

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

The Board of Trustees met in regular session on Wednesday, July 27, 2005 at The Carolina Inn, Chancellor Ballroom East, at 5:00 p.m. Chair Williams presided.

OATH OF OFFICE

Willis P. Whichard, Dean of Campbell University's Norman Adrian Wiggins School of Law and Former Associate Justice of the North Carolina Supreme Court, administered the Oath of Office to the following reappointed members of the Board and new Board Member Barbara R. Hyde:

Russell M. Carter
Karol V. Mason
Nelson Schwab III
A. Donald Stallings

ROLL CALL

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

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

Reappointed Member Paul Fulton, Jr. was not present at the time of the roll call. He was administered the Oath of Office later in the meeting by Justice Whichard.

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.

- Construction manager selection of the following three firms in priority order as listed for the comprehensive renovation to Hinton James Residence Hall, including upgrades of the HVAC, lighting, fire protection, electrical systems, revisions to the floor plans and repair of exterior balconies and railings.
 1. Skanska, USA Durham, North Carolina
 2. Centex Durham, North Carolina
 3. Barnhill Raleigh, North Carolina(ATTACHMENT A)
- Site selection for a 1,700 square foot addition to the service station to house offices, storage with three new service bays, and a vehicle wash bay. The site is west of the existing service station within the Giles Horney Complex on Airport Drive.
(ATTACHMENT B)
- Design approval for the Cogeneration Facility Storage Building, constructing a new 12,000 square foot storage building to house an inventory of necessary replacement parts for the Cogeneration Facility. The three-story metal building will be served by a freight elevator and overhead crane.
(ATTACHMENT C)
- Demolition and removal of a storage bunker, which is necessary for the construction of Phases II and III of the Science Complex. The demolition is scheduled to occur in January 2006.
(ATTACHMENT D)

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- Acquisition by lease of approximately 17,864 square feet of office space at a location to be determined for the School of Public Health Horizon Program. The lease is currently under advertisement. The lease term is for a three-year period commencing September 1, 2005, or as soon thereafter as possession is taken at an annual rent not to exceed \$299,222 or \$16.75 per square foot for the initial year, including janitorial service, but excluding utilities. This rate is below market in the private sector. Annual escalation rate would not exceed 2.0% in years two and three.
(ATTACHMENT E)
- Lease of land to the Educational Foundation, Inc. for the construction of the Educational Foundation Office Building and Athletic Complex.
(ATTACHMENT F)

The following Level 3 item was previously presented to the committee. The committee withheld its approval pending further discussion with the members of the Board.

- Design approval for a 31,000 square foot addition to Sitterson Hall for the Department of Computer Sciences plus classrooms in the Science Complex Phase II.
(ATTACHMENT G)

Bruce Runberg, Associate Vice Chancellor for Facilities Planning and Construction, and 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.

There was extensive discussion concerning the design of the cupola on the building. Other possibilities for this feature of the building will be brought back to the committee and the Board for review and approval.

Ms. Mason moved approval by the Board of the above design. Mr. Burnett seconded the motion and it carried.

The following Level 3 items were previously approved by the committee.

- Design approval for the landscape plan for Gerrard Hall, Campus Y, South Building, and the new portico for Gerrard Hall. The project will redevelop the open spaces around South Building, including the South Plaza, Campus Y Court, Gerrard Hall Court, and the small parking area east of South Building. The renovation to Gerrard Hall will restore the original portico on the south elevation.
(ATTACHMENT H)

Mr. Runberg and Ms. Wu presented information to the Board concerning this project.

Mr. Perry moved ratification by the Board of the above design. The motion was duly seconded and carried.

- Purchase of property located at 1303 Mason Farm Road, Chapel Hill, North Carolina for an amount not to exceed \$548,000. The property consists of a three bedroom, two bath house with approximately 2,314 square feet of gross living area on a site of approximately 1.61 acres.
(ATTACHMENT I)

Mr. Runberg presented information to the Board concerning this project.

Mr. Stallings moved ratification by the Board of this property purchase. Mr. Burnett seconded the motion and it carried.

The following two Level 1 items were presented previously to the committee for information only (no formal action was requested at that time):

- Semi-Annual Status of Capital Improvement Projects Report
(ATTACHMENT J)
- Semi-Annual Lease Report
(ATTACHMENT K)

RECESS

Chair Williams recessed the Board meeting at 5:45 p.m.

RECONVENE

Chair Williams reconvened the Board meeting at 8:05 a.m. on Thursday, July 28, 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.

COMPENSATION COMMITTEE

Chair Williams reported that the Compensation Committee met on Wednesday, July 28, to review the performance of senior administrators. No Board action required.

ELECTION OF OFFICERS

Mr. Burnett moved approval of the following slate of officers for the term July 2005 to July 2006. Mr. Ellison seconded the motion and it carried.

Nelson Schwab III – Chair
Jean Almand Kitchin – Vice Chair
Russell M. Carter – Secretary
Brenda W. Kirby – Assistant Secretary

CHAIR WILLIAMS' REMARKS

Chair Williams commented on the good work being done by the Board and the University and expressed his appreciation to the members of the Board for their service.

He then relinquished the chairmanship and gavel to Mr. Schwab.

A round of applause was given to Mr. Williams.

Chair Schwab recognized Mr. Williams for his accomplishments during the past two years as Chair of the Board of Trustees and for his exemplary service on the Board.

Chair Schwab asked Vice Chair Kitchin to read a Resolution of Appreciation for Mr. Williams.

RESOLUTION OF APPRECIATION FOR RICHARD T. "STICK" WILLIAMS

WHEREAS, Stick Williams has served with distinction as Chair of the Board since 2003, listening to everyone and ably directing the Board's decision-making process through his pleasant, inclusive, yet firm leadership style;

WHEREAS, Mr. Williams guided trustees and administrators through a process that identified the top priorities for achieving our vision of being the leading public university, and leaves behind a record of thoughtful, consensus decisions affecting student life, tuition, and faculty retention;

WHEREAS, Mr. Williams, a graduate of Carolina, a member of the Order of the Golden Fleece, and proud parent of two Carolina alumni, always sought the perspective of students in the Board's considerations;

WHEREAS, Mr. Williams has served the University in many roles, and has advanced the goals of the University and the Town of Chapel Hill through his participation in a mayor-chancellor panel that developed the process leading to the town's approval of the University's Development Plan; and **WHEREAS**, his dedication to Carolina has been recognized with the Harvey Beech Award for Outstanding Alumni, and the General Alumni Association's Distinguished Service Medal;

WHEREAS, Mr. Williams was the first African-American Chair of the Board, assuming with style and grace the role of path breaker, a role he has played throughout his life;

WHEREAS, Mr. Williams has served as a member of the Board since 1999, and will continue his service on the Board, pursuing ways to improve educational excellence and the University's commitment to service;

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of The University of North Carolina at Chapel Hill, offers its deepest gratitude to Stick Williams for his quiet, thoughtful leadership and devoted service to his alma mater, and congratulates him on a job well done.

The Board unanimously approved the resolution, followed by a round of applause for Mr. Williams.

CONSENT AGENDA

Approval of Minutes

On motion of Mr. Burnett, seconded by Ms. Kitchin, the minutes of the regular meeting of May 25-26, 2005 were approved as distributed.

Ratification of Mail Ballots

On motion of Mr. Burnett, seconded by Ms. Kitchin, the following mail ballot dated June 15, 2005 was approved as distributed:

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

On motion of Mr. Burnett, seconded by Ms. Kitchin, the following mail ballot dated June 27, 2005 was approved as distributed:

- Intention of Jacquelyn M. Gist to seek re-election to the Carrboro Board of Aldermen and, if elected, to serve as an alderman without obtaining leave from or resigning her University employment.
(ATTACHMENT M)

CHAIR'S REMARKS

Chair Schwab began by thanking the Board for electing him as their Chair for the coming year. He stated it is an opportunity to give back to the University where he received an education for a life time. While a student here, he was involved in many student activities which taught him service to community and to others.

He commented that there is momentum occurring here, such as higher SAT scores and the campus building progress, the success of The Carolina First Campaign, the Measures of Excellence, the Academic Plan, and a Financial Plan.

Chair Schwab stated five areas he would like the Board to pay some attention to in the coming year:

1. Quality of education
2. Faculty retention
3. Research
4. Athletics
5. Focus on funding model

Chair Schwab commented on the legislative session and put forth the following resolution.

We affirm the value of The University of North Carolina System and remain committed to The University of North Carolina at Chapel Hill's role within the system.

In a time of restricted state budget, we applaud efforts by elected officials and the Board of Governors to provide flexible funding alternatives that can help achieve our goals of becoming the nation's top public university.

A transcript of Chair Schwab's remarks is included in Attachment N.

COMMITTEE CHAIR APPOINTMENTS

Chair Schwab announced the following committee chair appointments for the 2005-2006 year.

Rusty Carter, Chair – University Affairs Committee
Roger Perry, Chair – Buildings and Grounds Committee
Karol Mason, Chair – Audit and Finance Committee

CHANCELLOR'S REMARKS

Chancellor Moeser began by thanking Mr. Williams for his service as Board Chair during the past two years. He also affirmed and applauded Chair Schwab's priorities which mesh very well with the Board approved priorities to be addressed later in the meeting. He stated that these are excellent priorities for the University to focus attention on at this time.

The Chancellor recognized the following individuals:

- Margaret Dardess, School of Public Health, and Ken May, School of Dentistry. They have provided excellent leadership as interim deans in their respective schools, working tirelessly to keep things running smoothly during the searches for new deans.
- Brian Kuhlman, assistant professor of Biochemistry and Biophysics, School of Medicine. Professor Kuhlman has been selected as a 2005 W. M. Keck Distinguished Young Scholar in Medical Research. This is an extremely prestigious award—only four awardees nationally are named in each class of scholars, and Brian is the first Keck Young Scholar from Carolina.

The program was established to give the nation's most promising young scientists the resources they need to pursue potentially breakthrough projects in biomedicine. The award will provide \$1 million over the next five years to support Brian's research to develop computer methods for redesigning antibody-like proteins to interact with target proteins, creating novel interactions which will lead to better understanding of diseases such as cancer.

Professor Kuhlman has been recognized with the Searle Scholar Award, a Sloan Research Fellow Award, and the Beckman Young Investigator Award.

- Katrina Coble, chair of the University's Blood Drive Committee. Thanks to Ms. Coble and numerous other campus volunteers, the University recently received an Award of Merit from the American Association of Blood Banks.

Ms. Coble and her colleagues from across campus have been the driving force behind an annual event on campus that has become the largest single-day blood drive on the East Coast.

Over the 17-year history of our drive, nearly 18,000 blood products have been collected, improving the lives of 50,000 people.

- Judy Granberry Sladen, director of Tar Heel Temps, in the Office of Human Resources. Ms. Sladen's work on behalf of the University has resulted in our winning the Governor's Award for Outstanding Employer of 2004 for Excellence in Work Force Development for Orange County.

The award recognizes the great success we have had with Tar Heel Temps, our in-house temporary employment service.

- Jerry Lucido, vice provost for Enrollment Management, and Shirley Ort, associate provost and director of Scholarships and Student Aid. They have been tapped to serve simultaneously in prestigious national leadership positions for the College Board, the non-profit membership association that connects U.S. students to college success and opportunity. They are both chair-elects of their respective membership assembly councils.

Jerry is national chair-elect of the Guidance and Admissions Assembly; Shirley is national chair-elect of the Scholarship Service Assembly.

They will begin their work as assembly chairs in November for a two-year term. In addition, both will serve as members of the College Board's Board of Trustees, starting in September.

These appointments are a significant accomplishment on their own, but the fact that Carolina administrators hold both positions is even more impressive.

- Connie Walker, news director, and Brent Wolfe, news editor, North Carolina Public Radio, WUNC.

In 2005, the station's staff has already received more regional and national awards than the station has won in any previous year. At the recent Public Radio News Directors Conference, WUNC won six awards for national news and talk programs—twice as many as any other U.S. station. WUNC was honored for breaking news, spot news, and best newscast. "The State of Things" won for best call-in program, interview, and commentary.

For the second consecutive year, WUNC won the Overall Excellence Award as part of the regional Edward R. Murrow Awards given by the Radio Television News Directors Association, covering stations in the Southeast; and 11 awards from the association's Carolina affiliate—almost twice as many as any other station.

Chancellor Moeser commented on his recent week in Singapore and Bangkok, where he spent time with other university presidents and chancellors in a roundtable hosted by the National University of Singapore to explore global developments in university research and education. The event was co-sponsored by the Association of American Universities and the Association of Pacific Rim Universities in Singapore and was a great opportunity for the leaders of the world's leading universities to come together to discuss common issues.

The Chancellor stated that he was looking forward to sharing a summary of the University's progress in working toward the seven priorities that were set during the Board's retreat last summer later in the meeting.

He also referred to the campus master plan update that would also be presented later in the meeting. New information about the status of efforts to update the master plan and the ultimate build-out of the campus will be presented. This is important to the future of the University, as well as Carolina North.

The Chancellor commented on the State budget negotiations presently occurring in Raleigh. He stated that the situation is monitored daily and he looks forward to the conclusion of the legislative session.

STUDENT BODY PRESIDENT'S REMARKS

Mr. Dearmin commented on his interaction with each Orientation group that has come through. He has been talking to them about opportunities for involvement outside of the classroom.

He and Adrian Johnston, Student Body Vice President, have been working with State Senators and Legislators to ensure the passage of the Orange County Super Precinct Bill (Senate Bill 98). This bill will allow for citizens of Chapel Hill to vote at any of the 29 precincts in the area on Election Day and will afford students the opportunity to vote with greater ease than they have experienced in the past.

Mr. Dearmin stated that there are two current UNC students running for Chapel Hill Town Council. Much planning has been going into helping turn out the student vote in support of these candidates.

He has been participating in the Strategic Planning process for the Carolina Center for Public Service. Discussions have begun on how to best implement wireless internet access on Franklin Street and plans are under way to see that the Hooker intramural fields are re-turfed.

Mr. Dearmin concluded his remarks with an update on the Aramark dining situation, noting that this is an issue that has been quiet over the summer but will surely return to the surface in the fall.

REPORT OF THE AUDIT AND FINANCE COMMITTEE

Mr. Schwab, Committee Chair, presented the committee's report on the following item, which was previously approved by the committee.

- Approval to transfer from the Endowment to the University the amounts presented for University expenditure during the 2005-2006 fiscal year.
(ATTACHMENT O)

Mr. Schwab moved ratification by the Board of the above item. The motion was duly seconded and carried.

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

- National Developments in Higher Education Finance and Debt by Chris Cowen, Managing Director of Prager, Sealy & Co. LLC, a firm that advises the University in the debt markets and helps with the raising of capital.

Mr. Cowen gave the committee a debt 101 lesson on how rating agencies rate the University. State support, management, undergraduate student demand and tuition, graduate programs and research, financial condition, and capital needs are all factors that go into the rating of the University. He showed how Carolina was positioned in each one of these categories. The report concluded that we're doing very well on each of the items.

Mr. Schwab stated that it was interesting to see how these are all inter-related and how tuition impacts the whole process, and Mr. Cowen's response too that the view of management and how we operate the University on a strong fiscal basis was perhaps the most important attribute in this rating game. That's a tribute to the management team at the University when we receive such high ratings.

