Board of Trustees
North Carolina State University
Raleigh, North Carolina
February 20, 2015

The North Carolina State University Board of Trustees met in regular session in the Hood Board Room of the Dorothy and Roy Park Alumni Center on Centennial Campus, Raleigh, NC, on Friday, February 20, 2015. First Vice Chair James W. Owens presided.

Members present:  
James W. Owens, Acting Chair  
Thomas E. Cabaniss  
Jimmy D. Clark  
Gayle S. Lanier  
Robert L. Mattocks II  
Barbara H. Mulkey  
Wendell H. Murphy  
Ronald W. Prestage, DVM  
Randall C. Ramsey  
John P. Sall  
Rusty Mau, _ex officio_

Acting Chair Owens called the meeting to order at 9:15 a.m. He reminded all members of their duty to avoid conflicts of interest and appearances of conflicts of interest under the State Government Ethics Act and inquired as to whether there were any known conflicts of interest or appearance of conflict with respect to any matters coming before the board at this meeting. Acting Chair Owens called on Assistant Secretary PJ Teal for the roll call.

**ROLL CALL**
Assistant Secretary PJ Teal called roll and certified that a quorum was present.

**MINUTES**
Dr. Prestage made the motion, seconded by Mr. Sall, to approve the open and closed session minutes of the November 21, 2014 meeting of the full board. The motion carried.

**CHAIR’S REPORT- Acting Chair Jim Owens**
Acting Chair Owens announced that Dr. France Cordova, Director of NSF, will deliver the Commencement address on May 9, 2015. Brigadier General Clara Adams-Ender and Ms. Betsy Bennett will receive honorary degrees. He then made some announcements and made note of upcoming important dates. Founders’ Day is on Monday, March 2, at Talley Student Union followed by a reception and dinner at 6:00. The Watauga Medal recipients are Lynn Eury and Judi Grainger.

Acting Chair Owens announced that the Bylaws give the nominating committee responsibility for “presenting a slate of nominees to the board at its last meeting before the beginning of each fiscal year. The slate of nominees shall contain at least one nominee for
each of the offices of Chair, First Vice Chair, Second Vice Chair and Secretary.” Chairman Ben Jenkins appointed the 2015 nominating committee as follows:

Barbara Mulkey, Chair
Wendell Murphy
Ron Prestage

Acting Chair Owens then closed with a report from the Endowment Board meeting. He reported that Vice Chancellor Charles Leffler presented gifts on behalf of the Chancellor for the Board’s acceptance. The Board accepted new gifts of $8,148,054 since the last meeting.

He reported that the Board heard an update from Vice Chancellor Sischo about the nucleus fund of the campaign which now totals $630M in gifts and commitments through January 31, 2015. The Board also heard an overview of ongoing campaign foci as the University moves toward the public launch of the campaign in fall 2016.

Then Dr. Owens reported that the Board received an investment performance report for the NC State Investment Fund for the quarter ended December 31, 2014. The Investment Fund held $636.6 million of marketable investments. The Endowment Fund’s portion of these assets was a market value of $197.8 million, an increase of 9% from the June 30, 2014 market value of $183 million. For the 12 month period ended December 31, 2015 the Investment Fund experienced a net return of 9.6%, which is considerably above the policy benchmark of 7.3%. For the fiscal year-to-date the Investment Fund rose 3.2% compared with the policy benchmark of 1.1%. The Board also received an update on the Investment Fund’s asset allocation and where it stands compared with its target allocation.

The University’s total Endowment of $885.1 million on June 30, 2014 resulted in a ranking of 102nd largest of the 851 endowments in the 2014 NACUBO survey. The endowment includes funds held by all Associated Entities of the University, including endowments invested with the NC State Investment Fund, Student Aid Association, Textiles Foundation, and directly owned real assets. On a per FTE basis, the market value of total University Endowment was $31.2 thousand per FTE, leading to a rank of the 8th largest among our institutional peers.

Dr. Owens then reported that the Board reviewed the proposed spending budgets for fiscal year 2016. He stated that they were pleased to learn that as of June 30, 2014 there were no endowments underwater and spending budgets are expected to grow for fiscal year 2016.

The Board was updated on Centennial Campus Endowment Real Estate projects. The Alliance Building is scheduled for completion in May 2015 with construction on the Executive Conference Center Hotel expected to begin in April 2015. The Board also heard updates on the North Shore Residential Development, the Textiles Innovation Center and the CBC Flex Building projects. All of these projects involve the approximately 78 acres the Endowment Fund holds on Centennial Campus.
Dr. Owens then reported that the Endowment Fund Trustees also heard a presentation on the Hillsborough Street Corridor projects, including the Aloft Hotel project which is scheduled to be completed in August 2015 and the Hillsborough Square project which is scheduled to begin this summer.

He noted that during the endowment meeting, the Board approved the annual report as of June 30, 2014 on Hofmann Forest and they received a report through December 31, 2014 on the same.

He reported that the Board convened in Executive Session to hear a confidential report on Endowment Fund real estate. Then after reconvening to general session, they acknowledged the service of Suzanne Gordon and Jim Peden who will end their service on the Endowment Fund Board at the end of June 2015.

CHANCELLOR’S REPORT – Randy Woodson
Chancellor Woodson began his report by making a statement about the tragic deaths of Deah Barakat, Yusor Abu-Salha and Razan Abu-Salha. He reported that NC State and UNC came together to show great unity, understanding and community. He stated that there were remarkable outpourings of support and admiration for these wonderful students and their families and friends. Chancellor Woodson then noted that today at 11:30 he will give a brief press conference with their families. The press conference is to announce the endowment of three scholarships in three colleges. These scholarships are for those whom are committed to leadership and service.

Chancellor Woodson then reported that Jonathan Ocko passed away recently. Dr. Ocko will be missed in the history department, the College of Humanities and Social Sciences and his friends and family. He noted that Dean Braden has appointed David Zonderman to serve as interim department head.

Chancellor Woodson then shared that the women’s basketball team beat the University of Miami. The men’s wrestling has a top 20 ranking and they beat UVA who is ranked 13th. The women’s swim team is ranked 8th and the men’s swim team is ranked 3rd.

Then he shared some great news about receiving the official notification that the Southern Association of Colleges and Schools has re-affirmed NC State’s accreditation. He noted that 92 compliance reports were prepared documenting NC State’s effectiveness in all areas, from academic programs to administrative procedures. Additionally, a QEP was prepared and it focused on strengthening students’ critical and creative thinking skills. He noted that the recommendation for tuition approved at the last Board meeting is before the Board of Governors.

The Chancellor gave an update on the Gregg Museum. He stated that we focus a lot about science and research at NC State but he thinks it’s also important for every student to incorporate the arts into their college experience. He noted that the Gregg Museum is located in the old chancellor’s residence and that the Wake County Board of Commissioners
voted unanimously to contribute $650,000 which includes 15,000 square foot addition to the residence.

Chancellor Woodson reported that NC State professors are collaborating on a project to recreate Martin Luther King, Jr.’s “A Creative Protest Speech” which was partly inspired by the Woolworth sit-ins here in North Carolina and a turning point in encouraging civil disobedience.

Chancellor Woodson reported that NC State was recently named one of the 15 healthiest food operations in the nation by Food Service Director Magazine. It highlighted operations across the country that showed excellence in all around food wellness, from farmer’s markets to college campuses.

Chancellor Woodson reported that at the Super Bowl, there were more than 300 LED lightbulbs lighting the field made by Durham-based Cree. It started with research here at NC State sponsored by the Office of Naval Research. Now they are arguably the leader in LED lighting, which is significantly more efficient – by 75 percent. The PNC Arena installed Cree LEDs and its electric bill is expected to drop from $56,000 to $15,000 per year. He gave an update about the student created Krispy Kreme Challenge and noted that this year’s event raised $195,000. Lastly, he reported that the third annual NC State Dance Marathon will be held in Talley Student Union. The past two events have raised more than $100,000.

COMMITTEE REPORTS
Audit, Risk Management and Finance Committee—Chair Jimmy Clark

Mr. Jimmy Clark reported that Ms. Katie Thigpen and Ted Price from the State Auditor’s Office were present to report on the University’s financial audit. The State Auditor complimented the University on its clean audit opinion as of June 30, 2014. They saw no deficiencies in internal controls. The auditors highlighted the significance of there being no reportable findings for fiscal 2014 as well as the efforts of institutional staff in these accomplishments. Prior findings from 2013 were resolved in a satisfactory manner.

Mr. Clark reported that the committee was provided highlights from the financial report and the University’s Composite Financial Index Ratios. Two key ratios for fiscal 2014 are the Primary Reserve Ratio of 0.64, which indicates that the University’s expendable assets could cover annual operating expenses by 0.64 times or two-thirds of a year’s operating expenses. Also addressed were the Viability Ratio of 1.31 which means that unencumbered assets can pay off long-term debt by 1.31 times. The University’s overall score of 4.56 places it among the mid-range of institutions.

The committee received an annual report on endowments and investments supporting NC State. The University closed fiscal 2014 with an endowment of $885.1 million, and net investment performance of 15.84% as reported to NACUBO. The total reported included both marketable assets in investment pools and direct holdings. The endowment has nearly doubled from fiscal 2009 to fiscal 2014. Other NACUBO information was reported including
market value per FTE and NC State’s performance relative to the NACUBO survey. Also addressed was the experience of the NC State Intermediate Term Investment Fund, which was established on July 3, 2014. As of December 31, 2014 a total of $173.4 million of assets are invested for higher yield.

Mr. Clark stated that the committee received a report on Internal Audit activities including an overview of fiscal 2015 internal audit division engagements, and the status associated with each one. As of January 22, 2015 there were 16 audits in process, 4 closed, and 4 not begun. One was on hold, and one was completed. He reported that Ms. Hinson addressed the audit that was completed.

Mr. Clark reported that the Committee heard information from Vice Chancellor and General Counsel, Eileen Goldgeier, on the Strategic Risk Management process. Ms. Goldgeier presented the updated top 10 University Strategic Risks to the committee. Of the top 10 identified risks, four related to leadership and faculty, and the rest were financial, operational, or reputational risks. He stated that she related the process by which the executive officers are regularly reviewing the strategies to mitigate these risks. Ms. Goldgeier mentioned that an MBA practicum team from Poole College of Management is assisting in developing key risk indicators.

Mr. Clark reported that Vice Chancellor Leffler and Mr. Kevin Howell provided the Committee with an overview of the State of North Carolina economic and fiscal outlook. The State’s 2014-2015 economic outlook is on target for continued, moderate growth. Employment growth is steadily improving but wage growth lags national indicators. The State is expecting a $271 million revenue shortfall by fiscal year-end. The State is requiring a 1.25% reduction in the state appropriated allotment before the end of the fiscal year. However, it will be watching April revenue collections to determine whether additional adjustments will be necessary. The University has contingency plans to address this impact.

Mr. Clark stated that they also discussed the State’s revenue projections for fiscal year 2015-2016. Budgetary challenges will include Medicaid enrollment growth, funding for public schools and universities’ enrollment growth, and minimum teacher salaries. Opportunities include a potential state-wide bonding program. NC State funding priorities for next fiscal year include funding for salaries, capital projects, and repair and renovations, while avoiding further reductions. The UNC System has also requested legislative priorities to allow the University to operate more efficiently, restore authority for R&R projects, and provide in-state tuition for military veterans.

**Buildings and Property Committee – Chair Randy Ramsey**

Mr. Ramsey began by stating that the Building and Property Committee has one property matter and one policy matter that both require full board approval.
They are:

- Disposition by Easement of approximately 10 feet x 800 feet to AT&T from Centennial Campus and extending along the south side of Blair Drive. The non-exclusive easement will facilitate the extension of fiber optic facilities to the neighboring Food Runners Collaborative located on adjoining NCDA&CS land to the east.

- Proposed revision of POL 04.20.02, Alcohol Policy. The revisions to this policy constitute a complete rewrite to the policy. The revisions include adding a definitions section, clarifying the scope and jurisdiction of the policy, clarifying when the possession and consumption of alcoholic beverages are allowed the university, revising the section on the “Sale of Alcoholic Beverages” to reflect recent North Carolina statutory law changes, deleting provisions related to the service of alcohol and moving these to the accompanying regulation, deleting the provisions regarding tailgating and moving these to the accompanying regulation, updating the policy to reflect current practice, and revising the overall format and arrangement of information to make the policy more user friendly.

Mr. Ramsey made a motion for the approval of the two matters. Ms. Lanier seconded the motion. The motion passed.

Mr. Ramsey stated that committee approved 12 Designer selections and one Construction Manager at Risk Selection and that they accepted 9 completed projects with a combined value of $8.1 million. The list includes acceptance of the construction of a Gateway at the Centennial Entrance and widening of Main Campus Drive at Trailwood Drive with a value of $1.2 million.

Mr. Ramsey reported that the committee approved the design plans for the Textiles Innovation Center and the Conference Center and Hotel both of which are on Centennial Campus. The committee also approved 2 Plans and Specifications of Formal Projects costing less than $2 million. Lastly, he reported that they received updates about other capital projects and Projects in Planning.

**University Advancement and External Affairs Committee-Acting Chair Gayle Lanier**

Ms. Lanier began by reporting that Brian Sischo provided a University Advancement update, sharing an update on the overall progress of fundraising so far this fiscal year and in the Nucleus Phase of the upcoming Campaign.

Through January 31, 2015, overall gifts and new pledges totaled $124 million, up 21% over FY14 at this time. This included significant increases from CALS of 120% and VetMed, up 85% on fundraising, among other strong performers. Vice Chancellor Sischo also discussed projections for the remainder of the fiscal year. Additionally, he reviewed recent progress
on the creation of endowed professorships and chairs at NC State, and those that are in the queue for State matching.

She reported that Vice Chancellor Sischo then provided an update on the nucleus fund of the campaign, now totaling slightly over $630M in gifts and commitments through 1/31/15, and shared an overview of ongoing campaign and other University Advancement priorities as the University moves toward the public launch of the campaign in Fall 2016.

Ms. Lanier stated that Mr. Brad Bohlander provided a University Communications update overviewing how all University Communication efforts are working to advance the NC State brand and help the university achieve its strategic goals.

Ms. Lanier reported that, in Closed Session, the Committee reviewed and approved 5 naming proposals to name specific university facilities. She noted that a motion will be made at the end of this meeting to go into Closed Session to consider all naming opportunities.

**University Affairs Committee - Acting Chair Barbara Mulkey**

Ms. Mulkey began by stating that Senior Vice Provost Louis Hunt provided a report on graduation trends, including the number and types of degrees awarded, as well as graduation rates for undergraduate students. The report showed that the university is making progress in undergraduate retention and graduation rates. In addition, during the past ten years there has been significant growth in the number of degrees awarded: 20% growth in bachelor's degrees, 84% growth in master's degrees and 44% growth in all doctoral degrees.

Ms. Mulkey reported that the committee recommended approval of the Request for Authorization to Establish the B.A. in Biological Sciences. She noted that the Request for Authorization to Plan this degree was approved by the Board in November. When planning a new degree program, UNC-GA requires these two types of approval. The B.A. would serve as a companion degree to the B.S. in Biological Sciences and would provide an alternative path to degree for our students.

Ms. Mulkey made a motion for the approval of the Authorization to Establish the B.A. in Biological Sciences. Dr. Prestage seconded the motion. The motion passed.

Ms. Mulkey reported that the committee also approved the Request for Authorization to Continue the following five Centers and Institutes all of which have completed the required periodic review of activities in accordance with university regulations: the Center for Comparative Medicine and Translational Research; the Institute for Emerging Issues; the Kenan Institute for Engineering, Technology and Science; the North Carolina Sea Grant College Program; and the Water Resources Research Institute.
Student Body President Rusty Mau provided an update on new and on-going student
government initiatives including engaging students in dialogue about diversity and the
upcoming Student Government elections.

Ms. Mulkey reported that Ms. Barbara Carroll, Associate Vice Chancellor for Human
Resources, summarized the annual report to the Board of Governors on personnel actions
covered by the university's management flexibility agreement.

Then Ms. Mulkey reported that in the Provost's update the committee received information
on several items:

- The College of Sciences Dean search.
- Interviews are being conducted for the Vice Provost for Faculty Affairs position to
  replace Dr. Betsy Brown who is retiring from the position this year.
- In accordance with university regulations, a five-year comprehensive review of
  Dean Fleener and the College of Education is occurring this academic year.
- The annual university reappointment, promotion and tenure process is well
  underway with 142 faculty members submitting dossiers for this year's review
  process. Faculty will be notified about the outcome of the review at the end of
  April.
- The Chancellor's Faculty Excellence Program has hired 35 faculty members, and
  eight of the twelve clusters are now complete. The second round of the program is
  underway with new cluster areas to be announced later this spring.

Ms. Mulkey stated that, in Closed Session, the committee approved two head coach
employment agreements, a non-salary compensation request, and recommended for
approval by the Board of Governors salary increases that were greater than 15% and
$10,000 from the employee's previous June 30 salary. She also reported that they made
recommendations for awarding of the Holladay Medal. She noted that these
recommendations will be considered by the Full Board in Closed Session at the conclusion
of this meeting.

Faculty Senate Report David Zonderman, Chair

Dr. Zonderman reported that the Faculty Senate has spent the winter discussing a number
of important issues relating to our work as teachers, researchers, and engaged scholars
serving the citizens of North Carolina and beyond. In the final meetings of last semester,
Vice Chancellor Mike Mullen and Registrar Louis Hunt discussed the many factors affecting
undergraduate student retention and success on campus. Associate Vice Provost Carrie
Zelna solicited input for making the annual Convocation a true introduction to the
community of teachers and learners that is NC State.

Vice Chancellor Brian Sisco briefed the Senate on progress of the Capital Campaign. Vice
Provost Duane Larick returned for a further discussion of how to reform and sustain the
Graduate Student Support Program, which is essential for recruiting and retaining the best graduate students that advance NC State's mission as a research university.

Dr. Zonderman reported that this spring semester the Faculty Senate has discussed revisions to the state’s Public Records Law that protect faculty research, the new First Year Program in Life Sciences, and new initiatives in the Office of Institutional Research and Planning. At the most recent meeting, Senators heard from Vice Provost Margery Overton about the implementation of the Strategic Plan, and met the new Faculty Ombuds Roy Baroff. He stated that in the next meeting they will hear from the new Dean of the Graduate School, Maureen Grasso.

He stated that later this spring, the General Faculty Meeting will focus on foundations and how they support the university’s mission. Faculty are especially interested in learning how foundations establish fundraising and spending priorities, and what role faculty might play in making those strategic decisions to advance the university’s teaching and research goals.

Finally, Dr. Zonderman reported that both the Faculty Senate and colleagues across the campus remain concerned with the recent decision of the UNC System’s Board of Governors (BOG) to replace President Tom Ross. Faculty are especially troubled that the BOG has offered little in the way of substantive explanation as to why they are removing a president whom they acknowledge has done an exemplary job of leading the system. He noted that they hope that the Board of Governors will find another tireless advocate for what is acknowledged across the county and the world as one of the premier public university systems. He stated that the faculty know that the Board of Trustees have no role in BOGs’ decisions, but they also know that this Board is composed of women and men who are tireless supporters of NC State and will do all they can to ensure its future success with the strong leadership and hopefully the resources we need to continue to be a leading land grant university.

**Staff Senate Report, Robert Davis, Chair**

Mr. Robert Davis reported that the NC State Staff Senate is continuing to have a year full of exciting activities. The Staff Senate strives to better serve, promote, educate and initiate opportunities for the diverse and talented staff at NC State.

He gave an update about the staff senate’s participation in service projects. He reported that the Bountiful Harvest Food Drive was in October and the Toys for Tots Drive in December were both very successful. He also reported that the Hands and Feet Community Service committee participated in the 9th annual Meals Packaging Event sponsored in conjunction with Stop Hunger Now. In late February the Staff Senate’s community service committee will also launch a book drive for orphanages and local hospitals. He then reported that the Staff Senate Committee on the Arts is currently working on a project with a group of Park Scholars to develop instrumental music lessons for children of lower income NC State staff members. Also, the Staff Senate is working on establishing a University Staff Stewards program with the University Sustainability Office. He noted that
this program will serve to enhance staff involvement in the sustainability and greater respect of the natural environment. In addition, the Staff Senate Human Resources Committee plans to kick off an outreach program that will create closer ties and better communication with the Extension Service employees.

Mr. Davis reported that the Staff Senate continues to promote education through Lunch-n-Learn and Webinar programs.

Mr. Davis reported about other events that were held by the Staff Senate. The first annual winter reception was held in December for all Staff Senators. Senators who were nominated by their committee chairs received “Head of the Pack” certificates. On January 10 the Staff Senate, Athletics Department and the Office of Institutional Equity and Diversity sponsored a special employee appreciation event for staff, faculty and their families. The event was held during the NC State vs. Clemson Women’s game. Lastly, the College of Humanities and Social Sciences Town Hall will be held on February 5, 2015.

With no further business, Dr. Prestage made a motion, seconded by Ms. Lanier, to convene into Closed Session to prevent the premature disclosure of an honorary award and to consider the qualifications, competence, performance, conditions of appointment of a public office or employee or prospective public officer or employee, the motion passed.

Reconvene in Open Session

With no further business in open session, Acting Chair Owens adjourned the meeting at 11:00 am.

Respectfully submitted,

Assistant Secretary

Secretary

Approved:

Chair of the Board