

Year 2002-03

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

May 8, 2003

A meeting of the Board of Regents of the University of Minnesota was held on Thursday, May 8, 2003, at 2:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Robert Bruininks; Chancellors Donald Sargeant and Samuel Schuman; Executive Vice President and Provost Christine Maziar; Senior Vice President Frank Cerra; Vice Presidents Kathryn Brown, Carol Carrier, Robert Jones, and Kathleen O'Brien; Interim Vice President David Hamilton; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Gerald Fischer, Gail Klatt, Donna Peterson, and Richard Pfitzenreuter.

APPROVAL OF MINUTES

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

Faculty, Staff & Student Affairs - April 10, 2003

Finance & Operations Committee - April 10, 2003

Audit Committee - April 10, 2003

Board of Regents - April 11, 2003

REPORT OF THE PRESIDENT

President Bruininks presented a brief report on the high rate of return and the economic impact that the state receives from its investment in the University of Minnesota.

He also reported on the value of the faculty and staff at the University during these challenging budget circumstances. There is a strong sense of community among University employees, who have expressed commitment, support, and unity for the good of the University as a whole.

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

REPORT OF THE CHAIR

Chair Reed announced the appointment of a Nominating Committee to recommend a slate of officers for the Board of Regents to be presented at the annual meeting in June 2003. The committee consists of Regent Bohnsack, Chair, and Regents Bell and Simmons.

The President Performance Review Committee consisting of Regents Reed, Metzen, and Baraga will be evaluating the President during the next month. A report will be presented at the June 2003 meeting of the Board.

She commented briefly on budget issues noting that the Board Office will also be struggling with this issue during the next month.

In conclusion, Reed extended congratulations to the thousands of students who will graduate from the University of Minnesota during the next month. She acknowledged their families, faculty, and staff who provided support and thanked Board members for their participation in the commencement ceremonies.

RECEIVE AND FILE REPORTS

Chair Reed reported the receipt and filing of the Quarterly Report of Grant and Contract Activity.

GIFTS

Associate Vice President Gerald Fischer presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through March 31, 2003, and is 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.

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Regent Reed stated that the Report of the All-University Honors Committee was forwarded to the Board from President Bruininks on April 23, 2003 and May 1, 2003.

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.

CONSENT REPORT

FINANCE AND OPERATIONS COMMITTEE

A motion was made and seconded, and the Board of Regents voted unanimously to recommend approval of the Consent Report, as detailed in correspondence dated May 8, 2003 and on file in the Board Office. The Report included the following recommendations:

Purchases of goods and services over \$250,000 to:

BD Bioscience for \$471,520 for a FACS Vantage SE for the Stem Cell Institute for the University of

Minnesota. Vendor was selected through a competitive process.

Embryon for \$1,431,520 for the initiation and development of the Multiple Sclerosis Outreach Colloquium in conjunction with the University of Minnesota Office of Continuing Medical Education. Pfizer will provide funding for these meetings and selected the vendor. The Office of Continuing Medical Education is providing accreditation and will retain \$50,000.

Ingenix for \$1,846,517 for the initiation and development of the Cardiovascular Diseases Risk Management Educational Campaign to be held in conjunction with the University of Minnesota Office of Continuing Medical Education. Bristol Myers Squibb will provide funding for this series and selected the vendor. The Office of Continuing Medical Education is providing accreditation and will retain \$60,000.

University Corporation for Advanced Internet Development (UCAID) for \$270,000 for the connection fee to participate in the Abilene network, a high performance backbone computer network that is part of the Internet2 project for the period from March 2003 through March 2004 for the office of Information Technology (OIT). Internet2 serves the international research and education community with advanced network technology. The University of Minnesota considers proposals from VBNS Network as well as UCAID Network. The UCAID Network offered the University much higher speed and lower cost.

