

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

The Board of Trustees met in regular session on Thursday, September 27, 2012, at The Carolina Inn, Chancellor's Ballroom, at 8:00 a.m. Chair Hargrove presided.

ROLL CALL

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

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

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. Grauer seconded by Ms. Hyde, the minutes of the regular meeting of July 26, 2012, were approved as distributed.

Ratification of Mail Ballots

On motion of Ms. Hyde, seconded by Dr. Clay, the following mail ballot dated August 13, 2012, was approved as distributed:

- Personnel actions, actions conferring tenure, compensation actions, and items for information.
(ATTACHMENT A)

CHAIR'S REMARKS

Chair Hargrove reported on:

- **Chancellor Thorp's Announcement.** Thank you to the trustees for their thoughtful work last week as we grappled with Chancellor Thorp's decision to leave his position next year, June 30, 2013. I'm pleased that the campus and local community came together so emphatically to show their support and appreciation for Chancellor Thorp.
- **Chancellor Search Committee.** This board has a critical responsibility to launch a national search to identify the most qualified person to lead the University. We have finalized a 21-member search committee, which I will chair with the assistance of Trustees Barbara Hyde and Felicia Washington as vice chairs of the search committee. Our objective will be to attract the very best candidates possible and determine a slate of finalists to suggest to the full board and, ultimately, to President Ross for consideration by the Board of Governors. We will keep the campus community and public informed about the search process through a soon-to-be-launched website, chancellorsearch.unc.edu.

CHANCELLOR'S REMARKS

Chancellor Thorp spoke about the following:

- **Thank You.** Thank you to the board, students, faculty, staff, the community and our alumni for your overwhelming and humbling support. I also deeply appreciate the support of President Tom Ross and the Board of Governors throughout these recent months. For the next nine months, I will do everything needed to make Carolina an even greater University. I am still very committed to access to higher education, access to health care, and creating and disseminating knowledge that satisfies human curiosity and enables citizenship, equity and prosperity.
- **Julia Grumbles.** Julia Sprunt Grumbles, a former executive at Turner Broadcasting in Atlanta, has been appointed as our interim vice chancellor for advancement. She starts work next week. Julia is a devoted, engaged alumna who has made important contributions to our fundraising efforts as a volunteer, especially with the Women's Leadership Council. She will provide excellent guidance and support to a talented development staff that has been so successful in advancing the University's mission.
- **Hunter Rawlings.** It is a great honor for us to welcome Hunter Rawlings, president of the American Association of Universities, here today for his lecture about research universities and the future of public higher education. I want to encourage everyone here to join us at noon in Gerrard Hall. This is a rare opportunity to hear from one of America's best spokespersons for higher education. Not only does Hunter lead one of the most prestigious higher education organizations, but he has been a college president (Cornell and Iowa), an administrator (at the system and campus level), a department chair and a faculty member. His field is ancient history, and he is also an accomplished scholar and author. The issues that Hunter is concerned about are a vital part of the national debate right now. They also address the essence of our University *is* and how its future will be shaped.

STUDENT BODY PRESIDENT'S REMARKS

Mr. Leimenstoll gave an update on the following items:

- **Student Government:**
 - Introduction of the Executive Branch
 - Gearing up for Chancellor search, Provost search, and Vice Chancellor for University Advancement search
- [A copy of Mr. Leimenstoll's remarks is located in the Office of the Assistant Secretary.]

ANNUAL UPDATE: UNDERGRADUATE ADMISSIONS AND SCHOLARSHIPS & STUDENT AID

Provost Carney introduced the speakers for each portion of the presentation.

- **Undergraduate Admissions 2012-2013 by Stephen Farmer, Vice Provost for Enrollment and Undergraduate Admissions.** He reported on the Class of 2016—29,497 applications were received; 7,847 were admitted; and 3,914 were enrolled at the University. 56,390 people visited campus this year and the Great Care initiative was launched. Each visitor was surveyed and an overwhelming percent reported they felt greatly welcomed and taken care of on campus. The class average SAT is 1304. He also spoke about the demographics of the class, engagement, the transfer class, and competition.
- **Financial Aid 2012-2013 by Shirley A. Ort, Associate Provost and Director of Scholarships and Student Aid.** The Office of Scholarships and Student Aid supports the instructional mission of the University by recognizing and rewarding academic talent, removing financial barriers for students, and furthering mutual goals of excellence and equity. Ms. Ort spoke about income of students who receive aid, processing trends, financial aid offers made, disbursement, funding trends, and challenges moving forward.

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

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

2012-2013 ACC GOVERNING BOARD CERTIFICATION FORM

Leslie Strohm, Vice Chancellor and General Counsel, presented information concerning the 2012-2013 Atlantic Coast Conference Governing Board Certification 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. Curtis moved approval of the ACC Form. The motion was duly seconded and it carried. In signing the form, Chair Hargrove 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 presented to the NCAA and the ACC.

(ATTACHMENT B)

ELECTION OF MEMBERS TO THE BOARD OF TRUSTEES OF THE ENDOWMENT FUND

North Carolina General Statute 116-36 and Board of Governors' regulations require that the Board of Trustees elect the membership of the Endowment Board of Trustees. There are two (2) vacancies.

Ms. Shuping-Russell moved approval to elect to the Board of Trustees of the Endowment Fund, John Townsend and Peter Grauer each for a three (3) year term ending in 2015. Ms. Hyde seconded the motion and it carried.

(ATTACHMENT C)

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

The Bylaws of the Foundation provide that the Board of Trustees shall elect two directors from the membership of the Board of Trustees and three directors from the membership of the Endowment Trustees. There is one (1) vacancy in the Endowment category of directors.

Mr. Townsend moved approval to elect Peter Grauer to the Board of Directors of the University of North Carolina at Chapel Hill Foundation, Inc. for a term concurrent with his term as an Endowment Trustee. The motion was duly seconded and it carried.

(ATTACHMENT D)

BUILDINGS AND GROUNDS COMMITTEE OF THE WHOLE

Bruce Runberg, Associate Vice Chancellor for Facilities Planning and Construction introduced Jeff Kidd, Director of UNC Property Office to present the following action items to the committee:

- **Acquisition by Lease (Strategic)- Office Space for Renaissance Computing Initiative (RENCI).** This item requires further discussion and will be brought back to the November meeting. No action will be taken at this time.

(ATTACHMENT E)

• **Disposition by Sale- Approximately 1.23 Acres of Vacant Land.** Mr. Townsend moved approval to sell approximately 1.23 acres of vacant land located approximately two miles north of main campus adjacent to the Timber Hollow Apartment Complex on Martin Luther King Jr. Blvd. This 1.23 acres is a portion of an approximately 5.26 acre 1940 acquisition by the University, originally acquired to facilitate the construction of a main electric service line to the campus. The entire 5.26 acre parcel was encumbered by a Duke Energy utility easement dating back to 1941.

The motion was duly seconded and it carried.

(ATTACHMENT F)

Anna Wu, Assistant Vice Chancellor for Facilities Operations, Planning & Design and University Architect presented the following item for information only (no formal action was requested at this time).

• **Carolina North Update.** A copy of the annual report was passed out to the trustees, and Ms. Wu reported that work continues on Carolina North.

BUDGET, FINANCE & AUDIT COMMITTEE OF THE WHOLE

• **Self-Liquidating Debt Resolution-** Brian Smith, Director of Treasury and Risk Management Services, presented for action a resolution authorizing the University to issue debt for projects recently approved in the 2012 legislative session with construction expected to begin within one to two years. Projects under subject resolution include: chilled water infrastructure improvements; steam and hot water infrastructure improvements; Craige Parking Deck; athletic facilities master plan and their phase I improvements; and Odum Village replacement. These projects have been approved by the BOG and the General Assembly.

Also, the University is financially leveraged relative to its public university bond rating peer group, but the University does carry the following high bond ratings with stable to positive outlooks: Moody's- Aaa ("Stable" outlook); Fitch Ratings- AAA ("Stable" outlook); and S&P- AA+ ("Positive" outlook).

Mr. Grauer moved to approve the self-liquidating debt resolution. The motion was duly seconded and it carried.

(ATTACHMENT G)

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

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

• **2012-2013 Audit Plan Presentation and Approval.** Phyllis Petree, Director of Internal Audit, presented a summary of internal audit projects completed or in progress between and April 23, 2012 and August 26, 2012.

Mr. Grauer moved to approve the audit plan. Mr. Townsend seconded the motion and it carried.

(ATTACHMENT H)

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

• **Internal Audit Report.** Phyllis Petree presented the summary of the final status of the 2011/2012 audit work schedule and progress toward completing the 2012/2013 audit schedule.

• **Fiscal Year End Reporting.** Vice Chancellor for Finance and Administration, Karol Gray, reported the following:

State Outlook Summary

- The State ended the fiscal year on a good note, with \$392 million or 1.8% above their projected revenues.
- Even though it is too early to predict this fiscal year's revenues, it appears that a slowdown in the economic recovery has caused collections to weaken, creating a \$26 million revenue target shortfall for the first two months of FY 2012-2013. The first few months of a fiscal year are the least important months as an indicator of revenue trends for the full year.

Repairs and Renovation Update

- The University's total Repairs and Renovation allocation is approximately \$8.9 million.
- This shows an increase of \$6.7 million more than was presented at the July BOT. The increase is for fiscal year 2011 funding that was never received.
- Ten projects were identified with these funds (ex. Roof and structural repairs, fire and safety needs as well as improvements to roads and walkways).
- The University typically receives approximately 20% of the total R&R funds allocated system wide. For the first time, the State budget office is withholding 5% for contingency on projects that are over \$2 million.
- We anticipate receiving the funds from the State Budget Office in late September to early October of this year.
- In response to the question addressed at the last meeting it was noted that the building code deficiencies represent 29% of our total backlog of the deferred maintenance of \$640 million.

Fiscal Years 2010/2011 and 2011/2012

- The schedule represents current operating funds and excludes endowment and construction funds.
- Total university revenues for fiscal year ending 11-12 was \$3.3 billion with total expenses and transfers of \$3 billion.
- The remaining funds are used for restricted purposes for the Auxiliary operations and Gifts and Grants.
- 52% of the expenses support salaries and benefits.

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

Committee Chair Shuping-Russell acknowledged receipt of a letter sent to the trustees from the Sierra Coalition.

UNIVERSITY AFFAIRS COMMITTEE OF THE WHOLE

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

• **Tuition Task Force Update.** Executive Vice Chancellor and Provost, Bruce Carney, highlighted what the task force accomplished, highlighted the tuition increase history, and showed comparisons with our public peers. He concluded his remarks by addressing remaining needs.

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

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

• **Greek Affairs Update.** Aaron Bachenheimer, Director of the Office of Fraternity & Sorority Life and Community Involvement, spoke about the performance-based recruitment policy, and highlighted the Spring 2012 academic performance summary and the Fall 2012 academic plan.

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

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

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

LEGAL ADVICE

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

REPORT OF THE BUDGET, FINANCE & AUDIT COMMITTEE

Report of the Naming Committee

Provost Carney presented naming recommendations. Mr. Grauer moved approval by the Board of the naming recommendations. Mr. Gardner seconded the motion and it carried. [A copy of the Report of the Naming Committee is filed in the Office of the Assistant Secretary.]

Report of the Committee on Honorary Degrees & Special Awards

Chancellor Thorp reminded the Board that they will be choosing a candidate for an honorary degree to be conferred at May Commencement 2013. No action is requested at this time. [A copy of the Report of the Committee on Honorary Degrees & Special Awards is filed in the Office of the Assistant Secretary.]

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, presented the personnel and salary approvals dated September 17, 2012, for the Board's consideration. The actions will be voted on in open session.

(ATTACHMENTS I-J-K-L)

EXECUTIVE CLOSED SESSION

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

DEEP EXECUTIVE CLOSED SESSION

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

RECONVENE MEETING IN OPEN SESSION

Chair Hargrove reconvened the meeting in open session.

OPEN SESSION

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner moved approval by the Board of the following personnel actions dated September 17, 2012, which were discussed earlier in closed session. The motion was duly seconded and the items carried.

- Personnel Actions & Actions Conferring Tenure.
(ATTACHMENT I)

- Compensation Actions.
(ATTACHMENT J)

- For Information- no items.
(ATTACHMENT K)

- Walk-on Items.
(ATTACHMENT L)

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

REPORT OF THE COMPENSATION COMMITTEE

Chair Hargrove reported that Chancellor Thorp reviewed the performance and compensation recommendations for senior administrators.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 2:14 p.m.


Assistant Secretary