

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

March 7-8, 2013

**Office of the Board of Regents
600 McNamara Alumni Center**

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Minutes of the Board of Regents Meetings
and Committee Meetings

March 7-8, 2013

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UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Facilities & Operations Committee

March 8, 2013

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Friday, March 8, 2013 at 8:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

REAL ESTATE TRANSACTION

A. Purchase of 78.13 Acres, Carver County, Landscape Arboretum

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

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

- The subject property, known as Kerber Farm, is located at 400 Arboretum Boulevard, Victoria, north of State Highway 5 and directly adjacent to the University's Horticultural Research Center. The legal description of the property: Part of the SE $\frac{1}{4}$ of the NW $\frac{1}{4}$, part of the SW $\frac{1}{4}$ of the NE $\frac{1}{4}$, and part of the NW $\frac{1}{4}$ of the SE $\frac{1}{4}$, all in Section 7, Township 116, Range 23, Carver County, Minnesota. The property contains native forest, wetlands, tillable land and 1,300 feet of lakeshore on Lake Tamarack, a deep, clean lake. Current structures on the property include an older 1-1/2 story single-family house, two wood utility barns, one wood garage, one metal shed, one silo and an old barn that has collapsed.
- Basis for Request: The subject property, with its native forest, wetlands and 1300 feet of lakeshore on Lake Tamarack, is very desirable for single-family development. Such development would, however, create challenges for the University in its research activities on adjacent land. With the expansion of the Landscape Arboretum to include the subject 78.13 acres, the Landscape arboretum will be able to preserve several hundred acres of forest and wetland and several thousand feet of lakeshore, with the remaining land at

the Landscape Arboretum being used for research plant collections, gardens and environmental models.

- Detail of Transaction: The owners of the property are Joyce A. Burau and JoAnne M. Lano. The purchase price will be \$4,312,500. The closing would occur approximately November 1, 2013 after a single-family house lease and a farm lease have expired and the crops (corn and soybeans) have been harvested. The structures on the property have reached their useful life and will be demolished at some time in the future

The committee voted unanimously to recommend approval of the real estate transaction for the Purchase of 78.13 Acres, Carver County, Landscape Arboretum.

B. Eight-Year Lease of 16,774 Square Feet at 1200 Washington Avenue South, Minneapolis for Academic Health Center / Medical School Advanced Research & Diagnostic Laboratory, Twin Cities Campus

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

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

- The leased premises will total 16,774 rentable square feet (RSF) and will consist of 2,051 RSF of general office space, 6,750 RSF laboratory space, 6,962 RSF to be used for freezer farm/repository purposes, and 1,011 RSF to be used for shipping/receiving purposes in the building at 1200 Washington Avenue South, Minneapolis, previously called the Supercomputer Center building, together with use of up to 20 indoor parking stalls to be contracted directly with the Landlord by individual University employees housed in the leased premises.
- Basis for Request: The Advanced Research & Diagnostic Lab (ARDL) currently occupies approximately 7,634 assignable square feet in Minneapolis Campus buildings, on multiple floors of Hasselmo Hall, Mayo Memorial Building, and Philips-Wangenstein Building, and approximately 1,218 square feet of leased space on Fairview's Riverside Campus. There are no options for expansion at current campus locations, which constrains ARDL's ability to accept future research contracts for clinical laboratory testing and related research sample storage. The leased space at 1200 Washington Avenue South, Minneapolis will allow consolidation of ARDL's activities, which will promote increased productivity with a large open lab space, enable better collaboration between techs, and offer better accessibility to the existing 80 freezers containing research specimens currently housed in various locations on campus. The new freezer farm space at 1200 Washington Avenue South will allow future growth to accommodate approximately 160 freezers at full capacity and allow termination of the lease for approximately 40 freezers on Fairview's Riverside Campus. The selection of the subject leased premise resulted from a competitive process that required lease proposals from three landlords who were short-listed following inspection of eight possible locations near the Twin Cities Campus. Once the three proposals were received, additional

information was requested from each Landlord to fully understand and fine-tune the proposals, with the subject location then selected as the most desirable due to its proximity to campus and existing University infrastructure, public and University transportation options (bus routes and University shuttles), and its financial terms.

- Detail of Transaction: The subject lease will commence approximately August 1, 2013 and continue for an eight-year period, with two successive-year renewal options thereafter (potentially through July 31, 2027). The entire lease can be terminated after the 72nd month with a termination penalty of \$150,000, or the lease for only the office premises, consisting of 2,051 RSF, can be terminated at the end of the 72nd month with no penalty. The Landlord, Supercomputer, LLC, will be completing leasehold improvements to renovate the leased premises for occupancy by the University at an estimated cost of \$1,203,000. Of the total leasehold improvement cost, the Landlord's contribution is \$500,000 and the balance will be paid by the University. The \$1,203,000 project cost includes design and construction, lab casework purchase and installation, utility work including a generator, workstation utility work, and fiber/low voltage work to bring telecommunication infrastructure to the leased premises. Additional costs related to the relocation of ARDL to 1200 Washington Avenue South are estimated at \$297,000 and include moving costs, purchase of lab/office equipment and furniture, and consultant fees, including Capital Planning and Project Management's fee to provide oversight for the planning and construction of the leasehold improvement project for ARDL (though the landlord will hire the design, construction, and project/construction management professionals).

In response to a question from Regent Brod, Wheelock explained that the landlord would improve the leased space to accommodate the needs of the ARDL.

In response to a question from Regent Frobenius, Wheelock noted an existing need for reinvestment in the Mayo building.

The committee voted unanimously to recommend approval of the real estate transaction for the Eight-Year Lease of 16,774 Square Feet at 1200 Washington Avenue South, Minneapolis for Academic Health Center / Medical School Advanced Research & Diagnostic Laboratory, Twin Cities Campus.


INFORMATION ITEMS

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

- Final Project Review – Amundson Hall, Gore Annex Addition and Infrastructure Upgrades (Twin Cities Campus); and

- Final Project Review – Laboratory / Classroom Facility (Itasca Biological Station).

The meeting adjourned at 9:06 a.m.


BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

March 8, 2013

A meeting of the Board of Regents of the University of Minnesota was held on Friday, March 8, 2013 at 9:15 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

RECOGNITION OF McKNIGHT LAND-GRANT PROFESSORS

The 2013-15 McKnight Land-Grant Professors were recognized:

Jake Bailey, Earth Sciences
Jasmine Foo, Mathematics
Anika Maria Sophie Hartz, Pharmacy Practice and Pharmaceutical Sciences
Mo Li, Electrical and Computer Engineering
Alice Lovejoy, Cultural Studies and Comparative Literature
Rusen Yang, Mechanical Engineering

APPROVAL OF MINUTES

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

Audit Committee - February 7, 2013
Academic & Student Affairs Committee - February 7, 2013
Finance Committee - February 7, 2013
Facilities & Operations Committee - February 7, 2013
Faculty & Staff Affairs Committee - February 7, 2013
Board of Regents - February 8, 2013

REPORT OF THE PRESIDENT

President Kaler reported on the State of the University address he delivered recently, reiterating his intention to develop new strategies to guide decision making

and priority setting and create greater alignment and accountability across the University system.

Kaler discussed the importance of maintaining excellence in the University's graduate programs and attracting the best students. He indicated he has asked Senior Vice President and Provost Hanson and Henning Schroeder, Vice Provost and Dean of the Graduate School, to develop recommendations to sharpen the focus on graduate education and facilitate more interdisciplinary teaching and research. Kaler also reported that he will continue to recalibrate the institution's risk tolerance by looking at internal policies for ways to reduce burdens and increase simplification while meeting regulatory requirements.

President Kaler acknowledged the election of Regents Lucas and Omari and the re-election of Regents Cohen and Johnson, for six-year terms.

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

REPORT OF THE CHAIR

Vice Chair Larson congratulated new and returning Regents: Regents Lucas for her election to serve the 5th Congressional District, Regent Omari to serve at-large, and Regents Cohen and Johnson for their re-election to serve at-large seats.

Larson reported on a number of activities in which Regents have recently participated. He noted that Regent Devine participated in a campus event titled "Focusing on the First Year," dedicated to the exploration of issues facing students during their first year of college; Regents Cohen and Beeson attended the President's State of the University address, while Regent McMillan viewed the address with students on the Duluth campus and Regent Simmons viewed the address on the Rochester campus.

Larson noted the Board of Regents spent the previous day on the West Bank participating in a workshop on equity and diversity, followed by a variety of sessions hosted by the College of Liberal Arts.

The next meeting of the Board of Regents is scheduled for May 9-10, 2013 on the Twin Cities Campus.

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

RECEIVE AND FILE REPORTS

Vice Chair Larson noted the receipt and filing of the Quarterly Report of Grant and Contract Activity, the Annual Capital Finance and Debt Management Report, and Faculty and Staff Affairs Committee information items.

CONSENT REPORT

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

- Report of the All-University Honors Committee recommendation forwarded in a letter from President Kaler dated February 27, 2013;
- Summary of Gifts through January 31, 2013; and
- Finance Committee Consent Report, including:

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

- Blue Cross and Blue Shield of Minnesota for an estimated \$12,500,000 for the period August 22, 2013 through August 31, 2015 with contract extensions through August 31, 2019 for Boynton Health Service; and
- ISES Corporation for \$2,273,382 for enterprise Facility Condition Assessment services for the period April 1, 2013 through December 31, 2017.

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

THE UNIVERSITY'S TECHNOLOGY LANDSCAPE

Vice Chair Larson introduced Vice President Studham to present on the University's technology landscape as detailed in the materials distributed at the meeting and on file in the Board Office.

Studham provided an overview of the University's information technology (IT) environment, IT decision-making processes, and how IT functions at the local and central levels within the institution. He reviewed the size, scope, expenditures, and functions of IT services system-wide and discussed how aligning technology supports the academic mission. He also discussed the greatest IT risks to the institution and briefly described how the administration is developing processes to mitigate the impact of those risks.

Studham discussed the rapidly changing field of eLearning and the ways technology is changing how lectures are delivered. He indicated that the institution does not make it a practice to react to each new eLearning technology, but rather to assess how long until a new technology is considered mainstream. Studham used the example of massive open online courses, and used a "hype cycle" to illustrate the evolution of online course technology through period of peak inflated expectations to a plateau of productivity.

Studham also shared highlights of the enterprise systems upgrade, operational aspects of information security, and elements of the IT six-year planning process. He described several projects both planned and underway that are designed to increase efficiency, reduce costs, and improve service to users.

In response to questions from Regent Allen, Studham reported that the Office of Information Technology and the Office of the Vice President for Research support IT services for research activities, with some services performed centrally and some locally. Studham added that this practice is similar to that of other Big Ten institutions.

In response to a question from Regent Beeson, Studham stated his opinion that there is an industry shift for IT functions to be managed centrally but that to be more nimble, some functions are best done locally. He added that as a whole, the move is more toward some, but not total, centralization.

UPDATE ON OPERATIONAL EXCELLENCE INITIATIVES

President Kaler provided an update on Operational Excellence initiatives, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Kaler noted that operational excellence is a long-term commitment to work smarter, reduce costs, enhance services, and increase revenues throughout the University system. Operational excellence initiatives are designed to:

- Mitigate the impact of state budget reductions and keep tuition increases low by reducing the University's operational costs;
- Improve operations and processes, resulting in a more efficient, better run, less redundant organization;
- Promote entrepreneurship, intelligent risk-taking, cooperation, and engagement across the system and in interactions with business and community partners; and
- Free up resources to be reinvested in the core academic enterprise.

Kaler reported that in September 2011 he convened an Operational Excellence Group of senior academic and operational leaders to set priorities for operational excellence initiatives and ensure they are operationalized within the units. He reviewed a number of completed initiatives and indicated that to move the institution to the next level of excellence would require more analysis, consultation, and decisions. Kaler described the listening sessions held to gather input, and summarized findings from those sessions.

Kaler discussed a risk recalibration effort launched to change the institution's risk-averse culture, and described eight areas in which policies and processes are candidates for recalibration:

- Administrative optimization;
- Finance;
- Procurement;
- Compliance and policy;
- Human resources;
- Information technology;
- Physical environment and service culture; and
- Research infrastructure.

Kaler reminded the Board that the legislature had requested a data driven approach to analyzing the cost of delivering educational services at the University, including short-term analysis such as a "spans and layers" study, as well as an in-depth, longer-term examination. Kaler indicated the administration retained Sibson Consulting to conduct a spans and layers analysis of four central administrative units:

- Office of Human Resources;
- Office of Budget and Finance;
- Office of Information Technology; and
- Purchasing Services.

Kaler summarized the spans and layers data for the four areas, reviewed what was learned from the analysis, and indicated that while the ratio of spans to layers is appropriate, there is room for improvement in select areas.

Kaler reported that at the request of the legislature, the institution would complete the benchmarking and diagnostic study. The University has retained Huron Consulting Group to benchmark administrative costs across the four areas to identify opportunities for improvement, barriers to optimal performance, and leading practices at peer institutions the University should consider.

Kaler indicated that the data from these reports would be utilized to enact ways to reduce costs, improve operations, and better align resources to advance teaching, research, and outreach. He reviewed next steps and progress to date, stressing that operational excellence is not a checklist but a new approach to perform operations, always keeping in mind stewardship of University resources.

In response to a comment from Regent McMillan, Kaler confirmed that the spans and layers analysis is just one part of the comprehensive redesign and job classification analysis work underway in the Office of Human Resources.

In response to comments from Regent Devine, Kaler indicated that this institution is in front of its peers by conducting this analysis and will continue to communicate to the University community and general public the impact and outcomes of the research.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of the following real estate transactions as presented to the committee and described in the March 8, 2013 committee minutes:
 - 1) Purchase of 78.13 acres in Carver County, Landscape Arboretum.
 - 2) Eight-year lease of 16,774 square feet of space at 1200 Washington Avenue South, Minneapolis for the Academic Health Center/Medical School Advanced Research and Diagnostic Laboratory, Twin Cities campus.

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

Johnson reported that the committee also reviewed a number of information items presented in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

Vice Chair Larson reported that the committee did not meet this month.

REPORT OF THE FINANCE COMMITTEE

Vice Chair Larson reported that the committee did not meet this month.

REPORT OF THE AUDIT COMMITTEE

Vice Chair Larson reported that the committee did not meet this month.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

Vice Chair Larson reported that the committee did not meet this month.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Vice Chair Larson reported that the committee did not meet this month.

The meeting adjourned at 11:16 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary