

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

May 12, 2006

A meeting of the Board of Regents of the University of Minnesota was held on Friday, May 12, 2006, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Robert Bruininks; Chancellor Samuel Schuman; Senior Vice President and Provost Thomas Sullivan; Senior Vice Presidents Frank Cerra and Robert Jones; Vice Presidents Kathryn Brown, Carol Carrier, R. Timothy Mulcahy, Kathleen O'Brien, Richard Pfitzenreuter, and Linda Thrane; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Gerald Fischer, and Michael Volna.

RECOGNITIONS

NCAA Champions

Recognition was given to three student athletes for winning National Collegiate Athletic Association (NCAA) championship titles this year. The students were:

Cole Konrad – Wrestling (heavyweight class)
Dustin Schlatter – Wrestling (149 pound weight class)
Heather Dorniden – Indoor Track and Field 800-Meter

Truman Scholars

Recognition was given to Rebecca Mitchell and Joseph Walla, recipients of the 2006 Truman Scholarship.

Student Representatives to the Board of Regents

Recognition was given to the 2005-06 Student Representatives to the Board of Regents:

Joshua Colburn
Twin Cities

Joseph Linder
Crookston

Cassie McMahon
Morris

Amy Jo Pierce
Twin Cities

Tiffany Varilek
Duluth

Steve Wang
Twin Cities

Tom Zearley
Twin Cities

APPROVAL OF MINUTES

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

Ad Hoc Committee on the Stadium – March 8, 2006
Litigation Review Committee – March 9, 2006
Audit Committee – March 9, 2006
Educational Planning & Policy Committee – March 9, 2006
Finance & Operations Committee – March 9, 2006
Faculty Staff & Student Affairs Committee – March 9, 2006
Facilities Committee – March 9, 2006
Board of Regents – March 10, 2006
Board of Regents – March 27, 2006

REPORT OF THE PRESIDENT

President Bruininks reported on the progress of strategic positioning, noting that 34 task forces have completed their work. Recommendations from the task forces will be reviewed with a report to be presented to the Board in Fall 2006.

He reported that the 2006 Legislature is scheduled to adjourn on May 22, 2006 and talked briefly about the University-related bills currently under review.

Lastly, he noted that the Minnesota Senate voted to make the Honeycrisp apple the Minnesota state fruit. The Honeycrisp was developed by the University of Minnesota after years of research to find a fruit suitable for Minnesota's climate. It serves as one example of the importance of research at the University of Minnesota.

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

REPORT OF THE CHAIR

Chair Baraga congratulated graduates from all of the University's campuses. He applauded their work and wished them well. He expressed appreciation to the faculty and staff that have helped the graduates succeed and to members of the Board of Regents for their participation in the 26 ceremonies held to confer degrees.

Baraga noted that the Board would hold its annual meeting in June. He stated that he would also appoint a Presidential Performance Review Committee at the June Board meeting. The President's assessment will be conducted during June with a report presented at the July meeting.

Baraga also thanked the President and staff for their tireless work on behalf of the University during the 2006 legislative session.

RECEIVE AND FILE REPORTS

Chair Baraga noted the receipt and filing of the Annual Review of the President's Delegations.

GIFTS

Associate Vice President Fischer presented the list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation for February and March 2006 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.

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Chair Baraga noted that the Report of the All-University Honors Committee was forwarded to the Board from President Bruininks on April 27, 2006.

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.

REPORT OF THE NOMINATING COMMITTEE/ UMMC/UMCH BOARD OF TRUSTEES

Regent Frobenius, Chair of the Nominating Committee for the University of Minnesota Medical Center/University of Minnesota Children's Hospital (UMMC/UMCH) Board of Trustees presented the report of the committee and the following resolution for approval:

RESOLVED, that on the recommendation of the Board of Regents Nominating Committee for the University of Minnesota Medical Center/University of Minnesota Children's Hospital (UMMC/UMCH) Board of Trustees, the following appointments are hereby approved:

Lynn A. Blewett Ph.D.	Appointed for a three-year term expiring May 2009
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David A. Rothenberger M.D.	Reappointed for a three-year term expiring May 2009
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A motion was made and seconded and the Board of Regents voted unanimously to approve the resolution.

**BOARD OF REGENTS POLICY: CODE OF ETHICS FOR MEMBERS
OF THE BOARD OF REGENTS**

General Counsel Rotenberg presented proposed amendments to the Board of Regents Policy: *Code of Ethics for Members of the Board of Regents* as contained in the docket materials. It was noted that the policy was reorganized and reformatted to conform to the style of Board of Regents policies and that while minor editorial changes were made; there are no changes to the substantive requirements of the policy.

A motion was made and seconded and the Board of Regents voted unanimously to adopt the proposed amendments to Board of Regents Policy: *Code of Ethics for Members of the Board of Regents*.

**Code of Ethics for
Members of the Board of Regents**

This policy governs the activities of members of the Board of Regents (Board) of the University of Minnesota (University) regarding financial disclosure, gifts, expense reimbursement, and conflicts of interest.

SECTION I. GUIDING PRINCIPLES.

The following principles shall guide the accountability of Regents:

Subd. 1. Public Trust. The Board is responsible for the governance of the University. In carrying out this constitutionally conferred public trust, Regents must be accountable in the areas of financial disclosure, gifts, expenses, and conflicts of interest, and shall not use the authority, title, or prestige of their office to solicit or otherwise obtain private financial, social, or political benefit that in any manner is inconsistent with the public interest. In serving the people of Minnesota, Regents shall adhere to the highest ethical standards.

Subd. 2. Paramount Interest. Regents bring to their task varied backgrounds and expertise, but they are expected to put aside parochial interests, keeping the welfare of the entire University, not just a particular constituency, at all times paramount.

Subd. 3. Time Commitment. In undertaking the duties of the office, Regents shall make the necessary commitment of time and diligence to fulfill their public governance responsibilities.

SECTION II. FINANCIAL DISCLOSURE REQUIREMENTS.

Upon election to office and annually on September 30 thereafter, Regents shall file a financial disclosure statement with the executive director/secretary of the Board in a form consistent with the financial disclosure required for senior University officials. The general counsel shall review the disclosure forms for compliance with this policy.

SECTION III. GIFTS.

No Regent shall accept any gift or accommodation, except as permitted by Board policy. This prohibition does not apply to complimentary tickets to University events furnished in accordance with guidelines on file in the Board Office.

SECTION IV. EXPENSES.

Regents serve without compensation, but they are entitled to reimbursement for expenses incurred while representing the University in an official capacity in accordance with guidelines on file in the Board Office.

SECTION V. DEFINITIONS.

Subd. 1. Recusal. Recusal shall mean noninvolvement of a Regent in any discussion of, and decision regarding, the relevant matter to ensure that the Regent's independence of judgment is not compromised, that the public's confidence in the integrity of the Board is preserved, and that the University's public mission is protected.

Subd. 2. Financial Conflict of Interest. A *financial conflict of interest* exists whenever a Regent, a Regent's family member, and/or a business associated with a Regent or a Regent's family member has an actual or potential financial interest or any other interest in a matter pending before the Board that may impair independence of judgment or objectivity in the discharge of the Regent's public governance responsibilities.

Subd. 3. Family Member. *Family member* shall mean a spouse, parent, sibling, child, domestic partner, or any person residing in the Regent's household.

Subd. 4. Business Associated with a Regent. *Business associated with a Regent* shall mean an organization, corporation, partnership, proprietorship, or other entity if either the Regent or a member of the Regent's family:

- (a) receives compensation in excess of \$500 in any month or has any contractual right to future income in excess of \$6,000 per year;
- (b) serves as an officer, director, partner, or employee; or
- (c) holds a financial interest valued in excess of \$10,000.

For purposes of this policy, compensation shall not include compensation from the University, any governmental source, investment or savings income, retirement or insurance benefits, or alimony.

Subd. 5. Financial Interest. *Financial interest* shall mean a foreseeable, nontrivial financial effect that may result from Board action.

Subd. 6. Employment-Related Conflict of Interest. An *employment-related conflict of interest* exists whenever a Regent's employment relationships may impair independence of judgment.

SECTION VI. FINANCIAL AND EMPLOYMENT-RELATED CONFLICT OF INTEREST PROCEDURES.

Subd. 1. Interpretation and Application. The conflict of interest provisions of this policy shall be interpreted and applied to best serve the interests of the University. In some cases, full disclosure and consideration of the particular facts may indicate that a potential conflict of interest is insubstantial so that the University's interests are best served by the Regent's participation. If doubt remains regarding the need for

recusal, the Regent involved must elect recusal. Recusal on a particular matter because of a conflict does not reflect adversely on the Regent involved; rather, it simply recognizes that in a complex and interconnected society conflicts cannot be entirely avoided and will occur.

Subd. 2. Disclosure or Acknowledgment of Actual or Potential Conflicts. Actual or potential conflicts of interest shall be brought to the attention of the chair of the Board at the earliest opportunity. Such actual or potential conflicts may be reported by an individual Regent or by any other person. Disclosure or acknowledgment of such a conflict of interest and recusal shall be noted appropriately in Board minutes.

Subd. 3. Consultation with General Counsel. A Regent with a conflict of interest question is encouraged to consult with the general counsel who, if requested, shall provide a written opinion on whether a conflict of interest exists under this policy. A copy of any such opinion shall be provided to the chair. The chair also may request an opinion from the general counsel on any conflict of interest question.

Subd. 4. Disputed Conflicts of Interest. Any disputed issues relating to the existence of a conflict of interest requiring recusal shall be decided by the chair, who may choose to refer the question to an ad hoc group of Regents consisting of the chair, the vice chair, and one other Regent appointed by the chair. If the chair or vice chair is the subject of the conflict of interest dispute, another Regent shall be appointed by the ranking Regent. The chair (or the ad hoc group if appointed) shall determine whether there is a conflict of interest and report the decision to the Board; however, in all cases the Board is the final authority on conflict questions.

Subd. 5. Deliberations and Voting. Regents who declare or have been found to have an actual or potential financial or employment-related conflict of interest shall recuse themselves regarding the matter determined to be a conflict and shall not take any action to influence the outcome of the matter.

SECTION VII. CANDIDACY FOR PUBLIC OFFICE.

A Regent shall resign from the Board upon officially announcing candidacy for any partisan elective public office.

SECTION VIII. ANNUAL REVIEW OF POLICY.

At the beginning of each fiscal year, the Board, with the assistance of the general counsel, shall publicly review the requirements and procedures of this policy.

SUPERSEDES: CODE OF ETHICS FOR MEMBERS OF THE BOARD OF REGENTS
DATED OCTOBER 12, 1973.

REPORT OF THE STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS

Joshua Colburn, Chair of the Student Representatives to the Board of Regents, presented their report. The report reflects the student perspective on issues and concerns facing University students and identifies issues explored by the Student Representatives during the past year. The report addressed: 1) campus-community relations; 2) student behavior and the Student Conduct Code; 3) student involvement in the strategic positioning process; 4) public engagement in relation to strategic positioning; 5) inter-campus policy uniformity; and 6) preliminary discussions of expanded shared governance.

Colburn noted that in addition to the update on the specific issues identified, the Student Representatives solicited information from their respective student governmental bodies. They hope to continue the enhancement of communication between the various student bodies and the Board of Regents by providing a snapshot of their accomplishments over the past year. A copy of the full report is on file with the docket materials in the Board Office.

UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

President Bruininks presented the following resolution relating to the 2006-07 University Plan, Performance, and Accountability Report (Report):

WHEREAS, the president of the University and the Board of Regents (Board) are entrusted with the responsibility in their oversight of the University to be good stewards of the public interest, resources, and facilities; and

WHEREAS, it is the responsibility of the Board, in cooperation with the president, to articulate the directions and priorities of the institution; identify and analyze the critical issues and challenges confronting the University; assess its operations; and evaluate the performance and success of its colleges and campuses; and

WHEREAS, it was resolved that the *University Plan, Performance, and Accountability Report* (Report) shall include the priorities of the institution; statistical profiles of the University at the campus level; selected statistics related to system trends; University-wide strategies to achieve goals; summaries of accomplishments and investments; progress in institutional performance measures; and summaries of special institutional studies and reports; and

WHEREAS, on the recommendation of the senior vice president for academic affairs and provost, the president of the University requests the Board accept the 2005-06 Report; and

WHEREAS, in February 2006 the Board received an overview of the 2005-06 Report;

NOW, THEREFORE, BE IT RESOLVED that the Board accepts the 2005-06 Report as submitted by the administration.

A motion was made and seconded to approve the resolution.

Bruininks asked that Board members consider the following policy questions as they review details of the Report:

- Does the *University Plan, Performance, and Accountability Report* (Report) provide the University with adequate and timely information to assess its performance and manage improvement?
- Does the Report provide the Board of Regents with adequate and timely information to fulfill its governance role?
- Does the Report accurately reflect the University's aspirational goal, strategic positioning efforts, and measurements of progress?

Bruininks called on Senior Vice President & Provost Sullivan who presented information pertaining to the Report, focusing on the sections relating to students and faculty. It was noted that a copy of the full report was provided with the docket materials. Sullivan reviewed information relating to student retention rates, graduation rates, and student satisfaction. He also provided comparative data relating to faculty awards, research expenditures, endowment assets, and contributions received during the period from 1999 to 2004.

In response to comments from Regent Berman on the importance of partnering with private industry to expand the University's research, the President and Sullivan reported on a number of strategies that are currently being explored both by the University and private industry to increase the University's public/private partnerships.

It was noted that in order to get accurate comparative data for the Report, the next edition of the Report would be presented to the Board in September 2007.

The Board of Regents voted unanimously to approve the resolution related to 2006-07 University Plan, Performance, and Accountability Report.

ANNUAL OPERATING BUDGET FY2007

President Bruininks presented the proposed FY2007 annual operating budget as detailed in the docket materials.

Bruininks reported that the proposed budget totaling \$2.8 billion represents the second year of a two-year financial framework, which has not changed from what was presented to the Board in Spring 2005. The budget continues to have as its core focus the University's primary goal of becoming one of the top three public research universities in the world. To support that goal, investments of \$75 million are targeted in this budget for the following areas: compensation; academic priorities; facilities; student services and support; libraries; technology; and other obligations. He provided a brief review of the revenue sources and noted that, as in past years, the budget recommendations for the biennium were built on a model of shared responsibility between the State of Minnesota, University administrative and support units, and students. For FY2007, the State of Minnesota appropriated \$551 million in state general fund monies which represents an increase of \$23.4 million compared to the prior year's base level funding. He reviewed the projected allocations for each of the areas of investment and provided detailed rationale for each category.

Bruininks reviewed proposed tuition and fee increases for both undergraduate and graduate students. He reported that for FY2007, the administration is recommending an overall increase in tuition and fees of 6.5 percent for most resident students. It was noted that the increase does exceed the 5.5 percent proposed in the original biennial budget request because the projected increase in state appropriation fell short of the University's request.

The increase in cost of attendance (tuition plus fees, room and board, books, supplies, and personal expenses) is estimated to be 4.2 percent for the Twin Cities campus.

Action on the budget will be considered at the June 2006 Board meeting.

ANNUAL CAPITAL IMPROVEMENT BUDGET FY2007

President Bruininks introduced Vice Presidents O'Brien and Pfutzenreuter to present the FY07 Annual Capital Improvement Budget for review as provided in the docket materials and associated handouts. A copy of the materials is on file in the Board Office.

It was reported that the FY2007 Annual Capital Improvement Budget authorizes projects totaling \$379 million to begin design or construction during the next fiscal year. It incorporates the 2006 Capital Request as submitted to the State of Minnesota and will be adjusted before the June 2006 meeting to reflect the outcome of the legislative session. It also reflects the planning priorities established by the Six-Year Capital Improvement Plan approved by the Board of Regents annually.

O'Brien reviewed the process for determining which projects are to be included in each year's budget and Pfutzenreuter referred to the sources of funding to support the projects included in this year's plan. Information was provided for each project and a list of potential additions was included in the docket material.

In response to a question from Regent Allen regarding funding for repairs and maintenance of University facilities, the President responded that while the University does not receive sufficient funding from the legislature to cover the needs for repairs and renovations, significant progress is being made in this arena.

The Annual Capital Improvement Budget will be on the agenda for action at the June 2006 Board meeting.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

- a) Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the May 11, 2006 committee minutes.

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

Bell reported that the committee reviewed a resolution related to tuition waivers for war orphans; engaged in a discussion regarding academic issues related to the University Plan, Performance & Accountability Report; and reviewed background information regarding issues related to tuition, fees, and financial aid.

REPORT OF THE FACILITIES COMMITTEE

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

- a) Approval of Item B contained in the Consent Report for the Facilities Committee as presented to the committee and described in the May 11, 2006 committee minutes.
- b) Approval of the following real estate transaction as described in the docket materials:
 - 1. Purchase of Chester Park School Property, 31 West College Street, Duluth
- c) Approval of the revised schematic plans for the following:
 - 1. Mayo Auditorium & Classroom Renovation, Twin Cities Campus
 - 2. Kolthoff Hall Renovation, Twin Cities Campus
 - 3. Equine Center, Twin Cities Campus

The Board of Regents voted unanimously to approve the recommendations of the Facilities Committee. Regent Metzen abstained from voting on the schematic plans for the Equine Center on the Twin Cities campus because of a possible conflict of interest.

Metzen reported that the committee voted by a majority of four to one to recommend:

- a) Approval of Item A contained in the Consent Report for the Facilities Committee as presented to the committee and described in the May 11, 2006 committee minutes.

Regent Berman stated that he had concerns relating to the J Robinson Wrestling Camp and could not vote in favor of the proposed action.

The Board of Regents voted by a majority of 9 to 1 to approve the recommendation of the Facilities Committee with Regent Berman voting against the motion.

Metzen reported that the committee reviewed one proposed real estate transaction for a five-year lease for space at 701-24th Avenue SE, Minneapolis for University Bookstores; reviewed issues related to the Annual Capital Improvement Budget for FY07; and reviewed a number of information items as described in the docket materials.

REPORT OF THE AUDIT COMMITTEE

Regent Frobenius, Chair of the committee, reported that the committee reviewed a presentation on fiduciary responsibilities; received an overview of the external audit plan to be utilized by LarsonAllen in performing the University's annual audits for the year ended June 30, 2006; reviewed the Department of Audits Charter; received an internal audit update; and reviewed a number of information items as described in the docket materials.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

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

- a) Approval of the amended Consent Report for the Faculty, Staff, & Student Affairs Committee as presented to the committee and described in the May 11, 2006 committee minutes.
- b) Approval of the promotion and/or tenure recommendations as presented in the docket materials effective with the beginning dates of their terms of appointment in 2006-07.
- c) Approval of continuous appointment status along with promotion for staff in the academic professional series as presented in the docket materials to be effective with the beginning of the 2005-2006 appointment period.

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

Bohnsack reported that the committee reviewed information relating to faculty compensation comparisons and analysis; reviewed the Intercollegiate Athletics annual report; and reviewed a number of information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- a) Approval of the amended Consent Report for the Finance & Operations Committee as presented to the committee and described in the May 11, 2006 committee minutes.

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

Allen reported that the committee reviewed proposed amendments to Board of Regents Policy: *Investment of Reserves* and Board of Regents Policy: *Central Reserves Fund*. The committee engaged in discussions relating to the Enterprise Financial System Replacement Project and the University Budget Allocation model and reviewed a number of information items as described in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Chair Baraga noted that the committee did not meet this month.

NEW BUSINESS

Chair Baraga announced that the Board of Regents has scheduled a public forum on the University Budget on May 23, 2006 at 1:00 p.m. in the Boardroom.

The meeting adjourned at 11:55 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary