

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

September 13-14, 2012

Office of the Board of Regents

600 McNamara Alumni Center

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Minutes of the Board of Regents Meetings
and Committee Meetings**

September 13-14, 2012

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UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

September 13, 2012

A meeting of the Audit Committee of the Board of Regents was held on Thursday, September 13, 2012 at 8:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Clyde Allen, John Frobenius, David Larson, and Maureen Ramirez.

Staff present: Senior Vice President & Provost Karen Hanson; Vice President Kathryn Brown; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Cody Mikl and James Rook.

BOARD OF REGENTS POLICY: INTERNAL CONTROL

Regent Beeson indicated that the proposed amendments to Board of Regents Policy: *Internal Control* were reviewed by the committee at its June 2012 meeting. Associate Vice President Klatt noted that the proposed amendments align the policy with President Kaler's risk recalibration initiative.

A motion was made and seconded and the committee voted unanimously to recommend adoption of amendments to Board of Regents Policy: *Internal Control*.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket. Since the last update to the Audit Committee in June 2012, 22 percent of outstanding recommendations rated as "essential" were implemented by University departments, a percentage that is less than the expected implementation rate of 40 percent. Five units fully implemented all their remaining "essential" recommendations. Six audit reports containing eleven recommendations rated as "essential" were issued in the last three months.

Klatt explained that the Office of the Legislative Auditor (OLA) conducted a program review of Preventative Maintenance of University of Minnesota Buildings on the Twin Cities campus. In its report issued in June 2012, OLA made several recommendations, but concluded that the University is following best practices in managing its facilities.

In response to a question from Regent Larson, Klatt indicated that the leadership transition in the Department of Intercollegiate Athletics would provide an opportunity to implement improved financial controls.

2012-13 COMMITTEE WORK PLAN DISCUSSION

Associate Vice President Klatt provided an overview of the 2012-13 Audit Committee Work Plan. She indicated that the proposed plan focuses on updating the Audit Committee's Institutional Risk Profile as well as topical discussions that are relevant to institutional risks identified by committee members.

A lengthy discussion ensued in which the following issues and questions were addressed:

- how to keep work plan continuity with Regent elections during the coming year;
- the creation of a robust list of guiding principles for the University;
- the decision to focus more on process audits by the Office of Internal Audit; and
- the changing landscape of professional audit standards.

Regents agreed to the work plan by consensus.

The meeting adjourned at 9:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Litigation Review Committee

September 13, 2012

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, September 13, 2012 at 8:30 a.m. in 600 McNamara Alumni Center.

Regents present: Venora Hung, presiding; Linda Cohen, David McMillan, and Patricia Simmons.

Staff present: President Eric Kaler; General Counsel Mark Rotenberg; and Executive Director Brian Steeves.

Others present: William Donohue, Keith Dunder, Amy Phenix, and Tracy Smith.

The meeting convened in public session at 8:35 a.m.

ANNUAL REPORT ON LEGAL MATTERS

General Counsel Rotenberg presented highlights from the Annual Report on Legal Matters, as detailed in the docket.

PROCESSING OF MEDICAL MALPRACTICE CLAIMS

Keith Dunder, Academic Health Center Counsel, provided an outline of the principles and practices used by the institution in handling medical malpractice claims.

**RESOLUTION TO CONDUCT NON-PUBLIC MEETING
OF THE LITIGATION REVIEW COMMITTEE**

At 8:59 a.m. a motion was made and seconded that the following resolution be approved:

WHEREAS, based on advice of the General Counsel, the Board of Regents Litigation Review Committee has balanced the purposes served by the Open Meeting Law and by the attorney-client privilege, and determined that there is a need for absolute confidentiality to discuss litigation strategy in particular matters involving the University of Minnesota;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public

meeting of the Board of Regents Litigation Review Committee be held on Thursday, September 13, 2012 at 8:59 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Patent infringement litigation*
- II. *CCLRT claims against the Metropolitan Council*
- III. *Regents of the University of Minnesota and Orlando "Tubby" Smith v. James R. Williams*
- IV. *Kathryn Brenny v. Board of Regents of the University of Minnesota and John Harris, individually and in his Capacity as Director of Golf*

The committee voted unanimously to approve the resolution. The public portion of the meeting adjourned 9:00 a.m.

The non-public portion of the meeting adjourned at 9:32 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Facilities Committee

September 13, 2012

A meeting of the Facilities Committee of the Board of Regents was held on Thursday, September 13, 2012 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Clyde Allen, Laura Brod, John Frobenius, David Larson, and Venora Hung.

Staff present: Vice Presidents Aaron Friedman, Richard Pfutzenreuter, and Pamela Wheelock; Executive Director Brian Steeves; Associate Vice Presidents Michael Berthelsen, Stuart Mason, and Michael Volna.

Student Representatives present: Jesse Jennings and Molly Tomfohrde

CAPITAL BUDGET AMENDMENT

A. Community University Health Care Center Parking Lot & Building Renovation, Twin Cities Campus

A motion was made and seconded to recommend approval of the following action:

On the recommendation of the President and the Vice President for University Services, the FY 2013 Capital Budget is amended to include the following project:

Community University Health Care Center Parking Lot & Building Renovation, Twin Cities Campus

Scope of Project: This project includes modifications to the south roadway, Americans with Disabilities Act (ADA) site upgrades to the west, south, and southeast entrances, installation of a storm-water retention system and paving the existing gravel parking lot. Interior improvements include a small lab upgrade, replacement of the heating, ventilation and air conditioning system, updates to the phone system, installation of windows on the north wall, and replacement of the skylights.

Master Plan: No impact to the Campus Master Plan

Cost Estimate: \$2,657,000

Capital Funding: U.S. Department of Health and Human Services, Health Resources and Services Administration Grant, Academic Health Center, and Facilities Management.

Vice President Wheelock introduced Vice President Friedman and Suzanne Smith, Director of Capital Planning and Project Management. Smith reviewed the project and explained that the facility is located in the Philips Neighborhood adjacent to South Minneapolis, which has been affiliated with the University since 1966. Friedman explained that the facility operates in a Medically Underserved Area (MUA) and Health Professional Shortage Area (HPSA). He indicated that the facility supports training opportunities for students enrolled in the Academic Health Center and acts as a primary care facility to the surrounding community. Smith noted that the renovations would not increase or decrease the facility's operating costs.

In response to questions from Regent Brod and Regent Frobenius, Friedman explained that the facility works in partnership with community organizations to provide primary care to the surrounding neighborhoods.

The capital budget amendment will return for action at a future meeting of the committee.

FACILITIES CONDITION ASSESSMENT UPDATE

Associate Vice President Berthelsen presented the annual Facilities Condition Assessment (FCA), as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Berthelsen explained that the FCA provides the most accurate and up-to-date information on the state of existing buildings. He emphasized that maintaining and operating the University's physical plant is critical to supporting the University's mission of teaching, research, and outreach. He added that Higher Education Asset Preservation and Replacement (HEAPR) funding has increased dramatically in order to address the average age of buildings operated by the University, and commented that the institutions capital needs exceeds the current level of available funding.

In response to questions from Regents Allen and Brod, Bethelsen explained that the University does have an opportunity to reduce office space as shared workspace becomes more viable. Berthelsen added that Facilities Management would continue to evaluate the total number of square feet overseen by the University.

STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE AND ACCOUNTABILTIY REPORT

Vice President Wheelock introduced Leslie Krueger, Chief of Staff, University Services, to provide an overview of the University's performance as reported in the 2012 *University Plan, Performance, and Accountability Report*, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Krueger provided an overview of the metrics and initiatives listed in the report and how they are aligned with the mission of University Services, noting this information is used to measure the physical assets of the University. She added that a strong relationship exists between undergraduate graduation rates and room and board rates for residence halls, pointing out that this institution's rates are the lowest in the Big Ten.

2012-13 COMMITTEE WORK PLAN DISCUSSION

Regent Johnson and Vice President Wheelock reviewed the 2012-13 work plan for the Facilities Committee as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan. Wheelock noted that the plan may be amended to include a six year technology plan.

INFORMATION ITEMS

Vice President Wheelock referred committee members to the following Information Items:

- FY 2012 Real Property Report of Transactions Over \$250,000 and/or Over 10 Acres.

The meeting adjourned at 11:38 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Faculty, Staff & Student Affairs Committee

September 13, 2012

A meeting of the Faculty, Staff & Student Affairs Committee of the Board of Regents was held on Thursday, September 13, 2012 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Richard Beeson, Linda Cohen, Thomas Devine, David McMillan, and Maureen Ramirez.

Staff present: President Eric Kaler; Chancellors Lendley Black and Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; Senior Vice President Robert Jones; Vice Presidents Kathryn Brown, Aaron Friedman, and Timothy Mulcahy; General Counsel Mark Rotenberg; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Stuart Mason.

Student Representatives present: Melissa Erlandson and Julia Schliesing.

STUDENT CONDUCT CODE DISCUSSION

Regent Simmons invited Jerry Rinehart, Vice Provost and Dean of Students, and Jan Morlock, Director of University and Community Relations, to provide an overview of the mission and purpose of the University's Office for Student Conduct and Academic Integrity and the application of Board of Regents Policy: *Student Conduct Code*, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Rinehart reviewed proposed revisions to the policy. He indicated that the guiding principles on the first page provide a clear statement of why the University has this policy in place. Other revisions that were highlighted include adding local ordinances to the policy's jurisdiction, defining plagiarism, and clarifying a student's role as a dual member of both the University community and the broader community. Rinehart provided recent data on incidents and sanctions, noting that in 2011-12 there was a decrease in the majority of the categories. Morlock described proactive community outreach efforts including student community liaisons and the University District Alliance.

