

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
December 11, 2014**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, December 11, 2014 at 10:15 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Linda Cohen, Thomas Devine, Peggy Lucas, and Abdul Omari.

Staff present: Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Executive Director Brian Steeves.

Student Representatives present: Hannah Keil and Callie Livengood.

**STRATEGIC ISSUES RELATED TO THE
2014 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT**

Provost Hanson introduced the discussion on strategic issues related to the 2014 *University Plan, Performance and Accountability Report*. Hanson invited each system campus chancellor to share performance and accountability information from their campus.

Chancellor Fred Wood described the culture of care at the University of Minnesota Crookston (UMC). UMC uses personal advising to learn what motivates students and works to engage them in activities that match their interests. He talked about UMC addressing cost and access through its online offerings. He noted that online classes are taught by the same instructors using the same curriculum as on-campus courses to maintain their high quality.

University of Minnesota Duluth (UMD) Chancellor Lendley Black told the committee about the addition of a merit scholarship targeted to middle income families to address cost and access. He also shared UMD's "Live like a Student Now" campaign, which uses a website, workshops, and one-on-one counseling to help students become more financially literate. Black discussed steps to advance UMD's status as a major campus for research activities, including a focus on freshwater research and interdisciplinary research collaborations with the Natural Resources Research Institute, the Great Lakes Maritime Research Institute, and the Twin Cities campus.

Provost Hanson spoke of efforts on the Twin Cities campus to address both real and perceived barriers for students and faculty trying to conduct interdisciplinary research. She indicated that to truly become a University that addresses society's grand challenges, it is imperative the administrative structure does not hinder, and also actively supports, the collaboration and boundary crossing researchers are interested in exploring.

Chancellor Jacqueline Johnson noted that the University of Minnesota Morris (UMM) faces the challenge of articulating the value of a liberal arts education at a time when a cultural bias against the liberal arts defines it as irrelevant, impractical and elitist. Johnson shared results of a 2013 study of American CEOs in which 93 percent said a demonstrated capacity to think critically, communicate clearly and solve complex problems is more important than the undergraduate major. The same study endorsed education practices that encourage students to conduct research, use evidence-based analysis, gain in-depth knowledge in analytic problem

solving and communication skills, and apply that knowledge in real-world settings. Johnson shared three examples of student projects at Morris that develop those skills.

University of Minnesota Rochester (UMR) Chancellor Stephen Lehmkuhle described a future in which knowledge accrues so quickly that learning can not only be about content. He suggested that students will have to learn their own ways of thinking and problem solving to build their capacity to develop the foundational skills (such as resilience, teamwork, communication, and inter-cultural competencies) that will allow them to continually transform themselves to succeed in jobs that don't yet exist.

In response to questions and comments from Regents, the chancellors shared efforts to address the achievement gap and access in their communities. Chancellors Wood and Black both discussed the holistic admissions review process used to identify students with high potential for success despite a modest academic record. Hanson added that potential is really relative to opportunities, context, and environment and that is why each campus employs a holistic review process. She indicated that the better predictors of potential are indications that applicants have taken advantage of any opportunities they have had, which can vary tremendously from student to student.

In response to a question from Regent Omari, Hanson noted that while most of the University's direct efforts to reach capable, low-income students take place in secondary schools, the University has a responsibility to conduct research on strategies for impacting the achievement gap at all age levels, from pre-K through grade 12.

In response to a question from Regent Devine, Johnson commented that the University could better showcase opportunities that currently exist – such as inter-university transfers that allow a student to take their financial aid package with them to another campus – to allow students to shape their education by spending a semester at different University campus.

TWIN CITIES UNDERGRADUATE EDUCATION UPDATE

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, to report on the status of undergraduate education on the Twin Cities campus, as detailed in the docket.

McMaster reported that for Fall 2014, incoming class size continues to be steady, though transfers were down overall. Of the incoming freshman class, fewer students were from reciprocity states than in past years. He commented that admissions looked more closely at high school rank this year during the admissions review.

McMaster noted that inter-university transfers were also down. He added that it is unclear whether more students are choosing to stay at their current campus or transferring outside the University system.

He shared that the first-year retention rate was 92.6 percent, exceeding the goal of 90 percent set by the Board. He also noted that the University has closed the gap between the first-year retention rate of students of color and all other domestic students. McMaster stated the four-year graduation rate was 60.9 percent, just passing the goal of 60 percent.

McMaster outlined various initiatives aimed at undergraduate students over the past year, including changes to welcome week and a new look at second-year students. He also updated the committee on the increase in students of color in the University Honors Program and both the growth and high retention of students involved in the President's Emerging Scholars Program.

In response to a question from Regent Devine, McMaster responded that it is difficult to quantify the role of advising in relation to graduation and retention rates because advising is not consistent across colleges.

In response to a question from Regent Cohen, McMaster commented that the grand challenges courses currently offered were Honors courses, but that they are being expanded to other programs. In addition, new courses are being developed.

In response to a comment from Student Representative Livengood, McMaster cited program offerings and family or financial reasons as the most common reasons that students transfer.

ALUMNI ASSOCIATION PLANS FOR ENGAGEMENT

Lisa Lewis, President and CEO, University of Minnesota Alumni Association (UMAA), shared goals, areas of growth, opportunities, and next steps for the Alumni Association, as detailed in the docket.

Lewis shared that UMAA's key goals are to enrich the lives of alumni, support student success, and advance the value of every University of Minnesota degree. Currently, 43% of alumni are engaged, meaning that they exhibit behaviors – such as event attendance or athletic and performance tickets – that show an interest in the University.

She described survey results indicating that alumni are looking for access to University information and resources, career and networking services, and lifelong learning opportunities. In response, UMAA has instituted some new programs, such as the Alumni Webinar Series, that allow alumni to engage on their terms. The first webinar attracted 465 participants, which far exceeded expectations.

Additional growth areas include a new electronic newsletter, monthly events email showcasing campus events, and additional connections through select corporate networks and a new Alumni Entrepreneurs Network.

Lewis provided examples of successful programs at other campuses that UMAA is exploring as future opportunities. These include establishing a connection with students before graduation; offering career services and networking support; and expanding and tailoring networking internationally, by interest, and within large employers, rather than by graduation year.

She emphasized the importance of generating additional revenue and exploring new funding models in order to expand programming. She stressed that UMAA will continue conversations with the University about potential funding models, reallocating existing resources to high-priority areas and expanding programs as additional revenue is generated.

In response to a question from Regent Lucas, Lewis shared that on average, alumni associations have one staff person per 10,000 alumni, which equates to a staff size of 44 for UMAA. She noted that UMAA currently has a staff of just over 20.

In response to a question from Regent Omari, Lewis reported that each school has alumni relations officers operating independently through the deans. They coordinate with UMAA but are not yet operating with a shared strategy.

CONSENT REPORT

A motion was made and seconded, and the committee unanimously recommended approval of the following, as described in the Consent Report:

- **Request for Approval of New Academic Programs**
 - Swenson College of Science and Engineering (Duluth campus)—Create M.S. degree in Chemical Engineering
 - College of Liberal Arts (Duluth campus)—Create undergraduate certificate in Museum Studies
 - College of Liberal Arts (Duluth campus)—Create minor in Ojibwe Language
 - Crookston campus—Create B.S. degree and minor in International Business and deliver the degree online
 - Crookston campus—Create B.S. degree and minor in English
- **Request for Changes to Academic Programs**
 - College of Education and Human Service Professions (Duluth campus)—Deliver the M.Ed. degree in Education online
 - Swenson College of Science and Engineering (Duluth campus)—Change the name of the minor in Electrical and Computer Engineering to Electrical Engineering
- **Request for Approval of Discontinued Academic Programs**
 - College of Education and Human Service Professions (Duluth campus)—Discontinue the minor in Communication Sciences and Disorders
 - College of Liberal Arts (Duluth campus)—Discontinue the Master of Advocacy and Political Leadership
 - School of Fine Arts (Duluth campus)—Discontinue the minor in Art

The meeting adjourned at 12:15 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee
December 11, 2014**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, December 11, 2014, at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Clyde Allen, Peggy Lucas, Abdul Omari, and Patricia Simmons.

Staff present: Chancellor Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Richard Pfitzenreuter and Scott Studham; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Tyler Ebert and Jesse Mara.

INSTITUTIONAL RISK PROFILE

Regent Brod presented the Institutional Risk Profile (profile), as detailed in the docket.

Brod explained that the profile is the culmination of two years of work by the committee. While the end product is important, the process was just as important. She noted that the process helped highlight and identify risks across the entire institution, while giving the committee insight into how senior leaders identify and think about risks. Brod reminded the committee that not all of the risks presented to the group over the past two years appear on the profile. Rather, it maps those risks that are top of mind from a governance perspective.

Regent Simmons commented that some items on the profile are actionable, while others are more like principles, which require a different approach. She noted that making sure that those items are understood and kept at the forefront is just as important as creating an action plan to mitigate risk.

Associate Vice President Klatt added her thanks to senior leaders for their help in facilitating the process. The profile will be reviewed again in two to three years.

