

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

The Board of Trustees met in regular session on Wednesday, July 27, 2011, at The Carolina Inn, Chancellor Ballroom West, at 1:02 p.m. Vice Chair Hyde presided.

OATH OF OFFICE

The Honorable Willis P. Whichard, Former Associate Justice of the North Carolina Supreme Court, administered the Oath of Office to new and reappointed members of the Board:

New members:

W. Lowry Caudill
Steven J. Lerner

Reappointed members:

Phillip L. Clay
J. Alston Gardner
Sallie Shuping-Russell

ROLL CALL

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

Barbara R. Hyde, Vice Chair	Steven J. Lerner
Phillip L. Clay, Secretary	Sallie Shuping-Russell
W. Lowry Caudill	Edward C. Smith
Donald Williams Curtis	John L. Townsend III
John G. B. Ellison, Jr.	Felicia A. Washington
J. Alston Gardner	Mary Cooper
Wade H. Hargrove, Jr.	

Vice Chair Hyde opened the meeting by reading the following statement regarding the State Government Ethics Act:

“As Chair of the Board of Trustees, it is my responsibility to remind all members of the Board of their duty under the State Government Ethics Act to avoid conflicts of interest and appearances of conflict of interest as required by this Act. Each member has received the agenda and related information for this Board of Trustees’ meeting. If any Board member knows of any conflict of interest or appearance of conflict with respect to any matter coming before the Board of Trustees at this meeting, the conflict or appearance of conflict should be identified at this time.”

CONSENT AGENDA

Approval of Minutes

On motion of Mr. Townsend, seconded by Dr. Clay, the minutes of the regular meeting of May 25-26, 2011, were approved as distributed.

Ratification of Mail Ballots

On motion of Mr. Townsend, seconded by Dr. Clay, the following mail ballot dated June 13, 2011, was approved as distributed:

- Personnel actions, actions conferring tenure, compensation actions, and items for information.

(ATTACHMENT A)

**UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011**

ELECTION OF OFFICERS

Vice Chair Hyde presented the slate of officers to the Board. Ms. Shuping-Russell moved approval of the following slate of officers for the term July 2011 to July 2012. The motion was duly seconded and it carried.

Wade H. Hargrove- Chair
Barbara R. Hyde- Vice Chair
Phillip L. Clay- Secretary
Brenda W. Kirby- Assistant Secretary

CHAIR'S REMARKS

Chair Hargrove expressed his appreciation to the Board and to the confidence they have placed in the current slate of officers. He mentioned the following:

- Difficult economic challenge;
- Exceptional student body;
- Athletic program;
- Chancellor Thorp's leadership- UNC continues its special role as the nation's leading public university;
- Thanked departing trustees; and
- Welcomed Dr. Caudill, Dr. Lerner, and Student Body President Cooper.

[A copy of Chair Hargrove's remarks is located in the Office of the Assistant Secretary.]

COMMITTEE CHAIR APPOINTMENTS

Chair Hargrove announced the following committee chair appointments for the 2011-2012 year. They remain unchanged from last year.

Sallie Shuping-Russell, Chair – Audit and Finance Committee
Phillip L. Clay, Chair – Buildings and Grounds Committee
Alston Gardner, Chair – University Affairs Committee

Chair Hargrove mentioned the following regarding Committee Assignments:

- We'll retain the Audit and Finance and the Buildings and Grounds committees.
- We're restructuring the former University Affairs Committee, which will become the Student Affairs Committee and the Academic Affairs and Personnel Committee.
- The Student Affairs Committee will focus on areas including student activities, student conduct, student services and student government.
- The Academic Affairs and Personnel Committee's areas will include admissions, student financial aid, intercollegiate athletics, and personnel and salary administration.
- With both committees, the intent is to increase the number of informational (not policy-related) agenda items so committee members will have more opportunities to meet and hear presentations from key members of the campus community and to learn about how the University operates.

CHANCELLOR'S REMARKS

Chancellor Thorp mentioned the following:

- **New Trustees.** Welcomed the new trustees to the Board.
- **National recognition – Carolina Watt Busters.** The Environmental Protection Agency Energy Star program recently featured our Carolina Watt Busters in full-page ads appearing in Newsweek, Forbes, Money and Kiplinger's Personal Finance. The winner will be announced November 1.
- **Prospective/Incoming Students.** The University received nearly 24,000 first-year applications -- a sixth consecutive record. The Office of Scholarships and Student Aid

UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011

reports that applications for need-based financial aid this year are almost identical to where they were last year.

- **Faculty Research Funding.** Despite the challenging economy and the expiration of the federal stimulus funding, the high quality of our faculty's research and scholarship continued to attract impressive levels of outside contract and grant support.
- **Fundraising.** For the fiscal year that ended last month, our numbers will be up for both total gifts and commitments. In gifts alone, we estimate a total of about \$277 million, which would be our second-highest ever and up 3.3 percent from the previous year. New commitments came in at \$305.6 million, a 5 percent increase.
- **UNC Health Care.** 5 UNC Health Care specialties were ranked in the recent U.S. News & World Report "Best Hospitals" issue:
 - Ear, Nose & Throat – 20th
 - Gynecology – 30th
 - Pulmonology – 40th
 - Nephrology – 41st
 - Gastroenterology – 44th

Among specialty areas, cancer, urology and geriatrics were designated as "high performing," representing the top 25 percent of hospitals in their specialty nationally. This is the 19th year in a row that multiple specialties at UNC Hospitals have been included in U.S. News list. UNC Hospitals ranked #1 among Triangle hospitals in all 10 categories of the latest Hospital Consumer Assessment of Healthcare Provider Systems survey. We also earned Magnet recognition for our nursing care in late 2010, which places us among the top 6 percent of all U.S. hospitals.

- **Budget Update.** Earlier this month, we received our final cut numbers from General Administration for this fiscal year -- \$100 million, or 17.9 percent. Those are permanent reductions in our state appropriations. Our reduction will be offset by an additional \$20 million transfer of funds from the UNC Health Care System to help the University and the School of Medicine absorb the cuts. (UNC Health Care annually transfers funds to the School of Medicine for mission, academic and clinical support.)
- **Football update.** A lot has happened with the NCAA football investigation since we last met. We've kept you informed throughout the investigation, but receiving the letter of allegations was certainly a key marker in what is now a year-long look at our football program. We're working now to put together our response to the NCAA. That's due on Sept. 19. Then we'll go before the NCAA infractions committee on Oct. 28. New Faculty Chair, Jan Boxill, has agreed to pull together a group of respected faculty members who will help us consider changes or improvements to Carolina's Honor system. Regardless of our situation with football, it just makes good sense to seek ways to improve our commitment to honor and integrity.

STUDENT BODY PRESIDENT'S REMARKS

Ms. Cooper commented on what student government has been doing this summer:

- Working on being more efficient;
- Communication with students- making it more effective and interactive;
- Serving as Co-Chair of the Association of Student Government.

BUILDINGS AND GROUNDS COMMITTEE

Committee Chair, Phillip L. Clay, called on Bruce Runberg, Associate Vice Chancellor for Facilities Planning and Construction to present the following item for action. Mr. Ellison moved approval of the item. Ms. Hyde seconded the motion and it carried.

- **Designer Selection- Manning Substation Addition.** This project increases the capacity and reliability of the campus electric infrastructure with the addition of 3000KVA switchgear

**UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011**

equipment to the existing Manning Drive Substation. The total project budget is \$3.0M and will be funded by Energy Services Receipts. The committee recommended the selection of the three firms in the following priority order:

- | | |
|-------------------------------|-----------------|
| 1. Affiliated Engineers, Inc. | Chapel Hill, NC |
| 2. RMF Engineering, Inc. | Raleigh, NC |
| 3. Jacobs | Cary, NC |

Affiliated Engineers, Inc. was recommended because of the strength of its team and its recent and relevant experience.

(ATTACHMENT B)

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

• **Semi-Annual Report on Capital Improvement Projects.** Bruce Runberg, Associate Vice Chancellor for Facilities Planning and Construction, updated the committee on the capital improvement projects.

(ATTACHMENT C)

• **Semi-Annual Report on Leases.** Gordon Merklein, Executive Director of Real Estate Development, updated the committee on leases.

(ATTACHMENT D)

• **Carolina North Update.** Anna Wu, Director of Facilities Planning, reported on the following:

- Submitting Annual report to Town of Chapel Hill and Town Council. The Army Corp of Engineers permit is in process.
- Draft document for conservation easements is being finalized.
- Received planning authority for Research Building, request for trustees to participate in the designer selection process.