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

- Annual Debt Management Report by Brian Smith, Debt Manager, Controller's Office. This is a new position created by Vice Chancellor Nancy Sutfenfield to manage the debt program.

Mr. Smith presented a thorough overview of our specific debt program which has increased from some \$390 million to almost \$600 million today because of a lot of the projects that we're doing on campus. We are very competitive in the marketplace. Interest rates range from 5.7 to a low of 2%.

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

- Assessment of Enterprise-Wide Information Technology Needs by Dan Reed, Vice Chancellor for Information Technology and CIO, and Robyn East, Associate Vice Chancellor for Information Technology and Deputy CIO.

They presented information on Carolina's needs for information technology related to enterprise management. The needs are massive and the costs are yet to be identified. Mr. Schwab stated that the presentation highlighted the steps that they are just beginning to embark on that will be in three parts:

1. Readiness Assessment
2. Requirements Definition
3. Evaluation of Tools

Mr. Schwab stated that this will literally transform this campus. We have software that averages 14 years in age. Some of it is older than the students who are here. There are a variety of programs, most of which do not talk to each other or are not related, so we really have a systems problem that we need to get after. We were very impressed that we have the right team to do this. It's a very big undertaking, but

they made the point several times that they can't do this alone. This is a campus-wide effort that needs to be supported on a campus-wide basis.

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

- Final Year End Review of Fiscal Year 2004-05 Budget by Vice Chancellor Nancy Suttentfield, Finance & Administration. [A copy of the handout material is filed in the Office of the Assistant Secretary.]

Mr. Schwab stated that for the first time in several years, we actually had some funds that we could carry forward. We had \$2.1 million that we carried forward from the previous fiscal year, which is encouraging.

Research totaled \$579 million, compared to \$577 million last year.

The budget that's currently in the legislature was discussed. We're at a critical stage right now; however, things are encouraging. It looks as if we're going to get some kind of a salary increase somewhere in the 2.5% range. There are different proposals in the Senate and the House. It also looks like we might get some funding for repairs and renovations. This could be in the range of \$5-10 million.

- Employee Forum Chair Tommy Griffin reported on the Employee Forum. He talked about the budget process and the impact on salaries for staff, as well as health insurance. There is a health care initiative preliminary model plan that has been put forth as a way to task the different health care programs to get some relief since our health care programs are so expensive. This has been held up in committee and it doesn't look like it's moving too far and he solicited the Board's help in this matter. Mr. Schwab recommended that the Board should push this forward since it will have a huge impact on the University. The increase in health insurance premiums, parking fees, etc. are averaging approximately \$700. Some of the reports out of committees are for a wage increase of \$625, so employees are not staying even. [A copy of the "Improved Health Care Initiative Preliminary Model Plan" is filed in the Office of the Assistant Secretary.]
- Carolina First Campaign Update by Paul Fulton. Mr. Fulton reported that the Campaign total now stands at approximately \$1,509,000,000. The goal is \$1,800,000,000. For fiscal year 2004-05, \$244,845,421 in new campaign commitments were secured. This continues a trend of increased yearly commitments over the past three years. \$192,500,000 in cash was received in fiscal year 05, a new Carolina record.

Carolina was the recipient of the CASE/ID Wealth Fund Raising Excellence Award, which recognizes overall performance of a development operation based on wide-ranging criteria—participation rates, sources of gifts, total dollars raised, impact of big gifts, etc. Carolina is the national leader with eight awards in the last twelve years. No other university—not Harvard, Stanford, Duke, Virginia, etc.—has won as many awards.

24 new professorships were secured in fiscal year 05. 22 professorships are fully funded by the donor and are now in the queue awaiting the state professorship match. This will generate \$5.2 million in matching professorship money to Carolina.

The phone/mail/web program passed the \$5 million mark for the first time ever.

270 proposals of \$100,000,000+ were submitted in fiscal year 05, an average of 23 proposals per month. These proposals totaled \$470,000,000. We currently have 280 proposals in front of donors totaling \$370,000,000. With good development work, we hope to close a majority of the proposals this year.

Two schools/units—the Schools of Medicine and Information & Library Science—successfully passed their respective campaign goals this year. Congratulations to Deans Bill Roper and Jose Marie-Griffith. They join the Schools of Pharmacy, Journalism, and Dentistry as schools that have reached 100% of their goal.

REPORT OF THE CONFLICTS OF INTEREST COMMITTEE

Ms. Karol Mason, Committee Chair, presented the committee's report.

A matter involving Mr. Perry was referred to the Conflicts of Interest Committee. Ms. Mason stated that the committee concluded that there was no real or apparent conflict of interest.

The situation concerned the ownership of property that Mr. Perry's company has owned for the past twenty or so years. The property is the University Inn. The UNC Health System purchased adjacent property to the University Inn within the past twelve months. The Health System is a separate entity from The University of North Carolina at Chapel Hill and was created by the Board of Governors to manage UNC hospitals and the health system.

Ms. Mary Beck from the Health System approached Mr. Perry about joint planning for the future development of their adjacent properties. The Town of Chapel Hill strongly encouraged this joint planning on the future use of these parcels because they constitute a full block.

Ms. Beck is the person from the Health System who will lead any joint planning efforts on behalf of the Health System. Each entity will own its own property. The two properties will not be developed together. The two property owners will coordinate the planning and approval process. There will be no comingling of assets or interests in the respective properties. The Health System plans on hiring independent advisers from time to time to help it in its planning process.

The Health System is governed by a separate board—not the Board of Trustees. The only apparent issue was whether Bill Roper's role as the Vice Chancellor for Medical Affairs and the Dean of the School of Medicine presented potential conflict of interest. Dr. Roper was hired by the Health System and the UNC Board of Governors. His employment agreement is with those two entities, not with the Board of Trustees. The Board of Trustees has no authority to evaluate his performance. The Board of Trustees has no ability to determine whether he is retained or fired, and the Board of Trustees has no influence over his compensation. Those decisions will be made by the Health System Board, and not this Board.

Therefore, the committee concluded that there was no actual or apparent conflict of interest in Mr. Perry and the Health System jointly planning how they develop their respective properties.

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 beginning with the September committee meeting, the committee will have two representatives from each department come to report on the general state of affairs of their respective department, including student enrollment, activities, challenges, and goals. Provost Shelton will coordinate this effort.

- Faculty Chair Judith Wegner reported on The Carolina Center for Public Service's work on methods to involve both students and faculty in public service projects. Their strategic planning process will conclude in September. She reported on her work on the SACS review process on the faculty compliance side. The SACS reaccreditation cycle is every ten years. She has been in meetings with the faculty executive committee at North Carolina State University, along with Provost Shelton. The committee is looking at improvements in spousal hiring and interdisciplinary study.
- Provost Robert Shelton reported on the various senior administrator searches underway at the University. These include the Dean of the School of Law, Dean of the School of Journalism and Mass Communication, Registrar, Director of Morehead Planetarium and Science Center, and an Equal Opportunity/ADA Officer.

Provost Shelton also reported on the Faculty Appointment, Promotion, and Tenure Committee, a committee comprised of twelve faculty members who vote on recommendations on all new appointments, promotions, and tenure actions to the Provost, who then communicates them to the University Affairs Committee in closed session and then to the full Board of Trustees. An important function of the committee is to ensure that candidates' dossiers are well organized and reflect the standards for tenure and appointment that are set forth in each school's policies. The diligence of the committee has led many schools to take an introspective look at their processes. The committee is in its third year.

- Academic Plan – Annual Update on Progress by Provost Shelton. The six priorities of the Academic Plan are:
 - A. Provide the strongest possible academic experience for undergraduate, graduate, and professional students.
 - B. Further integrate interdisciplinary research, education, and public service.
 - C. Improve faculty recruitment, retention, and development.
 - D. Increase diversity among faculty, students, and staff.
 - E. Enhance public engagement.
 - F. Extend Carolina's global presence, research, and teaching.

Provost Shelton commented on some things that are being carefully watched. One is the four-year graduation rates. We saw a decrease in that for the class that entered in 2000 and we're hoping to understand what that means. These numbers fluctuate year in and year out. This one dropped a little more than we are comfortable with so we're examining that and he wanted to let the Board know that this is being monitored carefully.

In contrast to that concern, in the area of diversity, Provost Shelton noted that the first-year retention rate for minority students has skyrocketed to where it is essentially comparable to majority students. In the last couple of years, it has been over 90% and last year it was 97%--the last year for which we have data.

With regard to teaching assistants, Provost Shelton stated that our entire enterprise here—teaching and research—is built certainly on faculty, but also on our ability to get high quality graduate students. To do that, we offer a multi-year package of support, often the first year or two or even three, to the teaching assistants depending on the discipline; and then they will move to a research assistant position that is funded by external funds—the \$579 million funds that Chair Schwab referred to earlier in his comments.

A few years ago, a task force examined how we can better support our teaching assistants and we've been making some progress using campus-based tuition funds to boost the salaries of teaching assistants. The last year we had data, 2003-04, we found that we dropped behind even further. This is of concern as it not only affects the quality of instruction we have for undergraduates, but it also plays into our research program. We're working hard to find ways to support our graduate students.

(ATTACHMENT P)

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

- Basic Sciences Faculty Salary Plan – School of Medicine by Dr. Robert Golden, Vice Dean, School of Medicine. Dr. Golden presented information concerning a proposed new compensation plan for the tenure track basic science faculty in the School of Medicine. The faculty and administration developed a new compensation and incentive plan for basic science tenure track faculty that is designed to reward outstanding achievement in research, teaching, and service. They also wanted to provide greater fiscal security and reduce dependence on outside funding. Also, they want to create a “meritocracy” rather than a system based on time put in.

The plan should provide more incentive for faculty members to be productive. It also includes provisions so that currently productive faculty members can make more if they feel they will continue to be productive.

It is hoped that the plan will be use in the next academic year.

(ATTACHMENT Q)

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

UNIVERSITY PRIORITIES PROGRESS REPORT

Chancellor Moeser presented a detailed update on the priorities the Board agreed to a year ago and how they are being addressed.

A transcript of the Chancellor's remarks is contained in Attachment R.

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

MASTER PLAN UPDATE

Chancellor Moeser stated that in May the concept for Carolina North was presented to the Board and there was discussion concerning plans for developing the property. The Board then authorized the administration to move ahead in working with potential partners and the Town of Chapel Hill.

The Chancellor commented that the 2001 Campus Master Plan has been essential in guiding the unprecedented pace of development on campus since its approval by the Board.

The major issue of surprise, especially for those who were involved in the planning from the very early stages starting back in 1998, is that no one imagined the pace of the build out which has been accelerated not only by the bond issue, but by the run-up of research at this University and the use of overhead receipts from research funds to support additional research construction, as well as the auxiliary funded housing and parking structures that have taken us to such a high level of per cent of completion of that overall plan.

The Master Plan itself has been given a very significant award. The Chancellor showed the Board a plaque from the Society for College and University Planning and the American Institute of Architects representing a Merit Award jointly to the University and to our excellent master planning consultants, Ayers Saint Gross.

The Chancellor stated that not only was the beauty of the plan commended, but the fact that, unlike some universities, we actually are doing it; we're building it, and have done it. The degree of implementation is significant.

Chancellor Moeser stated that as the plan has been re-examined and presented to the Board today, we've asked ourselves a number of questions. We are right now at probably the most critical level of parking on this campus. Because of the construction and the lack of completion of some of the proposed parking decks, the Chancellor stated that he thinks that this year and the next year are the worst it will be and will gradually get better. With the ability to sustain additional construction, to bring people to campus, we ask ourselves this really critical question, "Are we still committed to the concepts of green spaces and pedestrian ease and access that were the fundamentals upon which the plan was built; or do we need to scrap that and really accommodate additional parking and traffic on this campus?"

