

Board of Governors Meeting

March 4, 2016

Fayetteville, North Carolina

The Board of Governors met in regular session on March 4, 2016 in Room 242 of the Rudolph Jones Student Center at Fayetteville State University. Chairman Bissette called the meeting to order 8:30 a.m.

INVOCATION

Chairman Bissette called on Mr. Williford to give the invocation.

ROLL CALL

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

Roger H. Aiken	Joan G. MacNeill
W. Louis Bissette, Jr.	Ann Maxwell
Pearl Burris-Floyd	J. Alex Mitchell
C. Philip Byers	W.G. Champion Mitchell
Walter C. Davenport	Anna S. Nelson
Hannah D. Gage	R. Doyle Parrish
Thomas C. Goolsby	Joan Templeton Perry
H. Frank Grainger	David M. Powers
Henry W. Hinton	O. Temple Sloan III
James L. Holmes, Jr.	Harry L. Smith, Jr.
Rodney E. Hood	J. Craig Souza
Zack H. King	G.A. Sywassink
Joe T. Knott	Laura I. Wiley
W. Marty Kotis III	Michael L. Williford
Steven B. Long	

The following members were absent:

Scott K. Lampe	Therence O. Pickett (<i>excused</i>)
Robert S. Rippy (<i>excused</i>)	William A. Webb

STATE ETHICS ACT

Chairman Bissette stated that under the State Ethics Act, members have a duty to avoid conflicts of interest and appearances of conflicts. Mr. Long indicated he would abstain from voting on Administrative Action Item 9d – *Refinancing of Housing Foundation Indebtedness – WCU* and Item 9j – *Sale of Special Obligation Bonds – NCCU*.

WELCOME AND REPORT ON FAYETTEVILLE STATE UNIVERSITY (FSU)

Chancellor Anderson welcomed the guests. He recognized special guests from Elizabeth City State University and thanked them for attending the meeting. Chancellor Anderson remarked that the entire campus was honored to host the Board especially during the first week that President Spellings took office. Chancellor Anderson introduced Ms. Jahina Hayes, a student from Fayetteville State University's Early College International High School. Ms. Hayes sang a beautiful rendition of 'You Exist in My Song' in Chinese.

REMARKS FROM ELIZABETH CITY STATE UNIVERSITY CHANCELLOR CONWAY

Chancellor Anderson called on Col. Donald Porter, Chairman of FSU's Board of Trustees. Col. Porter thanked Dr. Thomas Conway, former Vice Chancellor and Chief of Staff at FSU, for his hard work and commitment to the University. In January, the Board of Governors unanimously elected Dr. Conway as Chancellor at Elizabeth City State University. Chairman Bissette recognized Chancellor Conway and asked him to make a few remarks. For Chancellor Conway's remarks, please refer to Appendix A.

Chairman Bissette described measures that the Board can take to make meetings more open and accessible to a broader community: 1) stream meetings live with assistance from UNC-TV; 2) implement a regular "comment session" where members of the University community and the public can have an opportunity to speak to the members of the Board; 3) communicate reasonable expectations for proper conduct all as outlined in "Expectations of Conduct During Meetings of the UNC Board of Governors" (see Appendix B) document. Chairman Bissette offered a motion to endorse these measures including the "Expectations of Conduct" document. The motion was properly seconded and the motion carried.

MINUTES

Mr. Hood moved that the minutes from the January 26, 2016, special meeting be approved. The motion carried. Mr. Grainger moved that the minutes from the February 11-12, 2016 meeting be approved. The motion carried.

PRESIDENT'S REPORT

Chairman Bissette recognized President Spellings for the President's Report. For President Spellings' complete report, please see Appendix C.

ADMINISTRATIVE ACTION ITEMS

Chairman Bissette called attention to the Administrative Action Items listed as Item #9 on today's agenda. He entertained a motion to approve the Administrative Action Items. Mr. Kotis requested that Administrative Action Item 9i – *Disposition of Property by Demolition – UNC-CH* be removed for separate discussion. Chairman Bissette made a motion to approve the remaining Administrative Action Items by consent. The motion was properly seconded and it carried. The Board proceeded with further discussion on Item 9i. Mr. Kotis made a motion that the demolition of the property be allowed, but the funds be restricted to be paid for from F&A receipts. Mr. Goolsby seconded the motion. A vote to approve Mr. Kotis' motion was taken by a show of hands. The motion failed. There was motion for the approval of Item 9i. The motion carried.

- a. (Audit) *The Code* Section 301 A. The Standing Committees' Jurisdiction
- b. (Audit) *The Code* Section 301 G. Jurisdiction of the Committee on Audit, Risk Management, and Compliance
- c. (Audit) UNC Policy 1300.7 – *University Enterprise Risk Management and Compliance*
- d. (B&F) Refinancing of Housing Foundation Indebtedness – WCU
- e. (B&F) Authorization of Capital Improvements Projects – ECU, NCSU, UNC-CH, UNCC and UNCG
- f. (B&F) Acquisition of Property – ECU
- g. (B&F) Acquisition of Property by Lease – NCSU
- h. (B&F) Disposition of Property - ECU
- i. (B&F) Disposition of Property by Demolition – UNC-CH
- j. (B&F) Sale of Special Obligation Bonds – NCCU
- k. (EPPP) Establishment of Miller School of Entrepreneurship - ECU
- l. (EPPP) Academic Program Inventory (API) Reconciliation Action
Request for authorization to discontinue the following degree programs (listed per Appendix O)
- m. (EPPP) Request for two consolidation requests – ECU and UNCG (listed per Appendix P)
- n. (EPPP) Teacher Licensure Program Actions – UNCA and UNCW (listed per Appendix Q)
- o. (EPPP) Mission Statement – WSSU

REPORT OF THE AUDIT COMMITTEE

Mr. Davenport, Chair of the Committee, reported that the Committee welcomed two University Chief Audit Officers to describe internal audit work from their respective campuses. From UNC Pembroke, Ms. Kelley Horton discussed her use of student interns, the value of these resources in performing internal audit work, and the value of the investment in student learning. The Committee heard from two of the interns who expressed how valuable the work was to their learning experience. From Fayetteville State University, Mr. Robert Stogner discussed the relationship of internal audit with campus leadership and the Board of Trustees.

The Committee heard an update on the status of UNC General Administration's internal audit plan for 2015-16 FY. It also heard a presentation related to two internal audit reports released since its last meeting. The Committee was pleased with management's responses and that corrective action was being taken.

REPORT OF THE COMMITTEE ON BUDGET AND FINANCE

Mr. Smith, Chairman of the Committee, recalled that in February 2015, the Board approved tuition and fees proposals for two years – 2015-16 and 2016-17. At its meeting yesterday, the Committee discussed Adjustments to 2016-17 Tuition and Fees (see Appendix S), which include school-based tuition for new programs approved by the Board, changes to existing debt service fees, and other technical fees.

On behalf of the Committee, Mr. Smith moved approval of Adjustments to 2016-17 Tuition and Fees. The motion carried.

Next, Mr. Smith reported that UNC Chapel Hill's Fall 2016 enrollment report indicated non-resident freshmen enrollment for two consecutive years had exceeded the 18 percent cap on out-of-state freshmen enrollment. The Board's policy requires a budgetary adjustment at the institution. The Committee discussed a history of the policy, specifics around UNC-CH's over enrollment, and voted to waive the penalty.

On behalf of the Committee, Mr. Smith moved that the Board grant UNC-CH an exception to the 2016-17 fiscal year by suspending the policy and the 18 percent cap on out-of-state freshmen enrollment be waived. Mrs. Nelson offered an amendment to the motion that the Board direct the President of the University to work with the Chancellor at UNC-CH to ensure that the violation does not recur and if it so, an immediate penalty of \$1 million shall be enforced. The motion to amend was properly seconded. The motion failed for lack of two-thirds majority. The Board voted against granting a waiver to UNC-CH and the funds will be reallocated to the University's Need-Based Grant Financial Aid Program.

The Committee also discussed the 2016-17 budget priorities, the UNC System Debt Affordability Study, and heard an update on the review of proposed new self-liquidating projects. Further information on these items will be brought to the Board at next month's meeting.

REPORT OF THE COMMITTEE ON EDUCATIONAL PLANNING, POLICIES AND PROGRAMS

Mrs. Nelson, Chair of the Committee, reported the Committee heard a report from Associate Vice President Henz on the Analysis of Findings and Recommendations Regarding NC Guaranteed

Admission Program (NCGAP) (see Appendix T). The state legislature directed the UNC Board of Governors and the State Board of Community Colleges to report findings on the impact of NCGAP.

On behalf of the Committee, Mrs. Nelson moved to submit the NCGAP report for acceptance and timely submission to the NC Joint Legislative Oversight Committee. The motion carried.

Next, the Committee heard a presentation from Ms. Kimberly West, a chemistry student at Fayetteville State University, along with her professor Dr. Subir Nagdas. The Committee received an update on the Academic Advising Subcommittee from Dr. Perry. The Committee heard an update from Vice President Boney on the 2015 UNC Engagement Report (see Appendix U).

Last, Mrs. Nelson reported the Committee considered an amendment to UNC Policy 700.1.1 – *Minimum Requirements for First-time Undergraduate Admission Minimum Course Requirements*. The Committee approved the proposed amendments and voted to place the item on the Board’s consent agenda next month.

REPORT OF THE COMMITTEE ON UNIVERSITY GOVERNANCE

Mrs. MacNeill, Chair of the Committee, reported the Committee held a discussion on the need to evaluate some recently revised policies including UNC Policy 200.8 – *Policy on Chancellor Searches; Board of Governors Participation*. Mrs. MacNeill noted that Mr. Hinton participated as the Board’s representative on the East Carolina University (ECU) Chancellor’s Search. At the end of the Chancellor Search process at ECU, the Committee will review the Board’s involvement with Chancellors’ searches and develop guidelines to go along with the policy. The Committee will also evaluate UNC Policy 200.3 – *Selection of the President of the University of North Carolina* and the Committee will consider reviewing the Board’s election policy.

Next, Mrs. MacNeill announced there is a term ending on February 28, 2021 on the Vidant Medical Center Board of Trustees. Mr. Robert J. Greczyn, Jr. was appointed to the Vidant Medical Center Board in March 2012 to fill the unexpired term of Ms. Janice Faulkner. This term has been completed. Mr. Greczyn was recommended for a full term.

On behalf of the Committee, Mrs. MacNeill recommended the appointment of Mr. Robert J. Greczyn for a five-year term. The motion carried.

Last, Mrs. MacNeill referred to the 2016 Spring Commencement Schedule. She asked members to consider signing up for one or more commencement ceremonies to bring greetings and present the Board of Governors Award for Excellence in Teaching to this year’s recipients.

REPORT OF THE COMMITTEE ON PUBLIC AFFAIRS

Mr. Powers, Chair of the Committee, reported the Committee heard an update from Vice President Rhinehardt on the 2015-2016 Federal Agenda. Mr. Powers explained that several new Board members have been added since the agenda was approved back in February 2015. Vice President Rhinehardt provided background information on the agenda and discussed the items of major importance to the University.

Vice President Moretz presented a draft of the UNC Board of Governors Policy Agenda (see Appendix V). The important initiatives include – elimination of the private fundraising cap; extension of the carry-forward authority; elimination requirements of funding advanced planning on capital projects; and defining a permanent fix to the state’s qualified excess benefit.

On behalf of the Committee, Mr. Powers moved approval for the University of North Carolina Policy Agenda. The motion carried. Mr. Kotis and Mr. Goolsby dissented.

Mr. Powers recognized Representative John Fraley, who attended today’s meeting as well as the Committee’s meeting the previous day. Mr. Powers thanked Representative Fraley for his involvement and interest. Mr. Powers reported that Secretary Perry provided an update on the Connect NC Bond Referendum. The Resolution in Support of the \$2 Billion Connect NC Bond (see Appendix W) was introduced to support the referendum. The Committee voted to accept the resolution.

On behalf of the Committee, Mr. Powers moved that the Board accept the resolution endorsing the Connect NC Bond campaign. The motion carried.

In closing, Mr. Powers thanked Mr. King and his colleagues, the student government representatives, who were attending today’s meeting.

REPORT OF THE SPECIAL COMMITTEE ON MILITARY AFFAIRS

Mr. Long, Chair of the Special Committee, thanked Chancellor Anderson for his hospitality this week. Vice President Rhinehardt announced that the Marine Corps Base Camp Lejeune-New River approved UNC-Chapel Hill’s Core Program – a SACS-accredited distant learning general education certificate program. The program was approved for military-tuition assistance. This accomplishment recognizes an important step in furthering the University’s engagement with the military community. Mr. Long congratulated Chancellor Folt and others involved in making this certificate program possible.

The Committee heard from Executive Director Joe Wescott of the NC State Approving Agency. Dr. Wescott reported that UNC Core is in the final stages of receiving approval for veterans’ benefits. Vice President Dixon updated the Committee on a request from the Marine Corps Special Operations Command (MARSOC) to develop a special track that marines could complete for the purposes of promotion.

Last, Vice President Rhinehardt reported on an initiative to bring veteran students from across campuses together for networking purposes. This month, the first meeting of the UNC System's Students Veterans Council will take place in Chapel Hill.

REPORT OF THE COMMITTEE ON PERSONNEL AND TENURE

Mr. Sywassink, Chair of the Committee, reported the Committee received updates from Academic Affairs and Human Resources. A summary report on this fiscal year's annual raise process, implemented in December, will be provided at next month's meeting.

The Committee reviewed two proposed resolutions. First, the Resolution of the Board of Governors regarding Executive and Administrative Authority of the President (see Appendix X) was reviewed and endorsed by the Committee.

On behalf of the Committee, Mr. Sywassink moved that the Board accept and approve this resolution. The motion carried.

Second, the Resolution of the Board of Governors regarding Review and Approval of Proposed Salary Adjustments (see Appendix Y) was reviewed and endorsed by the Committee.

On behalf of the Committee, Mr. Sywassink moved that the Board accept and approve this resolution. The motion carried.

Mr. Sywassink reported on the faculty compensation study. Vice President Brody and Senior Vice President Gonzales are overseeing this study with the goal of enabling senior leadership and the Board of Governors to be better informed about the market competitiveness of our faculty salaries.

The Committee received and approved an informational report on Personnel Actions Delegated to the President.

Last, Mr. Sywassink called on President Spellings to provide an update on the organizational assessment currently being conducted by the Boston Consulting Group (BCG). President Spellings stated BCG was brought in to conduct an organizational assessment of UNC General Administration with input from the Board of Governors and many stakeholders throughout the university community and the state. President Spellings mentioned that BCG's Senior Partner and Management Director, Mr. J. Puckett, provided an update of its work to the Board at its retreat last month. Since that time, BCG has continued its work and developed some initial recommendations. President Spellings recognized Mr. Puckett for his report. Mr. Puckett referred to UNC GA Organizational Assessment Interim Update, which outlines the steps taken to carry out the project's objectives (see Appendix Z). The final report will be presented in the near future and President Spellings will evaluate the recommendations resulting from the BCG assessment.

CHAIRMAN'S REPORT

Chairman Bisette thanked Representative Fraley for being with us this week. We appreciate his time and look forward to working with him and his colleagues. He thanked Chancellor Anderson and his staff for their exceptional welcome; he noted the Board has gained a better insight into the important work being done on this campus. Chairman Bisette acknowledged the student government presidents who attended today's meeting and he asked each to introduce him or herself.

Next, Chairman Bisette recognized Mr. Souza, Chairman of the Presidential Transition Committee. Mr. Souza thanked the Board for its contributions to the retreat it held last month in Greensboro. He thanked Mrs. Wiley and Mr. Sloan for their guidance in preparing a written report summarizing the Board's work at the retreat and identifying the areas the Board would focus as it builds upon the progress it has made.

Last, Chairman Bisette recognized Senior Vice President Gonzales, who served as Interim President of the University for the past two months. He stated that Dr. Gonzales has done a wonderful job representing the University as interim president. The Board proposed a resolution honoring Dr. Gonzales (see Appendix AA).

Secretary Perry moved that the Board go into closed session to prevent the disclosure of information that is privileged or confidential pursuant to the law of this State or of the United States, or not considered a public record within the meaning of Chapter 132 of the General Statutes; to prevent the premature disclosure of an honorary award or scholarship; to consider the qualifications, competence, performance, or condition of appointment of a public officer or employee or prospective public officer or employee; to hear or investigate a complaint, charge, grievance by or against a public officer or employee; and pursuant to Chapter 143-318.11(a)(1), (2), (5), and (6) of the North Carolina General Statutes.

The motion was duly seconded, and the Board voted to convene in closed session. The Board went into closed session at 10:20 a.m. and returned to open session at 11:45 a.m.

In returning to open session, Chairman Bisette called on Secretary Perry to report on the list of candidates for the Board of Governors officers' election. Secretary Perry reported that the Board will elect new officers at its meeting May. Members who wish to be candidates for nomination of the board office were required to notify the Secretary by March 4, 2016. The following notifications were received for the officers' positions – Chairman, Mr. Lou Bisette; Vice Chairman, Mr. Roger Aiken; and Secretary, Dr. Joan Perry.

The next meeting of the Board of Governors is scheduled for Friday, April 15, 2016, at the University of North Carolina at Asheville. There being no further business, the meeting adjourned at 12:00 noon.

Secretary

APPENDICES

(All Appendices are a part of the official record of the meeting)

Appendix A	Chancellor Conway (ECSU) Remarks	Posted Online
Appendix B	Expectations of Conduct During Meetings of the UNC Board of Governors	Posted Online
Appendix C	President Spellings' Report	Posted Online
Appendix D	<i>The Code</i> Section 301A. The Standing Committees' Jurisdiction	Posted Online
Appendix E	<i>The Code</i> Section 301G. Jurisdiction of the Committee on Audit, Risk Management, and Compliance	Posted Online
Appendix F	UNC Policy 1300.7 – <i>University Enterprise Risk Management and Compliance</i>	Posted Online
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Appendix P	Request for Degree Program Consolidation – ECU and UNCG	Posted Online
Appendix Q	Teacher Licensure Program Actions – UNCA and UNCW	Posted Online
Appendix R	Mission Statement – WSSU	Posted Online
Appendix S	Adjustment to 2016-17 Tuition and Fees excluding new debt fees	Posted Online
Appendix T	Analysis of Findings and Recommendations Regarding NC Guaranteed Admission Program (NCGAP)	Posted Online
Appendix U	UNC Engagement Report 2015	Posted Online
Appendix V	UNC Board of Governors Policy Agenda	Posted Online
Appendix W	Resolution in Support of the \$2 Billion Connect NC Bond	Posted Online
Appendix X	Resolution of the Board of Governors Executive and Administrative Authority of the President	Posted Online
Appendix Y	Resolution of the Board of Governors Review and Approval of Proposed Salary Adjustments	Posted Online
Appendix Z	Boston Consulting Group UNC GA Organizational Assessment Interim Report	Posted Online
Appendix AA	Resolution Honoring Interim President Junius J. Gonzales	Posted Online