

Board of Trustees
North Carolina State University
Raleigh, North Carolina
September 21, 2018

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, in Raleigh, NC, on Friday, September 21, 2018.

Members present:

Jimmy D. Clark, Chair
Robert F. Andrews III
Thomas E. Cabaniss
Ann B. Goodnight
James A. Harrell, III
Wendell H. Murphy
Ronald W. Prestage, DVM
Susan P. Ward
Dewayne N. Washington
Edward I. Weisiger, Jr.
Jess Errico, *ex officio*

Chair Jimmy Clark called the meeting to order at 9:25 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 appearances of conflict with respect to any matters coming before the board at this meeting. Chair Clark 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

Mrs. Goodnight made the motion, seconded by Mr. Murphy, to approve the open and closed session minutes of the July 19, 2018 meeting of the full board. The motion passed.

OATH OF OFFICE FOR NEW MEMBER

Chair Clark introduced Superior Court Paul Ridgeway to administer the oath of office to new ex officio member, Jess Errico.

CHAIR'S REPORT- JIMMY CLARK

Chair Clark introduced NC State's Board of Governors' Liaison, Randy Ramsey. Mr. Ramsey provided an overview of Board of Governors' activities.

Chair Clark took a moment to show respect for Trustee David Nimocks, who passed away. Mr. Nimocks was an asset to the Board and a great friend of NC State. Chair Clark presented a resolution of appreciation for Mr. Nimocks, honoring his longtime support for NC State as well as his leadership.

Mr. Murphy made a motion, seconded by Mr. Weisiger, to approve the resolution of appreciation for David Nimocks. The motion passed.

Chair Clark then gave an Endowment Fund Report and noted a special report on strategies and practices for preventive risk management. The report addressed common causes and types of claims that may be filed against the University, and the associated liabilities and limits. The Endowment Board heard about insurance both for the University and its associated entities.

Gifts were presented on behalf of the Chancellor for the Endowment Board's acceptance. The Endowment Board accepted new gifts and other additions of \$5.7 million that were received between January 20 and August 17, 2018. The Endowment Board also approved the Endowment Fund 2018 Annual Report. The net assets of the Endowment Fund were \$468.2 million on June 30, 2018, an increase of 8.4% from the prior year. The increase reflects \$33.8 million of net investment gains and \$13.2 million in contributions and matching gifts in fiscal year 2018.

He reported that on June 30, 2018 the Fund had \$349.1 million in investments in the NC State Investment Fund (NCSIF) compared with \$311.4 million at June 30, 2017. The Endowment Fund is the largest participant in the Investment Fund. The Investment Fund returned 11.6% for the 12 months ending June 30, 2018; a performance that was comparable to the UNC Investment Fund, with a 12-month return of 12%. The one, three, and five year average annual returns for the NCSIF place it in the top quartile of performance for endowments nationwide. The Board also heard an update on the Investment Fund's asset allocation and the performance of various asset classes in the portfolio.

The Endowment Fund is one component of the University's total endowment. Overall the University's total endowment was valued at \$1.3 billion at June 30, 2018.

The Endowment Board heard an update on WIN—the Wolfpack Investor Network. WIN, an associated entity of the University responsible for operating the investor program, began operations in 2017. It currently has 144 members and continues to grow. The focus of WIN is angel investing, and through these efforts, three university startups have been funded, with more than a dozen Poole MBA and graduate STEM students participating in WIN diligence efforts in fiscal year 2018. The Endowment Fund's current portion of the \$7 million investment total is \$450K. WIN, as part of the Triangle's consortium of Angel Investors associated with the three universities, has attracted a \$5.4 million commitment from the State of North Carolina.

Chair Clark reported that the Endowment Board heard a report on the progress of the "Think and Do the Extraordinary" Campaign for NC State and campaign highlights to date. As of early September, the total raised was \$1.35 billion in gifts and pledges, with \$215.4 million in fiscal year 2018 (the second highest fiscal year total in NC State's history). Fiscal year 2018 results included gifts from nearly 1,400 current students. Other campaign highlights include 425 new scholarship and fellowship funds and 75 new faculty positions.

Chair Clark noted that the Endowment Board heard a report on real estate assets held by the Endowment Fund. The Endowment Fund owns almost 80,000 acres of property in different locations in the state. It receives ground rent income from some of its real estate assets, and other assets are held for programmatic purposes. Most of the acreage owned by the Endowment Fund is the Hofmann Forest, and 75 acres on Centennial Campus of which 47 acres are currently ground leased. The Board heard an update on recent Centennial Campus projects.

Chair Clark stated that the Endowment Board convened to Executive Session to hear a report on property and financial matters related to Hofmann Forest.

CHANCELLOR'S REPORT – RANDY WOODSON

Chancellor Woodson thanked NC State's BOG liaison, Randy Ramsey for his support. He then noted that NC State mobilized assets to support other universities affected by Hurricane Florence and thanked facilities, campus police, and the campus community for their efforts.

Chancellor Woodson then covered some of NC State's highlights from the last academic year:

Student Success

- A number of prestigious scholarships were awarded to NC State Students:
 - One Marshall Scholar, one Truman Scholar, one Goldwater Scholar, one Udall Scholar, one Fulbright Student Grant Recipient, 14 Gilman Scholars, one Critical Language Scholarship, one Boren Scholar, one Mount Vernon Leadership Fellow, 22 (16 undergraduate and six graduate) National Science Foundation (NSF) Graduate Research Fellow Program Fellows, and two Hollings Scholars.
- NC State's graduation rates have increased since the implementation of our strategic plan.
 - Four-year undergraduate graduation rate up 15% points
 - Six-year undergraduate graduation rate up 7% to 80%

- The number of bachelor's degrees conferred increased 9%, master's 31% and doctoral 36%.

Scholarship and Research

- Research and development expenditures reported to NSF totaled a little over \$500 million for fiscal year 2017, a 2.1% increase over fiscal year 2016.

Innovation

- Among US universities without medical schools surveyed by the Association of University Technology Managers, NC State ranks in the top five for technology licensing and startup companies launched.

Partnerships and Economic Development

- NC State creates a direct alignment between our expertise and the state's most important industry sectors so we can address both industry and societal challenges.
- Last year alone, NC State's Economic Development Partnership worked with state and local economic development organizations to support the creation of 4,443 jobs and \$417.7 million in capital investment across North Carolina. Examples include:
 - The announcement of Taiwanese sports apparel manufacturing firm Everest Textiles bringing 610 jobs to Rutherford County

Recent Rankings and Awards

- The U.S. News and World Report ranked NC State #80 nationally and #32 for public schools which is up from #81 and #33 last year.
 - NC State's success has been noted by other organizations as well. *Money Magazine* ranked NC State number 31 out of 727 colleges in the United States on its "Best Colleges for Your Money 2018" list. Ranking is determined by educational quality, affordability, and alumni success. NC State is the highest ranked North Carolina College on the list, and one of only two to break the top 50.
- NC State also received the 2018 *INSIGHT Into Diversity* Higher Education Excellence in Diversity (HEED) Award for the third time. The HEED Award is the only national recognition honoring colleges and universities that show an outstanding commitment to diversity and inclusion across their campuses.

Student Success

- NC State students are starting the 2018-2019 academic year off strong by making the most of their opportunities for academic, professional, and personal development.
- Three NC State graduate students were recognized by the Foundation for Food and Agriculture Research (FFAR) as inaugural recipients of the FFAR Fellow Award.
- A class of NC State students were invited to attend the 2018 Venice Biennale architecture exhibition and present the work of their advanced architecture studio class. Students were tasked with designing a major intuitional airport in countries outside the US with special attention to culture, sustainability, ecology, building technology, and social justice. The group projects, collectively titled "Airports of the Future: Global Design Thinking," were honored by the European Cultural Centre with the Architecture University Project Award 2018. This Award recognizes the project's the contribution to research, for highlighting the significance of

airport space, and for valuing the experiential journey. The project models are on display through November 25, 2018 in Venice at the Time Space Existence exhibition hosted by the European Cultural Centre.

Faculty and Staff Success

- NC State had three staff members win the 2018 Governor's Awards for Excellence, an all-time high for NC State. These recipients are:
 - Dane Johnston from the College of Veterinary Medicine
 - David Josephus from Finance and Administration (University Architects Office)
 - David Setser from Finance and Administration (Design and Construction Services)
- The American Chemical Society named Melissa Pasquinelli a Fellow to honor her outstanding achievements in and contributions to the chemical sciences. Dr. Pasquinelli is associate department head and director of graduate programs in the Department of Textile Engineering, Chemistry and Science at the College of Textiles.

Research

- A new cohort of the Chancellor's Innovation Fund recipients was announced recently. This year the CIF supports the projects of 7 faculty from a variety of colleges.

Campaign Update

- We are currently 84% toward our fundraising goal - \$1.35B
 - Progress toward sub goals
 - \$188M+ of \$200M raised for facilities
 - \$518M+ of \$600M raised for current use
 - \$638.5M+ of \$800M raised for endowment
- Seventy five out of 203 endowed faculty positions have been created during the Campaign. Including the first endowed dean's chair in the Poole College of Management and the first endowed chair within the College of Veterinary Medicine
- We have created 1700 + new funds; providing scholarship, fellowship, programmatic and facility support
- Support from donors across the country and around the world has increased. Nearly 80,000 (78,555) donors from all 100 counties in NC, all 50 states and 62 countries. The number of individuals making their first gift to NC State has grown from 4,000 to more than 5,000 a year
- Campus support has also increased, as the number of our faculty, staff and students who give has increased since 2016 and student giving has almost tripled.

COMMITTEE REPORTS

AUDIT, RISK MANAGEMENT AND FINANCE COMMITTEE – CHAIR TOM CABANISS

Mr. Cabaniss reported that the Committee reviewed and discussed its responsibilities as per the bylaws, this year's agenda, and the draft plan of work for the year. The four key areas of committee authority are audit, finance, risk management, and policy development for institutional trust funds, campus security and information technology and cybersecurity.

Mr. Cabaniss reported that the Committee approved the Internal Audit Charter as it was presented. Changes from the previous charter were minimal and included the System Office name change and using the title "Chief Audit Officer" to reference the Director of Internal Audit, a practice that has become an industry standard.

Mr. Cabaniss noted that the Committee also heard a final report on Internal Audit activities for fiscal year 2018, the process for assessing audits, as well as activities underway in the current year. They also heard a report on legislative activities including a discussion of the potential impact of the cost of the hurricane on the legislative landscape.

Mr. Cabaniss reported that the committee heard a budget update for fiscal year 2019—an in-depth report on changes in state appropriations for the fiscal year—both increases and decreases. Additional funding supported increases in employee compensation, increasing minimum wages, and covering retirement and health insurance rate increases. He noted that undergraduate resident tuition and fees did not increase this year, but other programs and nonresident tuition is driven by market or statutory caps. There were no increases in special fees or new special fees created. The committee heard an update on the Board of Governors' priorities and work plans for the 2019-2021 biennium. Areas of interest include enrollment funding model reform, consolidation of tuition and fees, repair and renovation allocations, a metrics dashboard and data modernization.

He reported that the Committee also heard a year-end update on the University's financial performance and highlights from the University's unaudited financial statements for fiscal year 2018. The net position of the University increased to \$444.6 million, up \$95.5 million from fiscal year 2017. Fiscal year 2017's net position was substantially reduced by required accounting for Other Post-Employment Benefits liabilities (OPEBs) and increased pension expenses. For fiscal year 2018, a 3.7% increase in total revenues was offset by smaller increases in operating expenses, and net operating income increased from \$34.7 million for fiscal year 2017 to \$53.3 million for fiscal year 2018. The University will continue to watch the impact of additional accounting changes on its financial statements and slow top-line revenue growth.

Finally, the Committee also heard the special report on strategies and practices for preventive risk management that was presented to the Endowment Fund Board of Trustees.

BUILDINGS AND PROPERTY COMMITTEE - CHAIR CHIP ANDREWS

Mr. Andrews reported that the Buildings and Property Committee reviewed and approved eight property matters for committee approval and one property matter that requires full board approval. It is:

Disposition by Cross Easement: This is a proposed easement between the State of North Carolina and The Board of Trustees of the Endowment Fund of North Carolina State University to facilitate the development and management of all Centennial Campus, including Centennial Bio-Medical Campus and Spring Hill Campus for the benefit of North Carolina State University and The Board of Trustees of the Endowment Fund of North Carolina State University. The Cross Easement Agreement will include all properties located on Centennial Campus, Spring Hill Campus, and Centennial Bio-Medical Campus.

Mr. Andrews made a motion, seconded by Dr. Prestage, to approve the property matter. The motion passed.

UNIVERSITY ADVANCEMENT AND EXTERNAL AFFAIRS COMMITTEE – ACTING CHAIR DEWAYNE WASHINGTON

Mr. Washington reported that the Committee heard the annual plan of work and then was presented a University Advancement update. The highlights from fiscal year 2018 included:

- Second highest fundraising total with \$216 million
- Highest ever total of cash receipts at \$165 million
- Largest individual gift to name a building on campus: Fitts-Woolard Hall
- First time that online gifts exceeded \$2 million
- Largest number of Faculty/Staff donors
- Largest number of Student donors (>1400)

Mr. Washington noted that the Alumni Association continues to grow exponentially with 444 new lifetime members and a 20% growth in membership since 2012. In addition, the University's website garnered over 80,000 visits and had 30 million impressions last year; the number of new gift agreements processed was up 75%. He stated that the Talent Management Office is working smart to recruit and retain top advancement staff.

Mr. Washington reported that the Committee heard a campaign and fundraising update and informed the Committee that we are closing in on 86% of our campaign goal. Progress to goals by the colleges and units are mostly positive, and he is working closely with all deans and development staff to optimize fundraising output and to forecast potential stretch goals for the remaining portion of the campaign.

Mr. Washington stated that the Committee saw a presentation that included six naming opportunity proposals:

- A naming gift proposal for the College of Textiles
- 114 naming opportunities for the Plant Sciences Building
- 17 naming opportunities for the Equine Reproduction Facility
- A naming opportunity for the South Theatre in the College of Veterinary Medicine
- One naming opportunity for the Sports Medicine Center
- Two naming opportunities for the Broadcast and Production Center in the Department of Athletics

The Committee approved the six proposals to move forward with their respective fundraising plans.

Following the presentations, the Committee met in closed session and approved 28 donor naming agreements and one honorary naming which will be presented to the Board for final approval. We then returned to open session, where representatives from the strategic planning firm Credo presented on the University Advancement Road Mapping Project. Following the Credo presentation and with no further business, the meeting was adjourned.

UNIVERSITY AFFAIRS COMMITTEE – CHAIR ANN GOODNIGHT

Mrs. Goodnight reported that the University Affairs Committee reviewed their responsibilities and plan of work for the academic year. She reported that the Committee approved requests to continue two centers that have completed their required periodic review: the Center for Advanced Self-Powered Systems of Sensors and Technologies (ASSIST) and the Center for Marine Sciences and Technology (CMAST). The Committee also approved the time-limited appointment option for eighteen distinguished professorships, conferral of tenure to two new faculty members, and a bonus structure for coaching staff in Baseball.

Mrs. Goodnight reported that the annual enrollment report highlighted changes in overall graduate and undergraduate enrollment, academic quality of the incoming freshman cohort, and undergraduate student success data.

Mrs. Goodnight reported that a presentation on the UNC System-Wide Employee Engagement Survey was given. The survey is part of a five-year project developed by the University of North Carolina system to help achieve the goals of the UNC strategic plan. The survey was administered this spring and will be administered again in 2020 and 2022 to gauge progress. The results indicate that NC State did well in relation to the other system institutions including having an overall response rate of 54%, which exceeded the UNC System Office target response goal of 50%.

Mrs. Goodnight reported that in the Student Body President report, the Committee was informed of recent programs and initiatives developed by Student Government (SG).

In the Provost's update, the Committee received information regarding the 2018-2019 faculty salary ranges and leadership position searches that are underway this academic year.

Mrs. Goodnight reported that Provost Arden gave a brief presentation on the promotion and tenure process at NC State. The promotion and tenure decision process includes a comprehensive internal review at the department, college and university levels as well as external evaluations by at least five accomplished scholars who are not part of the NC State community. Once tenure is achieved, faculty receive a post-tenure review by peers, the department head and dean every five years.

She stated that in closed session, the Committee approved salary actions for deans, recommended a salary action for approval by the Board of Governors, and they also approved head coach employment agreements for Baseball and Women's Soccer.

CHAIR OF THE FACULTY REPORT – CAROLYN BIRD

Dr. Bird stated that the following topics were discussed at the full Faculty Senate Meeting:

Athletics and Academics at NC State:

Highlights included:

- Average student-athlete GPA of 3.08 for Fall 2017 - the highest average GPA to date.
- For the same term (Fall 2017) 159 student-athletes were named to the Dean's list.
- The top five majors for student-athletes with Junior or higher standing are Business Administration, Communications, Biological Sciences, Sports Management and Parks, Recreation, and Tourism.

Faculty Senate Business:

Chair Bird reported that Faculty Senate welcomed incoming senators while current senators voted to elect an Executive Committee for the sixty-fifth session.

They will discuss Spring 2018 Employee Engagement Survey: A Summary of Results and Next Steps. The Faculty Senate will get an overview of the Employee Engagement Survey (a 5-year UNC initiative), hear results from the Spring 2018 administration of the survey at NC State, learn about plans for using the data, and have the opportunity for questions and discussion.

Chair Bird reported that she partnered with the Office of General Counsel and the Office of Faculty Affairs for professional mediation training. Fifteen faculty participated in the training and are now better equipped to serve as a mediator in instances of faculty grievances, non-reappointment review petitions and other requests for mediation that involve faculty.

CHAIR OF THE STAFF SENATE REPORT – JASON PAINTER

Chair Painter reported that the Staff Senate does the following for University staff:

- Provides feedback and consultation regarding interests/concerns that affect staff
- Integrates staff into University governance and affairs
- Facilitates communication between staff, administration, faculty, and other partners
- Fosters staff development and recognition to support staff retention
- Monitors, reviews, and makes recommendations on policies, programs, and initiatives that impact staff
- Disseminates information about initiatives, programs, and policies that impact staff and share resources needed to navigate University systems
- Encourages a sense of community and engagement among all staff by the promotion and facilitation of staff participation in the University community.

Chair Painter reported that he asked each Committee member to adopt 2-3 OKRs (Objectives and Key Results) to help the Staff Senate in achieving the goals bulleted above. An objective is significant, action oriented, unambiguous, and inspiring. An objective is where one wants to get, it is a direction, it

is what one hopes to accomplish such that at a later time anyone can easily tell if the objective was reached. Choosing the right objectives in one of the hardest things to do and requires a great deal of thinking and courage to do well.

He reported that adopting OKRs will help the NC State Staff Senate focus on what matters by increasing transparency and collaboration, measuring progress, and accomplishing its goals. Chair Painter reported that Staff Senate includes 30 returning senators, 47 new senators, and three elected officers, representing nearly 6,000 staff across all 100 counties of the State of North Carolina. This next year promises to be one filled with great opportunities for the Staff Senate to serve its constituents in meaningful ways and to make staff feel encouraged and appreciated every day.

CLOSED SESSION

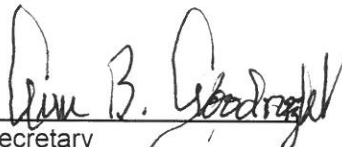
With no further business in open session, Mr. Andrews made the motion, seconded by Dr. Prestage, at 10:30 a.m. to prevent the premature disclosure of an honorary award or scholarship; to establish or instruct the staff or agent concerning the negotiation of the amount of compensation or other terms of an employment contract; and to consider the qualifications, competence, performance, conditions of appointment of a public officer or employee or prospective public officer or employee. The motion passed.

RECONVENE IN OPEN SESSION


At 11:25 a.m., the board came out of closed session. With no further business in open session, Chair Clark adjourned the meeting at 11:30 a.m.

Respectfully submitted,


Assistant Secretary


Secretary

Approved:


Chair of the Board