

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

The Board of Trustees met in regular session on Wednesday, September 22, 2004 at The Carolina Inn, Chancellors' Ballroom East, at 5:05 p.m. Chairman Williams presided.

ROLL CALL

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

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

The following member was absent from the meeting:

Philip G. Carson

REPORT OF THE BUILDINGS AND GROUNDS COMMITTEE

Mr. Perry, chair of the Buildings and Grounds Committee, requested a motion for ratification by the Board of the following Level 1 items, which were previously approved by the committee. Mr. Schwab made the motion. Mr. Calabria seconded the motion and it carried.

- Designer selection of the following three firms in priority order as listed for the Science Complex Phase II, providing a partial renovation to Kenan Laboratories, an addition to Sitterson Hall for Computer Sciences, and a new building for Chemistry, Marine Sciences, and a combined sciences library:

- | | |
|----------------------|----------------------------|
| 1. Wilson Architects | Boston, Massachusetts |
| 2. Perkins & Will | Atlanta, Georgia |
| 3. O'Brien Atkins | Research Triangle Park, NC |

(ATTACHMENT A)

- Designer selection of the following three firms in priority order as listed for New East and Phillips Hall exterior repairs, providing for the restoration of the stucco exterior, wood and stone trim features of New East, and the stone and masonry exterior of Phillips Hall:

- | | |
|-----------------------------------|-------------------|
| 1. Joseph Opperman, Architect, PA | Winston-Salem, NC |
| 2. Hager Smith Design, PA | Raleigh, NC |
| 3. Lord, Aeck & Sargent | Atlanta, Georgia |

(ATTACHMENT B)

- Designer selection of the following three firms in priority order as listed for Davie Hall and Howell Hall roof replacements, removing the existing metal roofs and replacing them with a new copper roof and repairing any water damage that has been caused by the current roof failure:

- | | |
|----------------------------------|-------------------|
| 1. Rooftop Systems, Inc. | Raleigh, NC |
| 2. David Gall & Tad Furrow | Winston-Salem, NC |
| 3. Stafford Consulting Engineers | Raleigh, NC |

(ATTACHMENT C)

- Designer selection of the following three firms in priority order as listed for the Dental Research Building HVAC system replacement to correct indoor air quality issues and includes asbestos abatement and interior lighting replacement:

- | | |
|--|-----------------|
| 1. Engineered Designs, Inc. | Raleigh, NC |
| 2. Clark-Nexsen Architecture & Engineering | Raleigh, NC |
| 3. Sigma Engineered Solutions, PC | Morrisville, NC |

(ATTACHMENT D)

The University of North Carolina at Chapel Hill
Board of Trustees
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- Designer selection of the following three firms in priority order as listed for the McGavran Greenberg fire sprinkler system, providing an extension of the existing wet pipe sprinkler system in the laboratory portion of the building to the office portion of the building and a replacement of the existing fire alarm system in the building with a new building wide system:
 1. Sigma Engineered Solutions, PC Morrisville, NC
 2. Stanford White Associates Raleigh, NC
 3. Schirmer Engineering Charlotte, NC(ATTACHMENT E)
- Designer selection of the following three firms in priority order as listed for replacing the HVAC system in Carmichael Residence Halls over two summers:
 1. Clark-Nexsen Architecture & Engineering Raleigh, NC
 2. Stanford White Associates Engineering Consultants Raleigh, NC
 3. United Engineering Group, Inc. Raleigh, NC(ATTACHMENT F)
- Construction manager at risk selection of the following three firms in priority order as listed for the Bell Tower Development project, constructing a 200,000 square foot research building for Genome Science, a 1,600 space parking deck, a 25,000 ton chilled water plant, and related site work including a new access road to Manning Drive, pedestrian bridge, utility distribution and stormwater mitigation:
 1. Bovis Lend Lease, Inc./Clancy & Theys Construction Co. in association with H. J. Russell & Co. Raleigh, NC
 2. Centex Construction Co. in association with R. J. Leeper Co. Research Triangle Park, NC
 3. Whiting-Turner Contracting Co. Charlotte, NC(ATTACHMENT G)
- Construction manager at risk selection of the following three firms in priority order as listed for the Student and Academic Services Building, constructing a 97,000 square foot building to consolidate many student support services:
 1. Clancy & Theys Construction Company Raleigh, NC
 2. Skanska USA Building, Inc. Charlotte, NC
 3. R. N. Rouse & Company, Inc. Goldsboro, NC(ATTACHMENT H)
- Design approval for the Morrison Residence Hall exterior railings replacement.
(ATTACHMENT I)

Mr. Perry presented the following two Level 3 items, which were previously approved by the committee:

- Design approval for the Jackson Circle Parking Deck, constructing an 800 car parking deck on the existing Jackson Circle surface parking lot located between New East Drive and Odum Village.
(ATTACHMENT J)

Ms. Anna Wu, Director of Facilities Planning, presented further information concerning this design. A model of the parking deck was also provided.

Mr. Perry moved approval of the ratification of the above Level 3 design approval. Mr. Schwab seconded the motion and it carried.

- Disposition by removal of the following campus buildings in connection with The Arts Common Project:
 1. Abernethy Hall
 2. Evergreen House
 3. Porthole Building
 4. New Swain
 5. West House
 6. Hill Hall, except the Carnegie Library
 7. Hill Hall Annex(ATTACHMENT K)

A handout was distributed summarizing the Arts Common project. [A copy of the summary is filed in the Office of the Assistant Secretary.]

Mr. Perry moved approval of the ratification of the above Level 3 item. Mr. Burnett seconded the motion and it carried.

The following Level 3 preliminary design review items were presented previously to the committee for information only (no formal action was requested at that time):

- Student and Academic Services Building. The project will construct a 97,000 square foot building to consolidate many student and academic support services.
(ATTACHMENT L)

Ms. Wu presented further information concerning this preliminary design. A model of the facility was also provided.

Mr. Runberg introduced Mr. Terry Feravich, Associate Vice President for Finance & University Property Officer, Office of the President, UNC-General Administration. Mr. Feravich has been touring the campus with Mr. Runberg and Mr. MacNaughton observing how operations are run at the Chapel Hill Campus.

- Facilities Services Chilled Water Plant. The project will construct a single story chilled water plant on the Facilities Services site. The plant is 6,000 square feet with cooling towers enclosed by a screen wall located on the roof.
(ATTACHMENT M)

Ms. Wu presented further information concerning this preliminary design.

- Addition to the Electric Distribution Building. The project will provide a 14,700 square foot building to house the administrative offices of the University's Energy Services group. The building will be located east of the existing Electrical Services building adjacent to Airport Drive.
(ATTACHMENT N)

Ms. Wu presented further information concerning this preliminary design.

Mr. Perry reported that the committee also heard an informal update from Mr. Jonathan Howes on the Memorial Garden. A final design will be presented at the November 17 Buildings and Grounds Committee meeting and the Full Board meeting.

Mr. Kevin MacNaughton, Special Assistant for Capital Projects, gave a presentation on the University's \$1.3B Capital Program. The presentation was also going to be presented at the Board of Trustees Finance Committee. A copy of the presentation is located at:

<http://www.unc.edu/depts/trustees/Capital%20Improvement%20Program%20Update.pdf>

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

Mr. Carter asked Mr. Perry about the timeline for the demolition of the various Arts Common buildings and the Chase Cafeteria. Mr. Perry responded that it is approximately 2006 for the Arts Common buildings and March 2005 for the Chase Cafeteria.

Mr. Carter then inquired as to how many of the new buildings in the Arts Common Project are on track to be built. Mr. Perry responded that the Music Building and the parking deck are funded and are on track to begin construction as soon as the final designs are completed.

Mr. Carter asked how the University is measuring the stress quality of undergraduates amid all of the construction. Mr. Runberg responded that in general most everyone has been very considerate of the noise and construction. Extensive effort is given when projects are started, to include pedestrian flow routes, traffic flow, signage, etc. Also, construction management people meet with school representatives when a project is next to a school so there will be a point to go to when there is a concern or problem.

Other campus officials commented that various means are in place to inform and educate the students concerning the ongoing construction on campus.

It was also noted that the construction affects faculty and staff as well as the students.

RECESS

Chairman Williams recessed the Board meeting at 6:00 p.m.

RECONVENE

Chairman Williams reconvened the Board meeting at 8:05 a.m. on Thursday, September 23, 2004 at The Carolina Inn, Chancellors' Ballroom.

ROLL CALL

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

Richard T. Williams, Chairman
Nelson Schwab III, Vice Chairman
Jean Almand Kitchin, Secretary
Timothy B. Burnett
Matthew M. Calabria
Philip G. Carson
Russell M. Carter
John G. B. Ellison, Jr.
Paul Fulton, Jr.
Karol V. Mason
Roger L. Perry, Sr.
A. Donald Stallings
Robert W. Winston

CONSENT AGENDA

Approval of Minutes

On motion of Mr. Burnett, seconded by Ms. Kitchin, the minutes of the regular meeting of July 21-22, 2004 were approved as distributed.

Ratification of Mail Ballots

On motion of Mr. Burnett, seconded by Ms. Kitchin, the following mail ballot dated August 18, 2004 was approved as distributed:

- Personnel changes for information, personnel changes in Academic Affairs, personnel changes in Health Affairs, and tenured appointments and promotions, and appointments of Senior Academic and Administrative Officers
(ATTACHMENT O)

On motion of Mr. Burnett, seconded by Ms. Kitchin, the following mail ballot dated August 19, 2004 was approved as distributed:

- Approval of the following three firms in priority order as listed for the Dental Office Building HVAC replacement, consisting of decommissioning and removing the existing 1960's antiquated Constant Volume air handling system including ductwork, steam, hot water, chilled water and control systems. The design firm will be charged

with designing a new fully ducted variable air flow distribution system with hot water reheat and pneumatic control system that will meet or exceed current standards. A new chilled water distribution system will be integrated as required to support the new air handling equipment.

1. Sigma Engineered Solutions Morrisville, NC
2. Edmondson Engineers, P.A. Durham, NC
3. Sud Associates, P.A. Durham, NC

(ATTACHMENT P)

CHAIRMAN'S REMARKS

Chairman Williams began by reporting on the meeting of the Compensation Committee of the Board of Trustees, which met with Chancellor Moeser following the Full Board meeting on July 22. The committee reviewed senior administrators' performance and compensation. The Board of Trustees created this committee last year at the request of the Chancellor.

Chairman Williams also commented on the following:

- Board of Governors visit to the campus on Thursday, October 7, including a tour of the completed higher education bond referendum projects at 4:15 p.m., followed by a dinner at 6:00 p.m. at the Bioinformatics Building on Mason Farm Road. Professor Terry Magnuson, Director of the Carolina Center for Genome Sciences, will be the speaker at the dinner. Chairman Williams encouraged the Board members to attend the tour and dinner if possible. Further information will be sent to the members of the Board.
- Dedication Ceremony for the Sonja Haynes Stone Center for Black Culture and History on August 21.
- Dedication Ceremony for the School of Government Knapp-Sanders Building on September 10.

CHANCELLOR'S REMARKS

Chancellor Moeser began by recognizing the following members of the Carolina community who were recipients of two categories of major employee awards. The recipients received certificates and monetary awards.

- The Phillip and Ruth Hettleman Prizes for Artistic and Scholarly Achievement by Young Faculty, recognizing scholarly and artistic achievement by junior tenure-track or recently tenured faculty members. The following four recipients were selected for making outstanding contributions to research and teaching:
 1. Matthew Redinbo, Department of Chemistry, College of Arts and Sciences
 2. Nicola Terrenato, Department of Classics, College of Arts and Sciences
 3. Yi Zhang, Department of Biochemistry and Biophysics, School of Medicine
 4. Derek Goldman, Department of Communication Studies, College of Arts and Sciences
- Chancellor's Award for Excellence, which goes to faculty or staff for categories of service including outstanding state government service, innovation, safety/heroism, public service, human relations and other contributions:
 1. Gloria Alston, Facilities Services, Housekeeper
 2. Yuki Aratake, Lecturer, Asian Studies, Japanese Language Program
 3. Barbara Patterson, Binding Specialist, Academic Affairs Library
 4. Charlotte D. Williams, Events Coordinator, Johnston Center for Undergraduate Excellence;
 5. Joel Witherow, Facilities Services, HVAC Technician

Chancellor Moeser distributed a copy of the University Priorities, which were derived from the Board's Retreat held on July 20-21, and are as follows:

1. Strengthen faculty recruitment, retention and development
2. Create the richest possible learning environment for undergraduate, graduate and professional students
3. Invest in centers of excellence in research and creativity
4. Enhance Carolina's engagement with North Carolina and the world
5. Successfully complete campus development plan; begin Carolina North
6. Determine strategies to direct resources to our highest priorities
7. Define Carolina's role as a leader

The Chancellor then commented on the following:

- Priority 1: Strengthen faculty recruitment, retention and development. He referenced Faculty Chair Professor Judith Wegner's comments yesterday to the University Affairs Committee concerning this study, which was conducted by the Office of Institutional Research and commissioned by the faculty leadership. The study seeks to better understand why people decide to stay and build careers in Chapel Hill. The retention rate was reversed this year. University-wide, there were 69 external offers to faculty members; we retained 43 and lost 26 faculty members.
- Priority 6: Determine strategies to direct resources to our highest priorities. The Chancellor stated that he has asked Dan Reed, Vice Chancellor for Information Technology, to lead an intense strategic planning process for information technology for the University—focusing on both academic and administrative computing. This is connected to the academic plan and the five-year financial plan. The costs associated with this key piece of infrastructure could be high.

Vice Chancellor Reed will speak to the Board at a future meeting.

- Priority 2: Create the richest possible learning environment for undergraduate, graduate and professional students. And Priority #6: Determine strategies to direct resources to our highest priorities. The Chancellor commented on the following concerning lowered class size:
 - Most recent *U.S. News & World Report* rankings:
 - (a) A 21-point gain in faculty resources category—our best showing in five years. This category includes class size, the past two years of average faculty compensation and other measures of faculty qualifications.
 - (b) 51% of our course sections enrolled fewer than 20 students in 2003—up from 40% the previous year.
 - (c) Only 12% of course sections enrolled 50 or more students—down from 13% the previous year.
 - (d) Average faculty compensation was up \$1,350 in fall 2001 and fall 2002. Average compensation also rose by \$1,683 in fall 2002 and fall 2003.
 - (e) Success in lowering debt load for students:
 - We were second among publics, ninth overall in an accessibility ranking based on academic quality, net cost of attendance and average student debt.
 - We were sixth among publics for “least debt” and eleventh overall. Our average debt among graduating seniors was just over \$11,500 in 2003—down from \$13,700 in 2000.

The Chancellor concluded his remarks by commenting on the following upcoming events:

- The Chancellor's State of the University Address on Wednesday, September 29, at 3:00 p.m. in the Great Hall, Student Union.

- University Day Ceremony on Tuesday, October 12, at 11:00 a.m. in Hill Hall Auditorium. The guest speaker will be James Johnson, William Rand Kenan, Jr. Distinguished Professor of Management, and Director of the Urban Investment Strategies Center. He is also Co-Director of the Center for Sustainable Enterprise.

Five Distinguished Alumna/Alumnus Awards will be presented at the ceremony.

STUDENT BODY PRESIDENT'S REMARKS

Mr. Calabria commented on the following:

- Tuition Advisory Task Force. The Task Force will have its second meeting this afternoon and will begin brainstorming the demonstrated needs of the University in order for the Task Force to make the best decision it can concerning tuition for the coming year.
- Chancellor's Committee on Student Fees. The committee has received preliminary numbers from various departments. The Student Fee Audit Committee, composed entirely of students, will begin interviewing different department representatives to discuss what their requested increases are for and hash out which fee increases are needed and which ones we can get by without in the coming year. Then, the Student Fee Audit Committee's opinion will be brought to the Chancellor's Committee on Student Fees.
- Student Government Recruitment. There are over 200 positions to be filled in Student Government.
- Student Union Space. Student Government was able to obtain the space previously occupied by the Black Cultural Center group. The Student Organization Resource Center has been created and occupies this space. New computer labs are being set up in the center, an information center is being set up where students and student organizations can get more information on how to start an organization so they can apply for funding for various projects. It is hoped to eventually be able to give students access to a fax machine and copying facilities so that anything to facilitate what a student is doing on campus can be done at one location.
- WXYC Radio Show. Mr. Calabria and Charlie Anderson have a radio show called "Chew the Fat with Charlie and Matt". Guests will come on the show and discuss various issues that are important to the University as a whole.
- Reform of the Student Code, a document that governs Student Government and the actions of students.
- 2 Platform items:
 - (1) Financial support for sport clubs and intramural teams on campus. The groups have increased in size, but their funding hasn't matched their growth.
 - (2) Music downloading. Student Government is working with the Office of the President to fund a study in the spring semester whereby every student on campus (everyone living in a dorm) would get an entire semester's worth of free file sharing service. This is a big step forward because it brings students closer to having a system in place whereby they can legally download files and music.

REPORT OF THE FINANCE COMMITTEE

Mr. Schwab, chair of the Finance Committee, presented the following report of the special meeting of the Finance Committee held on September 7, 2004.

Continuation of Provost Follow-up to Committee Questions

Provost Robert Shelton provided an overview of the state operating budgets of the units, excluding receipt activities and expenditures controlled centrally, such as fringe benefits, student aid, and utilities. Because budget reductions from the state were much smaller in Fiscal Year 04-05 than in recent years, it was impractical to allocate different cuts between the schools. Academic Affairs schools received a 1.4% cut, Health Affairs 1.9% cut, and Administrative Units just under a 2.0% reduction. Items exempted from the cuts, such as fringe benefits, student aid, and utilities, caused the differentials between Academic and Health Affairs.

The Provost then explained how the funds generated by the campus-based tuition increase were allocated to provide financial aid to students affected by the increase (\$5.5 million), to increase teaching assistant salaries (\$625,000), and to increase faculty salaries (\$5.7 million). The faculty salary dollars were distributed to the schools based on how far each respective school is from its peer group. Each peer group is a result of negotiations between the Provost and each Dean.

Tuition Process

Provost Shelton provided the committee with a copy of the letter he recently mailed to the Tuition Advisory Task Force to initiate the tuition process for the coming year. He gave an overview of the philosophy adopted by the Board last year, the Task Force's roles and responsibilities, data provided to the committee for its use during deliberations, and the timetable for the committee to provide a recommendation to the Administration (November 2004) and the Administration to the Board (initial presentation to be made at the Board's November meeting, and the final presentation to be made to the Board at its meeting in January 2005).

Planning Environment

Vice Chancellor Nancy Suttentfield, Finance and Administration, provided the committee with several charts which showed that while the State provides generous support, this support has become an even smaller portion of our total funding for compensation, goods and services, and capital improvements. State appropriations continued to decline as a per cent of our total operating revenues to 21% last year. However, the State's rules and regulations apply to all fund sources and often hinder Carolina from being as efficient as it could otherwise be. The committee asked Vice Chancellor Suttentfield to provide, at a future committee meeting, specific examples of inefficiencies in various business practices that are regulated at the State level.

The committee then revisited the Five-Year Plan. After a healthy discussion, there was a general agreement that three actions need to take place:

1. The plan should be modified to include costs of competitive fringe benefits and technology needs.
2. The committee needs to make a final review to ensure it feels comfortable with the assumptions currently in the plan for State appropriation, tuition, fundraising and the endowment performance.
3. The committee needs to spend time identifying specific actions that should be taken to achieve the priority initiatives identified in the plan (translate the Five-Year Plan into an action plan).

Mr. Schwab then presented the committee's report on the following items, which were approved by the committee at its meeting on September 22.

- A Resolution approving the issuance of special obligation bonds for self-liquidating capital projects listed in Exhibit A of the Resolution. North Carolina General Statutes require the Board of Trustees to approve the issuance of the bonds for its special obligation bond projects.
(ATTACHMENT Q)
- Transfer of part of the gift of Mrs. Lois T. Harris from the Endowment Fund to the University to be used for important University needs, including the following:
 - (a) \$150,000 for electrical and other repairs to the Bell Tower
 - (b) \$25,000 to the new Employee Emergency Loan Program
 - (c) \$625,000 for the Campus Y renovation;

\$200,000 will remain in the Endowment to be used for a scholarship program for children of University employee.

The Board of Trustees of the Endowment Fund approved this transfer.
(ATTACHMENT R)

- Internal Audit Charter, which has been updated to reflect changes in the reporting relationship of the Internal Audit Department and in the required distribution of internal audit reports. The Charter provides for independence of the Internal Audit Department, guarantees Audit's access to records and information, and defines the major responsibilities of the Audit Department.
(ATTACHMENT S)
- Pooled Income Fund Changes Resolution
(ATTACHMENT T)

Mr. Schwab moved ratification by the Board of the above items. 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).

- Metrics of Financial Performance.

Vice Chancellor Nancy Suttentfield, Finance and Administration, and Dennis Press, University Controller, presented information on seven metrics beyond those identified in the Board approved *Measures of Excellence* that the University will use to measure financial performance were presented to the committee. The metrics provide a high level assessment of the University's financial condition, identify variances to note financial strengths or to address issues of concern, and document accumulation of resources to enable allocation of resources to achieve mission needs. The University's audited financial statements, using modified reporting standards implemented in Fiscal Year 2001-2002, were the primary source for the data. The results for the most recent three fiscal years were presented (Fiscal Year 2003-2004 was preliminary with the State audit in process). Overall, the ratios indicate an improved financial position, with the planned temporary decline in two ratios due to the major capital construction program and its related debt.

A copy of the presentation is located at:

<http://www.unc.edu/depts/trustees/Metrics%20of%20Financial%20Performance.pdf>

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

- Update on Capital Improvement Program.

Kevin MacNaughton, Special Assistant for Capital Projects, Facilities Planning & Construction, gave a presentation on the status of the capital projects completed, under construction, and in design. The total Capital Program now stands at \$1.3 billion. Twenty-four projects, with a total cost of \$270 million, have been completed within budget and on schedule. Several projects have recently been completed, including the Old Dental School Renovation and the Stone Center. Thirty projects, with a cost of \$546 million, are under construction, and another 53 projects, with an estimated cost of \$482 million, are under design. July's cash flow rebounded as expected, and the current program expenditures match projections, an indication that the program is on schedule. Projects entering the construction stage this summer exceeded \$175 million.

A copy of the presentation is located at:

<http://www.unc.edu/depts/trustees/Capital%20Improvement%20Program%20Update.pdf>

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

- Trademark Licensing Report.
(ATTACHMENT U)

Derek Lochbaum, the new Director of Trademarks & Licensing, presented a report on the net licensing royalties and investment proceeds for the Fiscal Year ending June 30, 2004. The last fiscal year was ranked as the second best in the program's history. The net revenue for Fiscal Year 2003-2004 was \$3,608,492—down approximately \$71,600, or 2% from Fiscal Year 2002-2003, which ranked as the best in program history. After payment of operational expenses, \$3,473,032 was available for distribution: \$2,604,774 to general scholarships and \$868,258 to Athletics.

The University continued its reign as the Collegiate Licensing Company's strongest performer, finishing the year ranked #1 for the fourth consecutive year. UNC was followed by Michigan, Texas, Notre Dame, and LSU in the consortium. UNC royalties earned this year represent retail sales of approximately \$90 million. While this is a measure of success, sales trended downward from the prior year because approximately 80% of UNC's royalties come from the sale of apparel. Fashions tend to be short lived, so UNC could feel the effect as select apparel lines begin to slow. However, Mr. Lochbaum is committed to working with its partners to seek additional opportunities to increase revenues in the future.

A copy of the presentation is located at:

<http://www.unc.edu/depts/trustees/Trademark%20Licensing%20Report.pdf>

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

- Internal Audit Report.
(ATTACHMENT V)

Phyllis Petree, Director of Internal Audit, presented a summary of audit projects completed and in process for the period May 1, 2004 to August 20, 2004. Also presented were an update of the report on the Use of Audit Resources for the periods July 1, 2003 to June 30, 2004 and July 1, 2004 to August 20, 2004, and an update of the Audit Plan for the new Fiscal Year 2004-05, including both routine audits and special projects completed, in process, or scheduled.

As projected at the May 2004 meeting, the number and complexity of special projects affected our ability to complete all projects in the 2003/04 audit schedule. We carried three projects forward to Fiscal Year 2004/05 and transferred one project (UNC-FM Radio, an area that has an annual outside audit) to the low risk audit pool. These carried forward projects are scheduled for second quarter 2004/05.

A copy of the "Use of Audit Resources" data is located at:

<http://www.unc.edu/depts/trustees/Internal%20Audit%20Report.pdf>

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

- Remarks from Employee Forum Chair Tommy Griffin concerning raises for SPA and EPA staff in 2005-2006 and health insurance.
- Carolina First Campaign Update by Paul Fulton. Mr. Fulton reported that the Campaign total stands at a little over \$1,313,339. There have been \$40.2 million in new commitments since the July Board meeting. Proposal activity continues to be aggressive with 14 proposals of \$100K+ totaling \$11,817,481 in July, and 22 proposals of \$100K+ totaling \$19,366,000 in August. There are 162 proposals pending, totaling \$175,997,874.

The Campaign's impact is as follows:

- Endowment----\$579M committed and \$244M in gifts received.
- Faculty Support----127 professorships secured; \$212M in direct commitments to support faculty; and \$7.3M from state distinguished professorship trust fund to match 25 professorships.

[A copy of the report is filed in the Office of the Assistant Secretary.]

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Carter, chair of the University Affairs Committee, 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).

- Chancellor Moeser announced that the compliance review by the Office for Civil Rights in the U.S. Department of Education found that the University acted appropriately in the case of a lecturer in the Department of English.
- Provost Remarks by Robert Shelton.

For the first time in quite awhile, all five Vice Chancellor positions are filled.

There are several Dean searches under way.

Dr. Jerry Lucido will serve under a new title, Vice Provost for Admissions and Enrollment Management, and will assume lead responsibility on a full-time basis in matters concerning policies that affect student enrollment and retention issues.

Stephen Farmer, who has been Senior Associate Director of Undergraduate Admissions, has been appointed Assistant Provost and Director of Undergraduate Admissions.

The Tuition Advisory Task Force has been formed, co-chaired by Provost Shelton and Matthew Calabria, and consists of students, faculty, and administrators. The first meeting was held on September 9 at which time the charge was read. A report will be presented to the Board at its November meeting.

Ten new distinguished professorships have been named from endowed funds.

- Olympic Sports at Carolina by Richard Baddour, Director of Athletics.

Beth Miller, Senior Associate Athletic Director for Olympic Sports, presented an overview in the area of Olympic sports. She commented on the various challenges in this area. The primary challenge is financial relating to coaches' salaries and the funding for recruiting and travel activities, as well as facilities. Another challenge relates to Title IX.

Mr. Baddour commented on Carolina Dreams, a new project initiated by David Werry, a men's lacrosse player at the University. The Tar Heel softball team will be the first to participate in the program by hosting ten children who have been patients at the North Carolina Children's Hospital on Saturday, September 25, at the football game.

Mr. Baddour commented that research is continuing as to the type of signage that would be appropriate or acceptable to our various issues.

In response to a question concerning the Olympics, Mr. Baddour stated that the University was represented by 15 athletes.

Elmar Bolovich, Men's Soccer Coach, commented on the men's soccer program.

- Report of the Task Force on Suicide Prevention by Winston Crisp, Task Force Chair.

(ATTACHMENT W)

The Task Force made five recommendations to the Vice Chancellor for Student Affairs for consideration:

1. Create a working committee of people on campus responsible for providing for mental health, and who understand issues of access, training, and mental health financing. The committee should meet periodically to review practices, policy and procedures, discuss common issues and share information and experience. The committee might also be charged with creating a comprehensive campus-wide program for education and outreach.
 2. Develop better methods of screening for depression and other mental health issues among students so that we can better identify and define the scope of mental health service needs for the campus.
 3. Provide resources for CAPS (Counseling and Psychological Service) to develop the ability to better follow students who have been referred for outside therapy so as to ensure that students are receiving adequate care. This may include ensuring that CAPS has quick and sufficient access to student health insurance information.
 4. Examine the question of health insurance and mental health coverage to ensure that students are readily able to access adequate care when referred off campus or for inpatient hospitalization.
 5. Survey the University community (faculty, staff, students, and perhaps parents) to get a more clear sense of what mental health services the community expects to have provided.
- Update on Greek “Rush” for fall 2004 by Jay Anhorn, Director of Greek Affairs.

Mr. Anhorn reported that participation in Rush was up this year and that the new Code of Conduct has been endorsed across the Greek Community.

- Diversity at Carolina by Dr. Archie Ervin, Assistant to the Chancellor and Director for Minority Affairs.

Dr. Ervin stated that in order to assess the University's diversity achievements, we need a shared understanding of “diversity”; a vision for diversity at Carolina; a plan for continuing the realization of our vision; and a periodic assessment of our progress.

A diversity assessment is in process and is currently in Phase 2. There are three phases to the assessment with the third phase ending June 2005, at which time the Task Force will develop a report to the Chancellor including an overview of the state of diversity at Carolina and recommendations to enhance our diversity goals.

A copy of the presentation is located at:

<http://www.unc.edu/depts/trustees/Diversity%20at%20Carolina%20Presentation%20on%20September%2022,%202004.pdf>

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

- Update on the Faculty Retention Study by Professor Judith Wegner, Chair of the Faculty.

A copy of the presentation is located at:

<http://www.unc.edu/depts/trustees/Faculty%20Retention%20Survey%20Update.pdf>

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

ELECTION OF MEMBERS OF THE BOARD OF TRUSTEES OF THE ENDOWMENT FUND OF THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Mr. Schwab moved approval of the following elections:

- Clay Hamner to fill the vacancy created by the expiration of the second term of Sallie Shuping Russell. Mr. Hamner's term will expire in 2007.
- John Townsend re-elected to a second term, which will expire in 2007.

Mr. Burnett seconded the motion and it carried.
(ATTACHMENT X)

Ms. Mason suggested that a focus should be made on gender diversity on the Endowment Board in the future.

ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL FOUNDATION, INC.

Mr. Burnett moved approval of the following elections:

- Clay Hamner to fill the vacancy created by the expiration of the term of Sallie Shuping Russell. Mr. Hamner's term will expire in 2007.
- John Townsend re-elected and the term will expire in 2007.

Mr. Schwab seconded the motion and it carried.
(ATTACHMENT Y)

2004-05 ACC GOVERNING BOARD CERTIFICATION FORM

Leslie Chambers Strohm, General Counsel, presented information and responded to questions from the Board concerning the form, which is required to be completed annually by the Chair of the Governing Board in order for a member institution to enter a team or individual competitors in an ACC Championship as indicated in Article XIII-2 of the ACC Bylaws.

Mr. Fulton moved approval of the 2004-05 ACC Governing Board Certification Form. Mr. Schwab seconded the motion and it carried. In signing the form, Chairman Williams attested the following:

1. Responsibility for the administration of the athletics program has been delegated to the Chief Executive Officer of the Institution.
2. The Chief Executive Officer has the mandate and support of the board to operate a program of integrity in full compliance with NCAA, ACC and all other relevant rules and regulations.
3. The Chief Executive Officer, in consultation with the Faculty Representative and the Director of Athletics, determines how the institutional vote shall be cast on issues of athletic policy presently to the NCAA and the ACC.

(ATTACHMENT Z)

ANNUAL UPDATE: ENROLLMENT MANAGEMENT, UNDERGRADUATE ADMISSIONS, AND SCHOLARSHIPS & STUDENT AID

Jerome A. Lucido, Vice Provost for Admissions and Enrollment Management, presented an overview of Enrollment Management, which manages Undergraduate Admissions, Scholarships & Student Aid, and the University Registrar. Enrollment Management is responsible for Enrollment Policy and Planning, which includes the Enrollment Policy Advisory Committee, principles of growth, enrollment goals, campus-wide coordination, revenue modeling, and student retention study.

Stephen Farmer, Assistant Provost and Director of Undergraduate Admissions, reported on the Class of 2008—19,053 applications were received; 6,736 (35.4%) were admitted; and 3,589 (53.3%) were enrolled at the University.

Shirley A. Ort, Associate Provost and Director of Scholarships & Student Aid, reported on how financially aided dependent undergraduates pay for college at Carolina. In summary, Ms. Ort stated the following:

- Carolina meets the full documented need of undergraduate students.
- Aid offers are comprised of two-thirds grants, and one-third loan and work.
- Students who do not qualify for need-based aid borrow low-interest loans.
- Need-based grants and merit scholarships protect access for low-income students.
- Low-interest loans and merit scholarships support access for upper income students.

A copy of each presentation is located at:

<http://www.unc.edu/depts/trustees/Annual%20Update%20on%20Undergraduate%20Admissions%20and%20Scholarships%20&%20Student%20Aid.pdf>

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

Provost Shelton introduced a new member of the Office of the Provost. Carol P. Tresolini, the new Associate Provost for Academic Initiatives.

THE SOUTHERN ASSOCIATION OF COLLEGES & SCHOOLS (SACS) RE-ACCREDITATION PROCESS: OPPORTUNITIES TO ENHANCE QUALITY AT CAROLINA

Lynn Williford, Director of the Office of Institutional Research, presented an overview of the re-accreditation process.

- There is a ten-year accrediting cycle.
- SACS accredits the entire institution, not individual programs.
- The process involves about two years of preparation by all areas of the campus.
- Campus reports are due to SACS in fall 2005.
- A visiting team will come to campus in March 2006.

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

Ms. Williford introduced Dr. Peter Ewell, Vice President of the National Center for Higher Education Management Systems (NCHEMS), a research and development center founded to improve the management effectiveness of colleges and universities.

Dr. Ewell informed the Board concerning the changes in the accreditation process. There are two very different reasons for these changes: (1) a new emphasis in accountability that has swept higher education, and (2) the initiating of a Quality Enhancement Plan.

Chairman Williams reminded the Board members that at the November Board meeting the nominees for the Distinguished Alumna/Alumnus Awards will be presented for approval by the Board. The Faculty Secretary has sent a letter requesting nominations and Chairman Williams asked the Board members to respond to the request for nominations.

Chairman Williams also reminded the Board members to be considering an Honorary Degree nominee.

MOTION TO CONVENE IN CLOSED SESSION

On motion of Ms. Kitchin, and seconded by Mr. Schwab, 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) (3), (5), and (6).

CLOSED SESSION

LEGAL ADVICE

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

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Carter, chair of the University Affairs Committee, presented faculty appointments and salary approvals dated September 13, 2004 for the Board's consideration. The actions will be voted on in open session.

(ATTACHMENTS A-1, B-1, C-1, D-1)

DEEP EXECUTIVE CLOSED SESSION

Chairman Williams convened the Board in Deep Executive Closed Session to discuss a personnel matter.

RECONVENE MEETING IN OPEN SESSION

Chairman Williams reconvened the Board in open session.

OPEN SESSION

UNIVERSITY AFFAIRS COMMITTEE

Mr. Carter, chair of the University Affairs Committee, moved approval by the Board of the following personnel actions dated September 13, 2004 which were discussed earlier in closed session. The motion was duly seconded and carried.

- Personnel changes in Health Affairs
(ATTACHMENT A-1)
- Promotions Conferring Tenure
(ATTACHMENT B-1)
- New Appointment
(ATTACHMENT C-1)
- The personnel changes for information did not require action by the Board.
(ATTACHMENT D-1)

Chairman Williams 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, Ms. Mason moved to adjourn the meeting at 1:45 p.m. Mr. Stallings seconded the motion and it carried.

Assistant Secretary