

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

The Board of Trustees met in regular session on Thursday, July 26, 2012, at The Carolina Inn, Chancellor Ballroom, at 8:02 a.m. Chair Hargrove presided.

ROLL CALL

Assistant Secretary Erin Schuettepelz called the roll and the following members were present:

| | |
|----------------------------|------------------------|
| Wade H. Hargrove, Chair | H. Kel Landis |
| Phillip L. Clay, Secretary | Steven J. Lerner |
| W. Lowry Caudill | Sallie Shuping-Russell |
| Donald Williams Curtis | John L. Townsend III |
| J. Alston Gardner | Felicia A. Washington |
| Peter T. Grauer | Will Leimenstoll |

Barbara R. Hyde, Vice Chair was absent.

Chair Hargrove read 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 24, 2012, were approved as distributed.

Ratification of Mail Ballots

On motion of Mr. Townsend, seconded by Dr. Clay, the following mail ballot dated June 18, 2012, was approved as distributed:

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

(ATTACHMENT A)

ELECTION OF OFFICERS

Trustee Caudill, Chair of the Nominating Committee, presented the slate of officers to the Board and moved approval of the following slate of officers for the term July 2012 to July 2013. The motion was duly seconded and it carried.

Wade H. Hargrove- Chair
Barbara R. Hyde- Vice Chair
Phillip L. Clay- Secretary
Erin Schuettepelz- 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:

- **Launching the 21st Century Initiative.** This week, you have participated in excellent sessions on three important topics: college access and completion, undergraduate

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education models, and how research can help solve the world's problems. We are serious about our desire to ensure that the University can:

- Prepare students adequately for the current economy and world.
- Operate in a cost-effective and efficient manner, building upon the impressive work we've already done with Carolina Counts.
- Continue to build on the remarkable research being conducted by our faculty, and to find more ways to integrate this into our undergraduate curriculum.
- **Joe DeSimone.** Professor DeSimone was appointed director of the Frank Hawkins Kenan Institute of Private Enterprise, part of the Kenan-Flagler Business School. The institute pursues cutting-edge research, educational programs and policy initiatives in entrepreneurship, economic development and global competitiveness. In addition, Joe was selected for induction into the National Academy of Sciences, one of the greatest honors a U.S. scientist can receive. He is the 12th UNC faculty member to be elected to the academy.
- **Subcommittee of the Faculty Executive Committee Report.** Faculty Chair Jan Boxill's reported on African and Afro-American studies yesterday in the Academic Affairs Committee. I appreciate the seriousness evident in the work by Steve Bachenheimer from the School of Medicine; Michael Gerhardt from the School of Law; and Laurie Maffly-Kipp from the Department of Religious Studies.
- **Update on Trustee Efforts to Hire Outside Firm.** We are hiring an outside private firm to assess and validate the new academic controls for independent study courses that the University already has implemented. Trustees Gardner, Caudill and Clay are participating in the firm interviews. This board has invested substantial time and energy in this difficult issue, and the University's work to root out the problems and fix them. It will be very important to glean any additional insights that we can from the outside firm to make sure the new policies and procedures are the best possible.
- **Board of Governors Panel.** President Ross, Chair Peter Hans, Panel Chair Lou Bissette and his colleagues are working on this issue with us. The commitment of the faculty, this board and the Board of Governors demonstrates the resolve we all have to make sure we're doing everything possible to prevent any recurrence.

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

CHANCELLOR'S REMARKS

Chancellor Thorp mentioned the following:

- **21st Century Public University Vision Kickoff.** It's exciting to see the initial building blocks for the initiative coming together. It is critical to engage the University community and other people interested in the University's future when we launch that part of this process in the fall. We will be pushing hard for a high level of participation.
- **International AIDS Conference.** AIDS is a great example of a major focus of research at Carolina that's having a global impact. We have one of the nation's highest-ranked HIV/AIDS programs, with dozens of researchers working toward new prevention strategies, reducing stigma and finding a cure. The University is well represented this week at the International AIDS Conference in Washington, D.C. Our delegation includes all five health affairs schools, as well as the schools of social work and journalism and mass communication, for work conducted in more than 10 countries, including the Dominican Republic, China, Kenya, Malawi and Zambia. Presenters include Professor Mike Cohen, who leads the landmark HIV Prevention Trials Network study named the 2011 Breakthrough of the Year by the journal Science. Key contributors include Professor Charles van der Horst in the medical school.
- **Northside Initiative.** I'm excited to tell you about a new initiative in the Northside community being supported by the Chapel Hill Foundation Real Estate Holdings, the not-for-profit corporation founded by the UNC-Chapel Hill Foundation. Our foundation has

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approved a request to contract with the Center for Community Self-Help in Durham to conduct a study and develop a five-year plan to stabilize the neighborhood. We're excited about working collaboratively with Self-Help, the residents and all interested parties to seek the right balance between owner-occupied housing of all types (affordable, workforce and market) with the rental needs of our students. Through the interests of people like Credit Communications Studies Professor Della Pollack, (also executive director of The Jackson Center for Saving and Making History), we're also interested in showing the University's commitment to cultural and historical preservation.

- **African and Afro-American Studies Update.** Thanks to the trustees for your efforts to retain the outside firm to assess the new academic controls we've put in place. We are grateful to Professors Bachenheimer, Gerhardt and Maffly-Kip and everyone on the Faculty Executive Committee for the hard work of the special subcommittee. I was also pleased with the thoughtful approach taken by the Board of Governors review panel last Friday. We welcome the involvement by people who care about the University. It will only help us make sure we are doing everything possible to prevent this from happening again.
- **State Budget Update.** I want to highlight some key points about the state budget for fiscal 2012-2013 approved last month by the General Assembly:
 - Salary increase- 1.2 percent increase for all staff employees covered under the State Personnel Act. For staff and faculty exempt from the act, we are receiving funding equivalent to a 1.2 percent increase and will have flexibility to administer these increases at the campus level.
 - Campuses also will keep the revenue associated with the tuition increases previously approved by the UNC Board of Governors. Those funds will be particularly helpful to us in addressing need-based financial aid, retaining faculty, restoring courses, and graduate student aid.
 - Repairs and Renovations- we expect to gain about \$2.8 million here from the \$13 million allocated for on UNC campuses.
- **Faculty Research Funding.** Despite the challenging economy and the sunset of the federal stimulus funding, the high quality of our faculty's research and scholarship continues to attract high levels of contract and grant support. We project this year's total number at about \$767 million.
- **Fundraising.** For the fiscal year that ended last month, our numbers are up for both total gifts and commitments. Gifts increased by 4 percent to \$287.4 million, our second-best year ever. New commitments jumped even more – by 8 percent – to \$331.4 million. The other good news is that the number of donors is up over last year by more than 1,000 and now tops the 78,000 mark. We're extremely grateful for our loyal alumni and friends, who do so much to make the University's work possible.
- **Student Aid Website.** We have launched a new website, <http://greatstudents.unc.edu> to help broaden the view that people have of students who receive financial aid.
- **Faculty Retention Report.** Later in today's meeting, you'll hear from Provost Carney about some important progress this year with faculty retention. The report shows that when we have the funds we can be proactive and successful in keeping our best faculty. Keeping and attracting the very best faculty is, in my view, perhaps the most important issue facing the University today.

STUDENT BODY PRESIDENT'S REMARKS

Mr. Leimenstoll commented on what student government has been doing this summer:

- **Money.unc.edu.** A comprehensive financial resources website is expected to launch in January 2013.
- **The UNC Mobile app.** Development is underway.

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- **University Dialogues.** Initiative to increase transparency, collaboration, and communication between students and administrators.

DIGITAL HUMANITIES

Barbara Entwisle, Vice Chancellor for Research, reported that digital humanities is an area of research, teaching, and knowledge creation at the intersection of computing and humanities. The Carolina Digital Humanities Initiative was announced July 10, 2012, and includes a \$1.39 million grant from the Andrew W. Mellon Foundation. It will help the university to create the Carolina Digital Humanities Initiative, a \$5 million effort that will explore the application of cutting-edge digital technologies to humanities research, teaching, graduate training and public engagement. She concluded her report by highlighting Carolina Digital Humanities Initiative Components and Carolina Digital Humanities Initiative Integration and Coordination.

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.

REPORT ON FACULTY RETENTION

Bruce Carney, Executive Vice Chancellor and Provost, gave a brief report on retention success rates, major retentions, and pre-emptive retention measures.

A copy of the PowerPoint presentation is located at: <http://www.unc.edu/depts/trustees/>
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BUILDINGS AND GROUNDS COMMITTEE OF THE WHOLE

Committee Chair, Phillip L. Clay, called on Bruce Runberg, Associate Vice Chancellor for Facilities Services to present the following items for action.

- **Designer Approval- Kenan Stadium Structural Repairs.** Dr. Caudill moved approval to provide exterior repairs to the upper and lower portions of Kenan Stadium on the north and south sides. The repairs include seating areas, concourse, ramps, and stairs. The majority of repairs will focus on concrete cracks and spall repairs along with the interface of steel guardrails to the concrete structure. The advance planning budget is \$100,000 with funding from the Athletic Department. The project budget is \$1.5M and is funded by University funds. The committee recommended the selection of three firms in the following priority order:

1. LHC Structural Engineers Raleigh, NC
2. ATLAS Engineering, Inc. Raleigh, NC
3. SKA Consulting Engineers, Inc. Greensboro, NC

LHC Structural Engineers was recommended because of its recent and relevant experience and strength of its team.

Ms. Shuping-Russell seconded the motion and it carried.
(ATTACHMENT B)

- **Designer Approval- ITS Manning and Franklin, UPS Upgrades.** Dr. Lerner moved approval to increase the uninterrupted power supply (UPS) capacity of the ITS Manning Data Center and protects the assets of the University by providing reliable power. The project budget is \$3.0M and will be funded by University funds. The committee recommended the selection of three firms in the following priority order:

1. Dewberry & Davis, Inc. Raleigh, NC

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| 2. | Affiliated Engineers | Chapel Hill, NC |
| 3. | RDK Engineers | Durham, NC |

Dewberry & Davis, Inc. was recommended because of its recent and relevant experience and strength of its team.

Dr. Caudill seconded the motion and it carried.
(ATTACHMENT C)

• **Approval of Restrictive Covenants- Carolina North Conservation Areas.** Dr. Clay moved approval of the Declaration of Restrictive Covenants, which will place approximately 258 acres of the 947-acre Carolina North property into permanent conservation. The University and the Town of Chapel Hill are parties to a Development Agreement, dated July 1, 2009, governing the development of the Carolina North property. The Board of Trustees approved the Development Agreement on June 25, 2009. The Development Agreement requires this land to be placed into permanent conservation prior to the University beginning construction on the first building at Carolina North. Three separate conservation areas make up the 258 acres: the Crow Branch conservation area, the Bolin Creek East conservation area, and the Bolin Creek West conservation area (*see attached "Map of Carolina North Conservation Areas"*). These three conservation areas have significant ecological attributes, including segments of Bolin Creek and Crow Branch Creek, sections of mature hardwood forest, wetlands, and aquatic and terrestrial habitat.

The mechanism for this type of permanent land conservation required by the State Property Office is the recordation of restrictive covenants following their approval by the necessary governmental bodies. The Declaration of Restrictive Covenants prohibits the construction or placement of any type of buildings, structures or roads in the conservation areas. Other prohibited activities within the conservation areas include the removal of healthy, native trees and shrubs; dumping or landfill activities; land excavation; and other acts detrimental to maintaining the land and water in its natural condition.

The Declaration of Restrictive Covenants permits the land in the conservation areas to be used for a variety of purposes. Permitted activities and land uses within the conservation areas include the following: recreational, research and education activities; sustainable trail maintenance activities; existing uses of the land and existing conditions (as of the July, 1, 2009 effective date of the Development Agreement), and other land uses and activities to the extent not prohibited by the restrictive covenants.

Mr. Hargrove seconded the motion and it carried.
(ATTACHMENT D)

• **Disposition by Land Lease.** Ms. Shuping-Russell moved approval to authorize a ground lease to the Educational Foundation, Inc. for the installation of a new video board along the outfield wall of Boshamer Stadium. The lease will have a rate of one dollar per annum with a maximum term of one year. The video board is an improvement over the existing board's technology and will be approximately eight feet larger laterally. The site encompasses approximately 0.17 acres of land as depicted on the attached map. Access to the leased premises will be granted through the Boshamer parking lot. The project has a total budget of \$750,000, which is fully funded by the Educational Foundation, Inc., and an estimated duration of three weeks. Upon completion of the project, the lease will terminate and the Foundation will convey the improvements to the University by way of gift.

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Mr. Curtis seconded the motion and it carried.
(ATTACHMENT E)

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 Services, updated the committee on the capital improvement projects.

(ATTACHMENT F)

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

(ATTACHMENT G)

- **Addition to the President's House.** Anna Wu, Assistant Vice Chancellor for Facilities Operations, Planning & Design and University Architect, reported that this project provides a 1,900 SF addition to the President's House to better accommodate public functions and to improve accessibility in the house. This project is funded by private gifts to UNC General Administration. The design is presented to the Board of Trustees for information.

(ATTACHMENT H)

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.

BUDGET, FINANCE, & AUDIT COMMITTEE

Ms. Shuping-Russell, Committee Chair moved ratification of the following action items which were previously approved by the committee. The motion was duly seconded and both items carried.

- **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 Budget, Finance, & Audit Committee to certify in writing that they:

- Formally approved the annual internal audit plan (done in September 2011);
- Received at least four reports relative to internal audit matters from the Director of Internal Audit (presentations made in July and September 2011 and January, and May_2012)
- 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

(ATTACHMENT I)

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

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already approved, by mail ballot, the proposed transfer for University expenditure during the 2012-2013 fiscal year.

(ATTACHMENT J)

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.** Dan Barmmer spoke about:
 - Personnel Flexibility
 - Peer recognition awards
 - Community Garden Update[A copy of Mr. Barmmer's remarks is located in the Office of the Assistant Secretary.]

A copy of the PowerPoint presentation is located at: <http://www.unc.edu/depts/trustees/>
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- **Board of Visitor's Update.** Linda Tarrson, BOV Chair, reported that the BOV members from 1956-2009 have given approximately \$20.5 million to the university. The BOV would like to be more active on campus and engaged with the legislature.

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.

- **Budget Update.** Vice Chancellor Gray reported on the status of the budget for FY 2012-2013.
 - This year's budget provides a salary increase of 1.2 %.
 - The campuses will retain the revenue associated with the tuition increases previously approved by the UNC Board of Governors.
 - An increase of \$25.1 million for Need-based Financial Aid was funded from the lottery which is a significant increase for the UNC System.
 - UNC-Chapel Hill received a \$3,116,956 reduction for not meeting the enrollment growth targets due to a variety of factors.
 - Chapel Hill was expected to receive \$12.3 million from the 10-11 fiscal year budget, this amount was reduced to \$10.3 million on June 21, 2012. The final amount approved was \$2,284 million. The reductions were necessary to cover the deficit in the Medicaid budget. Our original R&R list was allocated to several important projects totaling \$12 million.-A reminder that our total deferred maintenance needs are \$645 million.
 - Revenues met projected budget. Expenditures were only 1.3% under budget.
 - Moody's - Assigned Aaa ratings to the University of North Carolina at Chapel Hill.

There was brief discussion and questions about the repair and renovations projects and funding.

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:

| FY 2012 Final Report | 06/30/12 | 06/30/11 | % change |
|-----------------------------|-----------------|-----------------|-----------------|
| New Commitments | \$331,396,829* | \$305,564,778 | 8% |

*Avg. \$27.6M per month

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| Gifts Received | \$287,419,666 | \$277,024,332 | 4% |
| Pipeline- \$193,399,236 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.

ACADEMIC AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, presented the following items for information only (no formal action was requested at that time).

- **Faculty Chair's Comments.** A copy of Professor Boxill's remarks is located in the Office of the Assistant Secretary.

- **New Degree Approvals.** Provost Carney gave us a summary of new degree programs have been approved:

- 1) M.A. in Public Policy
- 2) M.A. and Ph.D. in American Studies
- 3) M.S. in Management
- 4) D.N.P. (received approval to plan the program)

A copy of the PowerPoint presentation is located at: <http://www.unc.edu/depts/trustees/>
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- **Performance Funding Metrics.** Provost Carney reported on the core measures of performance metrics, and highlighted campus-specific measures regarding student success and faculty scholarship, and operational and academic effectiveness. A report will come in November, and it will compare us with our peers.

A copy of the PowerPoint presentation is located at: <http://www.unc.edu/depts/trustees/>
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MOTION TO CONVENE IN CLOSED SESSION

On motion of Secretary Clay, and duly seconded, 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 BUDGET, FINANCE, & AUDIT COMMITTEE

Report of the Naming Committee

Matt Kupec presented naming recommendations which were previously presented to the Budget, Finance & Audit 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. Shuping-Russell moved ratification by the Board of the naming recommendations. The motion carried.

REPORT OF THE ACADEMIC AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, presented the personnel and salary approvals dated July 16, 2012, for the Board's consideration. The actions will be voted on in open session.

(ATTACHMENTS K-L-M-N)

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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 ACADEMIC AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, moved approval by the Board of the following personnel actions dated July 16, 2012, which were discussed earlier in closed session. The motion was duly seconded and it carried.

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

- Compensation Actions.
(ATTACHMENT L)

- For Information.
(ATTACHMENT M)

- Walk-on Item.
(ATTACHMENT N)

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 11:54 p.m.


Assistant Secretary