

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

October 7, 2005

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 7, 2005, at 9:00 a.m. in the MacMillan Auditorium at the Minnesota Landscape Arboretum.

Regents present: Patricia Simmons, presiding; Clyde Allen, Peter Bell, Frank Berman, Dallas Bohnsack, John Frobenius, David Larson, David Metzen, and Lakeesha Ransom.

Staff present: President Robert Bruininks; Chancellors Charles Casey and Samuel Schuman; Senior Vice Presidents Frank Cerra and Robert Jones; Vice Presidents Kathryn Brown, R. Timothy Mulcahy, Kathleen O'Brien, Richard Pfutzenreuter, and Linda Thrane; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Gerald Fischer, Stuart Mason, Donna Peterson, and Michael Volna.

INTRODUCTIONS

Chancellor, University of Minnesota Crookston

President Bruininks introduced Charles Casey, newly-appointed Chancellor of the University of Minnesota Crookston.

Dean and Director, Minnesota Extension Service

Senior Vice President Jones introduced Beverly Durgan, newly-appointed Dean and Director of the University of Minnesota Extension Service.

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 8, 2005
Litigation Review Committee - September 8, 2005
Faculty, Staff & Student Affairs Committee - September 8, 2005
Finance & Operations Committee - September 8, 2005
Educational Planning & Policy Committee - September 8, 2005
Facilities Committee - September 8, 2005
Board of Regents - September 9, 2005

REPORT OF THE PRESIDENT

President Bruininks reported on a retreat held in September for members of the task forces appointed as part of the implementation stage of the strategic positioning process. He reported on his recent visit to the University of Minnesota Itasca Biological

Station and Laboratories and also noted the receipt of a grant given to the Intelligent Transportation Systems, a part of the University's Center for Transportation Studies.

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

REPORT OF THE CHAIR

Vice Chair Simmons reported that the President's Workplan for 2005-2007 was being distributed and noted that it reflects the Board's priorities developed with the President at the Board's 2005 retreat.

She noted that the November 2005 Board meetings will be held on one day only, Thursday, November 10, as the President is leading the Governor's Education mission to China. Regents Metzen and Simmons will also be traveling on this mission.

Lastly, Simmons expressed appreciation to Peter Olin and the staff at the Arboretum for their gracious welcome and support during this month's board meetings.

RECEIVE AND FILE REPORTS

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

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Vice Chair Simmons noted that the Report of the All-University Honors Committee was forwarded to the Board from President Bruininks on September 26, 2005.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Report of the All-University Honors Committee. A copy of the report is on file in the Board Office.

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, 2005 as included in the docket materials.

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

ANNUAL UNIVERSITY OF MINNESOA FOUNDATION REPORT

Gerald Fischer, President of the University of Minnesota Foundation (UMF), Judy Kirk, Executive Vice President of UMF, and Diana Murphy, Trustee of UMF, presented an annual review of fundraising highlights as provided in materials on file in the Board Office.

Fischer introduced University of Minnesota Foundation Board Chair Diana Murphy who spoke regarding her tenure as Board Chair and the development of a new Memorandum of Agreement between the University of Minnesota and the University of Minnesota Foundation.

Fischer reported that gift production totaled \$179 million in FY05, compared with \$145 million the prior year. He provided analyses of the donors, size of gifts, and the designated uses of the gifts. Other aspects of private giving to the University and its recognized foundations were also presented.

Kirk presented information on the University of Minnesota Scholarship Drive that began in 2003 and to date has commitments of \$91 million towards the goal of \$150 million.

In response to a question from Regent Berman, it was noted that the Foundation supports the President's Strategic Positioning process and those priorities will be the focus for the Foundation as it begins to plan for its next campaign.

Board members expressed their appreciation for the excellent work of the Foundation volunteers and staff.

2006 STATE CAPITAL REQUEST

President Bruininks presented the proposed 2006 State Capital Request as contained in the docket materials. The request totaling \$269.1 million was modified from the preliminary version reviewed by the Board in June 2005 to reflect priorities that emerged from the strategic positioning process. The \$269.1 million represents funding of \$206.1 million requested from the state and a \$63 million commitment from the University of Minnesota.

The request contains \$80 million for Higher Education Asset Preservation and Replacement (HEAPR), \$184.9 million in new construction, and \$4.2 million for the enhancement of research, education, and outreach activities of research centers and field stations. Bruininks reviewed details of the individual projects and noted that development of the request was guided by the following principles:

- Advancing the University's strategic aspirations;
- Enhancing education and the student experience;
- Supporting groundbreaking research;
- Strengthening service to Minnesota communities; and
- Leveraging space utilization opportunities.

Bruininks stressed the importance of requesting funding for HEAPR projects that address preservation and replacement of existing campus facilities. He noted that the University has increased its request for HEAPR funding in recent years as the University does not traditionally receive full funding for these requests.

Regent Bell asked if that administration has any indication from legislative leaders how the request will be received. Bruininks responded that preliminary discussions have been held with legislators; however, there has been no indication on a recommended bill. In answer to a further question relating to MnSCU, Bruininks added that there have been no discussions with MnSCU regarding their request.

Regent Berman noted that the request is focused primarily on business, science, and technology projects. Bruininks stated that due to priorities and the timing of significant gifts, the request is heavily weighted in those areas. He added that

investment in these projects at this time provides associated benefits in other areas. He also noted that the request is in alignment with the University's Six-year Capital Plan.

Board members raised concerns about the lack of funding for HEAPR. Bruininks responded that the allocations for HEAPR have increased with each biennium, however, he agrees that alternative methods for funding the capital needs of the University need to be explored.

