

Board of Governors Meeting

August 12, 2011

Chapel Hill, North Carolina

The Board of Governors met in regular session on August 12, 2011, at the Spangler Center in Chapel Hill. Chairman Gage called the meeting to order at 9:00 a.m. and welcomed the visitors. She recognized Mr. Cody Hand, Attorney for the North Carolina Senate Appropriations Committee. Mr. Bhula, UNC Student Government Association President, introduced several student representatives. This marked the first meeting of the newly constituted Board.

INVOCATION

Chairman Gage called on Dr. Buffaloe to give the invocation.

ROLL CALL

Secretary Flood called the roll. The following members were present:

Brent D. Barringer	Peter D. Hans
Atul C. Bhula	Thomas J. Harrelson
W. Louis Bissette, Jr.	James E. Holshouser, Jr.
John M. Blackburn	G. Leroy Lail
Peaches G. Blank	Mary Ann Maxwell
Laura W. Buffaloe	Franklin E. McCain
Bill Daughtridge, Jr.	W. Edwin McMahan
Walter C. Davenport	Charles H. Mercer, Jr.
James M. Deal, Jr.	Fred G. Mills
Phillip R. Dixon	Burley B. Mitchell, Jr.
Fred N. Eshelman	Hari H. Nath
John C. Fennebresque	David M. Powers
Dudley E. Flood	Irvin (Al) Roseman
Paul Fulton	Richard F. Taylor
Hannah D. Gage	Raiford G. Trask
Ann B. Goodnight	Phillip D. Walker
H. Frank Grainger	David W. Young

The following member was absent:

J. Bradley Wilson

STATE ETHICS ACT

Chairman Gage stated that under the State Ethics Act, members have a duty to avoid conflicts of interest and appearances of conflicts. Looking at the agenda for the meeting, Chairman Gage asked if any member had a conflict of interest or an interest that would give rise to the appearance of a conflict of interest. There were none.

MINUTES

Dr. Buffaloe moved, seconded by Mr. Blackburn, that the minutes from the open session of the June 10, 2011, meeting be approved. The motion carried.

PRESIDENT'S REPORT

President Ross welcomed the new members of the Board. He reported that budget allocations had been distributed among the campuses. The 2011-2012 state budget contained \$414 million in net cuts to the University. Despite the budget cuts, President Ross noted that the Chancellors were committed to preserving high academic quality and the delivery of excellent student services throughout our campuses. For President Ross' report, please see Appendix A.

ADMINISTRATIVE ACTION ITEMS

Chairman Gage called attention to the Administrative Action Items listed on the agenda. Mr. Davenport moved, seconded by Mr. Lail, that the Administrative Action Items be approved by consent. The motion carried.

- a. (B&F) Authorization to Sell Special Obligation Bonds, UNCG
- b. (B&F) Authorization of New Capital Improvements Project, ECSU
- c. (B&F) Authorization of New Capital Improvements Projects, ASU, UNC-CH
- d. (B&F) Approval of Out-Lease of Space, NCSU
- e. (EPPP) Approval of a two-year interim permit for Webber International University to designate St. Andrews Presbyterian College as an additional instructional location of Webber International University
- f. (EPPP) Approval of Licensure for Miller-Motte College to offer the following degree program in Cary:
 - Associate in Applied Science (A.A.S.) in Respiratory Therapy
- g. (GOV) Approval of the Resolution Excluding Board of Governors members from Access to Classified Information

REPORT OF THE AUDIT COMMITTEE

Mr. Davenport, Chair of the Audit Committee, reported on several items. The Committee heard a report from representatives of the Office of the State Auditor regarding the 2010 financial statement audit report for UNC General Administration. There were no audit findings. Next, the Committee reviewed the 2010 financial statement audit report for the University of North Carolina at Asheville. There was one audit finding. Corrective action had been taken. Next, the Committee reviewed the investigative audit report of the Historically Minority Colleges and Universities Consortium based at North Carolina Central University. The report contained 14 audit findings. Subsequently, the consortium had been discontinued and a criminal investigation was ongoing against former employees involved with the consortium.

The Committee reviewed two audit reports conducted by the internal auditor at UNC General Administration. First, the report on the Financial Records and Human Resources System User Access Controls was released with three audit findings. Corrective action had been taken. Second, the report on the Assessment of Internal Controls over Financial Reporting was released with no audit findings.

Next, Mr. Davenport noted that the Committee reviewed the summary report of the activities of the internal auditors at each of the UNC campuses. The report included a summary of the significant audit findings resulting from these activities.

