

**MINUTES**  
**The University of North Carolina at Greensboro**  
**Board of Trustees**  
**Business Affairs Committee**  
**February 20, 2018**

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**MEMBERS PRESENT:** David Sprinkle, Mona Edwards, Brad Hayes, Ward Russell

**MEMBER NOT PRESENT:** Charles Blackmon, Elizabeth Phillips

**OTHERS PRESENT:** Chancellor Franklin D. Gilliam, Jr.; Provost Dana Dunn; Charles Maimone, Vice Chancellor for Business Affairs, Liaison; Jerry Blakemore, General Counsel; Waiyi Tse, Chief of Staff; Jorge Quintal, Associate Vice Chancellor for Facilities; Kelly Harris, Assistant Secretary to the Board of Trustees; Macea Whisettse, Executive Assistant to the Vice Chancellor for Business Affairs; and other members of the administration, faculty, staff and general public.

**PROCEEDINGS:**

Chair David Sprinkle called the meeting to order at 8:02 a.m. Roll call was read and a quorum was confirmed.

Chair Sprinkle read the Conflict of Interest Statement from the State Government Ethics Act and reminded the Board members of their duty to avoid COI and appearances of COI, if any should be identified. None were identified.

Chair Sprinkle invited a motion to approve the December 6, 2017 meeting minutes. Ward Russell moved and Brad Hayes seconded. The Business Affairs Committee unanimously approved the December 6, 2017 meeting minutes with no additions or corrections.

1. Chair Sprinkle opened the discussion on the Financial Report 2016-17 (BAC – 1).
  - An annual review of the university’s financial statement was led by Charlie Maimone, Vice Chancellor for Business Affairs.
  - The presentation provided a comparison of FY16 and FY 17. The focus of the review was on significant changes to the university’s finances, primarily due to enrollment growth, endowment contributions, endowment earnings and new construction.
    - In most cases, there has been improvement.
    - The investment endowment shows the greatest improvement – from \$249M to \$290M.

- Capital assets increased by \$33M.
- Net investment in capital assets increased by \$9M.
- Spartan Village is the major capital activity UNCG has had in play in FY17.
- Deferred Outflows represent a significant accounting change from \$27M to \$49M. This is attributed to our new responsibilities related to the state retirement fund. Our share of the retirement investment lays on the books as inflow and outflow and changes our numbers; however, it is the same for every institution. Moody's and Standard & Poor's recognizes the difference for all institutions and it has not changed their assessment of our financial condition in North Carolina, because of the health of the retirement system, which is very strong.
- In terms of liabilities, the debt increase has as much to do with activities during certain times of the year as anything else; and is also impacted by the volume of activity that we have around construction and other activities.
- The investment and capital assets shift a bit every year as we capitalize some of the construction activities on campus.
- In FY17, investments were significantly increased by both the gains and gifts.
- Most of the operations activities took place in net position. Net position helps to understand the true health of the organization.
- The increase in UNCG's net position also included work that was finalized on the Kaplan Center and other major renovations, including the fire system in a residence hall and elevator repairs in the EUC
- The endowment increase was \$11M.
- The unrestricted increase of \$3M is around sales and services, primarily housing, food services and parking programs.
- All of the university's auxiliary enterprises are on a 5-year budget plan. The goal is for this group to contribute 3% toward the fund balance.
  - These funds are carried from year to year and are easier to manage.
  - None of the university's auxiliary enterprises are deficit spenders.
- Relative to enrollment growth, the 2% increase in tuition resulted in an increase in revenue in 2017 of close to \$1M. Six million dollars (\$6M) in revenue is attributed directly to enrollment growth.
- Contracts and Grants (research activity) experienced a significant increase in revenue.
- Salaries increased based primarily on new faculty positions, due to enrollment growth.

- Each employee received on average a salary increase of 1%:
  - SHRA employees received a state-mandated 1% increase; and
  - EHRA employees received a performance-based increase.
- Moody's has assigned UNCG the Aa3 Median Rating.
- From a cash and debt perspective, UNCG is relatively high on the debt side of the rating and this is intentional. We have added debt very strategically for housing, food, EUC, Wellness Center and other renovations that have expanded the residential environment on campus.
- UNCG will request authorization to borrow \$50M to purchase (from the Capital Facilities Foundation) and permanently finance Spartan Village II.
  - This amount has already been considered in the university's Moody's Rating for FY16 and FY17.
- In FY17, there were no findings in UNCG's audit.
- The fiscal year 2017 was a growth year for the university with an increase in tuition and Contracts and Grants revenue.
- GASB reporting responsibilities include the Balance Sheet and Income Statement
  - The investment endowment shows the greatest improvement – from \$249M to \$290M
  - Most of UNCG's affiliated entities (Excellence, HES, Capital Facilities, and Weatherspoon Arts Foundations) are rolled up into the university's financial statement. The total number of all of their activities is represented in the financial statement as well.
  - The major drivers of business activity for the university are construction spending; debt related to construction; and investment.
- Jeff Shafer and Kimberly Osborne were recognized for the assistance Communications provided in developing the report this year. Valuable information concerning programs and activities was added and the report was enhanced to ensure the university is represented well in all ways.

2. Chair Sprinkle introduced the “Acceptance of Completed Projects” action item (BAC – 2).

- Maimone introduced Jorge Quintal, Associate Vice Chancellor for Facilities, who summarized the FY17 proposal for acceptance of completed projects.
- In February of each year, a list of capital and non-capital projects for the fiscal year is provided to the board for approval.
- Projects included:
  - EUC Freight Elevator Modernization – Project Cost: \$347,500

- Eberhart AHU Partial Replacement Phase II – Project Cost: \$519,600
  - Moore Strong Fire Alarm Replacement – Project Cost: \$823,400
  - HHP Cooling Tower and Chiller Replacement – Project Cost: \$900,500
  - In addition, twenty-nine (29) projects under \$300,000 were completed in fiscal year 2016-2017.
- Chair Sprinkle made a motion to approve the items as presented. Mona Edwards moved and Ward Russell seconded. The Business Affairs Committee (BAC) unanimously voted to recommend approval of action item BAC – 2 by the full board at the February 23, 2018 meeting.
3. Chair Sprinkle introduced the “Issuance of Special Obligation Bonds” action item (BAC – 3).
- Spartan Village Phase II Acquisition (\$50,900,000) is authorized by Session Law 2017-141 of the General Assembly, following earlier approval by the Board of Trustees and the Board of Governors.
  - Maimone reported that the issuance of special obligation bonds is the last phase of the university’s financing for Spartan Village II - \$50,900,000 is the maximum amount the institution can borrow based on the authorization to construct the facilities. The resolution was established for the purpose of moving assets from the Capital Facilities Foundation to the State.
  - The Board of Trustees is now being asked to approve the issuance of debt necessary for this capital project to allow the acquisition to occur.
  - Sprinkle made a motion to approve. Hayes moved and Russell seconded. The Business Affairs Committee (BAC) unanimously voted to recommend approval of action item BAC – 3 by the full board.
4. Sprinkle opened the floor to committee members for discussion on the Business Affairs information items:
- BAC – 4 Quarterly Facilities, Design and Construction Update
  - BAC – 5 Quarterly University Investment Fund Update
  - BAC – 6 Quarterly Enrollment and Tuition Update
    - a. UNCG is strategically targeting academic programs through market analysis that have high demand to help drive UNCG’s distance enrollment.
    - b. UNCG is investing heavily in student support services for online learners.
    - c. Success rates are comparable at the institution between face-to-face learners and online learners.
    - d. UNCG has become a leader and increasingly more visible in the nation for online learning. This is part of our growth strategy moving forward.

- e. Three years ago, there was a deliberate attempt to convert the majority of summer school attendees to online learning. During the first year, we recognized an additional \$2M in tuition revenues and growth has continued.
- BAC – 7 Quad-Cornice Replacement

There being no further business, Chair Sprinkle invited a motion to adjourn. Russell moved and Hayes seconded. The motion passed unanimously and the meeting was adjourned at 8:52 a.m.

Respectfully submitted,



Kelly Harris  
Assistant Secretary to the Board