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UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

MINUTES

BOARD OF REGENTS' MEETING

AND

REGENTS' COMMITTEE MEETINGS

January 12-13, 1989

Office of the Board of Regents

220 Morrill Hall

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Minutes of the Board of Regents' Meeting
and Regents' Committee Meetings

January 12-13, 1989

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Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

January 5, 1989

A meeting of the Audit Committee of the Board of Regents was held on Thursday, January 5, 1989, at 1:30 p.m. in Room 238A, Morrill Hall.

Regents present: Regent Kuderer, presiding; Regents Lebedoff and McGuiggan.

Staff present: Vice President Campbell; Secretary Muesing; Director of Audits, Patrick Spellacy.

Representatives from Peat Marwick & Main: Steve Laible, Jim Wicker and Don Frank.

Others present: John Asmussen, Legislative Auditor's Office.

REVIEW OF FINANCIAL STATEMENTS
(University and Hospital)

Mr. Steve Laible, Peat, Marwick & Main, presented and reviewed in detail the University of Minnesota Financial Statement for the period ended June 30, 1988. He reported that in the opinion of Peat Marwick & Main, the Financial Statements present fairly, in all material respects, the financial position of the University of Minnesota on June 30, 1988 and the changes in fund balances and the current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

A concern was raised that the Central Reserve Fund was not recognizable in the report and the committee agreed that the Central Reserve Fund should be highlighted in some form in the Financial Statement.

In addition, Vice President Campbell reported that the Annual Report for the University will contain a notation of the actual amount of the Central Reserves.

Regent Kuderer recommended that the report on Central Reserves include policies and guidelines (with respect to the Reserve) and greater specificity with regard to a contingency fund and committed departmental balances.

Mr. Laible then reviewed a draft copy of the 1988 Management Letter issued by Peat Marwick & Main in connection with the audit process. The letter was divided into three exhibits. Exhibit I contained current year comments and recommendations. Exhibit II contained the status of prior year comments where recommendations were not fully implemented and Exhibit III contained a table of the status of all of the prior year comments and recommendations. Mr. Laible reviewed each recommendation in Exhibits I and II and Vice President Campbell presented an administrative response to the recommendations. Recommendations contained in Exhibit I related to the following:

- Accounting Systems and Accuracy of Accounting Records
- Department of Audits' Report
Microcomputer Safeguards
Policies and Procedures Manual
- Vacation Policy
- Property Accounting
- Student Billing and Receivable System
- Data Ownership
- General Ledger

Committee members requested that a status report be brought back to the committee by April regarding the issues relating to Vacation Policy and Data Ownership.

With regard to recommendations from prior years that were not fully implemented, the following areas were contained in Exhibit II:

- Establish Additional Accounting Policies
- Fringe Benefits
- Accounting Records and Services (AR&S and Hospital Accounting Department)

- Coordination of Accounting for Investments
- Plant Fund and Investment Accounting
- Coding of University Documents
- Overexpended Restricted Accounts
- Administrative Information Systems (AIS) Disaster Recovery Plan

After reviewing each item under Exhibit II, the committee requested that a written status on Overexpended Restricted Accounts be submitted by the next meeting in April. In addition, with regard to the Disaster Recovery Plan, Regent McGuigan requested that the Administration obtain the cost of administering this service through private enterprise and report back to the committee by April.

Mr. Laible summarized by reporting that there has been implementation or some compliance on all prior years' comments and recommendations.

STATUS REPORT ON OTHER EXTERNAL AUDITS

Mr. Laible presented a status report on the NCAA, Student Financial Aid and A-110 audits. He reported that work on the Student Financial Aid and A-110 audits has been completed, drafts have been prepared and will be mailed out shortly. He reported that work on the NCAA audit has not been completed.

INTERNAL AUDIT STATUS REPORT

Mr. Patrick Spellacy, Director of Audits, presented a status report on audits issued since October 5, 1988, audits in process, next audits scheduled and changes in the Annual Audit Plan.

Mr. Spellacy also presented a status report on the establishment of the Compliance Officer position. He presented a flow chart indicating the process that is proposed to be followed for audits in the future and the part that the Compliance Officer will play in the process. Mr. Spellacy stated that if the committee agreed with this process, he and Vice President Campbell would proceed with the establishment of the position and selecting an individual to fill the position. Regent

Kuderer stated that by the next meeting of the Audit Committee in April, he would like to have the Vice President for Finance designate a Compliance Officer and that the guidelines, audits completed in 1988 and future audits be referred to the Compliance Officer to handle in accordance with the duties as outlined for the position.

Regent Kuderer moved that the following audits be referred to the Compliance Officer at the appropriate time:

- Office of Minority and Special Student Affairs
- University of Minnesota Hospital and Clinic
- Bursar
- Radio Stations (required by the Corporation for Public Broadcasting)
- Biological Sciences (Follow-up)

The motion was seconded and the committee voted unanimously to recommend approval of Regent Kuderer's motion.

POLICY TO USE OUTSIDE PRIVATE FIRMS FOR EXTERNAL FINANCIAL AND COMPLIANCE AUDITING

The committee engaged in a discussion regarding the University's policy to use outside private firms for external financial and compliance auditing. Regent Kuderer noted that this issue had been brought up at the Financial Review Committee meeting and a motion had been passed asking the Board of Regents to reconsider the policy of hiring external firms. He stated that he felt some members of the Financial Review Committee would prefer that the University use the Legislative Auditor to do the University's financial and compliance auditing. Regent Kuderer asked Mr. John Asmussen, Deputy Legislative Auditor, if he had any comments regarding this suggestion. Mr. Asmussen stated that speaking on behalf of Mr. James Nobles, the Legislative Auditor, they would prefer the present arrangement of having an external firm complete the financial and compliance auditing for the University. Mr. Laible stated that, in his opinion, there might be some instances of conflict of interest if the Legislative Auditor were the one conducting the auditing. In addition, Vice President Campbell stated that external firms often have areas of

expertise that are beneficial to the University other than just auditing.

After further discussion, a motion was made and seconded that the Board of Regents continue its policy of having external audits performed by one of the Big Eight accounting firms.

The committee voted unanimously to recommend approval of the motion.

SELECTION OF EXTERNAL AUDITOR

The committee then addressed the selection of an external auditor for the next five years. Mr. Spellacy presented a timetable that might be used if the Board decided to make a change in auditing firms. The committee engaged in a discussion of the concept of rotating external auditors. Mr. Laible commented that auditor rotation exists primarily in the government sector, while the private sector tends to favor retention of one audit firm. He stated that state audit agencies do not believe that auditor rotation produces better audit quality. He elaborated that the primary reason for government sector rotation is a result of the nature of the political process and that an additional reason for rotation would be to "test the waters" with regard to pricing. He stated that he feels that entities that rotate for reasons other than quality or value run a risk of inadequate service.

In addition, he stated that in the case of the University of Minnesota, he believes a decision to change auditors after 1989 could be detrimental to the University. He stated that the current engagement team has a tremendous depth of knowledge regarding University operations and what has transpired during the past year (for example, reports issued by the internal auditor, the Legislative Auditor, the Governor's Commission, the President's Task Force and the Board of Regents' Audit Committee). He estimated that it might cost the University over \$50,000 just for the time to reread the pertinent documents, not to mention the internal costs associated with providing the reports and making key personnel available for interview.

Regent Kuderer asked Mr. Asmussen if the Legislative Auditor's Office had any comments. Mr. Asmussen stated that there was no strong preference from the Legislative Auditor's Office. Mr. Spellacy stated that he felt there were advantages and disadvantages and feels that whatever

is best for the University should be considered. The committee discussed the issue at some length and Regent Lebedoff stated that he was not prepared to vote on the item at this time. Regent Kuderer then moved to table the discussion. The committee voted unanimously to table the discussion.

DEPARTMENT OF AUDITS - BUDGET REQUEST

Mr. Spellacy presented a proposed budget request for additional audit resources. He explained the needs of the Audit Department in detail and reported that the Department would need an additional \$160,000 for permanent needs and \$90,000 for one-time needs. After discussion, the committee voted unanimously to recommend that the University Administration amend the 1989-90 Legislative Request to include the \$250,000 for additional audit resources.

OPERATING GUIDELINES, MEETING DATES AND PERMANENT AGENDA ITEMS

The committee voted unanimously to recommend approval of the operating guidelines, meeting dates and permanent agenda items which was presented by Mr. Spellacy.

REPORT ON SAN DIEGO CONFERENCE

Regent McGuiggan presented a brief update on Peat Marwick's Second Annual Conference for College and University Administrators which he attended in San Diego on November 14 and 15, 1988.

OLD BUSINESS

Regent McGuiggan asked that Mr. Spellacy set a goal for hiring all CPA's in the Audit Department in the future.

NEW BUSINESS

Regent McGuiggan requested that a follow-up audit of the Used Equipment Program be conducted. Mr. Spellacy stated that could be done and asked if the committee wished to amend the yearly Audit Plan to include a follow-up audit. A motion was made, seconded and the committee voted unanimously to recommend that the Audit Plan be amended to include a follow-up audit for the Used Equipment Program.

Regent McGuiggan also asked Mr. Spellacy to explain the process used by Property Accounting regarding the accountability of University Property.

The meeting adjourned at 5:10 p.m.


BARBARA MUESING, Secretary

Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Physical Planning & Operations Committee

January 12, 1989

A meeting of the Physical Planning and Operations Committee of the Board of Regents was held on Thursday, January 12, 1989, at 1:45 p.m. in Room 300, Morrill Hall.

Regents present: Regent Sahlstrom, presiding; Regents Anderson, Craig, Grahek, and Kuderer.

Staff present: President Hasselmo; Vice Presidents Allen, Campbell, Donohue, and Vanselow; Secretary Muesing; Associate Vice Presidents Hewitt and Thomas.

Student Representatives present: Randy Peterson and Brian Thalmann.

NEW BUSINESS

President Hasselmo spoke briefly to the committee alerting members that he will be presenting an item in February relating to the authorization for a feasibility study of the Athletic Facilities on the Twin Cities Campus which primarily would relate to Williams Arena and possible new construction of athletic facilities.

VICE PRESIDENT'S MONTHLY REPORT

The committee voted unanimously to recommend approval of the Vice President's Monthly Report for January 1989.

PURCHASE OF GOODS/SERVICES OVER \$250,000

The committee voted unanimously to recommend approval of a resolution authorizing the appropriate

staff to award pending purchases/contracts over \$250,000 identified in the docket material.

UPDATE ON IMPLEMENTATION OF LEGISLATIVE AUDIT RECOMMENDATIONS

Associate Vice President Thomas and Mr. Charles Bailey, Director of Physical Plant, provided an update on how Physical Plant has proceeded in its plan to implement recommendations contained in the 1988 Legislative Audit Report on Physical Plant Operations.

Mr. Thomas reported that 58 recommendations were contained in the Audit Report, 44 of which were open for direct action by Physical Plant Operations (PPO), 9 of which require Board or Presidential action and 5 of which were rejected by PPO. He reported that of the 44 recommendations which were open for direct action by PPO, 31 (70%) were implemented by January 12, 1989.

Mr. Thomas reviewed each recommendation which was rejected by PPO and explained in detail the reasons the recommendation was rejected.

He further reviewed all recommendations which require action outside of PPO and provided a status on each.

Mr. Thomas reported that the Legislative Auditor's Office has been kept apprised of the progress for implementation of the recommendations contained in the Audit Report.

MIDDLEBROOK HALL, ROOM HEATING AND COOLING IMPROVEMENTS, TWIN CITIES CAMPUS

The committee voted unanimously to recommend approval of a resolution authorizing the design and construction required to complete the Middlebrook Hall Room Heating and Cooling Improvement Project located on the Twin Cities Campus. Estimated cost of the project was reported to be \$1,325,850 with funding to be provided from Housing - Support Services and Operations and an estimated completion date of September 1989.

**PCB ELECTRICAL EQUIPMENT RETIREMENT
PHASE II, TWIN CITIES AND MORRIS CAMPUS**

The committee considered action on a resolution authorizing the design and construction required to complete Phase II of the PCB Electrical Equipment Retirement Project located on the Twin Cities and Morris Campuses. Estimated cost of the project was reported to be \$1.4 million and to be provided from the Reserve Spending Plan with an estimated completion date of September 1990.

Regent Kuderer stated that he was concerned with the September completion in order to meet the federal mandate for removal of the equipment by October 1, 1990 and moved to change the completion date to August 1990. The committee voted unanimously to accept the change of completion date and then voted unanimously to recommend approval of the resolution authorizing the administration to proceed with the project.

**ROSEMOUNT RESEARCH CENTER, DAKOTA COUNTY
TECHNICAL INSTITUTE LEASE AND OPTION**

The committee voted unanimously to recommend approval of a resolution authorizing the execution of a lease with the Dakota County Technical Institute (DCTI) covering its use of land at the Rosemount Research Center for 10 years plus two 5-year options, and an option to purchase 105 acres at the Center provided Rosemount is not selected as a site for a new Minneapolis/St. Paul area airport.

**PURCHASE OF PROPERTY AT 601, 603, 605, AND 609
OAK STREET SOUTHEAST, MINNEAPOLIS, MINNESOTA
AUTHORITY TO NEGOTIATE**

The committee voted unanimously to recommend approval of a resolution authorizing the appropriate administrative officers to proceed with negotiations to purchase the property located at 601, 605 and 609 Oak Street Southeast, Minneapolis, Minnesota.

**SNYDER HALL, ALTERATIONS TO ROOMS 322A AND 328
TWIN CITIES CAMPUS**

The committee reviewed for information a resolution that would authorize the appropriate administrative

officers to proceed with alterations to Rooms 322A and 328 in Snyder Hall on the Twin Cities Campus. It was reported that the basis for this request was to provide research space for a new tenured faculty member and research staff in the Institute for Advanced Studies in Biological Process Technology. The estimated cost of the project was reported to be \$207,000 with funding to be provided from a special state appropriation and the Bio-Process Technology Institute. Estimated completion was reported to be October 1989.

The meeting adjourned at 3:00 p.m.


BARBARA MUESING, Secretary

Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Legislative Committee

January 12, 1989

A meeting of the Finance & Legislative Committee of the Board of Regents was held on Thursday, January 12, 1989 at 3:15 p.m. in Room 300, Morrill Hall.

Regents present: Regent Anderson, presiding; Regents Kuderer, Lebedoff, McGuiggan, and Moore.

Staff present: Vice Presidents Allen, Donohue, Campbell, and Heydinger; Secretary Muesing; Investment Director Paschke; Chancellors Imholte and Sargeant.

Student Representatives present: Alice Pegel and Sarah Schloegel

VICE PRESIDENT'S MONTHLY REPORT

The committee voted unanimously to recommend approval of the Vice President for Finance Monthly Report for January 1989.

GLOBAL CUSTODIAN CONSORTIUM

The committee voted unanimously to authorize the University to participate in the Global Custody Consortium headed by Harvard Management Company of Harvard University, and that up to \$65,000 may be committed to cover the University's portion of costs to establish the consortium.

PROPOSED DEBT GUIDELINES

The committee voted unanimously to recommend approval of the following guidelines to be used to govern the issuance of debt by the University of Minnesota:

1. Debt shall be incurred only for capital improvements and equipment purchases.
2. Bonded indebtedness shall generally be incurred only for the capital needs of self-supporting operations such as auxiliary enterprises and telecommunications. Exceptions to the general rule shall have clearly identified a source of funds for repayment of the debt prior to any issuance. In all instances, the source and adequacy of debt service funds must be reasonably assured throughout the life of the bonds.
3. Total long-term indebtedness of the University shall not result in debt service exceeding 5% of unrestricted current funds revenue. However, it is recognized that the comparable limit used by the State of Minnesota currently is 3% of non-dedicated revenues. Therefore, since the University's debt rating is in part dependent on the financial stability of the State, the University will attempt to avoid significantly exceeding the comparable percentage guideline of the State.
4. In any debt issuance, emphasis shall be placed on the use of General Obligation bonds since such bonds typically result in the lowest overall cost of debt.
5. Variable rate instruments shall not exceed 75% of total long-term indebtedness.
6. The University shall attempt to manage its financial affairs in a manner consistent with the maintenance of the highest possible bond rating.

CENTRAL RESERVES REVIEW

Nicholas LaFontaine, Director of Budget Management, presented a summary of Central Reserves for fiscal year 1988-89 and information on probable future commitment against the Reserve. Mr. LaFontaine explained details of the summary and responded to questions posed by committee members.

Regent McGuiggan raised a question regarding the President's Commitments/Reserve which is a \$1 million item contained in the Central Reserves to be used at the President's discretion. He stated that he felt if the item were a part of the Central Reserves then it should be subject to the same guidelines that pertain to other items in the Central Reserves. Several Regents stated

that because it was a discretionary item, it should not have restrictions on how it is to be used. Regent McGuiggan stated that he supports the President having a discretionary fund, however, he feels that the fund should not come from Central Reserves. After a short discussion, it was suggested that the item come back to the committee for an amendment to the Guidelines for the Central Reserves which would exempt the President's Commitments/Reserve from those guidelines.

LEGISLATIVE UPDATE

Vice President Heydinger provided the committee with an update on the Governor's recommendations for the University's Biennial Request.

Included in his update were a copy of the visual aids that were used at community meetings held around the state during November and December relating to the 1989-1991 Biennial Request; a list of legislative events from January 12 through February 22 which are being held as information meetings regarding the University; and a copy of a new publication entitled "Legislative Network" which is being published by the Office of the Vice President for External Relations to inform interested alumni and friends about the University's legislative request and current legislative developments.

Vice President Heydinger also reported on a capital request item that will be submitted to the Legislature by the Community College system, on behalf of the Community College, State University, and University of Minnesota systems, requesting the financing of construction of a facility on the campus of the Rochester Community College. He stated that while it is not part of the University of Minnesota's request, the facility will be shared by the University of Minnesota, Winona State University and the Rochester Community College, with each system having approximately one-third of the space. The Rochester Community College will serve as building owner and provide facility management services under written agreements with the other systems.

ANNUAL FINANCIAL STATEMENT REVIEW

Vice President Carol Campbell distributed the Annual Report of the University of Minnesota for the year ended June 30, 1988. Vice President Campbell reviewed the financial statements contained in the report and responded to questions posed by members of the committee. In response to a request, Ms. Campbell stated that she would provide the committee with a five-year trend report

regarding items contained in the report as well as comparisons to other universities.

The meeting adjourned at 4:20 p.m.


BARBARA MUESING, Secretary

Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Educational Planning & Policy Committee

January 12, 1989

A meeting of the Educational Planning and Policy Committee of the Board of Regents was held on Thursday, January 12, 1989, at 1:40 p.m. in the Regents' Room, 238 Morrill Hall.

Regents present: Regent Casey, presiding; Regents Hilke, Lebedoff, McGuiggan and Moore.

Staff present: Vice Presidents Barbatsis and Clark; Secretary Muesing; Associate Vice Presidents Foster; Assistant Provost Bakkenist; Assistant Vice President Berg; Chancellors Frederick and Imholte.

Student Representatives present: David Minkkinen and Darrin Rosha.

Regent Casey introduced the two new Student Representatives to the Educational Planning & Policy Committee, David Minkkinen from the Duluth Campus and Darrin Rosha from the Twin Cities Campus, and invited them to participate in the committee's discussions.

VICE PRESIDENT'S MONTHLY REPORT

Vice President Clark presented the Vice President's Monthly Report to the committee for approval. She reviewed HECB-related items, and noted that Nancy Segal, a Research HECB Associate in the Department of Psychology, recently received a \$48,349 Career Advancement Award from the National Science Foundation for conducting research on "New Studies of Twins and Twin Relationships."

Dr. Clark also noted that a report entitled "Maintaining Minnesota's Educational Advantage: Preliminary Findings on Future Needs and Issues for Higher Education in Minnesota", prepared for the Minnesota Study of Post-Secondary Education Access and

Needs (M-SPAN 2000), was released in December. A brief discussion ensued regarding the M-SPAN Project, and Regent Moore stated that it should be discussed at a future meeting.

Following the discussion, the committee voted unanimously to recommend approval of the Vice President's Monthly Report.

FLIGHT TRAINING PROGRAM, ANOKA

The committee voted unanimously to recommend approval of the proposal to discontinue the Flight Training Program at Anoka, effective June 30, 1989.

REPORT ON THE COLLEGE OF LIBERAL ARTS

Dean Fred Lukermann and Associate Dean Craig Swan of the College of Liberal Arts (CLA) discussed the mission, programs and internal and external comparative data on trends in enrollment, staffing and budgetary support related to CLA. Dean Lukermann stated that a 1980 Committee on Undergraduate Education (Chambers Committee) set an agenda for CLA, and as a result the curriculum and the methods of evaluating competence and efficiency have been changed and are used to place students in the best position to succeed.

Dean Lukermann stated that the College has made major curriculum changes to prepare students for an increasingly international society by adopting new requirements in World Studies, American Cultural Pluralism and second language proficiency. He also noted a new emphasis on writing skills.

Dean Lukermann noted that CLA has been able to increase the quality of its programs and student retention, but stated that it will be difficult to continue that trend with limited resources. He expressed a concern that CLA has recently had more faculty retention problems, and suggested that there needs to be a strong signal to faculty in order to reverse this trend. He also expressed a concern that CLA students pay very high tuition in comparison with students in other units.

A lengthy discussion followed the presentation. Regent Hilke stated that the report illustrates that the University does not have sufficient resources to meet clearly identified needs, and he expressed a concern

about the Governor's proposed budget. He urged the Administration to convey the message to the Legislature that the University cannot provide quality programs without sufficient support for its core missions and activities.

Following the discussion, Regent Casey expressed appreciation to Dean Lukermann and Associate Dean Swan for their report. Regent McGuiggan suggested that a discussion of specific programs in CLA should be scheduled in February or March.

The meeting adjourned at 3:00 p.m.


BARBARA MUESING, Secretary

Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Faculty, Staff & Student Affairs Committee

January 12, 1989

A meeting of the Faculty, Staff and Student Affairs Committee of the Board of Regents was held on Thursday, January 12, 1989, at 3:20 p.m. in the Regents' Room, 238 Morrill Hall.

Regents present: Regent Hilke, presiding; Regents Casey, Craig, Grahek and Sahlstrom.

Staff present: Vice Presidents Barbatsis, Clark and Vanselow; Secretary Muesing; Assistant Provost Bakkenist; Chancellor Ianni.

Student Representatives present: Leslie Ball and Michael Holland.

Regent Hilke introduced the two new Student Representatives to the Faculty, Staff and Student Affairs Committee, Leslie Ball from the Crookston Campus and Michael Holland from the Twin Cities Campus, and invited them to participate in the committee's discussions.

VICE PRESIDENT'S MONTHLY REPORT

Vice President Clark presented the Vice President's Monthly Report to the committee for approval, including a supplement noting the appointment of Professor Carol Carrier as Assistant Vice President for Academic Affairs, effective January 16, 1989. Dr. Clark noted the resignation of Vice President Neal Vanselow and the appointment of Cherie Perlmutter as Acting Vice President for Health Sciences, effective February 1, 1989.

Professor Carrier addressed the committee. On behalf of the committee, Regent Hilke welcomed Dr. Carrier and stated that the Regents look forward to a good working relationship with her.

The committee voted unanimously to recommend approval of the Vice President's Monthly Report, including the supplement.

CIVIL SERVICE CLASS CHANGES

Roger Forrester, Director of the Personnel Department, presented the following Civil Service Class Changes to the committee for approval:

1) New Class No. 1917V, Manager, Computer Sales, \$2278-3753 (A17M), effective January 16, 1989.

2) New Class No. 8738V, Director, University Union, \$2446-4042 (A20Y), effective February 2, 1989.

3) Abolishment of the following classifications, effective February 1, 1989:

Class No. 8733V - Director, West Bank Union

Class No. 8734V - Director St. Paul Student Center

Class No. 8739V - Director, Coffman Union and Associate Director, Minnesota Unions

The committee voted unanimously to recommend approval of the Civil Service Class Changes.

MISCELLANEOUS CIVIL SERVICE ITEMS

Mr. Forrester introduced Pat Kindy, the new Chair of the Civil Service Committee. He noted that Ms. Kindy has been employed by the University for 18 years, and has been a member of the Civil Service Committee for three years. Ms. Kindy stated that she is looking forward to working with the Regents on issues of concern to Civil Service Employees.

Mr. Forrester distributed proposed outline for the Annual Report of the Personnel Department. He asked the Regents to review the outline, and noted that it will be discussed in detail at the February meeting.

HEALTH AND LIFE INSURANCE BENEFIT PLAN NON-DISCRIMINATION
UNDER SECTION 89 OF THE INTERNAL REVENUE CODE

Mr. Forrester stated that David Swanson, Director of the Employee Benefits Department, was not present at the meeting due to illness. He introduced Robert Fahnhorst, Operations Manager of the Employee Benefits Department, and stated that he would provide an overview of the provisions of Section 89 of the Internal Revenue Code and the potential effects of the legislation on the University employee benefits program.

Mr. Fahnhorst reported that Section 89 was devised by Congress to raise revenue by taxing the benefits of highly paid employees within an organization unless comparable benefits are provided to other employees. To avoid the tax consequences, employers must pass a series of complex tests on any one day during 1989, which will require extensive data gathering and analysis. He stated that the legislation applies to all employers in the public and private sector, and noted that few guidelines are currently available.

Mr. Fahnhorst discussed the potential effects of Section 89 on the University, including possible cost implications. He stated that the biggest issue facing the University is whether student employees who currently do not receive benefits must be included in the test to determine non-discrimination under the provisions of Section 89.

A lengthy discussion ensued. Mr. Forrester stated that he will keep the Board informed as they work to meet the challenges provided by Section 89.

The meeting adjourned at 4:00 p.m.


BARBARA MUESING, Secretary

Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Committee of the Whole

January 13, 1989

A meeting of the Committee of the Whole of the Board of Regents was held on Friday, January 13, 1989, at 8:40 a.m. in the Regents' Room, 238 Morrill Hall.

Regents present: Regent Lebedoff, presiding; Regents Anderson, Casey, Craig, Grahek, Hilke, Kuderer, McGuiggan, Moore and Sahlstrom.

Staff present: President Hasselmo; Vice Presidents Allen, Barbatsis, Campbell, Clark, Donohue, Heydinger and Vanselow; Secretary Muesing; Associate Vice Presidents Cross, Foster, Murthy and Perlmutter; Assistant Vice Presidents Berg; Chancellors Ianni, Imholte and Sargeant.

Student Representative present: Randy Peterson.

Regent Lebedoff introduced Randy Peterson, a new Student Representative from the Twin Cities Campus, who is the newly elected Chair of the group.

SUMMARY OF EXPENDITURES

The committee voted unanimously to recommend approval of the Summary of Expenditures for the Board of Regents' Office and the Office of the President for the period July 1, 1988 to September 30, 1988.

HONORS COMMITTEE REPORT

The committee voted unanimously to recommend approval of the recommendations of the All-University Honors Committee.

UMM STRATEGY FOR FOCUS PLAN

The committee voted unanimously to recommend approval of the University of Minnesota-Morris Strategy for Focus Plan.

GOVERNOR'S BLUE RIBBON COMMISSION REPORT

Regent Lebedoff introduced Edson Spencer, Chairman of the Governor's Blue Ribbon Commission on Financial Management of the University of Minnesota. He stated that it was valuable to have a group of distinguished Minnesotans review the financial management of the University, and he commended the Commission for seeking the counsel of three national higher education leaders, Dr. Harold Enarson, Dr. William Friday and Dr. Arthur Hansen.

Mr. Spencer summarized the recommendations of the Commission, including a redesign of the budget system, update financial policies and procedures, and immediate action on the Legislative Auditor's Report on Physical Plant Operations. He noted that the Commission was assisted by representatives of Coopers & Lybrand, Dr. James Brinkerhoff and Dr. William Massey, in addition to University staff members.

Mr. Spencer urged the Regents not to underestimate the time, cost and talent that will be needed to improve the University's computer based financial systems. He stated that it will take three to five years and cost millions of dollars to improve the system, however, it will do a lot to restore the University's credibility.

Mr. Spencer stated that at this time the Board of Regents has an excellent opportunity to leave a legacy that will help the University and the new President, and he challenged the Regents to:

- Leave a legacy of completed business for the new Board

- Establish a formal and continuing education program for Regents

- Develop and publish guidelines that describe the powers, duties and responsibilities of the President and the Regents

- Develop a system of reports that provide concise, policy-oriented directions for Board meetings

- Revise the format of background information for Regents' meetings and ensure that the agenda is structured so the Board is devoting its attention to policy issues

- Clarify the roles and responsibilities of the University's internal and external auditors

- Clarify the function of the Board of Regents' Audit Committee

- Set guideposts over the next three to five years to monitor the improvement of the University's information systems

- Challenge the University's administrative officers to look ahead to the future of the institution

A lengthy discussion ensued, particularly with respect to the role of Regents in University governance and the University audit functions. Mr. Spencer stressed the importance of the Board supporting the President once an issue has been debated and approved. Regent Anderson spoke in support of that concept.

With respect to the University's audit functions, Regent Kuderer stated that he feels the Regents' Audit Committee has functioned very well, and indicated that there are a number of positive things being done by the University. He noted that the biggest problem is the lack of management information systems, however, the University does not have the finances necessary to resolve the problem.

The Regents expressed appreciation to Mr. Spencer and the members of the Commission for their hard work on behalf of the University. Regent Moore challenged the Commission to assist the University in seeking funding from the Legislature to implement the recommendations in the report. Regent Lebedoff noted that although funds are needed for this purpose, it would be harmful if the funds are provided at the expense of the University's academic programs. Mr. Spencer stated that he has met with the Governor and Legislators on behalf of the University.

Following the discussion, Regent Lebedoff stated that responsibility for the University lies with the Board, and if the information flow to the Board is clear and consistent and the issues are clearly defined and backed by clear data, then the Board will make the right decisions. He expressed appreciation to Mr. Spencer and

the members of the Commission.

President Hasselmo stated that he is delighted to have the benefit of the Commission's analysis and recommendations. He thanked Mr. Spencer for the excellent work of the Commission, and stated that the best way the University can express its appreciation is by the actions that have been taken and that will be taken in the future.

PRESIDENT'S FINANCIAL REVIEW COMMITTEE

President Hasselmo led a discussion on the Report of the University Financial Review Committee, which was chaired by Interim President Sauer and included representatives from the Administration, the Legislature and other constituencies. The committee reviewed general policies and procedures for finance and governance, and worked to create credibility and trust that the University was going to address these issues.

A brief discussion ensued. Regent Moore noted that the Regents have discussed the implications of allowing the central reserves to fall below the \$40 million level. Dr. Hasselmo stated that is a very important issue because if the University does not receive adequate funding from the Legislature, the University will be forced to further deplete the reserve funds or proceed with internal reallocations. He asked the Regents for their support in relaying that message to the Governor and Legislature.

The meeting adjourned at 9:45 a.m.


BARBARA MUESING, Secretary

Year 1988-89

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

January 13, 1989

A meeting of the Board of Regents of the University of Minnesota was held on Friday, January 13, 1989, at 10:45 a.m. in the Regents Room, 238 Morrill Hall.

Regents present: Anderson, Casey, Craig, Grahek, Hilke, Kuderer, Lebedoff, McGuiggan, Moore, and Sahlstrom. President Hasselmo presided.

Staff present: Vice Presidents Allen, Barbatsis, Campbell, Clark, Donohue, Heydinger and Vanselow. Secretary Muesing; Associate Vice Presidents Cross, Foster, Murthy and Perlmutter; Chancellors Ianni, Imholte and Sargeant.

APPROVAL OF MINUTES

The Board of Regents voted unanimously to approve the minutes of the following meetings:

Special Meeting - Board of Regents -
November 30, 1988
Physical Planning & Operations Committee -
December 8, 1988
Finance & Legislative Committee -
December 8, 1988
Faculty, Staff & Student Affairs Committee -
December 8, 1988
Educational Planning & Policy Committee -
December 8, 1988
Committee of the Whole - December 9, 1988
Board of Regents - December 9, 1988

REPORT OF THE PRESIDENT

President Hasselmo presented a thorough report to the Board regarding his expectations and plans for the future.

He described 1988 as a troublesome year for the University with many controversies and a confusing array of issues and problems which left the University with a loss of trust and credibility. In addition, audits and management studies completed in the last year have provided constructive criticism and analyses and recommendations of which the University needs to respond.

He stated that he plans to address six areas of responsibility in the immediate future which include: accountability, managerial effectiveness, governance and administration, undergraduate education, research development, and public service and technology transfer.

He added that the University needs to make every effort to communicate and report on its progress regularly, fully and understandably and that he intends to take personal responsibility for producing the University's report card and for making sure it is available to all concerned. He stated that he intends to present a midquarter progress report on the six areas in March.

President Hasselmo also reported on several other items which included an update on the organizational structure which he is considering for his administration. He stated that he will bring forth a specific plan for the February meeting. He also reported that the search for the Vice President for Finance is in the final stages with interviews scheduled for two finalists shortly.

REPORT OF THE CHAIR

Chair Lebedoff reported briefly on several items which included: receptions held for departing Vice Presidents Vanselow and Wilderson; events hosted by Regents which have been held or will be held for legislators from their respective congressional districts; and a legislative hearing at which he testified.

Chair Lebedoff then called on Regent Kuderer who presented the employment agreement between the University and the President for action. The Board of Regents voted unanimously to approve the employment agreement between the University of Minnesota and President Nils Hasselmo. Documentation is filed supplement to the minutes, No. 22,085.

Regent Lebedoff further reported that the report from the Awards Committee will be presented in February for review with action scheduled for March. In addition,

the Board of Regents will be discussing governance questions at a retreat in February.

Regent Lebedoff concluded by announcing that he will not be a candidate for reelection to the Board of Regents when his term expires in February. He stated that it has been a privilege for him to serve on the Board for the past 12 years and that his love for the University will never be abated.

GIFTS

Vice President Heydinger presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation and the Minnesota Medical Foundation.

The Board of Regents voted unanimously to approve the gifts. Documentation is filed supplement to the minutes, No. 22,086.

CONTRACTS & GRANTS/APPLICATIONS & AWARDS

Vice President Clark submitted for approval the contracts & grants/applications & awards.

The Board of Regents voted unanimously to approve the contracts & grants/applications & awards.

Documentation is filed supplement to the minutes, No. 22,087.

Mr. John Thuente, Director of the Office of Patents and Licensing, presented information on a new research grant entitled "Early-Stage Technology Development Fund" which was sponsored in the amount of \$500,00 by the Blandin Foundation. The Early-Stage Technology Development Fund supports the development of commercially-viable discoveries emanating from faculty research and will enhance their commercial potential, in order to be licensed to existing companies, to be picked up by venture capitalists when creating new businesses or to be developed by local, community-based organizations.

REPORT OF THE COMMITTEE OF THE WHOLE

Regent Lebedoff, Chair of the committee, reported that the committee voted unanimously to recommend approval of the following actions:

- a) Approval of the Summary of Expenditures for the Board of Regents and the Office of the

President for the period July 1, 1988 through September 30, 1988.

- b) Approval of resolution re Honors Committee Report, as follows:

RESOLVED, that on the recommendation of the All-University Honors Committee and the President, the recommendations for Honorary Degrees are hereby approved.

Documentation is filed supplement to the minutes, No. 22,088.

- c) Approval of the University of Minnesota, Morris Strategy for Focus plan. Documentation is filed supplement to the minutes, No. 22,089.

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

Chair Lebedoff reported further that Mr. Edson Spencer, Chair of the Governor's Blue Ribbon Commission, appeared before the Board to provide a summary of the Commission's report and respond to comments posed by Board members.

In addition, Chair Lebedoff reported that the committee reviewed the Report of the University Financial Review Committee.

REPORT OF THE FINANCE & LEGISLATIVE COMMITTEE

Regent Anderson, Chair of the committee, reported that the committee voted unanimously to recommend approval of the following actions:

- a) Approval of the Vice President for Finance Report which includes Investments, Accounts Receivable, Property Accounting, and Miscellaneous - Finance & Investments. Documentation is filed supplement to the minutes, No. 22,090.
- b) Approval of resolution re Global Custody Consortium, as follows:

RESOLVED, that upon the recommendation of the Acting Vice President for Finance & Operations, the University is authorized to participate in the Global Custody Consortium headed by Harvard Management Company of

Harvard University. Up to \$65,000 may be committed to cover the University's portion of costs to establish the consortium.

- c) Approval of the proposed Debt Guidelines, as follows:
1. Debt shall be incurred only for capital improvements and equipment purchases.
 2. Bonded indebtedness shall generally be incurred only for the capital needs of self-supporting operations such as auxiliary enterprises and telecommunications. Exceptions to the general rule shall have clearly identified a source of funds for repayment of the debt prior to any issuance. In all instances, the source and adequacy of debt service funds must be reasonably assured throughout the life of the bonds.
 3. Total long-term indebtedness of the University shall not result in debt service exceeding 5% of unrestricted current funds revenue. However, it is recognized that the comparable limit used by the State of Minnesota currently is 3% of non-dedicated revenues. Therefore, since the University's debt rating is in part dependent on the financial stability of the State, the University will attempt to avoid significantly exceeding the comparable percentage guideline of the State.
 4. In any debt issuance, emphasis shall be placed on the use of General Obligation bonds since such bonds typically result in the lowest overall cost of debt.
 5. Variable rate instruments shall not exceed 75% of total long-term indebtedness.
 6. The University shall attempt to manage its financial affairs in a manner consistent with the maintenance of the highest possible bond rating.

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

Chair Anderson reported that the committee also was presented with a summary of the Central Reserves for fiscal year 1988-89; received a legislative update; and reviewed the Annual Financial Statements of the University. He further reported that the agenda items pertaining to Modification to Reserve Spending Plan/Office of External Relations and Shoreview Property were delayed.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Casey, Chair of the committee, reported that the committee voted unanimously to recommend approval of the following actions:

- a) Approval of the Vice President's Monthly Report for December 1988. Documentation is filed supplement to the minutes, No. 22,091.
- b) Approval of resolution re Flight Training Program, Anoka, as follows:

RESOLVED, that the recommendation to discontinue the Anoka Flight Training Program as presented to the Board of Regents for information at their meeting of December 1988 be approved.

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

Chair Casey reported that the committee also received a presentation by Dean Lukermann and Associate Dean Swan of an in-depth profile of the College of Liberal Arts.

REPORT OF THE FACULTY, STAFF & STUDENT AFFAIRS COMMITTEE

Regent Hilke, Chair of the committee, reported that the committee voted unanimously to recommend approval of the following action:

- a) Approval of resolution re Vice President's Monthly Report, as follows:

RESOLVED, that on the recommendation of the Vice President for Academic Affairs, the personnel actions affecting Academic and Professional and Administrative faculty and

staff members as listed in the Vice President's Monthly Report including the added amendments presented at the meeting. Documentation is filed supplement to the minutes, No. 22,092.

- b) Approval of the Civil Service Class Changes as presented to the committee and filed supplement to the minutes, No. 22,093.

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

Chair Hilke reported that the committee also received an intensive overview of the Health and Life Insurance Benefit Plan Non-Discrimination under Section 89 of the Internal Revenue Code. In addition, he reported that the new Chair of the Civil Service Committee was also introduced at the meeting.

REPORT OF THE PHYSICAL PLANNING & OPERATIONS COMMITTEE

Regent Sahlstrom, Acting Chair of the committee, reported that the committee voted unanimously to recommend approval of the following actions:

- a) Approval of the Monthly Report of the Vice President for Finance, which included Purchasing, Project Status Report, and Miscellaneous - Physical Planning & Operations. Documentation is filed supplement to the minutes, No. 22,094.
- b) Approval of resolution re Purchase of Goods/Services Over \$250,000, as follows:

RESOLVED, that on the recommendation of the Interim President and the Acting Vice President for Finance and Operations, the appropriate staff are authorized to award pending purchases/contracts over \$250,000.

Documentation is filed supplement to the minutes, No. 22,095.

- c) Approval of resolution re Middlebrook Hall, Room Heating and Cooling Improvements, as follows:

RESOLVED, that on the recommendation of the President and the Acting Vice President for Finance and Operations, the appropriate administrative officers are authorized to proceed with the design and construction required to complete the Middlebrook Hall Room Heating and Cooling Improvement Project on the Twin Cities Campus.

- d) Approval of resolution re PCB Electrical Equipment Retirement - Phase II, Twin Cities and Morris Campuses, as follows:

RESOLVED, that on the recommendation of President and the Acting Vice President for Finance and Operations, the appropriate administrative officers are authorized to proceed with the design and construction required to complete Phase II of the PCB Electrical Equipment Retirement Project located on the Twin Cities and Morris Campuses. Completion of the project would be scheduled for August 1990.

- e) Approval of resolution re Rosemount Research Center, Dakota County Technical Institute Lease and Option, as follows:

RESOLVED, that on the recommendation of the President and the Acting Vice President for Finance and Operations, the appropriate administrative officers are authorized to execute a lease with the Dakota County Technical Institute (DCTI) covering its use of land at the Rosemount Research Center for 10 years plus two 5-year options, and an option to purchase 105 acres at the Center provided Rosemount is not selected as a site for a new Minneapolis/St. Paul area airport.

- f) Approval of resolution re Purchase of property on Oak Street S.E., Minneapolis, Authority to Negotiate, as follows:

RESOLVED, that on the recommendation of the President and the Acting Vice President for Finance and Operations, the appropriate administrative officers are authorized to proceed with negotiations to purchase the property located at 601, 603, 605 and 609 Oak Street Southeast, Minneapolis, Minnesota.

The Board of Regents voted unanimously to approve the recommendation of the Physical Planning and Operations Committee.

Chair Sahlstrom also reported that the committee received an update on the progress of the implementation of recommendations contained in the 1988 Legislative Audit Report on Physical Plant Operations and reviewed a resolution that would authorize alterations to rooms in Snyder Hall on the Twin Cities Campus. In addition, he reported that President Hasselmo briefed the committee on an item relating to a request to authorize a feasibility study of athletic facilities which will be presented to the committee in February.

REPORT OF THE AUDIT COMMITTEE

Regent Kuderer, Chair of the committee, reported that the committee met on January 5, 1989. He stated that the committee was presented with the University of Minnesota Financial Statement for the period ended June 30, 1988 and was reviewed in detail by representatives from the audit firm, Peat, Marwick & Main. In addition, he reported that the committee received a status report from Peat, Marwick & Main on external audits which the firm was conducting.

Chair Kuderer reported further that the committee received an internal audit status report from Patrick Spellacy, Director of Audits and that the committee recommended the following audits be referred to the Compliance Officer:

- Office of Minority and Special Student Affairs
- University of Minnesota Hospital and Clinic
- Bursar
- Radio Stations (required by the Corporation for Public Broadcasting)
- Biological Sciences (follow-up)

He further reported that the committee discussed the University's policy to use outside private firms for external financial and compliance auditing and that the committee recommends that the Board of Regents continue its policy of having external audits performed by one of the Big Eight accounting firms.

He reported that the committee addressed the selection of an external auditor for the next five years and stated that the discussion had been tabled until the next meeting of the committee.

Regent Kuderer reported that the committee reviewed the Department of Audits budget request and recommends that the University Administration amend the 1989-90 Legislative Request to include \$250,000 for additional audit resources. He stated that in addition, the committee reviewed the operating guidelines, meeting dates and permanent agenda items for the committee and recommends its approval. He stated that Regent McGuiggan presented a brief update on Peat Marwick's Annual Conference for College and University Administrators and that one item of new business was brought up relating to a follow-up audit of the Used Equipment Program and that the committee recommends the Audit Plan be amended to include a follow-up audit for the program.

Regent Kuderer stated that all recommendations from the Audit Committee will be before the Board for action at the February meeting.

The meeting adjourned at 12:15 p.m.


BARBARA MUESING, Secretary

