

## **BOARD OF GOVERNORS MEETING**

The University of North Carolina

September 8, 2006

The Board of Governors met in regular session on September 8, 2006, in the Board Room of the General Administration Building, Chapel Hill. Mr. Phillips, the chairman, called the meeting to order at 9:30 a.m.

### **INVOCATION**

Mrs. Gage gave the invocation:

Heavenly Father, we pray for all those around the world who want to learn, but are denied the right to an education. We pray for those who teach, especially those who work with few resources and little support. We give thanks for the knowledge, skills, and understanding we have, and we ask for Your help to remember how much we still have to learn. Teach us to respect wisdom wherever we find it. Open our hearts and minds to new learning, even when it challenges us to change. We gather today to craft the destiny we share with one another, with hearts and minds open to the wisdom of every voice among us. In this gathering, may we dream and design a bold future, may we bring our best selves to this service, and may we dream these dreams and do this work with honor. We ask in Thy name, Amen.

### **ROLL CALL**

Secretary Perry called the roll and the following members were present:

Bradley T. Adcock	Adelaide D. Key
Brent D. Barringer	G. Leroy Lail
Peaches Gunter Blank	Fred G. Mills
R. Steve Bowden	Charles S. Norwood
F. Edward Broadwell, Jr.	Derek T. Pantiel
Laura W. Buffaloe	Patsy B. Perry
William L. Burns, Jr.	Jim W. Phillips, Jr.
John W. Davis III	Gladys Ashe Robinson
Phillip R. Dixon	Irvin A. Roseman
Ray S. Farris	Benjamin S. Ruffin
Dudley E. Flood	Estelle W. Sanders
Hannah D. Gage	William G. Smith
H. Frank Grainger	J. Craig Souza
Peter D. Hans	Priscilla P. Taylor

Charles A. Hayes  
James E. Holshouser, Jr.  
Peter Keber

J. Bradley Wilson  
David W. Young

The following members were absent:

Charles H. Mercer, Jr.

Cary C. Owen

Chairman Phillips stated that Mrs. Owen had an excused absence under the provisions of the statute.

### **MINUTES**

Mr. Lail moved, seconded by Mr. Young, that the minutes of the meeting of August 11, 2006, be approved. The motion carried.

### **ADMINISTRATIVE ACTION ITEMS**

Chairman Phillips called attention to the Administrative Action Items listed on the agenda. Mr. Grainger moved, seconded by Mr. Young, that the following Administrative Action Items be approved by consent:

- a. (B&F) Approval of the Report on the Higher Education Bond Program for the Joint Legislative Commission on Governmental Operations and Bond Update
- b. (B&F) Authorization of New Capital Improvements Projects, UNCC
- c. (B&F) Authorization of New Capital Improvements Projects, WSSU
- d. (B&F) Approval of the Declaration of Emergency Capital Improvements Project, WSSU

The motion carried.

### **PRESIDENT'S REPORT**

President Bowles introduced several of the chancellors and representatives of affiliated organizations in attendance at the meeting. For President Bowles' transcribed remarks see Appendix E.

## **REPORT OF THE AUDIT COMMITTEE**

Mr. Smith, chair of the Audit Committee, presented the committee's report. He stated that the committee received a report from State Auditor Les Merritt and his staff about the overall results of the 2005 financial audit cycle and other audits and issues impacting the University.

Mr. Smith introduced State Auditor Merritt who stated that he was grateful for the chance to address the board and he believed the University is operating effectively and with minimal issues. He commented on how impressed he was by the members of the Audit Committee and their commitment and focus to improve the University and he pledged his office's support in the committee's endeavors.

Mr. Smith urged the Committee on University Governance to consider financial experts as members of the campus boards of trustees so these members can serve on the campus audit committees.

## **REPORT OF THE COMMITTEE ON BUDGET AND FINANCE**

Mr. Bowden, chair of the Committee on Budget and Finance, presented the committee's report.

### **Establishment of an Associated Entity – UNC Chapel Hill**

Mr. Bowden stated that the Kenan-Flagler School of Business of UNC Chapel Hill has requested authority to establish three associated entities, the KFBSF Private Equity Fund I, L.P.; the KFBSF Real Estate Fund I, L.P.; and KFBSF, Inc. They will be educational programs of the Business School and will give selected students hands-on experience in

operating private investment funds. He stated that UNC Chapel Hill intends to follow all of the required elements as outlined; however, there is no assurance that the associated entities, as requested, would qualify as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code.

On behalf of the committee, Mr. Bowden moved that the board authorize the establishment of KFBSF Private Equity Fund I, L.P., KFBSF Real Estate Fund I, L.P., and KFBSF, Inc. as UNC Chapel Hill associated entities to manage the investment funds as educational programs at the Kenan-Flagler School of Business without their obtaining nonprofit tax exempt status. The motion carried. (Appendix F)

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

Dr. Taylor, chair of the Committee on Educational Planning, Policies, and Programs, presented the committee's report.

### **The UNC Health Care System Annual Report FY 2005-2006**

Dr. Taylor stated that the UNC Health Care System was given flexibility by the General Assembly in personnel, purchasing, property, and property construction and is required to provide an annual report on the exercise of that flexibility. The System is implementing a performance-based compensation plan that has resulted in improved recruitment, less turnover, and a reduced need for contract employees who are much more expensive than regular employees. Additionally, the Health Care System has made changes to improve access to health care especially for those without insurance or with low incomes. All uninsured patients receive a 25% discount on services and patients below 250% of the federal poverty guidelines will not be

charged for services beyond co-payments. In FY 2006, the UNC Health Care System provided the largest amount of uncompensated care in its history – over \$96 million and up 8.5% from 2005.

In addition to the standard report, Chief Executive Officer Dr. Bill Roper provided a document responding to a petition drive initiated to call attention to the claim of its advocates that the focus on financial performance at the Health Care System resulted in some poor patients not getting care. Dr. Taylor stated that this document, in which Dr. Roper reaffirms the Health Care System's commitment to serve all the people of North Carolina, is included in the board notebook.

On behalf of the committee, Dr. Taylor moved approval of the UNC Health Care System Annual Report FY 2005-2006 and requested that it be conveyed to the Joint Legislative Commission on Governmental Operations. The motion carried. (Appendix G)

Policy 400.1.5, *Improving Retention and Graduation Rates*

Dr. Taylor stated that the committee approved a revised policy on retention and graduation rates at its August meeting and the board was notified that it would be asked to vote on the revised policy this month. She added that the policy was revised to include retention and to require campuses to have goals for improving retention and graduation rates and that the President will provide guidelines for campuses to meet the requirements of the revised policy.

On behalf of the committee, Dr. Taylor moved approval of revised Policy 400.1.5, *Improving Retention and Graduation Rates*. The motion carried. (Appendix H)

**REPORT OF THE COMMITTEE ON PUBLIC AFFAIRS**

Mr. Lail, chair of the Committee on Public Affairs, presented the committee's report. He noted that the committee heard an impressive advancement update from Associate

Vice President Foxx that showed that in FY 2005 the campuses raised over \$436 million, five-year growth trends are on target, and several campuses have experienced over 100% growth rate since 2001.

Mr. Lail stated that the committee welcomed Mr. Miles Lackey as the new Director of Federal Relations. Mr. Lackey, a native North Carolinian, joins General Administration from Senator Dole's office and will be a wonderful addition to the Federal government relations effort.

Finally, the committee heard reports from the three subcommittees – Economic Transformation, Legislative Affairs, and Public Service. The Economic Transformation Subcommittee, chaired by Mr. Hayes, will be looking at policies and working with General Administration to implement some of the recommendations suggested by *The Role of the University in Economic and Community Development* report. The Public Service Subcommittee, chaired by Mrs. Robinson, will examine ways to emphasize public service with university faculty, staff, and students. And the Legislative Affairs Subcommittee, chaired by Mr. Barringer, will continue to work on our state and federal legislative efforts.

## **REPORT OF THE COMMITTEE ON UNIVERSITY GOVERNANCE**

Mr. Davis, chair of the Committee on University Governance, presented the committee's report.

### **The University of North Carolina Umstead Review Panel**

Mr. Davis reported that there are three terms ending June 30, 2010, on the University of North Carolina Umstead Review Panel and the board is responsible for appointing three non-employees of the University to serve on this newly established panel.

On behalf of the committee, Mr. Davis recommended the appointment of John F.A.V. Cecil of Asheville, Bert Collins of Durham, and Robert F. Warwick of Wilmington to serve on the UNC Umstead Review Panel. The motion carried.

The University of North Carolina Health Care System - Board of Directors

Mr. Davis reported that the committee received notice from President Bowles appointing Dr. Charles A. Sanders of Durham to serve as an at-large member of the UNC Health Care System Board of Directors. On behalf of the committee, he recommended the ratification of the President's appointment. The motion carried.

Mr. Davis stated that the committee has begun the 2007 selection process for each of the sixteen institutional Boards of Trustees and intends to bring a provisional slate to the board for consideration at the March 2007 meeting. Trustee orientation required by the Board of Governors will be scheduled in April and the committee will bring back the campus trustee recommendations for board approval in May following completion of this orientation. He added that the committee welcomes nominations and recommendations for service on these boards and will keep members informed as the selection process goes forward.

**CHAIRMAN'S REMARKS**

Chairman Phillips thanked members for their significant level of participation in the Policy Discussions on Thursday, September 7. For Chairman Phillips' full report, see Appendix I.

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On motion of Dr. Perry, and seconded by Mrs. Gage, the board voted to convene in closed session pursuant to North Carolina General Statutes 143-318.11(a)(5) and 143-318.11(a)(6). The motion carried.

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The Board of Governors went into closed session at 11:00 a.m. and returned to open session at 11:20 a.m.

**REPORT OF THE COMMITTEE ON PERSONNEL AND TENURE**

Dr. Flood, vice chair of the Committee on Personnel and Tenure, presented the committee's report.

Summary Personnel Report

On behalf of the committee, Dr. Flood moved approval of the committee's summary personnel report and other items presented in closed session. The motion carried. See Appendix J for the Summary Personnel Report.

Dr. Flood noted that during the committee meeting, Betsy Brown presented the Report on the UNC Leadership Institutes, copies of which were sent to members with their board book materials.

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There being no further business, the meeting adjourned at 11:25 a.m.

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Secretary



## APPENDICES

(All appendices are a part of the official record of the meeting.)

Appendix A	Approval of the Report on the Higher Education Bond Program for the Joint Legislative Commission on Governmental Operations and Bond Update	Posted Online
Appendix B	Authorization of New Capital Improvements Projects, UNCC	Posted Online
Appendix C	Authorization of New Capital Improvements Projects, WSSU	Posted Online
Appendix D	Approval of the Declaration of Emergency Capital Improvements Project, WSSU	Posted Online
Appendix E	President's Report	Posted Online
Appendix F	Establishment of an Associated Entity – The University of North Carolina at Chapel Hill	Posted Online
Appendix G	UNC Health Care System Annual Report FY 2005-2006	Posted Online
Appendix H	Policy 400.1.5, <i>Improving Retention and Graduation Rates</i>	Posted Online
Appendix I	Chairman's Report	Posted Online
Appendix J	Summary Personnel Report	Posted Online