

BOARD OF TRUSTEES MEETING
The University of North Carolina at Chapel Hill

The Board of Trustees met in regular session on Wednesday, November 16, 2005 at The Carolina Inn, Chancellor Ballroom East, at 5:00 p.m. Chair Schwab presided.

ROLL CALL

Assistant Secretary Brenda Kirby called the roll and the following members were present:

Nelson Schwab III, Chair	Barbara R. Hyde
Jean Almand Kitchin, Vice Chair	Karol V. Mason
Russell M. Carter, Secretary	Roger L. Perry, Sr.
Timothy B. Burnett	A. Donald Stallings
Seth M. Dearmin	Richard T. Williams
John G. B. Ellison, Jr.	Robert W. Winston
Paul Fulton, Jr.	

REPORT OF THE BUILDINGS AND GROUNDS COMMITTEE

Mr. Perry, Committee Chair, moved ratification by the Board of the following Level 1 items, which were previously approved by the committee. Mr. Burnett seconded the motion and it carried.

- Disposition by lease to the Kenan-Flagler Business School Foundation, Inc. for the McColl Attic Renovations Project, a capital improvement project designed to accommodate the Business School's PhD Program and Information Technology Support Organization. The project site consists of approximately 10,000 square feet of space located on the fifth floor of the McColl Building, and extends the existing elevator to the fifth floor, providing a new egress stair, new bathrooms, and new data and renovations to the existing mechanical system.
(ATTACHMENT A)
- Acquisition by lease for approximately 2,630 square feet of office space at a location to be determined to provide interim office space for the Executive Director of the Arts who will move to the Campus Y upon completion of its renovation. The lease term is a two-year period commencing January 1, 2006, or as soon thereafter as possible at an initial annual rent not to exceed \$45,368 or \$17.25 per square foot, not including utilities or janitorial services. The annual rent increase will not exceed 2% per annum.
(ATTACHMENT B)
- Acquisition by lease for approximately 3,300 square feet of office space at a location to be determined for the Center for Developmental Science. The lease term is a three-year period with one one-year renewal option commencing January 1, 2006, or as soon thereafter as possible at an initial annual rent not to exceed \$56,925 or \$17.25 per square foot, not including utilities or janitorial services. The annual rent increase will not exceed 2% per annum.
(ATTACHMENT C)
- Acquisition by lease for approximately 3,600 square feet of office space for the Office of University Counsel at a location to be determined. The lease term is a two-year period with one one-year renewal option commencing March 1, 2006, or as soon thereafter as possible at an initial annual rent not to exceed \$62,100 or \$17.25 per square foot, not including utilities or janitorial services. The annual rent increase will not exceed 2% per annum.
(ATTACHMENT D)
- Acquisition by lease for approximately 7,300 square feet of office space for various departments at a location to be determined. The lease term is a three-year period with two one-year renewal options commencing March 1, 2006, or as soon thereafter as possible at an initial annual rent not to exceed \$125,925 or \$17.00 per square foot, not including utilities or janitorial services. The annual rent increase will not exceed 2% per annum.

The departments included are as follows:

- SCALE, School of Education – 1,740 square feet
- Radiology – 684 square feet
- Health Promotion, Health Prevention (HPDP) – 752 square feet
- Child Medical – Evaluation Program (CMEP), Pediatrics – 1,673 square feet

The University of North Carolina at Chapel Hill
Board of Trustees
Minutes – November 16-17, 2005

- Nutrition – 608 square feet
- World View, An International Program for Educators – 1,282 square feet
- Dr. James Lea, Family Medicine – 535 square feet

Total: 7,274 square feet

(ATTACHMENT E)

- Acquisition by lease of tower space for WUNC-FM in Edgecombe County. The lease term is for a ten-year period commencing as soon as possible at an initial annual rent to be determined, not including utilities or janitorial services. The annual rent increase will not exceed 2% per annum.

(ATTACHMENT F)

The following item was presented for information only (no formal action was requested at this time).

- Preliminary design review of the Arts Common Phase I project, providing a new building for the Music Department. Arts Common Phase I will be constructed in two phases. Phase I-A includes a 43,000 square foot building for the Music Department to provide instructional and academic support space including faculty offices, practice rooms, rehearsal space and classrooms. Phase I-B will construct a new concert hall, classrooms, and performance support space.

(ATTACHMENT G)

Anna Wu, Director of Facilities Planning, presented information to the Board concerning this project. A project model was also provided for review by the Board.

Ms. Wu and Bruce Runberg, Associate Vice Chancellor for Facilities Planning and Construction, presented information concerning the following Level 3 items. Mr. Perry moved ratification by the Board of the items, which were previously approved by the committee.

- Design approval for the addition to the Grounds Service Station project, constructing a 1,700 square foot addition to house offices and storage with three new service bays and a vehicle wash bay. The motion was duly seconded and carried.

(ATTACHMENT H)

- Revised design approval for the Educational Foundation Office Building project, which has expanded from a 34,000 square foot building to a 42,000 square foot building to house offices for the Educational Foundation, Athletics Department, Ticket Office and Memorabilia Room for Men's Basketball. The expansion resulted from the addition of one more bay. The motion was duly seconded and carried.

(ATTACHMENT I)

- Design approval for the addition to Sitterson Hall, Science Complex Phase II project, constructing a 31,000 square foot addition for the Department of Computer Sciences and classrooms. The Board approved the design at its July 2005 meeting with a request to consider revisions to the proposed lantern. This design approval removes the lantern. Mr. Burnett seconded the motion and it carried.

A project model was provided for review by the Board.

(ATTACHMENT J)

- Design approval for the Family House of Chapel Hill project, including a common building and forty residential units. The motion was duly seconded and carried.

(ATTACHMENT K)

- Disposition by ground lease to the Town of Carrboro of approximately 1.68 acres of land located at 1411 Homestead Road, Carrboro, Orange County, North Carolina to allow for the construction and operation of a Carrboro Fire Department Substation. The lease term shall be for a ninety-year period at \$1.00 per year with the improvements to become a part of the freehold estate and the property of the lessor upon the expiration of the lease term. Mr. Burnett seconded the motion and it carried.

(ATTACHMENT L)

Mr. Perry reported that Bruce Runberg, Associate Vice Chancellor for Facilities Planning and Construction, presented information to the committee concerning the status of the bond program and the Historically Underutilized Business Resource Center.

RECESS

Mr. Winston moved to recess the Board meeting at 5:45 p.m. The motion was duly seconded and carried.

RECONVENE

Chair Schwab reconvened the Board meeting at 8:05 a.m. on Thursday, November 17, 2005 at The Carolina Inn, Chancellor Ballroom East and West.

ROLL CALL

Assistant Secretary Brenda Kirby called the roll and all Board members were present.

CONSENT AGENDA

Approval of Minutes

On motion of Ms. Kitchin, seconded by Mr. Burnett, the minutes of the regular meeting of September 21-22, 2005 were approved as distributed.

Ratification of Mail Ballot

On motion of Ms. Kitchin, seconded by Mr. Burnett, the following mail ballot dated October 19, 2005 was approved as distributed:

- Personnel changes for information, personnel changes in Academic Affairs, personnel changes in Health Affairs, and tenured personnel actions.
(ATTACHMENT M)

CHAIR'S REMARKS

Chair Schwab commented on the lunch the Trustees had the previous day at Hyde Hall with department heads and fellows of the Institute for the Arts and Humanities. He thanked Ruel Tyson, Director of the Institute, for hosting the lunch.

Chair Schwab thanked the Trustees for participating in the dinner the preceding evening honoring the recipients of the William Richardson Davie Award. The honorees were Marjorie Buckley, Donald Curtis, Frank Daniels, Jr., and Dick Richardson.

Chair Schwab commented on the topics to be discussed during the Board meeting, including a Report of the Tuition Advisory Task Force and the Measures of Excellence.

He referred to sitting in on a brief portion of the University Affairs Committee meeting yesterday where graduate education was discussed. He commented on the importance of the Board in raising its consciousness related to graduate education due to the impact it has not only in that area of the University, but also on undergraduate teaching and, in turn, the delivery of the quality of undergraduate education. He stated that it's a very important topic and one that the University Affairs Committee has taken the initiative on to discuss at its committee meetings in the coming months.

Chair Schwab stated that work is being done on a legislative agenda. Kevin FitzGerald, Special Assistant to the Chancellor for State Government Relations, is working with the Chancellor to bring a list of priorities to the Board in January.

Also, Athletics Director Dick Baddour is working on an athletic plan which will also be presented to the Board in January.

A lot of work is being done regarding Board of Governor relationships in the transition between President Molly Broad and President-Elect Erskine Bowles. It is progressing well. Responses to inquires have been excellent, and there is good communication going both ways.

The Tuition Task Force has met and made a recommendation to the Board of Governors who will meet in February to make a final determination on a series of benchmarks for the coming year—particularly, rates of fee and tuition increases and an overall philosophy

that mirrors the Board of Trustees philosophy. The Task Force worked closely with North Carolina State University and we're in the framework that can give us the flexibility, predictability, and affordability that were the objectives at the onset.

CHANCELLOR'S REMARKS

Chancellor Moeser expressed sympathy to Tom and Donna Lambeth in the recent loss of their son, Tommy, who died suddenly in a pick-up basketball game. Everyone paused for a moment of reflection.

Chancellor Moeser recognized the following individuals and their accomplishments:

- Rudy Juliano, Professor of Pharmacology in the School of Medicine, and Director of our National Institutes of Health Roadmap for Medical Research Project Office, which was established last year to ensure the University and the faculty are well positioned for the highest level of success in this new NIH initiative emphasizing interdisciplinary collaboration to attack difficult problems and create quick translations to patient care. It has proven to be a perfect fit with the particular expertise and strength of our faculty and their ability to work across traditional academic boundaries. In the first round of NIH roadmap awards, UNC received more of these awards than any other institution. This is significant as this was the planning ground. The significance of winning these roadmap awards is that this designates who will be in the prime positions of leadership for future trails of funding from the NIH.

In the most recent round of roadmap awards, UNC received eight (more than any other university in the United States). Our followers were: Vanderbilt and Columbia, each with six; Memorial Sloan-Kettering Cancer Center, five; Johns Hopkins, four; Harvard and Stanford, three each; and Duke, two.

UNC's funding to date for these awards is about \$15.5 million. The amount of the funding is not nearly as significant as the designation of these funds and what will follow. It includes support for the Carolina Center of Nanotechnology Excellence, which will marry our expertise in nanotechnology in Physics and the College, and now move into the School of Medicine.

Dr. Juliano will lead the Nanotechnology Center along with the other faculty involved in securing this new round of prestigious grants:

- Bruce D. Cuevas, Research Assistant Professor of Pharmacology, School of Medicine
 - Michael Jarstfer, Assistant Professor, School of Pharmacy
 - K. H. Lee, Kenan Professor of Pharmacy and Director of the School of Pharmacy's Natural Products Laboratory
 - Eugene Orringer, Professor of Medicine and Executive Associate Dean, School of Medicine
 - Barry Popkin, Professor of Nutrition, Schools of Public Health and Medicine, and Director of the UNC Interdisciplinary Obesity Program
 - David P. Siderovski, Associate Professor of Pharmacology, School of Medicine
 - Alexander Tropsha, Professor, School of Pharmacy
- Ned Sharples, Assistant Professor of Medicine and Genetics, a member of the Lineberger Comprehensive Cancer Research Center. Dr. Sharples was recently named an Ellison New Scholar in Aging by the Ellison Medical Foundation. This prestigious national award will provide \$200,000 over four years in support of his research, which is focusing on the role of a tumor suppressor in human cancer and aging. He was one of a dozen scholars chosen to receive this honor.

Dr. Sharples work was previously recognized with a Beeson Scholar Award and he is the third Carolina faculty member to win an Ellison New Scholar in Aging Award.

- Neil Caudle, Associate Vice Chancellor for Research, Information and Communications. Mr. Caudle is the editor of the University's highly regarded science publication, *Endeavors* magazine. He recently became president of the University Research Magazine Association. He was president-elect and took office when the president stepped down before her term expired.

With about 100 members in the United States, Canada, and Puerto Rico, the association promotes excellence and professionalism among publishers of magazines dedicated to research and scholarly activities of universities and other research centers. He will serve a two-year term.

- The Chapel Hill-Carrboro Chamber of Commerce recently presented its annual community service awards to two University employees and to Memorial Hall.
 - Linda Convissor, Director of Local Relations, received the Town and Gown Award.
 - Lori Ann Palazzo, Department of Public Safety, was named Officer of the Year for her department.
 - Memorial Hall received the Community Enhancement Award. Executive Director of the Arts Emil Kang represented Memorial Hall at the Board meeting.

The ceremony honored individual and organizational contributions that improve Chapel Hill, Carrboro, and Orange County.

Chancellor Moeser updated the Board on the Engagement Task Force. The first meeting was held and the group was divided into three major cells:

1. K-12 Education, led by Education School Dean Tom James
2. Economic Development, led by Vice Chancellor Tony Waldrop, Research & Economic Development
3. Health Care, led by Dr. Bill Roper, Vice Chancellor for Medical Affairs, and Dean, School of Medicine

A fourth area, led by Provost Robert Shelton, concerns cross-cutting issues which will bring all areas back together.

The Chancellor stated that he looks forward to the work of this group. It is a very important exercise to review what the University is already doing in its engagement with the State, and also to ask an even more serious question as the group moves out and listens to the people of the State—where can we enhance our engagement with the State and the People of North Carolina?

Chancellor Moeser concluded his remarks stating that he looked forward to the discussion of the Board today on tuition and fees. The Administration will make a recommendation to the Board in January, based in part on today's discussion. The three top priorities of the University, in his opinion, as affected by campus-based tuition and fees, are faculty salaries, faculty salaries, and faculty salaries—augmented by a real concern for graduate teaching assistant stipends. The Chancellor has placed great importance on this and expressed his desire for that overriding priority to stay first and foremost in the minds of the members of the Board.

STUDENT BODY PRESIDENT'S REMARKS

Mr. Dearmin distributed a copy of the *October Report* Condensed Version to the members of the Board highlighting the accomplishments of the first six months of his Administration. [A copy is filed in the Office of the Assistant Secretary.]

Mr. Dearmin commented on the following:

- Student Fees. The \$50 Athletic Fee and the \$50 Administrative Computing Fee did not reach consensus by the Chancellor's Committee on Student Fees. These fees, in particular, need to be examined closely today by the Trustees.
- Tuition. At today's meeting, the Provost will reiterate the Report of the Tuition Advisory Task Force. Predictability is the single driving principle that needs to be discussed. Three students will speak today representing concerns and speaking about tuition and fees:
 1. Adrian Johnston, Student Body Vice President, will speak about predictability.
 2. Daneen Furr, Student Body Treasurer, will speak about the Athletic Fee and the Administrative Computing Fee.

3. Mike Brady, President of the Graduate & Professional Student Federation, will speak about graduate concerns in regard to tuition.
- International Education Week. Passport Drive, Study Abroad Fair—events being held in the Pit today.
 - Jud Campbell, Senior from Blacksburg, Virginia, recently received the prestigious Marshall Scholarship and will pursue two Master's Degrees at the London School of Economics.
 - Laurel Wamsley, Senior from Athens, Ohio, a finalist for the Rhodes Scholarship.

REPORT ON INVESTMENT FUNDS

Mr. Jonathon King, President and Chief Executive Officer of the UNC Management Company, presented this report to the Board.

- UNC Investment Fund Fiscal 2005 Summary.
 - The Fund beat the Strategic Investment Policy Portfolio (SIPP) by 170 basis points.
 - The Fund performed in the top decile of institutional funds during the past year (top quartile in \$1 billion plus endowments).
 - Most importantly, the Fund had its second consecutive year of 15%+ returns resulting in a significant increase in market value.
- UNC Investment Fund Fiscal Year-to-date 2006 Summary—Quarter Ended September 30, 2005.
 - The Fund returned 6.0% in the first quarter of Fiscal Year 06 representing the second best quarterly return during the past five years.
 - The Fund beat SIPP by 90 basis points during the quarter.
 - The Fund performed in the top quartile of institutional funds for the quarter.
 - The total market value of the Fund increased by \$123 million during the quarter to \$1,437.3 million.

A copy of the PowerPoint presentation is located at: www.unc.edu/depts/trustees

A copy of the presentation is also filed in the Office of the Assistant Secretary.

REPORT OF THE TUITION ADVISORY TASK FORCE

Executive Vice Chancellor and Provost Robert Shelton presented this report to the Board. He began with the school-based tuition proposals from Law and Medicine.

School-Based Tuition Increase Proposals for 2006-2007, 2007-2008, and 2008-2009

The School of Law seeks a differential professional school tuition increase of \$800 per year for resident law students and \$1000 per year for non-resident law students beginning with the 2006 entering class. It will not apply to currently enrolled law students.

The School of Medicine seeks a five per cent increase for enrolled and entering medical students for each of the next three years. This increase will be based on five per cent of the in-state tuition. That amount will be added to the tuition of all students, both in-state and out-of-state, for each of the three years.

Mr. Williams moved approval of the school-based tuition increases. Ms. Mason seconded the motion and it carried.

- Law (Entering Fall 2006 only)
 - 2006-2007: Resident - \$800; Non-Resident - \$1,000
 - 2006-2007 Rate: Resident - \$10,202; Non-Resident - \$22,620
- Medicine (MD)
 - 2006-2007: Resident - \$467; Non-Resident - \$467
 - 2006-2007 Rate: Resident - \$9,802; Non-Resident - \$33,468
 - 2007-2008: Resident - \$490; Non-Resident - \$490
 - 2008-2009: Resident - \$515; Non-Resident - \$515

Campus-Based Tuition Increase Proposals for 2006-2007

The following four options were proposed by the Tuition Advisory Task Force. Each option covers new and continuing students.

1. Option A – 4 of 18 voting members preferred this option.
 - a. Undergraduate Resident - \$300 (9.4% increase);
Non-Resident - \$800 (4.7% increase)
 - b. Graduate/Professional Resident - \$300 (8.3% increase);
Non-Resident - \$800 (4.5% increase)
2. Option B – 3 of 18 voting members preferred this option.
 - a. Undergraduate Resident - \$250 (7.8% increase);
Non-Resident - \$900 (5.3% increase)
 - b. Graduate/Professional Resident - \$500 (13.8% increase);
Non-Resident - \$600 (3.4% increase)
3. Option C – 7 of 18 voting members preferred this option.
 - a. Undergraduate Resident - \$300 (9.4% increase);
Non-Resident - \$600 (3.5% increase)
 - b. Graduate/Professional Resident - \$500 (13.8% increase);
Non-Resident - \$500 (2.8% increase)
4. Option D – 2 of 18 voting members preferred this option, which was submitted to the members by Ms. Mason following the last meeting of the Task Force.
 - a. Undergraduate Resident - \$200 (6.2% increase);
Non-Resident - \$750 (4.4% increase)
 - b. Graduate/Professional Resident - \$500 (13.8% increase);
Non-Resident - \$600 (3.4% increase)

Ms. Mason commented on the Option D proposal that she had submitted to the Tuition Task Force. In this proposal, she factored in the student fee increases and looked at the overall impact of the combined numbers in arriving at this different permutation. She also factored in the Board of Governors direction of not more than a \$451 in-state increase in tuition and fees.

Provost Shelton noted that after careful consideration, the graduate student representatives of the Tuition Task Force decided to withhold endorsement of the report on the grounds that graduate students were not appropriately considered during the derivation of rate options.

Proposed Student Fee Increases for 2006-2007

Provost Shelton stated that there are six components to be considered this year for student fee increases for 2006-2007.

1. Education and Technology Fee - \$31.50 increase (9.2% increase)
2. Athletic Fee - \$50 increase (25.2% increase)
3. Health Service Fee - \$8 increase (2.4% increase)
4. Student Activity Fee - \$21.30 increase for Undergraduates (8.5% increase), and \$17.30 increase for Graduates (7.1% increase)
5. Administrative Computing Fee - \$50 (new fee)
6. Student Transit Fee - \$9.25 increase (12% increase)

There is a lack of consensus on the Athletic Fee and the Administrative Computing Fee.

The total fee increase (includes all fees) is \$170.05 for Undergraduates (12.1% increase) and \$166.05 for Graduates (11.9% increase).

(ATTACHMENT N)

A copy of the PowerPoint presentation is located at: www.unc.edu/depts/trustees

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Administrative Computing Fee

Robyn East, Associate Vice Chancellor for Information Technology and Deputy Chief Information Officer, addressed the Board concerning the need for the proposed new Administrative Computing Fee. The fee will help support the replacement of the University's Student Information System, which must be replaced in the next few years.

The supported services include financial aid, admissions, registration, degree audit, records management, student billing, student portal, student grading, personal identification management, and alumni development.

Vice Chancellor Suttentfield, Finance and Administration, commented that while the Administrative Computing Fee is a new student fee to the Carolina student population, the fee has been appraised for at least a couple of years at some of the other UNC campuses that have been in the process of updating and enhancing their business systems.

Ms. East responded that there are four schools in the UNC System that have this fee in the neighborhood of \$50—two schools are slightly over \$50.

The Administrative Computing Fee will sunset after a seven year period.

Athletic Fee

Athletic Director Dick Baddour presented an overview concerning the Athletic Fee. He distributed a sheet identifying the Planned Use for New Revenues (2005-2014):

- 10% Olympic Sport Operating Budget
- 15% Olympic Sport Coaching Salaries

- 23% Carmichael Renovation Project
- 10% Smith Center/Kenan Stadium Improvements
- 7% Reserve/Contingency Fund
- 8% Student-Athlete Services
- 25% Other Facilities Improvements
- 2% Technology

Mr. Baddour commented on the importance of the athletics budget concerning facilities, which are important as to the quality of coaches hired by the University; the ability to retain quality coaches; the recruiting efforts; and the quality of student-athletes at the University. Facilities are the environment in which work is done by the Athletic Department, the environment in which student-athletes are trained, and the environment in which the supporters and fans come and enjoy the programs here. The Athletic Department's need for infrastructure is no different than what can be found in other areas of the University.

The focus now is on Carmichael Auditorium. It was built in 1964 and very little has been done to Carmichael since that time. There are significant Title IX issues with respect to Carmichael.

The Kenan Center and the Smith Center are also in need of significant improvements in order to maintain them as state-of-the-art facilities required by our programs.

Mr. Baddour stated that he will present a detailed plan to the Board at its January 2006 meeting on how the Athletic Department will deal with these issues.

He reminded the Board that our Athletic Fee remains low in comparison with our peer institutions and with the other campuses in the University System.

Comments from Daneen Furr, Student Body Treasurer, Concerning Fees

Administrative Computing Fee

"The majority of the Chancellor's Committee on Student Fees recognized the need to finance a new Student Information System. There's no disagreement on the validity and necessity of that; but the students also recognized that this is a fee for a limited number of years. It will sunset after seven years, and the students appreciated that. They did discuss the fee based on a seven year sunset period. Some of the committee members felt that this fee falls under the definition of an administrative cost as defined by the Board of Governors, and student fee monies therefore should not be appropriated toward this project in order to defray overhead costs."

Athletic Fee

“The students overwhelmingly opposed this fee proposal. The most significant concern lies in an examination of the needs, as opposed to the wants of the Athletic Department. The proposed \$50 increase is earmarked for the renovation of Carmichael Auditorium. The renovations include air-conditioning, better acoustics, and other internal improvements that will provide a high quality venue for the athletic teams that use the facility. While this is essential to the future of non-revenue University athletics, we don’t believe that the burden of cost should be placed upon the backs of the general student body. The Athletic Department has stated that the renovation of Carmichael Auditorium is a priority and has suggested that the project will continue with or without an increase in student fees. An increase in the Athletic Fee effectively allows the department to cost-shift portions of their budget toward other goals and priorities from which students may not directly benefit, rather than using the funds for Carmichael Auditorium.

When addressing concerns of whether the Athletic Department may have a surplus of funds, Athletic Director Baddour stated that he was certain that the department could ‘find ways to use the money’ toward its projects and goals. One thing that hit with the students, that they’re very concerned about, is that any department on campus could find ways to use money. Considering the \$451 cap for in-state tuition, would it not be more beneficial for both the University and the students paying that money to have the \$50 available for tuition, which goes to financial aid and teachers’ salaries, than toward one specific building—in this case, Carmichael.

The Athletic Department is currently in a state of financial flux with several adjustments to make as its sources of revenue change. The largest uncertainty within the Athletic Department’s budget lies in potential revenues from corporate signage. Because no contracts have yet been signed, it is uncertain whether or not there will be stipulations on how the money generated will be used and how long a contract or contracts will be in place. It seems we should evaluate the necessity of a fee increase after new sources of revenue, such as signage, have stabilized. We believe this is the only action that is fiscally responsible.

Last year, the Board approved a \$100 student fee increase to replace the loss of licensing revenues, to increase coaches’ salaries, and to improve the Olympic sports programs. This increase was necessary to retain the caliber of coaching staff and maintain all twenty-eight Olympic sports at UNC-Chapel Hill. Last year’s fee was not about what was wanted, but rather, what was needed. Conversely, we believe that the proposed \$50 increase for this year is not based on need, but rather on want. When a new fee is executed, it is often difficult to make accurate projections on its availability or even the final total. If an additional \$50 increase is implemented in the fiscal year immediately following last year’s \$100 increase, there is a strong possibility that the Athletic Department’s finances will not only be difficult to track, but may also be flush with monies received through student fees. It is against the nature and philosophy of student fees to give a department more than what they demonstrate they need because that is stockpiling, and therefore irresponsible.

As established by the Board of Governors’ policies, the primary purpose of student fees is to provide students with direct and tangible benefits or services for ‘limited, dedicated purposes.’ This fee, without a ‘sunset’ period, commits generations of Carolina students to a significant increase in fees. It is extremely rare that a fee, once introduced or raised, is decreased or eliminated unless it’s established at the onset that it will stop at a certain point. In this vein, the \$50 fee increase would be absorbed into the general Athletics budget once the renovation of Carmichael is complete. With the department unwilling to agree upon a set number of years that the fee increase will be in place, it is unreasonable to support it.

Students, Administrators, and Trustees have had a long-standing and committed working relationship with each other. Although the two advisory committees on student fees act in an advisory capacity only, the Board has traditionally respected the opinions put forth by these bodies. However, the actions taken by last year’s Board seem to be indicative of a breakdown of this connection—an issue that should be of immense concern to all those involved.

Last year’s Board took the unprecedented action of approving a \$50 increase for the Athletic Fee for a fiscal year beyond the reach of their tenure. The Board of Governors’ decision to deny that action demonstrates two things: (1) that the Board is obliged to consider fees based on current merit and need, not on past promises, and (2) that the

standard fee process that includes the Student Fee Audit Committee and the Chancellor's Committee on Student Fees is paramount to the fee evaluation process. This Board is not constrained by the decision of last year's Board."

Following an observation made by Mr. Carter concerning the manner in which tuition and fees are presented to the Board for consideration, Chancellor Moeser pledged to the Board that the Administration will look at its internal process as to how these issues are brought forth to the Board. They have traditionally been on two separate streams that don't communicate with each other. The Chancellor stated that he would favor a single stream so a holistic set of recommendations could be presented to the Board.

Comments from Adrian Johnston, Student Body Vice President, Concerning Tuition

Mr. Johnston discussed information contained in a Memo on Tuition Predictability which was distributed to the Board. [A copy of the memo is filed in the Office of the Assistant Secretary.]

He stated that predictability has become the focus of student government efforts this year in the tuition process and is seen as something incredibly important to students, not only this year, but also in future years. It was listed in the Task Force Report as one of three core principles—accessibility, flexibility, and predictability. His comments emphasized the principle of predictability.

The Memo on Tuition Predictability identified the tuition increases over the past ten years—showing the peaks and valleys of tuition increases for both graduate and undergraduate students. This is a complex system of University governance in which so many different levels are crafting what the tuition increase will be, so it's understandable that there might not be consistency from year to year. Students think that one way in which consistency might be promoted is by taking a longer view at that recent process. This would be a great benefit to students already enrolled, as well as their families who have to account for financial planning, to know what the cost will be for a four-year education. When you enroll, you're locked in—students aren't going to transfer schools just because tuition goes up, and certainly they wouldn't want to leave Carolina. This is an opportunity to lay out a longer term plan so students and their families can know what the cost of an education will be when they come. It's a fair piece of information that they should have.

Mr. Johnston stated that it's also important to note that students have been rallying behind this proposal of predictability. The Out-Of-State Students Association has submitted to the Chancellor's Office over 300 signatures saying that they want tuition predictability. It's valuable to know that that association and students generally aren't submitting a petition as they might like to say that there should not be any increase this year. Students are coming to the table with a different approach, recognizing that tuition increases, given the current climate of the State, are necessary to ensure the quality of education at Carolina and they will continue to be necessary. Students are asking that it be done in a way that's predictable to students and their families so they can see increases coming and plan for them.

Several ways predictability can be achieved include the following:

- Deciding upon a tuition increase this year. A "predictability friendly" tuition increase must not be too high or too low, as either creates the need for future shifts in tuition policy. If the proposed increase (or a similar increase) were made every year for the next four years, would it meet the University's expected needs and be tolerable for students and their families? If the answer is yes, then the increase satisfies predictability. If the answer is no, then the increase is not sustainable and will lead to fluctuations in future tuition.
- Make a commitment to predictability. The Board of Trustees should formally make "predictability" a core principle of its tuition philosophy, showing leadership on this issue by setting the context for future tuition discussions.
- Future changes to the tuition setting process. If every party in the tuition setting process takes a longer view; if the Tuition Advisory Task Force creates a multi-year plan; if the Chancellor endorses a multi-year recommendation; and if the Board of Trustees endorses a multi-year proposal, that will enhance long-term and predictable thinking so we don't see peaks and valleys.

Even if the multi-year plans would not be binding, they would serve as a valuable standard and guide in tuition discussions each year.

Mr. Johnston concluded with the following recommendations from Student Government to the Board of Trustees:

1. Ensure that this year's tuition increase is "predictability friendly".
2. Formally declare predictability to be a core principle of the Board of Trustees tuition philosophy.
3. Change the tuition setting process so that multi-year tuition plans are proposed at every stage in the process.
4. Lead system-wide efforts to promote long term tuition planning and achieve predictable tuition.

Comments from Mike Brady, President of the Graduate and Professional Student Federation Concerning Graduate Tuition

Mr. Brady commented on why the graduate representatives of the Tuition Task Force decided to withhold endorsement of the Report of the Tuition Advisory Task Force.

He stated that the Tuition Task Force spent an exceptional amount of time talking about the philosophy of graduate education. It was very well facilitated by Provost Shelton and Mr. Dearmin. However, the graduate representatives felt that the task force fell a little short in applying some of that tuition philosophy to the actual numbers that were presented for the graduate tuition rates.

Mr. Brady recognized Professor Judith Wegner and Dean Linda Dykstra and thanked them for their excellent comments yesterday at the University Affairs Committee meeting regarding graduate education.

The Graduate and Professional Student Senate, which is composed of representatives from all academic departments, met in a special session two weeks ago and unanimously approved a resolution that expressed disapproval of the tuition rates on the table and encouraged postponement of consideration by the Board of Trustees until graduate tuition rates are more thoroughly considered.

With regard to Options B, C, and D of the Tuition Task Force, the numbers appear to look fairly midway between the in-state and out-of-state rates for undergraduate students. However, when you look at the gross amounts of funds that are generated by graduate students and compare it to undergraduate students, you see that they vary per graduate students. The gross number accounts for 46% of the total tuition burden increase for Option B, up to 51% of the total increase for Option D. This is 46-51% that's being paid for by 38% of the population.

Mr. Brady discussed the following issues:

- The Legislature gives graduate students a fairly fixed amount of funds when it comes to tuition remissions and awards. The end result is that it ultimately falls largely on the academic departments to be responsible for paying graduate tuition.
- Faculty salaries are a means to an end in that the end that graduate students are trying to address is one of faculty retention—a multi-faceted problem, one that salaries don't fully encompass. A salary is the most easily quantifiable number for this issue, but it's a much larger problem because it includes people that are professional academics and they're committed to the academic environment. Thus, when a faculty member is choosing a position, it's not based solely on salaries, but also on the academic environment, which is composed in some respects with the resources that the University provides—one of which is its graduate students. Graduate students are the partners of faculty in that they work intimately with them on their research projects and on their teaching endeavors. Graduate students are instrumental to the academic mission. Therefore, recruiting the best graduate students is essential to recruiting the best faculty. Faculty will not want to work where they cannot accomplish their academic mission.
- Graduate students are the next faculty. By recruiting the best graduate students now, we are potentially recruiting the best faculty for the future.

- Some academic departments have expressed concern that they are falling behind in their quest for graduate students. A large reason for that is they can't offer the best financial package when compared to other institutions. These departments are trying to raise the stipends both for teaching assistants and research assistants. When graduate tuition is raised, these departments have to make some tough choices because their ability to raise graduate stipends is impaired. Departments may have to opt to accept fewer graduate students because they can't fund them. The result is that graduate students who do remain here face an increased work load and are spread thin with negative effects to both research and teaching.
- The Board of Governors took action last year enacting a tuition freeze and a subsequent discount on undergraduate students—freezing in-state tuition and discounting out-of-state tuition. These discounts were only applied to undergraduate students, meaning the graduate students bore almost the entire burden of the tuition increases last year. In addition, the Board of Governors did not discuss graduate students when it took this action. We're now in a position this year to place the burden on the shoulders of graduate students for the second year in a row. He does not suggest that graduate tuition not be increased; however, it would not be appropriate to raise it at a level above the undergraduate tuition.

Mr. Brady concluded his comments by stating that when he took the office of President of the Graduate and Professional Student Federation he felt that if data was seen to justify why graduate tuition should be raised at levels higher than undergraduate tuition, no opposition would be raised against it. He was present at all task force meetings and never saw data that justifies any reason for increasing graduate tuition at a rate higher than undergraduate tuition. While there is a political limitation on how much we can raise undergraduate tuition, we should ask ourselves whether we should make up for those shortcomings by placing the burden on graduate students. Would that be in the best interest of the University?

Ms. Mason asked Mr. Brady what he would propose as a tuition increase for graduate students. He responded that he did recommend a couple of alternate options to the task force and they were not included in the task force's report. For Option B, he recommended levels of \$390 for in-state and \$480 out-of-state students. For Option C, he recommended \$375 for both in-state and out-of-state students.

MEASURES OF EXCELLENCE

The Measures of Excellence were presented by Provost Shelton. The Measures of Excellence serve as indicators of Carolina's accomplishments and quality in the following broad areas: undergraduate education, graduate and professional education, faculty, staff, public service and engagement, internationalization, finance and facilities, and athletics.

To assess Carolina's performance in these critical areas, the University team developed a variety of measures to track progress over the past five years and to provide comparisons with Carolina's public peer universities. The measures presented comprise only a small sampling of the data collected to continue monitoring the University's future performance. Some of the measures presented also serve as illustrative examples of benchmarks for the Academic Plan.

(ATTACHMENT O)

A copy of the PowerPoint presentation is located at: www.unc.edu/depts/trustees

A copy of the presentation is also filed in the Office of the Assistant Secretary.

REPORT OF THE AUDIT AND FINANCE COMMITTEE

Ms. Mason, Committee Chair, moved ratification by the Board of the following items which were previously approved by the committee. The motion carried.

- Consent Agenda

The University of North Carolina at Chapel Hill
Board of Trustees
Minutes – November 16-17, 2005

- Approval of Endowment Allocation transferring \$500,000 from the estate gift of Mr. Cecil Wiggins from the Endowment Fund to a University expendable account to be used for expenses associated with the Carolina First Campaign. The remainder of the estate will remain in the Endowment Fund and be allocated to the Carolina Covenant Endowment Fund.
(ATTACHMENT P)
- Approval of The University of North Carolina at Chapel Hill Endowment Fund Annual Report for Year Ended June 30, 2005 and to transmit the report to the Board of Governors.
(ATTACHMENT Q)

Ms. Mason presented the committee's report on the following items, which were presented previously to the committee for information only (no formal action was requested at that time).

- Review of First Quarter Fiscal Year 2005-06 Budget Status. Vice Chancellor Nancy Suttentfield, Finance and Administration, reported on the status of the budget at the end of the first quarter for the 2006 fiscal year. At the end of the first quarter, the University's revenues and expenses are in line with the budget estimates and prior year trends.

In light of the recent natural disasters and the resulting increases in fuel costs, Vice Chancellor Suttentfield reported that there was a careful review made of utility budgets. She believes there is sufficient funding for the remainder of the year since our main fuel source for steam, chilled water, and co-generation of electricity is coal—not natural gas. The staff plans to continue to monitor the situation closely.

(ATTACHMENT R)

- Update on Capital Program Inflation. Vice Chancellor Suttentfield reported that we currently have thirteen remaining capital projects valued at \$102 million and funded by the \$510 million Higher Education Bond (HEB) that have not yet been bid. Given (1) savings to date in the HEB program, (2) reserves previously set aside for anticipated inflation, and (3) an additional \$5.2 million recently released by the Office of the President, we anticipate being able to accomplish all HEB projects within approved funding. If funding does prove insufficient for our HEB projects, the "fall back" strategy is to postpone one renovation project. We are actually on track to complete our HEB capital projects program ahead of schedule.

For the \$1.1 billion in self-liquidating (self-financed from fees or other charges) projects, about \$390 million in projects remain to be bid. Updated cost projections for these projects either appear to be within budget or there is sufficient financial capacity within the business unit paying the debt service for the project (e.g., parking, utilities, etc.) to cover projected inflation.

- Report on Disaster Preparedness by Derek Poarch, Chief & Director, Public Safety. The committee meeting was held at the Department of Public Safety Emergency Command Center. This enabled Chief Poarch to lead the committee on a tour of the emergency operations center facility. The presentation provided an overview of the University's approach to disaster planning and response.

A copy of the PowerPoint presentation is located at: www.unc.depts/trustees

A copy of the presentation is also filed in the Office of the Assistant Secretary.

- Annual Report on Enterprise-Wide Risk Management Program by Steve Kenny, Director, Risk Management Services. Mr. Kenny followed Chief Poarch's presentation with an update on what his area's emergency preparedness is in light of the occurrences at Tulane and other universities in the Gulf Region. This comprised the process by which they're going to be developing a business continuation plan. It is hoped by this time next year they will report to the Board on that plan.

A copy of the PowerPoint presentation is located at: www.unc.depts/trustees

A copy of the presentation is also filed in the Office of the Assistant Secretary.