REPORT OF THE AUDIT COMMITTEE

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

a) Approval of a resolution relating to the Sarbanes-Oxley Act of 2002, as follows:

WHEREAS, the University General Counsel has determined, as a formal legal matter, that the civil regulatory provisions of the Sarbanes-Oxley Act of 2002 (Act) do not apply to the University of Minnesota (University), the Board of Regents (Board), or its Audit Committee (Committee); and

WHEREAS, the Committee at its November 2002 and February 2003 meetings considered whether adherence to some of these provisions may be beneficial to the University and directed the administration to recommend policies and procedures to implement certain best practices contained in the Act;

NOW, THEREFORE, BE IT RESOLVED,

Effective January 1, 2004 the University shall not enter into any agreement or arrangement to purchase from the University's independent auditor any of the following prohibited non-audit services:

- I. bookkeeping and other services related to the University's accounting records or financial statements
- II. financial information systems design and implementation;
- III. appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- IV. actuarial services;

- V. internal audit outsourcing services;
- VI. management functions or human resources;
- VII. broker or dealer, investment adviser, or investment banking services; and
- VIII. legal services and expert services unrelated to the University's audit.

No later than September 30, 2003 the Controller shall report to the Committee on the policies adopted or proposed by the administration and procedures implemented to ensure compliance with the above provisions; and

BE IT FURTHER RESOLVED, that Staff is directed to present to the Committee and Board amendments to relevant Board policies to incorporate the changes above and to further clarify the responsibilities of the Board and its Committee for the engagement and management of the independent auditor.

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

Bohnsack reported that the committee also received an overview of the audit plan to be used by the external auditor in performing the University's annual audits; reviewed the process and results of the Department of Audits' external peer review; received an update on internal audit activities; and reviewed a number of information items as described in the docket materials.

The agenda item relating to University High Risk Financial Activities and Transactions was delayed due to time constraints.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

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

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

REPORT OF THE FACILITIES COMMITTEE

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

- a) Approval of the schematic plans for the Southeast Steam Plant Rehabilitation, Phase I project and of the appropriate administrative officers proceeding with the award of contracts, the development of construction documents, and construction.

- b) Approval that the appropriate administrative officers receive authorization to execute the appropriate documents providing for the following real estate transactions:
 - A. Three-year lease of Phillips Wangensteen Building and Masonic Cancer Center Space to University of Minnesota Physicians for Clinical Activities

 - B. Sale of 40 acres of land in Sawyer Township, Carlton County.

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

Ransom reported that the committee also engaged in a discussion regarding the University's real estate inventory and the land disposition policy issues and reviewed a number of information items as described in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent McNamara, Vice 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 8, 2003 committee minutes.

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

McNamara reported that the committee received an update on the progress of the College of Continuing Education since its program review in 2001; received a presentation on the future direction and strategies of professional education; and reviewed a number of information items as described in the docket materials. The agenda item relating to University Libraries: Emerging Issues & Strategies was delayed due to time constraints.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Berman, Chair of the committee, reported that the committee met on May 8, 2003 to discuss attorney-client privileged matters and no actions were taken at the meeting.

ACTIONS & POLICIES IN RESPONSE TO APRIL 12, 2003 POST-GAME EVENTS

President Bruininks provided a summary of the University's actions and policies in response to the riotous events that took place on campus and in the surrounding community following the men's hockey championship game on Saturday evening, April 12, 2003.

Bruininks stated that the behavior of a small number of student and community members after the hockey game was deplorable, indefensible, and inexcusable. He reported that the administration has taken an aggressive posture and a number of actions have been taken. Vice President Jones has assumed leadership to investigate misconduct, identify perpetrators and take strong disciplinary action. An attorney from the Office of the General Counsel has been assigned full time to assist Student Judicial Affairs. To date, a number of individuals have been accused or suspected of criminal conduct off-campus with 11 individuals in various stages of prosecution by the Minneapolis Police Department. Ten University of Minnesota students have been charged with Conduct Code violations for misconduct on campus. The University will continue to make the investigation of these incidents a top priority.

