

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

December 14, 2001

A meeting of the Board of Regents of the University of Minnesota was held on Friday, December 14, 2001 at 8:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Maureen Reed, presiding; Robert Bergland, Frank Berman, Dallas Bohnsack, William Hogan, Jean Keffeler, Richard McNamara, David Metzen, H. Bryan Neel, Michael O'Keefe, and Lakeesha Ransom.

Staff present: President Mark Yudof; Chancellor Samuel Schuman; Executive Vice President and Provost Robert Bruininks; Senior Vice President Frank Cerra; Vice Presidents Tonya Moten Brown, Carol Carrier, Sandra Gardebring, Eric Kruse, and Christine Maziar; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; Associate Vice Presidents Richard Pfitzenreuter, Gail Klatt, and Donna Peterson.

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 - November 7, 2001
Educational Planning & Policy Committee - November 8, 2001
Facilities Committee - November 8, 2001
Faculty, Staff & Student Affairs Committee - November 8, 2001
Finance & Operations Committee - November 8, 2001
Board of Regents - November 8, 2001
Board of Regents - November 9, 2001

REPORT OF THE PRESIDENT

President Yudof reported that a search committee for a new Executive Vice President and Provost has been appointed. A national search will be conducted with the assistance of the search firm, Korn/Ferry. The committee will be co-chaired by H. Ted Davis, Dean of the Institute of Technology and Ronald Phillips, Chair of the Department of Agronomy/Plant Genetics.

The President addressed a recent request from Governor Ventura regarding development of plans to trim budgets due to an anticipated budget shortfall in the state's budget. Yudof stated that while it is early, and forecasts may indicate a rebound after the first of the year, the University wants to cooperate with the Governor and legislative leaders. He has asked the Budget Office to explore alternative funding scenarios and is asking departments to be prudent in their spending, by delaying and deferring certain types of expenditures. He stressed, however, that while the University will work with the Governor and Legislature to help resolve the state's fiscal problems, it is important to remember that the University remains the best

investment for the state in terms of economic gains. It is vital that the University sustain its momentum and the advances it has made in recent years.

REPORT OF THE CHAIR

Chair Reed applauded the President's serious response to the state's budget situation and indicated that the Board will also be mindful of budget constraints in its review of the Board's budget.

She reported briefly on several events held during the past month including: a joint meeting with members of the Board of Regents at the University of Michigan, a meeting with the leadership of the MnSCU Board of Trustees, and a meeting she attended of the University of Minnesota Alumni Association Board of Directors.

She also announced that the Board will not meet in January. The next meetings will be held February 6-8, 2002.

RECEIVE AND FILE REPORTS

Chair Reed noted that there were no receive and file reports this month.

GIFTS

Assistant Vice President Judy Kirk 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 October 31, 2001, as presented in the docket material 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.

QUARTERLY SUMMARY OF EXPENDITURES

Regent Reed presented the Quarterly Summary of Expenditures for the Office of the Board of Regents, the President's Office, and Eastcliff Operations, for three months ending September 30, 2001 as contained in the docket materials.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Summary of Expenditures for the period ending September 30, 2001.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

Regent Metzen, 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 December 13, 2001 committee minutes.
- b. Approval of a resolution related to the proposed labor agreement with Teamsters Local 320 employees (Unit 3), as follows:

WHEREAS, the parties have met and negotiated over the course of the past few months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit (a complete copy of which is available in the Office of the Board of Regents); and

WHEREAS, the Teamsters Local Union 320 have ratified acceptance of the agreement, and

WHEREAS, according to the Board of Regents Policy: *Board Operation and Agenda Guidelines*, regental approval of labor agreements is required;

NOW, THEREFORE, BE IT RESOLVED, that on the recommendation of the president, the Executive Vice President and Provost, and the Vice President for Human Resources, the Board of Regents approves this labor agreement as outlined in the docket for December 13, 2001.

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

Metzen reported that the committee reviewed proposed revisions to the Board of Regents Policy: *Sick and Disability Leaves*; received an update on the University's new employee health care benefits program known as the Uplan; discussed efforts on all campuses to prevent alcohol misuse and tobacco use; and reviewed information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent O'Keefe, 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

December 13, 2001 committee minutes.

Regent Reed recused herself from discussion and voting on the consent report due to a conflict of interest regarding the University's health plans. She called on Regent Bergland to chair the meeting and left the room.

Regent O'Keefe reviewed the items in the Consent Report and moved approval.

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

Regent Reed returned to the meeting and called on O'Keefe to continue his report.

O'Keefe reported that the committee received an economic update for the State of Minnesota; reviewed the annual financial report; received an update on capital financing and debt management; and reviewed the University's legislatively-required report addressing (1) allocation of state funds, (2) tuition and fee rates, and (3) leveraging capacity of state funds. The committee also reviewed information items as described in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Hogan, 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 December 13, 2001 committee minutes.

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

Hogan reported that the committee reviewed the University Plan and Performance Report and discussed an expanded outline of the proposed framework and the scope of two reports required by the legislature. The committee also reviewed information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

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

- a. Approval of the Consent Report for the Facilities Committee as presented to the committee and described in the

December 13, 2001 committee minutes.

- b. Approval of a resolution relating to amendments to the Crookston Campus Master Plan as follows:

WHEREAS, in 1993, the Board of Regents adopted the following four Campus Master Planning principles as developed by the Master Plan Steering Committee:

- The principle of creating and maintaining a distinctive and aspiring vision of the physical development of each campus;
- The principle of enriching the experience of all who come to the campus;
- The principle of maximizing the value of existing physical assets while responding to emerging/changing needs;
- The principle of an inclusive, accountable, and timely process for creating and implementing the master plan vision;

and directed the preparation of a Master Plan for each of the campuses; and

WHEREAS, in February 1996, the Board of Regents reviewed the proposed Master Plan for the Crookston campus; and

WHEREAS, based upon the recommendation of the administration from the respective campuses the Board of Regents approved the *Resolution Related to the Approval of Campus Master Plans at the Crookston, Morris, Duluth, and Twin Cities Campuses* on September 6, 1996; and

WHEREAS, changes on the Crookston campus since completion of the Master Plan in 1995 have demonstrated the need to update the Crookston Campus Master Plan to ensure its integrity; and

WHEREAS, acknowledging the need to update the Crookston Campus Master Plan, the Crookston campus administration and the Master Planning Office, working with a professional master planning consultant, developed amendments to the *University of Minnesota, Crookston Campus Master Plan* dated 1995,

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents directs, that the *University of Minnesota Crookston Campus Master Plan* dated 1995 be amended as recommended by the President and the Crookston campus administration, that the amended Master Plan be used to guide the development of the campus in accordance with the four Campus Master Planning principles, and that the policies, procedures, and strategies therein will be the basis for all future master planning decisions; and

BE IT FURTHER RESOLVED that in accordance with the fourth planning principle, the leadership of the Crookston campus will submit its Annual Report on its conformance with the Amended Master Plan to the Board of Regents in July of each year.

- c. Approval of a recommendation of the President that the appropriate administrative officers receive authorization to execute
the appropriate documents providing for a five-year lease with the Opus Corporation for the first floor at the Minnesota
Technology Center, 1100 Washington Avenue South, Minneapolis, Minnesota, for use by the Institute of
Technology,
Army High Performance Computing Research Center (AHPCRC) for research activities.
- d. Approval of a recommendation of the President that the FY02 Capital Budget be amended by:
- \$1,200,000 to incorporate funding to purchase furniture and equipment for the College of Architecture and Landscape Architecture as a part of the Architecture Building Addition and Remodeling project located on the University's Twin Cities, Minneapolis, East Bank campus;
 - \$580,000 to incorporate funding for the development of a state-of-the-art theater as part of the Coffman Memorial Union Renovation project located on the University's Twin Cities, Minneapolis, East Bank campus; and
 - \$840,000 to incorporate funding to build-out six student residence suites and a convenience store as a part of the Sanford Hall Kitchen & Dining Facility Addition and Remodeling project located on the University's Twin Cities, Minneapolis, East Bank campus.
- e. Approval of a recommendation of the President that the FY02 Capital Budget be amended by \$5,200,000 to incorporate
funding for the design and construction of the Visitor Center Phase I project located at the Minnesota
Landscape Arboretum,
Chanhassen, Minnesota.
- f. Approval of the schematic plans for the Washington Avenue Pedestrian Bridges project and of the appropriate administrative
officers proceeding with the award of contracts and the development of construction documents and
construction.

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

Neel reported that the committee also reviewed a proposed amendment to the FY02 Capital Budget for the \$4,563,000 to incorporate funding for the Washington Avenue Pedestrian Bridges - Phase II project; reviewed a proposed resolution relating to the Morris campus exterior design standards; and reviewed the Quarterly Capital Improvement Plan Report for the 1st quarter of FY02. The committee also reviewed information items as described in the docket materials. The agenda item relating to the capital budget prioritization process was delayed until February 2002.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Neel, Chair of the committee, reported that the committee met on Thursday, December 13, 2001 to discuss attorney-client privileged matters and no action was taken at the meeting.

Neel also reported briefly on the University's appearance before the United States Supreme Court on November 26, 2001,

applauding the work of the University's attorneys.

REPORT OF THE AUDIT COMMITTEE

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

SEMI-ANNUAL STUDENT REPRESENTATIVES REPORT

Venora Hung, Chair of the Student Representatives, presented the semi-annual report of the Student Representatives as contained in the docket materials. The report provided student perspectives on issues and concerns facing University students. The following issues were addressed in the report: diversity, student input, student satisfaction, tuition, affordable housing, alcohol misuse, graduation and retention rates, parking and transportation, campus safety, and an on-campus stadium.

Hung added that the student representatives are committed to working with the Board, the administration, and students to support the mission of the University.

APPOINTMENTS: UNIVERSITY FOUNDATION TRUSTEES

A motion was made and seconded and the Board of Regents voted unanimously to approve the following appointments to the University of Minnesota Foundation Board of Trustees:

Richard F. McNamara - appointed for a three-year term, November 2001-2004

Luella G. Goldberg - appointed for a three-year term, November 2001-2004

Nancy E. Lindahl - appointed for a three-year term, November 2001-2004

ANNUAL REPORT ON THE STATUS OF UNIVERSITY RESEARCH

Vice President Maziar presented the annual report on the status of the University's research programs as provided in the docket materials. The emphasis of the report was primarily related to the sponsored programs portion of the University's research enterprise.

Key highlights of the report indicated that University-sponsored research programs have realized healthy growth in FY00. Sponsored expenditures increased 9 percent, sponsored awards grew 9.5 percent, and research proposals were up 19 percent. Facilities and administrative cost reimbursements have also grown and are 12 percent higher than the previous year. The University also continues to experience expansion of activities surrounding technology commercialization.

In response to a question, Maziar stated that there are concerns regarding a possible decrease in grant funding from the state because of the state's predicted budget shortfall. She does not believe the same will be true on the federal level.

A question was raised regarding research relating to bioterrorism and the University's ability to compete for research dollars. Maziar stated that while she is unsure how funds will be allocated from the various agencies, she is confident that the University of Minnesota is well positioned to make significant contributions in these areas.

RESOLUTION REGARDING UMES PLAN FOR CHANGE: EXTENSION 2002-2005

Dean Charles Casey, University of Minnesota Extension Service (UMES), presented a resolution endorsing principles embodied in the *University of Minnesota Extension Service's Plan for Change: Extension 2002-2005* that was released December 3, 2001 and on file in the Board of Regents Office.

Casey reviewed highlights of the plan that addresses the future direction of the UMES. It outlines a new structure for Extension, providing for a more effective and flexible delivery system that strengthens access to the University of Minnesota research base. This new model will rely on technology to increase sufficiency and delivery of information. Extension will be more clearly identified with high quality focused work in the areas of community development and vitality; land, food and environment; and youth development and family living. Specific program priorities will be identified in response to a community needs assessment process.

All UMES staff will be affected in some way by this plan. While some positions will be eliminated, many will be redesigned, offering employees new opportunities for personal growth and development.

To succeed, the new model will require a significant investment. A new strategic investment pool is being created to leverage resources across the University and provide greater flexibility to address critical issues.

Regent Bergland, Chair of the Regents Ad Hoc Committee on Outreach, reported that the committee reviewed this plan in detail and supports the major changes proposed for UMES. He moved the following resolution:

WHEREAS, the University of Minnesota recognizes and values its Extension Service as a unique and significant asset of the institution and the state; and

WHEREAS, the University of Minnesota has confidence in Extension to utilize University scholarship to address the critical needs of Minnesotans.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents endorses the future direction of the University of Minnesota Extension Service which will position the organization to:

- Provide a focused portfolio of high quality programs that draws on all University colleges and addresses critical needs of Minnesota in three arenas: Community Development & Vitality; Land, Food & Environment; and Youth Development & Family Living.
- Respond to the state's changing demographics and the complexity of the critical issues facing rural, suburban and urban Minnesotans, while continuing a commitment to serve rural Minnesota and agriculture.
- Create a statewide delivery system that integrates University resources with communities and promotes civic engagement.
- Maintain a strong relationship with county government while expanding partnerships with other public, non-profit and private entities.
- Recognize the increasing importance and effectiveness of technology in outreach and public service.
- Increase accountability and evidence of program outcomes and impacts through system-wide evaluation.
- Improve financial sustainability and expand flexibility for responding to critical issues.

BE IT FURTHER RESOLVED that the Board of Regents accepts the plan for change for the University of Minnesota Extension Service as described and illustrated in the document titled: *University of Minnesota Extension Service Plan for Change: Extension 2002-2005*.

The motion was seconded.

Regent Bohnsack expressed support for the plan, indicating that from many conversations, he believes constituencies throughout the state are accepting it.

Regent Berman also expressed support noting that improved procedures, revenue enhancement, and cost reduction goals are included in the plan. He added that he believes the increased use of technology proposed will provide a great opportunity for better and more personal communication with greater Minnesota.

Bergland added that the ad hoc committee also requested that a progress report on the goals be made after six months, with periodic reports thereafter.

In response to a question, Casey stated that a strategy has been developed to visit County Extension Committees, key legislators, and stakeholders around the state to build support for the plan.

Regent Keffeler expressed support for the plan, but voiced several concerns. She indicated that she would hope as changes are made to UMES, it moves in a direction that embeds the outreach activity more squarely within the academic units so that the connection between the University and the service and outreach mode are clear. She would also encourage that as programs are reviewed, consideration be given to whether a program will provide the best return on the investment for the University. There are many financially stable programs that can be offered, but may not be the right investments for the University. Lastly, she expressed concern that UMES might become involved in areas that are "squarely within the domain of the statutory responsibility of the county government." She would discourage UMES from relieving other governmental units of their responsibilities.

Casey responded that Keffeler's concerns were issues that will be explored as the plan is implemented.

President Yudof expressed the importance of changes being made in the UMES. He stated that while there are many issues to be addressed, it is important for everyone to understand, that if changes are not made, UMES will die. It is vital for the UMES to be sustained with a business plan that will enable it to survive.

The Board of Regents voted unanimously to approve the resolution.

FINANCIAL REPORT: TWIN CITIES ATHLETICS

Vice President Brown presented an overview of the current and future financial challenges for intercollegiate athletics (ICA) comprised of both Men's Intercollegiate Athletics Department and Women's Intercollegiate Athletic Department at the University of Minnesota, Twin Cities detailed in a report released December 7, 2001 and on file in the Board office.

Brown reported that the Office of the Vice President and Chief of Staff initiated a comprehensive review of the financial status of ICA in FY01 to ascertain the cause of its persistent financial difficulties. Findings of that review revealed the following:

- Revenues generated by athletics are not sufficient to cover current expenses, requiring the University to subsidize almost \$10.1 million of athletics expenses annually, fully 23 percent of ICA's operating expenses.
- For FY00 and FY01, ICA has not met its revenue projections. The revenue shortfall in FY00 was \$950,000 and in FY01 \$1.7 million. Both departments have had to draw down extra foundation funds at higher than expected levels to compensate for revenue shortfalls which will negatively impact their respective foundation accounts for future years.
- Projections indicate that the minimum cumulative increases in ICA expenses will exceed \$33 million over the next five years.

- ICA has no reserves to meet any current, or future, financial needs.

Brown reported that, like many of its peer institutions around the country, the University of Minnesota is facing increased accountability for budgetary decisions and a decreasing level of state-funded support. This comes at a time when public universities are also focusing on the issue of escalating athletic expenses. The Board of Regents has also stated its expectation that the administration increase efficiency across all levels of the University and identify programs that are financially at risk.

Brown presented an extended review of details in the report including the current financial standings of ICA projects, projected future financial challenges and obligations, and a review of major policy issues that must be addressed in order to develop meaningful long-term reform of athletic finances.

She further reported that the President has called upon ICA to develop a compact agreement in which the department will identify its goals and objectives, align itself with institutional priorities, and set forth a long-term financial plan. The policy issue that the Board needs to address after reviewing this report is "What does the University want Intercollegiate Athletics to become at the University of Minnesota?"

Regent Reed thanked Brown for her presentation. She stated that in anticipation of the many issues and concerns that will be raised from this report, she has appointed an ad hoc committee of the Board to hear public comments on this issue. The committee will be composed of Regent Metzen, chair, and Regents Keffeler and Ransom. The charge to the committee will be to take public comment regarding various approaches in resolving the financial challenges facing the University of Minnesota Twin Cities Athletic departments. She added that the charge to the committee does not include formulating a proposal.

In response to a question, Brown explained the budgeting process for the athletic departments, indicating that each department budgets toward its projected revenue. In addition, funding is also provided from foundation accounts each year. If projected revenues are not received, more money has to be drawn from the foundation accounts. Brown added that in recent years, the Athletic Financial Group reviews the departments' proposed budgets to determine if revenue projections are realistic and that monitoring of the budgets during the fiscal year is now taking place. However, while the revenue projections are reviewed by the Office of the Vice President, the expenditure decisions are made within the units. A better monitoring system needs to be instituted so that overspending might be eliminated early. Regent O'Keefe expressed concern that the units are not accountable for their budget deficits.

Regent Metzen urged that solutions to this issue be viewed for the University as a whole, not particular units or departments, and that the solutions should also be formulated for the long-term, not for one or two years.

Regent Berman asked about the process by which revenue and costs are projected to support new facility proposals. Brown responded that any new building projects are now required to have business plans that demonstrate how operating costs of a facility will be covered. She added that a good process is now in place, however, the issue did not receive enough attention in the past.

In response to another question from Berman, Brown reported that data is currently being compiled to determine a fair measurement of the cost of separate athletic departments compared to one athletic department. This information will be provided to the Board when it is obtained.

A request was also made that Brown provide the Board with a written explanation of Title IX requirements.

Regent Bergland asked if there is any evidence to support the assertion that an on-campus football stadium would be a solution to the financial problems. Brown responded it is important to determine the issues that need to be solved before trying to determine if an on-campus stadium would solve them. While it is possible that an on-campus stadium would help, it most likely would not solve all of the financial issues.

The meeting adjourned at 12:15 p.m.

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

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