

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

May 8-9, 2014

**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

May 8-9, 2014

	PAGE
I. Committee Meetings	
A. Audit Committee - May 8, 2014 -----	162
B. Special Committee on Academic Medicine - May 8, 2014 -----	165
C. Facilities & Operations Committee - May 8, 2014 -----	168
D. Faculty & Staff Affairs Committee - May 8, 2014 -----	173
E. Academic & Student Affairs Committee - May 8, 2014 -----	177
F. Finance Committee - May 8, 2014 -----	181
II. Board of Regents Meeting - May 8, 2014	
A. Recognitions -----	186
1. NCAA Champions	
2. Distinguished McKnight University Professor Awards	
3. National Academy Members & Other Major Faculty Awards	
4. Academy of Distinguished Teachers	
1. Horace T. Morse-University of Minnesota Alumni Association for Outstanding Contributions to Undergraduate Education	
2. Awards for Outstanding Contributions to Postbaccalaureate, Graduate & Professional Education	
5. John Tate Award for Excellence in Undergraduate Advising	
6. Josie R. Johnson Award for Human Rights and Social Justice	
7. Outstanding Community Service Awards	
8. President's Community Engage Scholar Award	
9. National Scholarship Recipients	
10. President's Award for Outstanding Service	
III. Board of Regents Meeting - May 9, 2014	
A. Approval of Minutes -----	191
B. Report of the President -----	191
C. Report of the Chair -----	192
D. Receive and File Reports -----	192
A. Annual Review of the President's Delegations	
E. Approval of Consent Report -----	192
A. Report of the All-University Honors Committee	
B. Gifts	
F. Approval of Resolution Related to Operating & Maintenance Addendum to the Agreement for the Central Corridor Light Rail Transit Project Through the University of Minnesota Twin Cities Campus -----	192
G. Review President's Recommended FY2015 Annual Capital Improvement Budget -----	194
H. Review President's Recommended FY2015 Annual Operating Budget -----	195
I. Update on Operational Excellence Initiatives -----	196
J. Trends & Opportunities in Graduate & Professional Education -----	197
K. Report of the Audit Committee	
1. External Audit Plan -----	198
2. External Auditor Review & Summary of Other External Auditor Relationships & Services Provided -----	198
3. Academic Risk Profile -----	198
L. Report of the Facilities & Operations Committee	
1. Approval of Capital Budget Amendment -----	198
A. Williams Arena Roof Replacement, Twin Cities Campus	
2. Approval of Schematic Plans -----	198
A. Williams Arena, Twin Cities Campus	
3. Review Project Components of the President's Recommended FY2015 Annual Capital Improvement Budget -----	198
4. Providing a Memorable Student Experience -----	198

5.	Transportation Planning & Operations Planning on the Twin Cities Campus-----	198
6.	Information Items -----	198
M.	Report of the Faculty & Staff Affairs Committee	
1.	Approval of Repeal of Board of Regents Policy: <i>Death Benefits</i> -----	199
2.	Approval of Annual Promotion & Tenure Recommendations-----	199
3.	Approval of Continuous Appointments: Annual Recommendations -----	199
4.	Approval of Resolution Related to the Proposed Labor Agreement with Minnesota Public Employees Association, Inc. (Unit 1)-----	199
5.	Update on Job Family Work -----	199
6.	Information Items -----	199
N.	Report of the Finance Committee	
1.	Approval of Consent Report -----	199
2.	Adoption of Amendments to Board of Regents Policy: <i>Endowment Fund</i> -----	199
3.	Review Financial Components of the President's Recommended Annual Capital Improvement Budget -----	202
4.	Review President's Recommended FY2015 Annual Operating Budget-----	202
5.	Information Items -----	202
O.	Report of the Academic & Student Affairs Committee	
1.	Approval of Consent Report -----	202
2.	2015-16 Reaccreditation of the Twin Cities & Rochester Campuses: Staff Preparations & Board Responsibilities-----	202
3.	Undergraduate Transfer Student Experience & University Impact -----	202
P.	Report of the Litigation Review Committee	
1.	No meeting this month -----	202
Q.	Report of the Special Committee on Academic Medicine	
1.	Academic Health Center Research: Overview & Update -----	202
IV.	Public Forum on the President's Recommended FY 2015 Annual Operating Budget - June 13, 2014 -----	203

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee
May 8, 2014**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, May 8, 2014 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Clyde Allen, Peggy Lucas, Abdul Omari, and Patricia Simmons.

Staff present: Chancellors Stephen Lehmkuhle and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice President Scott Studham; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Joseph Daniewicz and Meghan Mason.

EXTERNAL AUDIT PLAN

Regent Brod invited Associate Vice President Michael Volna and Kirsten Vosen, Lead Client Service Partner, and Judi Dockendorf, Senior Audit Manager, from Deloitte & Touche LLP (Deloitte) to review the external audit plan for the fiscal year ending June 30, 2014, as detailed in the docket.

Vosen detailed the overall plan created by Deloitte. She described how Deloitte reassessed risk areas from the 2013 audit, and considered the University's fiscal 2014 enterprise goals and the current state of the industry and the economy. As a result of this process, Deloitte identified alternative investment valuation and management override of control as areas of significant risk for the 2014 audit.

Vosen indicated that the audit would include conversations across a broad segment of the University for the A-133 audit, specifically regarding management override of controls. Dockendorf noted that federal grant compliance is also an area of the A-133 that will be closely examined given the large amount of federal funding that the University receives.

In response to a question from Regent Omari, Vosen explained that accounting guidance is always evolving. She outlined a few items requiring attention over the next five years, including a continued push to align government accounting standards with the Financial Accounting Standards Board (FASB) and more focus on fair value of investments with more transparency for the general public. Cloud computing and network security will also be a key area for risk assessment. The risk assessment process that is being carried out by the committee across all areas of the University is at the forefront of what similar organizations are doing and ensures that this committee is looking beyond purely financial risks.

Associate Vice President Klatt added that the University relies on the work that Deloitte does, specifically in areas related to the University's investments. Klatt noted that given Deloitte's expertise, any additional work done internally by the University would be duplicative.

In response to a question from Regent Lucas, Volna indicated that component audits included in the University's audited financial statements are the University of Minnesota Foundation, University of Minnesota Physicians, and the Gateway Corporation. The University of Minnesota Medical Foundation, before it was merged with the foundation, was also included. The Minnesota Landscape Arboretum Foundation and the 4-H Foundation were previously included, but given the size of each they were removed last year. Vosen indicated that this aligns with guidance from FASB.

**EXTERNAL AUDITOR REVIEW AND SUMMARY OF
OTHER EXTERNAL AUDITOR RELATIONSHIPS & SERVICES PROVIDED**

Regent Brod invited Associate Vice President Michael Volna to review audit and non-audit services provided to the University by external audit firms and related fees paid during FY 2013. Volna explained that total Deloitte & Touche LLP (Deloitte) contracted audit and non-audit fees were \$2,912,119 for FY 2013 engagements, with actual fees paid of \$2,513,947. Volna explained that the current contract with Deloitte gives the University the option to extend the relationship. Given Deloitte's performance, the University is moving forward with an extension.

In response to a question from Regent Brod, Volna explained that the imbalance of non-audit versus audit services for Deloitte was caused by the contract for the Biomedical Health Informatics Initiative. That project was originally contracted to Recombinant Data Corp., which was acquired by Deloitte.

In response to related questions from Regents Simmons and Allen, Volna noted that this was a unique situation. Best practice is to ensure that the same company is not auditing their non-auditing activities. If the Biomedical Health Informatics Initiative had wanted to contract with Deloitte from the start, approval would have been sought from the committee. While the contract is complete, any future work will be evaluated given the audit relationship with Deloitte. Volna additionally suggested that it is unclear whether this type of situation will become problematic in the future. Given that data analytics is an exploding field and companies like Deloitte have vast expertise in that area, it could become an issue.

Volna explained that the University has paid fees totaling \$3,388,347 through March 2014 to five different public accounting firms for a variety of audit and non-audit services, which are described in the narrative and schedule as detailed in the docket.

ACADEMIC RISK PROFILE

Regent Brod introduced Senior Vice President and Provost Karen Hanson to present information on the academic risk profile, as detailed in the docket.

Hanson indicated that every risk throughout the University is a risk to academic operations. She focused on risks associated with the academic mission of the University across five broad areas:

1. Financial and operational health.
2. Student, faculty, and staff well being.
3. Academic program quality.
4. The educational experience.
5. Reputation and perception of value.

Hanson detailed examples that align with the broad areas located in either the high likelihood or high impact sections of the heat map, including:

- Erosion of federal and state support.
- Erosion of public support for research mission.
- Academic dishonesty of students.
- Compliance with state and federal regulations.
- Rising student debt.
- Behavioral issues.
- Health and safety of students, faculty and staff traveling/studying abroad.
- Recruitment and retention of top faculty, staff, and students.

In response to a question from Regent Simmons, Hanson agreed that the issue of state support for research is complicated. She indicated that there is more state support for research in Minnesota than in other states but that the funding is often specifically tied to topics that researchers or the general public might not think are the most important to pursue. Thus, there is a danger in tying up University resources on research that is not considered vital and could cause the University to miss greater opportunities.

In response to a question from Regent Omari, Hanson recognized that there is risk in not having continuous faculty tied to the development of students and the University. She noted that the University limits that risk by using adjunct faculty mainly in areas where a specific expertise is needed, and those individuals often have other full-time employment. Instead of adjuncts, the University tends to rely on non-tenure faculty members who are full-time employees with benefits.

In response to a question from Regent Brod, Hanson agreed that there is much discussion across the nation regarding academic freedom and its role as a foundational part of higher education. She added that it is a complicated issue that is not easily defined. Hanson indicated a desire to hold a series of campus forums on the topic next fall and agreed that they should cover academic freedom for both faculty and students.

In response to comments from Student Representative Mason, Hanson agreed that the academic risk profile and Twin Cities strategic plan should align and push the University to foster the best academic institution. She seconded the emphasis of the association of academic and behavioral issues outside of the classroom and the need to mitigate that risk by providing a safe and supportive environment for all.

The meeting adjourned at 9:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Special Committee on Academic Medicine
May 8, 2014**

A meeting of the Special Committee on Academic Medicine of the Board of Regents was held on Thursday, May 8, 2014 at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Richard Beeson, Thomas Devine, John Frobenius, Dean Johnson, and David McMillan.

Staff present: President Eric Kaler; Vice Presidents Katrice Albert, Brian Herman, and Brooks Jackson; Executive Director Brian Steeves; and Associate Vice President Terry Bock.

ACADEMIC HEALTH CENTER RESEARCH: OVERVIEW & UPDATE

Vice President Jackson presented an overview of health research at the University, as detailed in the docket. He characterized the University's Academic Health Center (AHC) as one of the most comprehensive in the nation. The range of health research includes: basic, translational, clinical, population, patient outcomes and health care delivery, and policy.

Total AHC research for FY 2013 was \$393.4 million. This included 82 percent sponsored research and 18 percent non-sponsored research typically funded by gifts, endowment earnings, clinical revenues, and state appropriations. Jackson added that the AHC comprised 52 percent of the University's total sponsored research expenditures. He detailed research expenditures by college within the AHC and also provided a breakdown of research funders that showed the federal department of Health and Human Services sponsored around two-thirds of AHC research in FY 2013.

Jackson identified the top research strengths for each of the six disciplines within the AHC, including several of the most well known areas such as cancer, neurological and infectious diseases, and drug discovery. He reported several additional lesser-known strengths such as biostatistical methods in the School of Public Health, personalized medicine in the College of Pharmacy, and biomaterials in the School of Dentistry.

Jackson shared the National Institutes of Health (NIH) research rankings for each school as well as information on peer institutions. He reported that the Medical School would have to increase NIH awards by more than \$100 million to move into its historical high ranking of 14th in the nation. The Medical School is currently ranked 26th.

The NIH budget has decreased by \$6 billion, or 22 percent, in the past 10 years, which Jackson noted has been met with an increased number of funding applications and a significant decline in the success rate of grants funded from around 30 percent to less than 18 percent. Funding has also been shifted to support more interdisciplinary, team-based, multi-institutional, and global research as well as towards informatics, big data, genomics and personalized medicine.

Jackson cited the comprehensiveness of the AHC, programs and centers of national prominence, and investments in research facilities and infrastructure – such as the Biomedical Discovery District and Center for Magnetic Resonance Research – as key University strengths in a changing research environment.

He also shared future health research investment priorities and 12 strategic actions necessary to position the AHC for success:

1. Renewed emphasis on scholarship,
2. Strengthening faculty mentoring programs,
3. Fostering and supporting team science,
4. Recruiting talented researchers through cluster hires in strategic priority areas,
5. Increased commitment by researchers to apply for grants,
6. Aligning incentives for faculty, department chairs, and deans,
7. Optimizing the co-location of investigators,
8. Expanding patient outcomes/clinical trials research,
9. Expanding international research,
10. Speeding the translation of research into clinical practice,
11. Strengthening partnerships with industry, and
12. Increased philanthropy for research programs and endowed chairs, among others.

Jackson invited five faculty members to present case studies in research excellence.

Gunda Georg, Director of the Institute for Therapeutics Discovery and Development, shared that through interdisciplinary research collaborations between various individual researchers, schools, colleges, research centers, universities, the NIH, and private companies, the institute creates opportunities for drug discovery and early preclinical drug development while educating the next generation of drug discoverers. She cited the University of Minnesota Chemical Diversity Center's participation in The National Cancer Institute's (NCI) Chemical Biology Consortium – a new drug discovery platform that partners academic, non-profit, research, and NCI labs – as an example.

Timothy Schaker, Director of the Infectious Disease Clinic, shared his translational research on HIV/AIDS. He described that current drugs for HIV do not completely suppress HIV replication because the drugs do not concentrate in tissues where the virus replicates. This pharmacological barrier will need to be overcome to move closer to a cure.

Jakub Tolar, Director of the Stem Cell Institute, shared an example of moving an idea to clinical practice. He detailed the use of stem cells from bone marrow to repair the skin of patients with a fatal skin disease. He noted that this was the first time that researchers have shown that marrow stem cells can home to the skin and alter the natural course of the disease.

James Neaton, Professor of Biostatistics, shared his work with INSIGHT, a global HIV network. He indicated that the motivation to create INSIGHT was faster translation of research globally and the necessity of trials with morbidity and mortality outcomes. The expanded collaborations offer new ways of thinking about problems and worldwide lobbying on important issues. Jackson added that Neaton is the top NIH-funded researcher in the AHC.

Lynn Blewett, Director of the State Health Access Data Assistance Center (SHADAC), reported that the center was established in 2001 and conducts health policy research, translates research to inform policy, and trains researchers and policy analysts. SHADAC works with non-profits, foundations and governmental organizations nationally to monitor and evaluate programs.

In response to a question from Regent Frobenius, Jackson reported that resources must be allocated to areas of selective excellence. He added that an emphasis on philanthropy and endowments would help support infrastructure during slower periods. He also commented that funding is a big measure of success, but offered that the impact of research on society is

another significant measure. Ultimately, is the research allowing people to live longer and healthier lives?

In response to a question from Regent Beeson, Jackson cited renewed emphasis on scholarship; co-locating investigators; strengthening faculty mentoring; and aligning incentives for faculty, department chairs, and deans as key parts of his strategy to manage and position the University's human resources for success.

In response to a question from Regent Devine, Jackson stated it is necessary to have the infrastructure to support large research teams to stay competitive in today's research environment. He reported that research depends on the clinical practice and that there will be a need to expand University of Minnesota Health.

In response to a question from Regent McMillan, Jackson noted that NIH funding priorities were considered in developing the future health research priorities outlined in the presentation.

In response to a question from Regent Johnson, Jackson invited the five researchers to comment on the administrative support system in place for writing NIH grant proposals. Neaton responded that the structure is very good, though it varies by department.

President Kaler provided closing comments. He noted the Medical School's 10-point rankings improvement over the last decade as an indication that the University is moving in the right direction. He emphasized that further alignment with Fairview will offer a large system for increased clinical research. He cited the University's world-class facilities like the Biomedical Discovery District as attractive for recruiting faculty, and expressed optimism about the University's partnership with the state.

The meeting adjourned at 9:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
May 8, 2014**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, May 8, 2014 at 9:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Linda Cohen, Thomas Devine, Dean Johnson, Peggy Lucas, and Abdul Omari.

Staff present: President Eric Kaler; Chancellor Stephen Lehmkuhle; Vice Presidents Brian Herman, Richard Pfutzenreuter, and Pamela Wheelock; Executive Director Brian Steeves.

Student Representatives: Hannah Keil and Benjamin Metcalf.

CAPITAL BUDGET AMENDMENT

A. Williams Arena Roof Replacement – Twin Cities Campus

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

On recommendation of the President and the Vice President for University Services, the FY 2013 Capital Budget is amended to include the following project:

- Williams Arena Roof Replacement – Twin Cities Campus
- Scope of Project: Provide a new aluminum roof system, approximately 119,000 square foot, with a 60-year life span.
- Master Plan: The project is in compliance with the Twin Cities Master Plan and the East Gateway District Plan
- Cost Estimate: \$7,553,000
- Capital Funding: Intercollegiate Athletics and Repair and Replacement/University Debt

Vice President Wheelock introduced Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, to review the project. Smith explained that the current roof had a life expectancy of 60 years and is currently 66 years old. Investigation into the condition of the roof confirmed that annual patching is insufficient and replacement of the roof is necessary.

In response to a question from Regent Johnson, Wheelock explained that the Athletics Master Plan includes improvements to Williams Arena; however, the roof replacement is an asset preservation project only and additional upgrades are not being considered at this time.

In response to a question from Regent Omari, Wheelock confirmed that Intercollegiate Athletics is funding the project using fee income from the Vikings lease at TCF Bank Stadium. Wheelock explained that Vice President Pfutzenreuter consults with Intercollegiate Athletics to determine use of the anticipated \$3 million in fees income. Wheelock introduced Pfutzenreuter to provide additional comments. Pfutzenreuter responded that the current plan is to reserve the majority of the proceeds to fund future upgrades and improvements to the stadium.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Williams Arena Roof Replacement – Twin Cities Campus.

SCHEMATIC PLANS

A. Williams Arena Roof Replacement – Twin Cities Campus

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

The schematic plans for the Williams Arena Roof Replacement, 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 noted that the Williams Arena Roof Replacement was being submitted for both review and action, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, to answer questions.

In response to a question from Regent Devine, Smith noted that the roof would be insulated to R25, the maximum level of insulation allowed by the roof structure. Wheelock added that this would allow space within the roof structure to add lights, a potential future upgrade that would result in additional energy savings.

The committee voted unanimously to recommend approval of the schematic plans for the Williams Arena Roof Replacement – Twin Cities Campus.

PROJECT COMPONENTS OF THE PRESIDENT'S RECOMMENDED FY 2015 CAPITAL IMPROVEMENT BUDGET

Vice President Wheelock provided for review an overview of the project components of the President's Recommended FY 2015 Capital Improvement Budget (Capital Budget), as detailed in the docket.

Wheelock explained that the Capital Budget authorizes projects totaling \$367,845,000 to begin design or construction during the next fiscal year. She highlighted its key planning principles:

- Advance the academic excellence of the University of Minnesota;
- Address service unit priorities that support the academic priorities;
- Ensure that investments in existing facilities aligns with the University's academic plan;

- Give preference to projects that create flexible space, improve space utilization, and reduce operational costs; and
- Protect the University's financial position by keeping capital expenditures within the projected debt capacity limit; and
- Advance the guiding principles of campus master plans and the Board's sustainability policies.

In response to a comment by Regent Devine and a question from Regent Johnson, Wheelock portrayed the bonding bill as a moving target and indicated the committee would receive updated materials at the June 2014 meeting after the legislature passed a bonding bill. President Kaler added that the House bill included funds for a new Bell Museum of Natural History, which is not on the University's priority list. He emphasized that the University supports the Bell Museum project as long as it does not impact support for the priority projects.

In response to questions and comments by Regents, Wheelock invited Laurie McLaughlin, Director of Housing and Residential Life, to answer questions. Wheelock and McLaughlin explained that \$11.5 million is included in the Capital Budget to upgrade HVAC in Centennial Hall. The current system has outlived its useful life and the upgrade is necessary given the expectation that Centennial Hall will be used for an additional 10-20 years. McLaughlin emphasized the need to provide safe, well-maintained residential facilities. President Kaler acknowledged that replacement and relocation of Centennial Hall, Pioneer Hall, and the other superbloc residence halls is necessary but due to the significant cost it will need to be part of a long-term plan.

PROVIDING A MEMORABLE STUDENT EXPERIENCE

Vice President Wheelock and Monique MacKenzie, Director of Planning, Space and Architecture, led a discussion on how campus space and facilities support the student experience and the University's mission, as detailed in the docket.

Wheelock introduced the discussion as the last in a three-part series of conversations around University Services' strategic plan. University Services' strategic goals are to optimize the University's physical assets, ensure a safe University, and provide a memorable student experience.

She emphasized that the University's key competitive advantage is to provide an exceptional place-based experience. With more competitors in the marketplace, the high degree of mobility of prospective students, changing demographics, and increasing concerns about affordability and benefit of higher education, high-quality facilities that promote meaningful connections and advance students' educational goals are critical to support recruitment and retention.

MacKenzie addressed consistency of experience as an important part of the University's brand. She provided several examples throughout the three distinct areas of the Twin Cities campus – the West Bank, East Bank, and Saint Paul campus – that highlighted the inconsistencies of building design, landscape design, campus planning (density, green space), and quality among like spaces such as residence halls, dining centers, and classrooms.

MacKenzie outlined the following University Services strategic objectives:

- A safe campus that is easy to access and navigate,
- A seamless campus experience,
- A sustainable campus,

- A wide variety of gathering places, and
- Flexible spaces with highly integrated technology.

She noted that this would require a shift in the way business is done through renovation of buildings, reshaping landscapes, intentional location of programs, and equalizing experience. She stated it will take time to develop, implement and refine but the University remains in a good place today with record number of high-quality applicants and growth in the community surrounding campus.

In response to a question from Regent Cohen, Wheelock reported that top priorities are meeting basic needs such as a safe and comfortable campus, and reviewing use of space to provide more flexible spaces.

In response to a question from Regent Allen, Wheelock explained that while campus buildings do not need to be homogenous, it is important that they are not chaotic and unplanned. She identified the buildings along the Knoll as well as the Weisman Museum as iconic and part of the University's brand.

In response to a question from Regent Johnson, Wheelock invited McLaughlin to respond. McLaughlin shared that students participating in one of the 32 living learning communities (LLCs) in the residence halls have higher GPAs and retention rates. She noted this was across all residence hall facilities. She commented that this topic would be discussed in more depth at the June committee meeting.

In response to a question from Student Representative Keil, Wheelock characterized each campus as offering a unique experience and feel, but emphasized that a focus on students and meeting basic needs such as safety were consistent across the system.

TRANSPORTATION PLANNING & OPERATIONS ON THE TWIN CITIES CAMPUS

Vice President Wheelock invited Monique MacKenzie and Ross Allanson, Director, Parking and Transportation Services to report on transportation planning and operations on the Twin Cities campus, as detailed in the docket.

MacKenzie and Allanson reviewed transportation planning and operations with regard to the following issues:

- The campus in the context of the regional transportation system;
- The campus master plan;
- Campus transportation and operations; and
- Campus transportation challenges.

MacKenzie emphasized that the roadways through and adjacent to campus fall under five different jurisdictions. Several local transit agencies provide connections to campus, which requires the University to coordinate with many governmental agencies to achieve an effective and seamless campus transportation system.

She cited the Twin Cities campus master plan's guiding principle to integrate transportation systems emphasizing pedestrians, bicycles, and transit as an important way to facilitate human interaction and promote a sense of community within the campus and between the campus and the adjacent neighborhoods.

Allanson described parking as the first and last impression for visitors to campus and shared that Parking Operations manages 19,000 on-campus parking spaces that serve over 5 million vehicles per year. He identified bike parking, mode conflicts, and congestion stemming from competition for street space as challenges impacting the system.

Allanson addressed anticipated transportation challenges related to the introduction of light rail and the Minnesota Vikings lease of TCF Bank Stadium. He acknowledged that pinch points exist in the system and do lead to congestion, but emphasized that designing transportation for peak demand is very expensive. He characterized the University system as well designed and in line with best practices.

In response to a question from Regent Devine, Ross asserted that the University is ready for Vikings game day traffic but noted that the first few games will likely be problematic as new visitors learn how to navigate campus. Wheelock added that hosting the Vikings on campus presents an opportunity to rethink current transportation solutions and to try new ideas.

Several committee members offered comments and suggestions to improve the flow of traffic off-campus following Vikings games.

INFORMATION ITEM

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

- Williams Arena Roof Replacement – Twin Cities Campus

The meeting adjourned at 11:48 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
May 8, 2014**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, May 8, 2014 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Richard Beeson, Laura Brod, David McMillan and Patricia Simmons.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathryn Brown, and Brian Herman; Executive Director Brian Steeves; and Associate Vice President Bernard Gulachek.

Student Representatives present: Joseph Daniewicz and Kevin Lang.

REPEAL OF BOARD OF REGENTS POLICY: DEATH BENEFITS

Vice President Brown presented for action a proposed repeal of Board of Regents Policy: *Death Benefits*, as detailed in the docket. The committee reviewed the policy on February 13, 2014.

Board of Regents Policy: *Death Benefits* was adopted in 1945 to provide payment of one month's salary for certain faculty and staff members who died while they were employed by the University. Brown noted that since the University provides life insurance to all full- and part-time faculty and staff at no cost, the policy was no longer needed. She recommended its repeal.

A motion was made and seconded and the committee voted unanimously to recommend repeal of Board of Regents Policy: *Death Benefits*.

**ANNUAL PROMOTION & TENURE RECOMMENDATIONS
CONTINUOUS APPOINTMENTS: ANNUAL RECOMMENDATIONS**

Vice President Brown invited Senior Vice President and Provost Hanson and Arlene Carney, Vice Provost for Faculty and Academic Affairs, to present the annual promotion and tenure recommendations and the annual recommendations for continuous appointments, as detailed in the docket.

Hanson reiterated the importance of the promotion and tenure process to the academic quality of the institution. Carney defined regular faculty and contract faculty, outlining the differences between the two, and walked through the basic principles of tenure and promotion and the review process. She noted that 139 regular faculty were recommended for tenure and/or promotion.

Carney provided a variety of detail on this year's cohort of regular faculty. She reported that the University is making progress to close gaps regarding female faculty and faculty of color, but that more work remains to be done.

In response to a question from Student Representative Lang, Carney explained that the percent of faculty of color in the cohort did not decline significantly as the cohort moved through the process.

In response to questions from Regent Brod, Carney noted that the rigorous tenure selection process means those who are not a good fit for the University typically self-select out or are given terminal appointments. The number of individuals moving from the rank of associate professor to professor is smaller than assistant professor to associate professor. Some of that is due to faculty being hired away from the University, but it is also due to the high standards required to obtain the rank of professor.

In response to a question from Regent Beeson, Carney agreed that the initial hiring decision is a critical first step in ensuring high performance within the faculty. She noted that thinking has shifted away from hiring to fill an opening to hiring the best possible person who will succeed in a given field or discipline. A key evaluation at time of hire is a candidate's potential to achieve tenure within six years.

Hanson noted that the tenure process includes an evaluation of a faculty member's ability to balance the parts of the University's complex mission. Some faculty ultimately find that they love to teach, not conduct research, while others excel at obtaining grant funding but perform poorly in the classroom.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Annual Promotion and Tenure Recommendations of regular faculty, as presented in the docket materials.

Carney walked through the contract faculty members being considered for promotion. All 45 faculty were from the Academic Health Center. A motion was made and seconded, and the committee voted unanimously to recommend approval of the Annual Promotion and Tenure Recommendations of contract faculty, as presented in the docket materials.

Carney presented the three outside-hire faculty members recommended for appointment with tenure. A motion was made and seconded, and the committee voted unanimously to recommend approval of those faculty listed as hired from outside be awarded tenure and appointed to the rank indicated, as presented in the docket materials.

Carney next reviewed the process for faculty members on continuous appointments, noting that most are University librarians. A motion was made and seconded, and the committee voted unanimously to recommend approval of the Continuous Appointment: Annual Recommendations, as presented in the docket materials.

Hanson introduced five newly tenured and/or promoted faculty members and their areas of focus. Each professor briefly addressed the committee regarding their research interests and work with students:

1. Professor Brenda Child, Department of American Studies, UMTC, national and international indigenous studies.
2. Associate Professor Daniel Keefe, Department of Computer Science and Engineering, UMTC, interdisciplinary scientific visualization.
3. Professor Randall Singer, Department of Veterinary and Biomedical Sciences, UMTC, interrelationship of animal, public, and environmental health.
4. Associate Professor Amanda Sullivan, Department of Educational Psychology, UMTC, educational and health disparities affecting students with disabilities.
5. Professor Peter Wyckoff, Department of Biology, UMM, forest community ecology and research training of undergraduates.

In response to questions from Regents, a lively discussion ensued around the importance of tenure and what each professor would say to those who claim that becoming tenured is easy.

Hanson thanked Carney for her work over the past nine years as vice provost, leading the tenure review process and making it more transparent. Carney will return to the faculty in July.

COLLECTIVE BARGINING AGREEMENT WITH MINNESOTA PUBLIC EMPLOYEES ASSOCIATION, INC. (UNIT 1)

Vice President Brown invited Patti Dion, Director Employee Relations and Compensation, to present the collective bargaining agreement between the University and Minnesota Public Employees Association, Inc. Unit 1 (MNPEA) for approval, as detailed in the docket.

MNPEA represents 55 University of Minnesota Police Department officers, who work on the Duluth, Morris, and Twin Cities campuses. Dion indicated that the University has a good relationship with MNPEA and that negotiations were straightforward, revolving around wages. The agreement provides that employees not at the top of the salary range will receive a step increase and all classifications shall receive a 1.5 percent salary range adjustment in the first year. Employees in all classifications shall receive a 2.5 percent increase in the second year. The salary adjustment will be made at the start of the calendar year.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the collective bargaining agreement.

UPDATE ON JOB FAMILY WORK

Vice President Brown introduced Sheila Reger, Office of Human Relations (OHR) Consulting Manager, to present an update on the job classification redesign project – commonly referred to as the job family study – as detailed in the docket.

Reger described the job family study process and the anticipated project outcomes, which include:

- More clearly defined career paths.
- Competitive pay ranges that reflect the market.
- Transparent pay structure and career opportunities.
- More efficient administrative processes.
- A common structure that enables the University to identify and measure the work performed.

She reported that 10 out of 18 job families have been completed, and that the largest job families remain. One-third of positions have been reviewed. The project is on schedule to be completed in early 2015.

Reger described the appeal process, which she called a key part of the review. On average, 13 percent of positions have been appealed and of those, 19 percent have resulted in some kind of adjustment.

Reger noted that most employees have experienced no change in pay. For those who did, pay was increased if the employee was underpaid and frozen for up to three years for employees

above the range. Most employees remained in current employee group or were given a one-time option for no change.

In response to a question from Regent McMillan, Reger explained that there are clear lines between the University and Fairview. She does not anticipate any unique issues between the two as the group is reviewed.

In response to a question from Regent Brod, Reger explained that less than 5 percent of employees have fallen outside their new salary ranges. This puts the financial impact at about \$65,000. She characterized the change as cost neutral, but indicated that the full budget impact will not be fully clear until the process is complete.

President Kaler observed that change is often hard, but that this is fundamental work that will cause some disruption. While the focus of the job family study was not to save money, Kaler noted that the review will help the University be more efficient and effective.

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 11:50 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
May 8, 2014**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, May 8, 2014 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Linda Cohen, Thomas Devine, Peggy Lucas, and Abdul Omari.

Staff present: Chancellors Jacqueline Johnson, Stephen Lehmkuhle and Fred Wood; Senior Vice President & Provost Karen Hanson; Vice Presidents Katrice Albert, and Brooks Jackson; Executive Director Brian Steeves; and Associate Vice President Bernard Gulachek.

Student Representatives present: Meghan Mason and Joelle Stangler.

**2015-16 REACCREDITATION OF THE TWIN CITIES & ROCHESTER CAMPUSES:
STAFF PREPARATION & BOARD RESPONSIBILITIES**

Senior Vice President and Provost Hanson introduced the reaccreditation of the Twin Cities and Rochester campuses, explaining that Rochester is accredited with the Twin Cities. She added that the Crookston campus will also undergo reaccreditation at the same time but that the presentation would focus mainly on the Twin Cities and Rochester campuses. She invited Joseph Shultz, Deputy Chief of Staff to the Provost, to share a presentation on accreditation.

Shultz explained that accreditation originated out of a need for colleges to distinguish themselves from remedial or secondary schools. In response, the colleges formed regional non-governmental, voluntary, member institutions that developed and enforced standards. Following the adoption of the GI Bill, the government became involved by requiring accreditation to receive federal funds, including defense research grants and financial aid. The Council for Higher Education Accreditation was formed to accredit the regional member accrediting institutions.

Schultz introduced the key components to the reaccreditation process for the Crookston, Twin Cities and Rochester campuses. He explained that a variety of stakeholders, including the Campus Advisory Committee, the senior leadership team, deans and other academic leaders, and the Board, would be involved in the process. A required written report will be shared with Regents in Spring 2015, and Regents will be invited to a lunch meeting during the accreditors' visit to campus.

Hanson added that the process and visit requires a lot of time and energy, and expressed a desire to use the process to make improvements. She posed a second question for discussion: "Is the University's planning adequate to ensure successful campus accreditation visits?"

Regent Simmons started the discussion by commenting on the role Regents have played in previous reaccreditation visits during her time on the Board.

In response to a comment by Regent Omari, Hanson agreed that Regents' interaction with faculty, the Board's relationship with the legislature, and the impact of three system campuses undergoing reaccreditation simultaneously would all be important questions the Regents could address during the campus visit.

In response to comments and questions by Regents, Hanson invited Chancellor Lehmkuhle to respond. Lehmkuhle noted that the Rochester campus went through the approval process to be accredited separately but given its unique business model that leverages the shared resources of the system, it made sense to be accredited with the Twin Cities campus.

In response to a question by Regent Simmons, Hanson acknowledged that the process is onerous and expensive but will be integrated into current work as much as possible.

UNDERGRADUATE TRANSFER STUDENT EXPERIENCE & UNIVERSITY IMPACT

Vice Provost McMaster presented information on the undergraduate transfer student experience, as detailed in the docket. The presentation was prepared in response to a request by the committee in December 2013.

McMaster shared that system-wide, 12,835 new undergraduate students enrolled during the 2013-14 academic year. Of those, 4,334 – or 34 percent – were new transfer students. He added that each year, about one-third of new undergraduate students on the Twin Cities campus are transfer students. Compared to other Big Ten and peer institutions, the University ranks fourth nationally in its ratio of transfer to first-time students.

McMaster stated that transfer students are more likely than incoming freshmen to be first-generation, African American, and international students, as well as older than 25. He recounted Student Experience in the Research University survey findings that show transfer students are less satisfied with their educational experience when compared to students who enter as freshmen.

He provided a list of the top ten schools that students transfer from, as well as the number of students that transferred from each institution in FY 2013. The majority of the students transferred from community and technical colleges in the Twin Cities metro area. He explained that the Minnesota Transfer Curriculum, a common liberal education curriculum developed by the public higher education colleges and universities in Minnesota, allows students who have completed the curriculum to transfer to the University with all liberal education requirements fulfilled.

McMaster outlined several recent enhancements to transfer student support, including:

- Expanded transfer welcome days,
- A new transfer coordinator,
- Establishment of a Transfer Advisory Committee working across student support units,
- Peer-to-peer network of transfer students mentoring new transfer students,
- Launch of transfer.umn.edu website,
- Elected University Transfer Student Board, and
- Induction of the first members to a National Honor Society for transfer students.

McMaster presented several questions to guide the discussion on the transfer student experience and the impact of transfer student's on the University:

- Given limited resources, in what areas should we enhance the support for transfer students – e.g. advising, career counseling, living/learning communities?
- Should there be more focused transfer pipelines for certain colleges/programs?
- How do transfer students fit into the overall enrollment management strategy for the campus? What is the appropriate balance between freshman and transfer students?

In response to questions by Regents Devine and Simmons, McMaster suggested that students may choose to attend community colleges before transferring to the University because of the perceived cost savings or because they were not accepted as freshmen. He acknowledged that the answer is not clear, however, because the University only has anecdotal evidence. McMaster additionally noted that orientation is more optional for transfer students, and that may affect those students' feeling of connectedness to the institution.

Regent Omari commented that given the greater diversity of students admitted as transfers, the University should continue to maintain a high level of transfer students.

In response to a comment by Regent Cohen, McMaster agreed that the University is well-equipped to focus on upper level courses as students transfer in later in their academic career. However, the upper division courses are also much more expensive to teach.

In response to a question by Regent Lucas, Senior Vice President and Provost Hanson noted that less grant aid is available for transfer students and it is not clear that students save money by attending community colleges prior to entering the University.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - College of Design (Twin Cities campus)—Create undergraduate minor in Interior Environments
 - College of Education and Human Development (Twin Cities campus)—Create B.S. degree in Special Education
 - College of Education and Human Development (Twin Cities campus)—Create a Post-baccalaureate certificate in Emerging Leaders in Independent Colleges
 - College of Science and Engineering (Twin Cities campus)—Create a M.S. degree in Data Science
 - College of Science and Engineering (Twin Cities campus)—Create a Bachelor of Environmental Engineering (B.Env.E.) degree
 - Medical School (Twin Cities campus)—Create Fellowship in Pediatric Neuroradiology
- **Request for Changes to Academic Programs**
 - College of Education and Human Development (Twin Cities campus)—Create sub-plans in Alternative Pathway: Elementary Education, Alternative Pathway: Secondary

Mathematics, Alternative Pathway: Secondary Science and Alternative Pathway: English as a Second Language within the Master of Education (M.Ed.) degree

- College of Liberal Arts (Twin Cities campus)—Create sub-plans in Organization, Business, or Non-Profit; Health Care and Careers; Policy Analysis; and Quantitative Emphasis within the B.S. degree in Sociology of Law, Criminology, and Deviance
 - College of Design (Twin Cities campus)—Change name of the undergraduate minor in Housing Studies to Housing and Community Development
 - College of Liberal Arts (Twin Cities campus)—Change name of the B.S. degree and undergraduate minor in Scientific and Technical Communication to Technical Writing and Communication
 - Academic Health Center (Twin Cities campus)—Deliver the Master of Health Informatics (M.H.I.) degree online
 - College of Education and Human Development (Twin Cities campus)—Discontinue sub-plans in Clinical Movement Science, Exercise and Health Sciences, Pre-Physical Education Teaching Licensure, and Sport Science within the B.S. degree in Kinesiology
 - College of Veterinary Medicine (Twin Cities campus)—Discontinue the sub-plans in Comparative Medicine and Pathology, Infectious Diseases, Population Medicine, and Veterinary Surgery, Radiology and Anesthesiology within the M.S. and Ph.D. degrees in Veterinary Medicine
- **Request for Approval of Discontinued Academic Programs**
 - Medical School (Twin Cities campus)—Discontinue the minor in Human Genetics

The meeting adjourned at 2:56 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
May 8, 2014**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, May 8, 2014 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Kevin Lang and Drew Underdahl.

BOARD OF REGENTS POLICY: *ENDOWMENT FUND*

Associate Vice President Mason presented for action proposed amendments to Board of Regents Policy: *Endowment Fund*, as described in the docket materials.

Mason reported that the proposed amendments relate to reporting on sustainability and renewable energy investments in an effort to address concerns raised by various student and community groups. He stated that the Finance Committee reviewed the proposed amendments on February 13, 2014 and no changes had been made since that review.

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

**FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED
FY 2015 ANNUAL CAPITAL IMPROVEMENT BUDGET**

Vice President Pfutzenreuter presented for review the President's Recommended FY 2015 Annual Capital Improvement Budget (Capital Budget), as detailed in the docket.

Pfutzenreuter explained that the Capital Budget authorizes projects totaling \$367,845,000 to begin design or construction during the next fiscal year. Approximately 63 percent of the Capital Budget is State of Minnesota supported debt from the University's 2014 capital request. The remaining 37 percent supports the University's share of the state bonding projects as well as University-funded capital improvements. Since the Capital Budget includes the University's full legislative request, Pfutzenreuter noted that it would be updated in June to reflect the outcome of the 2014 legislative session.

In response to a question from Regent Beeson, Vice President Wheelock described planning around updates to Centennial Hall and the other residence halls located in the super block. She commented that there is a need to explore how the land will be used, whether the buildings should be renovated, and how to maintain current overall residence hall capacity. Wheelock explained that all of these options carry a significant price tag and that Centennial Hall will continue to be used as a residence hall for 10 to 20 years. For the time being, expenditures will be made to allow for continued operation for the time period indicated.

In response to related questions and comments from Regents, President Kaler agreed that more must be done to effectively communicate the need for increased Higher Education Asset Preservation and Replacement (HEAPR) funding. Kaler concurred that alternative ways to frame HEAPR funding, including separating it from the capital request, are needed and that his office will look to the committee for counsel.

PRESIDENT’S RECOMMENDED FY 2015 ANNUAL OPERATING BUDGET

Vice President Pfutzenreuter and Associate Vice President Tonneson presented for review the President’s recommended FY 2015 annual operating budget (Operating Budget), as detailed in the docket.

Tonneson provided an overview of University budget planning and development, revenue sources, and budget structure. Tonneson detailed the FY 2015 incremental changes in the Operating Budget framework, as follows:

University of Minnesota
FY 2015 Budget Framework - Incremental Changes

Resources:

Increased State Appropriations	\$14,300,000
Tuition Revenue Increase	\$4,400,000
Unit Resources	<u>\$27,600,000</u>
Total Incremental Resources	\$46,300,000

Expenditures:

Compensation	\$15,000,000
Student Aid	\$2,100,000
Academic Initiatives	\$23,400,000
Mission Support & Operations	<u>\$5,800,000</u>
Total Incremental Expenditures	\$46,300,000

Balance: \$0

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 indicated that the increase of 2.5 percent in FY 2015 over FY 2014 was due to continued tuition relief of \$14,200,000 and the rest of the MnDRIVE supplement.

Tonneson reported on program-specific state appropriations, operations and maintenance fund, 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.

In response to a question from Regent Johnson, Associate Vice President Volna indicated that the University's pension liability mainly consists of funds paid into the Minnesota State Retirement System (MSRS). The plan is primarily funded and supported by the State of Minnesota. The University accounts for the plan actively and performs full accrual accounting for the University's portion. MSRS is not a fully funded plan, but does not expose the University to significant risk.

In response to a question from Regent Allen, Pfutzenreuter noted that the long-range planning mechanism now in place has been very helpful. The financial planning and budgeting cycle informs the financial work for the president and administration.

In response to a question from Regent Brod, President Kaler noted that the competitive landscape for the Law School has changed. He stated that the additional funding in the Operating Budget is appropriate for a competitive market where some schools are freezing tuition and others are reducing tuition. Given that landscape, increasing tuition for law students would not be a viable strategy to increase revenue.

A reflective conversation ensued around the Promise Scholarship program, including whether a Board policy is needed to define the program, the original intent of the scholarship, income levels of students, and current levels of support compared to the cost of tuition and fees.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket:

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

- To Deloitte & Touche LLP for an amount not to exceed \$1,750,000 to provide external audit services for fiscal years 2014, 2015, and 2016 to the University of Minnesota. This

contract is funded from the Controller's Office operating budget, and is budgeted on a recurring basis. Vendor was selected through a competitive process.

- To Guardian Life Insurance Company of America for an estimated \$3,500,000 to provide long term and short term disability coverage for University of Minnesota students in the Academic Health Center and residents and fellows in the Medical School, School of Dentistry and School of Veterinary Medicine for the period of September 1, 2014 through August 31, 2016 with contract extensions through August 31, 2020. The cost of coverage for AHC students is borne entirely by students. The cost per semester to students is currently \$42.54, an average cost of \$7.09 per month. The cost of coverage for the residents and fellows is borne by the department that employs them. The vendor was selected through a competitive process.
- To Hewlett-Packard Company (HP) for an estimated \$1,500,000 to lease approximately 1,300 HP Elitebook series notebook computers for the period from July 2014 through August 2016 for the University of Minnesota Crookston. The program is funded through a collegiate fee, a fee that has not increased since the year 2000. Students are eligible for financial aid support to cover the cost of the program. The vendor was selected through a competitive process.
- To Idexx Laboratories, Inc. for \$1,186,376 for test kits as needed for the period of May 15, 2014 through June 30, 2015 for the Minnesota Veterinary Diagnostic Laboratory (lab). These test kits will be purchased from the department funds currently available. The test kits were identified as a line item in the lab's FY 2014 and FY 2015 budget process. See attached documentation regarding basis for vendor selection.
- To Matrix Integration/Hewlett-Packard for a not-to-exceed price of \$6,850,000 for a high performance computing system and along with high performance storage solution for installation starting August 1, 2014, and production by February 2, 2015, for the Minnesota Supercomputing Institute (MSI). The new system will be purchased using funds earmarked in MSI's budget specifically for this purpose. The vendors were selected through a competitive process.
- To Mega Farms for \$1,500,000 for snow removal for the University of Minnesota Twin Cities for the period of July 1, 2013 through June 30, 2014 for the Facilities Management LandCare Department. The funds required to complete this contract period will be paid for by the Facilities Management LandCare Department. The vendor was selected through a competitive process.

Purchase of Financial Advisory Services:

- To Public Financial Management, Inc. for financial advisory services for a five-year period beginning May 12, 2014, related to University debt financings, including both competitive and negotiated sales of bonds, and general information and guidance related to services necessary, customary, or incidental to the sale and issuance of University obligations. The vendor was chosen through a competitive bidding 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
- Debt Management Advisory Committee Update
- Quarterly Purchasing Reports
- Semi-Annual Management Report

The meeting adjourned at 2:51 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
May 8, 2014**

A meeting of the Board of Regents of the University of Minnesota was held on Thursday, May 8, February 14, 2014 at 3:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; General Counsel William Donohue; and Executive Director Brian Steeves.

RECOGNITIONS

NCAA CHAMPIONS

Recognition was given to the following student athlete for capturing an NCAA championship:

- Elis Mannon, Men's Gymnastics - Pommel Horse, Twin Cities. Mike Burns, Coach

DISTINGUISHED McKNIGHT UNIVERSITY PROFESSORS

Recognition was given to the 2014 Distinguished McKnight University Professorship award recipients. This award honors and rewards the highest-achieving faculty at the University of Minnesota who recently attained full professor status. The recipients are:

- Laura Gagliardi, Chemistry
- Jill Elaine Hasday, Law
- Robert F. Krueger, Psychology
- Chris Leighton, Chemical Engineering and Materials Science
- David Redish, Neuroscience
- George D. Weiblen, Plant Biology

NATIONAL ACADEMY MEMBERS & OTHER MAJOR FACULTY AWARDS

The University of Minnesota actively promotes distinguished faculty for induction into national academies, typically the highest honor granted to faculty in their respective disciplines. The national academies recognized by the Board of Regents are the American Academy of Arts and Sciences, the Institute of Medicine, the National Academy of Engineering, the National Academy of Sciences, and the American Philosophical Society.

National Academies

- Eric W. Kaler, University of Minnesota President and Professor, Chemical Engineering and Materials Science (American Academy of Arts and Sciences)
- Ned Mohan, Electrical and Computer Engineering (National Academy of Engineering)

Other Major Faculty Awards

- Jonathan Foley, Institute on the Environment (Heinz Award - Environment)
- John Watkins, English (Guggenheim Fellowship)

ACADEMY OF DISTINGUISHED TEACHERS

Horace T. Morse-University of Minnesota Alumni Association Awards for Outstanding Contributions to Undergraduate Education

This award recognizes faculty members and instructional academic professionals for excellence in contributing directly and indirectly to student learning through teaching, research, and creative activities; advising; academic program development; and educational leadership.

- Giancarlo Casale, History, College of Liberal Arts
- Sehova Cotner, Biology Program, College of Biological Sciences
- Bradley Deane, English, Division of the Humanities, University of Minnesota Morris
- Lorraine F. Francis, Chemical Engineering and Materials Science, College of Science and Engineering
- Paul Imbertson, Electrical and Computer Engineering, College of Science and Engineering
- Ruth A. Lindquist, Adult and Gerontological Health Cooperative, School of Nursing
- Robert K. Poch, Postsecondary Teaching and Learning, College of Education and Human Development
- Jane E. Wissinger, Chemistry, College of Science and Engineering

Awards for Outstanding Contributions to Postbaccalaureate, Graduate & Professional Education

This award recognizes faculty members for excellence in instruction; instructional program development; intellectual distinction; advising and mentoring; and involvement of students in research, scholarship, and professional development.

- Sharon S. Allen, Family Medicine and Community Health, Medical School
- Dale Carpenter, Law School
- Jay Coggins, Applied Economics, College of Food, Agricultural, and Natural Resource Sciences
- Jigna Desai, Gender, Women, and Sexuality Studies, College of Liberal Arts
- Marc A. Hillmyer, Chemistry, College of Science and Engineering
- Sarah E. Hobbie, Ecology, Evolution, and Behavior, College of Biological Sciences
- Ned Mohan, Electrical and Computer Engineering, College of Science and Engineering
- Kevin K. Wickman, Pharmacology, Medical School

JOHN TATE AWARD FOR EXCELLENCE IN UNDERGRADUATE ADVISING

Recognition was given to the 2014 recipients of the John Tate Award for Excellence in Undergraduate Advising. The Tate Award serves to recognize and reward high quality academic advising. It calls attention to the contribution academic advising provides in helping students formulate and achieve intellectual, career, and personal goals. The recipients are:

- Kyle Dukart, Electrical and Computer Engineering, College of Science and Engineering
- Kathleen A. Hansen, School of Journalism and Mass Communication, College of Liberal Arts
- Karen Moon, Individualized Degrees, College of Continuing Education
- Heather Nagle, Career and Internship Services, Office of Student Affairs

JOSIE R. JOHNSON AWARD FOR HUMAN RIGHTS AND SOCIAL JUSTICE

Recognition was given to the 2014 recipients of the Josie R. Johnson Award for Human Rights and Social Justice. The award was established in honor of Dr. Josie R. Johnson in recognition of her lifelong contributions to human rights and social justice. The award honors University of Minnesota faculty, staff, and students who, through their principles and practices, exemplify a standard of excellence in creating respectful and inclusive living, learning, and working environments. The recipients are:

- Priscilla Gibson, School of Social Work (Faculty/Staff Award)
- Daniel Nidzgorski, Ecology, Evolution and Behavior (Student Award)

OUTSTANDING COMMUNITY SERVICE AWARD

Recognition was given to three individuals and one organization from the University community for their significant contributions to improving the quality of life and the well-being of society. The 2014 recipients are:

- Larry Jacobs, Humphrey School of Public Affairs (Faculty Award)
- Rahsaan Mahadeo, Department of Sociology (Student Award)
- Makeda Zulu-Gillespie, Urban Research and Outreach-Engagement Center (Staff Award)
- Teenwise Minnesota (Community Partner), St. Paul, MN

PRESIDENT'S COMMUNITY-ENGAGED SCHOLAR AWARD

The University of Minnesota President's Community-Engaged Scholar Award recognizes one faculty or professional and administrative individual annually for exemplary engaged scholarship in his/her field of inquiry. Michele Allen, Medical School, was recognized as the 2014 recipient for demonstrating a longstanding academic career that embodies the University of Minnesota's definition of public engagement.

NATIONAL SCHOLARSHIP RECIPIENTS

Recognition was given to the following recipients of national scholarships:

Udall Scholarship

Established by Congress in 1992, the Udall Foundation is dedicated to educating a new generation of Americans to preserve and protect their national heritage through scholarship, fellowship, and internship programs focused on environmental and Native American issues.

- Natalie Hoidal - undergraduate in biology and environmental studies, University of Minnesota Morris

Goldwater Scholarship

Congress established the Barry M. Goldwater Scholarship and Excellence in Education Program in 1986 to honor Senator Barry Goldwater. The prestigious scholarship is awarded to students who intend to pursue research-oriented careers in mathematics, the natural sciences, and engineering.

- Rachel Soble - undergraduate in genetics, cell biology and development (College of Biological Sciences) and computer science (College of Science and Engineering)

Truman Scholarship

Established in 1975, the foundation is the official federal memorial to President Truman. First awarded in 1977-78, the Truman Scholarship is presented to undergraduates with exceptional leadership potential who are committed to careers in government, the nonprofit or advocacy sectors, education, or elsewhere in public service.

- Jordan Wentz - undergraduate in economics, statistics, and Spanish, University of Minnesota Morris

PRESIDENT'S AWARD FOR OUTSTANDING SERVICE

The President's Award for Outstanding Service was established in 1997 to recognize faculty and staff who have provided exceptional service to the University of Minnesota. The award is presented each year in the spring and honors active or retired faculty or staff who have gone well beyond their regular duties and have demonstrated an extraordinary commitment to the University community. The 2014 recipients are:

- M. Lisa Berg, Veterinary Medical Library and Magrath Library, Health Sciences Library
- Barbara Blacklock, Disability Services, Office for Equity and Diversity
- Skeeter Burroughs, Office of Information Technology
- Sharon Dzik, Office for Student conduct and Academic Integrity, Office for Student Affairs
- Joseph Franek, Department of Chemistry, College of Science and Engineering
- Michael Hancher, Department of English, College of Liberal Arts
- Peter Hudleston, Department of Earth Sciences, Newton Horace Winchell School of Earth Sciences, College of Science and Engineering
- P. Jay Kiedrowski, Public and Nonprofit Leadership Center, Humphrey School of Public Affairs
- Scott Lanyon, Department of Ecology, Evolution, and Behavior, College of Biological Sciences

- Connie Magnuson, Recreation, Park, and Leisure Studies Program, School of Kinesiology, College of Education and Human Development
- Jerry Meier, Soudan Underground Laboratory, School of Physics and Astronomy, College of Science and Engineering
- Ann Waltner, Department of History, College of Liberal Arts

The meeting adjourned at 4:15 p.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive style with a large, sweeping initial "B".

BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
May 9, 2014**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, May 9, 2014 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathryn Brown, Brian Herman, Richard Pfitzenreuter, Scott Studham, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

APPROVAL OF MINUTES

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

Litigation Review Committee - March 26, 2014
Board of Regents - March 28, 2014

REPORT OF THE PRESIDENT

President Kaler congratulated the more than 15,000 students graduating from the University of Minnesota this spring. He noted his participation in a number of commencement events system-wide, and also highlighted a number of significant awards recently bestowed on faculty, staff, students, and scholars on all campuses.

Kaler provided a brief update on the status of the institution's 2014 Capital Request, reported on strategic planning "issues teams," announced that Golden Gopher athletic teams rank among the nation's best on the National Collegiate Athletic Association's academic progress rates, and reported on the opening of the new Physics and Nanotechnology Building and grand reopening of Northrop last month.

President Kaler wished Regents Brod, Cohen, Lucas, and Simmons a very Happy Mother's Day and extended the same to faculty, staff, and students who are mothers as well.

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

REPORT OF THE CHAIR

Chair Beeson reported on a number of activities in which Regents have been recently involved: the Distinguished Teaching Awards ceremony, an honorary degree presentation, an alumni event for the University of Minnesota Duluth Department of Economics, the inauguration of President Connie Gores at Southwest Minnesota State University, and the grand opening of the Physics and Nanotechnology Building. He noted the Regents have also enjoyed several events at the renewed Northrop venue, including reopening gala events, a lecture featuring Condoleezza Rice, the University of Minnesota Alumni Association celebration with Garrison Keillor, and a University Symphony Orchestra concert.

Beeson noted that in April, Regents Allen, Brod, Devine, Lucas, and Omari participated in the Association of Governing Boards National Conference on Trusteeship. The conference provides an opportunity to learn about pertinent topics in higher education and best practices for governing boards at various types of institutions.

Earlier this month, Regents Beeson, Devine, Johnson, Lucas, McMillan, and Simmons traveled to University of Minnesota Duluth for a two-day visit with campus and community leaders. Later this month, several Regents will travel to southern Minnesota to visit the Dairy Education Center, Southern Research and Outreach Center, and the Hormel Institute.

Chair Beeson announced the establishment of the Presidential Performance Committee; he and Regents Johnson and McMillan are its members. The committee will meet several times and provide its report at the June 2014 Board of Regents meeting.

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

RECEIVE AND FILE REPORTS

Chair Beeson noted the receipt and filing of the Annual Review of the President's Delegations.

CONSENT REPORT

Chair Beeson presented for action the Consent Report as described in the docket materials, including:

- Report of the All-University Honors Committee recommendation forwarded in a letter from President Kaler dated May 1, 2014; and
- Summary of Gifts through March 31, 2014.

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

RESOLUTION RELATED TO CENTRAL CORRIDOR LIGHT RAIL TRANSIT (GREEN LINE) OPERATIONS & MAINTENANCE ADDENDUM

Chair Beeson invited Vice Presidents Herman and Wheelock to lead discussion on the Resolution Related to the Central Corridor Light Rail Transit (Green Line) Operations and Maintenance Addendum, as described in the docket materials.

Wheelock indicated light rail transit (LRT) will begin revenue service between downtown Minneapolis and St. Paul through the Twin Cities campus in June 2014. She noted extensive

collaboration among several agencies has occurred over several years to prepare for LRT, with adjustments now required to previously approved agreements between the University of Minnesota and the Metropolitan Council (Met Council). Wheelock provided background on actions previously taken by the Board related to the construction and operation of LRT.

Wheelock reviewed the guiding principles for the LRT project, which call for creating a strong, vital, multi-modal transportation system with an emphasis on safety. She reviewed the planning objectives: optimizing the transportation system, improving accessibility, strengthening the community and neighborhoods, and protecting the University enterprise, which have served as a foundation for the design of the Green Line. Wheelock summarized the details of the institution's agreements related to LRT and bus traffic, fares, operations and maintenance related to streets and infrastructure, and plans for enhancing aesthetics on campus.

Herman reported that one key component of the 2010 agreement was the commitment to construct track-based vibration and electromagnetic interference (EMI) mitigation systems and the establishment of vibration and EMI performance standards to ensure long-term protection of the University's research environment. The 2010 agreement established acceptable levels of vibration and EMI standards and ongoing commitment to testing and monitoring. Herman reported that elements of the design and power supply have been generally effective at mitigating vibration and EMI. He reported that in limited areas where the Met Council is unable to meet performance standards, operational changes would be used to minimize interference. He also stated that ongoing monitoring efforts and recurring testing will occur to protect the University's research enterprise.

In response to comments from Regent Beeson, Wheelock acknowledged issues with signal timing for pedestrians waiting to cross at various crosswalks along Washington Avenue. She noted the problems should be remedied with improvements made by the Met Council.

In response to questions from Regent Frobenius, Wheelock noted significant efforts to improve safety for bicycle and pedestrian traffic with changes in lane size, traffic patterns, and signage.

In response to questions from Regent Brod, Wheelock noted that short-term increased staffing and law enforcement around the LRT line is expected during Welcome Week in late summer with the arrival of new students on campus. She added that safety, education, and behavior changes would be emphasized continually.

In response to comments from Regent Johnson, Wheelock indicated that much attention has been paid to traffic management around major events and the routing of traffic to accommodate trains. She noted some areas would be more challenging than others, with traffic moving away from routes that are causing the most disruption.

The Board of Regents voted unanimously to approve the Resolution Related to Operating and Maintenance Addendum to the Agreement for the Central Corridor Light Rail Transit Project Through the University of Minnesota Twin Cities Campus, as follows:

WHEREAS, on August 31, 2010, the University of Minnesota and the Metropolitan Council ("Met Council") successfully concluded negotiations on an Agreement for the Central Corridor Light Rail Transit Project Through the University of Minnesota, Twin Cities Minneapolis Campus ("Agreement") that achieves the University's objectives for construction and operation of the Central Corridor Light Rail Transit ("CCLRT") line at grade along Washington Avenue, and settled the University's lawsuit against the Met Council; and

WHEREAS, in the Agreement, the Met Council unambiguously committed to construct and operate the CCLRT line in compliance with vitally important, rigorous performance standards for vibration and electromagnetic interference (“EMI”). The Agreement was incorporated into the Met Council’s Final Environmental Impact Statement (“FEIS”) and the Federal Transit Administration’s Record of Decision (“ROD”); and

WHEREAS, the Board of Regents approved the Agreement in its meeting on September 8, 2010, and the Agreement was duly fully executed by all parties on September 30, 2010; and

WHEREAS, the Met Council, City of Minneapolis, Hennepin County, and University staff have negotiated an Operating and Maintenance Addendum to the Agreement (“Addendum”) to resolve the parties’ rights and obligations with respect to the on-going maintenance and operation of the CCLRT after it commences revenue operation, including responsibility for various maintenance and repair procedures and costs, safety, and signage; and

WHEREAS, the Met Council and University staff also have resolved other outstanding issues related to the construction and operations of CCLRT not included in this Addendum such as the University Fare Zone, completion of construction punch list items, reimbursement of University staff expenses, and construction damage claims; and

WHEREAS, the operation of the CCLRT during the vibration and EMI certification testing required by the Agreement exceeded the vibration and EMI performance standards set out in the Agreement under certain circumstances, thus requiring the Met Council to make operational changes to mitigate the EMI and vibration in those circumstances before it commences revenue operation; and

WHEREAS, the University is willing to allow a one-time amendment to the vibration and EMI performance standards in order to permit the Met Council to begin revenue operation on June 14, 2014;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents authorizes the President or delegate to execute the Addendum referenced above.

PRESIDENT’S RECOMMENDED FY 2015 ANNUAL CAPITAL IMPROVEMENT BUDGET

Chair Beeson introduced Vice Presidents Pfutzenreuter and Wheelock to lead the discussion of the President’s Recommended FY 2015 Annual Capital Improvement Budget (Capital Budget), as presented in the docket materials.

Wheelock stated that the Capital Budget represents the first year of the Six-Year Capital Improvement Plan and authorizes projects to begin design and construction during the upcoming fiscal year. Each project in the Budget has a value greater than \$500,000 and a completed predesign, and is fully funded. Wheelock summarized the Higher Education Asset Preservation and Renewal request, which is intended to preserve and renew existing campus facilities around a number of key elements related to the core integrity of a physical structure, code compliance, and upgrades. She also briefly described several of the projects included in the Capital Budget.

Pfutzenreuter reported that the total value of the Capital Budget recommendation is \$367.8 million, with 63 percent funding from the state of Minnesota and 37 percent from University

funds. He summarized the financial elements and described how local funds, grants and gifts, University funds, and state and University debt finance the projects included in the Budget. Wheelock noted that the Capital Budget would be updated to reflect upcoming legislative action, with a revised Budget presented at the June 2014 Board of Regents meeting.

The President's Recommended FY 2015 Annual Capital Improvement Budget will return for action at the June 2014 meeting of the Board of Regents.

PRESIDENT'S RECOMMENDED FY 2015 ANNUAL OPERATING BUDGET

President Kaler led discussion of the President's Recommended FY 2015 Annual Operating Budget (Operating Budget) as detailed in the docket materials. He invited Vice President Pfutzenreuter and Associate Vice President Tonneson to join the discussion.

Kaler pointed out that the Operating Budget is a statement of priorities and plans for the institution and clearly reflects three priorities:

1. Access, affordability, and academic excellence;
2. Operational excellence and accountability; and
3. Restoring higher education's historical state support.

Specific funding decisions and priorities have been made to advance the University in a number of areas:

- Committing to no increase in tuition for resident undergraduate tuition for two years.
- Increasing the tuition differential between resident and non-resident undergraduate students.
- Keeping graduate and professional tuition as low as possible and aligned with market conditions and peer institutions.
- Capping campus/collegiate fees (no increases in this budget) and minimizing increases in student service fees, course and miscellaneous term fees, and room and board charges.
- Implementing a competitive compensation plan to retain and recruit world-class faculty and staff through a 2.5 percent increase.
- Maintaining critical technology and facility infrastructure.
- Advancing goals envisioned by the four Minnesota Discovery, Research and Innovation Economy (MnDRIVE) research initiatives through investments in faculty and staff, equipment, outreach, etc.
- Approving targeted, high-priority, innovate and strategic investment proposals brought forward by the system campuses, Twin Cities colleges, and support units.
- Taking action to reduce mission support/facilities/oversight costs where appropriate and redirect available resources to higher-priority strategic needs.

Kaler provided a summary of the \$3.6 billion Operating Budget. He discussed revenues, expenses, investments, and reallocations. He noted state appropriations are 17 percent of the Operating Budget, and presented details on state funding trends.

State statute mandates that five percent of the University's appropriation (\$26.5 million) is contingent on meeting three of five performance goals. Kaler reported strong progress in all five areas, and described how the institution is working to meet or exceed performance metrics. He discussed progress to date on initiatives aimed at reducing operating costs by \$90 million over a six-year period.

Kaler reported that there would be no increase in tuition for resident undergraduate students, and noted that the difference between resident and non-resident tuition at this institution is the smallest in the Big Ten. He added there is a continuing focus on aligning graduate and professional tuition rates with market conditions and peer institutions, with minimal increases planned that vary by program. He also noted no increase in campus/collegiate fees for a second year in a row, and minimal increases in course and miscellaneous fees. Kaler discussed proposed room and board costs and illustrated how those costs compare to peer institutions.

Regent Devine expressed support for the Operating Budget, noting that it focuses on priorities of the Board; contains and controls costs; holds tuition steady; and keeps room and board increases to a minimum. He added that the goal of reducing \$90 million in expenditures is important and symbolic to the public

Regent Cohen expressed support for the Operating Budget. She commented that the redistribution of \$23.4 million to academic investments is critical to maintaining excellence at the University.

Regent Omari expressed support for the Operating Budget and urged the administration to continue to look for ways to increase student aid, control housing costs, and keep the discussion on graduate and professional tuition at the forefront.

Regent Brod commented that the Operating Budget addresses a number of critical areas including advancing excellence, academic excellence, freezing tuition for most students, and student debt. She added she would like to see the University become a leader in addressing the challenges of higher education funding broadly.

Chair Beeson announced the Board of Regents would hold a public forum on the Operating Budget today at 12:30 p.m. in the Boardroom.

The President's Recommended FY 2015 Annual Operating Budget will return for action at the June 2014 Board of Regents meeting.

UPDATE ON OPERATIONAL EXCELLENCE INITIATIVES

President Kaler, Vice Presidents Brown, Pfutzenreuter, and Studham joined to provide an update on operational excellence initiatives as presented in the docket materials. Kaler indicated operational excellence is less an initiative and more a way of conducting business at the University of Minnesota to continue to ensure a streamlined administrative backbone to support the work of the institution.

Pfutzenreuter reported that operational excellence is a long-term commitment to work smarter, reduce costs, enhance services, increase revenues throughout the University system, and use resources to the highest purpose available to lower administrative costs and redirect resources to teaching, research, and public engagement. He recalled the goal of \$90 million in operating cost reductions, reallocations, and redirection of resources over a five-year period through a variety of opportunities and adjustments.

Studham discussed the Enterprise Systems Upgrade Program (ESUP), an upgrade of existing large-scale hardware and software applications that support the University by creating a technical platform to improve services, create efficiencies, and help the institution become more nimble and responsive by providing usable data to better understand business practices. He described a number of ESUP operational excellence activities underway and the resulting cost savings.

Brown briefly referenced the spans-and-layers analysis conducted recently by the University to help determine whether the institution is organized efficiently. She explained that the report concluded that the University's structure is efficient, with an overall appropriate reporting structure in place. Brown added that departments and units would have access to an online tool to allow them to monitor their own spans and layers.

Brown discussed the Huron Consulting report, a benchmarking and diagnostic study conducted at the University covering four areas: finance, procurement, human resources, and information technology. She described a number of major changes within human resources that have led to more efficient systems. Brown described a system-wide job family study underway to create a job classification system that better reflects what employees actually do. Brown also provided an update on recommendations in the Huron Consulting report.

Studham highlighted a number of IT initiatives from the Huron recommendations, reporting on their progress and anticipated completion date. He noted that the transition to Google applications has resulted in significant cost savings for the institution.

Pfutzenreuter noted that the Huron report identified a number of activities that could be improved upon in the finance and procurement areas. He indicated that the institution has adopted a more streamlined online purchasing process, with plans to study viability of receiving items centrally to help reduce traffic and congestion on campus. He discussed the recommendation related to a shared services model, a way of delivering services in an efficient, reliable way. He noted many shared service activities are already occurring in a number of departments and units.

TRENDS & OPPORTUNITIES IN GRADUATE & PROFESSIONAL EDUCATION

Chair Beeson invited Senior Vice President and Provost Hanson and Sally Gregory Kohlstedt, Acting Vice Provost and Dean of Graduate Education, to discuss trends and opportunities in graduate and professional education.

Hanson reported on the restructuring of the University's Graduate School in 2009, which moved responsibility and accountability for the quality of individual graduate programs to the colleges and deans. She remarked that the restructuring offered many benefits but that a number of challenges – some anticipated, some unforeseen – also occurred. A graduate and professional education committee and two working groups examined ways to improve student services and support while reducing overall administrative costs. After a year of discussion and analysis, implementation of a set of recommendations began in summer 2010.

In February 2013, President Kaler called for an evaluation of the strengths and weaknesses of the three-year restructuring effort. A special committee on graduate education was charged with addressing specific questions to be addressed by four subcommittees. Hanson reported that the final report with a series of recommendations was issued in December 2013. She briefly reviewed several of the recommendations.

Kohlstedt provided an historical context for the role of the Graduate School at this institution and described the role of graduate schools in higher education in general. She noted that there are a number of mechanisms in place to enhance quality, ensure accountability, and continuously improve graduate education. She also noted the upcoming Higher Education reaccreditation review of the Twin Cities campus scheduled for 2015-16.

Kohlstedt reported on a comprehensive academic program review to be implemented over the coming decade. The review will incorporate self-study of the major academic aspects of each department, including not only graduate education but also undergraduate education and

faculty productivity. The review is intended to be forward-looking and balance accountability, assessment, and intentional improvement.

Kohlstedt also discussed the work of a committee to assess graduate student learning; the Graduate Review and Improvement Process initiated with the Minnesota Evaluation Studies Institute in the College of Education and Human Development; and the final stages of development of a survey of graduate student experiences slated to be available in 2015.

Hanson reported that a number of themes have emerged from the work of the special committee to assess graduate student learning, including the need for additional funds for graduate fellowships and assistantships; maintaining competitiveness with peer institution programs; clarifying the definition of graduate and professional education programs at the University; and program contributions to the central cost pool. She indicated she is working on a proposal for how to conceptualize and structure post-baccalaureate programs to clarify the distinctions between research- and professional-focused degrees, keeping in mind all degrees are subject to a variety of University policies and will continue to require oversight. Hanson discussed the outline for a proposed alternative structure for supporting postbaccalaureate education and described next steps and process.

REPORT OF THE AUDIT COMMITTEE

Regent Brod, Chair of the committee, reported that the committee received and discussed the external audit plan; discussed the external auditor review and summary of other external auditor relationships and services; and received an academic risk profile.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of amendments to the FY 2014 Capital Budget by:
 1. \$7,553,000 to fund design and construction of Williams Arena Roof Replacement, Twin Cities Campus.
- b) Approval of Schematic Plans for the following project as presented to the committee and described in the May 8, 2014 committee minutes:
 1. Williams Arena Roof Replacement, Twin Cities Campus

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

Allen reported that the committee also reviewed project components of the President's FY 2015 Annual Capital Improvement Budget; received a report on providing a memorial student experience; discussed transportation planning and operations on the Twin Cities campus; and reviewed a number of information items included in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

- a) Repeal of Board of Regents Policy: *Death Benefits*.
- b) Approval of annual promotion/tenure recommendations as presented in the docket materials, with the beginning dates of their terms of appointments in 2014-15.
- c) Approval of continuous appointment status along with promotion for staff in the academic professional series as presented in the docket materials, effective with the beginning of the 2013-14 appointment period.
- d) Approval of a Resolution Related to the Proposed Labor Agreement with Minnesota Public Employees Association, Inc., as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, Minnesota Public Employees Association, Inc. (MNPEA) have ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, 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 May 8, 2014.

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

Frobenius reported that the committee also received an update on the job family redesign and reviewed a number of information items outlined in the docket materials.

REPORT OF THE FINANCE COMMITTEE

Regent McMillan, 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 May 8, 2014 committee minutes.
- b) Adoption of proposed amendments to Board of Regents Policy: *Endowment Fund*, as follows:

Endowment Fund

SECTION I. SCOPE.

This policy governs the management of investments in the University of Minnesota (University) endowment fund (endowment).

SECTION II. INVESTMENT OBJECTIVES.

The investment objectives for the University endowment shall be, over the long term, to:

- (a) preserve the inflation adjusted value of the endowment;
- (b) generate investment returns that meet or exceed the annual payout rate plus direct expenses incurred by the investment program after adjusting for inflation as measured by the Consumer Price Index;
- (c) execute the investment program within acceptable risk parameters; and
- (d) provide stable distributions for annual spending purposes.

SECTION III. COMPREHENSIVE PROGRAM REVIEW.

Annually, the president or delegate shall present to the Board of Regents (Board) a comprehensive review of the investment program including a discussion of the role of investment strategies employed during the previous year to achieve the investment objectives.

SECTION IV. ASSET ALLOCATION GUIDELINES.

Consistent with Board policies, the Board reserves the authority to approve asset allocation ranges. The president or delegate shall recommend asset allocation ranges and the Board shall act on them by resolution.

SECTION V. REPORTING.

The president or delegate shall make the following reports to the Board at the specified times or frequencies:

- (a) a quarterly report regarding the status of the endowment containing the following information:
 - (1) the total market value and investment performance relative to selected benchmarks for each asset class and the total portfolio;
 - (2) an attribution analysis of investment performance;
 - (3) an analysis of investment performance relative to investment objectives;
 - (4) an evaluation and discussion of portfolio risk;
 - (5) deviations from asset allocation ranges, if any; and
 - (6) new managers, manager terminations, and changes in investment allocations to existing managers.
- (b) an annual report containing the following information:
 - (1) a comparison to peer institutions of relative performance and asset allocation;
 - (2) steps taken to provide opportunities to emerging, minority-owned, and woman-owned investment management firms; and
 - (3) an evaluation of investments related to sustainability and renewable energy.
- (c) at the next regularly scheduled meeting of the Board a report containing the following information:
 - (1) any significant change in investment strategy and any internal or external event that has the potential to materially affect the performance of the fund; and
 - (2) any other information requested by the Board.

SECTION VI. INVESTMENT MANAGEMENT GUIDELINES.

Subd. 1. Use of Investment Managers. Except as provided in Subd. 3 below, endowment funds shall be invested only through investment managers. The president or delegate shall choose investment managers with demonstrated expertise and engage them by written agreement to execute transactions in their discretion within stated parameters and in accordance with applicable policy. No investment manager may manage more than 20 percent of the endowment for a period of more than 12 consecutive months.

Subd. 2. Liquidity. Between 60 and 70 percent of total endowment assets shall be capable of being converted to cash or cash equivalents within 12 months without material loss of market value. The sum of (a) assets that do not meet this liquidity criterion and (b) total unfunded commitments to limited partnerships shall not at any time exceed 55 percent of total endowment assets.

Subd. 3. Rebalancing. The president or delegate shall monitor market value of endowment assets in comparison to the asset allocation ranges approved by the Board. At least quarterly, the president or delegate shall determine whether rebalancing is appropriate and, if necessary, act in a timely and cost-effective manner. In order to achieve rebalancing, the following investment instruments may be employed with the use of an investment manager:

- (a) futures contracts, only on a net unleveraged basis;
- (b) options contracts for purposes of hedging or the sale of covered options, provided that aggregate option exposure may not exceed 10 percent of the value of the endowment; and
- (c) investments in exchange-traded funds.

Subd. 4 Limitations.

- (a) The use of derivatives for speculative purposes is prohibited.
- (b) No individual investment may be made for the purpose of exercising management control in any company. This provision is not intended to prohibit the use by investment managers of control strategies with respect to portfolio companies.
- (c) A maximum of ten percent of the endowment may be invested in any single fund or account.
- (d) The investment of endowment funds shall comply at all times with the restrictions on investment of amounts comprising the Permanent University Fund that are set forth in Minnesota Statutes Section 11A.24 or its successor.

Subd. 5. Social Responsibility. The University shall consider social responsibility in its investment decisions.

SECTION VII. PAYOUT RATE.

The endowment payout rate shall be set at a level that supports University operations while enabling the endowment to grow at an inflation-adjusted rate that will provide for future distributions. Distributions shall be made quarterly. The annual payout rate shall be 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months.

See Board Of Regents Resolution Relating To Board Of Regents Policy: *Endowment Fund* Dated May 13, 2005.

Supersedes: Investment Social Concerns Dated September 13, 1991.

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

McMillan reported that the committee also reviewed financial components of the President's Recommended FY 2015 Annual Capital Improvement Budget; reviewed the President's Recommended FY 2015 Annual Operating Budget; and discussed a number of information items included in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

Regent Simmons, 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 May 8, 2014 committee minutes.

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

Simmons reported that the committee also discussed the 2015-16 reaccreditation of the Twin Cities and Rochester campuses, and the undergraduate transfer student experience and University impact.

REPORT OF THE LITIGATION COMMITTEE

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

REPORT OF THE SPECIAL STUDY COMMITTEE ON ACADEMIC MEDICINE

Regent Cohen, Chair of the committee, reported that the committee received an overview and update on Academic Health Center research.

NEW BUSINESS

A moment of silence was observed in honor of former Representative James "Jim" Oberstar, who died May 3, 2014.

The meeting adjourned at 11:52 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

**Public Forum on the President's Recommended
FY 2015 Annual Operating Budget**

May 9, 2014

A meeting of the Board of Regents of the University of Minnesota was held on Friday, May 9, 2014 at 12:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Clyde Allen, Laura Brod, Thomas Devine, John Frobenius, Dean Johnson, Peggy Lucas, David McMillian, Abdul Omari, and Patricia Simmons.

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathryn Brown, Brooks Jackson, Richard Pfutzenreuter, and Scott Studham; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice President Julie Tonneson.

Regent Beeson welcomed those in attendance. He reviewed the forum procedures and stated that the Board of Regents would vote on the proposed budget at the Board's June 13, 2014 meeting.

The following individuals addressed the Board:

Trevor Ames – Chair, Twin Cities Deans Council

Ames commented on the need for continued tuition relief for professional and graduate students. He thanked the administration for freezing tuition for Veterinary Medicine professional students.

Cherrene Horazuk – President, AFSCME Local 3800

Horazuk emphasized the increase in administrative positions while clerical staff positions have been reduced. She demanded a full accounting of how administrative costs have been cut. She also asked that a sliding scale be instituted for healthcare costs.

Cassandra Hendricks – University Pro-Choice Coalition

Hendricks explained that her sister's student debt burden would negatively influence her future choices for medical school. She also stated that upon graduation, she would move back home due to her student debt.

Andrew McNally – President, Council of Graduate Students

McNally emphasized a concern for the future of graduate students. He advocated for increased support given the integral role that graduate students play within the life of the University, specifically growing fellowship funding.

Jean Quam – Dean, College of Education and Human Development

Quam expressed support for the freeze in undergraduate tuition and the increase in faculty compensation. She also advocated for the use of open textbooks to save students money.

Quam's comments were interrupted by the actions of protesters. Beeson called the meeting to order, instructing protesters to leave the room or they would be removed.

Brian Dailey-Arndt – Alliance of Students Organizing for Power

Dailey-Arndt relayed a story about a non-resident undergraduate student struggling with significant student debt. He advocated for a freeze on non-resident student tuition.

Will Durfee – Chair, Faculty Consultative Committee

Durfee expressed support for the reduction in administrative costs and urged the Board to continue to hold the administration accountable. He further expressed support for merit-based compensation. He encouraged the Board to outline a clear process to define graduate tuition.

Barbara Bezat – Steward, AFSCME Local 3937

Bezat presented a statement from Teresa Shunk, president of Local 3937. She conveyed concern for the outsourcing of Minnesota jobs, specifically the fire life operations being moved to Colorado.

Hannah Keil – Duluth Student Association

Keil offered thanks to the Board, president, and the administration for working with the Duluth campus to reduce the budget deficit. She asked for further financial support to close the gap, expressing the need to keep tuition at current levels.

Joanna Nunez – Twin Cities Undergraduate Student

Nunez detailed demands that the Whose Diversity? Collective made to the administration. She called upon the Board to consider an increase in funding to support programs that increase diversity and expand ethnic studies.

Russell Luepker – Chair, Committee on Finance and Planning

Luepker offered support for the freeze on undergraduate tuition and the start of conversations around graduate and professional tuition. He indicated his support for a fund that has been used to offset increasing health insurance costs for employees, but wondered about the future of the fund.

Leigh Turner – Twin Cities Faculty

Turner expressed concern about the handling of the Dan Markingson case. He urged the Board to empower an independent organization to fully investigate psychiatric research.

Ashley Hall – Twin Cities Graduate Student

Hall spoke in favor of the tuition freeze for the College of Veterinary Medicine. She asked that the Board advocate for increased state funding and further exploration of cost saving options for graduate and professional students.

Christopher Getowicz – Alumni, Students for a Democratic Society & Whose Diversity?

Getowicz cautioned that higher education debt continues to increase, burdening recent graduates for many years. He emphasized his worries around administrative policies dealing with diversity and free speech.

Johnathon Walker – Twin Cities Undergraduate Student

Walker conveyed concern for administrative policies dealing with homeless people using University libraries. He further expressed his concerns with the University's new security measures.

Keaton Miller – Representative, Graduate Education Council

Miller outlined cuts to graduate student support programs, while increasing tuition for graduate students. He stressed the lack of support programs for graduate students and urged the Board to increase overall support for graduate students.

Sandi Sherman – AFSCME Local 3800

Sherman expressed concern over University inaction to mitigate additional costs of employee health benefits. She stated that the employee committee set up to hear information about health insurance costs was not able to do the work assigned to it.

Joelle Stangler – Incoming President, Minnesota Student Association

Stangler conveyed her support for the freeze in undergraduate tuition. She described how her parents have had to seek higher-paying jobs to help support the cost of her education. She expressed concern regarding increases to room and board charges and the increase in tuition for non-resident students.

Michael Pfau – President, University Education Association

Pfau thanked the Board and the president for the support they have shown the Duluth campus. He advocated for the unique position that Duluth holds within the University system as a regional comprehensive university focused on undergraduates. He cautioned that Duluth would need continued support as it competes with institutions offering significantly lower tuition rates.

Ryan Olson – Senator, Student Senate

Olson thanked the Board and president for their support of undergraduate education and the tuition freeze. He cautioned that rising non-resident tuition, along with graduate and professional tuition, would not be manageable for students.

The meeting adjourned at 1:36 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary