

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

May 14, 2004

A meeting of the Board of Regents of the University of Minnesota was held on Friday, May 14, 2004, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Robert Bruininks; Chancellors Velmer Burton and Samuel Schuman; Senior Vice President and Provost Christine Maziar; Senior Vice Presidents Frank Cerra and Robert Jones; Vice Presidents Kathryn Brown, Carol Carrier, Sandra Gardebring, Kathleen O'Brien, and Richard Pfutzenreuter; Interim Vice President David Hamilton; Acting General Counsel William Donohue; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Sheila Ards, Gerald Fischer, Gail Klatt, Stuart Mason, Donna Peterson, and Michael Volna.

**INTRODUCTION OF PATRICK M. LLOYD
DEAN, SCHOOL OF DENTISTRY**

President Bruininks introduced Patrick M. Lloyd, Dean of the School of Dentistry effective April 1, 2004. Dean Lloyd spoke briefly to the Board.

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 - March 11, 2004
Educational Planning & Policy Committee - March 11, 2004
Facilities Committee - March 11, 2004
Faculty, Staff & Student Affairs Committee - March 11, 2004
Finance & Operations Committee - March 11, 2004
Board of Regents - March 11, 2004
Board of Regents - March 12, 2004

REPORT OF THE PRESIDENT

President Bruininks reported that the University is launching a multi-year scholarship drive, *Promise for Tomorrow*, to increase the number of students receiving scholarships from gifts to the University by 50 percent. Over the next several years the goal is to raise \$150 million in new scholarship gifts, making the drive the largest scholarship-only drive in the University's history.

Bruininks reported on a number of community visits he has made during the past two months and expressed appreciation to the Board members who attended the events. The message projected during these events is a reminder that the University is the state's only comprehensive research university, it is an asset for the entire state, and the University remains committed to student access, affordability, and the deepening of the student experience.

Lastly, he provided a brief update on the legislative session. He stressed the importance of the bonding bill for the University and urged everyone to continue to communicate this message to legislators.

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

REPORT OF THE CHAIR

Chair Metzen introduced Andrew Sorsoleil, newly-elected chair of the Student Representatives.

He thanked Board members for their participation in the President's outstate visits and thanked all of the individuals involved in the University's efforts at the legislature during the 2004 session.

The chair reported that the President's Review Committee will meet several times before the June Board meeting when a final report on the President's performance will be given.

Finally, he congratulated graduates from all of the University's campuses. He stated that the Board is proud of their accomplishments and wished them well. He also thanked members of the Board for their participation in the 26 ceremonies that were held to confer degrees.

RECEIVE AND FILE REPORTS

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

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Regent Metzen stated that the Report of the All-University Honors Committee was forwarded to the Board in a letter from President Bruininks on February 27, 2004.

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/FUMC BOARD OF TRUSTEES

Regent Frobenius, Chair of the Nominating Committee for the Fairview-University Medical Center (FUMC) 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 Fairview-University Medical Center (FUMC) Board of Trustees, the following appointments are hereby approved:

Dr. Barbara S. Daniels Appointed to fill term of Dr. Scott Giebink, expiring May 2005

Amy J. Peterson Reappointed for a three-year term Expiring May 2007

James P. Bradley Appointed for a three-year term expiring May 2007

A motion was made and seconded and the Board of Regents voted unanimously to approve the resolution.

GIFTS

Associate Vice President 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 March 31, 2004, as listed in the docket material and on file in the Board Office.

Fischer introduced students Jenny Leuer and Virat Madia who spoke briefly about the difference that receiving scholarships has made in their lives.

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

RESOLUTION: CORPORATE AUTHORITY AND AUTHORIZED SIGNERS ON

UNIVERSITY OF MINNESOTA BANK ACCOUNTS

Vice President Pfutzenreuter presented a resolution entitled Corporate Authority and Authorized Signers on University of Minnesota Bank Accounts. The resolution reinstates and updates a former resolution entitled Authorized Signers on University of Minnesota Bank Accounts that was adopted November 8, 1991. Pfutzenreuter reported that all financial institutions require a "corporate authority" on file for all corporate accounts. This resolution was developed with the assistance of local financial institutions and the Office of the General Counsel and will serve as a standardized Regent Corporate Authority. It will allow the Office of Asset Management to streamline processes related to opening and managing the University's bank accounts and to conduct business in the most timely and efficient manner possible.

A motion was made and seconded and the Board of Regents voted unanimously to approve the resolution related to Corporate Authority and Authorized signers on University of Minnesota Bank Accounts, as follows: BE IT RESOLVED, that designated depository (herein called the "Bank") be and is hereby designated as a depository of the REGENTS OF THE UNIVERSITY OF MINNESOTA (Federal Tax Identification Number 41-6007513) (herein called the "University") with authority to accept or receive at any time for the credit of the University deposits by whomsoever made of funds and other property in whatever form or manner transferred or endorsed, whether made as demand deposits, savings deposits, or time deposits.

BE IT FURTHER RESOLVED, that in keeping with the University of Minnesota Board of Regents Policy: *Reservation and Delegation of Authority* (adopted April 5, 2001), the person or persons from time to time holding the following offices of the University be designated "Authorized Signer(s)":

President and delegate

Treasurer

and that any Authorized Signer be and is hereby authorized to open or cause to be opened one or more accounts with the Bank on such terms, conditions, and agreements as the Bank may now or hereafter require and to make any other agreements deemed advisable in regard to any of the foregoing.

BE IT FURTHER RESOLVED, that checks, drafts, or other orders for the payment, transfer, or withdrawal of any of the funds or property of the University on deposit with the Bank shall be binding on the University when signed, manually or by use of a facsimile or mechanical signature, regardless of by whom or by what means the actual or purported facsimile or mechanical signature or signatures may have been placed thereon, or otherwise authorized, by any ONE (1) Authorized Signer, or, any person or persons designated, on an account by account basis, as "Additional Signer(s)" in a written certificate signed by any Authorized Signer, which certificate may further specify the number of Additional Signers which may be required. In particular, and not in limitation of the foregoing, Authorized Signers (and to the extent authorized in a written certificate as provided above, Additional Signers) may authorize payment, transfer, or withdrawal by written, telephonic, electronic funds transfer (EFT), or oral instructions to the Bank complying with such rules and regulations relating to such authorization as the Bank may communicate to the University from time to time, of funds of the University on deposit with the Bank, by EFT or otherwise, without any written order for the payment of money being issued with respect to such transfer, and, for and on behalf of the University, an Authorized Signer may enter into such agreements with the Bank with respect to any such transfer(s) as such Authorized Signer deems advisable. If any such payment, transfer, or withdrawal authorization requires communication to the Bank by the requester of a code, and such code is communicated, any such payment, transfer or withdrawal so effected shall be binding on the University regardless of who communicates the request.

BE IT FURTHER RESOLVED, that any Authorized Signer is hereby authorized and empowered, on behalf of the University, to transact any and all other business with and through the Bank which such Authorized Signer may at any time deem to be advisable, without limiting the generality of the foregoing, and in reference to any such business, to make any and all agreements and deliver to the Bank any and all contracts and other writings which such Authorized Signer may deem to be necessary or desirable.

BE IT FURTHER RESOLVED, that the Secretary shall certify to the Bank the names and signatures (either actual or any form or forms of facsimile or mechanical signatures adopted) of the Authorized Signers. In the event of a change

in any Certified Authorized Signer, the Secretary, a remaining Certified Authorized Signer, or an Additional Signer shall promptly notify the Bank of any such change in certification. Such notification shall be followed, in a timely manner, by a revised certification by the Secretary of the names and signatures of the officers or persons authorized to sign or act. The bank may rely upon such notification without liability until the revised certification is received.