Brod asked that Regents use the profile in their work.

EXTERNAL AUDITOR REPORT

Associate Vice President Volna introduced Kristen Vosen and Judith Dockendorf from Deloitte and Touche LLP (Deloitte) to present the external auditor's opinion on the University's fiscal year 2014 financial statements and other required audit communications, as detailed in the docket.

Vosen reported that Deloitte had issued an unqualified opinion for 2014. She summarized the key financial information and major elements of the audit as well as procedures used to

complete the review. Dockendorf stated that the audit highlighted several of the University's accomplishments, including a strong net asset position, a diverse revenue base, and strong investment performance. Vosen noted the continued challenges related to public funding and increasing costs.

In response to a question from Regent Simmons, Vosen agreed that perceptions related to higher education cost is a continuing challenge, but the high quality education being delivered by the University continues to attract students. She noted that while the University has focused on controllable costs and those costs are trending downward, some costs, like information technology infrastructure, continue to increase and are difficult to control.

Regent Allen noted that the dialogue around the topic of increasing higher education costs has become difficult given the misinformation and complexity of the topic. He expressed concern that the University has to find a method to change the conversation.

INFORMATION ITEMS

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

- Report of Engagements with Audit Firms.
- Semi-Annual Controller's Report.

In response to questions from Regents Brod and Simmons, Associate Vice President Volna agreed that it is important to understand and monitor the percentage of audit and non-audit work being performed by the external auditor. He explained that his office runs inquiries to catch when audit firms are being used for non-audit work, but that given the size of the institution it is possible for a firm to be hired and start billing without that connection being known. Volna proposed that when future approvals for non-audit work are brought before the committee, he would include the nature and type of work being proposed and how much business to date has been contracted with that specific firm.

INSTITUTIONAL COMPLIANCE OFFICER SEMI-ANNUAL REPORT

Regent Brod invited Lynn Zentner, Director, Office of Institutional Compliance (OIC), to present the institutional compliance officer semi-annual report, as detailed in the docket.

Zentner provided an overview of OIC's activities. In that overview, she:

- Detailed efforts undertaken by the University to ensure safety on all campuses. This included a review of the explosion that took place in a laboratory at Smith Hall on the Twin Cities campus and an update on the additional requirements put in place in response to the Violence Against Women Act and revised federal regulations issued in October 2014.
- Described the importance of risk assessments, highlighting three that have been or are currently underway to evaluate and manage risk in the context of information security.
- Identified the continued work to reach full compliance with the Payment Card Industry Data Security Standards.
- Reported on the conflict of interest disclosures required nationally and by the University.
- Noted revisions to federal agency policies that may create new compliance challenges.
- Outlined reviews of human subject clinical trials being performed by the Association for the Accreditation of Human Research Protection Programs and the Minnesota Legislative Auditor.

- Explained the compliance-related training and education performed by OIC, and summarized the UReport statistics for calendar year 2014.

In response to a question from Regent Simmons, General Counsel Donohue explained that the Minnesota Legislative Auditor is looking at the records of the Institutional Review Board with the University's consent and cooperation. The investigation stemmed from requests from legislators and the University felt it was a fair request. The University can consent or not to any investigation by the Legislative Auditor.

In response to a question from Student Representative Mara, Zentner explained that OIC strives to meet and exceed the standards under the law regardless of the topic. The current focus around sexual assault is on training and awareness, but the Office of Equal Opportunity and Affirmative Action is dedicating significant resources and attention to the issue.

UNIVERSITY OF MINNESOTA DATA SECURITY STRATEGY

Regent Brod invited Vice President Studham and Chief Information Security Officer Brian Dahlin to present the University's data security strategy, as detailed in the docket.

Studham reviewed the September discussion, the type of adversary faced by the University, the information security terms that would be used, and the significant security information challenges faced by the Office of Information Technology (OIT).

Dahlin explained that the current focus is to establish a system of controls, based on risk management, that becomes part of the culture. He summarized the changes for University information security, a new data classification, and the transition for the information security program.

Studham explained the security framework approach. He described the benefits of the framework, noting where the University falls in the level of maturity of the program. OIT is modeling the program on principles in internationally accepted security framework, and Studham expressed his confidence in the strategy and focus, while noting that more progress is needed to grow and formalize the program. He emphasized that the University is among the leaders in the Big Ten.

In response to a question from Regent Brod, Studham asserted that OIT has the necessary policies needed to carry forward their work and that there is no need for a Board level policy.

In response to a question from Regent Allen, Studham explained that a few systems are air gapped, or physically separated, from the rest of the network. The air gapped systems fall under specific federal grant requirements and are monitored by a federal officer to ensure compliance. Dahlin added that OIT does detect attacks, both from outside of the University and by errors caused by phishing.

In response to a question from Regent Simmons, Studham agreed that using a risk management approach helps create the right controls for the right level of security. Overly stringent controls can be just as detrimental as a lack of controls.

The meeting adjourned at 9:51 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
December 12, 2014**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, December 12, 2014 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Clyde Allen, Laura Brod, Linda Cohen, Thomas Devine, John Frobenius, Dean Johnson, Peggy Lucas, David McMillan, Abdul Omari, and Patricia Simmons.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown, Brian Herman, Richard Pfutzenreuter, Scott Studham, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

REMEMBRANCE OF REGENT DAVID LARSON

Chair Beeson acknowledged the death of Regent David Larson in late October. Beeson reflected on Larson's service to the University and the State of Minnesota. Other Regents and President Kaler shared their thoughts and memories.

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 Work Session – October 9, 2014
Special Committee on Academic Medicine – October 9, 2014
Facilities & Operations Committee – October 9, 2014
Faculty & Staff Affairs Committee – October 9, 2014
Academic & Student Affairs Committee – October 9, 2014
Finance Committee – October 9, 2014
Board of Regents – October 9, 2014
Board of Regents – October 10, 2014

REPORT OF THE PRESIDENT

President Kaler updated the Board on the Twin Cities Strategic Plan. Dean Mary Nichols, College of Continuing Education, has agreed to coordinate the implementation efforts already underway. Kaler noted that academic and support units have been asked to align their existing priorities and plans with the new strategic plan and that alignment will be reinforced in the budget process. A continuity team will be formed to shape implementation priorities and develop benchmarks for success. A focus on achieving the plan's broader goals of institutional transformation will also be a top priority.

Kaler reflected on recent election results, the upcoming biennial budget and capital budget requests, and a new session of the Minnesota Legislature. He indicated a willingness to work with the governor and the legislature. With the new majority leadership in the House of Representatives, an increased focus on greater Minnesota is expected. Kaler reminded the Board that the biennial budget request seeks to strengthen the University's statewide partnerships to advance health care delivery and training, mining research and rural economic development, and community vitality.

Kaler detailed additional work being done around campus climate. The University was awarded the Higher Education Excellence in Diversity Award for the third straight year, but he noted that more work needs to be done. The Campus Climate Workgroup sponsored four participatory sessions on the Twin Cities campus called "World Cafes" to gain input from students, staff and faculty. The Workgroup members researched best practices, evaluated existing qualitative and quantitative data about student, faculty and staff experiences, and are finalizing their report and recommendations.

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

REPORT OF THE CHAIR

Chair Beeson noted several activities and events in which Regents have engaged: the annual Medical Staff meeting; the 125th Anniversary Gala for the School of Dentistry; the University of Minnesota Duluth Chancellor's Gala; and the grand opening of the Gore Annex of Amundson Hall on the Twin Cities campus.

Beeson acknowledged Regent Emeritus Elton Kuderer, who passed away November 20, 2014. Kuderer served on the Board of Regents from 1987 to 1993 and was its chair for one term. Beeson extended his deepest sympathies to Regent Emeritus Kuderer's family.

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

RECEIVE AND FILE REPORTS

Chair Beeson noted the receipt and filing of the Quarterly Report of Grant and Contract Activity, the Annual Financial Report, and the Annual Eastcliff Report.

CONSENT REPORT

Chair Beeson presented for action the Consent Report as described in the docket materials, including:

- Report of the All-University Honors Committee recommendation forwarded to the Board of Regents in a letter from President Kaler dated December 4, 2014.
- Summary of Gifts through October 31, 2014.
- Report of the Special Naming Committee recommendation forwarded to the Board of Regents in a letter from Chair Beeson dated December 4, 2014.

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 Rebecca Ropers-Huilman, Chair of the Faculty Consultative Committee (FCC), reported on the committee's recent activities. Topics included equity and diversity, inequities in salary by college, enriching the faculty by recruiting and retaining a diverse faculty, graduate education, the new administrative structure for the graduate school, and the need for a more family-friendly environment for faculty.

In response to a question from Regent Omari, Ropers-Huilman reported that the shared governance structure of the University is quite robust and strong. Faculty, staff and students are engaged. There is room for improvement and one of the conversations that the FCC will have in the spring will be around shared governance and ways to enhance communication across the University Senate.

2014 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Chair Beeson invited President Kaler and Senior Vice President and Provost Hanson to present the 2014 *University Plan, Performance & Accountability Report* (Report) for review, as detailed in the docket materials.

Hanson offered examples from the past year of how students, faculty, staff, and alumni are fulfilling the University's threefold mission of education, research and discovery, and outreach and public service.

In response to a question from Regent Simmons, Kaler explained that the metrics contained in the 2014-15 biennial appropriations and performance goals and presented in the Finance Committee are being kept separate from the Report. While meeting those metrics is an achievement that the University plans to share with the state, he noted that this Report is required under the University's charter and it is important to keep the two separate given their different purposes.

In response to a question from Regent McMillan, Hanson agreed that it is more difficult to gather objective metrics around the outreach and public service mission since much of that work is subjective. However, examples like the ones provided, help to show the success of the outreach mission of the University.

The 2014 *University Plan, Performance, and Accountability Report* will return for action at a future Board of Regents meeting.

ANNUAL REPORT ON THE STATUS OF UNIVERSITY RESEARCH AND COMMERCIALIZATION OF INTELLECTUAL PROPERTY

Chair Beeson invited Vice President Brian Herman to present the annual report on the status of University research and commercialization of intellectual property, as detailed in the docket materials.

Herman reported that University of Minnesota faculty and staff competed successfully for \$741 million in externally sponsored research awards in FY 2014, an increase of 6.8 percent from FY 2013. Sources of federal research funding have remained relatively constant, with the National Institutes of Health and National Science Funding accounting for the majority of the University's federal funding.

Herman added that for FY 2013-14, federal research and development funds increased by 1.1 percent; during the same period, the University increased its funding from federal research by 2.4 percent.

Data comparing schools in the Committee on Institutional Cooperation (CIC) group over the past five years show that the University ranks third among CIC institutions for total awards received. Herman pointed out that the top two schools, the University of Wisconsin Madison and the University of Michigan, saw decreases in their total awards.

Herman reported that the institution continues to be successful in technology commercialization. A record 15 start-up companies were launched in the past year. He cited the University's achievement of an increase of three percent in invention disclosures. That three-percent increase was one of the goals included in the biennial appropriations performance goals with the State of Minnesota. Herman observed that one area of future opportunity is Non-Glaxo revenue. The Office for Technology Commercialization has put in place several new programs designed to significantly increase opportunities for entrepreneurship and technology commercialization.

In national and international rankings, the University maintained its ninth position among public universities according to the Higher Education Research and Development Survey. Herman noted that for the first time in its history, the University ranked in the top 25 on all nine indicators used in the 2013 Center for Measuring University Performance. He also outlined new opportunities for investment in innovation and summarized the initial success of the first year of MnDRIVE and grant-in-aid programs.

In response to a question from Regent Simmons, Herman explained that the new federal budget provides little increase in research funding and that those increases do not account for inflation. He warned that while the University is currently using institutional funds to replace losses in federal funding, that model is not sustainable. The University will continue to build private relationships and is also looking at philanthropy to help make up the gap.

In response to a question from Regent Devine, Herman explained that one way the Office of the Vice President for Research (OVPR) is addressing the gap in researching funding is through the three-percent solution. The three-percent solution would reallocate 3 percent of OVPR operations and maintenance apportionment to provide funds for investment back into the systemwide research strategic plan. This process would be through a competitive, peer-reviewed application. In addition, OVPR is looking for substantial returns from MnDRIVE; President Kaler added that given the initial results of MnDRIVE, a proposal to expand it will likely be recommended for inclusion in the University's FY 2018-19 biennial request.

In response from a comment from Regent McMillan, Herman agreed that the University is expanding its outreach to the business community across the state. Businesses have shown excitement around the University's focus on public-private partnerships. Herman noted that some companies have asked for ways to co-locate individuals on campus, for adjunct appointments, or other methods for creating open, engaged partnerships.

In response to a question from Regent Lucas, Herman explained that 21 percent of grant-in-aid funds have been allocated in the humanities. He noted that while this area of research is not as large, the support given is critical to be successful in these fields.

ANNUAL FINANCIAL REPORT

Chair Beeson invited Vice President Pfutzenreuter and Associate Vice President Volna to present the University's Annual Financial Report, as detailed in the docket materials.

Volna reported that Deloitte and Touche LLP issued an unqualified opinion on the audited financial statements. He explained that the net position of the University increased by \$169.3 million in FY 2014. The total net operating losses increased over FY 2013, but non-operating revenues were also up nearly \$200 million. Volna noted that FY 2014 cash flow increased by \$103.4 million from FY 2013, to a positive cash flow of \$28.9 million. Total University assets increased by \$176 million or 3.2 percent and total liabilities increased by \$7 million or 0.4 percent. Revenues for FY 2014 totaled \$3.4 billion and operating expenses totaled \$3.3 billion.

Volna reviewed the balance sheet, revenues, operating expenses, and cash flows, and discussed the University's component units.

RESOLUTION RELATED TO ALCOHOLIC BEVERAGE SALES AT KIRBY STUDENT CENTER

Chair Beeson introduced Chief of Staff Amy Phenix to present the proposed resolution related to alcoholic beverage sales at the Kirby Student Center, Duluth campus, for review and action, as detailed in the docket materials.

Phenix explained that state statute authorizes the Board of Regents to hold liquor licenses for events at Northrop Auditorium, TCF Bank Stadium, and no more than seven other on-campus locations. The University currently holds liquor licenses for Northrop, Les Bolstad Golf Course, Morris Student Center, TCF Bank Stadium, Williams Arena, Mariucci Arena, and the Minnesota Landscape Arboretum.

Phenix noted that the University established the Alcohol License Oversight Committee (ALOC) in 2012 to ensure a thorough process for evaluating venues that could be licensed to best achieve the University's commitment and policy goals. The ALOC has representatives from Contract Administration, Office of Risk Management, Office of Student Affairs, Office of the General Counsel, and Office of the President. The ALOC recommended to the president that the University should apply to the State of Minnesota for an alcohol license for Kirby Student Center.

In response to a question from Regent Johnson, Phenix responded that the Kirby Student Center would not have to obtain a license from the city of Duluth since the University applies for the license directly from the state.

The Board of Regents voted unanimously to approve the Resolution Related to Alcoholic Beverage Sales at Kirby Student Center, as follows:

WHEREAS, the University of Minnesota ("University") has important policy and educational interests in controlling the consumption, use, and sale of alcoholic beverages on its campuses; and

WHEREAS, Board of Regents policy prohibits the sale of alcoholic beverages on University property except when authorized by license, approved by the Board of Regents, and sold and served in accordance with applicable law; and

WHEREAS, the consumption of alcoholic beverages for social and celebratory purposes on University property is permitted only when authorized by the President or delegate in accordance with administrative policy; and

WHEREAS, state legislation authorizes the Board of Regents to hold liquor licenses for events at Northrop Auditorium, TCF Bank Stadium, and at no more than seven other locations within the boundaries of the University; and

WHEREAS, the Board of Regents currently holds liquor licenses for Northrop, TCF Bank Stadium, Williams Arena, Mariucci Arena, the University of Minnesota Landscape Arboretum; Les Bolstad Golf Course, and the Morris Student Center; and

WHEREAS, the University established the Alcohol License Oversight Committee to ensure a thorough process for evaluating venues that could be licensed to best achieve the University's policy goals and commitment to safety and make recommendations on potential licensees to the president; and

WHEREAS, the University recommends allowing alcoholic beverage sales at other locations on its campuses where it is culturally and programmatically appropriate and consistent with the University's long standing commitment to promoting a healthy and safe living and learning environment for its students, employees and visitors, and emphasizes the University's important policy and educational interests in controlling the sale of alcoholic beverages on campus; and

WHEREAS, the sale of alcoholic beverages on campus will be done in accordance with all applicable laws, served only by appropriately trained persons, and with appropriate enforcement and monitoring mechanisms.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents, according to its policy, *Alcoholic Beverages on Campus*, approves alcoholic beverage sales at the following location:

- Kirby Student Center.

BE IT FURTHER RESOLVED, that the Board of Regents authorizes the submission of liquor license applications in accordance with law for the above-referenced location.

BOARD OF REGENTS POLICY: APPOINTMENTS TO ORGANIZATIONS AND BOARDS

Chair Beeson invited Executive Director Brian Steeves to present for review proposed amendments to Board of Regents Policy: *Appoints to Organizations and Boards*, as detailed in the docket materials.

Steeves explained that the proposed amendments seek to update the policy to reflect changes and additions to selected organizations and boards. The changes also provide a simplified method for certain appointments to reach the Board.

Regent Frobenius expressed concern that the nominating committee that recommends appointments to University of Minnesota Health and Fairview Health Services would be eliminated. Frobenius stressed the important work of the committee to screen candidates before making recommendations to the Board.

Board of Regents Policy: *Appointments to Organizations and Boards* will return for action at a future Board of Regents meeting.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the December 11, 2014 committee minutes.

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

Frobenius reported that the committee also received an update on the job family redesign, discussed business process improvements from the Enterprise Systems Upgrade Program, and discussed human resources needs in the Academic Health Center.

