

## **MINUTES**

Board of Trustees  
NC State University  
Raleigh, North Carolina

February 22, 2002

The North Carolina State University Board of Trustees met in regular session in the Alumni Memorial Building Conference Room, North Carolina State University Campus, at 10:00 a.m., Friday, February 22, 2002. Chair Peaches Gunter Blank presided.

### **MEMBERS PRESENT:**

Peaches G. Blank  
D. McQueen Campbell  
Derick S. Close  
Ann Goodnight  
Suzanne Gordon  
Edward E. Hood, Jr.  
Vernon Malone  
Bob L. Mattocks  
C. Richard Vaughn  
Darryl Willie, ex officio

Chair Peaches Gunter Blank called the meeting to order at 10:05 a.m.

### **ROLL CALL**

Assistant Secretary Clare Kristofco called the roll and certified that a quorum was present.

### **MINUTES**

Mr. Close made the motion, seconded by Mr. Mattocks, to approve the November 16, 2001 minutes; the motion carried.

### **CHAIR'S REPORT - CHAIR BLANK**

Chair Blank said that the Trustees' Strategic Planning Retreat is a positive exercise. The Board will plan for its next retreat in September 2003 to focus on issues critical to the University, and to serve as an orientation for new Trustees. She thanked Bob Bryan, Associate Vice Chancellor for Alumni Relations, for the jackets provided to the Board.

She highlighted the Chancellor's efforts to provide information to the campus community on the rationale behind a proposal before the Board to initiate a \$400 increase in tuition at NC State. Chair Blank attended one of the two Tuition Town Hall Meetings, and noted that the Trustees' Tuition Workshop was a further endeavor to educate Trustees on this complex issue. On Thursday, February 21, three Board Committees reviewed the proposal for a tuition increase; the full Board will vote today. Chair Blank noted that the decision regarding tuition was extremely difficult for all Trustees, and stressed that the Board worked diligently to hear all sides. She stressed the Board's overriding commitment to advance NC State.

Chair Blank thanked Vernon Malone for representing her at the December 2001 Commencement ceremonies. She noted that she continues to serve on the state's Bond Oversight Committee. This

weekend, February 22-23, 2002 is Park Scholarships' Finalists weekend, with a banquet being held this evening. The selection of the Park Scholarships' recipients will move quickly.

Chair Blank said that behind Tab 11 in the Board notebook is the listing of Trustee meeting dates for the remainder of 2002, along with a list of upcoming events, including Founders' Day, Spring Commencement, and the Trustee meetings for April, July, September and November.

In closing her report, Chair Blank appointed the Board Nomination Committee to include Steve Edwards, Derick Close, McQueen Campbell and Vernon Malone. Mr. Malone will serve as Chair.

#### **CHANCELLOR'S REPORT - MARYE ANNE FOX**

Chancellor Fox said that much of the University's efforts these past few months have been "consumed with the budget." NC State must continue to operate and plan for subsequent years. She thanked students for their keeping the University on the "straight path" and stressing the importance of maintaining access for all qualified students to attend the University.

From the Emerging Issues Forum, a more formalized program has been established - The Emerging Issues Institute, which will follow-up on the discussions from the Forum and highlight how to communicate this to the community. The Director of the Institute will be Dr. Noah Pickus and the Chair is former Governor Jim Hunt.

The Campaign Steering Committee has met with success during the first 2 quarters of the year, despite budget constraints. She participated in *Literacy Week*, reading to a 3<sup>rd</sup> grade class at Lacy Elementary School, noting the responsibility of the NC State community to get involved. The Chancellor reported that she is serving as a member of the President's Council of Advisors for Science and Technology and chairs the subcommittee on Broadband Infrastructure. She also serves on the Energy Conservation Panel.

Chancellor Fox presented a new Visitor Guide and Map of NC State, and provided a copy of a recent USA Today news article on NC State's First Year College, detailing the strengths of the program, for students attending a large university.

#### **COMMITTEE REPORTS**

##### **Academic Affairs and Personnel Committee - Derick Close Presiding for Richard Robb**

Mr. Close reported that the Committee approved the proposed \$400 campus-initiated tuition increase. The Committee reported its recommendation to approve the proposed increase to the Finance and Planning Committee. In addition, the Committee approved the proposed amendment to Board of Trustees Policy 14.01, Patent and Copyright Procedures; the deletion of Policy 14.02, Guidelines and Procedures for Determining Ownership of Computer Software; the deletion of Policy 21.02, Appointment Terms for Faculty who are Lecturers, Demonstrators, and Laboratory Supervisors; the proposed amendment to Policy 22.01, Non-Faculty EPA Professionals, and the proposed amendment to Policy 23.02, Maternity Leave for Faculty. Mr. Close made a motion, seconded by Mr. Campbell, to approve the proposed policy amendments; the motion carried.

Acting Chair Close said the Committee endorsed the University's plan to rename the College of Management's Masters of Science in Management to Masters of Business Administration. In Closed Session, the Committee approved personnel actions including 11 new appointments; 10 conferrals of Emeritus Status; 4 salary adjustments resulting in salaries 15% above the June 30, 2001 salary; and 31 CHASS adjustments of non-tenure track faculty salaries greater than 15% above the June 30, 2001 or July 1, 2001 salary. The Committee was informed of 1 noteworthy appointment and 24 scholarly assignments and approved Honorary Degree nominations.

Acting Chair Close recommended that the Board go into Closed Session at the end of the full Board meeting to consider the Honorary Degree nominations.

##### **Buildings and Property Committee - Ann Goodnight Presiding for Chair Wendell Murphy**

Acting Chair Goodnight reported the Committee approved 5 property matters, 3 designer selections, 2 additions to the Open-Ended Services Agreements, 4 construction manager selections, acceptance of Completed Buildings and Projects and a proposed change to Trustees' policy 31.02. The property matters, which require full Board approval, include three leases: laboratory and office space for expansion at the College of Veterinary Medicine's Animal Genomic Research program, laboratory and faculty/graduate student office space for expansion of the planned Center for Embedded Systems Research in the College of Engineering, and office space for the expansion of the College of Engineering's Electrical and Computer Engineering Department's research programs. Acting Chair Goodnight made the motion, seconded by Mr. Mattocks, to approve the 3 leases; the motion carried.

The one purchase, which also requires full Board approval, involves purchase of 0.84 acres at 2303 Avent Ferry Road for expansion of Centennial Campus. Acting Chair Goodnight made a motion, seconded by Mr. Vaughn, to approve the purchase; the motion carried.

The proposed amendments to Trustee policy 31.02 would clarify the definition of athletics events and provide equivalent treatment for Carter Finley Stadium and the Raleigh Entertainment and Sports Arena space used by NC State. Acting Chair Goodnight made the motion, seconded by Mr. Hood, to approve the proposed amendments to policy 31.02; the motion carried.

The Committee heard an update on the sale of 159 acres near the Raleigh Entertainment and Sports Arena. The land, under contract, would require rezoning approval by the City of Raleigh. The Committee also reviewed site and design plans for the Flex Research Building, the Centennial Biomedical Campus Infrastructure, and the Center for Educational Innovation on Centennial Campus. Members reviewed design plans for the Coliseum Parking Deck expansion, the Public Safety Building, and the Wildlife Resources Building.

Acting Chair Goodnight also reported that the Committee approved design plans for the Baseball and Tennis Stadium improvements, reviewed the status of 14 projects in planning and construction on Centennial Campus, and received informational reports on the status of Bond projects, the 2002 Self-Liquidating Project Submission, and recent legislation revising construction procedures.

#### **Development Committee - Chair Edward E. Hood, Jr.**

Chair Hood reported the Committee heard informational reports from Vice Chancellor for University Advancement Terry Wood on Fundraising/Campaign progress. Gifts and pledges received through the second quarter, total \$84,402,298, which is a 53% increase from the same period last year. This amount is almost 65% of the \$130 million goal set for the current fiscal year. Progress totaling \$128 million has been achieved during the "quiet phase" of the campaign. The marketing and positioning study currently under way will play a crucial role as the campaign moves forward, stressing the need for support of the campaign as well as providing direction for NC State's public relations efforts.

Associate Vice Chancellor for University Development David Anderson reviewed the status of current capital projects, including the Alumni Center, which has received significant gifts since the last

Committee meeting. The Athletics Facilities have received \$1 million since the kickoff last autumn. A substantial leadership gift was given for the Centennial Center for Educational Innovation. Several plans are advancing to generate additional support for the Joyner Visitor's Center.

The Lifetime Giving Societies will hold their annual event at Prestonwood Country Club in Cary, NC, on April 18, 2002. The total membership is currently 898, with cumulative giving totaling \$228 million. The Development Committee will examine the feasibility of creating a sixth society, for individuals with cumulative giving of \$5 million or more.

Executive Director for Corporate and Foundation Relations Ed Hand and Associate Vice Chancellor for Technology Transfer David Winwood provided the University Advancement Report, detailing the innovative interaction between their two offices. Technology Transfer is responsible for the intellectual

property of NC State and negotiates patents, licenses and start-up companies. The Corporate and Foundation Relations office's focus is securing the philanthropic support from corporations and foundations. He requested that Trustees assist in "opening doors" to corporations or foundations to which they have existing relationships or where they may serve as a board member.

Chair Hood said that the Committee met in Closed Session for naming of University facilities, which also requires full Board approval. He recommended that the Board go into Closed Session at the end of the full Board meeting to consider naming of University facilities.

#### **Student and Campus Affairs Committee - Chair Vernon Malone**

Chair Malone said that the Committee heard a report from Vice Chancellor Thomas Stafford on increasing the power of the campus radio station, WKNC. Mr. Malone moved for the approval of the amendment, with a second by Ms. Goodnight; the motion carried. Director of Greek Life John Mountz presented an update on the status of Greek Court renovations and leases. Plans continue for the renovation of Kappa Alpha and Sigma Nu chapter houses. The Committee discussed a variety of issues related to the renovation of Sigma Nu house. Mr. Malone reported that the Committee agreed that there should be renewed dialogue between the administration and the Greek organizations, to include the possible release of any Greek organizations from their lease agreement if there are any misunderstandings about what is expected. Delta Zeta will renew its lease for next year, but Tau Kappa Epsilon will not. A new Panhellenic sorority will be added next year.

Student Body President Darryl Willie reported on Student Government activities. He highlighted recent accomplishments, including Homecoming, and increased visibility and accessibility of Student Government. He discussed "Keep North Carolina Educated," a joint project with presidents of the student governments at other UNC system universities to inform the community about access to higher education. Students from the University's ROTC units gave presentations on their respective military programs.

Chair Malone said the Committee went into Closed Session to consider one student appeal, and recommended that the full Board go into Closed Session to discuss the results of the student appeal.

#### **Finance and Planning Committee - Chair Richard Vaughn**

Chair Vaughn said that Ernest Murphrey, Director of Business Services, presented details on a tuition payment plan that would allow for installment payments. The payment plan is similar to ones already in place at other University of North Carolina campuses. Chair Vaughn made a motion, seconded by Mr. Campbell, to approve the payment plan; the motion carried.

Kathy Hart, University Treasurer, reported on a proposal to refinance selective Housing and Centennial Campus bonds for achieving interest rate savings. Chair Vaughn made the motion, seconded by Mr. Close, to approve the issuance of special obligation bonds; the motion carried.

Chair Vaughn reported that the Academic Affairs and Personnel Committee, the Student and Campus Affairs Committee, and the Finance and Planning Committee each had approved the proposal for a campus-initiated \$400 tuition increase. Chair Vaughn made the motion, seconded by Mr. Close, to increase tuition, effective 2002-2003, for in-state and out-of-state undergraduate and graduate students, to be retained on campus, and to be used for: 1) need-based financial aid, 2) additional faculty, 3) competitive faculty salaries, and 4) building academic excellence.

In a discussion before the vote, Chancellor Fox explained further the implications of a campus-initiated tuition increase versus a system-wide tuition increase, stating that all of the monies from a campus-initiated proposal would stay at NC State. With a system-wide increase, the monies would go into a pool and would be apportioned to the 16 campuses in the UNC system. She said that the NC State administration greatly regrets the necessity of bringing forward a tuition increase proposal, but she did not see any alternative. It is imperative that the University continue to promote academic

excellence, and to ensure that NC State does not lose ground during this time of state financial difficulty.

Chancellor Fox also relayed the views of Trustee Dick Robb who was unable to attend the meeting. In a phone conversation before the meeting, Mr. Robb had expressed concern about the impact of continuing increases in tuition for students and their families, and the importance for NC State to maintain access to the state's citizens.

The Chancellor also reported on a UNC Board of Governors' workshop on February 19, two days before the NC State Board of Trustees' Committee meetings. The Board of Governors discussed a new proposal to enact a 10% across-the-board tuition increase and approval of a \$250 campus-initiated tuition increase for selected campuses, including NC State and UNC-Chapel Hill. Chancellor Fox said the Board of Governors could act on the new proposal, and its decision would supersede the Board of Trustees' vote.

Chair Blank noted that the Board of Governors must look to the interests of the entire UNC system, while the Trustees focus on NC State's needs. Mr. Malone noted that while the BOG does not determine the distribution of the revenue from campus-initiated tuition increases, the Board may instruct the campuses to use the revenue to fund specific categories of expenses, such as faculty salaries.

In response to Mr. Willie's question about the percentage of the campus-initiated revenue to be committed to financial aid, Chancellor Fox reiterated her pledge to provide an appropriate fraction of the tuition increase revenue for financial aid, so that no student with unmet financial need will be worse off as a result of the \$400 proposed tuition increase. The Chancellor said the amount to be allocated to financial aid cannot be set now because it would be determined by the amount allocated to NC State from the UNC system's financial aid initiatives. She said she wanted to maintain the spirit of the pledge, without stating a specific amount, since the Trustees did not know what path the BOG would take with proposed tuition increases.

Mr. Mattocks stated his support for the Chancellor's pledge and the University's efforts to assist students with unmet financial need. He noted that many scholarship donors also will shoulder the tuition increase. Chancellor Fox expressed her appreciation to scholarship donors like Mr. Mattocks and Mr. Hood who have stepped forward in their financial support.

Chair Blank and Mr. Willie expressed their appreciation to the students who had studied the tuition issue. Mr. Willie also thanked the Trustees for their dialogue with students and urged continued diligence in monitoring increases in tuition.

Chancellor Fox said she will appoint a Tuition Task Force to develop a long-range tuition plan and to create a framework for making future tuition decisions.

With no further discussion, Chair Blank called for a vote. The proposed \$400 tuition increase was approved; Mr. Willie voted no.

Chair Vaughn continued the Finance and Planning report, noting that Ms. Hart discussed the investment performance of the NC State Investment Fund. The Fund lagged behind its policy benchmark of (3.97%) for the year ending December 31, 2001, with a return of (5.34%). Executive Director for Financial Services Ernest Murphrey discussed the 2000-2001 Annual Financial Report. He also noted that the state auditors issued their report for the University; there were no reportable findings. Karen Helm, Director of University Planning and Analysis, presented the Spring 2002 Enrollment Report.

Bob Geolas, Director of Centennial Campus, reported on the relocation of Red Hat's corporate headquarters to Centennial Campus, efforts to work with incubator tenants, and pending construction for residential housing units. Mr. Vaughn said the Committee expressed its desire to initiate the

residential housing project by June 2002. If agreements cannot be reached with the developer, the Committee wants to review the relationship. Vice Chancellor for University Extension and Engagement Stephen Jones provided an update on the H. Hugh Shelton Initiative for Leadership. Ericka Kranitz, Director of Internal Audit, reported on completed audit activity for the year ending December 31, 2001.

#### **The Board of Trustees of the Endowment Fund - Presiding for Chair Peaches G. Blank**

The Endowment Board took no formal action because a quorum was not present.

Investment consultant Callen and Associates reported a positive return of 5.13% for pooled investments for the quarter ending December 31, 2001. The twelve-month period had a (5.93 %) return. The strongest performer was the small-cap value manager, with a twelve-month return of 17.27%. Large cap growth and fixed income managers were hurt by Enron holdings.

University Treasurer Kathy Hart reported that the fixed income portfolio held by the banks have continued to perform close to the Lehman Brothers Aggregate Bond Index, 8.4% for the year, with the exception of First Union. The University's fixed income portfolio was also hurt by Enron bonds and the need to liquidate holdings as part of a portfolio re-balancing. Overall, the Endowment fund had a one-year return of (3.1%) against the benchmark of (2.1%). Academy Centennial funds, a venture fund for NC State start-ups, had a market value of almost \$11 million, as of December 31, 2001; US Trust holds \$238,000.

#### **Faculty Senate Report - Chair of the Faculty Philip Carter**

Chair Carter reported that University of North Carolina - Chapel Hill Chancellor James Moeser addressed the meeting of the General Faculty. Chair Carter spoke in support of the ROTC program at NC State teaching leadership skills, as graduates of the program advance to careers in the military, industry and business. He reported that the support of the Faculty is critical as the University revises regulations regarding recruitment, retention and progress toward degree, and he said he hopes to provide leadership to foster this support. He noted his support for University environmental initiatives, which will be a focus of the Faculty Senate.

#### **Staff Senate Report - Chair of the Staff Senate Rosalind Thomas**

Chair Thomas reported that she had addressed the Student Senate on January 30, 2002, and the Staff Senate will hold an Open Forum on March 13, 2002 from 11:30 a.m. to 1:30 p.m. in Witherspoon Student Center. The Chair and Chair-Elect were guests of Chancellor Fox at the Emerging Issues Forum and the Sisterhood Dinner. Chair Thomas thanked News Services for their support and coverage of Staff Senate activities, and discussed her ongoing efforts to strengthen the NC State Family Scholarship. Carol Apperson has resigned as Chair-Elect due to assuming a new position.

With no further business for Open Session, Chair Blank asked Ms. Kristofco to read the motion, seconded by Mr. Hood, to go into Closed Session to prevent the premature disclosure of an honor or scholarship, according to North Carolina General Statute, Section 143.318.11 (a)(2) and to prevent the disclosure of privileged information under the federal Family Educational Rights and Privacy Act and to consult with our attorney to protect the attorney-client privilege, pursuant to North Carolina General Statute, Sections 143-318.11 (a)(1) and (a)(3).

After the Board returned to Open Session at 11:22 a.m., Chair Blank adjourned the meeting.

