

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**MINUTES**

**BOARD OF REGENTS MEETINGS**

**AND**

**COMMITTEE MEETINGS**

**September 8-9, 2011**

**Office of the Board of Regents  
600 McNamara Alumni Center**

UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS

Minutes of the Board of Regents Meetings  
and Committee Meetings

September 8-9, 2011

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**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Audit Committee**

**September 8, 2011**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, September 8, 2011 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Clyde Allen, Laura Brod, John Frobenius, David Larson, and Maureen Ramirez.

Staff present: Chancellor Charles Casey; Senior Vice President & Provost E. Thomas Sullivan; Vice Presidents R. Timothy Mulcahy and Richard Pfitzenreuter; Interim Vice President Ann Hill Duin; Executive Director Ann Cieslak; and Associate Vice Presidents Michael Berthelsen, Gail Klatt, and Michael Volna.

Student Representatives present: Terrance Paape and James Rook.

**INTERNAL AUDIT UPDATE**

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket and on file in the Board Office. Since the last update to the Audit Committee in June 2011, 15 percent of outstanding recommendations rated as “essential” were implemented by University departments, a percentage significantly less than the expected implementation rate of 40 percent. No units fully implemented all their remaining “essential” recommendations. Two audit reports containing 16 recommendations rated as “essential” were issued in the last three months.

Klatt noted that the low implementation percentage was partially driven by personnel turnover, distractions caused by the state government shutdown, and transitions in senior University leadership. Senior Vice President & Provost Sullivan indicated that he has already initiated conversations with relevant deans to follow up.

In response to questions from Regents Brod and Larson, Klatt explained that the Office of Internal Audit continues to report and follow up with units that have outstanding recommendations until the issues are resolved.

**INDEPENDENCE OF INTERNAL AUDIT FUNCTION**

Regent Beeson invited Associate Vice President Klatt to present information on the independence of the internal audit function at the University. Klatt explained that, like most other Big Ten universities, the University of Minnesota has a centralized internal audit function. The Office of Internal Audit is independent within the organization as evidenced by:

- The direct and unrestricted access of the Chief Audit Executive (CAE) to senior management and the Board;
- Freedom of interference in determining the scope of the audit effort, performing audit work, and the communication of audit results;
- The reporting relationship of the CAE.

Klatt observed that the Board of Regents has provided an appropriate organizational and policy infrastructure to fully support the independence necessary for an effective internal audit function. She added that presidents of the University of Minnesota have been respectful of this independence and the unique reporting relationship the Office of Internal Audit has to the Board of Regents. The president often invites the CAE to participate in senior leadership meetings and serve on various committees, which further enhances the effectiveness of the internal audit function. Klatt noted that the Office of Internal Audit has never experienced any restriction in its scope of work or been denied access to records, personnel, or facilities needed to complete its audit work.

In response to a question from Regent Larson, Klatt reported that her office does not provide legal opinions or advice. When a situation arises that appears to violate the law, the Office of Internal Audit involves the Office of the General Counsel.

Regent Frobenius suggested that 1) the CAE's annual performance evaluation should become the responsibility of the Audit Committee chair with input from the president, and 2) the Audit Committee should consider adopting an annual affirmation of the independence of the internal audit function.

#### **2011-12 COMMITTEE WORKPLAN DISCUSSION**

Regent Beeson and Associate Vice President Klatt led a discussion of the committee's workplan for 2011-12, as detailed in the docket and on file in the Board Office. Klatt outlined some of the topics to be discussed during the next year and also explained that the number of meetings was being reduced from six to five to better align with the revised Board of Regents meeting schedule. The committee expressed support for the workplan.

The meeting adjourned at 9:13 a.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Litigation Review Committee**

**September 8, 2011**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, September 8, 2011 at 8:00 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center.

Regents present: Venora Hung, presiding; Linda Cohen and Patricia Simmons.

Staff present: President Eric Kaler; General Counsel Mark Rotenberg; and Executive Director Ann Cieslak.

Others present: Brent Benrud, Amy Phenix, and Tracy Smith.

The meeting convened in public session at 8:02 a.m.

General Counsel Rotenberg presented highlights from the Annual Report on Legal Matters.

**RESOLUTION TO CONDUCT NON-PUBLIC MEETING  
OF THE LITIGATION REVIEW COMMITTEE**

At 8:18 a.m. a motion was made and seconded that the following resolution be approved:

WHEREAS, based on advice of the General Counsel, the Board of Regents Litigation Review Committee has balanced the purposes served by the Open Meeting Law and by the attorney-client privilege, and determined that there is a need for absolute confidentiality to discuss litigation strategy in particular matters involving the University of Minnesota;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of the Board of Regents Litigation Review Committee be held on Thursday, September 8, 2011 at 8:00 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Regents of the University of Minnesota v. Union Pacific Railroad Co. and Vertellus Specialties Inc.*

- II. *Board of Regents of the University of Minnesota and Orlando Henry "Tubby" Smith v. James R. Williams*
- III. *Kathryn Brenny v. Board of Regents of the University of Minnesota, and John Harris*
- IV. *Potential litigation to recover revenue associated with a patent portfolio*

The committee voted unanimously to approve the resolution. The public portion of the meeting adjourned at 8:19 a.m.

The non-public portion of the meeting adjourned at 9:17 a.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Finance & Operations Committee**

**September 8, 2011**

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, September 8, 2011 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Richard Beeson, Linda Cohen, Venora Hung, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellor Jacqueline Johnson; Vice Presidents Tim Mulcahy and Richard Pfitzenreuter; Executive Director Ann Cieslak; and Associate Vice Presidents Terry Bock, Gail Klatt, Stuart Mason, Julie Tonneson and Mike Volna.

Student Representatives present: Madeleine Hammerlund and James Rook.

**ISSUES RELATED TO: ANNUAL ASSET MANAGEMENT REPORT**

Vice President Pfitzenreuter invited Associate Vice President Stuart Mason and Chris Suedbeck, Director of Asset Management, to provide an overview of the Annual Asset Management Report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Mason reported that the Consolidated Endowment Fund (CEF) ended FY 2011 with a market value of \$956.8 million, which is a \$95.3 million improvement over the prior fiscal year. He indicated that CEF underperformed its benchmark but remains above the University's long-term investment objective for this fund. Mason described a number of issues that weighed down CEF's performance during FY 2011, primarily the fact that it was underweight in public equities. This was caused by previous decisions to increase exposure to private investments. The private investments limited CEF's liquidity and prevented optimal performance during a time when public assets were peaking.

Mason then outlined CEF investment strategies for FY 2012, including:

- Allocate distributions to liquid asset classes and selectively sell illiquid assets in secondary markets;
- Evaluate current policy asset allocation targets and adjust as necessary;
- Increase allocations to Long-Short and Absolute Return hedge funds to improve liquidity and reduce equity market volatility;



- Increase international diversification, especially in emerging markets, to improve return potential of the fund and limit correlation with United State equity markets and monetary policy; and
- Increase allocation to Treasury securities and liquid real assets.

Mason reviewed the Temporary Investment Pool (TIP), which is managed internally. The TIP market value at the end of FY 2011 was \$748.2 million, an increase of \$50.6 million over the previous year. Mason stated that the increase was driven primarily by spread tightening in the agency sector, higher current yield relative to the benchmark, and outperformance in mortgage and corporate bonds.

Mason also discussed the Group Income Pool investments and the Regents of the University of Minnesota Insurance Company (RUMINCO) fund performance. He also noted several recent investment manager changes.

In response to questions from the committee, Mason reiterated that the primary source of FY 2011 financial underperformance was the sale of public equities to fund private investments. He explained that this was consistent with CEF's asset allocation model, which called for a 40% private capital target at the time.

#### **ISSUES RELATED TO: AMENDMENTS TO FY2012 ANNUAL OPERATING BUDGET**

Vice President Pfutzenreuter and Associate Vice President Julie Tonneson led the discussion of issues related to the President's recommended amendments to the Operating Budget for FY 2012, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter noted that the July 19, 2011 special legislative session resulted in a reduction to the University's appropriation by 7.8 percent in the FY 2012-12 biennium. This was a \$50 million improvement (\$25 million in FY 2012 and \$25 million in FY 2013) over the state appropriation anticipated in the University's preliminary FY 2012 budget approved by the Board of Regents in June 2011. In FY 2012, the President is recommending \$8.15 million in recurring allocations, \$10.75 million in non-recurring allocations, and a \$6.10 million unallocated balance to be carried forward to FY 2013.

Tonneson presented the President's recommendations for FY 2012, including recurring funds of \$3,050,000 to mitigate the impact of state cuts in Medical Education & Research Costs (MERC) and \$150,000 to support the Undergraduate Research Opportunities Program (UROP), as well as non-recurring funds of \$4,150,000 for one-time scholarships to undergraduate students eligible for the U Promise Program. Tonneson also provided the preliminary framework for FY 2013 including \$16.85 million in recurring funds and \$6.10 million in non-recurring. Plans for the non-recurring funds will be presented in June 2012.

In response to questions from the committee, Pfutzenreuter explained that the U Promise scholarship money is non-recurring, as it will be directly added to the student account to be used as a one-time contributor to spring semester 2012 tuition.

## **STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

Vice President Pfutzenreuter discussed the set of financial data and related ratios outlined in the *University Plan, Performance & Accountability Report* as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. He explained that this information provides a means to evaluate the financial strength and direction of the institution with the ratios helping to analyze the financial solvency of the University. He added that Moody's Investor Services uses ratios to assist in assigning a debt rating to the University.

In response to an inquiry from Regent Frobenius, Pfutzenreuter stated that calculating investment and operating income using customized ratios would prevent the University from comparing to the Moody's benchmark and other universities.

### **2011-12 COMMITTEE WORKPLAN DISCUSSION**

Regent Frobenius and Vice President Pfutzenreuter introduced the work plan discussion, as detailed in the docket materials. Highlights include policy discussions on long-term financial planning, asset allocation ranges, enterprise systems upgrades, and administrative cost definition and benchmarking.

In response to a question from Regent Sviggum, Pfutzenreuter indicated that the goal of defining administrative cost is to have the ability to measure and monitor it.

### **CONSENT REPORT**

Vice President Pfutzenreuter presented a revised Consent Report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

A motion was made and seconded to recommend approval of the revised Consent Report, which included:

#### Purchase of Goods and Services \$1,000,000 and Over

- Blue Cross Blue Shield of Minnesota for an estimated \$4,960,028 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period January 1, 2012, through December 31, 2012.
- CIGNA for the estimated annual amount of \$2,140,000 for a four-year total of \$8,560,000 to provide the Academic Disability Program for faculty and professional and administrative staff, offered through the University of Minnesota Office of Human Resources Employee Benefits for the period January 1, 2012, through December 31, 2015.
- CIGNA for the estimated annual amount of \$2,030,000 for a four-year total of \$8,120,000 to provide Voluntary Short Term Disability and

Long Term Disability Insurance, offered through the University of Minnesota Office of Human Resources Employee Benefits for the period January 1, 2012, through December 31, 2015.

- HealthPartners for an estimated \$3,125,216 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period January 1, 2012, through December 31, 2012.
- HealthPartners Administrators, Inc. to add an estimated \$2,066,551 to administer self-funded medical insurance coverage and to provide stop loss insurance for Twin Cities and UMD Graduate Assistants for the period September 1, 2011, through August 31, 2012.
- John Hancock to add an estimated \$1,690,000 for providing Long Term Care Insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period January 1, 2012, through December 31, 2012.
- Medica to add an estimated \$1,593,000 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period January 1, 2012, through December 31, 2012.
- Minnesota Life/ING to add an estimated \$2,106,000 for the purchase of life insurance coverage offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period January 1, 2012, through December 31, 2012.
- Recombinant Data Corporation for an estimated \$845,000 for a total contract of \$1,500,000 to build an integrated technology infrastructure to support clinical research and clinical care for the University's health professional schools programs through June 30, 2012.
- UCare for an estimated \$995,085 for purchase of Medicare supplemental insurance offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period January 1, 2012, through December 31, 2012.

#### Commercial Transactions or Other Matters Subject to Board Approval

To seek approval for a proposed amendment to the Learfield multimedia rights contract with the University to include a sponsorship with Treasure Island Resort & Casino for \$250,000 annually for three years for a total of \$750,000. The sponsorship would be a combination of in-venue messaging, program ads, and suites/tickets at TCF Bank Stadium. Gaming would not be promoted during any of these activities.

The committee voted unanimously to recommend approval of the revised Consent Report.

## INFORMATION ITEMS

Vice President Pfutzenreuter invited Associate Vice President Volna to provide an overview of the following information items:

- Quarterly Purchasing Report
- Increase in Property Insurance Coverage
- Annual Economic Development Report

Volna asked Craig Taylor, Director of Economic Development, to explain the Annual Economic Development Report to the Committee. The committee expressed support.

The meeting adjourned at 11:35 a.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Educational Planning & Policy Committee**

**September 8, 2011**

A meeting of the Educational Planning & Policy Committee of the Board of Regents was held on Thursday, September 8, 2011 at 9:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Maureen Ramirez, presiding; Laura Brod, Dean Johnson, David Larson, and Patricia Simmons.

Staff present: Chancellors Charles Casey, Jacqueline Johnson and Stephen Lehmkuhle, Senior Vice President & Provost E. Thomas Sullivan; Vice President Timothy Mulcahy, Executive Director Ann Cieslak; and Associate Vice Presidents Gail Klatt and Sharon Reich Paulsen.

Student Representatives present: Terrance Paape and Chantal Wilson.

**ANNUAL REPORT ON UNDERGRADUATE & GRADUATE PROGRAM CHANGES**

Regent Ramirez invited Senior Vice President & Provost Sullivan and Joseph Schultz, Assistant to the Provost, to present the Annual Report on Undergraduate & Graduate Program Changes, as provided in the docket and in materials distributed at the meeting and on file in the Board Office.

Schultz provided information on the approval process for academic changes, trends over the years and how the approval process supports progress towards the University's goals. The approval process has a number of tiers beginning at the department, and at every level questions are asked about the ramification of any change, including duplication with other programs, whether existing courses are being utilized to create new programs, whether new resources are required, and market demand.

In response to questions from the committee, Schultz agreed that the University needs to be prepared for change and observed that the program review model accommodates and facilitates agility. Sullivan noted that market dynamics have led to more terminal masters degrees and that doctoral programs are changing in response to market demand. He reported that the University is undergoing a comprehensive review of programs for both quality and demand and that this review will be presented to the committee at a future meeting.

In response to a question from Student Representative Wilson, Schultz agreed that students want a well-rounded education and there is need for collaboration among departments and programs. He believes that one of the strengths of the program

change process is that changes originate at the department level, which is closest to student demand.

In response to a question from Regent Brod about competing institutional goals, Schultz noted that joint degree programs are at the graduate level and do not interfere with timely graduation.

In response to Regent Larson's comments recommending greater leadership training, Sullivan described a number of opportunities, including minors, tracks, and a center focused on leadership.

In response to a comment from Regent Johnson, Sullivan described how demographic data informs decision-making in order to meet state needs in various fields. He also noted the ongoing conversations between President Kaler and Minnesota State Colleges and Universities System Chancellor Steven Rosenstone regarding coordination between the two systems. Regent Simmons added additional information about recent talks Kaler gave to the state Chamber of Commerce and the Minnesota Business Partnership.

#### **STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

Regent Ramirez called upon Senior Vice President & Provost Sullivan and Joseph Schultz, Assistant to the Provost, to discuss academic issues, as reported in the *University Plan, Performance & Accountability Report* (Report). Sullivan stated that this is the 11<sup>th</sup> year of the Report (materials in the docket and on file in the Board Office), which is also provided to the Minnesota legislature. Sullivan commented on the comprehensive nature of the University's programs, noting that its size is significant when compared both to its peers and to the relatively modest-sized population of Minnesota. He discussed measures and data in the Report for each of the campuses.

In response to questions from Regent Simmons, Sullivan noted that the Report demonstrates progress toward the University's goals in many areas, including research funding, retention and graduation rates. It is a helpful management tool as it provides data and trends related to progress and identifies areas of concern. He explained that the yield rate for undergraduate admission is affected by the fact that the University now competes against better schools than previous years, thus reducing the yield rate.

Regents offered their congratulations on the significant increase in retention rates and asked for additional information on transfer students who now represent 35% of Twin Cities undergraduates.

#### **2011-2012 COMMITTEE WORKPLAN**

Regent Ramirez referred to the committee's draft workplan in the docket materials. She noted that the topics were not assigned by month, but would be as the year progresses. Regents made a number of additional suggestions for topics and by consensus agreed to the workplan.

## CONSENT REPORT

A motion was made and seconded, to recommend approval of the following academic program changes, as described in the Consent Report:

- **New Academic Programs**
  - Duluth Campus - Create Master of Environmental Education (M.E.Ed.) degree
  - Crookston campus - Create Entrepreneurship Minor for traditional and online delivery
- **Changed Academic Programs**
  - College of Science and Engineering (Twin Cities Campus) - Create coursework only (Plan C) option within the Master of Science in Industrial and Systems Engineering (M.S.I.Sy.E.) degree
  - College of Liberal Arts (Twin Cities Campus) - Create coursework (Plan C) option and discontinue the Plan B option within the Master of Geographic Information Science (M.G.I.S.) degree
  - College of Science and Engineering (Twin Cities Campus) - Change name of the Master of Geological Engineering (M.Geo.E.) degree to Master of Geoengineering and change name of the M.S. degree in Geological Engineering to Geoengineering
  - College of Science and Engineering (Twin Cities Campus) - Change name of the Bioprocessing and Food Engineering track to Food Engineering in the Bachelor of Bioproducts and Biosystems Engineering degree
  - Law School (Twin Cities Campus) - Create International Law track within the J.D. and LL.M. degrees
  - Law School (Twin Cities Campus) - Create Criminal Justice track within the J.D. and LL.M. degrees
  - College of Liberal Arts (Twin Cities Campus) - Create Joint Ph.D. degree in Speech-Language-Hearing Sciences and Au.D. degree program
- **Discontinued Academic Programs**
  - Graduate School (Twin Cities Campus) - Discontinue graduate-level minor in Bioinformatics

In response to a number of questions from the committee, Joseph Schultz, Assistant to the Provost explained that the coursework only option for some master's programs are used for applied practice as opposed to research practice. The demand for this type of master's degree reflects the changing needs of industry.

The committee voted unanimously to recommend approval of the Consent Report.

### **INFORMATION ITEMS**

Senior Vice President & Provost Sullivan presented information on the Twin Cities campus accreditation process, which is scheduled for 2015. Regent Simmons stressed the importance of this activity. In response to a question, Sullivan confirmed that students would be involved with the process.

The meeting adjourned at 11:03 a.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**



**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Facilities Committee**

**September 8, 2011**

A meeting of the Facilities Committee of the Board of Regents was held on Thursday, September 8, 2011 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Clyde Allen, Laura Brod, John Frobenius, Venora Hung, and David Larson.

Staff present: President Eric Kaler; Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Vice Presidents Aaron Friedman, Timothy Mulcahy, Kathleen O'Brien, and Richard Pfutzenreuter; Executive Director Ann Cieslak; and Associate Vice Presidents Michael Berthelsen, and Michael Perkins.

Student Representatives present: Kathryn Holmquist and Molly Tomfohrde.

**REAL ESTATE TRANSACTION**

**A. Purchase of 724 First Avenue SW, Rochester (Rochester campus)**

A motion was made and seconded to recommend approval of the following actions:

On recommendation of the President and the Vice President for University Services, the appropriate administrative officers are authorized to execute the appropriate documents providing for the following real estate transaction:

Purchase of 724 First Avenue SW, Rochester (Rochester campus)

Location and description: Multi-tenant office building containing 7,000 gross square feet and 15 surface parking stalls, located across the street from the Rochester Area Family YWCA.

Basis for Request: Future development for Rochester campus.

The property will continue to operate as a multi-tenant office building until September 30, 2012, when all current leases expire. The building will then be demolished.

Detail of Transaction: The purchase price is \$400,000, to be paid in cash at the closing, on or before October 1, 2011, to current property owners, the Rochester Area Family YWCA.

Environmental: The University completed a Phase I environmental site assessment and a building hazardous materials and asbestos study which confirm the property is in acceptable condition.

Source of Funding: University debt.

Susan Weinberg, Director of Real Estate, noted this real estate transaction was reviewed at the July 2011 committee meeting.

In response to an inquiry from Regent Larson, Weinberg explained that leasing property is considered in some cases, but that buying real estate is often a better financial deal because tax-exempt financing is allowed for purchases.

The committee voted unanimously to recommend approval of Purchase of 724 First Avenue SW, Rochester (UMR).

## **SCHEMATIC PLANS**

### **A. St. Anthony Falls Laboratory Remodel, Twin Cities Campus**

A motion was made and seconded to recommend approval of the following action:

The schematic plans for the St. Anthony Falls Laboratory Remodel, Twin Cities campus, are approved and the appropriate administrative officers are authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President O'Brien noted that the St. Anthony Falls Laboratory Remodel schematic plans were being submitted for both review and action, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Associate Vice President Mike Perkins explained that this project is funded by federal and state resources and noted that the site is located on an island off SE Main Street on the Mississippi River and is 66,000 sq. ft. He indicated that the infrastructure upgrades are necessary to renovate this older building into a highly efficient research facility.

Fotis Sotiropoulos, Director, St. Anthony Falls Lab, described how the facility will conduct research on atmospheric flow processes with the use of its multiple labs including: Wind Tunnel, Delta Basin(s), Main Channel, XES Basin, Ecofluids, and Outdoor StreamLab.

In response to inquiries from the committee, Perkins explained that in addition to grant money, HEAPR funds will support this project. Sotiropoulos elaborated on the details of federal grant funding sources and O'Brien clarified that the \$7.1 million federal grant was competitive and awarded to the University for this facility and its future research potential.

The committee voted unanimously to recommend approval of schematic plans for the St. Anthony Falls Laboratory Remodel, Twin Cities Campus.

## **CAPITAL BUDGET AMENDMENTS**

### **A. Higher Education Asset Preservation and Replacement (HEAPR), B. System-wide**

A motion was made and seconded to recommend approval of the following action:

On the recommendation of the President and the Vice President for University Services, the FY2012 Capital Budget is amended to increase the budget for the following project:

Higher Education Asset Preservation and Replacement, System-wide

Scope of Project: Design and construct asset preservation and renewal

projects throughout the University of Minnesota system. Projects will focus on building code required elevator improvements and waterproofing

Cost estimate: \$25 million

Capital funding: The Minnesota Legislature provided full funding.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Higher Education Asset Preservation and Replacement, System-wide.

### **B. Physics and Nanotechnology Building, Twin Cities Campus**

A motion was made and seconded to recommend approval of the following action:

On the recommendation of the President and the Vice President for University Services, the FY2012 Capital Budget is amended to increase the budget for the following project:

Physics and Nanotechnology Building, Twin Cities Campus

Scope of Project: Construct, furnish and equip a new physics and nanotechnology building on the Twin Cities Campus, to include research laboratories, offices, a clean room supporting nanotechnology, faculty and student meeting space, infrastructure, and support spaces

Cost Estimate: \$77 million

Capital funding: \$51.3 million of state bond funds from the Minnesota Legislature and \$25.7 million of University funds.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Physics and Nanotechnology Building, Twin Cities campus.

### **C. Central Corridor Laboratory Mitigations, Twin Cities Campus**

A motion was made and seconded to recommend approval of the following action:

On the recommendation of the President and the Vice President for University Services, the FY2012 Capital Budget is amended to increase the budget for the following project:

Central Corridor Laboratory Mitigation, Twin Cities Campus

Scope of Project: Design, construct, furnish and equip the relocated biomedical nuclear magnetic resonance imaging facility and mitigate impacts on other research laboratories associated with the construction of the Central Corridor Light Rail Transit (CCLRT) line

Cost Estimate: \$25 million

Capital funding: There is a change in source of funding from a previously authorized capital budget. The previous \$12.5 million of state bond funds will be substituted for University resources conditionally allocated to the project pending the outcome of the University's request. The \$12.5 million of University funds remains intact.

Committee members voted unanimously to recommend approval of the Capital Budget Amendment for the Central Corridor Laboratory Mitigation, Twin Cities Campus.

**D. Center for Magnetic Resonance Research – Magnetic Resonance Imaging, Twin Cities Campus**

A motion was made and seconded to recommend approval of the following action:

On the recommendation of the President and the Vice President for University Services, the FY2012 Capital Budget is amended to increase the budget for the following project:

Center for Magnetic Resonance Research – Magnetic Resonance Imaging, Twin Cities Campus

Scope of Project: Renovate the existing MRI suite to accommodate the purchase of a new 3.0T MRI. The existing 9.4T MRI will be decommissioned.

Cost Estimate: \$2.73 million

Capital funding: Infrastructure Investment Initiative Grant from the Office of the Vice President for Research, awarded with the knowledge that there will be campus-wide access to the new MRI.

Associate Vice President Perkins explained the project rationale, description, and floor plan. Vice President Friedman explained that the current MRI (purchased in 2003) is running over 130 projects from 66 Principal Investigators (PIs). This is over capacity and there are more projects in the queue.

In response to questions from the committee, Friedman clarified that the current 9.4T MRI will be decommissioned due to the new 3.0T MRI having more uses and the plan to purchase a larger (10.5T) in March 2012. He also noted that the decommissioned MRI will be recycled.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Center for Magnetic Resonance Research – Magnetic Resonance Imaging, Twin Cities Campus.

## **CAPITAL BUDGET AMENDMENT**

### **A. Cardiology Department Building/Infrastructure Systems Upgrade – VCRC, Twin Cities Campus**

Vice President O'Brien invited Vice President Friedman and Associate Vice President Perkins to provide an overview of the request, as detailed in the docket and additional materials distributed at the meeting and on file in the Board Office.

Perkins explained that the Cardiology Department is located in the Variety Club Research Center (VCRC) located off East River Road. The area to be renovated is 5,337 square feet of office, office support, and educational facilities, located on the 2<sup>nd</sup> floor. The improvements include infrastructure, fire/life/safety and ADA improvements to the floor. Friedman added that the resulting office and research space would make the University of Minnesota Medical Center (UMMC) more easily accessible to faculty and students, given the close proximity to VCRC. This item will return for action at a future committee meeting.

### **ISSUES RELATED TO 2012 STATE CAPITAL BUDGET REQUEST**

Vice President O'Brien presented issues related to the 2012 State Capital Budget Request, as detailed in the docket and additional materials distributed at the meeting and on file in the Board Office.

O'Brien explained the prioritized project list including:

- Higher Education Asset Preservation and Replacement: \$90,000
- Ambulatory Care Clinic (ACC): \$200,000
- Old Main Utility Building Renovation: \$81,000
- Itasca Biological Station and Labs: \$6,090
- Eddy Hall & Space Optimization: \$21,000
- American Indian Learning Resource Center: \$11,025

O'Brien noted that the ACC is a complicated project and the financial arrangements are still being discussed. She indicated that more information will be presented to the Board at the October committee meeting.

Robert Elde, Dean of the College of Biological Sciences (CBS), elaborated on the Itasca Biological Station and Labs request. He explained that the site is located within Itasca State Park and attracts many students to the CBS. The intent of the project is to construct a campus center to support research and education initiatives, in addition to the long-term goal of creating a sustainable community with energy self-sufficiency.

In response to a question from Regent Hung, O'Brien clarified that the project list was prioritized in collaboration with President Kaler and consultation with academic leadership and noted this is a qualitative, not quantitative list.

## **STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

Vice President O'Brien invited Leslie Krueger, Chief of Staff, University Services to provide an overview of the University's performance as reported in the 2011 *University Plan, Performance & Accountability Report*, as detailed in the docket and additional materials distributed at the meeting and on file in the Board Office.

Krueger explained the report outlines performance, initiatives, and progress around the University's five goal areas and its strategic objectives. It also identifies measures and links variables to strategic planning; identifies comparative institutions and benchmarks performance; and advances opportunities for improved performance and development.

Krueger provided information on the role of University Services in meeting the University's strategic objectives. The committee expressed favorable responses to the information.

### **FACILITIES CONDITION ASSESSMENT UPDATE**

Vice President O'Brien, Associate Vice President Berthelsen, and Sean Schuller, Assistant Director, Process Development presented the annual Facilities Condition Assessment (FCA), as detailed in the docket and additional materials distributed at the meeting and on file in the Board Office.

Berthelsen indicated that the FCA is the source of the most accurate and up-to-date information on the state of existing buildings. The measure used in this assessment is the Facilities Condition Needs Index (FCNI), which rates on a scale of "critical" to "excellent". He presented a table that outlines every University building and the level of its current condition based on FCNI. Berthelsen commented that the institution's capital needs (system-wide) exceed available funding for existing buildings. The required capital to maintain the current FCNI ratio is \$160 million per year and the actual funding is \$114 million per year.

Berthelsen described strategies to maximize funding, which include:

- Utilize existing space
- Demolish or decommission targeted buildings
- Implement district utility strategies
- Maximize energy conservation
- Target individual system improvements
- Renovate existing spaces
- Build new facilities.

Schuller provided an overview of a draft model that organizes FCA data by building purpose, which is a more constructive tool, as it categorizes by rating class and building groups vs. analyzing individual building assessments.

In response to inquiries from the committee, O'Brien detailed how University Services addresses space utilization, including consultation with the Space Utilization Work Group and continually benchmarking the University against Big 10 and peer group institutions.

## 2011-2012 COMMITTEE WORKPLAN DISCUSSION

Vice President O'Brien provided an overview of the 2011-12 committee workplan, as detailed in the docket and on file in the Board Office. The committee expressed support for the workplan.

### INFORMATION ITEMS

Vice President O'Brien referred committee members to the Information Item:

- Emergency Approval of Fifty-Year Land Lease and Parking Facility Agreement for Hotel at 615 Washington Ave SE, Minneapolis (Twin Cities Campus).

The meeting adjourned at 3:30 p.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Faculty, Staff & Student Affairs Committee**

**September 8, 2011**

A meeting of the Faculty, Staff & Student Affairs Committee of the Board of Regents was held on Thursday, September 8, 2011 at 1:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons presiding; Richard Beeson, Linda Cohen, David McMillan, Maureen Ramirez, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellors Charles Casey and Jacqueline Johnson; Senior Vice President & Provost E. Thomas Sullivan; Vice President Kathryn Brown; Executive Director Ann Cieslak; and Associate Vice President Gail Klatt.

Student Representatives present: Madeleine Hammerlund and Abdul Omari.

**HUMAN RESOURCE FOUNDATIONAL DATA**

Regent Simmons invited Vice President Brown to present information on human resource foundational data. Brown explained that the Office of Human Resources (OHR) currently does not have a set of baseline measures describing the University's workforce that can be benchmarked and evaluated over time. This type of information will assist the Board of Regents and senior University leaders in their oversight responsibilities as well as management decisions, resource allocation, and talent management.

Brown outlined preliminary data developed by OHR on employee counts and campus affiliation, compensation, and demographic characteristics. She also presented some preliminary measures of overall employee productivity. Brown added that the next phase of this effort is to describe employees not only based on terms and conditions of employment, but also on the work they perform. She shared several examples to illustrate the difference between the two methods. OHR is also engaged in a strategic planning effort; has undertaken a review of human resources policy and current job codes/classifications and related job families; and is studying a possible enterprise system upgrade.

In response to a question from Regent Beeson, Brown explained that peer group comparisons for non-faculty positions can be difficult to identify because there is not symmetry in job classifications. The Association of American Universities (AAU) is convening human resource leaders from its member institutions to begin discussing this issue. In the meantime, the University will continue to monitor market trends and adjust salary and benefits accordingly.

In response to a question from Regent Ramirez, Brown agreed that risk management is an important component of human resources management requiring that supervisors be well equipped to guide and oversee employees.

In response to questions from several Regents, Brown acknowledged that the effort to create foundational data is a work in progress that will require continued



evaluation and refinement. The goal is to develop baseline measures at a level high enough to be useful to decision-makers.

### **STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

Vice President Brown reviewed the human resources data outlined in the *University Plan, Performance & Accountability Report* as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. She explained that this information provides a means to compare the University to other public research universities across the country.

### **2011-12 COMMITTEE WORKPLAN DISCUSSION**

Regent Simmons and Vice President Brown led a discussion of the committee's workplan for 2011-12, as detailed in materials distributed at the meeting and on file in the Board Office. Simmons noted that coordinate campuses will be highlighted throughout the year and that this year's plan also puts greater emphasis on student affairs. The committee expressed support for the workplan.

### **CONSENT REPORT**

Vice President Brown presented for action the Consent Report, which included the following items:

- Granting of the Faculty Emeritus title to retired professor George Noren, and
- Conferral of tenure for faculty who have been hired at the University of Minnesota.

The committee voted unanimously to recommend approval of the Consent Report.

### **INFORMATION ITEMS**

Vice President Brown referred the committee to the information items contained in the docket materials, which included:

- Personnel highlights;
- University highlights;
- Faculty and staff activities and awards; and
- Student activities and awards.

The meeting adjourned at 2:48 p.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**September 9, 2011**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, September 9, 2011 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Clyde Allen, Richard Beeson, Laura Brod, John Frobenius, Venora Hung, Dean Johnson, David Larson, David McMillan, Maureen Ramirez, Patricia Simmons, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellors Charles Casey, Jacqueline Johnson, and Stephen Lehmkuhle; Senior Vice President and Provost Thomas Sullivan; Vice Presidents Kathryn Brown, Aaron Friedman, Timothy Mulcahy, Kathleen O'Brien, and Richard Pfutzenreuter; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; and Associate Vice Presidents Phil Esten, Gail Klatt, Stuart Mason, Sharon Reich Paulsen, Donna Peterson, and Julie Tonneson.

**APPROVAL OF MINUTES**

A motion was made and seconded, and the Board of Regents voted unanimously to approve the minutes of the following meetings:

Audit Committee – July 6, 2011  
Facilities Committee – July 6, 2011  
Faculty, Staff & Student Affairs Committee – July 6, 2011  
Finance & Operations Committee – July 6, 2011  
Educational Planning & Policy Committee – July 6, 2011  
Board of Regents – July 6, 2011

**REPORT OF THE PRESIDENT**

President Kaler reported on highlights of his first ten weeks as University president: the restoration of some state funding to the University; receipt of several gifts and grants to the institution; the opening of a new housing community on the Rochester campus; and the beginning of a new academic year, with the current incoming class the best qualified group of freshmen in University history. Kaler emphasized his commitment to articulate what it takes to be successful at the University, and his commitment to the issue of college readiness. Kaler noted that his inauguration in mid-September is an opportunity to engage students and the community at large.

Kaler briefly reported on the search for a new Provost, and the appointment of a search committee for dean of the Carlson School of Management. He also discussed a number of visits he has made to Minnesota communities and ways in which he intends to promote the message of University excellence.

A copy of the Report of the President is on file in the Board Office.

**REPORT OF THE CHAIR**

Chair Cohen presented for review and action a resolution to amend the Board of Regents meeting dates for 2011-12 previously approved at the June 2011 Board of Regents meeting. The total number of meetings is reduced from nine to eight. The purpose is to focus attention on the most strategic issues and to reduce administrative burden.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the resolution, as follows:

**RESOLUTION RELATED TO BOARD OF REGENTS MEETING DATES FOR 2011-12**

WHEREAS, the Board of Regents at its annual meeting establishes meeting dates for the following year, and

WHEREAS, after careful consideration, the Board has determined to amend those dates by listing the November 10-11, 2011 meeting as tentative with subsequent notice to be given if the Board intends to meet in November,

NOW, THEREFORE, BE IT RESOLVED, that meeting dates for the Board of Regents for 2011-2012 shall be:

July 6, 2011	One-Day Meeting
July 7-8, 2011	Board of Regents Retreat
August, 2011	No Meeting
September 8-9, 2011	
October 13-14, 2011	
November 10-11, 2011	Meeting Tentative
December 8-9, 2011	
February 9-10, 2012	
March 8-9, 2012	
April 12-13, 2012	No meeting
May 10-11, 2012	
June 7-8, 2012	

Cohen reported that several Regents have accompanied President Kaler on recent community visits throughout Minnesota, with more visits scheduled for the future. She also announced that a number of Regents would travel with the Gopher football team to Ann Arbor for the Michigan game on October 1, 2011.

Cohen announced that the next meetings of the Board would be October 13-14, 2011 on the Twin Cities campus.

## **RECEIVE AND FILE REPORTS**

Chair Cohen noted the receipt and filing of the Annual Report on Legal Matters, Quarterly Report of Grant and Contract Activity, and the Annual Asset Management Report.

## **CONSENT REPORT**

Chair Cohen presented the Consent Report, as described in the docket materials, including:

- Report of the All-University Honors Committee recommendation forwarded in a letter from President Kaler dated August 29, 2011;
- Summary of Gifts through July 31, 2011.
- Summary of Expenditures;
- Appointments to UMore Park LLC Board of Governors, as follows:
  - The appointment of Allen S. Levine, Dean of the College of Food, Agricultural and Natural Resource Sciences, as a University Governor and member of the UMore Development LLC Board of Governors for an indefinite term; and
  - The reappointment of Community Governors as follows:
    - David Sellergren, Attorney, Fredrikson & Byron: Three-year term, January 2011 through December 2013. Sellergren was initially appointed for a one-year term, January 2010 through December 2010.
    - Sarah B. Harris, Chief Operating Officer, Minneapolis Downtown Improvement District: Three-year term, January 2012 through December 2014. Harris was initially appointed for a two-year term, January 2010 through December 2011.
    - Michael O'Keefe, former President of the Minneapolis College of Art and Design: Three-year term, January 2012 through December 2014. O'Keefe was initially appointed for a two-year term, January 2010 through December 2011.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Consent Report.

## **REPORT OF THE FACULTY CONSULTATIVE COMMITTEE**

Professor Christopher Cramer, Chair of the Faculty Consultative Committee (FCC), reported on the activities of the committee since its last report to the Board of Regents. Issues the FCC has been working on include a review of all vice presidential units to better understand their missions and scope, and the report on gender equity in faculty salaries. Cramer also described a number of issues addressed at the FCC's annual retreat.

A copy of the Report of the Faculty Consultative Committee is on file in the Board Office.

**BOARD OF REGENTS POLICY: STUDENT REPRESENTATIVES  
TO THE BOARD OF REGENTS**

Chair Cohen presented proposed amendments to Board of Regents Policy: *Student Representatives to the Board of Regents*, as included in the docket materials. Cohen noted that current policy provides for seven student representatives representing the Twin Cities, Crookston, Duluth, and Morris campuses. The proposed change will add an additional student representative from the Rochester (UMR) campus, bringing the total to eight.

A motion was made and seconded, and the Board of Regents voted unanimously to adopt proposed amendments to Board of Regents Policy: *Student Representatives to the Board of Regents*, as follows:

**Student Representatives to the Board of Regents**

Student representatives to the Board of Regents (Board) present the student voice to the Board, providing a unique perspective that assists the Board in its deliberations.

SECTION I. REPRESENTATION AND ELECTION.

Subd. 1. Representation. There shall be eight student representatives. Four students shall be elected from the Twin Cities campus and one student each from the Crookston, Duluth, and Morris, and Rochester campuses. Of the Twin Cities representatives, at least one and no more than two shall represent the Graduate and Professional Student Assembly (GAPSA) and at least two and no more than three shall represent the Minnesota Student Association (MSA).

Subd. 2. Election. Student representatives from the coordinate campuses shall be elected by the elected student legislative bodies of their respective campuses. On the Twin Cities campus, student representatives shall be elected by GAPSA and MSA according to the parameters set forth in Subd. 1. of this section. Guidelines and policies for such election shall be created by the appropriate electing body and approved by an ad hoc policy committee composed of the University Student Senate Consultative Committee and the current student representatives. This policy committee shall be convened by the chair of the Student Senate Consultative Committee.

Subd. 3. Criteria for Election. The primary election criteria shall be the ability of the candidate to function as an effective advocate for the widest range of student concerns and commitment of the time necessary to participate in Board committee activities.

Subd. 4. Term of Office. Student representatives shall be elected and named during the spring semester of each year. They shall assume office June 1 and serve for a term of one year or until replaced. The executive director/secretary of the Board shall arrange an orientation.

During orientation, the student representatives shall elect a chair and two vice chairs.

Subd. 5. Alternate Student Representatives. An alternate student representative shall be elected for each student representative and shall act in the event an elected student representative is absent, resigns, ceases to be enrolled (not including summer school), or is removed.

Subd. 6. Vacancies. In the event of a vacancy, the alternate shall become the student representative. If there is no alternate, the electing body, in accordance with Subd. 2 of this section, shall elect a replacement to serve for the remainder of the unexpired term.

Subd. 7. Removals. A student representative or alternate may be removed for unexcused absences or nonperformance of duties in accordance with procedures established by the student representatives and agreed to by the electing body.

## SECTION II. PROCEDURES FOR STUDENT REPRESENTATIVES AT BOARD MEETINGS.

Subd. 1. Committee Assignments. There shall be two student representatives assigned to each of the following committees: Audit; Educational Planning and Policy; Facilities; Faculty, Staff and Student Affairs; and Finance and Operations.

Subd. 2. Flexibility in Representation. Student representatives are allowed flexibility in representation to the committees; i.e., a student representative may yield to another student representative who is not on the committee to speak on an issue under consideration.

Subd. 3. Voting and Motions. Student representatives shall not vote, but they may make suggestions that a Regent may affirm in the form of a motion.

Subd. 4. Reports. Student representatives may present the following reports to the Board:

- Report of the Student Representatives — The chair of the student representatives, upon recognition by the chair of the Board, may present the student representatives' viewpoint on appropriate issues before the Board.
- Semester Reports — Each semester the student representatives may present a report to the Board in writing and/or verbally. The executive director/secretary of the Board shall approve topics for reports and the methods of collecting data or requesting information.

Subd. 5. Agenda Items. Student representatives may submit agenda items for committees in the manner outlined in the Board's bylaws and policies so that proper docket materials are prepared for review by committee members in advance of the meeting.

Subd. 6. Dissenting Points of View. Student representatives may express a dissenting point of view on any report of a standing committee presented to the Board. Upon recognition by the chair of the Board, the chair of the student representatives shall present the report, orally or in writing.

Subd. 7. Expenses of Student Representatives. Expenses of student representatives related to Board meetings shall be reimbursed by the Board Office in accordance with existing University expense policies and Board guidelines for permissible expenses.

Subd. 8. Expenses of Alternates. Upon request by the chair of the student representatives and good cause being shown, the executive director/secretary of the Board, after consultation with the chair of the Board, is authorized to reimburse expenses for alternates to participate, as members of the audience, in committee deliberations. The role of the alternate shall remain the same; that is, the alternate may participate in committee deliberations as a student representative to that committee only in the absence of the elected student representative from that campus.

SUPERSEDES: THE ROLE OF ALTERNATES DATED FEBRUARY 11, 1977; STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS DATED DECEMBER 8, 1989; STUDENT REPRESENTATIVE TO THE COMMITTEE OF THE WHOLE DATED DECEMBER 9, 1977; AND TWIN CITIES REPRESENTATIVES DATED DECEMBER 10, 1976.

Chair Cohen introduced newly elected UMR Student Representative Madeleine Hammerlund.

#### **AMENDMENTS TO FY 2012 ANNUAL OPERATING BUDGET**

President Kaler reported that the 2011 Legislative session ended without a resolution to the state budget, and with the state allotment to the University for the biennium unknown. The Board of Regents adopted a FY2011-12 provisional operating budget plan at its June 2011 meeting. As a result of a special legislative session, the University's biennial operation and maintenance appropriation was modified from the level assumed at the time the Board adopted the provisional budget and resulted in a \$50 million total improvement for the biennium. Kaler pointed out that the University's final appropriation level reflects a reduction of 7.8 percent from the appropriation level received in FY2011.

Kaler presented principles for allocating the funds, which are to adhere closely to the original framework outlined in the provisional budget and maintain maximum budget flexibility to meet recurring budget needs and strategic investments in FY2013.

Kaler summarized the recurring and non-recurring allocations for FY2012 as detailed in the docket and associated materials presented at the meeting and on file in the Board Office. Recurring allocations include recommendations for new faculty hires; mitigating impacts of state cuts in the Medical Education and Research Costs (MERC); supporting the Undergraduate Research Opportunities Program the Veterinary Diagnostic Lab; and a budget adjustment in the College of Pharmacy. Non-recurring allocations totaling \$10.75 million are proposed for one-time scholarships for eligible U Promise undergraduate students; support for Doctoral Dissertation Fellowships;

network upgrades to the Morris campus; and to address a variety of issues/deficiencies on the Crookston campus. The proposed plan also provides \$6.1 in carry forward to FY2013. Kaler also provided a preliminary framework for the FY2013, which includes funds targeted for tuition relief and investment.

A motion was made and seconded to approve the Resolution Related to Amendments to the FY12 Annual Operating Budget.

Regent Sviggum stated that he supports the resolution, and feels that these are the appropriate decisions at the appropriate time, especially the priority on easing the tuition increases and restoration of a portion of funding to MERC. He expressed concern about the use of non-recurring funds for U Promise scholarships, and stressed the need to continue to look at operational efficiencies.

Regents Johnson and Larson expressed appreciation to the legislature for the additional funding allocation, and commended the administration for saving a portion of the funds for the future. Regent Brod expressed support for the recommended budget amendments, but was concerned that using non-recurring funds for tuition mitigation creates the perception that tuition is increasing when the funding ends.

The Board of Regents voted unanimously to approve the resolution as follows:

**RESOLUTION RELATED TO AMENDMENTS TO THE FY12  
ANNUAL OPERATING BUDGET**

WHEREAS, the University of Minnesota as the state's public, land grant university is charged with the responsibility to pursue knowledge and to help apply that knowledge through research and discovery, teaching and learning, and outreach and public service; and

WHEREAS, the State of Minnesota has now finalized the 2012 – 2013 biennial appropriations to the University of Minnesota, and has adopted a conference committee report that appropriates \$545,344,000 in state general fund monies for FY12 to the University of Minnesota, which is a decrease of \$45,847,000,000 in appropriations, or 7.8%, compared to the prior year's funding level, for the pursuit of its mission and in support of its goals and objectives; and

WHEREAS, the University of Minnesota will modify its annual operating budget to support it in achieving standards of national and international excellence; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents hereby approves the final FY12 Annual Operating Budget, incorporating the following modifications to the earlier FY12 Provisional Budget Plan resulting from adoption of a 2012 – 2013 biennial appropriation to the Board of Regents of the University of Minnesota by the State of Minnesota during a 2011 special legislative session:

- An adjustment from \$520,334,000 to \$545,344,000 in state general fund appropriations for FY12 (enacted as an increase in the O&M appropriation only – the state special appropriations remain unchanged from the approved Provisional budget).



- An increased allocation of \$8,150,000 in recurring funds for the purpose of mitigating budget impacts in FY12.
- An increased allocation of \$10,750,000 in non-recurring funds for the purpose of supporting critical investments and to lessen the burden of tuition increases on undergraduate students in FY12.
- An increase in the O&M balance forward into FY13 of \$6,100,000.

## **2012 STATE CAPITAL REQUEST**

Regent Simmons recused herself for the discussion due to a potential conflict of interest. She left the meeting.

President Kaler and Vice Presidents O'Brien and Pfitzenreuter presented for review the 2012 State Capital Request (Request) as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

O'Brien stated that the development of the Request conforms to the principles used in the development of the most recent six-year capital plan, and include:

- Aligning the capital plan with established academic strategic positioning goals;
- Maintaining continuity of priorities from previous legislative requests, including the restoration of funding for vetoed projects included in the University's long-term capital plan;
- Protecting the University's financial position by keeping capital expenditures within projected debt capacity limits and controlling operating costs; and
- Investing in facilities and infrastructure that advance life safety, renewal, and preservation goals, and also optimize space utilization.

O'Brien reported that the Request comes to the Board in prioritized order based on the significance of the academic program, facilities improvements, and urgency in addressing the issues. She briefly described several projects include in the Request, which includes programmatic renovations, improvements, and new construction. She noted that the Higher Education Asset Preservation and Replacement funds would be used system-wide to maximize and extend the life of existing facilities.

Pfitzenreuter presented financial information related to the Request. The \$409 million Request is built on a combination of funds appropriated by the State (\$269.4 million) and resources committed by the University (\$139.7 million).

In response to comments and questions from several Board members, O'Brien indicated that Foster Wheeler currently operates the Twin Cities campus steam plant, and any decisions about future plant operation are premature until the project is underway.

Regent Frobenius commented that the Ambulatory Care Clinic (ACC) project is extremely important to fulfilling the educational mission of the University. He stated his belief that a successful and highly rated medical school requires a successful clinical practice of the faculty to attract and retain qualified faculty.

Regents Beeson and Brod pointed out that the ACC and Utility Building renovation were not included on the Six Year Capital Plan, which is significant in that it demonstrates the ability of the administration to reshuffle priorities and take advantage of unique opportunities.

The item will return for action at the October 2011 Board of Regents.

Regent Simmons returned to the meeting.

### **UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

President Kaler indicated that this is the tenth edition of the *University Plan, Performance & Accountability Report*, and illustrates the University's overall performance during the previous year relative to its competitors, past results, and strategic goals. He invited Senior Vice President and Provost Sullivan to lead the discussion.

Sullivan highlighted several measures of progress on the Twin Cities campus related to graduate and undergraduate enrollment, financial aid, retention and graduation rates, degrees granted, and undergraduate research. He noted that applications to the University have increased significantly, and this year's incoming class has the strongest academic profile and academic preparation ever since 2004. Sullivan presented a number of comparative measures illustrating improvements made in a number of areas since the beginning of the strategic positioning period in 2004.

Sullivan discussed highlights from each of the coordinate campuses in the areas of enrollment and retention, degrees granted, student satisfaction and engagement, renewable energy and sustainability, and innovations in teaching and learning.

In response to a question from Regent Simmons, Sullivan indicated that the University seeks to recruit and retain the best students, and in doing so, investments are made in the form of scholarships and other aid.

In response to a question from Regent Hung, Sullivan reported that approximately 40 percent of undergraduate students study abroad. The University aims to increase that number to 50 percent, and has made significant progress in that area in comparison to peer institutions.

In response to comments from Regent Ramirez, Sullivan noted that the University has made strategic, programmatic investments to increase graduation rates for students of color. He added that significant progress has been made in this area, but that there remains room for improvement.

The *University Plan, Performance & Accountability Report* will return for action at the October 2011 Board of Regents meeting.

### **RESOLUTION: LEGISLATIVELY REQUIRED PERFORMANCE METRICS**

A motion was made and seconded to approve the Resolution Related to Legislatively Required Performance Metrics.

President Kaler reported the state funding authorization for FY2013 requires approval of specific numerical indicators and definitions for legislatively required

performance goals by the Board of Regents by October 1, 2011. One percent of funding, approximately \$5 million, will be released when the Board of Regents demonstrates to the commissioner of management and budget that the University has met three of five performance goals identified in the funding legislation and relating to:

- Institutionally provided financial aid to students;
- Degrees awarded;
- Twin Cities campus undergraduate graduation rates;
- Research and development expenditures; and
- Sponsored expenditures funded by business and industry.

Regent Simmons expressed concerns about the request. She stated that while it is appropriate to have expectations to which the institution must conform, it is the Board of Regents that sets expectations and enjoys some degree of constitutional autonomy. When additional governing bodies set expectations and performance measures they may not always be the same as those the Board sets. She added that this request comes at a time when the institution is seeing decreasing revenue from this particular source. She indicated that she will not support the resolution.

Regent Brod indicated that she understands the concerns, but recognizes that the request rises out of a frustration with information flow and sharing with the legislature and the public. She added that this action offers an opportunity to improve those relationships and demonstrate transparency. She supports moving in this direction, as it is positive for the institution.

Regent Sviggum commented that approving this resolution demonstrates not only accountability to the legislature, but to the citizens of the state. He added that the University has a great story to tell, and that the risk of not complying is not the loss of funding but rather the relationship the institution has with the legislature and its accountability to the citizens of Minnesota. Regent Simmons pointed out that the Board of Regents is accountable to the citizens of Minnesota, and that this action places a step in between.

Regent Beeson expressed concern about the request. He noted that these five areas have been priorities for the University, have previously been measured, and are objectives at which the institution has excelled. He indicated that it is unusual that these areas would be those for which the institution would be held accountable. Chair Cohen added that the University has been measuring these metrics and producing the *University Plan, Performance & Accountability Report* (UPPAR), which is widely available. She added that the data is important, and that perhaps the opportunity comes in improving the way the institution is disseminating the information. Kaler stated that the ability of the institution to transmit information is adequate, but it can be a struggle to get people to read it.

Regent Ramirez expressed concern about approving this resolution without the Board having had adequate time to review it. She added that this action could set a future precedent for possible additional legislative requirements tied to funding. Regent Hung agreed, and indicated that she is unable to support the resolution.

Regent Allen commented that the issue of autonomy is important, but this is a small item. He reminded the Board that the development of the UPPAR was due to a legislative requirement. Regent Frobenius indicated that the Board should be practical, support the action, and move on.

Kaler stated that he shares the concern about the autonomy issues this legislation raises. He noted that when attached to revenue allocations from the legislature, these are constraints the state can place on that funding stream. He agreed with the need to be accountable to the citizens of the state, and that the University should do so at a frequency and level that does not require legislative guidance. He stressed willingness to be accountable and provide transparency to the citizens of the state.

The Board of Regents voted 8-4 to approve the resolution as follows. Regents Hung, Larson, Ramirez, and Simmons voted no.

**RESOLUTION RELATED TO LEGISLATIVELY REQUIRED  
PERFORMANCE METRICS**

WHEREAS, 1% of the University's appropriation from the state of Minnesota for fiscal year 2013 is contingent on the University demonstrating achievement of three of five specified performance measures; and

WHEREAS, the specific numerical indicators and definitions for the performance measures must be agreed upon by both the Board of Regents and the Minnesota Office of Higher Education by October 1, 2011; and

WHEREAS, the administration has developed a proposed set of measure definitions in consultation with the Minnesota Office of Higher Education;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the proposed numerical indicators and definitions for the five performance goals identified in the funding authorization for fiscal year 2013.

**REPORT OF THE FACULTY, STAFF & STUDENT AFFAIRS COMMITTEE**

Regent Simmons, Chair of the committee, reported that the committee voted unanimously to recommend:

- a) Approval of the Consent Report for the Faculty, Staff & Student Affairs Committee as presented to the committee and described in the September 8, 2011 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Faculty, Staff & Student Affairs Committee.

Simmons reported that the committee also discussed: human resource foundational data; strategic issues related to the *University Plan, Performance & Accountability Report*; endorsed the 2011-12 committee workplan; and reviewed a number of information items presented in the docket materials.

## **REPORT OF THE FINANCE & OPERATIONS COMMITTEE**

Regent Frobenius, Chair of the committee, reported that the committee voted unanimously to recommend:

- a) Approval of the revised Consent Report for the Finance & Operations Committee as presented to the committee and described in the September 8, 2011 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Finance & Operations Committee.

Frobenius reported that the committee also discussed: issues related to the Annual Asset Management Report; Amendments to the FY2012 Annual Operating Budget; strategic issues related to the *University Plan, Performance & Accountability Report*; endorsed the committee 2011-12 workplan; reviewed a number of information items included in the docket materials.

## **REPORT OF THE AUDIT COMMITTEE**

Regent Beeson, Chair of the committee, reported that the committee received an internal audit update; discussed the independence of the internal audit function; and endorsed the 2012-12 committee workplan.

## **REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE**

Regent Ramirez, Chair of the committee, reported that the committee voted unanimously to recommend:

- a) Approval of the Consent Report of the Educational Planning & Policy Committee as presented to the committee and described in the September 8, 2011 committee minutes.

The Board of Regents voted unanimously to approve this recommendation of the Educational Planning and Policy Committee.

Ramirez reported that the committee also received the Annual Report on Undergraduate and Graduate Program Changes; discussed strategic issues related to the *University Plan, Performance & Accountability Report*; endorsed the 2011-12 committee workplan; and discussed a number of information items included in the docket materials.

## **REPORT OF THE FACILITIES COMMITTEE**

Regent Johnson, Chair of the committee, reported that the committee voted unanimously to recommend:

- a) Approval of the following real estate transaction as presented to the committee and described in the September 8, 2011 committee minutes.

- 1) Purchase of 724 – 1<sup>st</sup> Avenue SW, Rochester, Rochester campus.
- b) Approval of schematic plans for the following project as presented to the committee and described in the September 8, 2011 committee minutes.
  - 1) St. Anthony Falls Laboratory Remodel, Twin Cities campus.
- c) Approval of amendments to the FY2012 Capital Budget by:
  - 1) \$25 million for Higher Education Asset Preservation & Replacement projects, system-wide.
  - 2) \$77 million for the Physics & Nanotechnology, Twin Cities campus.
  - 3) \$25 million for Central Corridor Laboratory mitigations, Twin Cities campus.
  - 4) \$2.73 million for the Center for Magnetic Resonance Research – Magnetic Resonance Imaging project, Twin Cities campus.

The Board of Regents voted unanimously to approve the recommendations of the Facilities Committee.

Johnson reported that the committee also reviewed an amendment to the FY2012 capital budget for the Cardiology Department Building/Infrastructure Systems Upgrade – VCRC 2<sup>nd</sup> Floor; discussed: issues related to the 2012 State Capital Budget Request; strategic issues related to the University Plan, Performance & Accountability Report; received a facilities condition assessment update; endorsed the 2011-12 committee workplan; and reviewed a number of information items included in the docket materials.

#### **REPORT OF THE LITIGATION REVIEW COMMITTEE**

Regent Hung, Chair of the committee, reported that the committee met in public session to discuss the Annual Report on Legal Matters and in closed session to discuss attorney-client privileged matters. No actions were taken.

The meeting adjourned at 11:49 a.m.



**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**