REPORT OF THE FINANCE COMMITTEE

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

- a) Approval of the Consent Report for the Finance Committee as presented to the committee and described in the December 11, 2014 committee minutes.
- b) Approval of a Resolution Related to Issuance of Debt, as follows:

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale of indebtedness (such indebtedness, whether issued in the form of bonds, notes, commercial paper or such other form of indebtedness as may be designated by the University, the "Debt"), the proceeds of which are to be used to finance University capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of the Debt;

WHEREAS, the Debt will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee or pursuant to an Order of the University;

WHEREAS, the Indenture of Trust or Order pursuant to which Debt will be issued will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such Debt;

WHEREAS, the principal amount of the Debt authorized will be the amount of the Debt outstanding at any time, and not an aggregate principal amount;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of the University of Minnesota (Board) as follows:

1. To provide funds to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing, the Board hereby authorizes the sale and issuance of Debt in the principal amount of up to \$17,100,000. The Debt may be issued in one or more series and shall mature (or if commercial paper, shall have an amortization schedule terminating) not later than the date that is 25 years after the date of issuance of each series. The Treasurer is

authorized to determine whether or not the Debt shall be issued as general obligations of the University and whether or not the Debt shall be tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The purchases of land and buildings, construction and remodeling projects, or acquisition of equipment to be financed by the proceeds of the Debt shall be those the source of funding of which is so designated by the Board of Regents or by the Treasurer as part of the University's capital planning process.

3. The Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of Debt and any interest rate swap agreement or other agreement for the purpose of hedging the University's interest rate risk with respect to any series of Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

4. In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as is approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such Indenture of Trust or Order or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

5. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of Debt in the form and containing such covenants, agreements, representations and warranties of the University as are approved by the Treasurer and General Counsel.

6. The Treasurer is authorized to approve the Preliminary Official Statement, final Official Statement, Offering Memorandum, Offering Circular, or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of Debt, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto. In the case of the sale of any series of Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Debt.

8. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Debt certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Debt as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall

constitute representations of the University as to the truth of all statements contained therein.

9. The execution of any document by the appropriate University officers herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, final Official Statement, purchase agreement or any other document to be executed by the President or Treasurer in connection with the Debt may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

- c) Approval of the Report on State of Minnesota 2014-15 Biennial Appropriations and Performance Goals and direct the administration to forward it to the State of Minnesota.

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

McMillan reported that the committee also discussed issues related to the 2014 Annual Financial Report, reviewed GASB 61 treatment of component units, and heard an update on the Enterprise Systems Upgrade Program.

REPORT OF THE ACADEMIC & 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 Academic & Student Affairs Committee as presented to the committee and described in the December 11, 2014 committee minutes.

The Board of Regents voted unanimously to approve the recommendations of the Academic & Student Affairs Committee.

Simmons reported that the committee also discussed strategic issues related to the 2014 *University Plan, Performance, and Accountability Report*; received an update on Twin Cities undergraduate education; and heard the Alumni Association's plan for engagement.

REPORT OF THE AUDIT COMMITTEE

Regent Brod, Chair of the committee, reported that the committee reviewed the institutional risk profile, received the external auditor report and the institutional compliance officer semi-annual report, and discussed the University's data security strategy.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of amendments to the FY 2015 Capital Budget as presented to the committee and described in the December 11, 2014 minutes:
 - 1. Steam Line Replacement, Duluth campus.
 - 2. Bee Discovery and Pollinator Center, Landscape Arboretum.

3. Parking Lot Removal and Site Improvements, Rochester campus.
 4. Combined Heat and Power Plant, Twin Cities campus.
- b) Approval of Schematic Plans for the following projects as presented to the committee and described in the December 11, 2014 minutes:
1. Wellness Center, Crookston campus.
 2. Tate Science and Teaching Renovation, Twin Cities campus.
 3. Aquatic Invasive Species Lab, Twin Cities campus.
- c) Approval of the following real estate transactions as presented to the committee and described in the December 11, 2014 minutes:
1. Sale of 51.72 acres of land in Carver County, Landscape Arboretum.
 2. Purchase of Block 31, Regents Addition, Hennepin County, Twin Cities campus.
- d) Approval of the Consent Report for the Facilities & Operations Committee as presented to the committee and described in the December 11, 2014 committee minutes.

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

Allen reported that the committee also discussed a report on systemwide campus infrastructure.

REPORT OF THE LITIGATION COMMITTEE

Regent McMillan, Chair of the committee, reported that pursuant to notice sent by the University, the Litigation Review Committee met on December 2, 2014. A resolution was considered and passed that authorized the closing of the meeting. In the closed meeting a discussion was held of matters subject to the attorney-client privilege.

REPORT OF THE SPECIAL COMMITTEE ON ACADEMIC MEDICINE

Regent Cohen, Chair of the committee, reported that the committee discussed the future of graduate medical education and its financing; reviewed trends and impact of health care reform on clinical education; considered health workforce issues and how Minnesota is responding; and received an update on the governor's committee on the University of Minnesota Medical School.

The meeting adjourned at 11:56 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Special Committee on Academic Medicine
December 11, 2014**

A meeting of the Special Committee on Academic Medicine of the Board of Regents was held on Thursday, December 11, 2014 at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Richard Beeson, Thomas Devine, John Frobenius, Dean Johnson, and David McMillan.

Staff present: President Eric Kaler; Chancellor Lendley Black, Vice Presidents Brooks Jackson and Richard Pfutzenreuter; Executive Director Brian Steeves; and Associate Vice President Terry Bock.

THE FUTURE OF GRADUATE MEDICAL EDUCATION AND ITS FINANCING

Vice President Jackson introduced John Andrews, Associate Dean for Graduate Medical Education, Medical School, to provide an overview of the University's Graduate Medical Education (GME) programs and discuss the implications of a recent Institute of Medicine (IOM) report that called for major reform to the nation's GME system, as detailed in the docket.

Andrews shared that the University has 85 accredited GME programs, with 910 trainees. He reminded the committee that the number of residency positions supported by Medicare was capped in 1997 at 1,091 positions locally. He added that in 2014-15, 1,275 positions were offered locally, with those above the cap supported by area hospitals. Nationally, more than 9,000 residency positions above the federal cap are supported by hospitals and other funding sources.

Andrews reported that in 2012 an IOM committee was tasked with evaluating the GME program with a goal of improving training, increasing capacity, and meeting the needs of an increasingly diverse population. The committee considered the funding and governance structures of GME, the residency pipeline, geographic distribution of generalist and specialist clinicians, the roles of providers, and relevant federal statutes and regulations in order to develop recommendations that would ensure rational, efficient, and effective use of public funds while producing a better-prepared physician workforce.

Andrews detailed the five recommendations set forth in the IOM report:

- Maintain Medicare GME support at the current aggregate amount.
- Build a GME policy and financing infrastructure.
- Create a Medicare GME fund with two subsidiary funds, an operational fund and a transformation fund.
- Modernize GME payment methodology by redirecting the funding to the medical schools or sponsoring organizations, rather than to the hospitals.
- Maintain state discretion of GME funding, with federal mandates to enhance transparency and accountability.

Andrews characterized the resulting report as thoughtful and informative, but noted that the reaction was mixed among many medical associations.

In response to a question from Regent Frobenius, Andrews offered that a number of entities are currently debating the actual workforce needs of the state. He stressed that it is not clear that there is truly a shortage in the workforce and that as reform changes the way health care is delivered, the expected workforce needs continue to evolve. Residency openings are primarily set by historic precedent and the current needs of the hospitals, but are not necessarily the right number for each profession.

TRENDS AND IMPACT OF HEALTH CARE REFORM ON CLINICAL EDUCATION

Vice President Jackson introduced Mark Rosenberg, Vice Dean for Education, Medical School; Marilyn Speedie, Dean, College of Pharmacy; and Connie Delaney, Dean, School of Nursing, to provide an overview of the University's health professional programs and discuss the implications of health care reform on clinical education and training.

Rosenberg shared that health care reform is leading to new models of care such as telehealth, which can provide access to specialists or emergency care in rural communities; a movement to population health, which takes into account social determinants; and a greater emphasis on preventive services. He stressed that preparing medical students to succeed in this environment requires effective partnerships with health care organizations and community programs.

Speedie asserted that pharmacists are positioned to play a major role in health care reform as they typically are the most accessible health care provider, drug therapy is the most cost-effective mode of treatment, and pharmacists have already expanded their roles on the health care team with documented positive financial and health outcomes. She shared that 88 percent of their pharmacy students who go into practice remain in Minnesota. She also outlined curriculum revisions taking place within the college to better integrate courses and prepare students to participate in collaborative care settings. Speedie cautioned that while demand in Minnesota is moderate, it is important to determine whether demand is stable before increasing the size of the program.

Delaney reported that the national goal is to have 80 percent of practicing nurses hold a Bachelors of Science in Nursing by 2020, but the current ratio in Minnesota is the reverse. The strategy to address this disparity has been to transition nurses with two-year degrees into bachelors programs. Delaney noted that the School of Nursing is prepared to double or triple the size of its program over the next two years but is challenged by a shortage of preceptors and faculty. In order for programs to grow without compromising quality, additional support is needed for clinicians to become preceptors. In addition, the school must increase enrollment in the PhD in Nursing program as well as the compensation packages for nursing faculty, and increase the amount of classroom, simulation, and clinical learning space.

In response to questions and comments from Regents, Jackson invited John Andrews, Associate Dean for Graduate Medical Education, Medical School, to respond. Andrews reported that much of the specialty training is supported by Medicare, private funds, or through practice revenue, as fellows have completed their residencies and many are practicing while completing their additional training. He stated that the Medical School currently spends around \$2 million yearly to support clinical training in addition to GME funding through Medicare.

HEALTH WORKFORCE ISSUES: HOW MINNESOTA IS RESPONDING

Vice President Jackson and Terry Bock, Associate Vice President, Academic Health Center, presented the University's Healthy Minnesota initiative and other state initiatives underway to address Minnesota's health workforce needs, as detailed in the docket.

Jackson indicated Minnesota's Workforce challenges are due to an aging population, the increasing demand for services as more people are insured under the Affordable Care Act (ACA), and significant health disparities within Minnesota's increasingly diverse population. In light of this, he noted that the key challenges to addressing the state's workforce needs are determining whether, in fact, there are workforce shortages and in what fields or areas of the state. He explained that different workforce models yield different projections as health care delivery changes to include an expanded primary care role for advanced practice nurses and physician assistants.

Bock cited a dozen groups and organizations within Minnesota that have been studying these issues and working on recommendations. One, the Legislative Health Care Workforce Commission, is trying to bring the health and human services and higher education committees of the legislature together to discuss how to both project and fund Minnesota's future health workforce needs.

Bock shared several common themes emerging across all of the groups, including: increased loan forgiveness programs; public/private partnerships for clinical training; initiatives to attract more students into primary care; focus on disparities in rural Minnesota and the underserved urban population; greater focus on the state's mental health needs and elderly population; and initiatives to increase diversity of the health care workforce.

Jackson outlined the University's efforts to address Minnesota's workforce needs through the Healthy Minnesota Initiative that is part of the University's legislative request. He highlighted a few specific portions of the plan such as revamped curriculum and clinical training programs to incorporate new models of health promotion and care; targeted investments to accelerate research in chronic diseases and conditions; and the creation of a Minnesota Electronic Health Library to provide access to licensed, evidence-based, clinical care resources for all Minnesotans.

In response to a question from Regent Frobenius, Jackson commented that the ACA would drive dramatic and fast change when fully adopted. He suggested that the IOM report arguing against a physician shortage was correct, especially as the role of other health care professionals expands. He argued that the problem is more a matter of geographic and specialty maldistribution, so changes to GME that allow the Academic Health Center more control to determine and train the types of physicians needed in Minnesota would be helpful.

UPDATE ON GOVERNOR'S COMMITTEE ON THE UNIVERSITY OF MINNESOTA MEDICAL SCHOOL

Vice President Jackson invited Larry Pogemiller, Chair of the Governor's Committee on the University of Minnesota Medical School and Commissioner, Minnesota Office of Higher Education, to provide an update on the committee's progress, the direction of its discussions and next steps, as detailed in the docket.

Pogemiller walked through the Governor's Executive Order, outlining the committee's charge to:

- Ensure the Medical School's national preeminence.
- Sustain the University's national leadership in health care research, innovation, and service delivery.
- Expand the University's clinical services to strengthen its ability to serve as a statewide health care resource.

- Address the state's health workforce needs to serve Minnesota's broad continuum of health care needs.

Pogemiller shared a working document outlining the programs and initiatives discussed by the committee. He emphasized that the document was meant to be inclusive of all ideas discussed at the committee, and priorities would have to be identified from that list – either by the committee or the governor.

He highlighted a much-discussed proposal to embark on hires of up to 10 clusters of 10 faculty each over a 10-year period in areas of national prominence and greatest need for the state. This proposal would seek to improve the University's NIH ranking from 26th into the top decile over an eight-year period. He added that the committee was interested in clinical services and new ways of delivering healthcare.

Pogemiller noted that capital needs were also identified and recorded in a separate document provided to the committee. He stressed that this was not to presuppose the content of future University bonding requests, but to give a sense of how potential investments connect operationally to capital investments.

He concluded that a draft report would be circulated to committee members in December and a final report would be adopted following a final committee meeting in early January.

In response to a question from Regent Beeson, Jackson provided additional detail around the cluster hire proposal, including implementation steps and the expected impact for the both the Medical School and economic development in the state.

In response to a question from Regent Frobenius, Pogemiller responded that this issue does have bipartisan support but that there are really two camps – one that believes progress will be made through research, and the other that is focused more on solving health care delivery and workforce issues. He stated that the committee is working to find what intersections exist and could generate broad support, both by the state and in generating private sector interest and funding as well.

The meeting adjourned at 10:56 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
December 11, 2014**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, December 11, 2014 at 2:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Clyde Allen, chair, Linda Cohen, Thomas Devine, Dean Johnson, Peggy Lucas, and Abdul Omari.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Michael Berthelsen and Gail Klatt.

Student Representatives present: Hannah Keil and Callie Livengood.

CAPITAL BUDGET AMENDMENTS

A. Steam Line Replacement – Duluth Campus

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

On recommendation of the President and the Vice President for University Services, the FY 2014 Capital Budget is amended to include the following project:

- UMD Steam Line Replacement – Duluth Campus
- Scope of Project: Replace existing steam line, add a new condensate line, replace unsuitable soil and add third steam line expansion loop.
- Master Plan: The project is in compliance with the UMD Utility Master Plan and the 2013 Master Plan Update
- Cost Estimate: \$2,100,000
- Capital Funding: UMD Facilities Management Utility Infrastructure

Vice President Wheelock introduced Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, to review the project. Smith explained that the existing steam line buried between the UMD Heating Plant and the Sports and Health Center - one of three main campus distribution lines – cracked, allowing heat to escape and ground water to infiltrate the piping bundle. She added that the escaping heat has damaged the surrounding soil. The poor soil conditions, addition of a third steam line expansion loop, new condensate line, and increased market value of construction have contributed to an increase in the project scope and cost.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Steam Line Replacement – Duluth Campus.

B. Bee Discovery and Pollinator Center – Landscape Arboretum

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

On recommendation of the President and the Vice President for University Services, the FY 2014 Capital Budget is amended to include the following project:

- Bee Discovery and Pollinator Center – Landscape Arboretum
- Scope of Project: New construction at Red Barn Farm Garden site of 6,700 square feet with specialty spaces for central exhibits, teaching/gathering, honey extraction, and greeter stations. Associated 4,500 square feet of outside space for Apiary live demonstration, pollinator garden and outdoors exhibitions. Extension of utilities from Highway 11.
- Master Plan: The project is in compliance with the Landscape Arboretum 2013 Master Plan.
- Cost Estimate: \$6,382,000
- Capital Funding: MN Landscape Arboretum Foundation

Vice President Wheelock introduced Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, to review the project. Smith explained that the Bee Discovery and Pollinator Center would showcase the importance of bee health and biodiversity and create a year-round public education facility for University experts to bring their research to the public in a landscape context. She reported that the project is fully funded by the Landscape Arboretum Foundation.

In response to a question from Regent Johnson, Wheelock explained that the Bee Discovery and Pollinator Center was designed and programmed in concert with the Bee Laboratory that was funded as part of the 2014 Capital Request.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Bee Discovery and Pollinator Center – Landscape Arboretum.

C. Parking Lot Removal and Site Improvements – Rochester Campus

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

On recommendation of the President and the Vice President for University Services, the FY 2014 Capital Budget is amended to include the following project:

- Parking Lot Removal and Site Improvements – Rochester Campus
- Scope of Project: Replace the existing parking lot at 6th Street SW and Broadway South, with prairie grasses, shrubs, trees, and an ornamental fence.
- Master Plan: The project is in compliance with the Rochester Campus 2014 Master Plan
- Cost Estimate: \$585,000
- Capital Funding: City of Rochester/University of Minnesota Rochester

Vice President Wheelock introduced Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, to review the project. Smith shared that the site, currently a vacant and unattractive parking lot, will form the northeast boundary of the future campus. She explained that in partnership with the City of Rochester, the University of Minnesota Rochester has committed to improving the site by replacing the lot with landscaping and an ornamental fence.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Parking Lot Removal and Site Improvements – Rochester Campus.

D. Combined Heat & Power Plant – Twin Cities Campus

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

On recommendation of the President and the Vice President for University Services, the FY 2014 Capital Budget is amended to include the following project:

- Combined Heat & Power Plant – Twin Cities Campus
- Scope of Project: Address known issues with the project site, demolition, facility structure, and building systems, and replenish the project contingency.
- Master Plan: The project is consistent with these March 2009 Twin Cities Campus Master Plan Guiding Principles. Five: Steward historic building and landscapes. Nine: Optimize the use of campus land and facilities and apply best practices. Ten: Develop a campus that is environmentally and operationally sustainable.
- Cost Estimate: \$17,100,000
- Capital Funding: University Debt

Vice President Wheelock reminded the committee that it had previously reviewed the proposed amendment and then introduced Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Michael Berthelsen, Associate Vice President, Facilities Management, to outline the project. Berthelsen reviewed that the University is at risk for a shortage in firm boiler capacity relative to wintertime peak steam demand and its current reliance on a single site for steam generation. He emphasized the importance of this project for increasing reliability and its cost-saving capacity. Smith reported that hazardous material abatement was completed and the public comment period for the air permit closed in November.

Regent Lucas shared that she had toured the site, as well as the Pillsbury Mill project site, and found the cost increases to be typical given the project type and scope.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Combined Heat & Power Plant – Twin Cities Campus.

SCHEMATIC PLANS

A. Tate Science and Teaching Renovation – Twin Cities Campus

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

The schematic plans for the Tate Science and Teaching Renovation, Twin Cities Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Steven Crouch, Dean, College of Science and Engineering, to present the schematic plans, as detailed in the docket.

Smith explained that the project would include renovation and construction totaling 230,049 gross square feet of research and teaching labs, classrooms, offices, and support space for the School of Physics and Astronomy and the Department of Earth Sciences. She shared that the project scope includes rehabilitation of the building exterior, hazardous materials abatement, modernized mechanical, plumbing, and electrical systems, and the addition of an accessible entry.

Crouch noted that the building will house the theoretical physicists not relocated to the Physics and Nanotechnology building, as well as the Department of Earth Sciences that is currently located in six different buildings. He added that the renovation will allow Physics and Earth Sciences to be competitive in recruiting and retaining the highest-quality faculty and graduate students, as well as attract research support.

The committee voted unanimously to recommend approval of the schematic plans for the Tate Science and Teaching Renovation – Twin Cities Campus.

B. Aquatic Invasive Species Lab – Twin Cities Campus

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

The schematic plans for the Aquatic Invasive Species Lab, Twin Cities Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Greg Cuomo, Associate Dean for Research, College of Food, Agriculture, and Natural Resource Sciences, to present the schematic plans, as detailed in the docket.

Cuomo reported that the project would provide a unique facility to study aquatic invasive species in a secure, modern research environment. Smith shared that the renovation will encompass 10,170 square feet in the existing Engineering and Fisheries Laboratory to provide aquatic holding and effluent treatment, biological lab/research facilities, office and support space, upgrades to the building systems, as well as ADA and code upgrades.

The committee voted unanimously to recommend approval of the schematic plans for the Aquatic Invasive Species Lab – Twin Cities Campus.

C. Wellness Center – Crookston Campus

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

The schematic plans for the Wellness Center, Crookston Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Chancellor Fred Wood, to present the schematic plans, as detailed in the docket.

Wood reported that the existing Sports Complex is inadequate to serve the needs of a four-year college. He explained that the general student population has only minimal access to the current recreation and fitness facilities due to heavy usage by the athletic teams, and emphasized its importance particularly in a small community with fewer recreation options for students.

Smith shared that construction of the 37,726 square foot Wellness Center building will create a two-court gymnasium, running track, classroom, fitness/cardio area, general locker rooms, and a multipurpose room for group exercise. The building will be connected to the existing Sports Complex by an enclosed skyway.

Regent Devine commended the students for agreeing to a fee increase and effectively lobbying at the legislature for project funding.

The committee voted unanimously to recommend approval of the schematic plans for the Wellness Center – Crookston Campus.

OPTIMIZING THE UNIVERSITY'S PHYSICAL ASSETS: SYSTEM-WIDE CAMPUS INFRASTRUCTURE

Vice President Wheelock introduced Michael Berthelsen, Associate Vice President, Facilities Management; Jerome Malmquist, Director of Energy Management, Facilities Management; John Rashid, Associate Director of Building Operations, Project Management, Grounds & Fleet Services, Duluth Facilities Management; and Chancellor Jacqueline Johnson, University of Minnesota Morris, to report on system-wide campus infrastructure.

Berthelsen shared that decisions and actions related to the maintenance and enhancement of infrastructure services are evaluated using the guiding principles of sustainability, cost effectiveness, and reliability; as well as the following strategic considerations:

- Critical infrastructure reaching the end of its useful life.
- Opportunities to leverage expertise and resources across the system.
- Partnership with adjacent communities.
- Engagement with regulators and legislators on policy and law.
- Utilize climate action plan to inform priorities and work plans.
- When and why to utilize District Utility approaches.

Berthelsen noted that a new Electrical Master Plan has been completed for the Crookston campus to convert the campus to a more reliable distribution system. Phase 1 of the project will begin in 2015.

Rashid detailed two infrastructure projects on the Duluth campus. One, the addition of a third chiller, installed last summer and expected to be fully operational for summer 2015, will provide air conditioning to the remaining 40 percent of campus that was not previously air conditioned. The second project, the steam line repair discussed as a capital budget amendment, will fix a major leak and significantly reduce energy consumption.

Johnson told the committee about the dual-fuel system planned for the Morris campus, expected to be operational in fall 2015, which will mitigate the risk of natural gas price fluctuation and support reliability and sustainability. She also highlighted the installation of a 20 KW solar PV array that provides power for the campus' Green Prairie Living Learning Community.

Malmquist outlined several utilities infrastructure renewal projects that will need to be addressed on the Twin Cities campus, including:

- Replacement of approximately 20 percent of electrical distribution cabling that is nearing the end of its reliable service life.
- Addition of a third electrical substation, as the two current facilities do not have any available feeders or breakers to support new facilities.
- Rehabilitation of 10 out of 12 steam shafts that connect tunnels with the buildings on the surface.
- Replacement of several production chillers and cooling towers that are near or past reliable service life span.
- Renewal of two Mississippi River stormwater outfalls owned by the University.
- Building automation systems infrastructure upgrades to increase reliability, occupant comfort, and energy efficiency.

Berthelsen also shared ongoing efforts to manage energy consumption and reported that steam and electrical consumption has been steadily decreasing over the last five years. He reviewed data showing that the University consumes less energy than its peers, particularly when normalized for cold-weather days.

In response to questions and comments from Regents, a discussion ensued regarding the total cost and yearly commitment for maintenance and renewal. Berthelsen explained that projects are outlined in a Utility Master Plan and are largely funded by a portion of utility rates set aside for capital investment. He indicated that most projects in the Utility Master Plan have been completed as outlined, and it is time for an update to the plan. Vice President Richard Pfitzenreuter added that including renewal funding as part of the University's operating request is another strategy for addressing future needs in this area.

REAL ESTATE TRANSACTIONS

A. Sale of 51.72 Acres, Carver County – Landscape Arboretum

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

On recommendation of the President and the Vice President for University Services, the appropriate administrative officers are authorized to execute the appropriate documents providing for the following real estate transaction:

- The subject property is located south of West 82nd Street in Chaska, along the southerly border of the Landscape Arboretum. The property consists of 51.72 acres of vacant land.
- Basis for Request: The subject property and an additional parcel totaling 18.13 acres at the Landscape Arboretum were identified for sale in late 2012 in conjunction with identifying funding sources for the planned purchase of 78.13 acres for expansion of the Landscape Arboretum. As a result of the sale listing for the 51.72 acres, Peachtree Arboretum, LLC submitted an offer to purchase the property for residential development.

- Detail of Transaction: The sale price will be \$1,702,500 with one half of the purchase price (\$851,250) paid in cash at closing, and the balance of the purchase price (\$851,250) paid on a three-year contract for deed with an interest rate of 3.25%. The closing date is 12 months following purchase agreement execution, but can be extended up to one year in 6-month increments with additional earnest money deposits by the buyer. The initial earnest money deposit paid by the buyer at purchase agreement execution will be \$60,000 and goes hard 6 months after payment. If the buyer opts to extend the closing date twice, additional earnest money deposits of \$80,000 and \$110,000, respectively, will be due; each additional earnest money deposit goes hard 60 days after payment.

The committee voted unanimously to recommend approval of the real estate transaction for the sale of 51.72 acres in Carver County at the Landscape Arboretum.

B. Purchase of Block 31, Regents Addition, Hennepin County – Twin Cities Campus

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

On recommendation of the President and the Vice President for University Services, the appropriate administrative officers are authorized to execute the appropriate documents providing for the following real estate transaction:

- The subject property consists of 14 separate tax parcels totaling 2.29 acres bounded by Huron Boulevard SE, Essex Street SE, Erie Street SE, and Fulton Street SE. The subject property is the block located directly east of Block 12 of Baker's Addition where the new Ambulatory Care Center is being constructed.
- Basis for Request: The subject property is included within the master plan boundary of the Twin Cities-Minneapolis-East Bank Campus, and designated for future campus expansion. CPM Development, the seller of the subject property, approached the University offering the sale of the entire block after purchasing 3 of the 14 parcels and executing purchase agreements or purchase options for all remaining parcels in the block, with closing to occur when the property can be conveyed in vacant condition.
- Detail of Transaction: The purchase price for the subject property will be \$25,800,000. The transaction will include a \$1,000,000 broker fee paid by the University and an \$800,000 donation to the University by the seller, for a net to the University of \$26,000,000. The transaction will involve two closings. The first closing will occur on or before January 9, 2015 and will cover the property at 1014, 1018, and 1022 Essex Street SE. The portion of the purchase price attributed to these three properties, which were acquired by CPM Development for development of an extended-stay hotel, for which all required approvals by the City of Minneapolis were granted, is \$6,607,200. The closing on the balance of Block 31 is expected to occur on or before September 1, 2015 and will cover the property at 1000 and 1010 Essex Street SE, 509, 513, 521, and 523 Erie Street SE, 1001 and 1007 Fulton Street SE, and 514, 520 and 524 Huron Boulevard SE. The portion of the purchase price attributed to these 11 properties totals \$19,192,800.

In response to questions from Regents, Susan Weinberg, Director of Real Estate, noted that the price equated to approximately \$250 per square foot. She reported that the University will pay CPM Development a premium of 8-15 percent on some of the properties, but that many of the purchase agreements were confidential. She added that CPM Development was assuming all the risk of vacating and demolishing the buildings.

The committee voted unanimously to recommend approval of the real estate transaction for the purchase of Block 31, Regents Addition, Hennepin County – Twin Cities Campus.

CONSENT REPORT

Vice President Wheelock presented the Consent Report, as detailed in the docket:

- Facilities Management recommends replacement of the 20-ton, air-cooled chiller used to cool Eastcliff following a Facility Condition Assessment conducted in July 2014. The cost to procure and install the new chiller has been estimated at \$40,000 plus project administration and permitting costs. The project will be funded with budgeted Repair and Replacement funds. The Eastcliff Technical Advisory Committee and Eastcliff Advisory Board reviewed the project and unanimously recommend its approval.

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

INFORMATION ITEMS

Vice President Wheelock referred committee members to the following information items:

- Lease for 15,726 Rentable Square Feet at 2609 Territorial Road, Saint Paul (Twin Cities Campus)
- Planned Sale of 2642 University Avenue, Saint Paul (Twin Cities Campus)
- Capital Planning and Project Management Semi-Annual Report

The meeting adjourned at 3:40 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
December 11, 2014**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, December 11, 2014 at 10:15 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Clyde Allen, Richard Beeson, Laura Brod, John Frobenius, and Dean Johnson.

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Vice Presidents Kathryn Brown, Richard Pfitzenreuter, Scott Studham, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Tyler Ebert and Jordan Wentz.

RESOLUTION RELATED TO ISSUANCE OF DEBT

Vice President Pfitzenreuter introduced Carole Fleck, Director of Debt Management, to present for review and action a resolution related to issuance of debt, as detailed in the docket.

Fleck explained that the administration is requesting authorization to issue debt to finance the additional principal amount of \$17.1 million for the Combined Heat and Power Plant, Twin Cities campus (CHP).

Fleck noted that at its December 2013 meeting the Board approved the issuance of \$83 million of debt for a project to update and expand the CHP. Total cost of the project was then estimated at approximately \$96 million, with \$10 million provided by a 2012 legislative appropriation, \$3 million provided by Facilities Management R&R funding, and \$83 million of University debt.

The estimated cost of the project has since increased by \$17.1 million. The cost increase is due to delays in the permitting process, construction market cost escalation, additional complexity in the delivery of electricity to the campus, and unforeseen conditions. With approval of this resolution, the total amount of University debt authorized for this project will equal \$100.1 million.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to issuance of debt.

ISSUES RELATED TO 2014 ANNUAL FINANCIAL REPORT

Vice President Pfitzenreuter invited Associate Vice President Volna to present the University's annual financial report, as detailed in the docket.

Volna reported that Deloitte and Touche LLP issued an unqualified opinion on the audited financial statements. He explained that the net position of the University increased by \$169.3 million in FY 2014. Total net operating losses increased over FY 2013, but non-operating

revenues were also up nearly \$200 million. Volna noted that FY 2014 cash flow increased by \$103.4 million from FY 2013, to a positive cash flow of \$28.9 million. Total University assets increased by \$176 million or 3.2 percent and total liabilities increased by \$7 million or 0.4 percent. Revenues for FY 2014 totaled \$3.4 billion and operating expenses totaled \$3.3 billion.

In response to a question from Regent McMillan, Volna agreed that a large increase was reported as institutional support, which increased by \$59.3 million over FY 2013. Volna explained that the increase was caused by the University of Minnesota Foundation-Minnesota Medical Foundation merger, fringe benefit pool under-recoveries, non-capitalized costs related to the Enterprise System Upgrade Program, a 2.5 percent salary increase for all employees, and other smaller increases. He noted that these items support the institution as a whole and are not purely administrative.

GASB 61 TREATMENT OF COMPONENT UNITS

Vice President Pfutzenreuter introduced Associate Vice President Volna to present information regarding GASB 61, as detailed in the docket.

Volna explained that entities like the University participate in a variety of business activities, such as public-private partnerships and joint ventures. Governmental Accounting Standards Board (GASB) Statement No. 61 provides guidance on the requirements for determining how to account for and report those types of activities in financial statements. Volna defined what a component unit is, reviewed the classification of component units, and identified the University's component units by category.

In response to a question from Student Representative Wentz, Volna indicated that the process to identify component units does include a level of subjectivity. Governmental entities try to apply it uniformly, but financial reporting is always open to interpretation. The University tries to be consistent across units.

UPDATE ON ENTERPRISE SYSTEMS UPGRADE PROGRAM

Vice President Pfutzenreuter invited Vice President Studham and Executive Program Director Dennis Wenzel, Enterprise Systems Upgrade Program (ESUP), to update the committee on ESUP status, as detailed in the docket.

Studham reviewed the purpose and background of ESUP and gave a status overview. He noted that ESUP is now entering its final phase, requiring the team to turn from the technological implementation to communication, change management, and user support. He warned that errors and bugs are inevitable, and the three weeks after the go-live date will produce some user frustration. The ESUP team is working to prepare faculty, staff, and students to make the transition.

Wenzel reported that the ESUP team had executed five dry-run deployment cycles with an additional dress rehearsal for the cutover between systems scheduled in January. Iterations of functional and system testing have also been completed, with additional testing planned through December. The primary application development activities are complete. The ESUP team is working to transfer knowledge from consultants to University staff and is launching the first training courses. The first go/no-go review with the Executive Oversight Committee has also been completed.

In response to a question from Student Representative Ebert, Studham responded that information will be communicated to students when they need it. The ESUP team will use

multiple platforms to reach students. Wenzel added that one team is focused solely on students, and the One Help phone line will be the single call center for students.

In response to a question from Regent Frobenius, Studham explained that the transition increases vulnerability to attack. The ESUP team is trying to bring up the systems in the most secure way possible and have hired outside consultants to attack the system to expose any vulnerabilities. He reiterated that while external validations have been made, there is an increased risk inherent in bringing a new system online.

In response to a question from Regent Beeson, Studham noted that the University has been able to retire some tertiary systems as it starts to move toward using ESUP. ESUP will also be less customized, allowing for better vendor support and greater University efficiency.

In response to a question from Regent Johnson, Studham indicated that ESUP would require minor upgrades every three years but that other systems will need to be upgraded sooner, including the research and facilities systems. He added that ESUP will need to be replaced in 10 to 15 years. What that system will look like and cost is difficult to predict given the ever-changing technological landscape.

In response to a question from Regent McMillan, Studham observed that during the go-live period, the worst-case scenario would be a major issue with either the payroll or student registration systems.

REPORT ON STATE OF MINNESOTA 2014-15 BIENNIAL APPROPRIATIONS AND PERFORMANCE

Vice President Pfutzenreuter invited Associate Vice President Tonneson and Lincoln Kallsen, Director of Financial Analysis, to present the Report on State of Minnesota 2014-15 Biennial Appropriations and Performance, as detailed in the docket.

Kallsen reminded the committee of the history behind the performance measures, reviewed applicable Minnesota Law, and defined the five performance measures as agreed upon with the Minnesota Office of Higher Education. The performance measures are:

1. Improve graduation rates for low-income students.
2. Improve graduation rates, more generally.
3. Increase the total number of undergraduate STEM degrees.
4. Increase invention disclosures.
5. Decrease administrative costs by \$15 million for FY 2014

Tonneson reported that the University achieved all five of the performance measures. She summarized the administrative cost reduction, breaking down the FY 2014 cost reduction of \$18.8 million by staffing changes and operating reductions. Pfutzenreuter added that \$20 million is planned for FY 2015, with the University likely to exceed that number.

In response to a question from Regent Allen, Kallsen concurred that the increased graduation rates shows the hard work of students, faculty, and staff. He noted that the University has gained quite a bit of ground and will need to keep that in mind when defining new goals.

In response to a question from Regent Brod, President Kaler noted that because the only way to measure year over year is to keep measures consistent, the definitions for the five performance measures would not change. He offered that the University's measures are some of the best in the nation.

In response to a comment from Regent Frobenius, Kaler agreed that the University would stand firm if the Minnesota Legislature wanted to set accountability measures in areas that the Board does not agree with. He added that common ground exists with the legislature, which the University can build upon without eroding its constitutional autonomy.

A motion was made and seconded, and the committee voted unanimously to recommend that the Board accept the report and direct the administration to forward it to the State of Minnesota.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket:

General Contingency:

- There are no items requiring approval this period.

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

- To HealthPartners Administrators, Inc. for the estimated amount of \$12,702,141 for administering self-funded medical insurance coverage and to provide stop loss insurance for Twin Cities and Duluth graduate assistants, residents, fellows, and interns for an initial contract for a two-year period, with four one-year options to renew for the University of Minnesota Office of Human Resources Employee Benefits and Office of Student Health Benefits. These services are funded on an annual basis through the University and participant contributions. Vendor was selected through a competitive process.
- To Illumina, Inc. for \$5,000,000 for manufacturer reagents and instrumentation service agreements as needed for the period of December 15, 2014, through June 30, 2016, for the Genomics Department core facility, University of Minnesota Genomics Center (UMGC). The reagents from Illumina will be purchased with departmental funds. As an Internal Service Organization (ISO), UMGC will order reagents as needed for expression, genotyping, and next-generation sequencing projects provided to University researchers. See docket documentation regarding basis for vendor selection.
- To Oracle Corporation for \$21,474,400 for all current Oracle products for support and maintenance for the period December 15, 2014, through May 30, 2020, for the Office of Information Technology (OIT). OIT funds these product support and software updates to ensure continuous operation of mission critical functions. The expense will be covered from OIT's central O&M funds. The FY 2015 budget includes planning and funding for this expense.
- To ServiceNow.com for an estimated \$1,200,000 for an online IT service management tool with 1,050 licenses, and support and maintenance for the period June 20, 2014, through June 19, 2016, for the Office of Information Technology (OIT). OIT funds this subscription, product support and software updates to ensure continuous operation of mission critical functions. The expense will be covered from OIT's central O&M funds. The FY 2015 budget includes planning and funding for this expense. Vendor was selected through a competitive process.
- To UnitedHealthCare Global (formerly FrontierMEDEX) for the estimated amount of \$1,310,520 for medical, natural disaster and political evacuation coverage for UPlan participants, residents, fellows, interns, graduate assistants and students for an initial contract period of one year with five one-year options to renew for the University of Minnesota Office of Human Resources Employee Benefits and Office of Student Health Benefits. These services are funded on an annual basis through the University and participant contributions. Vendor was selected through a competitive process.

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:

- Quarterly Investment Advisory Committee Update
- Quarterly Asset Management Report

The meeting adjourned at 12:00 p.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive style with a large initial 'B' and 'S'.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
December 11, 2014**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, December 11, 2014 at 2:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Richard Beeson, Laura Brod, David McMillan and Patricia Simmons.

Staff present: Chancellor Lendley Black; Vice Presidents Kathryn Brown and Scott Studham; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock and Gail Klatt.

Student Representatives present: Emily Caldis and Jesse Mara.

UPDATE ON JOB FAMILY REDESIGN

Vice President Brown invited Sheila Reger, Consulting Team Manager, to give an update on the Job Family Redesign, as detailed in the docket.

Reger reviewed the redesign project and timeline. She noted that the project includes review of most civil service and professional and administrative positions on all campuses. This includes approximately 10,500 employees. Of the 18 job families, 14 have been completed. The project is anticipated to be complete by Spring 2015. Reger also outlined the impacts of the study for employees and managers.

Reger highlighted the Human Resources job family, showing what the job family looked like before the project and what the job family now looks like. She pointed out to the committee that there are two pathways, one for managers and one for contributors. Often within the University, the path to promote an employee was by assigning them other employees to supervise. Under the new job family, contributors can be promoted and recognized for their achievement, but remain a contributor.

In response to a question from Regent Frobenius, Reger explained that after the job family study 2.2 percent of employees have been below the minimum salary range and just over 1 percent have been over the maximum range that they were placed in. Employees who fall below the range are brought up to the bottom of the range. Salaries of employees above the maximum are frozen for three years or until the range rises to meet them.

In response to a question from Regent Beeson, Reger stated the project is looking to meet the needs of the units. Some employees' titles may move down a hierarchy, while others will move up based on a better understanding of the responsibilities and needs for that position.

BUSINESS PROCESS IMPROVEMENTS FROM ENTERPRISE SYSTEMS UPGRADE

Regent Frobenius invited Vice President Brown to present the business process improvement results from the Enterprise System Upgrade Program (ESUP), as detailed in the docket.

Brown explained that the PeopleSoft Human Resources Management System would be upgraded to the most recent version. She noted that this upgrade will mark a move from a heavily customized system to an off-the-shelf solution, allowing for better vendor support on regulatory and compliance issues. Brown outlined other changes that include a central access portal, consolidated reporting, streamlined business processes, better infrastructure, and improved tertiary systems.

Brown outlined the major changes that would be included in ESUP and the most significant cultural changes that would be created. She commented that the increased focus on data integrity and data management would create better data for analysis. Brown also highlighted the new MyU portal, which is intended to create a more user-friendly access point for students, faculty, and staff.

Brown emphasized that the Office of Human Resources (OHR) was working across the University to help manage change. A coordinated change management, communications, and training effort is underway that includes using OHR leads across units and ensuring a strong partnership between OHR and the Office of Budget and Finance.

HUMAN RESOURCES NEEDS IN THE ACADEMIC HEALTH CENTER

Vice President Brown introduced Associate Vice President Bock and Dorothy Cottrell, Director, Academic Health Center (AHC) Human Resources, to discuss the HR needs in the AHC, as detailed in the docket.

Bock summarized the composition and programs of the AHC; identified the six schools within the AHC; and explained the balance between the educational and outreach missions, along with the clinical services provided. Cottrell detailed the size of the AHC faculty and staff, noting the portion of the staff that includes the University of Minnesota Physicians.

Bock and Cottrell identified and reviewed seven key HR challenges facing the AHC:

1. Recruitment and retention of faculty and staff.
2. Faculty development and support.
3. Academic supervisory, management, and leadership development.
4. Supporting the respective roles of tenured and clinical faculty.
5. Managing the complex HR relationships between the University and clinical practice.
6. Increasing the diversity of the AHC faculty and staff.
7. Employee engagement.

In response to a question from Regent Beeson, Bock commented that there are many variations in how medical schools are managed across the country. Medical school faculty members, when performing their educational responsibilities, are supervised by their department chair. When faculty members are performing their clinical work, University of Minnesota Physicians leadership supervises them. Those two supervisory roles are linked and factor into the annual evaluation of the faculty member. Bock noted that this is a complex operational situation and that a number of initiatives have been created to align and streamline supervision of faculty.

In response to a question from Regent McMillan, Bock acknowledged that there is a great deal of competition for AHC faculty members, including other universities, health systems and biomedical research companies. For those individuals focused on being faculty members, the AHC has advantages – its breadth; the combined academic, clinical, and research mission; and the Twin Cities location. The University's benefits and HR policies that accommodate differing work styles and work life balance are additional advantages. The most successful hires are made when hiring clusters of faculty members or single faculty members into programs that are nationally ranked.

In response to a question from Regent Simmons, Bock shared that only 20 percent of National Institute of Health (NIH) grants are being funded, creating significant competition. The AHC is developing more mentoring and training to grow its pipeline of researchers aimed at when researches are able to secure significant NIH funding.

In response to a question from Regent Frobenius, Bock explained that the AHC must grow its clinical practice to regain some of its 100 lost faculty positions. The University also is looking to the state for increased funding. Bock noted that the loss of those faculty positions has also had a profound impact on the amount of grant funding flowing into the AHC; the current faculty are being asked to increase research by 10 percent.

In response to a question from Regent Brod, Bock noted that the AHC is not experiencing a mass exodus of faculty as there was in the 1990s. Many departing faculty members are retiring. The AHC does lose some faculty members to other institutions, and Brown added that one way to improve retention rates is to bring in high-achieving, field-shaping faculty members via cluster hires, while ensuring that HR policies help to streamline and simplify the process.

CONSENT REPORT

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

- Conferral of tenure for outside hire.

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.

The meeting adjourned at 3:53 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
December 2, 2014**

A meeting of the Litigation Review Committee of the Board of Regents was held on Tuesday, December 2, 2014 at 1:30 p.m. in Room 215A, Morrill Hall.

Regents present: David McMillan, presiding; Richard Beeson, and Dean Johnson (by phone).

Staff present: President Eric Kaler; General Counsel William Donohue and Executive Director Brian Steeves.

Others present: Amy Phenix, and Tracy Smith.

The meeting convened in public session at 1:30 p.m.

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

At 1:34 p.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 Litigation Review Committee be held on Tuesday, December 2, 2014 at 1:30 p.m. in Room 215A, Morrill Hall, for the purpose of discussing attorney-client privileged matters including the following:

- I. West Bank ground contamination claims

The committee voted unanimously to approve the resolution.

The meeting adjourned at 2:03 p.m.



BRIAN R. STEEVES

**Executive Director and
Corporate Secretary**