AUDIT AND FINANCE COMMITTEE

• **Annual Audit Certification Letter Process.** Phyllis Petree, Director of Internal Audit, presented the Annual Audit Certification Letter to the committee. This letter satisfies a UNC Board of Governors requirement for the Audit and Finance Committee to certify in writing that they:

- Formally approved the annual internal audit plan (done in September 2010);
- Received at least four reports relative to internal audit matters from the Director of Internal Audit (presentations made in July and September 2009 and January, and May 2010)
- Received and reports with corrective action plans from projects with significant reportable conditions. There were none but Board members receive copies of all internal audit reports;
- Reviewed or discussed results from audits and reviews performed by the North Carolina Office of the State Auditor; and
Reviewed audits and management letters for University Associated Entities.

Ms. Hyde moved approval of the certification letter process. Dr. Clay seconded the motion and it carried.

(ATTACHMENT E)

• **Transfer to the University of the Endowment's Distribution.** Vice Chancellor Mann presented for approval the transfer to the University of the Endowment's Distribution. The

**UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011**

Board of Governors requires that the Trustees approve transfer of Endowment income to the useful possession of the institution. The Board of Trustees of the Endowment Fund has already approved, by mail ballot, the proposed transfer for University expenditure during the 2011-2012 fiscal year.

Ms. Washington moved approval of the transfer. Mr. Hargrove seconded the motion and it carried.

(ATTACHMENT F)

The following items came to the committee for information only (no formal action was requested at that time).

• **Remarks from the Employee Forum Vice Chair.** Marc ter Horst spoke about accomplishments during the 2010-2011 year. He highlighted the following:

- Assisted in the search committee for the Provost;
- Aided housekeepers to voice their concerns to the Administration;
- Supported the UNC System Staff Assembly Food Drive, breaking a Guinness World Record;
- Created a community garden; and
- Partnered with Habitat for Humanity Build a Block campaign.

[A copy of Mr. ter Horst's remarks is located in the Office of the Assistant Secretary.]

• **Budget Update.** Richard Mann and Bruce Carney reported on the status of the budget for FY 2011-2012. Vice Chancellor Mann highlighted total revenues, state appropriations, budget cuts, and additional funding. Provost Carney highlighted faculty retention fights and peer comparison statistics.

Committee Chair Shuping-Russell made the following statement for the record:

Last Saturday, the WSJ columnist Jason Zweig discussed what is going on in Washington not as a "Black Swan" event, but rather a "Neon Swan" event. As you know, a Black Swan event is one that is "very rare, unpredictable in advance as they are inevitable in hindsight." A Neon Swan, Zweig asserts, is an event "that is unthinkably rare, immensely important, and blindingly obvious." What we have in the state of NC regarding its support of higher education is a Neon Swan event.

Over the past 2 years -- and excluding this coming year's budget -- UNC-CH has forfeited \$100mm in recurring revenues. Let me repeat that: \$100mm in recurring revenue that won't come back. It's like compound interest. If your base drops, it has to make up more than the loss to get back to where you were.

This cannot continue if we are to preserve the intent of the State's forefathers who had the vision to insist that the people of NC have access to a quality college education. Unless we want "quality" higher education to be something only the wealthy can afford, this state has to return to its historic, strong tradition of preparing its citizens to lead tomorrow by having one of the best higher education opportunities in America.

This is a Neon Swan moment. It's blindingly obvious. We must all continue to send that message to Raleigh so that the State of North Carolina can continue its historic leadership to sustain public higher education. We have to stay engaged and involved with our legislators and we must continue to do our best to educate tomorrow's leaders for the State of NC, the nation and the world.

UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011

A copy of the PowerPoint presentation is located at: <http://www.unc.edu/depts/trustees/>
 A copy of the presentation is also filed in the Office of the Assistant Secretary.

• **Development Report.** Matt Kupec, Vice Chancellor for University Advancement, provided an update on Development. His report included the following highlights:

• FY11 Final Report

	<u>6/30/11</u>	<u>6/30/10</u>	<u>% change</u>
○ Gifts Received	\$277,024,332	\$268,128,131	3%
○ Donors	76,147	73,253	4%
○ Total committed (new cash & pledges)	\$305,564,778	\$292,018,636	5%

• NOTES

○ \$280,488,199 proposals in the pipeline.

A copy of the PowerPoint presentation is located at: <http://www.unc.edu/depts/trustees/>
 A copy of the presentation is also filed in the Office of the Assistant Secretary.

UNIVERSITY AFFAIRS COMMITTEE

The following items were presented to the committee for information only (no formal action was requested at that time).

• **Chair's Comments-** Mr. Gardner commented that we are keenly aware of the competition for jobs, and every economist will tell you that the one factor that determines success is a commitment to education. He also spoke about the reorganization of committee for upcoming meetings. Currently, there no governance responsibilities for the UA Committee, and we have been reactive in our activities. In order to change that, we need to sharpen our focus and become more strategic and proactive in our approach. We would like to split the student affairs from the faculty affairs and move forward separately. Chair Gardner asked the trustees for their input within 5 days to discuss how to restructure the committee most effectively.

• **Provost Remarks-** Bruce Carney reported on the following:

- Dean of Journalism search is near closure.
- *Peers-* We will soon submit to UNC General Administration an analysis of our current public and private peers, with a recommendation to replace one from each class. Discussions with GA should follow shortly thereafter. This is a necessary first step to evaluating our relative salaries, retention and graduation rates, and tuition levels.
- *Budget issues-* Our total budget cut for 2011-2012 was \$100.7M. Thanks to a one-time allocation from the Health Care System of \$20M, we did not have to cut the full amount for the year, but we face a \$20M shortfall for 2012-2013 if the state appropriation remains constant. The State did appropriate significant funds for Repair and Renovation, which would provide \$11M to offset our most critical needs. However, those funds are being held back.
- *Accreditation-* UNC is accredited by SACS, the Southern Association of Colleges and Schools. Our ten-year full review took place almost five years ago, and a mid-term review is scheduled for this academic year. A team has been formed and will deliver the report to SACS in March.
- *Academic Plan-* I have reconstituted the Academic Plan Steering Committee, retaining some of the original members and adding some new people, including two new co-chairs. They are Alice Ammerman from the School of Public Health,

**UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011**

and Regina Carelli from the College of Arts and Sciences. I will meet with the committee to help assess the short-term priorities of the Plan and enact some of its recommendations, despite the budget problems.

MOTION TO CONVENE IN CLOSED SESSION

On motion of Secretary Clay, and seconded by Ms. Shuping-Russell, 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 AUDIT & FINANCE COMMITTEE

Report of the Naming Committee

Matt Kupec presented naming recommendations to Committee of the Whole.

Ms. Shuping-Russell moved approval of the naming report and it carried. [A copy of the Report of the Naming Committee is filed in the Office of the Assistant Secretary.]

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, presented the personnel and salary approvals dated July 18, 2011, for the Board's consideration. The actions will be voted on in open session.
(ATTACHMENTS G-H-I-J)

LEGAL ADVICE

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

EXECUTIVE CLOSED SESSION

Chair Hargrove convened the Board in Executive Closed Session to discuss personnel and legal matters.

DEEP EXECUTIVE CLOSED SESSION

Chair Hargrove convened the Board in Deep Executive Closed Session to discuss further personnel and legal matters.

RECONVENE MEETING IN OPEN SESSION

Chair Hargrove reconvened the meeting in open session.

OPEN SESSION

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, moved approval by the Board of the following personnel actions dated July 18, 2011, which were discussed earlier in closed session. The motion was duly seconded and it carried.

- Personnel Actions and Actions Conferring Tenure.
(ATTACHMENT G)

- Compensation Actions.
(ATTACHMENT H)

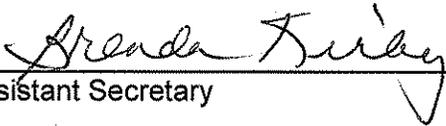
**UNC-Chapel Hill Board of Trustees
Full Board Minutes
July 27, 2011**

- For Information. (ATTACHMENT I)
- Walk-on Item. (ATTACHMENT J)

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

ADJOURNMENT

There being no further business to come before the Board, Chair Hargrove adjourned the meeting at 6:17 p.m.


Assistant Secretary