The Chancellor stated that it was resolutely concluded that those fundamentals are still at the bedrock of this plan. In his view, that is the thing that pushes us close to the edge to say that we're reaching very near the end of the build out of the main campus, which brings the urgency and the necessity of Carolina North even more to the fore.

Chancellor Moeser introduced Bruce Runberg, Associate Vice Chancellor for Facilities Planning.

Mr. Runberg commented that this process was begun in 1998. It has been a team effort with several consultants diligently working with us. He then introduced Luanne Greene, a principal in the firm of Ayers Saint Gross, and George Alexiou of Martin, Alexiou, Bryson, our transportation and traffic consultants.

Ms. Greene gave a slide presentation of a preliminary review of the Campus Master Plan Update.

Mr. Alexiou then gave a slide presentation of the transportation and parking aspects of the plan.

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

Mr. Burnett commented that there are currently only three Trustees still on the Board who were in office in 1999 when the Campus Master Plan workshop was set up in the basement of the Morehead Building. At that time, a series of workshops were held to discuss and view the 2001 Campus Master Plan. No workshops have been held since that time. Therefore, Mr. Burnett suggested that it might be worthwhile for this current Board of Trustees to have an expanded version of today's presentation. He stated that there are some major points in the plan that aren't evident on the surface, such as a surface parking lot vs. an above the ground parking deck vs. a beneath the ground parking deck and the huge financial implications that go well beyond just what it's to look like. The Board needs to understand it better.

Mr. Burnett also stated that the best intentions of the original plan are still there, but what we have found out in the ensuing time is if you went back and tried to implement the original plan, we would not be able to remain true to some of the original intentions because we've found that the location of utility services, the presence of underground rock, and other issues make it clear that we can't do everything as we originally intended. If we did, the cost would be beyond what the original plan was estimated to cost.

Mr. Burnett commented that the ability to utilize Carolina North becomes even more important to us than it was, or we dreamed it would be, in 2001. It serves as a relief valve that enables us to continue to expand this University, which we're committed to, without shoehorning everything into the historical campus which, if we tried to do that, even our growth required in the next decade or two would largely negate what the whole point of this master plan is about and the positive things it's going to create. This makes him conclude that there's more reason than ever to continue pushing to get in a position where we can use Carolina North land and not thwart the growth of the mission of this campus. The better the entire Board understands that process as the historical campus changes from 2001 to 2005, as well as how Carolina North serves us would be felt, would be very helpful for the Board.

Chair Schwab responded that was a good suggestion and it will be planned in the months ahead.

INTRODUCTION

Mr. Perry introduced the new Executive Director of the Chapel Hill Downtown Economic Development Corporation, Ms. Liz Parham, who was recruited from Lexington, North Carolina.

MOTION TO CONVENE IN CLOSED SESSION

On motion of Mr. Carter, and seconded by Mr. Burnett, 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

Dean Roper gave the Board an update on a personnel issue in the School of Medicine.

REPORT OF THE AUDIT & FINANCE COMMITTEE

Report of the Naming Committee

Matt Kupec, Vice Chancellor for University Advancement, presented naming recommendations which were previously presented to the Audit & Finance Committee and approved by the committee.

Mr. Schwab moved ratification by the Board of the naming recommendations. The motion was duly seconded and 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. Carter, Committee Chair, presented the personnel and salary approvals dated July 18, 2005 for the Board's consideration. The actions will be voted on in open session.

(ATTACHMENTS S-T-U-V)

Provost Shelton reported on title changes and the establishment of a senior administrator, Tier II positions under the approval authority granted by management flexibility. [A copy of the report is filed in the Office of the Assistant Secretary.]

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 July 18, 2005, which were discussed earlier in closed session. Mr. Stallings seconded the motion and it carried.

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

Chair Schwab 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 Schwab adjourned the meeting at 12:35 p.m.

Assistant Secretary