Metrics