

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

October 8, 2004

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 8, 2004, at 9:00 a.m. in Ballroom B, Kirby Student Center, on the University of Minnesota Duluth campus.

Regents present: David Metzen, presiding; Clyde Allen, Anthony Baraga, Peter Bell, Dallas Bohnsack, John Frobenius, William Hogan, Richard McNamara, Lakeesha Ransom, Maureen Reed, and Patricia Simmons.

Staff present: President Robert Bruininks; Chancellor Kathryn Martin; Senior Vice President and Provost Thomas Sullivan; Senior Vice President Robert Jones; Vice Presidents Kathryn Brown, Carol Carrier, Kathleen O'Brien, and Richard Pfitzenreuter; Interim Vice President Thomas Swain; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Gerald Fischer and Donna Peterson.

RECOGNITION OF MCKNIGHT PRESIDENTIAL LEADERSHIP CHAIR

Recognition was given to James Riehl, dean of the College of Science and Engineering at the University of Minnesota Duluth, a recipient of the McKnight Presidential Leadership Chair, a newly-created chair to recognize outstanding leaders at the University.

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 - September 9, 2004
Educational Planning & Policy Committee - September 9, 2004
Facilities Committee - September 9, 2004
Faculty, Staff & Student Affairs Committee - September 9, 2004
Finance & Operations Committee - September 9, 2004
Work Session - September 9, 2004
Board of Regents - September 10, 2004

REPORT OF THE PRESIDENT

President Bruininks thanked Chancellor Martin for her leadership and for the hospitality extended to the Board of Regents and administration during their visit. He talked about the University of Minnesota Duluth (UMD) initiatives and stressed the importance of UMD to the state and area.

The President noted that October is scholarship month for the University. He stated that scholarships are his top fund-raising priority. He wants to ensure that every student with the desire and ability to succeed at the University has an opportunity to do so.

He talked briefly about the University's capital request and biennial budget and the importance of having support from advocates in the northeast region at the legislature.

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

REPORT OF THE CHAIR

Chair Metzen expressed appreciation to the UMD faculty, staff, students, and community for their wonderful hospitality during the Board's past two days of meetings.

RECEIVE AND FILE REPORTS

Chair Metzen noted the receipt and filing of the Annual Asset Management Report.

GIFTS

Associate Vice President Gerald Fischer presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through August 31, 2004, as listed in the docket materials and on file in the Board Office.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the receipt of gifts as presented.

BOARD OF REGENTS POLICY: BOARD POLICY DEVELOPMENT

Regent Metzen presented proposed amendments to Board of Regents Policy: *Board Policy Development* for adoption as detailed in the docket materials. He noted that the policy was reviewed by the Board at its September 10, 2004 meeting.

A motion was made, seconded, and the Board of Regents voted unanimously to adopt the amendments to Board of Regents Policy: *Board Policy Development*.

Board Policy Development

This policy defines policies of the Board of Regents (Board), distinguishes them from other University of Minnesota (University) policies, and describes the process through which Board policies are developed and adopted.

SECTION I. POLICY TYPES.

Subd. 1. Board Policies. Board policies generally deal with the University as a whole, establishing fundamental principles as a basis and guide for later action. Board policies are intended to be enduring rather than responses to a particular issue. Procedures are occasionally part of Board policies when such procedures bring clarity to the nature of the

principle. More often, procedures are developed and refined administratively.

Board policies are specifically identified as such when considered and adopted by the Board. Substantive amendments to Board policies also must be adopted by the Board.

Subd 2. Other University Policies. Other University policies are needed to administer the University and its various units in accordance with state and federal legislation, reasonable administrative practice, and Board policy. While these policies may contain basic principles, they generally include procedures for managing the institution. The scope of other University policies is broad, ranging from the entire University to individual departments or units. Generally, other University policies are developed, approved, and modified according to the University policy Developing University-wide Policy and Procedures.

When unusual circumstances suggest the advisability of Board approval of other University policies, changes to such policies also shall be submitted to the Board for action. Other University policies that have been reviewed and acted upon by the Board are noted in Board minutes and are available in the following online categories:

- (1) Academic/Administrative;
- (2) Financial; and
- (3) Human Resources.

SECTION II. CONFLICTS WITH OTHER UNIVERSITY POLICIES.

If other University policies conflict with Board policy, Board policy takes precedence.

SECTION III. CORRECTIONS.

Occasionally, minor corrections of Board policies are required if, for example, administrative titles or customary language usages change. When the substance of a policy is not altered, the executive director/secretary of the Board is authorized to make appropriate corrections after review by the Board chair.

SECTION IV. FORMAT.

Policies presented to the Board for consideration and adoption as Board policy shall include the following:

- (1) principles to guide subsequent action at the University;
- (2) text written in declarative statements; and
- (3) a distinctive page design (to be determined by the Board Office) that includes a history of the policy and any amendments.

SECTION V. REVIEW.

The Office of the General Counsel shall review all policies for consistent form and legality prior to adoption or amendment by the Board.

Supersedes: Regents' Policies Statement dated February 8, 1974; and Authority to Correct Policies dated July 8, 1983.

**BOARD OF REGENTS POLICY: LEGAL REVIEW OF
CONTRACTS AND AGREEMENTS**

General Counsel Rotenberg presented proposed amendments to Board of Regents Policy: *Legal Review of Contracts and Agreements* for adoption as detailed in the docket materials.

A motion was made, seconded, and the Board of Regents voted unanimously to adopt the amendments to Board of Regents Policy: *Legal Review of Contracts and Agreements*.

Legal Review of Contracts and Transactions

This policy governs all contracts made on behalf of the Board of Regents (Board) of the University of Minnesota (University).

SECTION I. DEFINITIONS.

Subd. 1. Contract. Contract shall mean any written commercial contract or other agreement that creates a binding obligation upon the University.

Subd. 2. Transaction. Transaction shall mean any agreement for which a contract will be prepared that has not yet been reduced to final written form but whose essential business terms have been approved by the affected University unit.

SECTION II. INTERNAL CONTROL.

The general counsel shall:

- (1) Create and maintain for the University an appropriate framework of internal control for evaluating and protecting the University's interests in the execution of contracts.
- (2) Develop appropriate procedures and forms, in consultation with affected University units, to implement this policy and achieve the objectives stated in Board of Regents Policy: Internal Controls. The procedures and forms shall be designed so that:
 - (a) contracts comply with applicable laws and regulations and University policies and standards;
 - (b) contracts are properly executed by a person with delegated authority;
 - (c) significant or unique legal risks are brought to the attention of the person authorized to execute the contract; and
 - (d) contractual obligations of the University are undertaken using an appropriate form.

SECTION III. CONTRACTS AND TRANSACTIONS REQUIRING BOARD APPROVAL.

All contracts and transactions that are subject to specific approval by the Board shall be reviewed first by the general counsel to ensure that:

- (1) the contract or transaction summary presented to the Board accurately reflects the terms agreed to by the University;
- (2) the contract is or, in cases where only a transaction summary is presented, will be prepared for execution by an authorized University official; and
- (3) the contract is or, in cases where only a transaction summary is presented, will be in compliance with applicable laws, regulations, and University policies.

SECTION IV. EXEMPTION.

The general counsel may exempt from individualized legal review:

- (1) contracts that are prepared on forms developed by the general counsel;
- (2) contracts that are prepared on forms developed by others that have been approved by the general counsel; and
- (3) contracts that do not present material risks because, prior to their execution, they have been evaluated by the president or delegate using procedures, instructions, and checklists provided by the general counsel or otherwise meet criteria for exemption established by the general counsel.

2006-2007 BIENNIAL BUDGET PARTNERSHIP PROPOSAL

President Bruininks presented for review his recommended 2006-2007 Biennial Budget Partnership Proposal as contained in the docket materials. The proposal is built on a platform of partnership by which the state would contribute \$84 million in new funding to the University and the University in return would generate an equal share of new funding through tuition increases of 5.5 percent each year of the biennium and through internal reallocations. The proposal was framed around the following set of Core Principles:

- The proposal should emphasize a long-term 50-50 financial partnership with shared responsibility to maintain the University's competitiveness and advance academic priorities that are critical to the University and the needs of the state.
- The proposal should advance the critical needs of the University, while acknowledging the state's overall 2006-2007 budget context.
- The proposal should emphasize and advance the unique importance of the University in research, education, and outreach to the long-term economic viability and overall quality of life in the state.
- Under this biennial partnership proposal, the University of Minnesota will take responsibility (through reallocation and tuition revenue) for sustaining the state's investment in the University to cover the costs of faculty and staff base compensation increases, ensure continual operation of facilities infrastructure, and meet inflationary support costs.
- Under the partnership proposal, the state is responsible for new funding that is necessary to:
 - 1) advance and support investments in critically important research to strengthen the impact and productivity of the University in areas essential to Minnesota's economic vitality and quality of life;
 - 2) attract and retain top faculty, staff, and students; and

- 3) advance and support investments in the infrastructure necessary to sustain outstanding research and education.
- The proposal assumes a critical level of state support to promote student access to an affordable, high quality education.

He reported that the University's investment responsibility would include \$32 million per year for increases of 4 percent in total compensation and \$10 million per year for academic investments and facilities operations including utilities, new building operating costs, debt and leases. The state's investment responsibility would consist of three broad categories: 1) investing in biosciences; 2) attracting and retaining talent for Minnesota's future; and 3) creating and sustaining essential research and technology infrastructure.

The President provided a rationale for the proposed partnership; reviewed the history of state appropriations for the University; and reviewed details of the proposed biennial budget.

Andrew Sorsoleil, Chair of the Student Representatives, addressed the Board and indicated that students are supportive of the President's proposed partnership. He stressed that students need to be educated on the impact this proposal will have on them. He also urged the administration to continue to explore other avenues for obtaining funds than raising tuition.

In response to a question from Regent Allen, Bruininks stated that the University will be faced with difficult choices if the state fails to provide its share of the funding. Possibilities could include higher tuition increases, more severe reductions, and the delay of critical investments. Regent Reed stated that the University needs an aggressive lobbying plan for the 2005 session. The benefits to the state of achieving the University's goals and aspirations should be stressed.

Board members expressed frustration with the steadily declining support from the state. Regent Hogan asked if the University could seek a longer term commitment from the state, possibly up to three years for University investments. Regent Bell stated that the impact of this decline in state funding may not be realized for years to come. He suggested that the University consider pursuing a constitutional amendment that would dedicate a percentage of the state's general fund for higher education.

Regent Baraga expressed concern about any tuition increases. While University enrollment is high at this time, increased tuition will prohibit access in the future.

Regent Allen stated the partnership proposal reflects a realistic picture of the state's financial system and recognizes what the University needs to do on behalf of the state and its citizens. He expressed concern with the legislative process and the failure to pass a bonding bill in the 2004 session. A large part of the funding that the University could have dedicated to the renovation and maintenance of buildings will now have to cover inflationary costs. Additionally, this delay in funding will lead to gradual deterioration in academic, research, and outreach programs. He also noted that while the state's budget increased last year, the University's portion of the budget did not - a distinction that needs to be stressed during the 2005 legislative session.

Regent Frobenius complemented the President for his emphasis on research in the biennial request and stressed that the University's role in research differentiates it from other higher institutions in the state.

Chair Metzen thanked Board members for their comments and stated that the Biennial Budget Request will be on the agenda for approval in November.

REPORT OF THE AUDIT COMMITTEE

Regent Frobenius, Chair of the committee, reported that the committee did not meet this month.

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 October 7, 2004 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 received a presentation on the student experience relating to coordinate campuses; reviewed information relating to improvement of staff retention and productivity with an aging workforce, discussed the committee's 2004-05 workplan, and reviewed a number of information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- a) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the October 7, 2004 committee minutes.

Regent Reed recused herself and left the room during approval of contracts with HealthPartners, HealthPartners Dental, and HealthPartners Administrators in order to avoid the appearance of a possible conflict of interest. She returned and participated in the vote on the remainder of the report.

- b) Adoption of Board of Regents Policy: *Direct Sales of Goods and Services*.

Direct Sales of Goods and Services

The central mission of the University of Minnesota (University) is teaching, research, and outreach. In support of this mission, University academic and support units (units) have opportunities and are encouraged to generate revenues through the direct sale of certain goods and services. In so doing, the University must be mindful of the potential for competition with the private sector.

Subd. 1. Scope. This policy identifies and defines the circumstances in which the University may engage in the direct sale of goods and services. This policy shall not apply to:

- (a) fees for instruction offered in the University's regular, extension, evening, or continuing education programs, including non-credit instruction;
- (b) fees for services provided in the practicum aspects of its instructional and research programs;
- (c) outside consulting, service activities, and other work separately regulated by Board of Regents policy; or
- (d) student organization programs and fundraising activities.

Subd. 2. Guiding Principle. Units may engage in the direct sale of goods and services to individuals, groups, or external entities when the production of those goods or services substantially supports the teaching, research, or outreach mission of the University.

Subd. 3. Criteria for Permissible Sales. Direct sales of goods and services means an exchange by the University of tangible or intangible property or service with external customers for monetary consideration. The following factors shall be considered and weighed in determining whether a direct sale of goods or services shall be authorized:

- The goods or services represent the transfer of knowledge and expertise from the University to the public.
- The goods or services support and extend the University's teaching, research, or outreach mission.
- The charge for the goods or services takes into account all direct and indirect costs of providing the goods or services as well as the competitive price of such items in the public market.

Supersedes: Business Enterprises at the University dated October 17, 1980.

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

Hogan reported that the committee received presentations on the endowment fund spending rate and financial oversight: key indicators. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Reed, Chair of the committee, reported that the committee did not meet this month.

REPORT OF THE FACILITIES COMMITTEE

Regent Bohnsack, Chair of the committee, reported that the committee did not meet this month.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Simmons, Vice Chair of the committee, reported that the committee met on September 28, 2004 to discuss attorney-client privileged matters and no action was taken at the meeting.

The meeting adjourned at 10:25 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary