

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

May 10, 2002

A meeting of the Board of Regents of the University of Minnesota was held on Friday, May 10, 2002 at 9:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Mark Yudof; Chancellor Donald Sargeant; Executive Vice President and Provost Robert Bruininks; Senior Vice President Frank Cerra; Vice Presidents Tonya Moten Brown, Carol Carrier, Sandra Gardebring, Christine Maziar, and Robert Jones; Interim Vice President Greg Fox; Executive Director Ann Cieslak; Associate Vice President Richard Pfitzenreuter.

APPROVAL OF MINUTES

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

Educational Planning & Policy Committee - April 11, 2002

Facilities Committee - April 11, 2002

Faculty, Staff & Student Affairs Committee - April 11, 2002

Finance & Operations Committee - April 11, 2002

Board of Regents - April 11, 2002

Board of Regents - April 12, 2002

Litigation Review Committee - April 15, 2002

REPORT OF THE PRESIDENT

President Yudof's report to the Board focused on the positive accomplishments relating to intercollegiate athletics. He noted steps that have been taken to resolve the financial issues facing intercollegiate athletics, the support received from the alumni association and the community, and the strong coaching staff. He added that he is confident the searches for an athletic director and a new coach for women's basketball will yield strong candidates. He believes the University is setting the groundwork for increased competitive athletic success, academic performance, gender equity, and financial stability for the athletics programs in the years ahead.

Yudof also reported briefly regarding the proposal for the University to purchase telescope time at the Mount Graham Observatory in Arizona. He stated that University representatives are currently consulting with Native American students, as well as representatives of the Native-American communities of Minnesota and Arizona. There are a number of issues that need to be explored before proceeding.

REPORT OF THE CHAIR

Chair Reed reported that the Ad Hoc Committee on Outreach held its final meeting on May 9, 2002. A final report will be given to the Board in June.

Reed reported on a number of recent events in which individual Regents participated, including meetings with the faculty governance and alumni association leadership. The Board also hosted a dinner for the Alumni Association National Board of Directors and celebrated the 100th year of the *Minnesota* magazine.

The chair reported that the President's annual performance review is in progress. Several meetings will be held during the next month with a report to the Board at the June 2002 meeting.

Finally, Reed extended congratulations to the graduates of all University colleges and schools and thanked Board members for their participation in conferring degrees at the ceremonies.

RECEIVE AND FILE REPORTS

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

GIFTS

Assistant Vice President Judy Kirk presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through March 31, 2002, as presented in the docket material and on file in the Board Office.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the receipt of gifts as presented.

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Regent Reed stated that the Report of the All-University Honors Committee was forwarded to the Board of Regents from President Yudof on April 25, 2002.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Report of the All-University Honors Committee. A copy of the report is on file in the Board Office.

APPOINTMENT OF REGENTS PROFESSOR

President Yudof reported that the Regents Professor Nominating Committee forwarded a recommendation to the Board of Regents on April 19, 2002. He recommends approval of the recommendation.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the recommendation of the Regents Professor Nominating Committee.

REPORT OF THE FACULTY, STAFF,

& STUDENT AFFAIRS COMMITTEE

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

- (a) Approval of the Consent Report for the Faculty, Staff & Student Affairs Committee as presented to the committee and described in the May 9, 2002 committee minutes.

(b) Approval of a resolution relating to beverage service on the Minnesota Centennial Showboat, as follows:

WHEREAS, the Minnesota Centennial Showboat is scheduled to open July 4, 2002 at its permanent location at Harriet Island in downtown St. Paul; and

WHEREAS, the Showboat will serve as a premier summer performing venue for the University theatre community and as a popular public facility throughout the year; and

WHEREAS, events at the Showboat will include academic, cultural, and entertainment programming for the general public; and

WHEREAS, the University wishes to provide more entertainment opportunities on the Showboat, offering broad and balanced programming to a diverse community; and

WHEREAS, entertainment programming on the Showboat, as well as the rental and use of the Showboat as a facility for non-University sponsored public and private events, would be disadvantaged relative to other venues due to the absence of the sale of alcoholic beverages that the wider public has come to expect at such events; and

WHEREAS, the University is committed to policies promoting the safe and responsible consumption of alcohol.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents of the University of Minnesota approves an exemption to the Board of Regents Policy: *Alcoholic Beverages on Campus*, to allow sale of alcoholic beverages on the Showboat in conjunction with public and private entertainment events; provided, however, that (1) such sale shall be pursuant to a valid license obtained by the Padelford Packet Boat Company or other qualified operator, which shall be exclusively responsible for liquor liability insurance and full compliance with all applicable laws; and (2) no such sale shall occur at events arranged by, or marketed principally to, students or student groups.

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

Metzen reported that the committee reviewed a Public Safety Organization Report for the Twin Cities campus; the Student Diversity Report; and engaged in a discussion on recreational and club sports programs on the Twin Cities campus. The committee also reviewed information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent O'Keefe, Chair of the committee, reported that the committee voted unanimously to recommend:

(a) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the May 9, 2002 committee minutes.

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

O'Keefe reported that the committee continued its discussions from the May 2002 meeting on the University's investment strategy and reserves strategy, and received a semi-annual investment consultant report from Cambridge Associates.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

(a) Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the May 9, 2002 committee minutes.

(b) Approval of a resolution relating to the Application for Designation of the School of Public Health as an OSHA Training Institute Education Center, as follows:

WHEREAS, the University of Minnesota, School of Public Health has been a leading regional provider of occupational safety and health education for over 25 years, training over 40,000 people through the continuing education and outreach efforts of the Midwest Center for Occupational Health and Safety (Center) located in the School of Public Health; and

WHEREAS, the Center, as part of a consortium, applied for and was designated as a regional OSHA Training Institute Education Center; and

WHEREAS, the School again seeks this designation as part of a regional consortium led by the University of Cincinnati and to include Eastern Michigan University and the United Auto Workers; and

WHEREAS, designation of the University of Minnesota as an OSHA Training Institute Education Center is an important part of providing education and outreach services to the businesses and industries that the University serves.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents of the University of Minnesota approves the submission of an application to OSHA on behalf of the University of Minnesota by its School of Public Health, Midwest Center for Occupational Health and Safety, to become, as part of a consortium led by the University of Cincinnati, an OSHA Training Institute Education Center.

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

Hogan reported that the committee reviewed information on tuition, scholarships, and financial aid; received a report on patents and technology; and reviewed information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

Regent Baraga, Chair of the committee, reported that the committee voted by a majority to recommend:

- (a) Approval of the schematic plans for the Washington Avenue Bus shelters and of the appropriate administrative officers proceeding with the award of contracts and the development of construction documents and construction.

A motion was made and seconded to approve the recommendation of the Facility Committee.

Baraga reported that concerns were raised regarding the design of the shelter and whether it will detract from the view down the Northrop Mall. It was noted that other shelter locations were explored but none were acceptable. In answer to a question, Interim Vice President Fox indicated that it is critical for action to be taken at this meeting in order to meet the timetable necessary for the bus shelter to open when Coffman Union reopens in October.

President Yudof indicated that he was not aware of the possible obstruction and would review the design again. He would request that the Board approve the schematic plans at this time and if, after review, he believes the design is not acceptable, he will bring it back to the Board.

In response to concerns, Fox provided details on the cost of the project.

After discussion, Board members agreed to proceed with the project with the understanding that President Yudof will bring the issue back to the Board if he does not believe the project should go forward. The Board of Regents voted unanimously to recommend approval of the schematic plans for the Washington Avenue Bus Shelters.

Baraga reported that the committee voted unanimously to recommend:

- (a) Approval of an amendment to the FY2002 Capital Budget by \$615,500 to incorporate additional funding for the Hockey-Tennis Facility located on the Twin Cities campus.

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

Baraga reported that the committee reviewed three real estate transactions: 1) sale of land by Cloquet Forestry Center; 2) purchase of Midwest Warehouse property at 1901 5th Street S.E., Minneapolis; and 3) a five year lease for the Department of Orthopaedic Surgery at the Fairview-University Medical Center. The committee reviewed a resolution to approve the Exterior Design Standards for the University of Minnesota Duluth; discussed a number of facilities issues relating to the University of Minnesota Duluth; reviewed the Environmental Regulation Compliance/Risk Assessment Follow-up Report; and reviewed the Quarterly Capital Improvement Plan Report. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE AUDIT COMMITTEE

Regent Bergland, Chair of the committee, reported that the committee received an overview of the external audit plan; reviewed policies and controls for procuring audit and non-audit services from the external auditor; received an internal audit update; and received a presentation on alternative investment strategies and methods used to monitor risk.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

REPORT OF THE NOMINATING COMMITTEE/

FAIRVIEW UNIVERSITY MEDICAL CENTER (FUMC) BOARD OF TRUSTEES

Regent Bohnsack, Chair of the Nominating Committee for the Fairview-University Medical Center (FUMC) Board of Trustees presented the report of the committee and the following resolution for approval:

RESOLVED, that on the recommendation of the Board of Regents Nominating Committee for the Fairview-University Medical Center (FUMC) Board of Trustees, the following appointments are hereby approved:

Scott Giebink, M.D. Reappointed for a three-year term expiring May 2005

Mavis Brehm Appointed for a three-year term expiring May 2005

A motion was made and seconded and the Board of Regents voted unanimously to approve the resolution.

FY02-03 ANNUAL CAPITAL IMPROVEMENT BUDGET

President Yudof presented the FY03 Annual Capital Improvement Budget for review as provided in the docket materials.

The FY03 Annual Capital Improvement Budget provides funding of \$302,638,000 for projects to begin design or construction during the next fiscal year. Financing for each project is detailed in the budget materials. The budget as presented includes the University's complete capital request currently being considered by the legislature. When the budget is presented for final approval, it will be adjusted to reflect the University capital request as approved and funded by the State.

It was noted that in order to improve the quality of capital project information, individual projects had to complete an appropriate level of initial planning and secure a qualified cost estimate before being included in the capital budget. The requirements may have caused the exclusion of some important projects from this capital budget. As necessary planning is completed, capital budget amendments will be recommended to the Board.

Yudof reported that the capital budget before the Board today is for projects that will be completed during FY03. A six-year

capital improvement plan will be presented in the Fall. He provided a brief description of the projects, indicating that 5 percent will be for programmatic remodeling, 36 percent for new construction and acquisition, and 58 percent for renewal, infrastructure, and code improvements.

The FY03 capital budget will be on the agenda for approval at the June 2002 meeting.

FY02-03 ANNUAL OPERATING BUDGET

President Yudof presented his proposed FY03 Annual Operating Budget for review as described in the docket materials and on file in the Board Office. Development of the budget was based on:

- An investment plan of \$67.6 million in the areas of 1) faculty and staff compensation (53 percent); 2) academic/compact initiatives (14 percent); 3) security (4 percent); 4) facilities and debt (13 percent); 5) technology (4 percent); and 6) other institutional financial requirements (12 percent).
- A recurring reduction of \$23.6 million to the previously authorized and anticipated state appropriation.
- A shared responsibility between the University (80 percent) and the students (20 percent) in funding the new budget shortfall of \$38.2 million created by the increased investment needs and reduced revenues.
- A resource plan for funding the University's share that includes: 1) partial funding of central unit salaries; 2) a modification in the planned faculty compensation increase; 3) a special 2 percent assessment on academic units; 4) reductions/delays in planned investments; and 5) an increase in central indirect cost recovery funds. The resource plan for the students' share involves an increase in tuition above what was previously planned.

Yudof reviewed the budget plan describing the investment areas and explaining the strategies for addressing the \$23.6 million loss in state funding and the \$14.6 million in new costs. The plan proposes a 16 percent increase in tuition for all Twin Cities undergraduate students, and an increase in the University fee from \$75 to \$150 per semester. To lessen the impact of the tuition increase on students, the plan includes an additional \$2 million in need-based grants and implementation of a 13-credit tuition band for Twin Cities undergraduate students. He reported that if the budget plan is adopted, the University of Minnesota will remain in the middle among Big Ten universities with regard to tuition and fees.

Allison Rhody, Chair of the Student Representatives, stated that student representatives are concerned about the increase in undergraduate tuition. They hope that tuition increases are accompanied by improvements in the quality and quantity of the services offered to the students. While it is acknowledged that financial aid has increased proportionately with tuition, it has varying impacts on students. As long as the decline in state support for public universities nationwide continues, the Student Representatives urge the Board to anticipate shortfalls in state allocations and develop budgets in which excessive tuition increases will not be the solution to declining support.

In response to a question from Regent Hogan, President Yudof stated that need-based financial aid increased in FY02 \$1.7 million for a total of \$5.1 million. If the proposed budget is approved, it will increase to \$7.1 million.

Regent Keffeler asked if the proposed budget is in alignment with progress on the University's strategic investments. The President responded that investments are targeted in the areas where commitments have been made and that new money, including tobacco endowments, is focused on strategic priorities. He indicated he would provide the Board with additional information relating to this question.

Regent O'Keefe indicated that he would like the Board to engage in a future discussion regarding the University's overall strategy regarding tuition. He also referred to the 13-credit requirement and asked that a discussion be scheduled on a future agenda to assure the Board that students are receiving adequate advising on this new system.

The meeting adjourned at 12:02 p.m.

ANN D. CIESLAK

Executive Director and

Corporate Secretary

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