

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

February 14, 2003

A meeting of the Board of Regents of the University of Minnesota was held on Friday, February 14, 2003, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Maureen Reed, presiding; Anthony Baraga, Peter Bell, Frank Berman, Robert Bergland, Dallas Bohnsack, William Hogan, Jean Keffeler, Richard McNamara, H. Bryan Neel, David Metzen, and Lakeesha Ransom.

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

APPROVAL OF MINUTES

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

Educational Planning & Policy Committee - December 12, 2002
Facilities Committee - December 12, 2002
Faculty, Staff & Student Affairs - December 12, 2002
Finance & Operations Committee - December 12, 2002
Litigation Review Committee - December 12, 2002
Board of Regents - December 13, 2002
Board of Regents - December 13, 2002

REPORT OF THE PRESIDENT

President Bruininks provided an update on the enhanced productivity and service initiative introduced in the summer of 2002. He reviewed progress to date and talked about the importance of implementing this initiative in light of the pending financial issues facing the University.

Bruininks addressed the importance of communications during the budget process at the legislature. He encouraged supporters of the University when communicating to legislators to stress the value, impact, and contributions of the University;

to urge protection of the University's base budget; and to give the University administration the flexibility to make decisions about its budget strategically. He would urge that legislators be asked to reject some of the ideas that would take state resources needed for programs and infrastructure and put them into a new formula for financial aid.

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

REPORT OF THE CHAIR

Chair Reed reported that Regent Bell will be joining Regent Hogan in the working group with MnSCU trustees in planning metro higher education strategy.

Reed noted that the Board Office will be sharing in the University's budget reductions by exploring ways to trim the Board's operating expenses.

Reed reported that the selection of new Regents has been set at the legislature for March 3, 2003. If the date does not get changed, this will be the last meeting for Regents Bergland and Neel. She acknowledged their service and expressed appreciation for their dedication to the University of Minnesota. Regents Bergland and Neel spoke briefly about their tenure on the Board of Regents.

RECEIVE AND FILE REPORTS

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

GIFTS

Associate Vice President Gerald Fischer presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through December 31, 2002, as listed 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 from President Bruininks on January 27, 2003.

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

REPORT OF THE AUDIT COMMITTEE

Regent Bergland, Chair of the committee, reported that the committee reviewed the Annual Compliance Audit of Federal Award Programs (A-133); reviewed information contained in the external auditor's Management Letter; received information on the Sarbanes-Oxley Act of 2002; and received an internal audit update.

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 February 13, 2003 committee minutes.
- b) Adoption of Board of Regents Policy: Protection of Individual Health Information as follows:

PROTECTION OF INDIVIDUAL HEALTH INFORMATION

Subd. 1. Policy Statement. It is the policy and practice of the University of Minnesota (University) that individually identifiable health information gathered:

- (a) in the course of research conducted at the University; or
- (b) through the provision of health care by the University; or
- (c) in the course of health plan administration at the University

shall be protected in accordance with applicable state and federal law, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations.

Subd. 2. Delegation of Authority. The president or delegate shall administer and implement this policy, including the adoption and amendment of appropriate administrative policies and procedures.

Subd. 3. Application. The administrative policies and procedures implementing this policy shall apply to all University faculty members, employees, trainees, students, and volunteers who handle, transmit, receive, or have access to protected health information in the course of research conducted at the University, through provision of health care at the University, and in the course of health plan administration at the University.

Subd. 4. Review. The administrative policies and procedures implementing this policy shall be reviewed every 5 years pursuant to provisions established in those procedures and as necessary to comply with changes to the applicable state and federal laws.

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

Metzen reported that the committee received a presentation on faculty development titled "Enhancing Teaching Throughout the Career", and an update on employee health care benefits. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- a) Approval of the revised Consent Report for the Finance & Operations Committee as presented to the committee and described in the February 13, 2003 committee minutes.

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

Baraga reported that the committee received an overview of financial reports prepared for the Board and reviewed the Annual Insurance and Risk Management Report. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

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

- a) Approval of a resolution authorizing that the appropriate administrative officers receive authorization to

execute the appropriate documents providing for Acquisition by Eminent Domain of McLaughlin Gormley and King (MGK) Company Property, 1715-5th Street S.E., Minneapolis (Twin Cities campus) as follows;

WHEREAS, the Board of Regents is empowered to acquire property using eminent domain pursuant to Minn. Stat. € 137.02, subd. 3;

WHEREAS, in fall 2002, the University of Minnesota opened a new facility for ice hockey and tennis ("Hockey/Tennis Facility") on its Minneapolis Campus. In order to complete the Hockey/Tennis Facility, the University must construct four outdoor tennis courts;

WHEREAS, at its November 2002 meeting the Board of Regents considered Phase I of the Sports Fields and Facilities District Plan for the Twin Cities Campus ("the Plan"), a copy of which is on file with the Board of Regents office. At its December 2002 meeting the Board of Regents approved the Plan and it is incorporated by reference into this Resolution. The area covered by the Plan is reflected in the drawing attached to this Resolution as Exhibit A;

WHEREAS, the Plan reflects an immediate need for a greater number of sports fields and facilities on the Twin Cities campus to enhance campus life;

WHEREAS, property owned by McLaughlin Gormley & King Company, described in Exhibit B to this Resolution, is located within the area encompassed by the Plan ("MGK Property"), and specifically where the University needs to construct the four outdoor tennis courts for the Hockey/Tennis Facility;

WHEREAS, the University of Minnesota 1996 Twin Cities Campus Master Plan identifies the area owned by MGK as an area for expansion of sports fields and facilities;

WHEREAS, there are funds in the Hockey/Tennis Facility budget for the construction of the outdoor tennis courts necessary to complete the Hockey/Tennis Facility;

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED:

1. There is an immediate public need for the University to acquire the properties described in Exhibit B, the MGK Property. The legal description of the property to be acquired as set forth on Exhibit B to this Resolution may be modified based on surveys obtained by the University in the course of the eminent domain proceedings. The legal description on Exhibit B reflects the most accurate information the University has been able to obtain without access to the property.
2. Acquisition of the MGK Property is necessary so that the University may complete the Hockey/Tennis Facility and implement the Plan.
3. The appropriate administrative officers are authorized to commence eminent domain proceedings pursuant to Minnesota law, for the purpose of acquiring fee simple absolute title to, and possession of, as soon as may be allowed by law, the

MGK Property.

b) Approval of a resolution authorizing that the appropriate administrative officers receive authorization to execute the appropriate documents providing for Acquisition by Eminent Domain of approximately 2.4 acres of Union Pacific Railroad property, Minneapolis (Twin Cities campus):

WHEREAS, the Board of Regents is empowered to acquire property using eminent domain pursuant to Minn. Stat. § 137.02, subd. 3;

WHEREAS, at its November 2002 meeting the Board of Regents considered Phase I of the Sports Fields and Facilities District Plan for the Twin Cities Campus ("the Plan"), a copy of which is on file with the Board of Regents office. At its December 2002 meeting the Board of Regents approved the Plan and it is incorporated by reference into this Resolution. The area covered by the Plan is reflected in the drawing attached to this Resolution as Exhibit A;

WHEREAS, the Plan reflects an immediate need for a greater number of sports fields and facilities on the Twin Cities campus to enhance campus life;

WHEREAS, property owned by Union Pacific Railroad, described in Exhibit B to this Resolution, is partially located within the area encompassed by the Plan ("UP Property"). The University uses the UP Property for snow storage, and has been so using the property since November 1, 1998. The University continues to need the portion of UP Property that extends beyond the Plan for snow storage;

WHEREAS, the University of Minnesota 1996 Twin Cities Campus Master Plan identifies the area owned by UP as an area for expansion of sports fields and facilities;

WHEREAS, in November 2002 and after approval from the Board of Regents, the University acquired the area within the Plan known as the Midwest Warehouse Property;

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED:

1. There is an immediate public need for the University to acquire the property described in Exhibit B, UP Property. The legal description of the property to be acquired as set forth on Exhibit B to this Resolution may be modified based on surveys obtained by the University in the course of the eminent domain proceedings. The legal description on Exhibit B reflects the most accurate information the University has been able to obtain without access to the property.
2. Acquisition of the UP Property is necessary so that the University may implement the Plan on Parcel A and, as to Parcel B (the portion of the UP Property lying outside the Plan area), secure its continued use by the University for snow storage and other purposes.

3. The appropriate administrative officers are authorized to commence eminent domain proceedings pursuant to Minnesota law, for the purpose of acquiring fee simple absolute title to, and possession of, as soon as may be allowed by law, the UP Property.

c) Approval that the appropriate administrative officers receive authorization to execute the appropriate documents providing for the following real estate transaction:

- Acquisition of 50.21 acres, Carlton County (Cloquet Forestry Center).

d) Approval of a resolution authorizing that the appropriate administrative officers receive authorization to execute the appropriate documents providing for Acquisition by Eminent Domain of Lorraine Larson property at 545 Oak Street S.E., Minneapolis, (Twin Cities campus):

WHEREAS, the Board of Regents is empowered to acquire property using eminent domain pursuant to Minn. Stat. § 137.02, subd. 3;

WHEREAS, at its November 2002 meeting the Board of Regents considered Phase I of the Sports Fields and Facilities District Plan for the Twin Cities Campus ("the Plan"), a copy of which is on file with the Board of Regents office. At its December 2002 meeting the Board of Regents approved the Plan and it is incorporated by reference into this Resolution. The area covered by the Plan is reflected in the drawing attached to this Resolution as Exhibit A;

WHEREAS, the Plan reflects an immediate need for a greater number of sports fields and facilities on the Twin Cities campus to enhance campus life;

WHEREAS, property owned by Lorraine Larson, described in Exhibit B, is located within the area encompassed by the Plan ("Larson Property");

WHEREAS, the University of Minnesota 1996 Twin Cities Campus Master Plan identifies the area owned by Lorraine Larson as an area for expansion of sports fields and facilities;

WHEREAS, in November 2002 and after approval from the Board of Regents, the University acquired the area within the Plan known as the Midwest Warehouse Property;

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED:

1. There is an immediate public need for the University to acquire the property

described in Exhibit B, Larson Property. The legal description of the property to be acquired as set forth on Exhibit B to this Resolution may be modified based on surveys obtained by the University in the course of the eminent domain proceedings. The legal description on Exhibit B reflects the most accurate information the University has been able to obtain without access to the property.

2. Acquisition of the Larson Property is necessary so that the University may implement the Plan.

3. The appropriate administrative officers are authorized to commence eminent domain proceedings pursuant to Minnesota law, for the purpose of acquiring fee simple absolute title to, and possession of, as soon as may be allowed by law, the Larson Property.

Regent Berman indicated that there is an immediate need for approval of the three real estate transactions pertaining to eminent domain proceedings. The University of Minnesota needs this land to implement the Sports Fields and Facilities District Plan Phase I to remain competitive with its peer institutions.

Regent Baraga stated that the use of eminent domain should not be taken lightly. The committee studied this issue at length and believes this is the action that should be taken given the immediate needs of the University and because there are no businesses on the land that will be displaced.

Neel also noted that negotiations will continue with the owners of the properties and that the eminent domain proceedings will be the last option.

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

Neel reported that the committee reviewed two proposed capital budget amendments relating to the Molecular & Cellular Biology building on the Twin Cities campus and the Visitor Center, Phase II project, at the Minnesota Landscape Arboretum in Chanhassen, Minnesota. The committee reviewed information on the St. Paul Chiller Plant; the Quarterly Capital Improvement Plan Report for the 2nd quarter of FY03; and information on the potential impact the proposed Mississippi Whitewater Park will have on University property. The committee also reviewed a number of information items as described in the docket materials.

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 February 13, 2003 committee minutes.

b) Approval of a resolution relating to submission of legislative accountability reports on academic priorities and post-secondary planning:

RESOLVED, that the Board of Regents of the University of Minnesota accepts for submission to

the Legislature the accountability reports on academic priorities and postsecondary planning.

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

Hogan reported that the committee received a presentation on graduation and retention strategies and received follow-up information on the Commission on Excellence Report. The committee also reviewed a number of information items as described in the docket materials.

Regent Berman stated he believes the Commission on Excellence is an important independent report about the University of Minnesota developed by a legislative mandate. He would urge the University use this report as a tool to address the budget issues with the legislature.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Neel, Chair of the committee, reported that the committee met on February 13, 2003 to discuss attorney-client privileged matters and no actions were taken at the meeting.

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Professor Daniel Feeney, Chair of the Faculty Consultative Committee (FCC) presented the FCC quarterly report as contained in the docket materials. The report provided a summary of the ongoing and emerging initiatives of the FCC.

UNIVERSITY PLAN, PERFORMANCE AND ACCOUNTABILITY REPORT

A motion was made and seconded to approve the following resolution relating to the University Plan, Performance, and Accountability Report for 2002-03:

WHEREAS, the President and the Board of Regents are entrusted with the responsibility to be good stewards of the public trust, resources, and facilities; and

WHEREAS, it is the responsibility of the Board of Regents, in cooperation with the President, to articulate the directions and priorities of the institution; identify and analyze the critical issues and challenges confronting the University; assess its operations; and evaluate the performance and success of its colleges and campuses; and

WHEREAS, it was resolved that the University Plan, Performance, and Accountability Report (Plan) shall

include the priorities of the institution; statistical profiles of the University at the campus level; selected statistics related to system trends; University-wide strategies to achieve goals; summaries of accomplishments and investments; progress in the Institutional Measures; and summaries of special institutional studies and reports; and

WHEREAS, in December 2002 the Educational Planning and Policy Committee reviewed the Plan 2002-03, including a new section on finances;

NOW, THEREFORE BE IT RESOLVED that the Board of Regents accepts the Plan 2002-03 as submitted by the administration.

Executive Vice President & Provost Maziar presented a brief overview of the 2002-03 University Plan, Performance, and Accountability Report (Plan) as presented in the docket materials. She reported that the Educational Planning & Policy Committee reviewed details of the Plan at their December 2002 meeting.

Maziar noted additions from the first Plan that was issued in December 2001 and indicated that in subsequent years the strategy will be to present a substantially revised version of the Plan every two years, followed by a data update the second year.

The Board of Regents voted unanimously to approve the resolution relating to the University Plan, Performance, and Accountability Report for 2002-03.

UPDATE: UNIVERSITY OF MINNESOTA 2002-2003 BUDGET ISSUES

President Bruininks provided an update on the status of recommended FY03 budget reductions by the state of Minnesota. He reported that the state of Minnesota is currently facing a \$356 million budget shortfall for the biennium ending June 30, 2003 and Governor Pawlenty has recommended a \$25 million reduction (unallotment) in the University's FY03 appropriation from the state. The administration developed a framework for implementing the \$25 million unallotment that will:

- Protect student financial aid/scholarships, debt & leases, and utilities;
- Assign the reduction based upon a proportional share of the budget while being cognizant of each unit's capacity to address the shortfall with the current fiscal year;
- Engage the entire University community in solving the challenge;
- Protect the University's core mission activities - those that most strongly enhance the University's capacity to serve students and advance knowledge; and
- Seek strategic, targeted opportunities to reduce costs and reshape activities in each unit.

The framework provides that each unit submit their planned reductions to the Executive Vice President & Provost for review to ensure that implementation is consistent with University priorities. He noted that every unit at the University will be taking budget reductions and the reductions were based on each unit's percentage of the University's budget it receives. A resolution regarding the proposed reduction plans will be presented to the Board of Regents at the March 2003 meeting for approval.

Bruininks also reported that the Governor is scheduled to announce his proposed 2004-05 state biennium budget on

February 18, 2003. It is anticipated that the University of Minnesota will lose a significant portion of its state funding for the biennium. Units have been advised as they address the \$25 million unallotment to prepare for the additional reductions that are anticipated in the 2004-05 biennium.

Regent Bell expressed concern that the Board is not being asked to act on the President's proposal for unallotment until the March meeting. Bruininks reported that communications were sent to units in January with information regarding the possible unallotment and were asked to begin to plan accordingly. While approval by the Board is not scheduled until March, many units have reductions already targeted.

Regents expressed concern that budget reductions made for the \$25 million unallotment be considered in isolation from the more significant cuts anticipated for the next two fiscal years.

Regent Keffeler stated that she believes the choices made regarding the \$25 million unallotment will begin to show trends and priorities for the future. She asked for assurance that the Board would have ample opportunity to discuss the University's priorities and principles as reductions and reallocations are proposed. Bruininks responded that he expects extended discussions on budget issues will be scheduled on the Board's agenda for the coming months. He would like the discussions to begin with building a framework for the University's values, strategies, and principles that would then lead to discussions regarding proposed tactics.

In answer to a question, President Bruininks stated that departments have been informed that they may use their reserves for one-time commitments but may not use reserves for any long-term adjustments.

Bruininks talked briefly about the budget framework for FY2004-2005. He reported that the administration will come back to the Board with a framework that has the goal of balancing the budget and investing in the future. The principles will reflect the importance of establishing, maintaining, and implementing academic priorities; maintaining support to improve productivity of faculty and staff; assisting students to realize their educational goals; and building and maintaining an infrastructure that will enhance academic excellence and accountability. Strategies to address the principles will be included in the framework for discussion in March. Academic investments, target allocations and eliminations, reduction of costs, reallocations, and consolidations are among tools that will be considered.

Alison Rhody, Chair of the Student Representatives, spoke about the University's budget issues. She stated that the Student Representatives support the President's decision to make phase one cuts across the board, with the stipulation that in the future, some areas and campuses that are less capable of absorbing budget cuts be kept in mind. They would urge that the budget decisions made at this time not compromise the values, priorities, and overall mission of the University. Lastly, they would encourage the administration to continue to find creative, assertive ways to not only maintain but increase the level of student services and academic excellence, especially in the event of tuition increases.

Board members stated they would like discussions with regard to tuition increases to include possible increases in the value that students receive. It was also suggested that industry be involved in budget discussions as industries in the state are affected by the University's reductions.

The meeting adjourned at 12:15 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary

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Last modified on September 7, 2005