In response to a question from Regent Ramirez, Rinehart explained that the University's Behavioral Consultation Team handles situations arising from students who may represent a threat of harm to themselves or others. The team consists of University staff with psychological and legal expertise and they assist in assessing concerns and providing guidance as to the best manner to handle the situation.

In response to comments from the committee, Morlock agreed that staying apprised of neighborhood development and dynamics are important aspects of managing the code and its impact.

In response to a question from Student Representative Schliesing, Morlock outlined ways that the code is communicated to students, including its incorporation in Freshman Welcome Week and the *Minnesota Daily* campus newspaper. The code is also used by faculty and staff as a reference and resource when students come to them for guidance.

Regent Simmons indicated that proposed revisions to Board of Regents Policy: *Student Conduct Code* will be presented to the committee in October 2012 for action.

RECRUITING, RETAINING, AND EVALUATING FACULTY FOR EXCELLENCE

Regent Simmons invited Senior Vice President and Provost Hanson and Arlene Carney, Vice Provost for Faculty & Academic Affairs, to discuss the University's plans and progress in recruiting, retaining, and evaluating faculty for excellence, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Hanson provided an overview of past and current strategies for recruiting and retaining faculty, outlined new strategies at the central administration level, and emphasized the importance of faculty evaluations as tools for retention. Past and current strategies have focused on diversity, dual career hires and special opportunities such as endowed chairs or professorships. These will continue to be utilized, but will be supplemented by new strategies that focus on using the compact process to identify work force needs, increasing hires that are cross-collegiate, and strategically involving the Provost in external tenured hires. Current faculty evaluations assist pre-tenured faculty with determining if they meet criteria for tenure and tenured faculty with assessing if they continue to meet expectations for maintaining tenure.

President Kaler commended Hanson and Carney and stated that the University has and will continue to have a strong and high-quality faculty.

In response to a question from Student Representative Erlandson, Hanson explained that students are incorporated into the recruitment and evaluation of faculty by their inclusion on search committees and feedback given for reviews.

In response to questions and comments from Regents Beeson and McMillan, Carney agreed that having faculty build and maintain relationships with emerging leaders in their respective fields is an effective and proactive approach to recruitment. She added that University faculty do engage in this approach.

In response to questions from the committee, Hanson noted that central administration intends to focus on identifying award nomination opportunities for faculty to increase visibility and achieve excellence.

STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

Vice President Brown presented details of the Human Resources strategic goal of World-Class Faculty & Staff, as detailed in the docket.

Brown explained that the University's goal is to engage exceptional faculty and staff who are innovative, energetic, and dedicated to the highest standard of excellence. The four strategic objectives within this goal are:

- Recruit and place talented and diverse faculty and staff to best meet organizational needs;
- Mentor, develop, and train faculty and staff to optimize performance;
- Recognize and reward outstanding faculty and staff; and
- Engage and retain outstanding faculty and staff.

Brown described the University's 2011-12 comprehensive workforce analysis, which demonstrated that two-thirds of the University workforce is engaged in direct academic mission activities and one-third engaged in support of mission activities such as facilities and organizational support. The administration uses The Pulse Survey to measure employee satisfaction and has begun looking at other tools that could be used to evaluate employee engagement.

In response to questions from Regents Simmons and Beeson, Brown indicated that more comprehensive sets of data are being compiled in the areas of senior leadership compensation and operational excellence, and will be brought to future committee meetings. President Kaler added that the administration is working towards a singular set of metrics to add clarity and specificity to the report.

2012-13 COMMITTEE WORK PLAN DISCUSSION

Regent Simmons and Vice President Brown reviewed the 2012-13 work plan of the Faculty, Staff, and Student Affairs Committee, as detailed on the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

In response to questions from the committee, Brown agreed to provide the committee with a summary of negotiated labor agreements.

CONSENT REPORT

Vice President Brown presented for action the Consent Report, which included the following item:

- Conferral of tenure for faculty members who have been hired at the University of Minnesota.

Brown reported the conferral of tenure to Leon Assael, professor at the University of Minnesota Twin Cities Division of Oral and Maxillofacial Surgery; Glenn Roisman, professor at the University of Minnesota Twin Cities Institute of Child Development; Mark Vagle, associate professor at the University of Minnesota Twin Cities Department of Curriculum and Instruction; Brett Walker, professor at the

University of Minnesota Twin Cities Department of Earth Sciences; and Ken Winters, professor at the University of Minnesota Twin Cities Department of Psychiatry.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President Brown referred the committee to the information items contained in the docket materials, which included:

- Personnel highlights;
- University highlights;
- Faculty and staff activities and awards; and
- Student activities and awards.

The meeting adjourned at 11:24 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Educational Planning & Policy Committee

September 13, 2012

A meeting of the Educational Planning & Policy Committee of the Board of Regents was held on Thursday, September 13, 2012 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Maureen Ramirez, presiding; Patricia Simmons, Linda Cohen, Dean Johnson, David Larson, and David McMillan.

Staff present: Chancellor Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; Vice President Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Kyle Kroll and Molly Tomfohrde.

Regent Ramirez acknowledged Professor Alon McCormick, Chair, Senate Committee on Educational Policy.

**ANNUAL REPORT ON UNDERGRADUATE, GRADUATE & PROFESSIONAL
ACADEMIC PROGRAM CHANGES**

Regent Ramirez invited Senior Vice President and Provost Hanson and Joseph Shultz, Associate to the Provost, to present the Annual Report on Undergraduate, Graduate, and Professional Academic Program Changes, as provided in the docket and associated materials distributed at the meeting and on file in the Board Office.

Shultz presented information on the approval process for academic program additions, changes, and discontinuations. He also discussed trends over the years, and how the approval process supports progress toward University goals. The process has a number of tiers beginning at the department, and at every level questions are asked about the ramifications of any change, including duplication with other programs, whether existing courses can be utilized to create new programs, whether new resources are required, and market demand.

Shultz provided an overview of the 2011-12 academic program changes, including new, changed, and discontinued programs system-wide, and observed that these changes involved no major resource implications and demonstrated agility to respond to student requirements and demands. Shultz highlighted several evolving trends and themes evident from the program changes, including programs that are interdisciplinary, internationally focused, and responsive to market demands. He observed that the process ensures that any changes presented to the Board of Regents for approval have been thoroughly reviewed at multiple levels. He indicated that, when considering academic program modifications, the emphasis is on how to best serve

students, manage limited resources, ensure quality, and achieve the institution's overall mission.

In response to a question from Regent Larson, Schultz indicated programs considered for discontinuation are measured against a number of principles, and that a plan must be in place for currently enrolled students to ensure they are able to complete their program.

STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

Senior Vice President and Provost Hanson and Joseph Shultz, Associate to the Provost, led the discussion of issues related to the *University Plan, Performance & Accountability Report* (Report), as included in the docket and associated materials distributed at the meeting and on file in the Board Office.

Hanson presented data on applications and enrollment, state demographics and recruitment, college readiness programs, and statistics on average ACT and SAT scores for Twin Cities campus undergraduate students. She provided an overview of graduation rates relative to the institution's peers, and discussed the comprehensive nature of the University's programs, which is significant when compared both to its peers and to the relatively modest-sized population of Minnesota. Hanson also reviewed statistics related to the institution's professional programs, degrees awarded, and average time to degree, and highlighted a number of metrics for each of the campuses.

In response to comments from Regent McMillan, Hanson indicated it is important for the institution to develop strategies to deal with the declining population of high school graduates in the state. She noted that it is also useful for the state and the diversity of incoming classes to recruit outside Minnesota as well.

In response to comments from committee members, Hanson noted that various support services offered by the institution are critical in acclimating students to the University community and ensuring academic success.

2012-13 COMMITTEE WORK PLAN DISCUSSION

Regent Ramirez and Senior Vice President and Provost Hanson reviewed the 2012-13 work plan for the Educational Planning and Policy Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

CONSENT REPORT

A motion was made and seconded, and the committee voted unanimously to recommend approval of the following academic program changes, as described in the Consent Report:

- **Request for Approval of New Academic Programs**

- School of Public Health (Twin Cities campus)–Create M.P.H. degree and graduate certificate in Public Health Informatics
- School of Public Health and School of Dentistry (Twin Cities campus)–Create dual M.P.H. and D.D.S. degree program
- School of Public Health and Humphrey School of Public Affairs (Twin Cities campus)–Create dual M.P.H. and M.P.P. degree program
- School of Public Health and Humphrey School of Public Affairs (Twin Cities campus)–Create dual M.P.H. and M.U.R.P. degree program
- Medical School (Twin Cities campus)–Create fellowship in Facial Plastic and Reconstruction Surgery
- Medical School (Twin Cities campus)–Create joint Regions Hospital/University of Minnesota fellowship in Adult Reconstruction
- Medical School (Twin Cities campus)–Create joint Regions Hospital/University of Minnesota fellowship in Orthopaedic Trauma
- College of Continuing Education (Twin Cities campus)—Create Facility Management and General Construction tracks within the undergraduate minor in Construction Management
- College of Continuing Education (Twin Cities campus)–Create undergraduate certificate in Facility Management

- **Request for Approval of Changed Academic Programs**

- School of Dentistry (Twin Cities campus)–Change the B.S. degree in Dental Hygiene to a designated B.S.D.H. degree
- College of Continuing Education (Twin Cities Campus)—Change name of the undergraduate certificate in Manufacturing Technology to Manufacturing Operations Management
- College of Science and Engineering (Twin Cities Campus)—Change the name of the Geomechanics Engineering subplan to Georesources Engineering within the B.Geo.E. degree
- Carlson School of Management (Twin Cities Campus)—Change the M.B.T. degree from a Plan B (project) option to a Plan C (coursework) option program.

- College of Education and Human Development (Twin Cities Campus)—Change the name of the Sport Management and Sport Exercise Science Subplans to (1) Sport Management: Professional: Professional Studies and (2) Sport and Exercise Science: Professional Studies subplans within the M.Ed. degree in Applied Kinesiology
- College of Education and Human Development (Twin Cities campus)—Discontinue the inactive subplans within M.Ed. degree programs
- School of Public Health (Twin Cities Campus)—Discontinue the Complementary and Alternative Medicine Interdisciplinary Concentration subplan within the M.P.H. degree
- College of Liberal Arts and Swenson College of Science and Engineering (Duluth Campus)—Move the academic home of the B.A. degree in Physics from the College of Liberal Arts to the Swenson College of Science and Engineering
- College of Liberal Arts and Swenson College of Science and Engineering (Duluth Campus)—Move the academic home of the B.A. degree in Geological Sciences from the College of Liberal Arts to the Swenson College of Science and Engineering
- College of Liberal Arts and Swenson College of Science and Engineering (Duluth Campus)—Move the academic home of the B.A. degree in Chemistry from the College of Liberal Arts to the Swenson College of Science and Engineering
- College of Liberal Arts and Swenson College of Science and Engineering (Duluth Campus)—Move the academic home of the B.A. degree in Biology from the College of Liberal Arts to the Swenson College of Science and Engineering
- College of Liberal Arts (Duluth Campus)—Discontinue the French Studies subplan within the B.A. degree in Interdisciplinary Studies
- College of Liberal Arts (Duluth Campus)—Change name of the minor in French to French Studies
- **Request for Approval of Discontinued Academic Programs**
 - Medical School (Twin Cities campus)—Discontinue the graduate minor in Surgery
 - College of Design (Twin Cities campus)—Discontinue the graduate minor in Architecture
 - School of Public Health (Twin Cities campus)—Discontinue the graduate certificate in Occupational Health and Safety

- School of Public Health (Twin Cities campus)—Discontinue the graduate certificate in Management Studies in Health Services Administration, Independent Study Program

The meeting adjourned at 3:22 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

September 13, 2012

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, September 13, 2012 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Richard Beeson, Laura Brod, Thomas Devine, and Venora Hung.

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Vice Presidents Timothy Mulcahy and Richard Pfutzenreuter; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, Beth Nunnally, Julie Tonneson and Mike Volna.

Student Representatives present: Meghan Mason and James Rook.

FEDERAL FISCAL CLIFF DISCUSSION

Vice President Pfutzenreuter described the federal tax and expenditure policy changes set to take place at the end of 2012, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Potential impact areas of these changes include:

- Student Aid;
- Federal Research Funding;
- Academic Health Center; and
- State of Minnesota.

All of these impact areas will be significantly affected and there will be a noticeable and abrupt reduction in funding. Pfutzenreuter noted that within the Academic Health Center, these changes could affect construction of an Ambulatory Care Center.

In response to comments and questions from the committee, Pfutzenreuter stated that these changes might also result in personnel issues, as many University salaries are also tied to federal money.

President Kaler expressed concern over the immediate affect these changes will have on federal research funding and noted that the National Institutes of Health (NIH) will need to manage the effects.

ISSUES RELATED TO: ANNUAL ASSET MANAGEMENT REPORT

Vice President Pfutzenreuter invited Associate Vice President Stuart Mason to provide an overview of the Annual Asset Management Report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Mason reported that the Consolidated Endowment Fund (CEF) ended FY 2012 with a market value of \$977.6 million, which is a \$116.1 million improvement over the prior fiscal year. He indicated that the total investment return for CEF was up 4.9 percent over the last 12 months compared to a benchmark return of 3.8 percent. Mason described a number of issues that contributed to the CEF exceeding the benchmark during FY 2012, including being overweight in private capital and underweight in international public equity.

Mason described CEF investment policy objectives, which are to:

- Maintain inflation adjusted endowment value;
- Stay within acceptable risk parameters; and
- Maintain stable distributions.

Mason reviewed the Temporary Investment Pool (TIP), which is managed internally. The TIP market value at the end of FY 2012 was \$972.2 million, an increase of \$147.3 million over the previous year. He stated that the increase was driven primarily by the out-performance of mortgages and government agency bonds.

Mason also discussed the Group Income Pool investments and the Regents of the University of Minnesota Insurance Company (RUMINCO) fund performance. He also noted several recent investment manager changes.

In response to questions from the committee, Mason clarified that geographic location is not one of the criteria used in investment manager selection and the University has both local and non-local investment managers. He added that current policy ensures that the Office of Investments and Banking reviews the small and new managers in addition to the larger, more visible manager options.

STRATEGIC ISSUES RELATED TO: UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

Vice President Pfutzenreuter presented details of the Budget and Finance strategic goal to ensure the University's financial strength, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter explained that the University goal is to be responsible stewards of resources, focused on service, driven by performance, and known as best among peers. Areas of strategic emphasis within this goal are ratio analysis and budget development and planning. Ratios provide a means to evaluate the financial strength and direction of the University and focus on the ability of the University to meet current and future financial requirements. Budget development and planning initiatives include a fully allocated revenue and cost budget model, a long range financial planning model, and an

in-depth analysis of the full allocated costs and revenues for each of the University's mission activities.

In response to comments from Regents Allen, Beeson, and Brod, President Kaler stated that this report is very useful and will be in a more readable format next year.

2012-13 COMMITTEE WORK PLAN DISCUSSION

Regent Frobenius and Vice President Pfutzenreuter reviewed the 2012-13 work plan of the Finance & Operations Committee, as detailed on the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

In response to questions from the committee, Pfutzenreuter indicated that adding an update on fully allocated costs of mission activities would require abbreviating other reports currently in the work plan.

In response to a question from Regent Brod, President Kaler recommended monitoring the federal fiscal cliff and its potential impact on the work plan, including the Ambulatory Care Center.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket and on file in the Board Office, which included:

General Contingency

- An additional transfer was made from FY 2012 General Contingency following the last meeting of the Board. The transfer itself is not subject to Board approval, but a revised report for FY 2012 is included in the docket materials.
- There are no items in the FY 2013 General Contingency report requiring Board approval.

Purchase of Goods and Services \$1,000,000 and Over to:

- Advanced Clustering, Incorporated for an estimated \$1,474,830 to purchase a high performance storage solution for the period of November 1, 2012, through November 1, 2017, for the Minnesota Supercomputing Institute.
- Infinera Corporation, and optical networking supplier, for an estimated \$7,196,005 to provide optical network equipment, installation, and maintenance for the period November 15, 2012, through November 14, 2017, for the Office of Information Technology (OIT), acting as a fiscal agent for the Broadband Optical Research, Education and Sciences Network (BOREAS-Net). BOREAS-Net is a consortium of four major research institutions (University of Minnesota, University of Wisconsin, University of Iowa

and Iowa State University) where costs for managing and upgrading the network are proportionally shared by the four institutions. Cost sharing agreements are in place and the University of Minnesota will be reimbursed by the other member institutions that make up the consortium for their share of the project. The University's share is approximately 23% of the upgrade purchase (or \$948,000) and 31% of the ongoing annual expenses (or \$953,000), the latter subject to change based on overall usage of the network.

- Oracle Corporation for \$1,004,948 to renew Oracle PeopleSoft Campus Solutions computer software licenses, updates, and maintenance support for the one-year period September 26, 2012, through September 25, 2013, for the Office of Information Technology (OIT).
- HTC Global Services, Iceberg Technology, Modis, and TEK Systems for an estimated \$8,015,000 for consulting services for the Enterprise Systems Upgrade project for the period of April 3, 2012, through December 31, 2014, for the Controller's Office and the Office of Information Technology.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President Pfutzenreuter referred the committee to the Information Items contained in the docket materials:

- Quarterly Purchasing Report;
- Annual Economic Development Report (Small & Targeted Business Report); and
- Debt Management Advisory Committee Update.

The meeting adjourned at 2:51 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

September 14, 2012

A meeting of the Board of Regents of the University of Minnesota was held on Friday, September 14, 2012 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Clyde Allen, Richard Beeson, Thomas Devine, John Frobenius, Venora Hung, Dean Johnson, David Larson, Maureen Ramirez, and Patricia Simmons. Laura Brod and David McMillan participated by phone.

Staff present: President Eric Kaler; Chancellors Stephen Lehmkuhle and Fred Wood; Senior Vice President and Provost Karen Hanson; Senior Vice President Robert Jones; Vice Presidents Kathryn Brown, Aaron Friedman, Timothy Mulcahy, Richard Pfitzenreuter, and Pamela Wheelock; General Counsel Mark Rotenberg; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason, Julie Tonneson, and Michael Volna.

INTRODUCTIONS

Vice President for University Services

Pamela Wheelock, Vice President for University Services, was introduced to the University community. Wheelock began her appointment August 15, 2012. Wheelock briefly addressed the Board.

Dean, School of Dentistry

Leon Assael, Dean, School of Dentistry, was introduced to the University community. Assael began his appointment on August 1, 2012. Assael briefly addressed 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:

Finance & Operations Committee – July 11, 2012
Facilities Committee – July 11, 2012
Faculty, Staff & Student Affairs Committee – July 11, 2012
Board of Regents – July 11, 2012

REPORT OF THE PRESIDENT

President Kaler provided an update on the external panel appointed to review and offer advice on how to strengthen the health sciences and improve the national reputation of the Medical School. Kaler indicated that a recent visit with the panel was candid and purposeful.

Kaler discussed Operational Excellence, a long-term commitment to reducing costs, enhancing services, and increasing revenue throughout the University. He announced a new interactive website, excellence@umn.edu, which shares successes and seeks ideas and feedback from faculty and staff.

Kaler reported on a number of activities in which he has engaged over the previous month, reported on the first time sale and service of alcohol at TCF Bank Stadium the previous week, and noted several faculty research highlights.

President Kaler acknowledged Senior Vice President Robert Jones, who has been named the new president of the University at Albany, New York. Kaler also acknowledged the recent passing of Chairman Stanley Crooks of the Shakopee Mdewakanton Sioux Community and friend of the University.

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

REPORT OF THE CHAIR

Chair Cohen welcomed students and faculty back to campus with the start of the new academic year. She noted a number of Regents participated in the New Student Convocation ceremony on August 30, 2012.

Cohen reported that the Board traveled to Owatonna for a retreat on July 11-13, 2012. The Board engaged in several work sessions with President Kaler and identified several Board priorities for the year. Cohen also noted a number of activities in which Regents have been involved over the past two months.

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

RECEIVE AND FILE REPORTS

Chair Cohen noted the receipt and filing of the Annual Report on Legal Matters, the Quarterly Report of Grant & Contract Activity, and the Annual Asset Management Report.

CONSENT REPORT

Chair Cohen presented the Consent Report, as described in the docket materials, including:

- Summary of Gifts through July 31, 2012; and
- Summary of expenditures.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Consent Report.

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Professor Sally Gregory Kohlstedt, Chair, Faculty Consultative Committee (FCC), reported on the activities of the committee since its last report to the Board of Regents. Issues the FCC has been working on include celebrating the 100th anniversary of the establishment of the University Senate; strengthening relationships with coordinate campuses; and changes to the teaching and public service awards.

A copy of the Report of the Faculty Consultative Committee is on file in the Board Office.

STATE BIENNIAL BUDGET REQUEST FOR FY 2014-15

President Kaler presented for review the State Biennial Budget Request (Request) for FY 2014-15, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Kaler reported that the Request:

- Is prudent and enables the institution to fulfill its land-grant mission for the state;
- Allows continued recruitment of top scholars;
- Supports and renews the research enterprise; proposes new research initiatives that enhance academic strengths and align with the state's key industries and talent needs; and
- Requires the institution to meet performance measures in order to earn a portion of the appropriation.

Kaler stressed the Request keeps the University affordable and accessible to qualified students of all economic backgrounds and includes a zero percent tuition increase for Minnesota resident undergraduate students. He indicated that the institution seeks an incremental \$14.2 million annually from the state for tuition relief.

Kaler detailed the \$1.18 billion Request. He indicated that the Request is designed to reform how the University and the state partner with one another to:

- Deliver on the University's three-fold mission of research and discovery, teaching and learning, and outreach and public service;
- Advance initiatives and programs that will leverage the University's expertise in areas that will benefit the state and its citizens; and
- Better support financial access and affordability to post-secondary education for students and families.

Kaler noted the institution would continue to execute Operational Excellence and cost controls, reallocate resources, manage risk responsibly, and streamline policies and procedures.

Kaler described an \$11.5 million “accountability fund” in the second year of the biennium to be released if the University meets 3 of 5 performance targets. He announced Minnesota Discovery, Research and InnoVation Economy (MnDRIVE), a new comprehensive vision for discovery, research, innovation, and economic development. Kaler indicated that the institution is seeking a state investment of \$18 million for MnDRIVE over the biennium for scientific research in four critical fields: robotics, food safety and agriculture, conservation, and neuromodulation.

Kaler also reported on a proposed two-year pilot program to address student debt, increase donations to merit-based scholarships, and forgive loans to graduates in certain fields who remain in Minnesota.

Regent McMillan expressed support for the Request, its accountability features, and the focus on affordability. Regent Simmons agreed, and applauded the Request’s sensitivity to financial challenges and need for culture change within the university community.

Regent Larson indicated the Request is what the state needs at a critical time in higher education and is a move in the right direction.

Regent Allen noted the Request makes a clear statement of investment and partnership with the state.

Regent Beeson commented that having specific goals in the Request demonstrates competence and focus on the part of the institution.

In response to comments from Regent Frobenius, President Kaler indicated that the focus on undergraduate students reflects feedback from the community on higher education funding for that population. He added that the Request also contains relief for students in professional fields.

The State Biennial Budget Request for FY2014-15 will return for action at the October 2012 Board of Regents meeting.

UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

President Kaler indicated that this is the eleventh edition of the *University Plan, Performance & Accountability Report* (Report), and illustrates the University’s overall performance during the previous year relative to its peers, past results, and strategic goals. He invited Senior Vice President and Provost Hanson and Senior Vice President Jones to lead the discussion (associated materials on file in the Board Office).

Hanson and Jones highlighted several measures of progress on the Twin Cities campus related to graduate and undergraduate enrollment, financial aid, retention and graduation rates, degrees granted, and undergraduate research. Hanson noted that on all campuses, over 50 percent of students graduate in five years, and pointed out that the University compares very favorably with its peers for four-year graduation rates. Jones presented data on class size and availability, student educational experience, the expanding role research plays in the overall undergraduate experience, and discussed ways in which students are involved/engaged in the campus community.

Hanson and Jones discussed efforts made to ensure financial access to the University of Minnesota. They stressed the issues of access and affordability remain in the forefront, with increased financial aid and scholarships. They also presented statistics on undergraduate enrollment and graduation rates on coordinate campuses, and discussed undergraduate advising and how it contributes to student support.

A lengthy discussion ensued. Regents expressed support for the Report, indicating it clearly demonstrates and tracks progress, is aligned with the State Biennial Request, and underscores the importance of setting clear objectives and priorities.

The *University Plan, Performance & Accountability Report* will return for action at the October 2012 Board of Regents meeting.

REPORT OF THE FACULTY, STAFF & STUDENT AFFAIRS COMMITTEE

Regent Simmons, 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 September 13, 2012 committee minutes.

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

Simmons reported that the committee also discussed the student conduct code; recruiting, retaining, and evaluating faculty for excellence; strategic issues related to the *University Plan, Performance & Accountability Report*; reviewed the committee 2012-13 work plan; and discussed a number of information items presented in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent Frobenius, 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 September 13, 2012 committee minutes.

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

Frobenius reported that the committee also discussed the 'federal fiscal cliff' on federal tax and expenditure policy changes for 2012; issues related to the Annual Asset Management Report; strategic issues related to the *University Plan, Performance & Accountability Report*; the 2012-13 committee work plan; and reviewed a number of information items included in the docket materials.

REPORT OF THE AUDIT COMMITTEE

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

- a) Adoption of amendments to Board of Regents Policy: *Internal Control*, as follows:

Internal Control

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. 1. Guiding Principles. The University's integrated framework of internal control and risk assessment practices shall ensure that:

- (a) University activities and operations function effectively and efficiently;
- (b) University activities and operations comply with laws, regulations, and University policies and standards;
- (c) University processes result in accurate and reliable financial information and reports;
- (d) University resources are adequately protected;
- (e) traditional and emerging strategic, operational, financial, compliance, and reputational risks are properly identified and appropriately managed;
- (f) all material risks facing the University are identified and assessed routinely at all levels and within all University functions;
- (g) control activities and other mechanisms are proactively designed, and appropriately calibrated, to address and manage risks consistent with their significance;
- (h) information critical to identifying risks and meeting the University's mission and strategic objectives is communicated through established channels throughout the University; and
- (i) controls are monitored and identified problems are addressed in a timely manner.

Subd. 2. Delegation of Authority. 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.

Subd. 3. Accountability. 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.

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

Beeson reported that the committee also received an internal audit update and discussed the 2012-13 committee work plan.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

- a) Approval of the Revised Consent Report of the Educational Planning & Policy Committee as presented to the committee and described in the September 13, 2012 committee minutes.

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

Ramirez reported that the committee also received the Annual Report on Undergraduate, Graduate & Professional Academic Program Changes; discussed strategic issues related to the *University Plan, Performance & Accountability Report*; and reviewed the 2012-13 committee work plan.

REPORT OF THE FACILITIES COMMITTEE

Regent Johnson, Chair of the committee, reported that the committee reviewed a capital budget amendment for the Community University Health Care Center parking lot and building renovation, Twin Cities Campus; received a facilities condition assessment update; discussed strategic issues related to the *University Plan, Performance & Accountability Report*; reviewed the 2012-13 committee work plan; and discussed a number of information items included in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Hung, Chair of the committee, reported that the committee met in public session on September 13, 2012 and discussed the annual Report on Legal Matters and received information on the processing of claims. Following these items, a resolution was considered and passed that authorized the closing of the meeting, during which a discussion was held of matters that are subject to the attorney-client privilege.

RECOGNITION OF EXECUTIVE DIRECTOR & CORPORATE SECRETARY

Recognition was given to Ann Cieslak upon her retirement from the Office of the Board of Regents effective June 17, 2012. Cieslak briefly addressed the Board.

The meeting adjourned at 11:01 a.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive, flowing style.

BRIAN R. STEEVES
Executive Director
and Corporate Secretary