Next, the Committee approved proposed changes to UNC Policy 600.3.1 – *Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions*. The policy changes would be presented to the Board at the next meeting.

Lastly, the Committee was given an update on the UNC Finance Improvement and Transformation Project (UNC FIT).

REPORT OF THE COMMITTEE ON BUDGET AND FINANCE

Mr. Young, Chair of the Committee on Budget and Finance, reported that the Committee had met on July 7, 2011, via teleconference. The purpose was to consider the allocation of funds made available by the General Assembly. The Committee approved the 2011-2012 Allocations for Current Operations (see Appendix I). Mr. Young reminded the Board that the 2011 General Assembly mandated that a management flexibility reduction of \$413, 987,494 be implemented in 2011-2012. An amendment was approved for the University of North Carolina School of the

Arts (UNCSA) to reflect that North Carolina resident high school students do not pay tuition. The amendment reduced the cost allocation to UNCSA by \$226,948. This amount had been distributed among the other UNC campuses. The Committee approved the 2011-2012 Allocations for Capital Improvements (see Appendix J). Mr. Young commended the Chancellors for working together to protect the mission and the programs of the University.

REPORT OF THE COMMITTEE ON EDUCATIONAL PLANNING, POLICIES, AND PROGRAMS

Mr. Deal, Chair of the Committee on Educational Planning, Policies, and Programs, noted that three newly elected members joined this year's Committee – Mr. Nath, Mr. Trask and Mr. Walker. Mr. Deal reported that the Committee considered the request for authorization to discontinue one academic degree program – the Bachelor of Arts in Chemistry at Western Carolina University (see Appendix K).

On behalf of the Committee, Mr. Deal moved that the request to discontinue the degree program be approved. The motion carried.

Next, Mr. Deal stated that a report from former Chancellor Woodward, who had conducted a sweeping review of academic programs across the University, was expected to be presented to the Board in November.

Next, Mr. Deal reported that the Committee would establish two advisory boards – one board would examine the academic program review process and the other would study faculty teaching workload. The advisory boards would be headed by members of the Committee with Ms. Blank overseeing the academic program review process and Mr. Lail overseeing faculty teaching workload.

REPORT OF THE COMMITTEE ON PUBLIC AFFAIRS

Dr. Roseman, Chair of the Committee on Public Affairs, reported that the Committee heard an update on state and federal government affairs. Vice President Rhinehardt provided an overview of the Board of Governors Federal Policy Agenda for the 112th U.S. Congress. The University would continue to advocate for financial aid and research funding.

Vice President Watkins provided an overview of the 2011 Legislative Session and highlighted several accomplishments that included many of the Board of Governors legislative priorities. Vice President Perusse reported that the University was compiling information on the impact of the budget cuts. Further details would be provided at next month's meeting. The Committee discussed ways to assist with federal and state advocacy activities that support the University.

REPORT OF THE COMMITTEE ON UNIVERSITY GOVERNANCE

Mr. Daughtridge, Chair of the Committee on University Governance, reported that Chancellor Ballard presented the UNC Task Force Report on Athletics and Academics (see Appendix L). The Committee heard an update from Chancellor Thorp on UNC-Chapel Hill's athletics. Director of Athletics Baddour and Vice Chancellor and General Counsel Strohm were available to respond to questions.

Next, there was a partial term ending June 30, 2013, on the University of North Carolina at Asheville Board of Trustees. On behalf of the Committee, Mr. Daughtridge moved the election of Dr. Ronald A. Paulus of Asheville to serve. The motion carried. Mr. Daughtridge noted that in April 2011, the Board had approved the provisional election of new trustees to serve on the institutional campus Boards of Trustees subject to submission of their Statement of Economic Interest (SEI). In June 2011, the Committee reported that all the provisionally-elected trustees had met the requirement with the exception of Mr. Robert E. Caton. Subsequently, Mr. Caton had met the requirement. On behalf of the Committee, Mr. Daughtridge moved the election of Mr. Robert Caton of Lumberton to serve on the UNC Pembroke Board of Trustees. The motion carried. There was a term ending June 30, 2015, on the North Carolina School of Science and Mathematics Board of Trustees, representing Congressional District 13. On behalf of the Committee, Mr. Daughtridge moved the appointment of Dr. Thomas J. Williams of Raleigh to serve. The motion carried.

There was a partial term ending June 30, 2014, on the University of North Carolina Center for Public Television Board of Trustees. On behalf of the Committee, Mr. Daughtridge moved the appointment of Ms. Sabrina DeFonce Bengel of New Bern to serve. The motion carried. There were three terms ending June 30, 2015, on the North Carolina Arboretum Board of Directors. On behalf of the Committee, Mr. Daughtridge moved the reappointment of

Mr. Jack F.A.V. Cecil of Asheville and the appointment of Dr. David O. Belcher, Chancellor of Western Carolina University, to serve. Action was deferred on the remaining vacancy. In addition, there were two new terms ending June 30, 2015, on the North Carolina Arboretum Board of Directors; there was a partial term ending June 30, 2013, on the North Carolina School of Science and Mathematics Board of Trustees, representing Congressional District 3. The vacancy resulted from the resignation of Mr. A. Frederick Morton of New Bern.

Mr. Daughtridge announced that the Committee would seek recommendations from members of the Board to fill these vacancies.

CHAIRMAN'S REPORT

Chairman Gage thanked the staff at General Administration for organizing the Board workshop. She thanked Chancellor and Mrs. Thorp for hosting a reception the previous evening. Chairman Gage thanked the members for their time commitment as this month's meetings consisted of three consecutive days.

On motion by Secretary Flood and duly seconded, the Board voted to convene in closed session to prevent the disclosure of information that is privileged or confidential pursuant to the laws of North Carolina or of the United States (including FERPA) or not considered a public record, within the meaning of Chapter 132 of the General Statutes; to consult with its attorney employed or retained by the public body in order to preserve the attorney client privilege and attorney work product; to establish or instruct the staff or agent concerning the negotiation of the price and terms of a contract concerning the acquisition of real property; to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee; or to hear or investigate a complaint, charge, or grievance by or against an individual public officer or employee; to establish or instruct the staff or agent concerning the negotiations of the amount of compensation or other terms of an employment contract; to consider the qualifications, competence, performance condition of appointment of a public officer or employee or prospective public officer or employee; and to hear or investigate a complaint, charge, or

grievance by or against a public officer or employee, pursuant to North Carolina G.S. Sections 143-318.11 (a)(1), (a)(3), (a)(5) and (a)(6).

The Board went into closed session at 9:50 a.m. and returned to open session at 10:10 a.m.

REPORT OF THE COMMITTEE ON PERSONNEL AND TENURE

Mr. Dixon, Chair of the Committee on Personnel and Tenure, reported that the Committee discussed the new approval process for salary increases that was mandated by the General Assembly. President Ross presented the Committee with the Recommended Salary Approval Process for Fiscal Year 2011-2012 (see Appendix M).

On behalf of the Committee, Mr. Dixon moved approval of the new salary approval process for salary increases. The motion carried.

Next, Mr. Dixon reported that the Committee heard a report from Senior Associate Vice President Mallette on the 2011 Board of Governors Awards for Excellence in Teaching Allocation and Distribution of Funds Report. Senior Associate Vice President Mallette provided an overview of the teaching awards process.

Lastly, Mr. Dixon reported that the Committee received a revised version of the Report on Personnel Actions Delegated to the President.

In closing, Chairman Gage announced that the next meeting was scheduled for Friday, September 9, 2011, at the Spangler Center. The meeting adjourned at 10:15 a.m.

Appendix A	President Ross' Report	Posted Online
Appendix B	Authorization to Sell Special Obligation Bonds, UNCG	Posted Online
Appendix C	Authorization of New Capital Improvements Project, ECSU	Posted Online
Appendix D	Authorization of New Capital Improvements Projects, ASU, UNC-CH	Posted Online
Appendix E	Approval of Out-Lease of Space, NCSU	Posted Online
Appendix F	Approval of a two-year interim permit for Webber International University to designate St. Andrews Presbyterian College as an additional instructional location of Webber International University	Posted Online
Appendix G	Approval of Licensure for Miller-Motte College to offer the following degree program in Cary <ul style="list-style-type: none">• Associate of Applied Science (A.A.S.) in Respiratory Therapy	Posted Online
Appendix H	Approval of the Resolution Excluding Board of Governors Members from Access to Classified Information	Posted Online
Appendix I	2011-2012 Allocations: Current Operations	Posted Online
Appendix J	2011-2012 Allocations: Capital Improvements	Posted Online
Appendix K	Request for Authorization to Discontinue the Bachelor of Arts in Chemistry, WCU	Posted Online
Appendix L	UNC Task Force Report on Athletics and Academics	Posted Online
Appendix M	Recommended Salary Approval Process for Fiscal Year 2011-2012	Posted Online