- Employee Forum Chair Tommy Griffin reported on the need for affordable housing and concerns raised by the Forum on the planned Carolina Commons Faculty/Staff Housing Project.
Ms. Mason advised the Board that Mr. Griffin will be stepping down next month as the Employee Forum Chair. His successor will be welcomed to the Board at the January meeting.
- Carolina First Campaign Update by Paul Fulton. Mr. Fulton reported that the Campaign goal was raised in October to \$2 billion. \$1,599,849,060 has been raised to date. There have been \$37.5 million in new commitments since the September Board meeting. The cash amount given so far this year is approximately \$70 million—a 40% increase over the total at this time last year. [A copy of the report is filed in the Office of the Assistant Secretary.]

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Carter, Committee Chair, presented the committee's report on the following items, which were presented previously to the committee for information only (no formal action was requested at that time).

Mr. Carter stated that the committee will begin focusing its emphasis at upcoming meetings on the Graduate School in an effort to better understand conditions there. The committee then hopes to bring information, and possibly some ideas as to how some issues can be addressed, to the Full Board of Trustees by the end of next semester.

- State of Graduate Education at Carolina presented by Linda Dykstra, Dean of the Graduate School. Carolina attracts some of the world's most qualified graduate students. Acceptance rates range between 28-32%; yield rates are excellent—about 58%. 14% are minority students, plus 13% are from foreign countries (representing 75 countries).

A copy of the PowerPoint presentation is located at: www.unc.depts/trustees

A copy of the presentation is also filed in the Office of the Assistant Secretary.

- Academic Programs
 - a. Social Sciences in the College of Arts & Sciences. Arne L. Kalleberg, Senior Associate Dean, presented information concerning the ten departments of Social Sciences: African/African-American Studies, Anthropology, Asian Studies, City & Regional Planning, Economics, Geography, History, Political Science, Public Policy, and Sociology. These departments include 212 faculty members. New courses and programs include: (a) New Minor in the Study of Christianity and Culture (Sociology); (b) New Minor in Entrepreneurship, part of the Carolina Entrepreneurship Initiative (Economics); and (c) New Major in Archaeology.

(ATTACHMENT S)

- b. The UNC-Chapel Hill School of Social Work: The Intersection of Teaching, Research, and Public Engagement. Jack M. Richman, Ph.D., Dean & Professor, presented an overview of the mission and the school characteristics concerning research, teaching, and service. The School of Social Work has no undergraduate program. It is a graduate program.

(ATTACHMENT T)

A copy of each PowerPoint presentation is located at: www.unc.edu/depts/trustees

A copy of each presentation is also filed in the Office of the Assistant Secretary.

- Update on Student Affairs. Margaret Jablonski, Vice Chancellor for Student Affairs, commented on the following: (a) opening of Memorial Hall; (b) Greek Life, including the reconstruction of the Committee on Fraternity/Sorority Life; (c) the monitoring of indiscretion in behavior within the fraternities and sororities; (d) students are now moving into Cobb Residence Hall; and (e) the first regional parents forum held in Washington, DC.

MOTION TO CONVENE IN CLOSED SESSION

On motion of Secretary Carter, and seconded by Ms. Kitchin, the Board voted to convene in closed session pursuant to North Carolina General Statutes Section 143-318.11 (a) (1) (to prevent the disclosure of privileged information under Section 126-22 and the following); and also pursuant to Section 143-318.11 (a) (2), (3), (5), and (6).

CLOSED SESSION

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Carter, Committee Chair, presented the personnel and salary approvals dated November 7, 2005 for the Board's consideration. The actions will be voted on in open session.

(ATTACHMENTS U-V-W-X)

REPORT OF THE AUDIT & FINANCE COMMITTEE

Report of the Naming Committee

Ms. Mason, Committee Chair, presented naming recommendations which were previously presented to the Audit & Finance Committee and approved by the committee. [A copy of the Report of the Naming Committee is filed in the Office of the Assistant Secretary.]

Ms. Mason moved ratification by the Board of the naming recommendations. The motion carried.

Report of the Committee on Honorary Degrees & Special Awards

Ms. Mason, Committee Chair, presented nominees for Distinguished Alumna/Alumnus Awards to be presented on University Day, October 12, 2006. The nominees were previously presented to the Audit & Finance Committee and approved by the committee. [A copy of the Report of the Committee on Honorary Degrees & Special Awards is filed in the Office of the Assistant Secretary.]

Ms. Mason moved ratification by the Board of the nominees. The motion carried.

LEGAL ADVICE

General Counsel Leslie Strohm advised the Board on several legal matters.

DEEP EXECUTIVE CLOSED SESSION

Chair Schwab convened the Board in Deep Executive Closed Session to discuss a personnel matter.

RECONVENE MEETING IN OPEN SESSION

Chair Schwab reconvened the meeting in open session.

OPEN SESSION

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Carter, Committee Chair, moved approval by the Board of the following personnel actions dated November 7, 2005, which were discussed earlier in closed session. Ms. Mason seconded the motion and it carried.

- Personnel changes in Academic Affairs.
(ATTACHMENT U)
- Personnel changes in Health Affairs.
(ATTACHMENT V)
- Tenured Personnel Actions.
(ATTACHMENT W)
- The personnel changes for information did not require action by the Board.

(ATTACHMENT X)

Chair Schwab stated that the personnel and salary actions voted on in open session had been distributed to the press.

ROBERTSON SCHOLARS PROGRAM

Vice Provost Lucido, Enrollment Policy & Management, provided a brief update on the Robertson Scholars Program.

ADJOURNMENT

There being no further business to come before the Board, Chair Schwab adjourned the meeting at 2:10 p.m.

Assistant Secretary