BE IT FURTHER RESOLVED, that these resolutions shall continue in force until express written notice of their rescission or modification has been furnished to and received by the Bank.

BE IT FURTHER RESOLVED, that any and all transactions by or in behalf of the University with the Bank prior to the adoption of this resolution (whether involving deposits, withdrawals, or otherwise) be and the same hereby are in all respects ratified, approved, and confirmed.

This resolution is intended to apply to all designated depositories of this corporation and the Secretary is authorized to prepare and transmit an identical resolution except for the name of the designated depository to each designated depository of this corporation.

BE IT FURTHER RESOLVED, that the Board of Regents accepts the corporate authority and authorized signers on University of Minnesota bank accounts as described in this resolution.

FY 2004-05 ANNUAL OPERATING BUDGET

President Bruininks presented the proposed FY 2004-05 Operating Budget as contained in the docket materials and associated handouts. A copy of the materials is on file in the Board Office.

Bruininks reported that the FY 2004-05 proposed plan represents implementation of the second phase of budget planning activities that began with release of the Governor's budget recommendations for the University of Minnesota in February 2003. He noted that at the conclusion of the 2003 regular legislative session, the annual appropriation for the University of Minnesota was reduced to a level comparable to the funding level received in FY 1997-98 which, adjusted for inflation, takes the University back to 1986-87 state appropriation levels.

He reported that reductions in state appropriations were focused in the first year of the current biennium (FY 2003-04) and significantly impacted the need for dramatic and immediate cost reductions for the University. The primary goals of the FY 2004-05 budget recommendation are to balance the budget and invest in the future of the University. He stated that despite the difficult budget challenges, the University must continue to make needed investments in the critical new academic directions and student goals that this budget reflects. The University also faces significant financial obligations and requirements on a recurring basis to continue its base of operations. The institutional budget challenge identified for FY 2004-05 is \$70.4 million.

Bruininks reviewed the core principles in balancing the budget and provided details of the University's financial obligations and needed investments. The FY 2005 budget proposes tuition and fee increases of approximately 14 percent for undergraduate students, some staff reductions, delayed, abandoned, or downgraded faculty searches, elimination of open position, increased efficiencies in operations, and strategic reduction in support for activities.

The President expressed deep concern regarding the disturbing downward trend in state general fund appropriation for the University of Minnesota. The percentage of state spending support for the University has decreased from 8.3 percent in 1971 to less than 4 percent for FY 2005.

In response to a question, Bruininks reported that proportional reductions were given to every unit in the University of Minnesota. In addition, some units were given targeted reductions and some cost reductions were also proposed at the all-university level.

Regent Reed stated that she is very disturbed that students are carrying the burden of the reductions in state support through tuition increases. She stated that continued decreases in state support for higher education will result in drastic consequences for public institutions. She stated that the Board should direct its work in the coming months to discussions on future funding to support the mission of the University.

Other Board members also expressed their concern regarding the increases in tuition and agreed that the issue of future funding for the University should be a priority on the Board's agenda.

A question was raised regarding further reductions. Bruininks replied that it is possible to reduce expenditures even further but it would result in further consequences to the University. He added that he will continue to communicate to legislators the importance of investing in the University of Minnesota for the future of the State of Minnesota. Board members agreed that the proposed budget should not be changed at this point as it reflects the second year of a two-year budget.

Action on the budget will be considered at the Board meeting on June 11, 2004.

FY 2004-05 ANNUAL CAPITAL IMPROVEMENT BUDGET

President Bruininks and Vice Presidents O'Brien and Pfutzenreuter presented the FY05 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.

The FY05 Annual Capital Improvement Budget provides funding of \$232,107,000 to begin design or construction during the next fiscal year. The budget includes the full 2004 capital request as approved by the Board of Regents and will be modified prior to the June meeting to reflect final legislative action. Bruininks noted that development of the annual capital improvement budget is guided by the six-year capital improvement plan that is reviewed in the fall of each year.

It was noted that in order to improve the quality of capital project information, individual projects had to complete an appropriate level of initial planning and secure a qualified cost estimate before being included in the capital budget. The requirements may have caused the exclusion of some important projects from this capital budget. As necessary planning is completed, capital budget amendments will be recommended to the Board.

Bruininks reviewed the capital planning principles, the current status of the request at the legislature, and the impact on the University of Minnesota if the request is not fully funded.

Pfutzenreuter reported that 85 percent of the budget is targeted for renovation and 15 percent targeted for new facilities. O'Brien provided a general overview of the projects included in the budget as they relate to academic priorities, student experience, and facility renewal.

Pfutzenreuter provided information on the sources of funds to support the capital budget. Those sources include long term bonds, local unit funds, repair and replacement funds, grants and gifts, internal loan funds, self-supporting unit funds and state bonds. He reported that \$155.5 million (67 percent) of the funding for this budget is dependent on state bonds. Funding from state bonds is absolutely critical to this capital plan. Pfutzenreuter reported that currently the legislative bodies and the governor have recommended less bonding than the University has requested. However, if a bonding bill is not passed during the session, the capital budget for FY2005 would be held to \$44 million.

Regent Reed stated that the message to be communicated to the legislators is that the University is appreciative of the work they have done on behalf of the University but that the result that is needed by the University for state bonding is \$155 million. Reed also stated that she supports exploring different approaches for funding HEAPR projects in the future.

The Annual Capital Improvement Budget will be on the agenda for action at the June 11, 2004 Board meeting.

REPORT OF THE AUDIT COMMITTEE

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

- Adoption of amendments to Board of Regents Policy: *Internal Controls*, as follows:

INTERNAL CONTROLS

Subd. 1. Integrated Framework. The control model for the University of Minnesota (University) is the Integrated Framework of Internal Control as promulgated by the Congressionally established Committee of Sponsoring Organizations (COSO).

Subd. 2. Objectives. The president or delegate shall administer an integrated framework of internal control and risk assessment practices that ensures:

- (1) University activities and operations function effectively and efficiently;
- (2) compliance with laws, regulations, and University policies and standards;
- (3) University processes result in accurate and reliable financial information and reports;
- (4) University resources are adequately protected; and
- (5) traditional and emerging operational, financial, compliance, and reputational risks are being properly identified and appropriately managed.

Subd. 3. Implementation Principles. The president or delegate shall establish the foundation for sound internal control within the University through directed leadership, shared values, and a culture that emphasizes accountability such that:

- (1) all material risks facing the University are identified and assessed routinely at all levels and within all University functions;
- (2) control activities and other mechanisms are proactively designed to address and manage significant risks;
- (3) information critical to identifying risks and meeting the University's mission and strategic objectives is communicated through established channels throughout the University; and
- (4) monitoring of controls is performed, and identified problems are addressed in a timely manner.

Subd. 4. Responsibility. Notwithstanding any delegation made by the president to administer this policy, the president shall be responsible to the Board of Regents (Board) for the faithful execution of the integrated framework of internal control consistent with the policies of the Board and applicable law.

- Adoption of amendments to Board of Regents Policy: *Audit Committee Charter*, as follows:

AUDIT COMMITTEE CHARTER

Subd. 1. Organization. The Audit Committee of the Board of Regents (Board) shall be a permanent committee consisting of at least four members of the Board. Audit Committee members shall be appointed by the Board chair, recognizing the need for financial expertise and continuity of membership from year to year.

Subd. 2. Reservation of Authority. Consistent with Board of Regents Policy: *Reservation and Delegation of Authority*, the Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external public accountants and the Director of Internal Audit; review audit plans; and evaluate the performance of the independent auditor and, jointly with the president, the performance of the internal audit function.

Subd. 3. Purpose. The Audit Committee is to assist the Board in discharging its oversight responsibilities related to the audit function by:

- (a) promoting the development of an effective and continuously improving control environment, in concert with the administration, to achieve the institution's objectives through an appropriate system of risk assessment and internal controls;
- (b) overseeing the University's integrated framework of internal controls and risk assessment practices to ensure that the administration executes the provisions of Board of Regents Policy: *Internal Controls*;

(c) serving as an informed voice on the Board by relaying the audit perspective when related issues are brought before the Board and its standing committees; and

(d) providing a direct channel of communication to the Board for the internal auditor and the independent public auditor.

Subd. 4. Duties. Specific duties of the Audit Committee include the following:

(a) Oversight of the Independent Auditor. The independent auditor reports directly to the Board through the Audit Committee. The Audit Committee shall recommend for Board approval the engagement and related fees of the independent auditor to perform the annual financial statement and federal compliance audits. The Audit Committee shall approve in advance all audit and non-audit services provided by the independent auditor. The Audit Committee shall annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.

(b) Oversight of the Internal Audit Function. The Audit Committee shall recommend for Board approval (1) the appointment or removal of the director of audits, (2) changes to the Audit Department charter, and (3) any material revisions to internal audit plans or budgets. In consultation with management and the internal auditor, the Audit Committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.

(c) Review of Financial Statements. The Audit Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.

(d) Review of Audit Results. The Audit Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, internal auditor, and management. The Audit Committee shall monitor management's progress in addressing audit recommendations.

(e) Investigation of Reported Concerns Regarding Accounting or Auditing Matters. The Audit Committee shall be apprised of investigations conducted under the administrative policy Dealing with Allegations of Financial or Operational Misconduct.

(f) Requests for Audits. The Audit Committee is authorized to request supplemental reviews or other audit procedures by the internal auditor, the independent auditor, or other advisors.

(g) Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors. The Audit Committee shall approve all engagements of external audit firms to perform work or provide services to the University.

(h) Report to Board. The Audit Committee shall report the results of its activities to the Board.

c) Approval of the engagement of Deloitte & Touche LLP to serve as independent accountants and auditors for the University of Minnesota for the FY2004 audit.

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

Frobenius reported that the committee also reviewed the external audit plan for FY 2004-05, received the quarterly internal audit update; and reviewed a number of information items as described in the docket material.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

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

- Adoption of Board of Regents Policy: *Faculty and Staff Retirement*, as follows:

FACULTY AND STAFF RETIREMENT

Subd. 1. Goals. It is the policy of the University of Minnesota (University) to provide retirement benefits for its faculty and staff with four primary goals:

- a) Retirement Income – University plans and programs are intended to provide both a portion of the employees' financial support during retirement and the opportunity for employees to save for their own retirement.
- b) Competitive Programs – Faculty and staff retirement benefits are intended to be competitive, assisting in the retention and recruitment of talented faculty and staff.
- c) Retirement Planning and Financial Education – The University shall provide financial information, education, and resources to assist faculty and staff with their retirement planning, but will not offer personal investment advice through University personnel.
- d) Oversight and Stewardship – The University shall ensure compliance with applicable law for those plans and programs it directly sponsors.

Subd. 2. Established Plans. The University shall establish and sponsor faculty and staff retirement plans or ensure that retirement plans are established and sponsored by others in accordance with this policy.

Subd. 3. Scope. The following plans and programs are approved and shall be available to faculty and staff, subject to the various eligibility requirements contained within the plan documents, governing law, and administrative procedures.

a) Plans in which the University participates but does not sponsor:

- Minnesota State Retirement System General Plan;
- Public Employees Retirement Association;
- Civil Service Retirement System;
- Civil Service Retirement System Offset Retirement; and
- Federal Employees Retirement System.

b) Plans that the University establishes and directly sponsors, administered in accordance with formal plan documents:

- University of Minnesota Faculty Retirement Plan;
- University of Minnesota Optional Retirement Plan;
- University of Minnesota Section 457 Deferred Compensation Plan;
- Special Retirement Plan of the Board of Regents of the University of Minnesota; and
- University of Minnesota 415(m) Retirement Plan.

c) Programs that the University directly sponsors, administered in accordance with established administrative procedures:

- Terminal Agreement Programs (for both federal and non-federal employees);
- Phased Retirement Program; and
- University of Minnesota Supplemental Benefits Plan.

Subd. 4. Authority. In accordance with Board of Regents Policy: *Reservation and Delegation of Authority*, the Board of Regents hereby delegates to the president those items not reserved, including the authority to implement these

plans and programs.

- 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 2004-2005.
- 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 2004-2005 appointment period.

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

Simmons reported that the committee received a presentation on FY 2004 faculty salaries and compensation and also 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:

- Approval of the amended Consent Report for the Finance & Operations Committee as presented to the committee and described in the May 13, 2004 committee minutes.
- Adoption of amendments to Board of Regents Policy: *Central Reserves Emergency Fund*, as follows:

CENTRAL RESERVES EMERGENCY FUND

SECTION I. DEFINITION

The central reserves fund refers to resources that are not allocated to any specific unit of the University, but are held in a central account within the University's financial system. The primary revenue sources of the central reserves fund are investment earnings from the temporary investment pool, other miscellaneous revenues, and legal settlements.

The purpose of the central reserves fund is to insulate the University from potential major financial risks, including:

- unanticipated or uninsured catastrophic events;
- temporary institutional revenue declines or expenditure gaps;
- unforeseen legal obligations and costs;
- failures in central infrastructure; or
- failures of major business systems.

SECTION II. BUDGETING

Subd. 1. Budget Planning. A central reserves budget is prepared annually and submitted to the Board of Regents (Board) for approval as part of the president's recommended Annual Operating Budget.

Subd. 2. Allowable Allocations. As part of the Annual Operating Budget, the central reserves fund may be allocated for:

- a) expenses that are fixed term in nature (usually 3 years or less);
- b) transfers to other centrally allocated funds to support expenditures that should be funded from sources other than tuition or state appropriations;
- c) a general contingency for unplanned or unexpected financial needs that routinely arise during the fiscal year; or

d) other various miscellaneous expenditures as determined by the president and approved by the Board.

Subd. 3. Board Approval. Board approval is required for any modifications to the central reserves budget and for all expenditures from the central reserves general contingency account of \$250,000 or more. Expenditures from the general contingency account of less than \$250,000 shall be approved by the president or delegate and reported at the next regular meeting of the Board. When delay for Board approval poses a significant health, safety, or financial risk to the University, approval of expenditures from the central reserves fund may be granted by the chair of the Board, the vice chair, and the chair of the Finance and Operations Committee. Any such emergency approvals shall be brought to the next regular meeting of the Board, consistent with Board of Regents Policy: Board Operations & Agenda Guidelines.

SECTION III. SIZE OF RESERVES

An appropriate central reserves fund maintains financial strength and high bond ratings, protects the University from interest expense volatility, and allows flexibility in the use of variable rate debt to lower or control interest costs.

Under normal circumstances, the central reserves fund should not fall below 3.0% of all centrally allocated funds, exclusive of tuition, or \$20,000,000, whichever is greater, unless such reduction is part of a short-term "bridge" financing plan that includes restoration of the central reserves fund balance within two to three years. However, determining the appropriate level of the central reserves fund requires judgment and consideration of a variety of factors, including, among others, the following:

- the condition of the Minnesota and federal economies;
- the political climate towards higher education;
- the volatility of University revenues and expenditures; and
- the size and composition of University debt.

SECTION IV. REPORTING

A projected central reserves fund year-end balance will be presented to the Board as part of the Annual Operating Budget. A central reserves fund report will be presented annually to the Finance and Operations Committee.

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

Hogan reported that the committee reviewed a proposed Board of Regents Policy: *Debt Transactions* and engaged in a discussion relating to financing assumptions of the President's FY 2004-05 Annual Capital Improvement Budget.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

- Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the May 13, 2004 committee minutes.
- Adoption of amendments to Board of Regents Policy: *Sponsored Grants and Contracts*, as follows:

SPONSORED GRANTS AND CONTRACTS

Subd. 1. Delegation of Authority. The president or delegate shall formally accept sponsored grants and contracts on behalf of the Board of Regents (Board) of the University of Minnesota (University).

Subd. 2. Compliance with Existing Policies. To be accepted, grants and contracts must adhere to applicable Board policies and administrative policies and practices.

Subd. 3. Reporting. Information on grants and contracts shall be reported to the Board quarterly. The

president or delegate shall report to the Board annually on the status of the University's research, including sponsored grant and contract activity. Significant individual grants and contracts shall be reported to the Board on an ad hoc, but timely basis. Significant grants are those that represent more than 2 percent of the prior year's externally funded research expenditures or that would have a substantial impact on the academic plan or budget of the University.

- Approval of a resolution related to providing financial support to University Enterprise Laboratories, Inc., as follows:

WHEREAS, the commercialization of University of Minnesota (University) technology is consistent with the University's mission of research and discovery, teaching and learning, and outreach and public service; and

WHEREAS, Board of Regents Policy: *Use of Royalty Income to Support Technology Commercialization (Policy)* allows the University to provide financial support to non-University entities to encourage, promote, and assist in the commercialization of University technology; and

WHEREAS, University Enterprise Laboratories, Inc. (UEL), a non-profit, tax-exempt corporation organized to promote, encourage, and aid in the transfer and application of scientific investigation, research, and technological advancement, has requested University support for a biotechnology incubator (project); and

WHEREAS, UEL intends to lease and later acquire certain real property located in Saint Paul, Minnesota near the Twin Cities campus from which to operate a biotechnology incubator, and has solicited and received gifts and other support from the City of Saint Paul and several Minnesota-based corporations in order to finance the acquisition and construction of a building; and

WHEREAS, UEL intends to lease some of the space within the incubator to early-stage companies that have licensed University technology and companies from which the University is entitled to receive royalties or in which the University owns equity; and

WHEREAS, the administration has reviewed the request for support and determined that the project adheres to the principles required in the *Policy*; and

WHEREAS, the president recommends UEL receive up to \$1,000,000 of financial support for the project;

NOW, THEREFORE, BE IT RESOLVED, that in order to further the University's mission and encourage the commercialization of University technology, the Board of Regents authorizes the recommended support for the project as detailed in the docket materials; and

BE IT FURTHER RESOLVED, that the president is authorized to execute such agreements and documents necessary to accomplish this resolution.

The Board of Regents voted unanimously to approve the recommendations of the Educational Planning & Policy Committee.

Reed reported that the committee engaged in a discussion relating to conflict of interest policy issues; received a presentation on the University of Minnesota Duluth's mission and service to students; received an update on recent Supreme Court decisions and the University's process relating to student admissions; and reviewed a number of information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

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

- Approval of the Consent Report for the Facilities Committee as presented to the committee and described in the May 13, 2004 committee minutes.

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

Bohnsack reported that the committee received an overview of the FY 2004-2005 Annual Capital Improvement Budget 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.

RECOGNITIONS

Recognition was given to Coach Laura Halldorson and the Twin Cities Women's Hockey team for winning the 2003-2004 NCAA Championship; Damion Hahn, 2003-2004 NCAA wrestling champion; and Junior Lessard, 2003-04 Hobey Baker Memorial Award recipient.

The meeting adjourned at 12:05 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary