

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

The Board of Trustees met in regular session on Wednesday, November 18, 2009, at The Carolina Inn, Chancellor's Ballroom West, at 5:05 p.m. Chair Winston presided.

ROLL CALL

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

Robert W. Winston, Chair	Roger L. Perry, Sr.
Barbara R. Hyde, Vice Chair	Sallie Shuping-Russell
Donald Williams Curtis	Edward C. Smith
John G. B. Ellison, Jr.	John L. Townsend III
J. Alston Gardner	Felicia A. Washington
Wade H. Hargrove	Jasmin M. Jones

Phillip L. Clay, Secretary, was absent.

Chair Winston 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."

REPORT OF THE BUILDINGS AND GROUNDS COMMITTEE

Mr. Curtis, Committee Vice Chair, moved ratification by the Board of the following item, which was previously approved by the committee. Ms. Jones seconded the motion and it carried.

- **Preliminary Design Review- Kenan Stadium Expansion Phase II.** This project constructs a new 214,000 SF building at the east end with a Student Athlete Academic Center, 3,270 additional premium seats, training facilities for Olympic Sports, Men's Lacrosse Locker Room, Visitor's Locker Room, and support facilities for the stadium. The six story addition includes a new concourse level that connects the north and south sides of the stadium and improves pedestrian circulation around the stadium. A new 1,000 SF structure at Gate 3 to house 'will call' ticket office, six gates, and first aid station will also be constructed on the northwest corner of the stadium. The project budget is \$70 M and is being developed by the Educational Foundation, Inc.

Mr. Smith expressed his concern that during the last renovation of Kenan, he and Trustee Ellison made a promise to the Ram's Club members that the Ram's Room would be vastly improved and increased in size with more bathrooms, and nicer amenities. Many people gave money toward the project, and no renovations were made specifically to the Ram's Room. With this current design of Phase II, not only will there be no bigger and better space, it will take away the space that they once had. Trustee Smith said that he and Trustee Ellison made the promise in good faith on behalf of the University, and feels like the University should take this into consideration regarding the new designs for Phase II.

Mr. Ellison agreed with Trustee Smith and said we need to find a solution and do what is right.

(ATTACHMENT A)

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.

Mr. Curtis, Committee Vice Chair, moved ratification by the Board of the following item, which was previously approved by the committee. Ms. Hyde seconded the motion and it carried.

- **Preliminary Design Review- Rizzo Center Addition.** This project adds a new 90,000 SF building to increase classroom and residential space at the Paul J. Rizzo Conference Center for the Kenan-Flagler Executive Development program. The project budget is \$36 M and is being developed by the Kenan-Flagler Business School Foundation.

(ATTACHMENT B)

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.

Mr. Curtis, Committee Vice Chair, moved ratification by the Board of the following Level 1 items, which were previously approved by the committee. Ms. Shuping-Russell seconded the motion and each item carried.

- **Acquisition by Lease of Office Space for Various Departments.** This request is for approval for three separate leases for the University's exclusive occupancy of three (3) office buildings and lots in Chapel Hill owned by the Board of Trustees of the Endowment Fund of the University of North Carolina at Chapel Hill, known as 720 Martin Luther King Jr. Blvd. (9,350 SF); 725 Martin Luther King Jr. Blvd. (34,777 SF); and 730 Martin Luther King Jr. Blvd. (19,344 SF). Leasing these buildings in their entirety will eliminate time and expense of processing individual leases through various approval levels because the University will be able to allocate space within these buildings to the various University departments as needed. The proposed lease term for each building is three (3) years with two (2) one-year renewal options commencing March 1, 2010. The initial annual rent will not exceed \$1,237,684.50 or \$19.50 per SF including utilities and janitorial services. Rental increases will not exceed 3% per annum.

(ATTACHMENT C)

- **Acquisition by Sub-Lease of Retail and Office Space for Ackland Art Museum Gift Store and Equal Opportunity/ADA Office.** This request is for approval to sub-lease approximately 5,788 SF of retail and office space at 100 East Franklin Street, Chapel Hill, Orange County, North Carolina, from First State Investors Realty, LLC c/o Gramercy for the Ackland Art Museum Gift Store and the Equal Opportunity/ADA Office. The lease term is for a five-year period commencing on March 1, 2010 or as soon thereafter as possible at an initial rent not to exceed \$123,052.88 or \$21.26 per square foot including utilities. There is a 3% annual increase beginning in year two of the lease term and continuing throughout the remainder of the term.

(ATTACHMENT D)

Mr. Curtis, Committee Vice Chair, moved ratification by the Board of the following item, which was previously approved by the committee. Mr. Smith seconded the motion and it carried.

- **Disposition by Severance- Demolition of Miller Hall.** This request is for approval to remove by demolition Miller Hall a 7,500 GSF building, built in 1942, that is located at the corner of Pittsboro and McCauley Sts. on the main campus as shown on the attached map. Miller Hall is in poor condition requiring extensive restoration work and is of limited historical significance. The building has already been slated for future demolition for purposes of site redevelopment under the University's Master Plan. This request recommends the demolition of this building occur immediately, rather than at a future date, because it has become evident that its existence and location are an impediment to the efficient execution of the

important steam tunnel replacement project which is currently underway in this area. Miller is located across the street from the former location of Nash Hall which was demolished last year in order to clear that site as part of the steam tunnel project.

(ATTACHMENT E)

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RECESS

Chair Winston recessed the Board meeting at 5:41 p.m.

RECONVENE

Chair Winston reconvened the Board meeting at 8:03 a.m. on Thursday, November 19, 2009, at The Carolina Inn, Chancellor's Ballroom East and West.

ROLL CALL

Assistant Secretary Brenda Kirby called the roll. All members were present.

CONSENT AGENDA

Approval of Minutes

On motion of Mr. Smith seconded by Mr. Townsend, the minutes of the regular meeting of September 23-24, 2009, were approved as distributed.

Ratification of Mail Ballots

On motion of Mr. Smith seconded by Mr. Townsend, the following mail ballot dated October 12, 2009, was approved as distributed:

- Personnel changes for information, personnel changes in Academic Affairs, personnel changes in Health Affairs, and tenured personnel actions.

(ATTACHMENT F)

CHAIR'S REMARKS

Chair Winston began his remarks by thanking his fellow trustees for participating in last night's William Richardson Davie Award Dinner to honor special members of the Carolina family. It is the highest honor this board can bestow for extraordinary service to the University or to society, and we are pleased to have recognized these outstanding recipients:

- **Fred Eshelman**, founder and chief executive officer of PPD Inc. in Wilmington who earned a bachelor's degree in pharmacy in 1972. Our pharmacy school is named the Eshelman School of Pharmacy.
- **Richard Krasno**, executive director of the William R. Kenan Jr. Charitable Trust, which has, along with the Kenan family, been so instrumental in the University's success.
- **Governor Bev Perdue**, the state's first woman governor and a great friend of the University.
- **Richard "Stick" Williams**, senior vice president of environmental health and safety at Duke Energy Corp, and a former two-time chair of this board.

Chair Winston thanked everyone who helped make last night a great event for the Board of Trustees and the University. He then honored Trustee Wade Hargrove. Last month, Trustee Hargrove was honored at a surprise ceremony with the announcement that a new annual media law colloquium had been created in his honor at Carolina. The Wade H. Hargrove Communications Law and Policy Colloquium is being established with gifts totaling more than \$200,000 raised by the North Carolina Association of Broadcasters, the North Carolina Cable Telecommunications Association, the Hearst Corporation and the School of Journalism and

Mass Communication Foundation. This is a great honor for Wade that recognizes his long ties with all of those organizations and his tremendous work in media law. Chair Winston concluded his remarks by complimenting Chancellor Thorp for Sunday's New York Times story about our Bain & Company study. We're proud to see Carolina positioned as the national leader when it comes to looking critically at the way we do business. Cornell and Berkeley are good company to keep, and in this case they are following us by working with Bain.

CHANCELLOR'S REMARKS

Chancellor Thorp began his remarks by commenting on the following:

- **Innovation Strategy.** Judith Cone, the former Vice President of Emerging Strategies for the Kauffman Foundation is my Special Assistant for Innovation and Entrepreneurship for an 18-month stint. Much like alumnus Bill Harrison led the efforts to draw a blueprint for enhancing our global presence, Judith is assessing the potential for innovation. Now we have an opportunity to carve out a leadership role for Carolina among our peers. We are forming our Innovation and Entrepreneurship Circle, a high-level task force, to determine what we need to do to foster innovation and entrepreneurship in all aspects of the University's mission. Lowry Caudill, co-founder of Magellan Health and the namesake of Caudill Hall, will chair the circle, and we've recruiting an excellent group of distinguished alumni and parents to serve, along with key faculty. We're seeking innovators and entrepreneurial leaders from many fields – advertising, education, industry, humanities, life sciences, media and entertainment, retail and technology. Those on board include Trustees Clay, Gardner and Shuping-Russell. Others, to name just a few, include: Dennis Gillings, founder and CEO, Quintiles Transnational; Jason Kilar, CEO of Hulu; and Kimberly Jenkins, a Duke trustee who teaches on both our campuses and the former president, Internet Policy Institute.
- **Elmira Mangum** will become Cornell's new Vice President for Budget and Planning, effective February 2010. She has been an excellent Senior Associate Provost since 2001. We have all relied on Elmira's considerable contributions in policy development and budget. Bruce Carney plans to make an interim appointment to the position and handle the search for her successor.

STUDENT BODY PRESIDENT'S REMARKS

Ms. Jones spoke briefly about:

- 2009 Homecoming parade was a success
- BOG- Last week 11 UNC System Student Body Presidents went to the Board of Governor's meeting in solidarity to see how the meetings run and to show their presence. We are advocating to get the \$200 tuition tax back from the state.
- Student Government Plans-
 - From January to April, we plan to have an ambitious effort to go to the State, to the BOG and State Legislators to change 3 pieces of legislation
 - \$200 tuition tax
 - Tuition surcharge increase on students with over 140 credit hours
 - Tuition waiver for out of state athletes and scholarships

REPORT ON INVESTMENT FUNDS

Max Chapman, Chair of the Board of Directors of the University of North Carolina at Chapel Hill Foundation Investment Fund, Inc., spoke briefly about the Investment fund. Mr. Jonathon King, President and Chief Executive Officer of the UNC Management Company, Inc., presented this report to the Board:

- UNC Investment Fund Summary.
 - 1) Market Value of the Investment Fund at June 30, 2009- \$2.26 Billion- a \$27 Million decrease since June 30, 2008.

- 2) The UNC Investment Fund's performance ranks in the top 10% of college and university endowment funds in the Cambridge Associates Universe for the 3-, 5-, and 10-year periods ended June 30, 2009.
- UNC Chapel Hill Foundation Investment Fund Summary.
 - 1) The market value of UNC CH Foundation Investment Fund decreased by \$440 million in FY 2009, from \$2.22 billion to \$1.78 billion.

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.

Chair Winston praised the UNC Management Company team and the Investment Fund Board for their outstanding work, especially in these down times.

TUITION AND FEES PROPOSALS

Bruce Carney, Interim Executive Vice Chancellor and Provost, presented recommendations from the tuition and fees advisory task force, along with the proposed allocations for need-based aid, tuition remissions, faculty support and course offerings, and academic support/student services.

Based on the deliberations of the Task Force, the Chancellor is recommending the following increases in tuition for 2009-2010:

- Resident undergraduates - \$200
- Nonresident undergraduates - \$1127
- Resident graduates - \$200
- Nonresident graduates - \$732

Based on the deliberations of the Task Force, the Chancellor is recommending the following increases in fees for 2009-2010:

- Undergraduates - \$96.01, for a total of \$1,856.42- a 5.5% increase
- Graduates - \$96.01, for a total of \$1,844.62- a 5.5% increase

Ryan Morgan, President of the Out of State Student Committee spoke about the tuition increase for non-resident students. He expressed the desire for fairness, openness, and predictability.

[A copy of Mr. Morgan's remarks is filed in the office of the Assistant Secretary.]

Rahkee Devastahli, a student, spoke about the tuition increase process. She had two demands:

- A referendum on tuition, and
- Transparency NOW!

[A copy of Ms. Devastahli's remarks is filed in the office of the Assistant Secretary.]

Ms. Shuping-Russell, Committee Chair, presented the committee's report on the tuition and fees proposals. The committee recommends the Chancellor's Proposal to the Board.

Chair Winston thanked Trustees Perry and Shuping-Russell for serving on the Tuition and Fee Advisory Task Force. He commended the members of the task force, chaired by Interim Provost Carney and Trustee Jones, for their work. Chair Winston acknowledged the challenge of the current situation: in this economy, balancing raising the price of a Carolina education to maintain quality (and the value of our diploma) and covering the rising cost of higher education. At the same time, we have to be mindful of our obligation to protect access to the University for qualified students who need financial assistance. And we have to consider our mission as trustees to provide the best possible education that we can while still being affordable.

There was much discussion regarding the tuition proposal. Trustee Ellison expressed his concern that the path we are going down is that relative to our peers, we are charging less and less and less in tuition and the result of charging less and less in tuition means we are shorting our faculty in terms of trying to make them competitive, we are shorting our academic offerings as compared to trying to make them competitive and we are significantly hurting the need-based students who are trying to graduate with as little debt as possible.

Trustee Clay said we need to give thought to how we take a more strategic plan for the future. We need to support accessibility for the long term.

Trustee Jones mentioned that we have to be very considerate of the out of state students who contribute greatly to the University. We have five Rhodes Scholar finalists and four are from out of state.

Chair Winston said this is an issue – a long term issue. There is an issue about accessibility with tuition increase. We need to keep talking about this and talk about it with our legislators.

Trustee Shuping-Russell said that it is important for the message to go out about the University being sensitive to the tuition increases

Ms. Shuping-Russell moved ratification by the Board of the Tuition and Fees proposals, including School-Based Tuition increases. The motion was dually seconded and it carried.

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.

REPORT OF THE AUDIT AND FINANCE COMMITTEE

Ms. Shuping-Russell, Committee Chair, moved ratification by the Board of the following item which was previously approved by the committee. Ms. Hyde seconded the motion and the item carried.

- **The University of North Carolina at Chapel Hill Endowment Fund Annual Report for Year Ended June 30, 2009.** Jon King, President of UNC Management Company, presented the investment performance for FY 2009, how it related to benchmarks and peers, and its impact on the market value of the Endowment Fund. He also talked briefly about the endowment distribution rate for FY 2010 (7.4% lower than FY 2009). The Audit and Finance Committee recommends acceptance of the Annual Report of the Endowment Fund of the University of North Carolina at Chapel Hill.

(ATTACHMENT G)

Ms. Shuping-Russell, 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).

- **Remarks from Employee Forum Chair.** Tommy Griffin spoke about the staff working with the administration to keep spirits high in the down economy and about keeping jobs. He thanked Chancellor Thorp for all he has done.
- **Review of First Quarter Fiscal Year 2009-2010 Budget Status.** This item was deferred in the committee until January.

• **ERP Update.** Larry Conrad, Vice Chancellor for Information Technology and CIO, and Marc Hoit (his counterpart from N.C. State) discussed a joint project to implement Peoplesoft Administrative Systems.

- N.C. State has been running the Peoplesoft Finance and HR systems for a decade and has a lot of experience in how to set these systems up.
- N.C. State needs to upgrade to the same current version of the software that Carolina is planning to implement.
- N.C. State has expertise and Carolina has identified funding set aside for the implementation.
- Both campuses can leverage each other (their expertise and our funding) to accomplish a more cost and time efficient implementation for Carolina and reimplementation for State.
- This can be done in a way that saves both institutions significant dollars.

Chair Winston spoke about how pleased he is by this collaboration in order to make a huge difference for this University. He commended Vice Chancellor Mann for his leadership on this project. He then mentioned inviting the NC State Trustees to dinner. More information will follow.

Chancellor Thorp thanked Larry Conrad and Marc Hoit for their hard work.
(ATTACHMENT H)

• **Development Update.** This item was deferred until the January meeting.

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner, 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).

• **Update on Academic Plan.** Bruce Carney appointed a group to look at the Academic Plan. Bill Andrews, Senior Associate Dean of Humanities, and Sue Estroff, Professor of Social Medicine, are co-chairing the committee and are in the process of appointing committee members. They are looking broadly at how the University approaches the Academic Plan and addressing the emerging societal problems by choosing issues where we can make an impact. The timeline to complete the Academic Plan is by fall 2010.

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• **The University's Response to H1N1.** Mary Beth Koza, Director of Environmental and Health Safety, and Dr. Mary Covington, Director of Campus Health Services, reported that there was a quick response to plan for the worst pandemic- a level three. It was less serious- at a level one. They put together a very active communications plan and thanked the Daily Tarheel for their collaboration in that effort. They are currently distributing the H1N1 vaccines. Communication has been excellent, but students have not been getting the vaccine. They are preparing to go out to students and set up in dormitories or in the Pit to get the students vaccinated.

MOTION TO CONVENE IN CLOSED SESSION

On motion of Secretary Clay, and dually seconded, the Board voted to convene in closed session pursuant to North Carolina General Statutes Section 143-318.11 (a) (1) (to prevent the disclosure of privileged information under Section 126-22 and the following); and also pursuant to Section 143-318.11 (a) (2), (3), (5), and (6).

CLOSED SESSION

REPORT OF THE AUDIT & FINANCE COMMITTEE

Report of the Committee on Honorary Degrees & Special Awards

Ms. Shuping-Russell, Committee Chair, presented nominees for Distinguished Alumna/Alumnus Awards to be presented on University Day, October 12, 2010, and an Honorary Degree to be conferred at May Commencement 2011. All nominees were previously presented to the Audit & Finance Committee and approved by the committee. Ms. Shuping-Russell, Committee Chair, moved ratification. The motion was dually seconded and it carried. [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 Naming Committee

Matt Kupec presented naming recommendations which were previously presented to the Audit & Finance Committee and approved by the committee. Ms. Shuping-Russell, Committee Chair, moved ratification, and duly seconded, the motion carried. [A copy of the Report of the Naming Committee is filed in the Office of the Assistant Secretary.]

Honorary Degree Candidate Selection

Matt Kupec presented candidates for an Honorary Degree to be conferred at May Commencement 2011. The trustees discussed the candidates and will present their nominee to the Committee on Honorary Degrees & Special Awards.

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, presented the personnel and salary approvals dated November 9, 2009, for the Board's consideration. The actions will be voted on in open session.

(ATTACHMENTS I-J-K-L-M)

LEGAL ADVICE

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

EXECUTIVE CLOSED SESSION

Chair Winston convened the Board in Executive Closed Session to discuss personnel matters.

RECONVENE MEETING IN OPEN SESSION

Chair Winston reconvened the meeting in open session.

OPEN SESSION

REPORT OF THE UNIVERSITY AFFAIRS COMMITTEE

Mr. Gardner, Committee Chair, moved approval by the Board of the following personnel actions dated November 9, 2009, which were discussed earlier in closed session. Mr. Perry seconded the motion and it carried.

- The personnel changes for information did not require action by the Board.
(ATTACHMENT I)
- Personnel changes in Academic Affairs. (No Items)
(ATTACHMENT J)
- Personnel changes in Health Affairs.

(ATTACHMENT K)

- Tenured Personnel Actions.

(ATTACHMENT L)

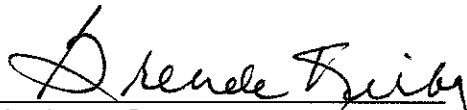
- Salary Increase.

(ATTACHMENT M)

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

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 11:49 a.m.


Assistant Secretary