

## MINUTES OF THE MEETING

August 14, 2006

10:00 a.m.

Office of Community College System, Raleigh, NC

The meeting of the Higher Education Bond Oversight Committee (the "Committee") held at the Community College System Office was called to order by co-chair, Charlie Davidson. Committee members attending were: Charlie Davidson, co-chair, Paul Fulton, co-chair, Bill Long, William Marshburn, William Smith and William Thurman. Legislative Staff, Jim Klingler, and Committee Assistant, Ann Faust, were in attendance. Others attending are noted on the sign in roster attached to the minutes.

Mr. Davidson recognized Martin Lancaster, President of the Community College System, for opening remarks. President Lancaster welcomed the Committee and endorsed the value of the Committee for keeping all the institutions focused on the task of building and renovating and assessing the needs of the community colleges as work progresses. He anticipates all schools meeting required matching funds and all projects being under construction in the near future. Without the Bond Funds, the community colleges could not have come close to meeting the needs of the rapidly increasing student population.

Kennon Briggs, Vice President for Business and Finance of the Community College System and Sharon Rosado, Manager for Administrative and Facility Services for the Community College System, reported for the Community College System. (See Attachment 1) Mr. Briggs cited the positive changes made in the reports provided by the System and credited Ms. Rosado's initiative for them. Late in the General Assembly Session, in a meeting with Senate budget leaders, a request was made for funds for preparing master planning for new programs and expansions. Inquiry is being made to determine the availability of grants for specific concentrations. Each college has been asked to submit one project of paramount importance with well-defined criteria for consideration. Those criteria may include ratio of state funding to non-state funding, growth and space needs, low wealth issues, and economic impact among others. The System has recognized a clear need for advance planning since spending and construction got off to such a slow start with the Bond funds.

Mr. Davidson stated that \$2.2 billion will be required, based on a five year projection report by the System, to meet student demands and capital needs and asked about the measures being used to educate the General Assembly. Planning money is very difficult to get from County Commissioners. He asked why a request was not made to the General Assembly during the Short Session. Mr. Briggs responded that the System thought the 2007 Session was the appropriate time to ask and would also give the larger counties an opportunity to examine their facilities planning budgets and commit their support prior to the request.

Mr. Davidson commended the System for reaching HUB participation of 10%. Ms. Rosado reported 12.66% overall participation. Some small projects have large HUB participation. 27 of the campuses exceeded the 10% goal. CC outreach from a new

Director of HUB activities and small business training centers should inform and prepare more minority contractors, and the Director will make an initial report at the October meeting.

Sharon Rosado reviewed the Community College Report. \$47 million in uncommitted funds remain. \$33 million is for R & R projects that are generally dependent on completion of prior projects. Forsyth County has a pending downtown facility which will require considerable funding. Four schools will complete all work by the end of August. Those counties that have not met matching fund requirements will most likely request, and receive, a one year extension.

Six campuses have completed all projects, and nine more are scheduled to be finished in the fall. Twenty nine campuses have all projects in process.

Discussion followed concerning advance planning by the community colleges for future student, program and capital needs and developing a strategy for spending before receiving funds. It was suggested that there are North Carolina firms who specialize in this type of planning and would be familiar with local circumstances.

Rob Nelson introduced the UNC report. (See Attachment B) He assured the Committee that President Bowles is very involved and up to date on the work on campuses. Cost saving measures have been proposed from President Bowles' office. Projections are that \$1,978,000 would be spent by July 30 after all reports are calculated. Cash flow continues to be on target and phase-out and retainage holdings will soon be released. The State Treasurer's Office has been very responsive in releasing bonds as needed. Approximately \$200 million is left to bid. Scope changes have been primarily r & r revisions. Review times are being closely watched, and the Department of Insurance has added three new positions to review only UNC submittals. Re-submittals for design change often run long, and a study commission has been established to find solutions for the problem. Planning has begun on a six year plan of about \$4 billion for which each campus will submit its top two priorities.

Terry Feravich reported that 78% of funds have been expended, and bond reserves of \$15 have been distributed, leaving \$10 million on hand. Claims have amounted to less than .09%, and single prime and CM at Risk projects are being completed with minimal problems. Cash flow is the main indicator of steady progression, and campuses are prioritizing projects to stay on schedule. If it has been necessary, the State Treasurer has adjusted bond sales to provide funds. There has been some slippage as the General Assembly acted upon a modification at NC State. UNC-Chapel Hill needed to build more classrooms than originally planned. Elizabeth City State has a new chancellor, and projects are moving. NC A & T is making good progress, and a large project is underway at UNC-Asheville. UNC-Greensboro revised bid times for four projects to cover two quarters rather than one, and Western Carolina is waiting for the General Assembly to approve a change.

Shari Harris made the HUB report for the UNC System. 21% of the contracts awarded using the CM at Risk construction delivery method are awarded to HUB contractors. Construction contract dollars awarded to African American contractors is an ongoing challenge. The University continues its efforts to encourage diversification of contract awards to all HUB classifications. \$73.4 million has been awarded to African American contractors. \$341M has been awarded to all HUB firms as of this report. In regard to outreach efforts, three HUB Contractor Academies will be offered through the Department of Administration via the State Construction Office. The University will work with the community college system to assist with a similar program. Majority/minority contractor networking events continue in an effort to develop opportunities for HUB contractors.

Terry Feravich's report looked forward to close-out and the use of valuation teams for developing the most economic methodology to achieve a smooth completion at the end of construction. There have been few claims during construction, and he anticipates a quick close out with few claims.

Wayne Goodwin, Assistant Commissioner of Insurance and Assistant Fire Marshal, reported that the General Assembly approved funding positions for three new engineers who have been hired. Prioritizing by the University has helped in this process. The involvement of the Department of Commerce in the process over engineering has improved communication and flow of information in the plan review process. DOI has designated a "chief expediter" to review plans for the University to expedite turn around time.

Mr. Davidson said that code compliance is very important, and out of state architects are often not familiar with North Carolina codes and this slows approval. He suggested that a notice go to each campus alerting them to problems that may have arisen with particular architects.

Bill Davis reported that State Construction is handling fewer University reviews and more Community College reviews. He presented review times.

Vance Holloman reported for the Office of State Treasurer that bond sales were timely. In answer to questioning that \$34 million of prior issues has not been spent, Mr. Holloman referred to arbitrage regulations that more recent funds be spent. Interest rates continue to be advantageous. Communication is good with the campuses, and bonds can be sold based on cash flow needs.

## COMMITTEE MEMEBERS' REPORTS

East Carolina projects are on schedule and staying within budget, and HUB participation is good.

UNC Wilmington has good HUB participation. One project is being bid at the present time, and several are under construction.

UNC-TV's modified schedule is due to FCC requirements to move from analog, and projects will be bid as late as possible in order to be compliant. It is anticipated that HUB participation will be low for equipment purchases necessary for the 2009 deadline for change over. Frequencies are yet to be assigned.

General Thurman reported that Winston Salem State and UNC-G are doing well, and he has a visit scheduled at NC A & T.

Mr. Smith reported that Elizabeth City State is back on track after a very challenging start.

Discussion followed concerning the responsibilities of the Committee as projects and work on campuses are completed. It is very important that each project is **closed out, not just completed for occupancy** before final payment is made. Documents/as built drawings necessary for future r & r should be exchanged. Funds need to be spent on projects or reallocated on campus. Rich Cox reported that 106 of 173 projects have been closed per the Prima Vera record. A question was raised whether final payment had been issued.

**A report on projects occupied but not closed out will be presented at the November meeting.**

The next meeting will be on November 13 at Winston-Salem State. The following meeting will be on January 22 at Fayetteville Technical Community College.

There being no further business, the meeting was adjourned.

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Charlie Davison, Co-Chair

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Paul Fulton, Co-Chair

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Ann Faust, Committee Clerk