It was noted that the request would be on the agenda for approval in November.

SIX-YEAR CAPITAL PLAN: CONCEPTUAL FRAMEWORK

President Bruininks introduced Vice Presidents O'Brien and Pfutzenreuter to present the conceptual framework for the Six-Year Capital Plan (Plan) as described in the docket materials and associated handouts on file in the Board Office. The Six-Year Capital Plan reflects priorities and direction for continued capital and academic planning efforts. It defines the boundaries of additional University debt, identifies responsibility for capital fundraising, and forecasts additional building operational costs.

O'Brien reported that the purpose of the Plan is to:

- Set priorities and direction for continued capital and academic planning efforts;
- Address system-wide facility condition needs;
- Outline the University's capital requests to the State of Minnesota;
- Identify the impact of additional University debt;
- Assign responsibility for capital fundraising; and
- Forecast additional building operational costs.

She further reported that the Plan focuses on projects that exceed \$1 million, require state funds, federal funds, or University debt, and have an impact on campus aesthetics or the adjacent community.

O'Brien reviewed principles by which the Plan was developed and the project review process for inclusion in the Plan.

Pfutzenreuter reviewed the financial framework for the Plan, including short and long-term financing plans and the University's debt capacity boundaries.

O'Brien reported that the Plan will be on the agenda for review in November 2005 and action in December 2005.

In response to a question from Regent Bell regarding gifts received for capital projects, President Bruininks stated that the receipt of a significant gift may influence when a particular project appears on the capital request, however, all proposed projects must meet the criteria determined to advance the academic excellence of the University. He added that it is vitally important to align the University's priorities with private fundraising. He noted that the recently-approved Memorandum of Understanding with the University Foundation addresses this issue.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Bell, Chair of the committee, reported that the committee reviewed proposed amendments to Board of Regents Policy: *Research Secrecy*; received an update on the Minnesota Extension Service; and reviewed an information item as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

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

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

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent Allen, 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 6, 2005 committee minutes.

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

Allen reported that the committee voted by a majority of 4 to 1 to recommend:

- a) Adoption of amendments to Board of Regents Policy: *Investment Social Concerns*, as follows:

INVESTMENT SOCIAL CONCERNS

This policy describes the role of the Social Concerns Committee and the president of the University of Minnesota (University) in advising the Board of Regents (Board) regarding socially responsible investments.

Subd. 1. Guiding Principle. The Board, while recognizing its fiduciary responsibilities, encourages the University to be socially responsible regarding its investments.

Subd. 2. Delegation of Authority. Consistent with Board policies, the body of trust law, and the constitution and laws of the United States and the State of Minnesota, the president or delegate shall adhere to strict standards of propriety, fiduciary responsibility,

and compliance with law in the management of investments held by the University.

Consistent with these responsibilities and obligations, the president or delegate, in consultation with the Social Concerns Committee of the University Senate, shall provide guidance to the Board in effectively implementing socially responsible policies regarding investments.

Subd. 3. Social Concerns Committee Responsibilities. The Social Concerns Committee (Committee) shall have the following responsibilities:

(a) Identification of Issues. The Committee shall consider which shareholder resolutions are of concern to the University by interacting regularly with the University community and campus advocacy groups; monitoring current events regarding socially responsible investment activity; and maintaining a diverse membership as determined by the University Senate.

(b) Recommendations. The Committee shall recommend (1) possible restrictive investment policies or positive social investment policies and (2) resolutions on specific issues that the University as shareholder would place before affected companies.

Subd. 4. Reporting Requirements. The Committee shall monitor the effectiveness of actions regarding shareholder resolutions and social investment policies and report annually to the president its recommendations regarding social investments.

Supersedes: Voting University-Owned Stock dated February 13, 1976 and University Policy on Shareholder Resolutions Dated December 9, 1983.

Regent Bell stated that he would vote against the motion as he has concerns regarding whether or not the faculty's role on social concerns rises to the level of Board policy.

Regent Berman raised a number of questions regarding the membership and functioning of the Social Concerns Committee. He expressed concern that as an officially sanctioned committee its minutes could be misconstrued as official University positions.

Regent Allen responded that the University of Minnesota is an institution of shared governance and he believes it is important and valuable for faculty and staff to have an opportunity to express their opinions on various issues. He stated, however, that the policy is only before the Board at this time as part of the process to conform all policies to the Delegation of Authority. He would recommend that the Board adopt the minor changes now and, if desired, engage in further discussion regarding the need for the policy or the role of the Social Concerns Committee at a future meeting.

Regent Bell added that his vote against the motion should not be interpreted as an objection to the faculty's right to express their concerns to the administration or the Board.

Regent Frobenius stated that he would support the motion provided there is a commitment to examine the need for the policy at a future date.

After further discussion, Regent Metzen moved an amendment to the motion to approve the policy with a commitment for further review no later than March 2006. Regent Allen accepted this as a friendly amendment.

Regents Bell and Berman indicated that they were in agreement with the proposed amendment, but they could not support the motion to adopt the amendments to the policy.

The Board of Regents voted by a majority of 7 to 2 to adopt the amendments to Board of Regents Policy: *Investment Social Concerns* with a commitment for further review no later than March 2006. Regents Bell and Berman voted against the motion.

Regent Allen reported that the committee also engaged in a discussion relating to the Regional Optical Research Network Consortium; reviewed financing assumptions relating to the Six-Year Capital Budget Financing Plan for FY2006-2012 and the 2006 State Capital Request; and reviewed a number of information items as described in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

The meeting adjourned at 11:30 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary