



OPEN SESSION

FOR ACTION

1. Designer Selections
 - [Davie Hall, Gardner Hall, & Lineberger Cancer Center Elevator Repairs](#) (Attachment A)
 - [Taylor Hall Fire Safety Improvements](#) (Attachment B)
Bruce Runberg, Associate Vice Chancellor for Facilities Services
2. Property Acquisition by Lease
 - [Lease of Auditorium/Theater Space for Carolina Performing Arts at new Carolina Square](#) (Attachment C)
 - [Lease of Office Space for Frank Porter Graham Child Development Institute at Existing Location in Carrboro](#) (Attachment D)
Gordon Merklein, Executive Director for Real Estate Development

FOR INFORMATION ONLY (No formal action is requested at this time)

1. [Preliminary Design - The Pit Area Sidewalk Improvements](#) (Attachment E)
Anna Wu, Asst. Vice Chancellor for Facilities Ops., Planning, & Design
2. [Internal Audit Report](#) (Attachment F)
Phyllis Petree, Director of Internal Audit
3. [Development Report](#) (Attachment G)
David Routh, Vice Chancellor for University Development
4. [Financial Update](#) (Attachment H)
Matthew Fajack, Vice Chancellor for Finance & Administration
5. [Facilities - Deferred Maintenance](#) (Attachment I)
Abbas Piran, Director of Engineering Information Sciences

COMMITTEE MEMBERS

Steven J. Lerner, Chair
Dwight D. Stone, Vice Chair
Jefferson W. Brown
Haywood D. Cochrane, Jr.
Donald Williams Curtis
Sallie Shuping-Russell
Administrative Liaison:

Matthew (Matt) Fajack, Vice Chancellor for Finance and Administration

**DESIGNER SELECTION - DAVIE HALL, GARDNER HALL AND LINEBERGER
CANCER CENTER ELEVATOR REPAIRS**

This project will repair the elevators in Davie Hall, Gardner Hall and Lineberger Cancer Center with new control systems. Other repairs will be made to address the current elevator code deficiencies.

The project budget is \$2,035,375 and will be funded by University funds.

This project was advertised on April 1, 2015. Eight proposals were received. Four firms were interviewed on May 5, 2015. Members of the Board of Trustees did not participate in the interviews.

The committee recommended the selection of the three firms in the following priority order:

- | | |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their consultant team and knowledge and experience with campus projects.

RECOMMENDED ACTION

A motion to approve the three firms in the following priority order:

- | | |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

ATTACHMENT B

DESIGNER SELECTION – TAYLOR HALL FIRE SAFETY IMPROVEMENTS

This project will address the shaft penetrations and other fire safety issues in Taylor Hall.

The project budget is \$1,896,000 and will be funded by University funds.

This project was advertised on February 10, 2015. Six proposals were received. Three firms were interviewed on April 29, 2015. Members of the Board of Trustees did not participate in the interviews.

The committee recommended the selection of the three firms in the following priority order:

- | | |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their consultant team and experience with campus projects.

RECOMMENDED ACTION

A motion to approve the three firms in the following priority order:

- | | |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

PROPERTY ACQUISITION BY LEASE – PERFORMANCE SPACE – CAROLINA PERFORMING ARTS

This request is to acquire approximately 8,400 square feet of performance space from Cousins Properties/Northwood Ravin, Inc. at the new Carolina Square development located at 123 West Franklin St. in Chapel Hill. This space will be used by Carolina Performing Arts as a small venue theater, innovation lab and studio. The program will be known as The Core@Carolina Square. This space will allow Carolina Performing Arts to expand their performance offerings and facilitate collaboration among artists, faculty, students and town residents. The Core@Carolina Square helps fulfill the vision of Carolina Square as being a centerpiece for arts, entertainment, commerce and community in the heart of downtown Chapel Hill. The lease term will be 10 years at an initial annual rate of \$226,800, inclusive of utilities and janitorial costs, with a 2.5% annual escalation. Occupancy is expected spring 2017.

RECOMMENDED ACTION

A motion to recommend approval to acquire performance space by lease as described above.

**PROPERTY ACQUISITION BY LEASE – OFFICE SPACE – FRANK PORTER
GRAHAM CHILD DEVELOPMENT INSTITUTE**

This request is to acquire approximately 23,532 square feet of office space from Sheryl Mar Company, LLC, located at 521 South Greensboro St. in Carrboro, for use by the Frank Porter Graham Child Development Institute (FPGCDI). The FPGCDI is currently located in leased space within this building, leased space in an adjacent building with a common Lessor, and in a University owned building. The lease terms for this lease will mirror the terms for the lease in the adjacent building. The initial annualized rent will be \$484,289 and will increase 2.5% annually. The lease term is for eight years, seven months and will terminate December 2023. Utility and janitorial costs will be paid by tenant at approximately \$60,000 annually.

RECOMMENDED ACTION

A motion to recommend approval to acquire office space by lease as described above.

ATTACHMENT E

FOR INFORMATION – THE PIT AREA SIDEWALK IMPROVEMENTS

This project will improve the walkways and other site amenities around the Pit area. This area has a number of issues related to aging pavement and landscape. Differential settling of the sidewalk over time has resulted in many potential tripping hazards and water ponding during rainfall events. Additionally, aging trees have caused pavement upheaval and are in decline. Pedestrian congestion is an ongoing problem related to the current configuration of site walls and landscape material. This project seeks to remedy these issues.

The project budget for Phase 1 is \$1.0M and will be funded by University funds.

The Chancellor's Buildings and Grounds Committee approved the Phase 1 project at its May 2015 meeting.

The design is presented to the Board of Trustees for information.

No formal action is requested at this time.

ATTACHMENT F

REPORT TO THE FINANCE
AND INFRASTRUCTURE
COMMITTEE
OF THE
BOARD OF TRUSTEES

Internal Audit Department

University of North Carolina
at Chapel Hill

May 27, 2015

UNC - CHAPEL HILL
INTERNAL AUDIT DEPARTMENT
SUMMARIES OF AUDIT ACTIVITIES AND PROJECTS COMPLETED AND IN PROCESS
JANUARY 1 TO MAY 3, 2015

University-wide Follow-up Review – this review determines the status of previous audit findings – if findings have been corrected; if satisfactory progress is being made to resolve an issue; if corrective action is incomplete due to unforeseen circumstances; or if findings issues that should have been corrected have not been resolved. Complete.

Overall, action taken to resolve previously reported issues has been satisfactory; approximately 95% of previously reported issues were resolved or management was making satisfactory progress to resolve the issues. However, management had not taken satisfactory action to resolved approximately 3% and accepted the risks of not fully resolving approximately 2% of the findings. None of these last two groups of findings create an unacceptable level of risk.

We have revised our audit follow-up process. Instead of doing less frequent follow-up reviews of the status of all uncorrected, prior audit findings, we will review the status of findings in individual reports or a group of reports. While this change makes it harder to present an overall picture of the status previously identified issues, it will allow more timely assessment and reporting.

Development Travel Follow-up – assesses corrective action taken to resolve governance and internal control issues related to travel costs for and use of corporate credit cards development officers. The draft report is with management.

The previously identified issues were fully resolved. However, we found a separate issue related to the University's policy for mobile communication devices (MCD). Development and University management is reviewing and considering revisions to the existing MCD policy.

Electrical Distribution Services – requested by management - a review of processes and transactions related a variety of fiscal areas and of management reports for monitoring these activities. The draft report is with management.

We found that additional management reports were needed so that the Energy Services central business office could better monitor activity in Energy Services divisions. We also identified questioned costs related to vehicle repair, unusual patterns of fuel purchases and use; a need for improved capture of information about fuel pumped by vehicle; frequent sharing of purchasing cards; and incomplete supporting documentation for some purchasing card charges.

Good management reports were available for eProcurement purchases in the past but were harder to obtain for purchasing card transactions and other purchases. This issue is a broader, university-wide one.

Management has proposed satisfactory corrective action with appropriate time frames for completion.

School of Law – a financial, compliance, and operational review of fiscal processes in the School. In process.

UNC - CHAPEL HILL
INTERNAL AUDIT DEPARTMENT
SUMMARIES OF AUDIT ACTIVITIES AND PROJECTS COMPLETED AND IN PROCESS
JANUARY 1 TO MAY 3, 2015

Women's Studies – a financial, compliance, and operational review of the department; requested by management. We found that supporting documents for travel were sometimes missing or incomplete. We referred these items to management for resolution and will be working with individual in the department to try to obtain additional documentation. We also found that some unallowable travel expenses needed to be reimbursed; management is working to recover those funds. Financial support for the department has been transferred to a unified business center in the College of Arts and Sciences. Fieldwork is complete.

Orthodontics – assistance to management with a review of processes and transactions related to acquisition of dental molds and implants for patient care and instructional purposes. Potential issues related to procurement and patient information.

Learn NC – limited review of activity in sponsored awards managed by the School of Education. The review will focus on allocability of costs and the nature of financial information provided to award principal investigators.

Center for Health Promotion and Disease Prevention – a financial, compliance, and operational review of fiscal processes in the Center particularly those related to retro-active salary changes and other grant management activities. We found issues related to grant management and are working with center management to identify ways to resolve these issues.

Large Equipment Repair Contract – review of procurement and management of a contract for repair services for large equipment. We found that procurement was handled correctly and that an appropriate process was used to allocate work between the two repair providers. The contract in question has expired and repair services are obtained through a central State of North Carolina contract.

Coal Sorbent Contract – review of procurement process related to purchase of limestone and similar materials used to reduce sulfur-dioxide emissions from the University's coal-fired boilers. Also, reviewing monitoring processes related to sorbent quality and performance.

North Carolina Institute of Medicine (NCIOM) – assistance to NCIOM with a review of charges to an Institute-owned corporate credit card.

Auxiliary Services Equipment – referral from the Office of the State Auditor – review of equipment acquisition and management related to Dining Services.

Lineberger Cancer Center Grants - referral from the Office of the State Auditor – review of cost management related for sponsored funds.

UNC - CHAPEL HILL
INTERNAL AUDIT DEPARTMENT
SUMMARIES OF AUDIT ACTIVITIES AND PROJECTS COMPLETED AND IN PROCESS
JANUARY 1 TO MAY 3, 2015

Environmental Sciences and Engineering – a financial, compliance, and operational review of activities related to time keeping, travel, and procurement.

2014 A-133 Federal Compliance Audit Follow-up – assesses the adequacy of action taken to resolved three findings from the A-133 (federal compliance) audit done by the Office of the State Auditor. This review is mandatory.

In order to maintain the University's status as Special Responsibility Constituent Institution, University management is required to resolved or made satisfactory progress toward resolving all State Auditor findings within 90 days of the release of a report.

On-going Advisory Projects and Committee Work

- PeopleSoft conversion
- HIPAA Security Liaisons;
- University-wide Committee on the Protection of Personal Data;
- Board of Trustees Enterprise Risk Management Task Force;
- CERTIF;
- IT Governance Committee;
- Policies and Procedures Audit Working Group;
- Integrity Working Group; and
- Other short-term projects done to assist management with identifying and managing risks.

Other Activities

- Review of structure the Internal audit Department and reclassification of two auditor positions from Journey to Advanced. This change provides a clearer career path and opportunities for advancement for audit staff and should improve recruiting opportunities when future vacancies occur.
- Hosted an *Establishing Risk Management and Controls for State Government* webinar for university employees. Also attended by internal audit staff from North Carolina Central University; auditors from other UNC schools and General Administration were invited but no one else could attend.
- Participated in creation of the *Best Practices Guidance for UNC System Internal Audit Offices: Information Technology Risk Assessment*, and
- Began expansion of data analytics using existing techniques and use of ACL software to develop more powerful analytics.

**UNC Internal Audit
Use of Audit Resources
Summary of Audit Hours Used - FY 2015 as of May, 3, 2015**

	<u>Budgeted</u>	<u>Pro-Rated Budget -1-</u>	<u>Hours Charged</u>	<u>Variance (Over)/Under</u>	
Total Hours Available	13,520				
<u>Less:</u> Unplanned Vacancies -2-	0	0	1,733	(1,733)	
<u>Less:</u> Training & Professional Development	(520)	433	502	(69)	
<u>Less:</u> Leave	(2,192)	1,827	2,350	(523)	-3-
<u>Less:</u> Other Administrative Time -4-	(1,533)	1,278	912	365	
Total for Leave & Administrative	(4,245)	3,538	5,497	(1,960)	
Hours Available for Projects	9,275				
Routine Audits	2,500	2,083	1,615	468	
Annual Projects	1,150	958	510	449	
Audit Related	1,450	1,208	1,177	32	
PeopleSoft Training	1,500	1,250	510	740	
Unplanned Projects	2,500	2,083	2,284	(200)	
Total Scheduled/Charged	9,100	7,583	6,094	1,489	
Under/<Over> Scheduled	175				

-1- = pro-rated for 10 months

-2- = anticipated filling one vacant position by January 1, 2015; had an unexpected departure January 2, 2015.
Delayed filling these position while reviewing department structure and evaluating positions upgrades.

-3- = primarily due to staff members being out a total of approximately eight weeks for unanticipated medical leave.

-4- = meetings, professional reading, and other office activities

UNC Internal Audit
2014/15 Audit Schedule as of May 3, 2015

Planned Audits

Complete

University-wide Follow Up
School of Dentistry

In Process

Development Travel Follow-up
School of Law

Scheduled

Human Resources
WUNC - FM
Grant Close-out Process - Departments
Friday Center

Annual Projects

Complete

2013 Office of the State Auditor A-133 Follow-up (added)

On-Going

Enterprise Resource Planning

In Process

2014 Office of the State Auditor A-133 Follow-up (added)

Scheduled

UNC FIT 2015

Audit Related

On Going

Continuous Auditing
Office Systems
BoT ERM Task Force
HIPAA Security Liaison
University Committee on the Protection of Personal Data
IT Governance Committee & Data Custodian Work
CERTIF (PCI Standards)
Audit Committee
Audit Planning
General Administration IT Best Practices
Audit Process Improvement
Multiple Short-term Advisory Projects

Special Projects & Management Requests

Complete

Neurology
Public Health - Environmental Sciences & Engineering

UNC Internal Audit
2014/15 Audit Schedule as of May 3, 2015

Multiple Other Special Reviews

In Process

Women's Studies
Orthodontics
Learn NC
Health Promotion and Disease Prevention
Large Equipment Repair Contract
Electrical Distribution Services
Coal Sorbent Contract
Auxiliary Equipment -1-
Lineberger Cancer Center Grants -1-
Environmental Sciences & Engineering #2
Multiple Other Special Reviews



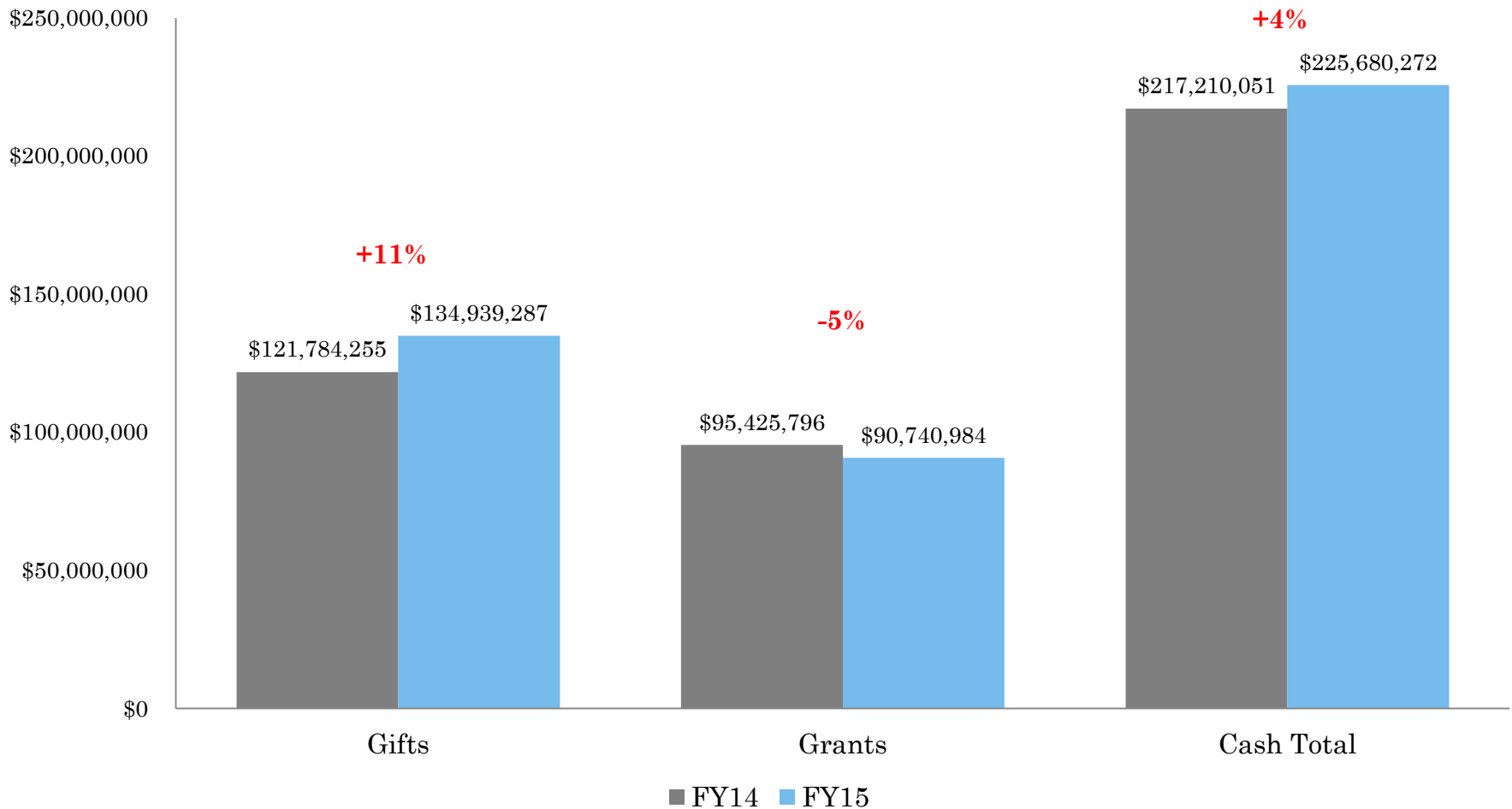
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at CHAPEL HILL

Development Update

May 2015

Meeting of the UNC-CH Board of
Trustees

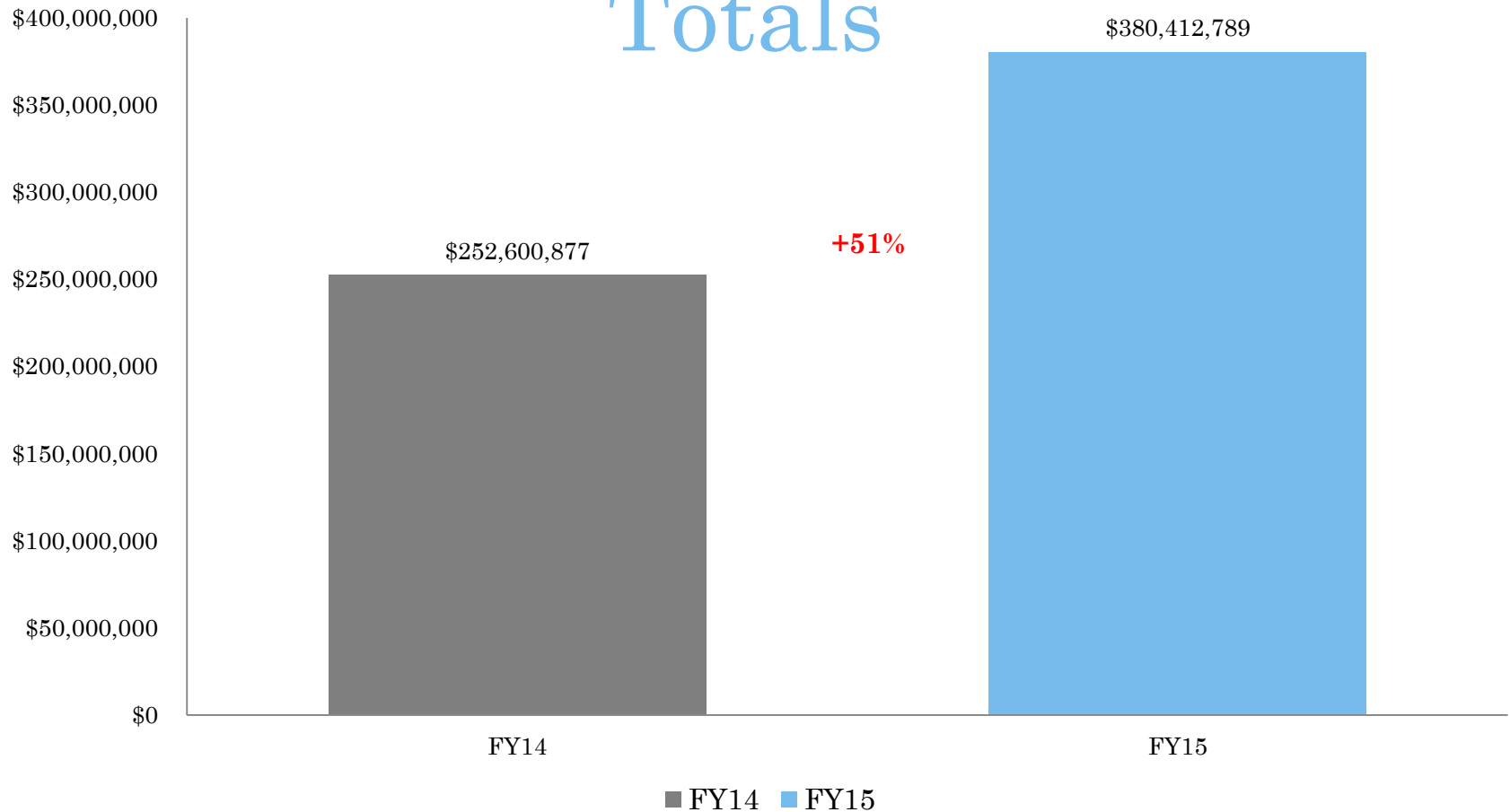
Cash Totals



YTD Comparison as of May 19, 2015



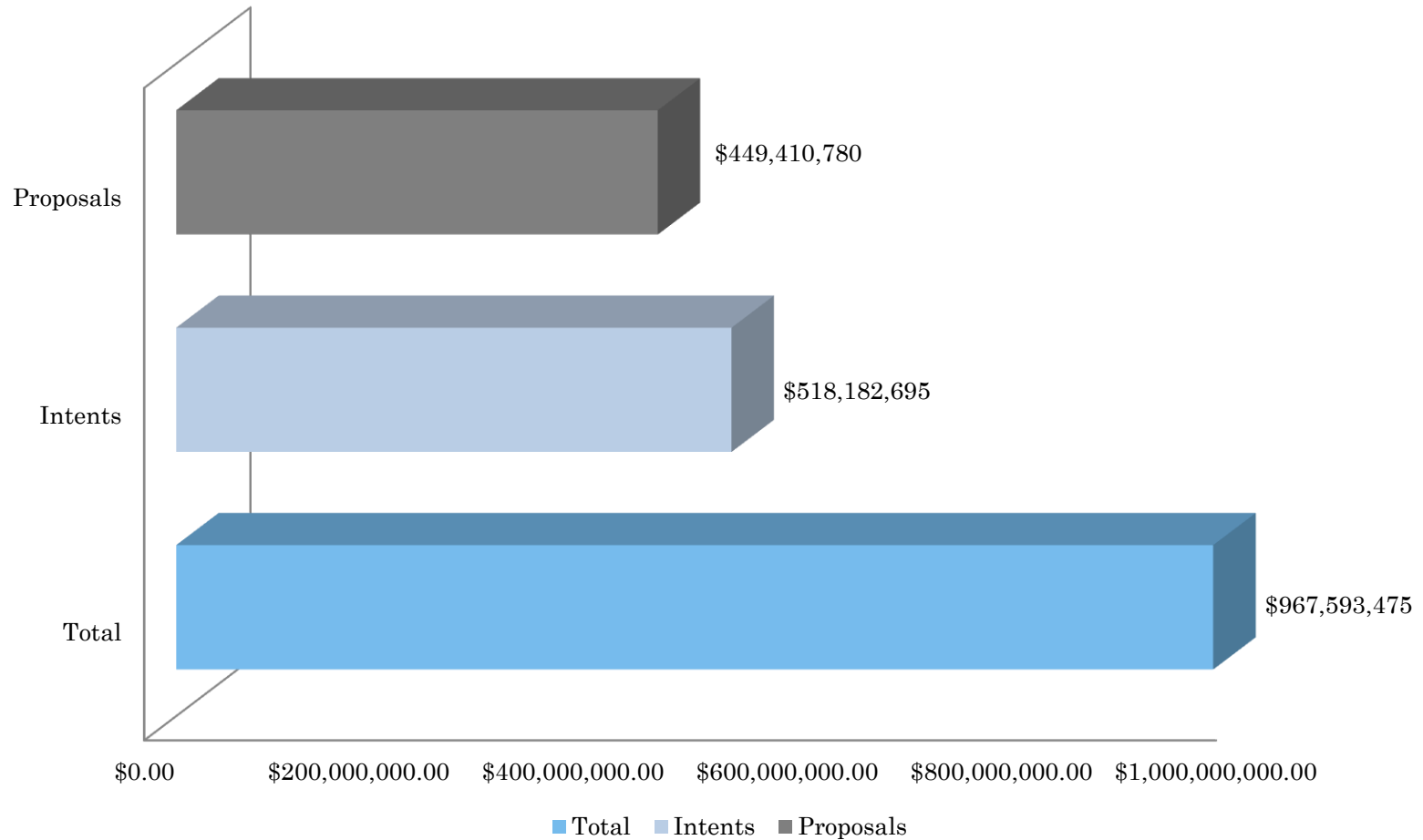
New Cash and Commitments Totals



YTD Comparison as of May 19, 2015



The Pipeline



GSK and UNC-CH Partnership

- First public-private partnership of its kind aimed at curing HIV/AIDS
- GSK will initially invest \$20 million over five years (renewable)
- Creates HIV Cure Center on UNC campus for research and Qura Therapeutics to handle business and intellectual property
- Attracting interest from other funders





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Division of Finance and Administration

UNC-Chapel Hill Financial Update



Photo credit: Sam Kittner '85

Matthew M. Fajack
Vice Chancellor for Finance and Administration
May 27, 2015



State Revenues by Fiscal Year

General Fund Revenue by Fiscal Year: Recent History and Forecast

	2011-2012 Actual	2012-2013 Actual	2013-2014 Actual	2014-2015 Budget	2014-2015 Revised	2015-2016 Budget	Percent Change	2016-2017 Budget	Percent Change
Tax Revenue									
Individual Income	10,272.1	10,953.1	10,272.4	10,885.4	10,471.0	10,859.3	3.7%	11,342.0	4.4%
Sales and Use	5,257.6	5,294.1	5,566.5	6,244.4	6,390.0	6,715.8	5.1%	7,046.1	4.9%
Corporate Income	1,132.8	1,191.7	1,356.9	1,095.2	1,204.0	1,134.5	-5.8%	1,085.7	-4.3%
Franchise	612.5	660.1	697.0	543.1	480.0	524.5	9.3%	533.6	1.7%
Insurance	460.4	521.5	440.9	508.7	463.0	478.3	3.3%	494.6	3.4%
Beverage	287.4	298.6	306.0	310.9	314.3	324.1	3.1%	336.8	3.9%
Estate	58.1	111.4	19.3	-	1.3	-	-100.0%	-	n.a
Licenses	48.5	46.1	50.0	48.6	51.8	53.8	3.9%	55.3	2.8%
Tobacco Products	270.9	255.4	255.5	248.7	244.6	241.9	-1.1%	239.3	-1.1%
Real Estate	-	-	45.3	44.5	51.5	53.5	3.9%	54.9	2.6%
White Goods	-	-	1.5	1.2	1.6	1.7	6.3%	1.7	0.0%
Scrap Tire	-	-	5.0	3.5	5.2	5.3	1.9%	5.3	0.0%
Mill Machinery	36.2	36.9	35.5	35.0	36.1	36.6	1.4%	37.6	2.7%
Solid Waste	-	-	2.1	2.3	2.2	2.3	4.5%	2.3	0.0%
Piped Natural Gas	25.9	30.4	30.4	-	-	-	n.a	-	n.a
Gift	0.2	0.8	0.5	-	-	-	n.a	-	n.a
Misc.	1.9	0.4	1.5	1.1	1.2	1.2	0.0%	1.2	0.0%
Total Tax Revenue	18,464.5	19,400.5	19,086.3	19,972.6	19,717.8	20,432.8	3.6%	21,236	3.9%
Nontax Revenue									
Investment Income	17.8	12.5	17.3	11.3	14.5	15.7	8.3%	15.9	1.3%
Judicial Fees	258.8	249.9	235.8	244.5	229.9	228.9	-0.4%	226.6	-1.0%
Disproportionate Share Receipts	115.0	115.0	110.0	109.0	109.0	139.0	27.5%	139.0	0.0%
Master Settlement Agreement	n.a	n.a	164.6	137.5	137.5	137.5	0.0%	137.5	0.0%
Miscellaneous	310.4	442.8	246.9	233.4	230.3	182.6	-20.7%	185.8	1.8%
Insurance Department	72.3	72.6	73.4	77.0	75.2	76.2	1.3%	77.2	1.3%
Total Nontax Revenue	774.3	892.8	848.0	812.7	796.4	779.9	-2.1%	782	0.3%
Transfer									
Highway Fund	217.1	27.6	-	-	-	-	n.a	-	n.a
Highway Trust Fund	76.7	220.3	218.1	215.9	215.9	215.9	0%	215.9	0%
Total Transfers	293.8	247.9	218.1	215.9	215.9	215.9	0%	216	0%
Total General Fund Revenue	19,532.6	20,541.2	20,152.4	21,001.2	20,730.1	21,428.6	3.4%	22,234.3	3.8%



Revenue Outlook

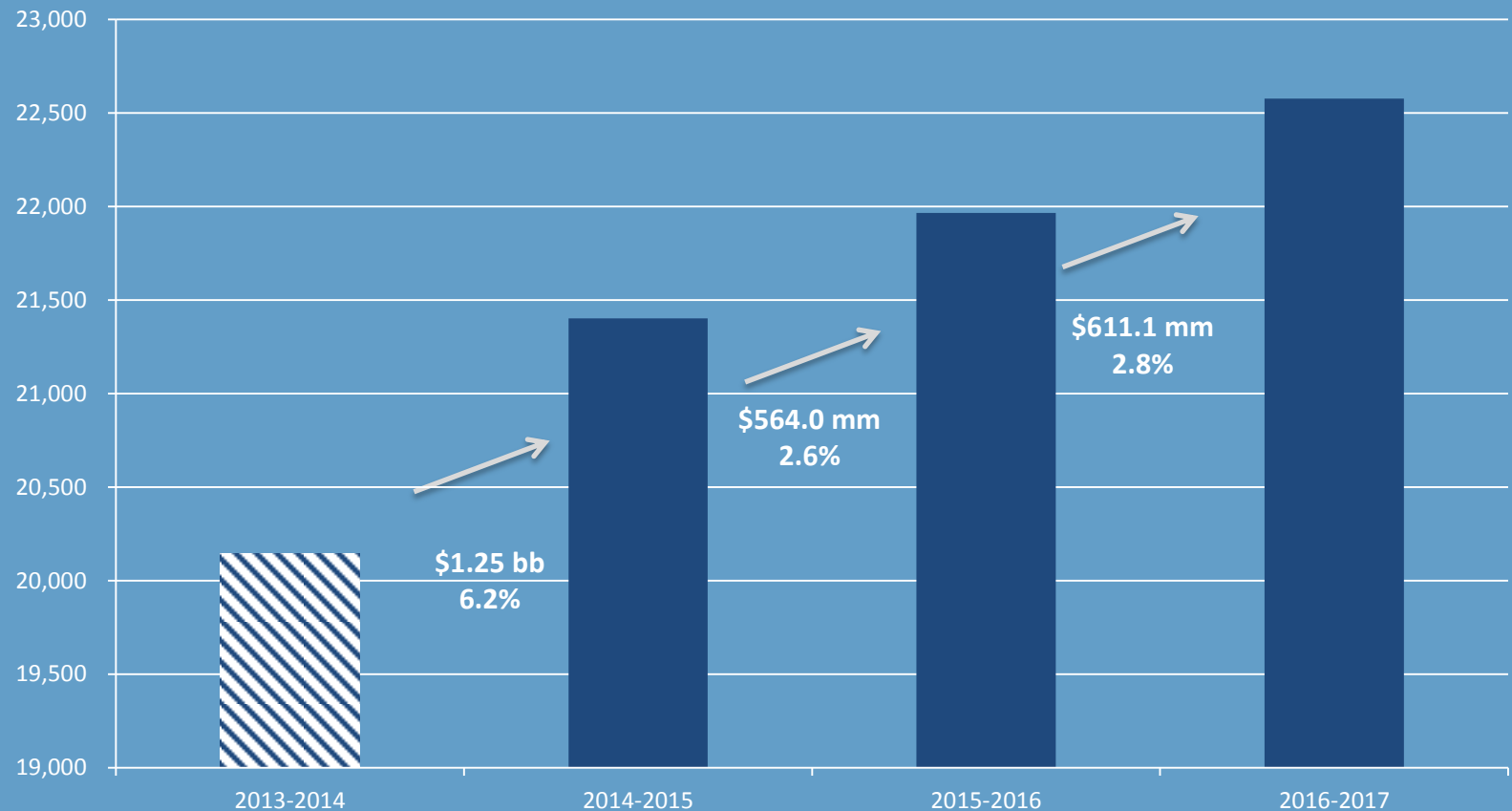
- Personal Income Tax collections in April were significantly improved over February estimates.
- There were a number of key drivers for this increase:
 - A cautious forecast in February meant greater upside risk
 - Growth in payments in April matched with other growth seen across North Carolina.
 - Significant decline in refunds (approx. 57%) due to tax law changes which allowed for more accurate withholding tables, thus reducing refund claims by taxpayers.



Consensus Forecast

General Revenue Fund (as of May 2015)

- Forecast expects FY2014-15 collections to be above the budgeted amount by \$400 million (up 2%) and for modest growth to occur during the next biennium.





FY 2014-15 Governor's Budget Highlights – UNC System

- Provides enrollment growth funding for the UNC System.
- Directs the UNC Board of Governors to implement efficiencies to achieve a recurring 2% savings from the UNC System's 2014-15 certified appropriation excluding financial aid in the recurring amount of \$49,913,244.
- Does not contain a provision for salary increases.
- Cap taxpayer expenditures on advancement programs at \$1 million per campus.
- Provide funding support for in-state tuition for military veterans.
- Establishes the University Innovation Commercialization Grant Program.
 - Provide \$2.5 million in 2015-2016 and \$5.0 million in 201-2017



FY 2014-15 House Budget Highlights – UNC System

- Provides for 2% salary increases for SPA employees; provides funding for salary increases for EPA employees.
- Fully funds enrollment increases for the UNC System.
- Mandates management flexibility reduction in the UNC operating budget of a recurring \$8.1 million (0.31% of FY 14-15 certified budget) in FY 15-16 and recurring \$18.1 million (0.68% of FY 14-15 certified budget) in FY 16-17, not to be allocated as “across the board” budget cuts.
- Caps General Fund appropriations for campus advancement activities at \$1 million per campus.
- Provides funding to support resident tuition for non-resident veterans.
- Reduces funds to the School of Medicine in the amount of \$2 million to reflect increased revenues due to participation in the State’s Set Off Debt Collection Act program.



UNC Operating Performance

Year-Over-Year Comparison

	CURRENT FY	PRIOR FY	CHANGE
REVENUES:			
TUITION AND FEES	\$464,214,918	\$432,891,310	7.2%
CONTRACTS & GRANTS	786,992,495	774,802,579	1.6%
STATE APPROPRIATIONS	334,622,095	318,129,415	5.2%
SALES OF SERVICES	648,544,155	677,692,568	-4.3%
CONTRIBUTIONS AND DONATIONS	100,348,751	104,339,876	-3.8%
INVESTMENT INCOME	2,673,846	5,253,842	-49.1%
TRANSFERS, NET	15,514,002	32,096,331	-51.7%
TOTAL REVENUES	2,352,910,262	2,345,205,921	0.3%
EXPENSES:			
EPA SALARIES	629,447,416	601,391,129	4.7%
SPA AND LEO SALARIES AND WAGES	224,806,789	224,011,009	0.4%
TEMPORARY SALARIES	26,267,532	25,770,666	1.9%
SUPPLEMENTS TO REGULAR WAGES	26,131,158	26,798,783	-2.5%
EMPLOYEE BENEFIT COSTS	226,363,308	221,840,613	2.0%
OTHER PERSONAL SERVICE PAYMENT	4,868,073	5,426,553	-10.3%
PERSONAL SERVICES	1,137,884,276	1,105,238,753	3.0%
PURCHASED SERVICES	346,490,456	328,166,117	5.6%
SUPPLIES	196,846,704	197,344,844	-0.3%
EQUIPMENT AND OTHER CAPITAL	31,628,889	23,883,483	32.4%
FINANCIAL AID AND SUBGRANTS	495,786,922	528,025,136	-6.1%
DEBT SERVICE, INDIRECT COSTS, OTHER	243,594,699	246,930,793	-1.4%
TOTAL EXPENSES	2,452,231,946	2,429,589,126	0.9%
Net Loss	(\$99,321,684)	(\$84,383,205)	-17.7%



UNC Operating Performance

Key Variance Comments

- Tuition and Fees: Tuition rates for FY 14-15 for undergraduate residents remained stable. Tuition rates increased 11.7% for undergraduate non-residents (State legislated with offset to appropriations), 4.2% for graduate residents, and 1.4% for graduate non-residents.
- State Appropriations: Year-over-year difference driven by timing difference in draw down of allotments.
 - FY 13-14 Appropriations Budget: \$488,827,996
 - FY 14-15 Appropriations Budget: \$482,927,028
- Investment Income: Represents cash earnings distributions on operating funds.
 - Year-over-year money market rates of return dropped in half.
 - Does not include investment earnings on long-term investments (Distributions occur in June of every year).
- Transfer, Net: Year-over-year decrease driven by a decrease in State carry-forward from prior year.
- Equipment and Other Capital: Increases in IT equipment and library electronic subscriptions.

ATTACHMENT I

FOR INFORMATION – DEFERRED MAINTENANCE

This presentation is an overview of the current status of the campus deferred maintenance. The presentation will include a summary of the deferred maintenance backlog and a brief description of projects that will address some of the backlog.

The information is presented to the Board of Trustees for review and comment.

No formal action is requested at this time.



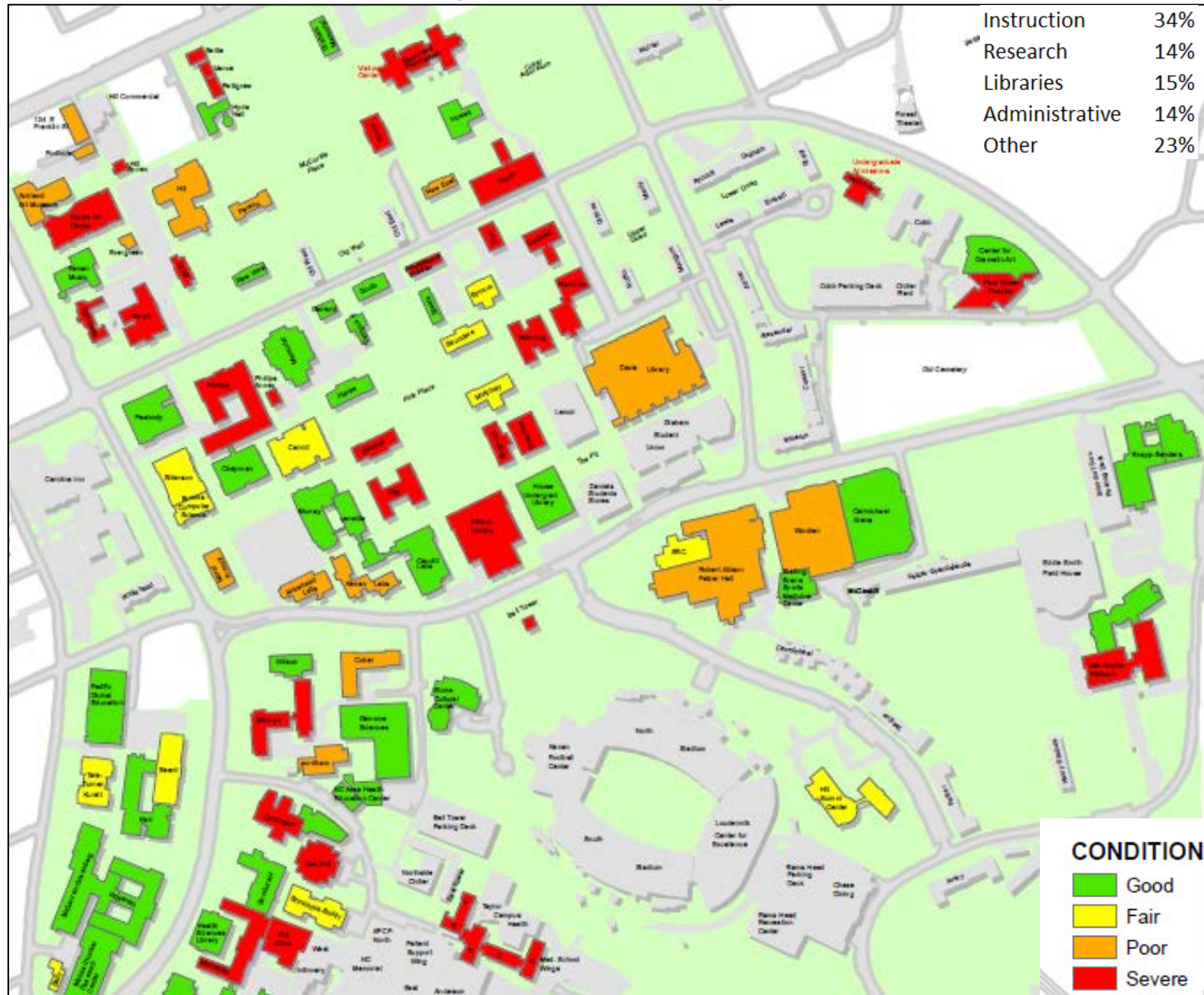
THE UNIVERSITY
of **NORTH CAROLINA**
at **CHAPEL HILL**

Presentation to the Board of Trustees

DEFERRED MAINTENANCE UPDATE

MAY 2015

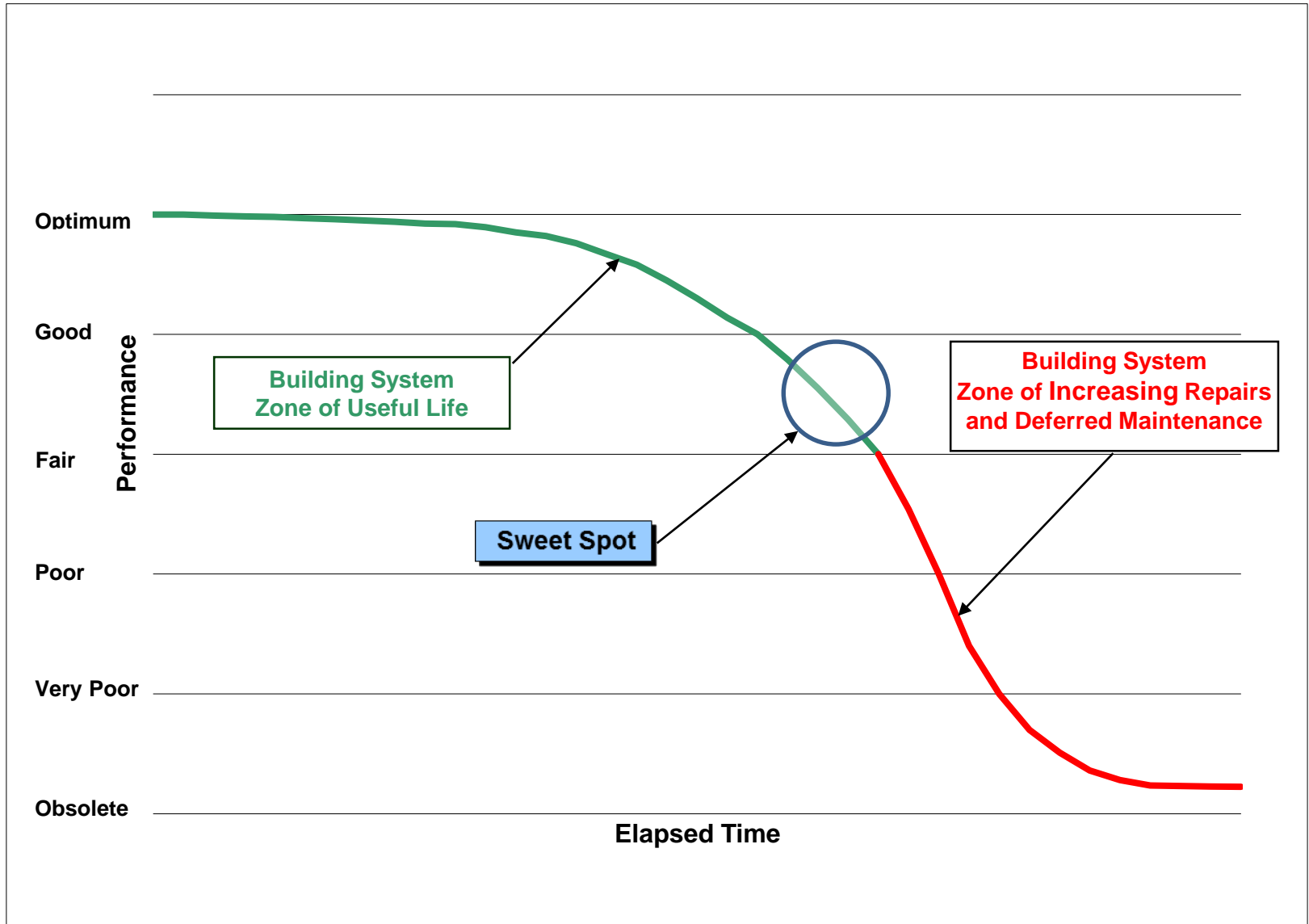
Central Campus Facility Condition



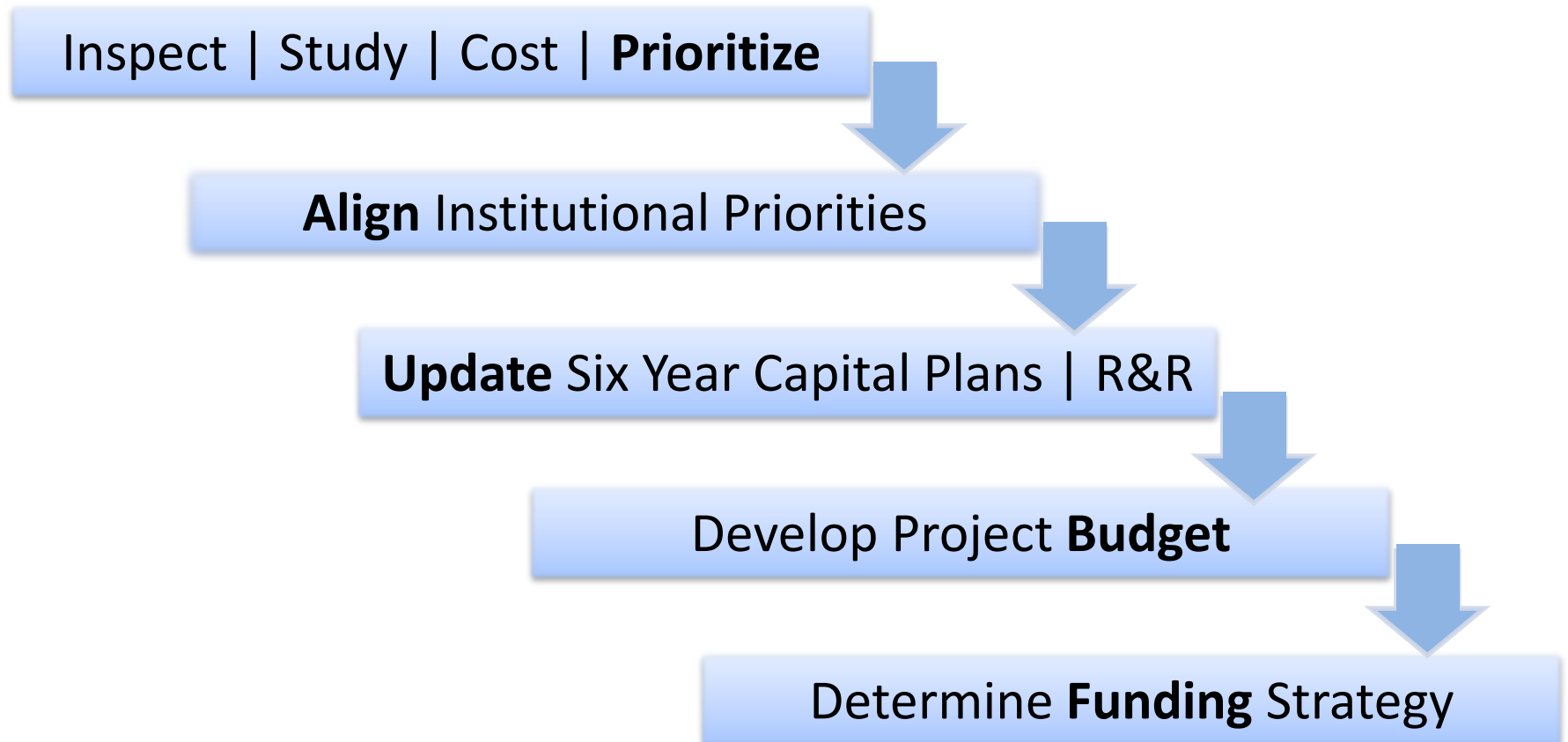
Instruction	34%
Research	14%
Libraries	15%
Administrative	14%
Other	23%



Life Cycle of Building Systems



Capital Planning and Deferred Maintenance Integration



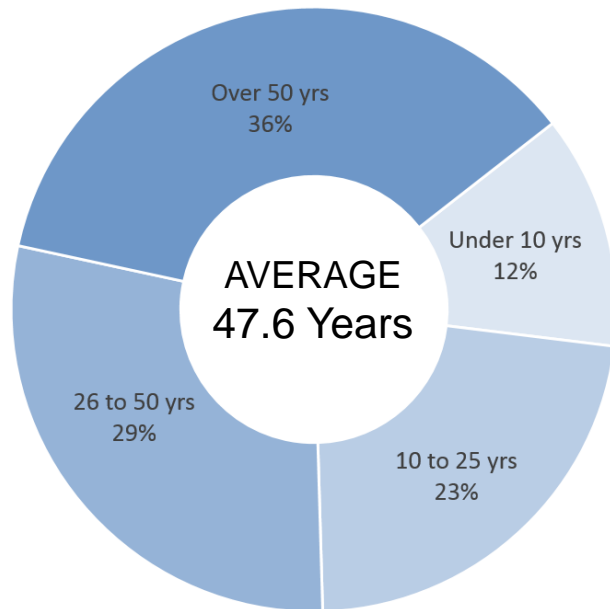
Six Year R&R Project List (\$169M)

Sample Project Listing

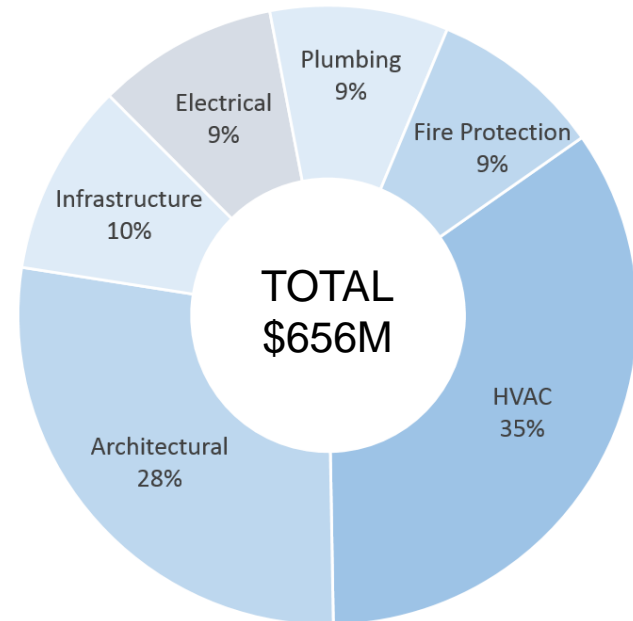
Project Category and Building Name	
Roof Replacement & Fall Protection - Wilson Library	\$ 500,500
Roof Replacement & Fall Protection - Davis Library	\$ 1,467,400
Roof Replacement & Fall Protection - Lineberger Cancer Center	\$ 715,000
Roof Replacement & Fall Protection - Sitterson Hall	\$ 227,700
Building Envelope Restoration - Carrington Hall	\$ 1,402,500
Building Envelope Restoration - Hamilton Hall	\$ 6,910,000
Replace Heating, Ventilating, and Air Conditioning System - Kenan Labs	\$ 6,346,000
Replace Heating, Ventilating, and Air Conditioning System - Morehead Chemistry Lab	\$ 5,924,000
Upgrade Heating, Ventilating, and Air Conditioning Controls - Davis Library	\$ 1,540,000
Modernization of Four Elevators - Wilson Library	\$ 1,760,000
Continuation of ADA Program - Campus-wide	\$ 3,960,000
Fire Sprinklers and Means of Egress Correction - Wilson Library	\$ 9,804,300
Life Safety / High Rise Code Upgrades - Kenan Laboratories	\$ 1,650,000
Install Fire Sprinklers - Carrington Hall	\$ 2,900,000
Window Replacement - Dey Hall	\$ 1,375,000
Window Replacement - Carrington Hall	\$ 1,980,000
Storm Water Improvements - Structural and Flooding Mitigation	\$ 14,000,000



Deferred Maintenance and Aging



Construction Age of Buildings



**Deferred Maintenance Backlog
Annual Inflation Cost of \$33M**



Classroom & Laboratory Examples



Phillips Hall – Interactive Classroom



Mechanical Examples (“Rust Never Sleeps”)



Genetic Medicine Building – Mechanical Equipment Room



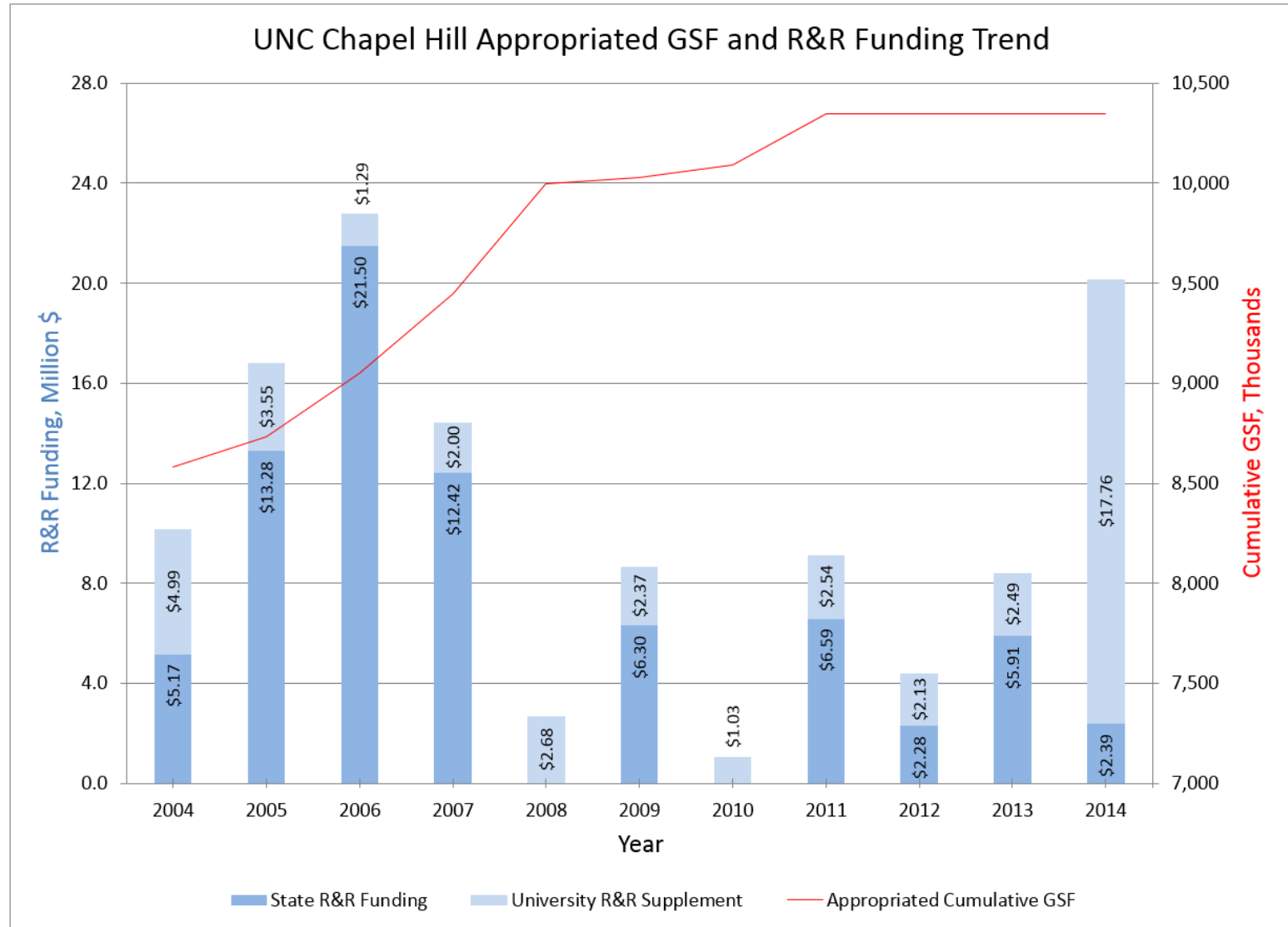
Building Envelope Examples



Marsico Hall – Energy Efficient Reflective Roof with Fall Protection



Repair and Renovation Funding History



University Capital Improvement FY-15 Funded Projects

Building Name	Project Cost (Millions)
Mary Ellen Jones	\$117.0
Howell Hall	12.3
Hill Hall	17.0
Davis Library Fire Sprinklers	7.0
N. Branch Storm-water Trunk-line	1.7
TOTAL	\$155.0



Mary Ellen Jones Capital Improvement Project



- Constructed in 1974
- 224,364 SF

- Comprehensive Renovation/ Modernization
- Project Budget \$117M



Howell Hall Capital Improvement Project



Howell Hall – Existing Building

- Comprehensive Renovation/ Modernization
- Change of Function: Class/Office to Lab
- Project Budget \$12.3M

- Constructed in 1974
- 224,364 SF



Hill Hall Capital Improvement Project



Hill Hall – Existing Building

- Constructed in 1907&1930

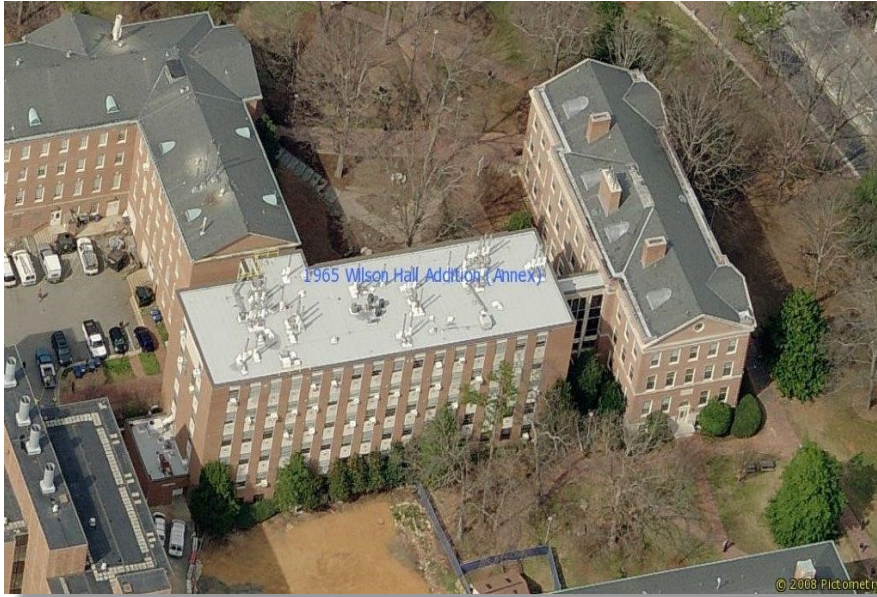
- Interior Renovation/ Modernization
- Roof Replacement
- Project Budget \$17M



Hill Hall – Interior Rendering



Future Capital Improvement Funding Consideration



Wilson Hall Annex

- Constructed 1965
- 61,000 SF
- Biology Research
- Required Investment \$31.4M

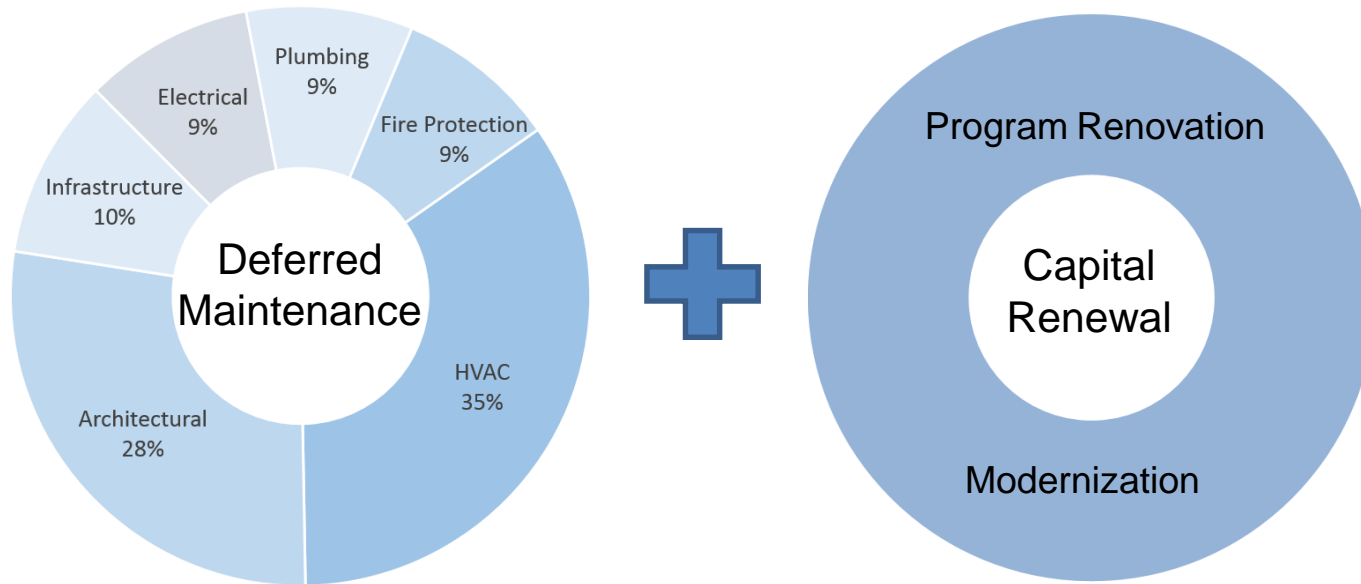


Davie Hall

- Constructed 1926 & 1967
- 80,509 SF
- Psychology Department
- Required Investment \$52.5-\$77.1M



Recommendations for Future Investment



Consistent Annual Investment in R&R: **\$15-\$20M**

Annual Capital Renewal Investment: **\$40-\$60M**



Paying for Deferred Maintenance

Possible Alternatives

- The State of North Carolina could issue bonds to cover deferred maintenance costs.
- The University's affiliated foundations could provide financial support .
- The University could issue debt to fund deferred maintenance.
- Alternative strategies:
 - Asset monetization.
 - "Century" Bonds.



External Support

- The State of North Carolina could issue bonds to cover deferred maintenance costs:
 - In 1999, a legislative-mandated study identified substantial deferred maintenance, infrastructure, and capacity needs for the UNC System and the Community College System.
 - In November 2000 the State of North Carolina authorized the issuance of \$3.1 billion in bonds to fund building renovation and construction for the UNC System and the Community College System.
 - UNC-Chapel Hill received \$515 million under this program. Approximately \$200 million was spent on projects that addressed deferred maintenance needs.
- The University's affiliated foundations could provide financial support, subject to the approval of the Boards of Directors of these entities, but support for deferred maintenance could impact support for other purposes. For FYE 2014, the combined unrestricted net assets of these entities totaled approximately \$190 million.
 - Support could be provided through a one-time allocation of a portion of these funds.
 - A recurring allocation of 5% of the unrestricted net asset could support approximately \$146 million in debt assuming a 5% interest rate and a 30-year term.



University Debt Sources

- The University currently has estimated debt capacity of approximately \$500 to \$600 million over the next five years at its AAA bond ratings.
 - The University currently has approximately \$300 million in planned projects to be funded with University-issued debt over this same period of time.
- Annual student fee of \$125 per student could support debt service on approximately \$50,000,000.



Monetizing University Assets

- UNC can work with a private company to provide certain services in exchange for an upfront payment.
 - The private entity would then collect revenue from the services they provide over the life of the concession.
 - The concession would last for a set amount of time, typically 30+ years.
 - Under this structure the University gives up some measure of control to the concessionaire, but retains oversight of the asset.
- Known as a Public Private Partnership (“P3”), the transaction works by the University grants a concession for a service.
- Assets that can be monetized by a P3 may include:
 - **Student Housing:** University of Kentucky, Syracuse University
 - **Parking Facilities:** Ohio State University (\$483 million)
 - **Dining Services:** Texas A&M University
 - **Redevelopment Projects:** Rutgers University, West Virginia University, University of Nebraska
 - **Cogen Plant:** Ohio State University has issued an RFP for a P3 transaction.
- With any P3 structure, the University will need to weigh the tradeoffs between asset control and credit support in pursuing a P3 strategy and also evaluate the potential credit impacts.



Higher Education Century Bonds

- A number of UNC's peer institutions have issued century bonds to fund long term projects
- Because of the long duration, century bonds have to be issued on a taxable basis, leading to somewhat higher interest rates
- However, because they are taxable bonds, there is increased flexibility in the use of funds
- If the University issues a 100 year bond, UNC could set aside approximately \$2.36 million to accumulate sufficient funding to cover the principal bullet (assumes \$500 million of principal with a reinvestment rate of 5.5% annually)

Issuer Name	Closing Date	Par Amount	Maturity	Ratings	Yield at Issuance	Spread to 30Yr UST at Issuance (bps)	Lead Manager
Yale University*	4/8/1996	\$ 125,000,000	4/15/2096	Aaa/AAA/AAA	7.38%	70	Lehman (now Barclays)
MIT*	11/1/1996	\$ 75,000,000	11/2/2096	Aaa/AAA/AAA	7.25%	60	MS
Boston University*	6/27/1997	\$ 100,000,000	7/15/2097	A1/A/-	7.63%	95	Lehman (now Barclays)
MIT	5/18/2011	\$ 750,000,000	7/1/2111	Aaa/AAA/AAA	5.62%	130	Barclays
USC	8/10/2011	\$ 300,000,000	10/1/2111	Aa1/AA/AA	5.25%	174	Goldman
Ohio State University	10/19/2011	\$ 500,000,000	6/1/2111	Aa1/AA/AA	4.85%	170	Barclays
Caltech	11/29/2011	\$ 350,000,000	11/1/2111	Aa1/AA+/AA+	4.74%	180	Goldman
University of California	2/21/2012	\$ 860,000,000	5/15/2111	Aa1/AA/AA+	4.86%	165	Goldman
Tufts University	3/22/2012	\$ 250,000,000	4/15/2112	Aa2/AA/-	5.02%	165	Barclays
University of Pennsylvania	3/29/2012	\$ 300,000,000	9/1/2112	Aa2/AA+/-	4.67%	140	Goldman
Bowdoin College*	6/26/2012	\$ 128,500,000	7/1/2112	Aa2/-/-	4.69%	200	Barclays
Hamilton College*	4/30/2013	\$ 103,000,000	7/1/2113	Aa2/-/-	4.75%	198	Barclays
MIT	4/8/2014	\$ 550,000,000	7/1/2114	Aaa/AAA/-	4.68%	108	Barclays
Ohio University	11/6/2014	\$ 250,000,000	12/1/2114	Aa3/A+/-	5.59%	250	Barclays
University of California	4/1/2015	\$ 500,000,000	5/15/2115	Aa2/ AA/ AA	4.77%	230	Barclays



Thank you. Questions?