Bruininks reported that the administration has met with numerous University and community leaders as well as held joint meetings between the Minneapolis and University Police departments to debrief and explore ways to prevent incidents like this from occurring in the future. He stated that a number of administrative actions will be reported to the Board in June that will include recommending the approval of amendments to the Board of Regents Policy: *Student Conduct Code*; a new administrative policy on anti-riot behavior that would be enforceable under the Student Conduct Code; the appointment of a new community liaison in the Office of Student Affairs to provide oversight regarding student behavior issues, and meetings scheduled of the Alcohol, Tobacco, and Other Drugs Committee to strengthen anti-alcohol abuse efforts. Bruininks added that student leaders have been very involved and have pledged to provide strong leadership to support the University in addressing these issues. He introduced Chris Frazier, President of the Graduate and Professional Student Assembly (GAPSA), and Josh Colburn, President of the Minnesota Student Association (MSA) to make brief remarks.

Frazier and Colburn reported that there is general disappointment among the entire student community regarding the unacceptable behavior. They have been working with students to determine why this type of behavior occurs, who participates in the acts, and try to find solutions to prevent the behavior from happening again. They encouraged the President and Board to actively involve students as they continue to address the problem.

The Board engaged in an extensive discussion, expressing emphatically that the vandalism and criminal

destruction of property that occurred on April 12, 2003 is unacceptable and will not be tolerated. The University community has been hurt by the actions of a minority. Board members expressed support of the President's actions to date and encouraged him to take a leadership role nationally regarding this issue. The president reported that the NCAA, the athletic conferences, and Big Ten Presidents are reviewing this issue. Board members stressed that the message from the Board and the administration is that the University will enforce strong and strengthened policies. They commend and support the President for partnering with the students, community and other institutions to seek solutions and indicated that another incident like this would have terrible consequences for the University. Regent Reed concluded the discussion by indicating that the Board's anger is matched only by a commitment that it will never happen again and matched only by the Board's support of the president for his strong leadership role as the University faces this unfortunate issue.

FY04-05 ANNUAL OPERATING BUDGET

CONCEPTUAL FRAMEWORK

President Bruininks presented a conceptual framework relating to the development of the fiscal year 2003-04 operating budget and preliminary fiscal year 2004-05 operating budget.

Bruininks reviewed the timeline for the FY04-05 biennial budget and provided information on core budget principles, strategies, and examples related to cost reductions, service and productivity initiatives, human resource actions, and enhanced revenues. He discussed priorities and key directions for investment of resources; revenue trends for financing the University's mission activities of instruction, research, and public service; and provided a status report on the financial impacts and trends at other higher education institutions in the nation. The President also addressed the policy for use of reserves in balancing the University budget. He indicated that units have been encouraged to establish revenue reserves and have been given authority to use reserves as a tool to bridge budget reductions with limits of 12 - 18 months. Units may also use reserves for equipment replacement, employee severance costs, cash flow for operations, facility repairs, and programmatic enhancements.

Bruininks reviewed a number of budget reduction strategies that include merging of departments; reduction or elimination of some services and programs; a salary freeze; increases in health care costs covered by employees; and tuition increases that may be as high as 14.8 percent for undergraduates.

The President indicated that the budget plans were based on the Governor's recommended budget. If the University's allocation is higher than expected, lower tuition increases and increased funding for financial aid will be a priority.

Jacob Elo, Chair of the Student Representatives, addressed the Board indicating that students realize that in difficult financial times, sacrifices must be made and that students must share in the pain. The student representatives are concerned

that the president is proposing to absorb approximately 70 percent of the base budget cut in the first year of the biennium, yet students would receive approximately the same amount of increase in tuition for both years. They would urge the President to keep the size of the tuition increase roughly proportional to the size of the budget challenge for each year of the biennium.

In response to a question, President Bruininks reported that tuition increases for undergraduates will be consistent across fields and levels. Tuition increases for professional colleges may range from 8 to 16 percent depending on the marketplace.

Regent Frobenius asked if the University has a mechanism to monitor the use of reserves. Bruininks responded that reserves are monitored on a monthly basis and units are required to report annually to ensure that reserve amounts remain at an adequate level.

Regent Simmons indicated she would like the Board to engage in a discussion on how to define and support the mission of the University when there is a decreased percent of funding from the state, whose interests the University is trying to serve.

It was noted that the FY2004-05 budget plan will be presented to the Board for review at its June 13, 2003 meeting.

FY04-05 ANNUAL CAPITAL IMPROVEMENT BUDGET

President Bruininks presented the 2004 Annual Capital Improvement Budget as contained in the docket materials.

Bruininks reported that this proposed budget authorizes projects totaling \$39,977,000 to begin design or construction during the next fiscal year. Financing for each project is detailed in the budget materials. The budget will be adjusted to reflect any actions by the legislature before the Board acts on the budget at its June 2003 meeting.

It was noted that in order to improve the quality of capital project information each individual project must have completed an appropriate level of initial planning and have a qualified cost estimate before being included in the capital budget. While this requirement leads to better planning efforts for each project, it also excludes from the capital budget some important projects that need additional planning time. As the necessary planning is completed, capital budget amendments will be recommended to the Board.

Bruininks reported that the capital budget before the Board today is for projects that will be completed during FY04. A six-year capital improvement plan will be presented in the Fall. He provided a brief description of the projects, indicating that 62 percent of the projects represent renewal, infrastructure, and code improvements; 33% represent programmatic remodeling; and 5 percent represent new construction and acquisition.

RECOGNITION OF DISTINGUISHED MCKNIGHT UNIVERSITY PROFESSOR AWARDS

Recognition was given to the 2003 Distinguished McKnight University Professorship award recipients. This award honors and rewards the highest-achieving faculty at the University of Minnesota who have recently attained full professor status. The recipients are:

Christopher Cramer

Department of Chemistry

Ann Masten

Institute of Child Development

Peter Reich

Department of Forest Resources

Victor Reiner

School of Mathematics

ACADEMY OF DISTINGUISHED TEACHERS: MORSE ALUMNI AWARDS AND OUTSTANDING CONTRIBUTIONS TO POSTBACCALAUREATE, GRADUATE AND PROFESSIONAL EDUCATION

Recognition was given to the 2003 recipients of the Morse Alumni Award and the Outstanding Contributions to Postbaccalaureate, Graduate and Professional Education Award. The recipients are:

Morse Alumni Award

Jon E. Anderson

Department of Statistics

University of Minnesota Morris

Robert J. Brooker

Department of Genetics, Cell Biology,
and Development

Thomas R. Chase

Department of Mechanical Engineering

Lisa Disch

Department of Political Science

Andrew Effenbein

Department of English

Josephine Lee

Department of English

Kent R. Mann

Department of Chemistry

Leslie R. Meek

Division of Social Sciences

University of Minnesota Morris

Outstanding Contributions to Postbaccalaureate,

Graduate & Professional Education Award

Francesca Cuthbert

Department of Fisheries and Wildlife

Sara Evans

Department of History

Ilene Harris

Office of Medical Education

Marc Jenkins

Department of Microbiology

Frances Lawrenz

Department of Curriculum and Instruction

John Mowitt

Department of Cultural Studies and

Comparative Literature

Christian Teyssier

Department of Geology and Geophysics

Donald Uden

College of Pharmacy

**RECOGNITION OF COACH SHANNON MILLER
AND THE UNIVERSITY OF MINNESOTA DULUTH WOMEN'S HOCKEY TEAM**

Recognition was given to Coach Shannon Miller and the University of Minnesota Duluth Women's Hockey Team for winning the 2003 National Collegiate Athletic Association (NCAA) Women's Collegiate Ice Hockey Championship on March 23, 2003.

**RECOGNITION OF COACH DON LUCIA
AND THE UNIVERSITY OF MINNESOTA MEN'S HOCKEY TEAM**

Recognition was given to Coach Don Lucia and the University of Minnesota Men's Hockey Team for winning the 2003 National Collegiate Athletic Association (NCAA) Men's Collegiate Ice Hockey Championship on April 12, 2003.

Additional details of the teams' accomplishments were included in the docket materials on file in the Board office.

The meeting adjourned at 5:15 p.m.

ANN D. CIESLAK

Executive Director and

Corporate Secretary

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