

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

**June 5, 2013
June 13-14, 2013
May 10, 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**

**June 5, 2013
June 13-14, 2013
May 10, 2013**

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UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

June 13, 2013

A meeting of the Audit Committee of the Board of Regents was held on Thursday, June 13, 2013 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Clyde Allen, John Frobenius, David Larson, and Abdul Omari. Thomas Devine was also present as a non-voting member of the committee.

Staff present: President Eric Kaler; Senior Vice President & Provost Karen Hanson; Vice Presidents Brian Herman and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

INTERNAL AUDIT PLAN

Associate Vice President Klatt presented the 2013-14 Internal Audit Plan (Plan), as detailed in the docket. The Plan places equal emphasis on unit-level audits and process-level audits, which is intended to demonstrate:

- The breadth and depth of audit activities addressing financial, operational, compliance, and strategic risks of the University;
- Accountability for resources; and
- Progress in efforts to continually improve the University's Internal Audit Program.

The Plan will focus on high-risk and medium-risk process and unit-level audits in the financial, research, technology, and human resources areas. Klatt explained that complex changing relationships within the healthcare landscape might require additional resources. She added that the Plan is well balanced and provides audit coverage for a variety of areas.

The Office of Internal Audit will have a staffing complement of 15.4 full-time equivalent (FTE) professionals in 2013-14 and intends to devote 58 percent of its audit resources to completion of planned audit projects; 4 percent to completion of carry-over work from the 2012-13 audit plan; 10 percent to requests from the President, Board of Regents and executive committee members; and the remainder to administrative functions, investigations and other activities. The Plan consists of 16 process audits, 14 unit-based audits, and 3 system-based audits.

In response to a question from Regent Larson, Klatt clarified that business processes such as payroll can present risks that need to be monitored.

In response to a question from Regent Frobenius, Klatt explained that change among the President's senior leadership team has caused some audit work to be deferred.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket. Since the last update to the Audit Committee in February 2013, University departments implemented 23 percent of outstanding recommendations rated as "essential," a percentage that is less than the expected implementation rate of 40 percent. Three units fully implemented all their remaining "essential" recommendations. Nine audit reports containing 21 recommendations rated as "essential" were issued in the last four months.

In response to a question from Regent Omari, Klatt explained that the Office of Internal Audit works collaboratively with units to assist in the implementation of audit recommendations.

THE RISK PROFILE OF UNIVERSITY OPERATIONS

Associate Vice President Klatt introduced Vice President Wheelock to present information on the risk profile of University operations as detailed in the docket.

Wheelock provided an overview of the risks associated with University operations. She explained that University Services has responsibility for maintaining the physical assets of the University through a variety of functions. She reported that the University would continue to evaluate the type of physical space needed to accomplish the University's mission. Many buildings are difficult to convert to different types of space from their original design.

Wheelock noted that it is challenging to balance the public nature of the University's physical space against the need to provide a safe campus environment. Strategic investments in additional lighting and security cameras throughout the University have contributed to the reduction in on-campus crime. She explained that Twin Cities campus crime rates have continued to decrease over the past several years.

In response to questions from Regents Allen and Frobenius, Wheelock explained that University Services would continue to lead space utilization initiatives system-wide.

The meeting adjourned at 9:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Academic & Student Affairs Committee

June 13, 2013

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, June 13, 2013 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Linda Cohen, Dean Johnson, David Larson, David McMillan, and Abdul Omari.

Staff present: Chancellors Lendley Black, Stephen Lehmkuhle and Fred Wood; Senior Vice President & Provost Karen Hanson; Vice President R. Scott Studham; General Counsel William Donohue; Executive Director Brian Steeves, and Associate Vice Presidents Gail Klatt and Meredith McQuaid.

BOARD OF REGENTS POLICY: TUITION AND FEES

Senior Vice President & Provost Hanson presented for consideration proposed amendments to Board of Regents Policy: *Tuition and Fees*, as detailed in the docket. Hanson explained that the proposed amendments came to the committee for review at its May 9, 2013 meeting, and that no changes had been made since that review.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to Board of Regents Policy: *Tuition and Fees*.

UPDATE ON STUDENT MENTAL HEALTH TRENDS AND SERVICES

Senior Vice President & Provost Hanson invited Ferdinand Schlapper, Boynton Health Service Director and Chief Health Officer, to present an overview of national mental health issues affecting students and specific strategies employed at the University of Minnesota, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Schlapper opened with a quote from Herophilus of Chalcedon, physician to Alexander the Great: "When health is absent, wisdom cannot reveal itself, art cannot become manifest, strength cannot fight, wealth becomes useless, and intelligence cannot be applied." He presented data on the prevalence of mental health diagnoses by system campus, with 25-32 percent of students reporting being diagnosed with at least one mental health condition. Across the system, 10 percent of students currently are taking medication for a mental health condition.

He also shared a wealth of data on stress. Data show that 71 percent of students report feeling stressed, and that 42 percent of stressed students report

negative affects on their academic performance. Grade point averages drop as mental health stressors increase, and also as perceived ability to manage stress declines. Twenty-nine percent of students report being unable to manage their stress level.

Schlapper walked through campus resources available to students at Boynton's mental health clinic, which has 10.5 FTE therapy staff (psychologists, clinical social workers) and 5.0 FTE prescriber staff (psychiatrists, advanced practice nurses). He explained that Boynton experienced a 5 percent annual increase in mental health visits between FY 2004 and FY 2012, and a 9 percent increase in the 2012-13 academic year. He commented that he thought Boynton could continue to add staff without fully meeting demand.

Boynton is a short-term care model intended to provide stabilization and/or referral. It serves only students. Schlapper noted that wait times can be up to two weeks, and there is a cap on service of 11 counseling visits per 12-month period. A \$10 copay originally put in place to limit demand was removed in the past year.

Schlapper shared several data points related to the adequacy of mental health care on campus, including:

- 64 percent of college dropouts are for mental health, with cost of medical bills cited as a top barrier to staying in school.
- At the University, 33 percent of tuition refund requests are mental health-related.
- A 14 percent higher retention rate for students who receive mental health support services.

A new UMTC Committee on Student Mental Health has been charged by the Provost to increase awareness about issues related to mental health; affect policy change; improve conditions on the UMTC campus; and serve as a model for other campuses. The committee includes representatives from 14 groups, including the Academy of Distinguished Teachers, Boynton Mental Health Clinic, Campus Police, Housing & Residential Life, Student Affairs, and University Counseling.

Schlapper reviewed a number of other intervention and mitigation strategies, such as a statement on every class syllabus that informs students about confidential mental health services, and behavioral intervention/consultation teams. He noted that the University is looking into how to best leverage technology to reach out to students – a decision will arrive in July 2013 from the Patient-Centered Outcomes Research Institute regarding a three-year grant for \$500,000 per year for a pilot program utilizing text messages as an alternative for care.

In response to a question by Regent Larson, Schlapper responded that students self-report that parents and mentors play a critical role in the incidence of mental health issues. He emphasized that parents realized the impact they have, and that the University is aware of the importance of engaging parents.

In response to a question by Regent Johnson, Schlapper agreed that the University needs to do more upon acceptance and during orientation to familiarize students with tools and assistance available to address mental health issues.

In response to questions by Regent Omari, Schlapper reported that data are showing higher incidence in mental health issues per 1,000 students, not just an overall increase due to growing enrollment. He stressed that any mental health service

provided via text would be live support during stated hours; no automated messages would be used.

INTERNATIONALIZING THE UNIVERSITY

Senior Vice President & Provost Hanson invited Meredith McQuaid, Associate Vice President and Dean of International Programs, to present information on internationalizing the University, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

McQuaid began by sharing a variety of data related to the University's international credentials:

- UMD is the first campus in the country to offer a cultural entrepreneurship major.
- The University ranks third nationally in study-abroad participation.
- International students at the University come from 138 different countries.
- Four percent of UMTC faculty members are from a country other than the United States.
- Faculty and staff registered 1,703 international trips in 2012.

The Global Programs and Strategy (GPS) Alliance is the central coordinating international office for the University system. McQuaid noted that its role is to work with campuses, colleges, units, faculty, staff, students and the community to comprehensively internationalize the University. It has 120 employees and an \$11.3 million budget that comes from a relatively diverse mix of state allocation, student fees, grants, development, internal and external sales, and investment return.

She shared that the Alliance serves the system-wide goal of “global competency,” defined as “Students, staff and faculty demonstrate the knowledge, skills and perspectives necessary to understand the world and work effectively to improve it.” The GPS Alliance units each support this goal, and include the China Center and its Beijing office; the Confucius Institute; Learning Abroad Center; International Student & Scholar Services; Interdisciplinary Center for the Study of Global Change; and the Center for Advanced Research on Language Acquisition.

McQuaid explained that student mobility is the main traditional measure of international education, and includes both study-abroad participation and international student enrollment. She noted that the University has experienced steady increases in international undergraduate enrollment and that efforts were underway to diversify that group.

The Alliance is particularly interested in the question of how to build global competency across the two-thirds of the student body that do not study or travel abroad. McQuaid highlighted the Students Crossing Borders (SCB) program as one effort. SCB brings international and domestic students together into a single living community that gives residents a global experience through interactive, cross-cultural learning. It is located on two floors of Middlebrook Hall and houses approximately 130 students. The community features student staff specifically selected to provide programming and events tailored to this unique population of students.

McQuaid shared the results of a December 2012 external review of the GPS Alliance, which yielded recommendations related to building a comprehensive

international strategy. The recommendations included growing an infrastructure that would yield success in attracting grant and contract support for international opportunities, as well as identifying the key purposes to be served through the enrollment and integration of international students into the campus living and learning community.

In response to a question from Regent Cohen, McQuaid responded that while the School of Nursing was considering a 100 percent study-abroad requirement, that goal may not be appropriate system-wide. Some students cannot or should not study abroad, and the current goal of 50 percent of all students studying abroad is a significant one.

In response to questions from Regent Johnson, McQuaid stressed that the University negotiates a preferential, reduced rate on airfares from Delta for student and faculty/staff overseas travel. She further explained that students who study abroad pay a comprehensive program cost instead of tuition, and that the University guarantees that credits will transfer.

CONSENT REPORT

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

- **New Academic Programs:**
 - Humphrey School of Public Affairs (Twin Cities campus)—Create Ph.D. degree in Public Affairs
 - School of Public Health and College of Pharmacy (Twin Cities campus)—Create a joint Pharm.D./M.P.H. degree
 - School of Public Health and Law School (Twin Cities campus)—Create a joint J.D./M.P.H. degree
 - College of Education and Human Service Professions (Duluth campus)—Create M.A. degree in Psychological Science
 - College of Education and Human Service Professions (Duluth campus)—Create Post-baccalaureate Certificate in Community College Teaching
 - College of Liberal Arts (Duluth campus)—Create B.S. degree in Linguistics
 - College of Liberal Arts (Duluth campus)—Create B.A. degree in Cultural Entrepreneurship
 - Crookston campus—Create undergraduate certificate in Finance available through online delivery

- **Changed Academic Programs:**

- College of Design (Twin Cities campus)—Create sub-plans in Research Practices, Metropolitan Design, and Heritage Conservation and Preservation within the M.S. degree in Architecture
- College of Education and Human Development (Twin Cities campus)—Change the name of the M.A., Ed.D. and Ph.D. degrees in Educational Policy and Administration to Organizational Leadership, Policy, and Development; create sub-plan in Human Resource Development and change the name of the Educational Administration sub-plan to Education Policy and Leadership
- College of Pharmacy (Twin Cities campus)—Create sub-plan in Research Emphasis within the Pharm.D. degree
- School of Public Health (Twin Cities campus)—Create sub-plan for an Executive Track within the M.P.H. degree in Public Health Administration and Policy
- College of Education and Human Service Professions and College of Continuing Education (Duluth campus)—Transfer the academic home of the Environmental Education, American Sign Language, Autism Spectrum Disorders, Educational Computing and Technology, and Human Services certificates from the College of Continuing Education to the College of Education and Human Service Professions
- College of Liberal Arts and College of Continuing Education (Duluth campus)—Transfer the academic home of the Geographic Information Science certificate from the College of Continuing Education to the College of Liberal Arts
- College of Liberal Arts (Duluth campus)—Deliver partially online the Master of Liberal Studies degree
- Crookston Campus—Deliver online the B.S. degree in Business Management and discontinue sub-plans in Business Aviation, Entrepreneurship and Small Business Management, and Management
- Crookston Campus—Change the name of the minor in Business Management to Management and offer delivery online

- **Discontinued Academic Programs:**

- College of Design (Twin Cities campus)—Discontinue post-baccalaureate certificate in Surface Design
- College of Education and Human Development (Twin Cities campus)—Discontinue the M.A., Ed.D., and Ph.D. degrees in Work and Human Relations Education

- College of Liberal Arts (Twin Cities campus)—Discontinue B.A. degree in Hebrew
- College of Liberal Arts (Twin Cities campus)—Discontinue minor in East Asian Studies
- College of Liberal Arts (Twin Cities campus)—Discontinue minor in European Area Studies
- College of Liberal Arts (Twin Cities campus)—Discontinue minor in Latin American Studies
- College of Liberal Arts (Twin Cities campus)—Discontinue minor in Learning Abroad
- College of Liberal Arts (Twin Cities campus)—Discontinue minor in Russian Area Studies
- College of Liberal Arts (Twin Cities campus)—Discontinue minor in South Asian and Middle Eastern Studies
- College of Liberal Arts (Twin Cities campus)—Discontinue sub-plan in German and Scandinavian within the Ph.D. degree in Germanic Studies
- College of Liberal Arts (Twin Cities campus)—Discontinue sub-plan in Teaching within the M.A. degree in Germanic Studies
- College of Continuing Education (Duluth Campus)—Discontinue the certificate in Fetal Alcohol Spectrum Disorder
- College of Continuing Education (Duluth Campus)—Discontinue the certificate in General Business Administration
- College of Continuing Education (Duluth Campus)—Discontinue the certificate in Liberal Arts

The meeting adjourned at 11:28 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance Committee

June 13, 2013

A meeting of the Finance Committee of the Board of Regents was held on Thursday, June 13, 2013 at 9:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Richard Beeson, Thomas Devine, and Peggy Lucas.

Staff present: President Eric Kaler; Vice Presidents Richard Pfutzenreuter, R. Scott Studham, and Pamela Wheelock; General Counsel Bill Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason, Julie Tonneson and Michael Volna.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S
SIX-YEAR CAPITAL IMPROVEMENT PLAN**

Vice President Pfutzenreuter presented for action the President's Six-Year Capital Improvement Plan, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter explained the changes to the plan since the May 9, 2013 committee review. These changes were due to the fact that the legislature did not pass a bonding bill.

Regent Beeson suggested that non-scheduled, large projects not be added to the plan, as they could negatively impact debt capacity. President Kaler responded that the University sometimes receives philanthropy to offset these types of unplanned costs.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to the President's Six-Year Capital Improvement Plan.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED
FY 2014 ANNUAL CAPITAL IMPROVEMENT BUDGET**

Vice President Pfutzenreuter presented for action the President's Recommended FY 2014 Capital Improvement Budget, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter provided an overview of the modifications to the budget since the May 9, 2013 committee review. These changes were due to the fact that the legislature

did not pass a bonding bill, which lowered the total amount of the budget from \$289,774,000 to \$110,100,000.

In response to questions from committee members, Pfutzenretuer stated that the estimated cost of water damage repair and cleanup at the Glensheen property in Duluth is \$3.7 million. Associate Vice President Volna added that insurance will pay for approximately \$2.7 million, with a \$1 million deductible. Pfutzenretuer added that Glensheen has a considerable amount of deferred maintenance that may be included in future capital improvement budgets.

In response to questions from Regents Devine and Frobenius, Vice President Wheelock explained that the Variety Club Research Center First Floor Remodel project consists of work on one floor of the building to increase the amount of usable square footage. She also confirmed that the Vikings would pay for the \$6.6 million in Minnesota Vikings projects at TCF Bank Stadium.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to the President's Recommended FY 2014 Annual Capital Improvement Budget.

PRESIDENT'S RECOMMENDED FY 2014 ANNUAL OPERATING BUDGET

Vice President Pfutzenreuter and Associate Vice President Tonneson presented for review and action the President's recommended FY 2014 annual operating budget, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter provided an overview of University budget planning and development, revenue sources, and budget structure. Tonneson noted that it was a structurally balanced budget and detailed the FY 2014 incremental changes in the budget framework, as follows:

University of Minnesota
FY 2014 Budget Framework - Incremental Changes

Resources:

| | |
|--|---------------------|
| Increased State Appropriations | \$31,400,000 |
| Tuition Revenue Increase | \$8,700,000 |
| Unit Resources | \$19,700,000 |
| Institutional Resources (nonrecurring) | <u>\$12,300,000</u> |
| Total Incremental Resources | \$72,100,000 |

Expenditures:

| | |
|---|---------------------|
| Compensation | \$13,200,000 |
| Student Aid | \$2,900,000 |
| Academic Initiatives (Recurring & One-Time) | \$43,900,000 |
| Mission Support & Operations (Recurring & One-Time) | <u>\$11,800,000</u> |
| Total Incremental Expenditures | \$71,800,000 |

| | |
|---------|-----------|
| Balance | \$300,000 |
|---------|-----------|

Tonneson stated that the University received a 7.1 percent increase in state appropriations for the biennium. She provided an overview, as follows:

University of Minnesota
2014 - 2015 Biennial Appropriations (\$ in Thousands)

| | <u>FY 2014</u> | <u>FY 2015</u> | <u>Biennium</u> |
|-------------------------------------|------------------|------------------|--------------------|
| Beginning Base Level Appropriation | \$545,344 | \$545,344 | \$1,090,688 |
| S.F. 1236 State Funding Level | <u>\$576,799</u> | <u>\$591,099</u> | <u>\$1,167,898</u> |
| Change from Beginning Biennial Base | \$31,455 | \$45,755 | \$77,210 |
| Change from Prior Year | \$31,455 | \$14,300 | |
| % Increase from Prior Year | 5.8% | 2.5% | |
| % Increase from Base Level Funding | | | 7.1% |

Tonneson reported on unit and institutional resources, state performance measures, tuition rates and related fees, and academic and operational costs and investments. She also noted the 2.5 percent salary increase pool for all employee groups. Pfutzenreuter reviewed the process and timeline for long-range financial planning and biennial budget development.

Regent Allen commended the Office of Budget and Finance for providing long-range estimates to illustrate the continued work necessary to avoid future deficits.

In response to questions from committee members, President Kaler noted that the changes in resident vs. non-resident tuition rates were not influenced by the legislature. In response to a question from Regent Lucas, Tonneson clarified that the FY 2013 room and board rate of \$8,000 was based on an average Twin Cities campus residence hall.

In response to questions from Regents Frobenius and Beeson, President Kaler acknowledged the increase in Law School tuition rates and invited Law School Professor Fred Morrison to comment. Morrison stated that although tuition rates have increased, only five percent of the 2012 class paid the full resident tuition rate; the remaining students received financial aid and scholarships. He clarified that financial aid is both merit- and need-based. Morrison also noted that all nationally ranked law schools use similar high-tuition/high-aid models. Kaler emphasized that while appropriate resources were necessary for academic excellence in the law school, he would monitor the current model closely.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to the President's Recommended FY 2014 Annual Operating Budget.

RESOLUTION RELATED TO ISSUANCE OF DEBT FOR STATE-SUPPORTED BIOMEDICAL FACILITIES

Vice President Pfutzenreuter welcomed Carole Fleck, Director, Debt Management, to present for review and action the Resolution Related to Issuance of Debt for State-Supported Biomedical Facilities, as detailed in the docket.

Fleck provided an overview of the resolution, stating that it would provide financing for the fourth (and final) project in the Biomedical Discovery District. The resolution authorizes the additional issuance and sale of bonds up to an aggregate principal amount of \$67,060,000.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to Issuance of Debt for State-Supported Biomedical Facilities.

UNIVERSITY TAX COMPLIANCE ACTIVITIES AND PROGRAMS

Vice President Pfutzenreuter invited Kelly Farmer, Director, University Tax Management Office, to present an update on University tax compliance activities and programs, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Farmer explained the role of the University's Tax Management Office, discussed congressional and regulatory oversight items, and updated the committee on current tax projects. He noted that the U.S. Senate passed the Marketplace Fairness Act in May 2013, which requires the University to file state sales tax returns in every state it sells products. Farmer indicated that compliance with this act is burdensome on the University.

In response to a question from Regent Devine, Farmer indicated that the Office of Human Resources (OHR) is working directly with the Internal Revenue Service on details of the excise tax, which goes into effect in 2018 and will impose a \$0.40 tax on every dollar employers spend on employee health care premiums over a set cap amount. Farmer added that the Tax Management Office is a resource for OHR on any questions or issues that may arise in that process.

In response to a question from Regent Beeson, Farmer explained that the Tax Management Office worked with the Office of the General Counsel on tax considerations related to the Vikings use of TCF Bank Stadium and that no items of concern resulted from those discussions.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket and on file in the Board Office, which included:

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

- Automotive Rentals, Inc. for \$5,000,000 for vehicle financing as needed for the period August 1, 2013, through July 31, 2016, for

Parking and Transportation Services – Fleet Services. Financing costs will be paid by internally generated departmental funds. Vendor was selected through a competitive process.

- Charles River Laboratories, Harlan Sprague Dawley, Inc., and The Jackson Laboratory for an estimated \$13,000,000 for laboratory research animals as needed for the period of July 1, 2013, through June 30, 2018, for the department of Research Animal Resources. The laboratory research animals will be purchased with centralized departmental funds currently available for these purchases. Vendors were selected through a competitive process.
- Dell Marketing, a Microsoft Education Large Account Reseller, for an estimated \$1,212,535 to provide software licensing for commonly used Microsoft products for all University of Minnesota staff, faculty and students (all campuses), for the period July 1, 2013, through June 30, 2014, for the Office of Information Technology (OIT). OIT will finance this purchase with O&M funds. Vendor was selected through a competitive process.

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

INFORMATION ITEMS

Vice President Pfutzenreuter referred the committee to the information items contained in the docket materials:

- Quarterly Investment Advisory Committee update;
- Quarterly Asset Management Report;
- Debt Management Advisory Committee update;
- Quarterly Purchasing Reports; and
- Semi-Annual Management Report.

The meeting adjourned at 11:47 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Facilities & Operations Committee

June 13, 2013

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, June 13, 2013 at 1:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler, Chancellor Lendley Black, Vice Presidents Aaron Friedman, Richard Pfitzenreuter, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

UMD CAMPUS MASTER PLAN UPDATE

Vice President Wheelock invited Chancellor Lendley Black and Monique MacKenzie, Director of Planning and Architecture, to present for action the UMD Campus Master Plan Update, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

A motion was made and seconded and the committee voted unanimously to recommend approval of the UMD Campus Master Plan Update.

**PROJECT COMPONENTS OF THE PRESIDENT'S
RECOMMENDED SIX-YEAR CAPITAL PLAN**

Vice President Wheelock provided an overview of the Project Components of the President's Recommended Six-Year Capital Plan as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock described the major capital improvements planned for FY 2014-19. She noted that the projects listed in the proposed plan contribute directly or indirectly to student success. She reported that the Minnesota Legislature did not pass a bonding bill during the 2013 session.

In response to a question from Regent Johnson, Wheelock explained that phase one of the athletics facilities plan identifies projects of a high priority that fit within a six-year timeline.

In response to a question from Regent Frobenius, Wheelock explained that the University is exploring the feasibility of a West Bank recreational facility.

In response to a question from Regent Brod, Wheelock noted that revenue generation is one of many criteria used to determine the viability of a project.

A motion was made and seconded and the committee voted unanimously to recommend approval of the resolution related to the President's Recommended Six-Year Capital Plan.

PROJECT COMPONENTS OF THE PRESIDENT'S RECOMMENDED FY 2014 CAPITAL IMPROVEMENT BUDGET

Vice President Wheelock provided an overview of the Project Components of the President's Recommended FY 2014 Capital Improvement Budget as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock explained that the FY 2014 Annual Capital Improvement Budget authorizes projects totaling \$110,100,000 to begin design or construction during the next fiscal year. She updated the committee on changes made to the budget since the conclusion of the 2013 legislative session.

In response to questions from Regents Johnson and Allen, Wheelock explained that the renovation of Northrop Auditorium is a complex project and additional funding is needed to meet the requirements associated with its intended use.

A motion was made and seconded and the committee voted unanimously to recommend approval of the resolution related to the President's Recommended FY 2014 Capital Improvement Budget.

SCHEMATIC PLANS

A. UMD Campus Utility Building, Duluth Campus

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

The schematic plans for the UMD Campus Utility Building, Duluth Campus, are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock introduced Mike Seymour, Vice Chancellor, Finance and Operations, University of Minnesota Duluth, and Suzanne Smith, Assistant Vice President for Capital Planning and Project Management, to answer questions of the committee.

In response to a question from Regent Frobenius, Seymour explained that completion of the project would provide chilled air to 300,000 additional square feet.

In response to a question from Regent Allen, Smith explained that this project could potentially extend the life of some existing chilled air units.

The committee voted unanimously to recommend approval of the schematic plans for the UMD Campus Utility Building, Duluth Campus.

B. Microbiology Research Facility, Twin Cities Campus

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

The schematic plans for the Microbiology Research Facility, Twin Cities Campus, are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock introduced Vice President Friedman and Suzanne Smith, Assistant Vice President for Capital Planning and Project Management, to answer questions of the committee.

In response to a question from Regent Brod, Friedman explained that due to the inflexible nature of freezer farm space, the University prefers to rent space designated for this purpose.

President Kaler expressed support for the project.

The committee voted unanimously to recommend approval of the schematic plans for the Microbiology Research Facility, Twin Cities Campus.

C. Glensheen June 20, 2012 Water Damage and Cleanup, Duluth Campus

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

The schematic plans for the Glensheen June 20, 2012 Water Damage and Cleanup, Duluth Campus, are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock introduced Mike Seymour, Vice Chancellor, Finance and Operations, University of Minnesota Duluth and Suzanne Smith, Assistant Vice President for Capital Planning and Project Management, to answer questions of the committee.

In response to questions from Regents Johnson and Frobenius, Seymour explained that the property is challenged by years of deferred maintenance. He noted that his office is working to develop a more stable business model for the property.

The committee voted unanimously to recommend approval of the schematic plans for the Glensheen June 20, 2012 Water Damage and Cleanup, Duluth Campus.

UNIVERSITY OF MINNESOTA LANDSCAPE ARBORETUM MASTER PLAN UPDATE

Vice President Wheelock invited Dr. Edward Schneider, Director, Minnesota Landscape Arboretum, and Monique MacKenzie, Director of Planning and Architecture, to present the University of Minnesota Landscape Arboretum Master Plan Update, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Schneider and MacKenzie reviewed the University's master planning process for off-site facilities. Schneider reported that 90 percent of the Arboretum's operating budget is acquired through fundraising. He noted that additional projects would emerge as more targeted development campaigns are initiated over the next several years. He also reported that the number of visitors to the Arboretum continues to increase each year.

Mackenzie explained that the Arboretum has considerable space for additional expansion in conjunction with fundraising opportunities. She noted that planned road and trail improvements would alleviate traffic issues associated with increased bicycle usage.

Regent Johnson and Regent Frobenius thanked Dr. Schneider and the Minnesota Landscape Arboretum Foundation Board of Trustees for their fundraising efforts.

A motion was made and seconded and the committee voted unanimously to recommend approval of the University of Minnesota Landscape Arboretum Master Plan Update.

INFORMATION ITEMS

Vice President Wheelock referred committee members to the following Information Items:

- Landcare Salt and Sand Storage Building, Twin Cities Campus.
- Kolthoff Hall Pedestrian Deck Removal, Twin Cities Campus.
- Capital Planning and Project Management Semi-Annual Project Report.

The meeting adjourned at 3:27 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Faculty & Staff Affairs Committee

June 13, 2013

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, June 13, 2013 at 1:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Richard Beeson, Linda Cohen, Thomas Devine, David McMillan, and Abdul Omari.

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown and R. Scott Studham; General Counsel Bill Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

BOARD OF REGENTS POLICY: SAFETY OF MINORS

Vice President Brown invited General Counsel Donohue to present for action the proposed Board of Regents Policy: *Safety of Minors*, as detailed in the docket.

Donohue noted that this policy came before the committee at its May 9, 2013 meeting for review and no changes subsequently occurred.

A motion was made and seconded and the committee voted unanimously to recommend adoption of the proposed Board of Regents Policy: *Safety of Minors*.

**COLLECTIVE BARGAINING AGREEMENT WITH
UNIVERSITY EDUCATION ASSOCIATION**

Vice President Brown presented for review and action the collective bargaining agreement between University of Minnesota and University Education Association (UEA) PELRA Unit 9 faculty on the Crookston and Duluth system campuses, as detailed in the docket.

Brown thanked the negotiating teams for their hard work in the agreement process. She explained that the bargaining unit includes professors, associate professors, assistant professors, and instructors on the Crookston and Duluth campuses.

During FY 2013 and FY 2014, Crookston unit members are scheduled to receive a 2.5 percent economic increase. Of that, 0.75 percent will be delivered in equal dollars, 0.75 percent will be delivered in equal percentage, and 1 percent will be delivered as merit. Total recurring costs from FY 2013-14 total \$200,854. The

agreement also includes the establishment of a labor/management working committee to develop recommendations regarding the relationship between online and on-campus instruction.

During FY 2013 and FY 2014, Duluth unit members are scheduled to receive a 2.5 percent economic increase. Of that, 0.625 percent will be delivered in equal dollars, 0.625 percent will be delivered in equal percentage, and 1.25 percent will be delivered as merit. Total recurring costs from FY 2013-14 total \$1,976,916. The agreement additionally includes:

- Revision of teaching load reduction for department heads from 1/4 to 1/3 for units with fewer than 10 full-time Equivalent (FTE) faculty positions.
- Revision of teaching load reduction for department heads from 2/5 to 1/2 for units with 10 or more FTE faculty positions.
- Adjustment of the termination dates for probationary appointments for faculty on approved leaves of absence.

In response to questions from committee members, Brown indicated that creating a common set of principles in determining merit increases across all system campuses is difficult, as each campus has unique mission and vision perspectives. She agreed that performance is an important factor in determining merit increases.

In response to a question from Regent McMillan, Brown confirmed that the reduction in teaching load requirements for Duluth department heads is comparable to such requirements system-wide.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Resolution Related to the Proposed Labor Agreement with University Education Association for Faculty on the Duluth and Crookston Campuses (Out State Instructional Unit 9).

HUMAN RESOURCES METRICS FOR BOARD OVERSIGHT

Vice President Brown invited Lori Lamb, Director, Human Resources Operations, to discuss workforce analytics, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Brown reviewed the Office of Human Resources (OHR) strategic direction and imperatives. She noted the need to mine vast data sets for meaningful information and relationships to enable sound management and decision-making.

Lamb explained that OHR uses data to assess and measure success. Ample strategic, program and operating data is available and should be filtered for various audiences. Lamb provided a series of data analysis examples to illustrate the variety of stories that can be told through metrics. She added that data analyses should answer questions and that the types of questions being asked over time will change, requiring flexibility in the OHR metrics system.

In response to a question from Regent McMillan, Brown responded that the job family study was a higher priority but that OHR could and should start using its data more smartly as soon as possible.

In response to comments and questions from committee members, Brown stated that data integrity is an important foundation for metrics, along with the job class and human resources management systems, and that a large amount of data is currently available. She agreed it is important for all campuses to work together to answer workforce questions system-wide.

ANNUAL UPLAN HEALTH INSURANCE UPDATE

Vice President Brown and Dann Chapman, Director of Employee Benefits, presented the annual UPlan health insurance update, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Brown explained that a key goal of OHR is to provide a comprehensive benefits program that assists in attracting and retaining a high-quality workforce, is cost-effective, and compliant with state and federal law. She provided an overview of UPlan oversight, history, and annual health care cost per employee from 2007 to present. The University is consistently below national trends in healthcare costs.

Brown noted that the University's Wellness Program has been well received by employees and has resulted in a significant return on investment in terms of both dollars saved and faculty and staff hospitalizations avoided.

Chapman outlined the Affordable Care Act (ACA), a federal statute signed into law in 2010. A key provision of the ACA is an excise tax that takes effect in 2018 and imposes a 40 percent tax on any plan value in excess of a pre-determined cap amount. UPlan will be charged a total of \$48 million over a five-year period from 2018-22 if no changes are made.

Chapman highlighted the goals for UPlan changes, and summarized the changes being considered, subject to collective bargaining for labor-represented employees:

- Offer a new Accountable Care Organization (ACO) plan.
- Increase copays.
- Introduce a differential between primary and specialty copays.
- Introduce a deductible on non-copay items.
- Increase out-of-pocket expenses in the HSA plan.
- Combine the Twin Cities, Duluth and Greater Minnesota base plans.
- Merge the Employee + Spouse/SSDP and Employee + Family cost tiers.

Chapman stressed that changes must begin in 2014 to allow for the minimum of 18 months experience by 2016 to measure the impact of the changes. Additional, minor changes may be required from 2016-18. He reviewed the communications strategy on UPlan changes:

- Phase I (May-June 2013) - Leader communications
- Phase II (July 2013) - Employee education on ACA
- Phase III (starting in August 2013) - Open enrollment
- Phase IV (October 2013) - Federal communications on health care exchanges

In response to questions from Regents Cohen and Devine, Chapman agreed

that highlighting the University's new Recreation and Wellness Center as an option for fitness to faculty and staff has value in its cost effectiveness. Brown added that utilizing the Rec Center may also enhance well being. Chapman confirmed that there is a fee to use the facilities and noted that UPlan dollars are not being used to support the Rec Center.

UPDATE ON HRMS UPGRADE PROJECT

Vice President Brown invited Lori Lamb, Director, Human Resources Operations, to provide an update on the Human Resources Management System (HRMS) Upgrade Project, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Lamb reviewed the benefits of the HRMS upgrade, which will:

- Maintain tax and regulatory updates for payroll processing.
- Enhance functionality and ease of use.
- Implement consistent business processes.
- Make staff and managers more efficient:
 - Replace paper-based processes for tracking work hours and vacation/sick leave;
 - Improve reporting functionality, enabling more self-service for staff and managers to make decisions.
 - Provide greater access to data for workforce trend analysis.
- Enable more HR staff to move into more strategic, less clerical roles.

Lamb discussed HRMS work stream groups, decision-making flow, recent milestones, new functionality, and implementation timeline. She stated that the project is on time and on budget, and that the new system design will have a simplified baseline with few modifications being allowed. She added that a new HR portal is in the planning phase and will deliver HR services more effectively.

In response to a question from Regent McMillan, Lamb agreed that avoiding multiple customizations of the HRMS system is a challenge. She shared that all changes and modifications are being tracked and that some modifications are unavoidable due to compliance issues.

CONSENT REPORT

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

- Appointment of Dr. Danita Brown as the Vice Provost for Student Affairs and Dean of Students.
- Appointment of Dr. Amy B. Hietapelto as Dean, University of Minnesota Duluth (UMD), Labovitz School of Business and Economics.
- Appointment of Dr. Jill A. Pinkney Pastrana as Dean, UMD, College of Education and Human Service Professions.
- Appointment of Minnesota Landscape Arboretum Foundation Board of Trustees.

- Appointment of Minnesota Landscape Arboretum Foundation Board of Trustees.
- Conferral of tenure for new, outside hires.
- Correction of a clerical error from the May 2013 docket.
- Additional internal promotion and/or tenure recommendations.

Regent Simmons invited Senior Vice President and Provost Hanson to provide a brief summary of Dr. Danita Brown's appointment as Vice Provost for Student Affairs and Dean of Students. Hanson described the position, Brown's background and qualifications, comparable market data, and Brown's employment agreement. Her appointment was effective starting July 31, 2013.

Regent Simmons invited Chancellor Black to provide a brief summary of Dr. Amy B. Hietapelto's appointment as Dean of the Labovitz School of Business and Economics at the University of Minnesota Duluth (UMD). Black described the position, Hietapelto's background and qualifications, comparable market data, and Hietapelto's employment agreement. Her appointment was effective starting June 24, 2013.

Chancellor Black also provided a brief summary of Dr. Jill A. Pinkney Pastrana's appointment as Dean of the College of Education and Human Service Professions at UMD. He described the position, Pastrana's background and qualifications, comparable market data, and Pastrana's employment agreement. Her appointment was effective starting June 24, 2013.

Brown spoke on the re-election of Nancy McCabe and Susan Bachman West to the Minnesota Landscape Arboretum Foundation Board of Trustees. She also noted the correction of the clerical error from the May 2013 docket regarded a faculty member being incorrectly listed as being promoted to associate professor with tenure, when she had kept her current rank of assistant professor with the addition of tenure.

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

INFORMATION ITEMS

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

- Personnel highlights.
- University highlights.
- Faculty and staff activities and awards.

The meeting adjourned at 3:31 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

June 5, 2013

A meeting of the Board of Regents of the University of Minnesota was held on Wednesday, June 5, 2013 at 11:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Lendley Black; Vice Presidents Aaron Friedman, Brian Herman, Richard Pfutzenreuter, and R. Scott Studham; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice President Julie Tonneson.

PRESIDENT'S RECOMMENDED FY 2014 ANNUAL OPERATING BUDGET

President Kaler presented the President's Recommended FY 2014 Annual Operating Budget (Budget) as included in the docket and associated materials distributed at the meeting and on file in the Board Office. He invited Vice President Pfutzenreuter and Associate Vice President Tonneson to join the discussion.

Kaler indicated that the Budget reflects three goals:

- Access and Excellence: Affordable, world-class academics.
- Research and Innovation: Tackling and solving statewide challenges.
- Operational Excellence: Administrative cost reductions.

Kaler reported that specific funding decisions and priorities have been made to advance the University in each of the following areas:

- Freezing resident undergraduate tuition for two years.
- Increasing the tuition differential between resident and non-resident undergraduates.
- Keeping graduate and professional tuition as low as possible, while maintaining alignment with market conditions and peer institutions.
- Capping campus/collegiate fees and minimizing increases in student service fees, course and miscellaneous term fees, and room and board charges.

- Investing in research to fuel the state's economy through the Minnesota Discovery and InnoVation Economy (MnDRIVE) initiatives funded by the state in four critical interdisciplinary areas of food safety, defense and production; neuromodulation; robotics; and water quality.
- Investing in a competitive compensation plan to retain and recruit world-class faculty and staff.
- Investing in high-priority, innovative, and strategic academic initiatives proposed by colleges, campuses, and support units.
- Investing in necessary facility and support functions that maintain infrastructure and advance the mission.
- Implementing cost reductions and resource adjustments to achieve operational excellence.

Kaler described the Budget development process and framework. He summarized state appropriation trends from 2000 to present, indicating that this year's increased appropriation will help advance two key principles of stabilizing tuition and making strategic, targeted investments in the research enterprise.

Kaler provided detailed information on each of the key priorities funded in the Budget. The state has provided \$17.8 million in new recurring funds for MnDRIVE, which will lead to new faculty and graduate assistant positions, and leverage federal research grants, private philanthropy, and industry partnerships. Kaler described a number of investments, classroom and laboratory upgrades, and targeted instructional and student services support system-wide.

Kaler discussed administrative cost reductions, noting they are a critical part of both the legislative appropriation and this Budget. The biennial framework proposed prior to the start of legislative session included redirecting \$14 million of existing resources to the core mission over the next two years. This Budget includes \$19.7 million in reallocations and resource adjustments, which exceeds the \$14 million goal. It also includes the first \$10 million of administrative cost reductions toward the \$15 million goal expressed in one of the legislative performance measures. Five percent of the state appropriation is contingent upon meeting at least three of five performance goals.

Pfutzenreuter summarized the all-funds revenue sources within the \$3.6 billion Budget, noting that tuition makes up 24 percent of the Budget while state support totals 18 percent. He defined available incremental resources and discussed investments, student aid, and other recurring costs and expenses.

Pfutzenreuter provided information on tuition, fees, and room and board. He reported that the modest increases in student fees were student-driven and attributable to the opening of the new recreational sports center and the increase in mental health services at Boynton Health Service. Tonneson summarized other proposed new fees or limited increases and the basis for those recommendations.

Regent Devine commented that the Budget addresses the key priorities of affordable tuition and fees and signals to the public that the institution continues to work to reduce costs.

Regent Beeson noted that, going forward, the Budget should include a balanced approach of modest increases in state appropriations, ongoing cost reductions, and continued strategic investments.

In response to comments from Regent Frobenius, Kaler noted his ongoing conversations with the state legislature about supporting access to undergraduate education. He added that a similar conversation about the costs of graduate tuition has less political enthusiasm.

Chair Cohen reported that a Public Forum on the Budget would follow the Board meeting at 12:30 p.m. in the Boardroom.

Cohen reported that the Presidential Performance Review Committee, composed of herself and Regents Larson and McMillan, had been meeting and working on the president's review. She noted that at the next open Board of Regents meeting on June 14, 2013, the committee would report to the Board and summarize its conclusions regarding the performance evaluation.

The President's Recommended FY 2014 Annual Operating Budget will return for action at the June 14, 2013 Board of Regents meeting.

The meeting adjourned at 12:02 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

**Public Forum on the President's Recommended
FY 2014 Annual Operating Budget**

June 5, 2013

A meeting of the Board of Regents of the University of Minnesota was held on Wednesday, June 5, 2013 at 12:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Lendley Black; Vice Presidents Aaron Friedman, Brian Herman, and R. Scott Studham; General Counsel William Donohue; and Executive Director Brian Steeves.

Regent Cohen welcomed those in attendance to the Board of Regents Public Forum on the President's Recommended FY 2014 Annual Operating Budget. Cohen reviewed the procedures to be followed for the meeting and stated that the Board of Regents would vote on the proposed budget at the June 14, 2013 Board meeting.

The following individuals were called forward:

Ann Hagen – Chair, P&A Senate

Hagen commented on the budget from the perspective of professional and administrative employees. She expressed support for the proposed budget, but urged the administration to carefully consider further cuts to P&A employees.

Ryan Strait – Undergraduate Student

Strait emphasized the high cost of administration at the University. He expressed frustration with how the administration has addressed administrative costs.

Cherrene Horazuk – AFSCME Local 3800

Horazuk explained that she has worked for the University for nine years and commented on the effect of the budget on clerical staff. She expressed frustration with administrative costs, recent layoffs, and employee benefit cost increases.

Jean Quam – Chair, Twin Cities Dean's Council

Quam expressed support for the proposed undergraduate tuition freeze. She noted that rising student debt continues to be a concern among students in her college.

Melanie Steinman – AFSCME Local 3800

Steinman expressed frustration with administrative costs and salaries for top administrators. She urged the Board to significantly reduce the number of administrators at the University.

Aaron L. Beek – Council of Graduate Students

Beek commented on the budget from the perspective of graduate students. He expressed concern about increased tuition and workloads for graduate students.

Amy Selvius – AFSCME Local 3800

Selvius explained how clerical staff would be negatively affected by proposed increases in health insurance costs. She noted that many clerical staff face significant financial pressures.

Sally Kohlstedt – Professor, History of Science and Technology; Chair, Faculty Consultative Committee (FCC)

Kohlstedt expressed support for the budget and proposed undergraduate tuition freeze. She expressed concern for the proposed increase in graduate student tuition and its effect on recruiting qualified students.

Polly Peterson – AFSCME Local 3800

Peterson spoke in opposition of the budget, observing that staff reductions have increased the workloads of clerical workers at the University. She expressed frustration with growing administrative costs.

Russell Luepker – Professor, Epidemiology; Chair, Senate Committee on Finance and Planning (SCFP)

Luepker spoke in support of the budget, and reported that the SCFP has worked diligently with the administration on financial matters. He expressed concern about the impact of further reducing administrative costs.

Sandi Sherman – AFSCME Local 3800

Sherman explained how recent layoffs and stagnant salaries had negatively affected clerical staff. She urged the Board to reduce the cost of health insurance for front-line employees.

Jerrold L. Vitek – Professor, Neurology; Chair, Department of Neurology

Vitek explained how increased funding for neuromodulation research would positively impact his department. He expressed support for the budget and thanked the Board for recognizing the importance of neuromodulation.

Wendy Plager – AFSCME Local 3800

Plager spoke in opposition of the budget, observing that the financial status of employees had become more challenging.

Peter Swanson – Private Attorney

Swanson explained that he is representing University students who object to the payment of mandatory student fees on the Twin Cities campus. He urged the University to adopt a written appeals process to challenge the allocation of student fees funding.

Taylor Williams – President, Minnesota Student Association

Williams expressed support for the budget and the proposed undergraduate tuition freeze. He urged the Board to increase need-based aid for lower and middle-income students.

Trevor Ames – Incoming Chair, Twin Cities Dean’s Council

Ames expressed support for the budget and the proposed undergraduate tuition freeze. He described how his college has used strategic investments to improve research facilities.

Kyle Edwards – AFSCME Local 3800

Edwards thanked the Board for restoring the Regents Scholarship. He urged the Board to extend a full scholarship to employees seeking advanced degrees.

Susan Plimpton – Chair, Neuroscience Development Committee; University of Minnesota Foundation

Plimpton expressed support for the budget. She explained how programs like the Minnesota Discovery, Research, and Innovation Economy (MnDRIVE) could lead to improved treatment for patients with Alzheimer’s disease.

Chris Getowicz – Students for a Democratic Society

Getowicz spoke in opposition of the budget, observing that the University had not substantially reduced administrative costs. He urged the Board to adopt a more transparent budget process.

Caitlyn Boley – AFSCME Local 3800

Boley emphasized the rising number of administrators at the University. She expressed frustration with reductions in clerical staff.

Meghan Mason – Student Representative to the Board of Regents

Mason expressed support for the undergraduate tuition freeze and thanked the Board for investing in undergraduate students. She urged the Board to invest additional resources into graduate programs.

Karen H. Ashe – Professor, Neurology; Medical School

Ashe expressed support for the budget and the MnDRIVE program. She thanked the Board for investment in her research area.

The meeting adjourned at 1:42 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

June 14, 2013

A meeting of the Board of Regents of the University of Minnesota was held on Friday, June 14, 2013 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Lendley Black; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathryn Brown, Richard Pfutzenreuter, R. Scott Studham, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

ANNUAL MEETING

Chair Cohen called the Annual Meeting to order at 9:00 a.m.

ESTABLISHMENT OF MEETING DATES

A motion was made and seconded and the Board of Regents voted unanimously to approve the following meeting schedule for 2013-2014:

| | |
|-----------------------|--------------------------|
| July 10, 2013 | One-day Meeting |
| July 11-12, 2013 | Board of Regents Retreat |
| August, 2013 | No Meeting |
| September 12-13, 2013 | |
| October 10-11, 2013 | |
| November, 2013 | No Meeting |
| December 12-13, 2013 | |
| January, 2014 | No Meeting |
| February 13-14, 2014 | |
| March 27-28, 2014 | |
| April, 2014 | No Meeting |
| May 8-9, 2014 | |
| June 12-13, 2014 | |

NOMINATING COMMITTEE REPORT: ELECTION OF BOARD OFFICERS

Regent Allen, Chair of the Nominating Committee, presented the report of the Nominating Committee for officers of the Board of Regents. The following individuals were placed in nomination for the respective Board officer positions:

Chair: Richard B. Beeson
Vice Chair: Dean E. Johnson
Secretary: Brian R. Steeves
Treasurer: Richard H. Pfutzenreuter

Chair Cohen asked if there were any additional nominations. There were none and the nominations were closed. A motion was made and seconded to approve the slate presented by the Nominating Committee.

Regent Simmons expressed concern with the election process and her lack of confidence in the outcome. She indicated that she would not vote for the motion on the floor.

Regent Larson expressed his disappointment in the process and his concern that he did not receive more consideration for Chair in light of the leadership experience he brings to the Board and the University.

Regent Allen described the consultative nature of the committee process. He noted that the committee utilized the same nominating process used in the past, deliberated carefully and thoroughly, and recommended a slate of individuals who were the best fit at this time for the needs of the University. He added that it was a difficult process given the number of very qualified candidates in nomination.

Regent Brod indicated her agreement that the Board should review the nominating process and consider ways to make it more inclusive. She stressed that her opposition to the slate was not a lack of confidence in the individuals nominated but rather in the process overall. Regent McMillan concurred, indicating that he does not lack confidence in the committee's recommended slate.

The Board of Regents voted 8-4 to approve the slate as presented. Regents Brod, Larson, McMillan, and Simmons voted no.

The annual meeting adjourned at 9:09 a.m.

The regular meeting of the Board of Regents was convened at 9:09 a.m.

MONTHLY MEETING

INTRODUCTIONS

Vice President for Equity and Diversity

President Kaler introduced Katrice Albert as the Vice President for Equity and Diversity to the University community. Albert began her appointment on June 13, 2013. Albert briefly addressed the Board.

General Counsel

President Kaler introduced William Donohue as General Counsel to the University community. Donohue began his appointment on May 10, 2013. Donohue briefly addressed the Board.

President and Chief Executive Officer, UMAA

President Kaler introduced Lisa R. Lewis as President and Chief Executive Officer of the University of Minnesota Alumni Association. Lewis began her appointment on May 31, 2013.

RECOGNITION

Amy Olson, 2012-13 outgoing chair of the Civil Service Consultative Committee, was unable to be present.

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 - May 9, 2013
- Litigation Review Committee - May 9, 2013
- Facilities & Operations Committee - May 9, 2013
- Faculty & Staff Affairs Committee - May 9, 2013
- Academic & Student Affairs Committee - May 9, 2013
- Finance Committee - May 9, 2013
- Board of Regents - May 9, 2013
- Board of Regents - May 9, 2013
- Board of Regents - May 10, 2013
- Nominating Committee - May 10, 2013
- Nominating Committee - May 20, 2013
- Nominating Committee - May 29, 2013

REPORT OF THE PRESIDENT

President Kaler reported on a number of recent accomplishments and events: the opening of a new medical devices center; graduation of nearly 16,000 students across five campuses, including the first graduating class on the Rochester campus and the 50th on the Morris Campus; the retirement of Professor Tom Stinson as state economist; academic improvements in the intercollegiate athletics department; a significant financial gift to the College of Food, Agricultural and Natural Resource Sciences; and the successful legislative outcomes for the University, which will help renew and build upon the institution's relationship with the state.

Kaler reported he would travel to China in late June, a trip that kicks off the 100th anniversary of the first Chinese students to graduate from the University. The trip will include meetings with government officials, higher education leaders, alumni, incoming students, and potential donors.

Kaler reported that the next year would present many challenges and opportunities for the institution. He noted the distribution of his report of accomplishments for 2012-13.

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

REPORT OF THE CHAIR

Chair Cohen presented the Report of the Presidential Performance Review Committee, which was composed of herself and Regents Larson and McMillan. The committee met in closed session on May 10 and 28, 2013, and with President Kaler on June 12, 2013 to discuss the report (distributed at the meeting and on file in the Board Office).

Cohen highlighted items in the report, which speaks to the stellar leadership Kaler brought to the University during the past year. She discussed his decision-making style and how it has increased the pace of change within the University at a critical point in its history. She noted that Kaler continued to position the institution as a top-tier public research university. On behalf of the Board of Regents, Cohen expressed appreciation to President Kaler and Karen Kaler for their service to the University of Minnesota.

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

RECEIVE AND FILE REPORTS

Chair Cohen noted the receipt and filing of the Report of the Academic Professionals and Administrators Consultative Committee, the Report of the Civil Service Consultative Committee, and the Quarterly Report of Grant and Contract Activity.

CONSENT REPORT

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

- Regents Professor recommendations forwarded in a letter from President Kaler dated June 5, 2013;
- Appointment of Julie Kimble as UMore Development LLC Community Governor, for a term concluding December 2015.
- Report of the All-University Honors Committee recommendation forwarded in a letter from President Kaler dated June 5, 2013; and
- Summary of Gifts through April 30, 2013.

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Professor Sally Gregory Kohlstedt, Chair, Faculty Consultative Committee (FCC), reported on the activities of the committee since its last report to the Board of Regents. Current issues included ways in which the FCC and the University Senate's other committees have worked to meet challenges in higher education, formulate new projects, and collectively work to enhance the University.

A copy of the Report of the Faculty Consultative Committee is on file in the Board Office.

RECOGNITION OF FACULTY CONSULTATIVE COMMITTEE OUTGOING CHAIR

Professor Sally Gregory Kohlstedt was recognized for her service as chair of the Faculty Consultative Committee. Kohlstedt served as chair during the 2012-13 academic year.

UNIVERSITY OF MINNESOTA ALUMNI ASSOCIATION ANNUAL REPORT

Chair Cohen introduced Lisa Lewis, President and CEO; Kent Horsager, 2012-13 National Board Chair; and Susan Adams Loyd, 2013-14 National Board Chair, University of Minnesota Alumni Association (UMAA), to provide an update on the 2012-13 accomplishments of UMAA, as detailed in the docket materials. Accomplishments included connecting nearly 60,000 alumni with President Kaler via a town hall conference call; partnering with University Relations to communicate with more than 215,000 alumni quarterly via email; and initiating a legislative candidate survey focused on the institution's priorities.

A copy of the report of the University of Minnesota Alumni Association is on file in the Board Office.

BOARD OF REGENTS POLICY: CODE OF ETHICS FOR MEMBERS OF THE BOARD OF REGENTS - ANNUAL REVIEW

General Counsel Donohue reviewed Board of Regents Policy: *Code of Ethics for Members of the Board of Regents*. The Board, with the assistance of the general counsel, annually reviews the requirements and procedures of the policy.

Donohue highlighted the guiding principles that Board members are obligated to follow: 1) Board members are responsible for the governance of the University and must be accountable in the areas of financial disclosure, gifts, expenses, and conflicts of interest; and 2) Board members are expected to put aside parochial interests, keeping the welfare of the entire University, not just a particular constituency, at all times paramount. He described when conflicts of interest exist, how to manage them, and what should be done if a Board member has a conflict of interest.

PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL IMPROVEMENT PLAN

President Kaler introduced the President's Recommended Six-Year Capital Improvement Plan (Plan), with its major capital improvements planned for FY 2014-19. Kaler noted the Plan had been modified since the Board of Regents reviewed it at its May 2013 meeting. He indicated the bonding bill for the University of Minnesota did not advance in the legislature; therefore, the Higher Education Asset Preservation and Replacement request was not funded. Kaler reported that projects in the Plan align with a platform of excellence in teaching and learning, innovation and discovery, and impact and reputation. He invited Vice Presidents Pfitzenreuter and Wheelock to present the details as included in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock reported that the Plan aligns capital planning with strategic academic and financial planning. It includes projects to be funded with state capital support as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships. Wheelock reported that a number of projects have been reassigned or are under consideration for implementation due to legislative outcomes and other factors. Wheelock described several representative projects in the Plan system-wide and next steps in the capital request process.

Pfutzenreuter reported that the Plan totals just over \$1 billion and is composed of state contributions, University contributions, and University self-funded projects. He summarized the financial impact of the Plan on the institution's debt capacity, and preliminary operating costs.

Chair Cohen called on Regent Johnson, Chair of the Facilities & Operations Committee, to present the recommendation of the committee. Johnson reported that the committee reviewed project components of the Plan and voted unanimously to recommend approval of the Resolution Related to the President's Recommended Six-Year Capital Improvement Plan. He moved its approval.

Chair Cohen called on Regent Frobenius, Chair of the Finance Committee, to provide the recommendation of the committee. Frobenius reported that the committee reviewed the financial components of the Plan and recommends approval of the resolution. He seconded the motion.

The Board of Regents voted unanimously to approve the Resolution Related to the President's Six-Year Capital Improvement Plan, as follows:

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 150 years is a commitment the Board has made to the State; and

WHEREAS, advancing key academic priorities is critical for the University to achieve and maintain excellence; and

WHEREAS, continuing investment in research infrastructure is essential for the future competitiveness of the University and the State of Minnesota; and

WHEREAS, enhancing the student experience for both undergraduate education and graduate and professional education is required as the core of its mission in order to generate and disseminate knowledge; and

WHEREAS, improving outreach and engagement is necessary in order to transform State communities, fuel the State economy, address State social issues, and improve the State's health; and

WHEREAS, the administration has developed a capital-planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is responsible.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the President's Six-Year Capital Improvement Plan in order to

create and maintain facilities that serve as tools in accomplishing the University's education, research and outreach objectives.

**PRESIDENT'S RECOMMENDED FY 2014
ANNUAL CAPITAL IMPROVEMENT BUDGET**

President Kaler introduced the President's Recommended FY 2014 Annual Capital Improvement Budget (Budget), which authorizes projects to begin design and construction during the upcoming fiscal year. He invited Vice Presidents Pfutzenreuter and Wheelock to lead the discussion.

Wheelock stated that the Budget represents the first year of the Six-Year Capital Improvement Plan and authorizes projects that have funding in place to proceed with design and/or construction. She noted that each project in the Budget has a value greater than \$500,000, a completed predesign, and is fully funded. Wheelock described a number of changes in the Budget that had occurred since the Board reviewed it in May 2013, noting the significant reduction in the overall Budget following conclusion of the 2013 legislation session. Wheelock highlighted a number of projects included in the Budget, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter summarized the financial elements of the \$110.1 million Budget and the adjustments made to reflect legislative action. He described how local funds, grants and gifts, and University funds finance the projects.

Chair Cohen called on Regent Johnson, Chair of the Facilities & Operations Committee, to present the recommendation of the committee. Johnson reported that the committee reviewed project components of the Budget and voted unanimously to recommend approval of the Resolution Related to the President's Recommended FY 2014 Capital Improvement Budget. He moved its approval.

Chair Cohen called on Regent Frobenius, Chair of the Finance Committee, to present the recommendation of the committee. Frobenius reported that the committee reviewed the financial components of the Budget and voted unanimously to recommend approval of the resolution. He seconded the motion.

The Board of Regents voted unanimously to approve the Resolution Related to the President's Recommended FY 2014 Capital Improvement Budget, as follows:

WHEREAS, the Board of Regents directed the administration to annually submit a capital improvement budget and a 6-year capital improvement plan; and

WHEREAS, the Board has adopted principles to guide the formulation of the capital improvement budget and 6-year capital improvement plan; and

WHEREAS, the Board recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and

WHEREAS, the administration has developed a capital planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is realistic;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the FY 2014 Capital Improvement Budget and reaffirms its prior year capital expenditure authorizations.

PRESIDENT'S RECOMMENDED FY 2014 ANNUAL OPERATING BUDGET

Chair Cohen invited President Kaler and Vice President Pfutzenreuter to lead the discussion of the President's Recommended FY 2014 Annual Operating Budget (Budget) as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Kaler indicated the Board of Regents reviewed the Budget at a meeting on June 5, 2013. The Budget reflects three goals:

- Access and Excellence: affordable, world-class academics.
- Research and Innovation: tackling and solving statewide challenges.
- Operational Excellence: administrative cost reductions.

Kaler noted that this Budget and the state's renewed investment in the institution's research, academics, and public engagement work is an accomplishment, citing previous decreases in state appropriations. Kaler reported that the University received the first increase in state funds in six years, and that this Budget focuses on a renewal of the University's partnership with the state. The Budget advances two key principles: stabilizing tuition for Minnesota resident undergraduates, and making targeted investments in University research and innovation through the Minnesota Discovery and Innovation Economy (MnDRIVE) initiative.

Kaler summarized how the Budget reflects his commitment to ensuring excellence in teaching, research, and outreach, and affordable education. He described how specific funding decisions have been made to advance the institution in each area, with a two-year tuition freeze for resident undergraduate students, increases in need-based financial aid, holding graduate and professional tuition aligned with market conditions and peer institutions, no increase in campus/collegiate fees, and holding required fees to lowest increases in recent history.

Kaler reported that the FY 2014 appropriation includes funding for University research in four areas:

- Robotics, sensors, and advanced manufacturing.
- Securing the global food supply.
- Advancing industry, conserving the environment.
- Advancing discovery and treatments for brain conditions.

Kaler noted that \$17.8 million in new recurring state appropriations would fund new faculty positions, graduate student and fellowship positions, and other staff opportunities.

Chair Cohen called on Regent Frobenius, Chair of the Finance Committee, to present the recommendation of the committee. Frobenius reported that the committee voted unanimously to recommend approval of the Resolution Related to the FY 2014 Annual Operating Budget.

Regent Devine commended the administration for presenting a Budget that demonstrates collaboration between the institution and the legislature, and one that moved forward desired outcomes outlined by the Board.

Regent McMillan indicated his support for the Budget but reiterated his ongoing concern about graduate and professional school tuition, particularly in the Law School. President Kaler stated that Law School leadership supported the high-tuition/high-aid model as the best way for the University of Minnesota to both shape incoming classes and maintain high LSAT scores.

Regent Beeson expressed support for the Budget. He indicated his belief that although cost reduction needs to be a strong theme, continued investment was vital for continuing to elevate the institution.

Regent Brod indicated her support for the creative approach in the Budget, but expressed concerns over the sustainability of the high-tuition/high-aid model, whether the savings from the tuition freeze would be eaten up by increased student fees, and graduate and professional school tuition and fees. She indicated that she did not support the Budget.

Regent Allen expressed his concerns about the high-tuition/high-aid model, but noted he would support the Budget.

Chair Cohen acknowledged the presence of Senator Terri Bonoff, Chair of the Senate Higher Education and Workforce Development Committee.

A motion was made and seconded and the Board of Regents voted 11-1 to approve the Resolution Related to the FY 2014 Annual Operating Budget, as follows. Regent Brod voted no.

WHEREAS, the University of Minnesota as the state's public, land grant university is charged with the responsibility to pursue knowledge and to help apply that knowledge through research and discovery, teaching and learning, and outreach and public service; and

WHEREAS, the State of Minnesota, through its legislative and executive branches, has appropriated \$576,799,000 in state general fund monies for fiscal year 2013-14 to the University of Minnesota, which is an increase of \$31.5 million compared to the prior year's funding level, for the pursuit of its mission and in support of our goals and objectives; and

WHEREAS, the University's biennial request to the State of Minnesota proposed to stabilize the resident undergraduate tuition rate at the 2012-13 level for both 2013-14 and 2014-15; and

WHEREAS, the University of Minnesota is committed to achieving standards of national and international excellence; and

WHEREAS, the future of the University is premised on partnerships within the University community of faculty, staff and students, with the State of Minnesota, other educational institutions, business and industry, University alumni, local communities, and the citizens of Minnesota;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents hereby approves the University of Minnesota Fiscal Year 2013-14 Annual Operating Budget as follows:

Minnesota resident undergraduate tuition rates will be stabilized at the 2012-13 level for both 2013-14 and 2014-15, consistent with the request by the State of Minnesota.

The Fiscal Year 2013-14 Annual Operating Budget approved by the Board of Regents includes the following attachments from the President's Recommended FY14 Operating Budget:

- Attachment 1 - Resource and Expenditure Budget Plan (University Fiscal Page)
- Attachment 4 - University of Minnesota 2013-14 Tuition Plan: Tuition Rates
- Attachment 6 - University of Minnesota 2013-14 Tuition Plan: Course Fees
- Attachment 7 - University of Minnesota 2013-14 Tuition Plan: Misc. Term Fees
- Attachment 8 - University of Minnesota 2013-14 Tuition Plan: Academic Fees
- Attachment 9 - Student Services Fees
- Attachment 12 - Fund Forecast - Centrally Distributed and Attributed Funds

PROGRESS REPORT ON ENTERPRISE SYSTEMS MANAGEMENT PROGRAM

President Kaler reported that the institution is upgrading the essential student service, human resources, and financial systems and is re-examining related business processes to improve the user experience and increase operational efficiency and effectiveness. He introduced Robert Elde, Dean, College of Biological Sciences; Vice Presidents Brown, Pfutzenreuter, and Studham; and Robert McMaster, Vice Provost and Dean of Undergraduate Education, to present a progress report on the Enterprise Systems Upgrade Program (ESUP) as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Elde reported that the ESUP was needed to maintain proper compliance, take advantage of new technologies, reduce costs incurred maintaining the current highly customized systems, and to ensure delivery of more consistent data to make better operational and management decisions. He described the program goals, budget, program governance, timeline, and the implementation partner selected to provide project management and oversight.

Elde discussed functions of the student, human resources management, and finance systems, provided details on previous upgrades, and described features and functionality improvements that will occur following the upgrade. He discussed the role

of University staff in the upgrade, and indicated that communication and training will be essential to ensure timely adoption of an effective enterprise system by an engaged University community. Elde also provided details of the project scope and expenditures to date, and discussed results of a recent program quality review, which graded ESUP as “healthy.”

In response to a question from Regent Omari, Elde indicated that staff from the consulting firm are deeply experienced with project implementation in institutions of similar size and complexity and were working closely with staff on a daily basis on all details and decisions related to the upgrade.

In response to questions from Regent Allen, Elde offered that the upgraded program was robust, with the capacity for expansion and ability to produce usable and mineable data. He added that initial tests on the system have been a crucial part of the installation.

REVIEW RESULTS OF BENCHMARKING ANALYSIS

Chair Cohen introduced President Kaler, Vice President Pfitzenreuter, and Laura Yaeger, Huron Consulting Services LLC (Huron), to lead discussion of the administrative services benchmarking analysis.

President Kaler reported that in response to concerns raised by the legislature regarding administrative costs, the University contracted Huron to perform an administrative services benchmarking and diagnostic study. The study focused on the efficiency and efficacy of the finance, procurement, human resources, and technology functions and had three primary goals:

- Identify, determine the scale of, and prioritize opportunities for improvement in the four core administrative function areas of finance, procurement, human resources, and information technology.
- Describe primary factors such as technology, organizational structure, and service delivery approach, which may currently impact performance in each area.
- Highlight peer and leading practices that may have applicability to the University.

Yaeger provided a synopsis of the scope of the study performed by Huron. She indicated that relative to the University’s total expenditures, total employment, and central administrative functions that were included in the scope, the University is in line with its peer institutions. The study identified strengths in all functions as well as opportunities for improvement, including rethinking the administrative service model that provides services to the academic community.

Yaeger described the method used by Huron to collect and analyze data and the challenges in developing benchmarks. She indicated that Huron had worked with numerous comparable institutions but that many universities are structured differently, with cost and activity occurring in academic and non-academic units where it may not be possible to accurately gauge how much time is spent on various activities.

Yaeger walked through a number of major initiatives the University has undertaken that impact technology, process design, organizational structure, and

governance in the four study areas, and also presented a brief overview of the strengths and opportunities for each of the four areas. She noted that it is not uncommon for large public research institutions to have many of the functions occur locally, though there is movement toward looking at how to drive efficiency and cost savings by considering a new service model.

Yaeger reported that the University already has many of the basic foundations to drive greater efficiency and effectiveness, and that the University might benefit from a more integrated, enterprise approach to service delivery. Yaeger briefly outlined how this approach could be applied to any administrative function. She noted the report contains many recommendations and the University may not have the capacity to undertake all of them immediately.

In response to questions from Regent Frobenius, Yaeger explained that there is limited data available to benchmark the costs of educating a student in a particular college or program. She indicated that the University's job class study would lay a stronger foundation from which to determine roles and functions performed.

In response to a question from Regent Beeson, Yaeger responded that many of the functions conducted at the central level are transaction-oriented functions that do not require special expertise. She added that finance and procurement and information technology are trending more toward a central service model.

REPORT OF THE FINANCE COMMITTEE

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

- a) Approval of the Consent Report for the Finance Committee as presented to the committee and described in the June 13, 2013 committee minutes.
- b) Approval of a Resolution Related to Issuance of Debt for State-Supported Biomedical Facilities, as follows:

WHEREAS, on March 10, 2006, the Board of Regents (Board) of the University of Minnesota (University) approved a resolution which requested that the Minnesota Legislature provide funding to assist in the construction or renovation of capital facilities and related equipment supporting biomedical sciences research (Facilities);

WHEREAS, the 2008 Minnesota State Legislature enacted Sections 137.61 to 137.65 of the Minnesota Statutes (Biomedical Science Research Funding Legislation), which provides that, on the condition that certain required certifications are made by the Board and the Commissioner of Finance, the State will transfer to the University up to 75 percent of the project costs for each of four projects approved by the Board, provided that the principal amount of bonds issued by the University to pay the state's share of the costs must not exceed \$219,000,000 (State Funding);

WHEREAS, Section 137.63, Subd. 2 of the Biomedical Science Research Funding Legislation requires that (i) the University, either

acting on its own or in collaboration with another private or public entity, must pay at least 25 per cent of the project costs for each of the projects funded by the Biomedical Science Research Funding Legislation and (ii) the Board must not use tuition revenue to do so;

WHEREAS, Section 137.64, Subd. 1 of the Biomedical Science Research Funding Legislation provides that for each project approved by the Board, (i) the Commissioner of Management and Budget of the State of Minnesota (Commissioner) must certify that the Board has, by Board resolution, approved the maximum project cost and complied with the requirements of Section 137.63, Subd. 2; and (ii) the Board must certify to the Commissioner the amount of the annual payments of principal and interest required to service the bonds issued to fund such project and the actual amount of the State's annual payment to the University under Section 137.64, Subd. 2 of the Biomedical Science Research Funding Legislation; and

WHEREAS, in November, 2008, pursuant to the Biomedical Science Research Funding Legislation, the Board authorized the issuance of Bonds in one or more series in the total principal amount of up to \$292,000,000 (November 2008 Authorization), provided that authorization for each series is subject to the conditions that it has been or will be certified by the Board in compliance with Secs. 137.63, Subd. 2 and 137.64, Subd. 1 of the Biomedical Science Research Funding Legislation;

WHEREAS, pursuant to the November 2008 Authorization, in November, 2009 the Board authorized the issuance of Bonds in one or more series up to an aggregate principal amount of \$53,200,000; in July, 2010, the Board authorized the issuance of additional Bonds up to an aggregate principal amount of \$100,000,000; and Bonds in the total principal amount of \$153,120,000 were issued in September, 2010;

WHEREAS, pursuant to the November 2008 Authorization, in June, 2011 the Board authorized the issuance of Bonds in one or more series up to an aggregate principal amount of \$100,300,000; and Bonds in the total principal amount of \$71,820,000 were issued in October 2011;

WHEREAS, it is now proposed that the University proceed, pursuant to the November 2008 Authorization, with an additional issuance and sale of Bonds up to an aggregate principal amount of \$67,060,000 (which includes the following principal amounts previously authorized but not issued: \$80,000 in 2010 and \$28,480,000 in 2011, and results in a total principal amount of \$292,000,000 of Bonds authorized to date);

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

1. As additional Bonds to be issued pursuant to the November 2008 Authorization, the Treasurer is authorized to approve the terms of one or more series of bonds up to a maximum project cost and an aggregate principal amount of \$67,060,000, including but not limited to

the principal amount thereof, the maturity date or dates thereof, the interest rate or rates thereon, and the provisions, if any, with respect to the redemption of such Bonds prior to the stated maturity thereof, provided that if the interest rate on any series of Bonds shall be a fixed rate as provided in the Indenture of Trust or Order pursuant to which it is issued, the interest rate on any Bonds of such series may not exceed 8.00% per annum, and in no event shall any Bond mature later than 25 years following its date of issuance. The University, either acting on its own or in collaboration with another private or public entity, shall pay at least 25 per cent of the maximum project cost. The University shall not use tuition revenue to pay such costs.

2. The Treasurer is authorized to negotiate with one or more banks, investment banking firms or financial institutions to be engaged by the University as the underwriter for the Bonds, the terms and conditions upon which the Bonds shall be sold and issued, and to approve the terms of such sale and issuance, including if the Bonds shall be issued as general obligations of the University.

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

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

5. In addition, the Treasurer is further authorized to negotiate with one or more commercial banks, insurers or other credit support providers the terms and conditions of any credit support for any series of Bonds, and the President and Treasurer are authorized to execute and deliver any agreements of the University with the provider of any such credit support facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel.

6. The Treasurer is authorized to approve the Preliminary Official Statement and the final Official Statement or any supplements or amendments thereto to be prepared and distributed by the University to any purchaser or potential purchaser of a series of Bonds, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto.

7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Bonds. The Treasurer is authorized and directed to take all action that may be necessary or appropriate to inform the Commissioner of the directives stated in the first paragraph of this resolution and thereby enable the Commissioner to make the certification required by Section 137.64, Subd. 1, for this project.

8. As soon as practicable after the Bonds to be issued under this resolution have been sold and the underwriter for such Bonds has reported to the University the necessary information, the Treasurer is authorized and directed to certify to the Commissioner, on behalf of the Board, the amount of the annual payments of principal and interest required to service such Bonds and the actual amount of the State's annual payment to the University under Section 137.64, Subd. 2 with respect to such Bonds.

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

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

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

Frobenius reported that the committee also received a report on University tax compliance activities and programs; and reviewed a number of information items included in the docket materials.

REPORT OF THE AUDIT COMMITTEE

Regent Beeson, Chair of the committee, reported that the committee reviewed the internal audit plan; received an internal audit update; discussed the risk profile of University operations; and discussed a number of information items included in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the June 13, 2013 committee minutes.
- b) Adoption of amendments to Board of Regents Policy: *Tuition and Fees*, as follows:

Tuition and Fees

This policy establishes the basic principles for assessing, collecting, and managing tuition and fees at the University of Minnesota (University).

SECTION I. GUIDING PRINCIPLES.

The University is a publicly-supported institution whose programs benefit individual students, the state, and the nation. The following principles shall guide the assessment, collection, and management of tuition and fees at the University:

Subd. 1. Shared Responsibility. The University's tuition and fee assessments shall reflect the shared responsibility, benefits, and needs of the individual student, the University, and the state.

Subd. 2. Access, Retention, and Timely Progress. The tuition rate structure shall provide appropriate incentives for access, retention, and timely progress toward the degree.

Subd. 3. Determinants of Tuition Rates and Related Fees. Tuition rates and related fees shall take into account the competitive environment of individual programs, personal benefits to individual students, and social needs as well as the level of state appropriations for the University's instructional programs. Graduate tuition rates, graduate assistant wage rates, and tuition waiver and remission policies shall enable recruitment of the best students to ensure that the quality of graduate programs is maintained and that the institution benefits from the contributions of graduate students to instructional and research programs.

Subd. 4. Assessment and Collection of Tuition and Fees. All tuition and fees assessed by the University shall be collected and managed under approved University business procedures.

SECTION II. TUITION GUIDELINES.

Subd. 1. Tuition Assessment. All students receiving credit-based instruction shall be assessed tuition or a comprehensive fee in lieu of tuition.

Subd. 2. Residency. The Board shall establish the University's residency policy, consistent with state and federal law. The president or delegate shall approve interpretive conventions of resident tuition status, subject to Board review. Students shall be provided an opportunity to present arguments for possible classification as a resident for University purposes.

Subd. 3. Tuition Reciprocity Agreements. Subject to Board approval, the University may participate in tuition reciprocity agreements with other states and Canadian provinces. These agreements shall specify the extent to which tuition is waived. Consistent with state law, the president shall recommend to the Board for action any additions or modifications to reciprocity agreements. The Board affirms that participation in reciprocity agreements involving the remission of nonresident tuition is based on adequate funding through the Governor's Office and the Minnesota State Legislature.

Subd. 4. Consortium and Exchange Agreements. The president may approve consortium and exchange agreements with other institutions and other academic programs for the conduct of student exchanges and visiting student/scholar programs.

Subd. 5. Tuition Rates. The president shall recommend to the Board for action the following tuition rates:

- (a) Undergraduate Students — For each campus, the resident tuition rates shall be the same for all undergraduate students and the nonresident tuition rates shall be the same for all undergraduate students. A college specific tuition surcharge may be established as a supplement to the relevant undergraduate tuition rate.
- (b) Graduate Students — Tuition rates for graduate students may vary by program, but shall be established on a cost-related basis within market rates.
- (c) Professional Students — Tuition rates for professional students may vary by program, but shall be established on a cost-related basis within market rates. The president or delegate shall determine the appropriate market comparisons for the professional schools of medicine, dentistry, veterinary medicine, pharmacy, and law.
- (d) Departmental Master's Degree Students — Tuition rates for departmental master's students may vary by program, but shall be established at a level above the undergraduate rate.
- (e) Non-degree Students — The president shall recommend tuition rates for non-degree students on each campus, recognizing that differences between degree-seeking and non-degree-seeking students may justify differences in tuition rates.
- (f) Nonresidents — Nonresident, non-reciprocity tuition rates for undergraduate, graduate, professional, and departmental master's degree students shall be set at rates higher than for resident students.

- (g) Part-time Students — Tuition rates and fees shall recognize the difference in cost between full-time and part-time students.
- (h) Fees in lieu of tuition shall be set so that the total fee is equal to or greater than the tuition rate applicable to the credits earned. The total fee in lieu of tuition may include multiple components.

Subd. 6. Exceptions. The president may recommend for Board action that nonresident, non-reciprocity students be charged resident student tuition rates on a campus, in certain colleges or programs, or for distance education courses delivered by correspondence or electronically to students defined as off-campus by administrative policy.

Subd. 7. Tuition Waivers and Remissions. Tuition may be waived or remitted selectively in order to accommodate state law, to provide financial discounts to students the University is seeking to attract, to offer University employees a benefit, to promote cooperation with other educational institutions, to support the international exchange of students, and to serve humanitarian purposes. As a general rule, a tuition waiver or remission program shall be offered only if the University intends to provide such a benefit to all qualifying students, regardless of financial circumstance. The president shall recommend for Board action the terms and conditions of any new tuition waiver or tuition remission programs, and the University shall state publicly the exceptions it will approve.

SECTION III. FEES.

Fees within this section shall be assessed only in specifically justified situations consistent with the definitions and parameters identified, and shall be set based on consideration of actual cost and the impact to students.

The president may recommend for Board action assessment of the following fees:

Subd. 1. Course Fees. Course fees may be assessed to recover costs of goods and services provided beyond the normal expectations of instructional delivery when those goods and services:

- (a) are essential to the educational outcomes of the course;
- (b) are unique to the type of course;
- (c) are used during the term of enrollment;
- (d) represent direct costs or assignable indirect costs calculated on a per-student basis

Course fee rates shall be set to recover but not exceed actual costs.

Subd. 2. Distance Delivery Fees. Fees in excess of tuition may be assessed for delivery of instruction that does not require the physical presence of the student on campus. Fees for distance delivery of courses may be set to reflect market considerations.

Subd. 3. Academic Fees.

- (a) Campus/Collegiate Fees. Campus/collegiate fees are campus- and college-wide fees that may be assessed to all students enrolled on a campus or in a college for goods and services that directly benefit students but that are not part of actual classroom instruction. Allowable goods and services include advising, career services, computer labs, special equipment, orientation activities, and other goods or activities intended to enhance the student experience outside of actual classroom instruction. Each campus shall assess no more than one campus-wide fee and each college shall assess no more than one college-wide fee.
- (b) Durable Goods Fees. Durable goods fees may be charged by a campus or a college to their enrolled students (or any cohort or subset of their enrolled students) for educational materials and equipment that will be owned by, potentially owned by, or assigned to a specific student for their use during the entire term. Durable goods fees may not be charged for services, or for use of any equipment owned and retained by the University, with the exception of computer or other specialized equipment assigned for a full term to a specific student.

Subd. 4. Miscellaneous Term Fees. Miscellaneous term fees may be assessed to an individual student (or to students in a defined group) for goods, services and benefits received, or for implementing a penalty. Allowable items covered in this subdivision are those that do not fall under course, distance delivery or academic fee categories (subdivisions 1 – 3) and include, but are not limited to: transcript fees, application fees, specific program fees, damage deposits, confirmation fees, and special exam fees.

SECTION IV. DELEGATION OF AUTHORITY.

Subd. 1. Recommendations. The president shall recommend for Board action tuition rates for all levels of students and estimate tuition revenue in the Annual Operating Budget, which also shall include information regarding tuition practices, any proposed tuition refund schedules, and administrative, academic, or course fees.

Subd. 2. Implementation. The president or delegate shall implement tuition policy and assess tuition. The President or delegate shall have the authority to implement changes to course, distance delivery, academic, and miscellaneous term fees outside of the *Annual Operating Budget* to correct errors or to establish fees essential for the delivery of new courses, provided the fees in question meet the standards set forth in Section III.

Supersedes: Tuition Policy dated February 12, 1993; Tuition Policy dated November 10, 1993; and Tuition Waiver for American Indian Students at the Morris Campus dated February 10, 1961.

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

Simmons reported that the committee also received an update on student mental health trends and services, and discussed internationalizing the University.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of the UMD Master Plan Update as presented to the committee and described in the June 13, 2013 committee minutes.
- b) Approval of schematic plans for the following projects as presented to the committee and described in the June 13, 2013 committee minutes:
 1. UMD Campus Utility Building - Duluth Campus
 2. Microbiology Research Facility - Twin Cities Campus
 3. Glensheen June 20, 2012 Water Damage and Cleanup - Duluth Campus.
- c) Approval of the University of Minnesota Landscape Arboretum Master Plan Update as presented to the committee and described in the June 13, 2013 committee minutes.

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

Johnson reported that the committee also discussed the information items presented in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

- a) Approval of the revised Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the June 13, 2013 committee minutes.
- b) Adoption of Board of Regents Policy: *Safety of Minors*, as follows:

Safety of Minors

SECTION I. SCOPE.

This policy provides for the safety of minors (persons under the age of 18, also "children") on University of Minnesota campuses and facilities and in University programs.

SECTION II. GUIDING PRINCIPLE.

It is the policy of the Regents of the University of Minnesota to protect and provide a safe environment for children when they are on University premises, participate in University sponsored programs, or are in the care of University employees or University volunteers. Children come to the campuses and into the facilities of the University for many purposes including educational programs, recreational programs, childcare, cultural events, and athletic programs. These programs and opportunities provide immense benefits only available at the University. These programs have operated successfully on our campuses and facilities for many years and enriched the lives of tens of thousands of children. This policy is intended to support the continuation of this tradition and enhance the safety of minors on our campuses, in our facilities and in our programs. The policy applies to all minors on University premises and in University sponsored programs including, but not limited to, all enrolled students and Post Secondary Enrollment Option students.

SECTION III. IMPLEMENTATION.

In order to assure the safety and wellbeing of children, the University shall adopt administrative policies and procedures that address children's safety including, but not limited to the following:

1. Requiring all University employees and volunteers who have reason to believe that a child is being neglected or physically or sexually abused to make an immediate report of the neglect or abuse to a law enforcement or social service agency.
2. Requiring background checks of all University employees and volunteers where appropriate and who have significant contact with or supervise children on campus.
3. Requiring appropriate training for University employees on the identification and reporting of neglect, physical abuse, or sexual abuse of children and the notification requirements mandated by policy and Minnesota law.
4. Establishing appropriate requirements for the safety of children participating in University-sponsored programs.
5. Identifying and assuring compliance with all state or federal laws relating to the safety of children.

All University employees and volunteers shall cooperate in the effort to protect children and provide for their safety on our campuses, in our facilities and in our programs.

SECTION IV. DELEGATION.

The president or delegate shall maintain appropriate administrative policies and procedures and implement programs to protect and advance the safety of children.

- c) Approval of a Resolution Related to the Proposed Labor Agreement with the University Education Association for Faculty on the Duluth and Crookston Campuses (Out State Instructional Unit 9) as follows:

WHEREAS, the parties have met and negotiated over the course of the past year and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit (a complete copy of which is available in the Board of Regents Office); and

WHEREAS, University Education Association has ratified acceptance of the agreement, and

WHEREAS, according to the Board of Regents Policy: *Board Operations and Agenda Guidelines*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED, that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for June 13, 2013.

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

Simmons reported that the committee also discussed human resources metrics for board oversight; received and discussed the annual UPlan health insurance update; received an update on the human resources management system upgrade project; and reviewed a number of information items described in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Chair Cohen reported that the committee did not meet this month.

The meeting adjourned at 12:03 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Presidential Performance Review Committee

May 10, 2013

A meeting of the Presidential Performance Review Committee of the Board of Regents was held on Friday, May 10, 2013 at 2:00 p.m. in 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; David Larson, and David McMillan.

Staff present: Executive Director Brian Steeves.

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

At 2:00 p.m. a motion was made and seconded that the following resolution be approved:

RESOLVED, that as provided by Minnesota State Statute 13D.05, Subd. 3(a), a non-public meeting of the Presidential Performance Review Committee of the Board of Regents will be held on Friday, May 10, 2013 at 2:00 p.m. in the W.R. Peterson Conference Room, 600 McNamara Alumni Center, 200 Oak Street, SE, Minneapolis, Minnesota, for the purpose of evaluating the performance of the President of the University of Minnesota.

The committee voted unanimously to approve the resolution. Cohen indicated the committee's work was expected to take place over several days. She outlined the evaluation process and timeline. The public portion of the meeting recessed at 2:05 p.m.

The non-public portion of the meeting recessed at 3:00 p.m.

Chair Cohen reconvened the non-public meeting of the Presidential Performance Review Committee on Tuesday, May 28, 2013 at 2:00 p.m. in 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; David Larson, and David McMillan.

Staff present: Executive Director Brian Steeves.

The meeting recessed at 3:00 p.m.

DRAFT

Chair Cohen reconvened the non-public meeting of the Presidential Performance Review Committee on Wednesday, June 12, 2013 at 6:00 p.m. in the Hearth Room of the Minneapolis Club, 729 2nd Avenue South, Minneapolis Minnesota.

Regents present: Linda Cohen, presiding; David Larson, and David McMillan.

Staff present: President Eric Kaler and Executive Director Brian Steeves.

The meeting adjourned at 8:12 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary