

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

October 10-11, 2013

Office of the Board of Regents

600 McNamara Alumni Center

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Minutes of the Board of Regents Meetings
and Committee Meetings**

October 10-11, 2013

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**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Special Committee on Academic Medicine
October 10, 2013**

A meeting of the Special Committee on Academic Medicine of the Board of Regents was held on Thursday, October 10, 2013 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 Aaron Friedman and Brian Herman; and Executive Director Brian Steeves.

2013-14 COMMITTEE WORK PLAN DISCUSSION

Regent Cohen and Vice President Friedman reviewed the 2013-14 work plan for the committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

OVERVIEW OF THE ACADEMIC HEALTH CENTER

Vice President Friedman outlined the Academic Health Center (AHC) mission, and provided an overview of programmatic and financial facts, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Friedman noted that the AHC is one of the largest and most comprehensive in the nation, placing it in the top 10% nationally for number of schools within the AHC and the number of students enrolled in its various programs.

Friedman shared that the AHC educates over 70% of the health professionals in Minnesota and conducts over \$400 million in sponsored research annually, which represents about half of the University's total research expenditures. He walked through the sources of annual revenue to the AHC, noting that the largest revenue contributors are sponsored research and revenue from the University of Minnesota Physicians (UMP) group.

Friedman outlined successes in the research program, including growth in awards and funding, that have positioned the University as a leader in cancer, cardiovascular, diabetes, infectious disease and neuroscience. He also updated the committee on the progress of the strategic planning process for the Medical School.

CLINICAL SERVICES & OPERATIONS

Vice President Friedman invited Bobbi Daniels, CEO of UMP and Vice Dean for Clinical Affairs, Medical School, to present an overview of the challenges and opportunities facing the clinical programs, provide an update on the Integrated Structure, and discuss the University's clinical practice with respect to other health care systems. Friedman provided additional information

on the Integrated Structure as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Daniels explained the role of clinical care as critical to fulfilling the mission of the AHC. She stated that clinical care is imperative in training and educating the next generation of health professionals. Daniels emphasized the importance of being able to quickly translate research into clinical practice, which is in line with national trends to fast-track research discoveries into practice. Recruiting and retaining top faculty and financing the academic mission are also key elements of why the University provides clinical care.

Daniels described the clinical care presence in the state – over 975,000 visits annually, with the University of Minnesota Medical Center, Fairview as the primary teaching hospital for the state. She outlined the history of UMP and reported that it is the largest integrated practice in the Twin Cities, providing financial support to Medical School education and research as well as the clinical portion of faculty salaries.

Daniels outlined the clinical practices in the six AHC schools along with key issues they are facing, which include:

- AHC schools are dependent on successful clinical practices, which are challenged by the changing health care environment.
- State funding cuts have reduced the University's ability to fulfill its historic covenant with the state to provide health professionals to all of Minnesota.
- Major investment is needed to modernize outdated facilities.
- Increasing government interference in already highly regulated health research.

Friedman presented background information on the vision and goals of the Integrated Structure as well as the Integrated Structure Master Agreement. He stressed shared governance and shared management with a single strategic operational and management model.

Friedman detailed the organizational structure for the Integrated Structure LLC, which will be governed by a 12-member board of directors consisting of the Dean of the Medical School, four members appointed by the University, the Fairview CEO, four members appointed by Fairview, and the co-presidents of the Integrated Structure (non-voting). He indicated that the enterprise would have a single strategic plan and virtually integrated profit and loss statements but that each organization will remain independent, with separate balance sheets. The agreement provides increased financial support to the Medical School and the University will retain all its current authorities over the clinical enterprise.

In response to a question from Regent McMillan, Daniels emphasized that clinical care revenue is the largest source of discretionary funding supporting the Medical School and confirmed that sponsored research funding is largely non-discretionary.

In response to a question from Regent Devine, Daniels explained that UMP must continue to reach out into communities for clinical services and since not all care can or should take place in a central facility. Partnering with a regional healthcare system like Fairview allows for this type of decentralization.

In response to a question from Regent Cohen, Friedman explained grant-funded work to create models of inter-professional education and collaborative practice for the State of Minnesota that will also be used to develop models in other states.

In response to a question from Regent Beeson, Daniels stated that top-line revenue growth and managing the business well to enhance net income are core to supporting the academic mission. She explained that clinical revenues are "taxed" at a certain percentage to provide funding toward the academic mission and the percentage can be increased by a vote of the Integrated Structure board. She stressed that for both UMP and the Integrated Structure, it will be critical to manage the business well to continue to grow the stream of funds to the Medical School and academic programs.

The meeting adjourned at 9:44 a.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive, flowing style.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
October 10, 2013**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, October 10, 2013 at 10:00 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: Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Vice Presidents Aaron Friedman, Brian Herman, and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

Student Representatives: Hannah Keil and Joelle Stangler.

CAPITAL BUDGET AMENDMENTS

A. Landscape Arboretum Entry Road and Gatehouse Improvement – 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:

- Landscape Arboretum Entry Road and Gatehouse Improvement – Twin Cities Campus
- Scope of Project: Remove the existing gatehouse and construct a new 750 square foot gatehouse. Rebuild 500 linear feet of road from the gatehouse to Highway 5.
- Master Plan: No impact to the Campus Master Plan
- Cost Estimate: \$888,000
- Capital Funding: The Landscape Arboretum Foundation Capital Fund

Vice President Wheelock introduced Assistant Vice President Suzanne Smith and Pete Moe, Director of Operations and Research, University of Minnesota Landscape Arboretum. Smith reviewed the project and explained that it meets the Landscape Arboretum Master Plan Guiding Principle to provide greater physical access to the Arboretum. Expanding the entry road will eliminate congestion and bottlenecks along the entry road and at the gatehouse. Smith noted that the expected completion date is June 2014.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Landscape Arboretum Entry Road and Gatehouse Improvement – Twin Cities Campus.

B. Nils Hasselmo Hall – Center for Drug Design – 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:

- Nils Hasselmo Hall – Center for Drug Design – Twin Cities Campus
- Scope of Project: 6,100 square foot renovation in Nils Hasselmo Hall. Install six chemical fume hoods and supporting duct work, fans and controls
- Master Plan: No impact to the Campus Master Plan
- Cost Estimate: \$1,205,000
- Capital Funding: Academic Health Center, Center for Drug Design Endowment

Vice President Wheelock asked Smith and Aaron Friedman, Vice President for Health Sciences and Dean of the Medical School, to stand for questions. Smith reviewed the project and explained that it consolidates two sub-standard labs in Weaver-Densford and VFW buildings. The renovated space will be conducive to conducting contemporary research and will create flexible spaces that can adapt to new science and research trends.

In response to a question from Regent Lucas, Friedman explained that the Center for Drug Design is able to fund this project through an endowment because a faculty member invented one of the foremost drugs used in the treatment of AIDS.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for Nils Hasselmo Hall – Center for Drug Design – Twin Cities Campus.

MAXIMIZING THE UNIVERSITY'S PHYSICAL ASSETS (PART II): FACILITIES UTILIZATION ASSESSMENT

Vice President Wheelock introduced Chancellor Lehmkuhle, Assistant Vice President Brian Swanson, and Monique MacKenzie, Director of Planning, Space and Architecture, to present the Facilities Utilization Assessment, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Swanson explained that while the University's facilities profile is similar to that of other research universities, there is incomplete knowledge about space use and functionality, especially in today's learning and working environment. The data capture process needs to improve so the University can assign function and occupancy information to each space type and link costs to utilization.

MacKenzie shared that the FY 2013-2018 Six-Year Capital Plan focuses on renewal, replacement, and space efficiency projects rather than new construction. She cited an alternative workspace pilot project in the Donhowe Building that utilizes new employee engagement tools and mobile work training, and provides a variety of shared spaces to support different types of work. The result has been a 36 percent increase in space utilization. MacKenzie also noted that decommissioning obsolete buildings continues to be a priority and that specific criteria exist to aid the decision-making process.

Lehmkuhle shared his insight on building a university campus without the constraints of pre-existing space. He detailed his philosophy that UMR should be integrated into the community, which has been done by strategically leasing mixed-use facilities in downtown Rochester that are connected to community assets through skyways and tunnels. He described several strategies to remain flexible and reduce infrastructure and overhead while enhancing the student experience, including shared facilities among multiple disciplines, integrated faculty offices and student study spaces, outsourcing student services like recreation and healthcare, and leveraging system resources such as the Office of Information Technology and the libraries.

In response to questions and comments from committee members, a lengthy discussion ensued regarding the need for additional student gathering and study spaces throughout campus buildings and residence halls. Wheelock agreed that advances in technology allow students a higher level of mobility and new learning spaces must be created in areas that weren't traditionally used for student study. She noted that Northrop Hall would have several informal gathering and study spaces for students upon completion.

In response to a question from Student Representative Stengler, Wheelock explained that while student services has been an area of growth, tracking functional data within the utilization assessment is an area that needs improvement.

INFORMATION ITEMS

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

- Mechanical Engineering Building – Infrastructure Remodel Phase 1, Twin Cities Campus

The meeting adjourned at 11:46 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
October 10, 2013**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, October 10, 2013 at 10:00 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: Chancellor Jacqueline Johnson; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert; Kathryn Brown; Brian Herman and Scott Studham; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Joseph Daniewicz and Kevin Lang.

COLLECTIVE BARGAINING AGREEMENT WITH TEAMSTERS LOCAL 320

Vice President Brown invited Patti Dion, Director of Employee Relations, to present a collective bargaining agreement between the University and Teamsters Local 320, as detailed in the docket.

The contract, which runs through June 2015, covers 1378 workers and includes a 1.25% base pay adjustment for each of two fiscal years. Mechanic wage scales were also adjusted to improve recruiting and retention. Employees paid at the maximum of their pay range will receive a \$300 lump sum payment.

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

HUMAN RESOURCE ISSUES IN RESEARCH

Vice President Brown invited Vice President Herman to present an overview of HR issues in research, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Herman explained that the number and size of federal research grants continues to decrease. He noted that the grant success rate has declined from 30% to 15% over the past five years, and pointed out that faculty research productivity has decreased due to the increase in time spent seeking and managing grants.

Herman reported that the challenging funding environment has caused research to become more team based. He noted that fewer young scientists are pursuing academic work, which necessitates the recruitment of scientists from other institutions to come to the University. He explained how current business models are no longer viable and that it would be necessary to

further explore public/private partnerships as a way to address the decline in funding and the availability of talent.

In response to a question from Regent Beeson, Herman explained that faculty members already collaborate on research, but the culture of science is evolving. He emphasized the need to reward faculty and staff for not just individual but team contributions.

In response to a question from Regent Simmons, Herman offered that it would be challenging to hire additional post-doc fellows to the University's workforce due to reductions in the number of available training grants. He also noted the importance of addressing such issues as the right makeup of the future workforce and how to ensure that post-doc fellows will be employable not just in the academy but in industry and the nonprofit sector.

In response to a question from Regent McMillan, Herman stated that the national average for the amount of time devoted to administering research awards is 42%. He did not know where the University stood relative to the average.

In response to a question from Student Representative Lang, Herman mentioned that the University is working on creating a prize for team-based science.

UPDATE ON SERVICE DELIVERY MODEL

Vice President Brown invited Patti Dion, Director of Employee Relations, to return to the presenters' table to provide an update on the service delivery model, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Brown described the service delivery model and noted that the Office of Human Resources (OHR) is working to provide enhanced support to the University. She explained that OHR is implementing the Huron Consulting recommendations to further define roles and align strategy among HR professionals. Dion reported that the OHR has established a service consulting team to provide support to local units.

In response to a question from Regent Beeson, Brown explained that an upgrade for the HR management system is currently underway. She noted that this project would help determine the optimal amount of shared services.

In response to a question from Regent Brod, Brown explained that the tools described in the presentation would be used to drive efficiency.

In response to a question from Student Representative Daniewicz, Brown noted that HR professionals are actively engaged across the system to ensure that unique needs of all campuses are addressed.

UPDATE ON JOB FAMILY REDESIGN

Vice President Brown invited Shelia Reger, Office of Human Resources Consulting Team Manager, to present an update of the job family redesign, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Reger explained the job family redesign project and noted that the alumni relations, communications, finance, and information technology job families have been completed. She reported that Sibson Consulting would be assisting the University to complete the remaining 14 job families by late 2014. She noted that mapping each job family into the classification

structure would create a significant cultural change for affected employees. She added that the finished work would yield a functional job classification system, clear salary ranges, and understandable career paths.

In response to a question from Regent McMillan, Reger explained that her team has learned a great deal from completing the first four job families and that this knowledge would be applied to the remaining 14 job families.

In response to a question from Regent Brod, Reger explained that the first four job families were chosen because they represented work that was most familiar to the consulting team.

In response to a question from Regent Beeson, Brown agreed that some centralized control of job titles was important, but noted that some flexibility to meet business needs should stay at the local level.

CONSENT REPORT

Vice President Brown presented for action the Consent Report, which included conferral of tenure for one new hire.

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

INFORMATION ITEMS

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

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

The meeting adjourned at 12:00 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
October 10, 2013**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, October 10, 2013 at 2:45 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 Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle and Fred Wood; Senior Vice President & Provost Karen Hanson; Executive Director Brian Steeves; and Associate Vice President Bernard Gulachek.

Student Representatives present: Meghan Mason and Joelle Stangler.

**VISIONING DISCUSSION ON FULFILLING THE
ACADEMIC MISSION OF THE UNIVERSITY**

Senior Vice President and Provost Hanson introduced a visioning discussion on fulfilling the academic mission of the University, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Hanson asked the committee to focus its discussion on the University's academic mission in the context of the current strategic planning effort for the Twin Cities campus. She provided background on the status of the planning process, including a brief overview of the initial planning meeting, items that the working group has been researching, and plans for communication and engagement across the system.

She asked committee members to consider a number of questions to help inform and shape the planning agenda. Chair Simmons suggested that normal meeting formality and protocol be relaxed, and a broad, informal conversation took place regarding values that should guide academic decisions. Committee members responded with:

- Excellence and rigor.
- Creativity and innovation.
- Diversity of thinking, disciplines, and people.
- Relevance.
- Good value/relatively low cost.
- Student-centeredness.
- Interdisciplinarity.

The group also discussed:

- Diversity as a component of excellence.
- The University's role in workforce development.
- Maintaining an appropriate balance of Minnesota versus non-Minnesota students.

In response to a question from Regent Simmons, Regent Cohen clarified that fewer silos need to exist within departments and within the University in order to drive interdisciplinary education and research in the future.

In response to a comment by Student Representative Stangler that the role of the University in solving problems is to educate problem solvers, a discussion arose regarding the relevance of liberal arts education in providing opportunities for students to learn how to think critically.

In response to questions and comments from committee members, Provost Hanson indicated that while declining federal and state support complicates the landscape, there is still a value proposition in residential undergraduate education.

SYSTEM-NESS: REALIZING THE GOAL OF ONE UNIVERSITY WITH FIVE CAMPUSES

Provost Hanson introduced a discussion on “system-ness,” as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. Hanson emphasized that each of the University’s five system campuses brings its own history and strategy for serving its students. She noted that system-level leadership is shaping an organizational structure to leverage areas of strength across the campuses to meet the objectives of vibrant teaching and learning, increased access and greater diversity, innovation and discovery, and overall University impact and reputation.

Hanson explained that three principles have been identified as drivers of excellence in the University’s multi-campus system:

1. Identifiably distinct qualities and areas of excellence for each campus.
2. System-wide commitment to leverage the strengths of each campus.
3. Coherence in technological and administrative infrastructure across the system.

Hanson highlighted that university systems take many forms and that there is not necessarily one correct structure. She asked that the committee’s conversation focus not on redesigning that basic structure, but rather understanding the complexity of how the University’s multi-campus system addresses challenges and balances tensions.

Chair Simmons invited Provost Hanson and Chancellors Black, Johnson, Lehmkuhle and Wood to participate in a less-formal discussion with the committee. The chancellors shared the qualities that make their campus unique, including:

- Duluth’s history as a sea grant institution and location near rich natural resources.
- Morris’ legacy of accessibility and positioning as a private liberal arts institution at a public university price.
- Rochester’s prominence as the top undergraduate health sciences program in the nation.
- Crookston’s focus on workforce training and ties to the business community.

A lengthy discussion followed, during which all of the chancellors agreed that tremendous value accrues to the campuses through shared system-level services such as technology and the general counsel, which allow each campus the flexibility to focus on their distinct missions.

In response to a comment by Regent Devine, Chancellor Lemkuhle indicated that the tensions the campuses face are in making sure they have access to the enterprise services that allow them to focus their resources on the unique programs that are essential to their campus.

Chancellor Wood added that it is sometimes difficult for the administration to understand the unique needs of the smaller campuses located in smaller communities.

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 Science and Engineering (Twin Cities campus)—Create M.S. degree in Medical Device Innovation
 - Swenson College of Science and Engineering (Duluth campus)—Create undergraduate minor in Electrical Engineering
- **Request for Changes to Academic Programs**
 - College of Dentistry (Twin Cities campus)—Change the degree objective from Master of Dental Hygiene (M.D.H) to a Master of Science in Dental Hygiene (Dental Hygiene M.S.) and deliver the Education track of the M.S. online
 - College of Continuing Education (Twin Cities campus)—Discontinue subplans in the Addiction Studies Post-Baccalaureate certificate
 - Crookston campus—Offer the B.S. degree in Sport and Recreation Management online
 - Crookston campus—Offer the B.M.M. degree in Manufacturing Management online
- **Request for Approval of Discontinued Academic Programs**
 - College of Food, Agricultural and Natural Resource Sciences (Twin Cities campus)—Discontinue the B.S. degree in Applied Plant Science
 - College of Food, Agricultural and Natural Resource Sciences (Twin Cities campus)—Discontinue the B.S. degree in Horticulture

The meeting adjourned at 4:19 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
October 10, 2013**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, October 10, 2013 at 2:45 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; Chancellor Fred Wood; Vice Presidents Richard Pfitzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Julie Tonneson and Mike Volna.

Student Representatives present: Kevin Lang and John Reichl.

ADMINISTRATIVE COST DEFINITION & BENCHMARKING REPORT: UPDATE

Vice President Pfitzenreuter invited Associate Vice President Tonneson and Lincoln Kallsen, Director of Financial Research, to provide an overview of the administrative cost definition and benchmarking report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Tonneson walked through the administrative cost definition and benchmarking report. She described three categories for classifying various expenditures: direct mission delivery, mission support and facilities, and leadership and oversight. She noted that costs in the three categories occur throughout the University and have multiple funding sources. Kallsen reported that of the \$3.1 billion expended by the University in FY 2013, the percent of expenditures classified as "leadership and oversight" was unchanged from the previous fiscal year at 8.8%. He noted that the cost of direct mission delivery had increased by 1.6% over the last fiscal year partly due to a 2.5% increase in compensation.

In response to a question from Regent Beeson, Kallsen explained that the future loss of some research funding could result in personnel savings.

In response to a question from Regent Brod, Kallsen noted that the job family reclassification study would make the results of the administrative cost definition and benchmarking report more precise.

ANNUAL OPERATING BUDGET DEVELOPMENT PROCESS

Vice President Pfitzenreuter and Associate Vice President Tonneson provided an overview of the annual operating budget development process, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfitzenreuter explained that the budget development process begins in the fall of each year and includes both academic and non-academic units. He reported that the conceptual framework for the budget includes assumptions about tuition, reallocation, investments, and

inflationary costs. He described how chancellors, vice presidents, and deans provide input to the broad budget strategies that influence both the budget timeline and model. Tonneson added that the FY 2015 budget model assumes no increase in undergraduate tuition and controlled increases in graduate and professional programs, while holding down funding requests.

In response to a question from Regent Brod, Pfutzenreuter explained that college and academic unit leadership takes initiative within the budget process to propose new funding.

Regent Frobenius commented that the Board of Regents would have to engage in the early stages of the budget process in order to have an impact.

UNIVERSITY FINANCIAL RISK PROFILE

Pfutzenreuter provided an overview of the financial risks associated with University. He explained that the business cycle of state government and the fluctuating level of state support is a critical driver of the University's overall financial health. He questioned the long-term reliance on undergraduate tuition revenue as a significant source of funding for the University as well as the current professional education model, which requires students to incur high levels of debt. He noted that implementation of the Affordable Care Act and uncertainty surrounding the affordability of fringe benefits was also an area of concern.

In response to a question from Regent Beeson, Pfutzenreuter noted that the University of Minnesota Crookston has seen growing interest in its online degree programs.

In response to a question from Regent Johnson, Pfutzenreuter explained that the bookstore operates on very small margins due to the changing retail model for book sales.

CONSENT REPORT

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

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

- To Cardinal Health for an estimated \$3,500,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2013 through October 31, 2014, for Boynton Health Service Pharmacy. This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by U of M departments for pharmaceuticals. Vendor was selected through a competitive process.
- To Harlan Laboratories, Inc. (Teklad) for an estimated \$2,000,000 for laboratory research diets as needed for the period of November 1, 2013, through October 31, 2018, for the department of Research Animal Resources (RAR). The laboratory research diets will be purchased with centralized departmental funds currently available for these purchases. See enclosed documentation regarding basis for vendor selection.
- To Surdyk's Inc. for a contract value of approximately \$8,000,000 for café, concession and catering food service and alcohol sales as needed for a five-year contract beginning approximately April 1, 2014, through June 30, 2019, and two additional three-year renewal options for the Northrop Auditorium. Estimated revenue through commissions to the University is \$480,000 for the full 11 years. Northrop will receive commission

revenues based upon business volume. Vendor was selected through a competitive process.

- To Taher, Inc. for a contract value of approximately \$10,000,000 for café and catering food service as needed for a five-year contract beginning approximately April 1, 2014, through June 30, 2019, and two additional three-year renewal options for the University Recreation and Wellness Center (URWC). Estimated revenue through commissions to the University is \$900,000 for the full eleven years. The Recreation and Wellness Center will receive commission revenues based upon business volume. Vendor was selected through a competitive process.

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

INFORMATION ITEMS

Vice President Pfutzenreuter referred the committee to the Information Items contained in the docket materials:

- Quarterly Investment Advisory Committee Update.

The meeting adjourned at 4:30 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Work Session
October 11, 2013**

A work session of the Board of Regents was held on Friday, October 11, 2013 at 8:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Stephen Lehmkuhle and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Brian Herman, Richard Pfitzenreuter, Scott Studham, and Pamela Wheelock; General Counsel William Donohue; and Executive Director Brian Steeves.

Chair Beeson introduced President Kaler to provide an overview of the strategic planning process, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Kaler explained that the University of Minnesota Twin Cities campus had started a strategic planning process to increase the University's impact and reputation. He emphasized that the process would move swiftly and would be bold, inspirational and aspirational. He added that the plan would articulate a 10-year vision for the Twin Cities campus.

Regent Beeson invited Lincoln Kallsen, Director of Financial Research, to provide an overview of key internal and external trends and data.

Kallsen described the landscape of higher education, noting that Minnesota faces a declining number of high school graduates and considerable statewide growth among communities of color. Minnesota also faces a substantial achievement gap between African-Americans and white students. He added that the University has been successful in recruiting students nationally and has seen significant growth in the number of undergraduate applications over the last several years. He reported that undergraduate graduation rates have continued to increase and demand for graduate programs have remained strong.

Kallsen discussed the impact of decreased state funding, noting that tuition revenue now exceeds state appropriation support. He reported that only 8% of state spending is directed toward higher education, which is below the national average. Despite these trends, he noted that the net price for in-state undergraduate students from families making under \$75,000 is the lowest among any public or private four-year higher education institution in Minnesota.

Chair Beeson invited Regents to brainstorm and discuss areas of change that would have crucial effects on the University in the next 5-10 years. A lengthy discussion ensued in which the following issues were addressed:

- Demand for graduate education.
- Continued decline in state support.
- Public focus on student debt.

- Demographic changes in Minnesota.
- Economic trends.
- Declining public support for higher education.
- High cost of intercollegiate athletics.
- The land grant mission of the University.
- Private-sector research needs.

Chair Beeson invited President Kaler to introduce the next discussion item: The exceptional opportunities at the University of Minnesota – those strategic assets that differentiate the University from other higher education institutions. A lengthy discussion followed in which the following topics were addressed:

- Minnesota retains a high percentage of University graduates.
- Metropolitan location of the University.
- Positive private sector relationships.
- Strong private college system.
- The University's respected brand and high visibility.
- Collaboration among strategic partners.
- Forthcoming transfer of wealth between generations.
- Natural resources and industrial relationships.
- The University's comprehensive array of academic programs.

The work session adjourned at 10:02 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
October 11, 2013**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 11, 2013 at 10:05 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, David Larson, Peggy Lucas, David McMillan, Abdul Omari, and Patricia Simmons.

Staff present: President Eric Kaler; Chancellors Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown, Brian Herman, Richard Pfutzenreuter, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt 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 - September 3, 2013
Audit Committee - September 12, 2013
Litigation Review Committee - September 12, 2013
Academic & Student Affairs Committee - September 12, 2013
Finance Committee - September 12, 2013
Facilities & Operations Committee - September 12, 2013
Faculty & Staff Affairs Committee - September 12, 2013
Board of Regents - September 13, 2013

REPORT OF THE PRESIDENT

President Kaler reported on a trip to Phoenix, Arizona, that included Regents Beeson, Lucas, and Simmons and 80 other Twin Cities business and community leaders. The trip focused on how the Phoenix metro area is managing development. Kaler discussed sessions held with Arizona State University leadership about the role of an urban university in the changing higher education landscape.

He also discussed a new partnership with Minneapolis Public Schools to improve early childhood education, through which the institution will establish new, high-quality early learning centers to address the state's achievement gap.

Kaler provided an update on the search for Dean of the Medical School and Vice President for Health Sciences, discussed progress on strategic planning efforts, and highlighted a number of significant events, awards, and honors system-wide.

Kaler expressed his concern for men's football Coach Jerry Kill, his wife Rebecca, and the Kill family while Kill is on a leave of absence to manage his treatment for epilepsy.

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

REPORT OF THE CHAIR

Chair Beeson shared that the Board of Regents held a work session earlier in the day that gave Regents an opportunity to provide input on strategic planning for the Twin Cities campus. He noted the discussion focused on critical areas of change and opportunity over the next 5-10 years. He commended President Kaler and Senior Vice President and Provost Hanson for leading a process that focuses on the future and helps shape a vision for fulfilling the institution's mission within a rapidly evolving higher education landscape.

Beeson noted a number of events recently attended by Regents, including a visit to the St. Paul area of the campus. The visit provided an opportunity to interact with faculty, students, and collegiate leadership and learn more about the Colleges of Biological Sciences, Food, Agricultural and Natural Resource Sciences, Veterinary Medicine, and the Minnesota Extension Service.

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

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 October 10, 2013 committee minutes.

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

McMillan reported that the committee also received an update on the administrative cost definition and benchmarking report; discussed the annual operating budget development process and the University financial risk profile; and reviewed a number of information items detailed 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 October 10, 2013 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 fulfilling the academic mission of the University, and discussed the concept of "system-ness" – realizing the goal of one university with five campuses.

REPORT OF THE AUDIT COMMITTEE

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

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 2014 Capital Budget by:
 - 1) \$888,000 for the Landscape Arboretum entry road and gatehouse improvements project, University of Minnesota Landscape Arboretum, Chaska.
 - 2) \$1,205,000 for the Nils Hasselmo Hall - Center for Drug Design, Twin Cities Campus.

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

Allen reported that the committee also received the second part of a report on maximizing the University's physical assets, 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) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the October 10, 2013 committee minutes.
- b) Approval of a Resolution Related to the Proposed Labor Agreement with Teamsters Local 320 Service/Maintenance Employees, 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, Teamsters Local 320 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 October 10, 2013.

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

Frobenius reported that the committee also received updates on the Office for Human Resources service delivery model and the job family redesign project; discussed human resources issues in research; and reviewed a number of information items detailed in the docket.

REPORT OF THE LITIGATION COMMITTEE

Regent Larson, Chair of the committee, 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 discussed the 2013-14 committee work plan; received and overview of the Academic Health Center; and discussed clinical services and operations.

RECEIVE AND FILE REPORTS

Chair Beeson noted that there were no items for receipt and filing this month.

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 October 2, 2013;
- Use of title as forwarded in a letter from President Kaler dated October 2, 2013;
- Summary of Gifts through August 31, 2013; and
- Appointments to the University of Minnesota Foundation Board of Trustees as follows:
 - Honorable Richard B. Beeson (three-year term expires 2016), will also serve on UMF Executive Committee;
 - Walter F. Ling (three-year term expires 2016); and
 - Reappointment of Richard K. Davis (three-year term expires 2016).

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

UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

Beeson invited President Kaler and Senior Vice President and Provost Hanson to discuss the *University Plan, Performance & Accountability Report* (Report), as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. Kaler reported that this 12th edition of the Report illustrates the University's overall performance during the previous year relative to its peers; outlines past results and strategic goals; shows the deep and

important impact of the University statewide; and serves as a resource for the entire University community.

Hanson noted that the Board of Regents reviewed the Report at its September 13, 2013 meeting. She indicated that the Report illustrates that the University:

- Attracts outstanding students;
- Offers a great student experience;
- Is accessible;
- Graduates students for success;
- Is a productive, efficient organization;
- Is diverse and welcoming;
- Engages with communities;
- Is a global university;
- Is the state's economic engine; and
- Illuminates the world with research.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Resolution Related to the *University Plan, Performance, and Accountability Report*, as follows:

WHEREAS, the president of the University and the Board of Regents (Board) are entrusted with the responsibility in their oversight of the University to be good stewards of the public interest, resources, and facilities; and

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

WHEREAS, it was resolved that the *University Plan, Performance, and Accountability Report* (Report) shall include the priorities of the institution; statistical profiles of the University at the campus level; selected statistics related to system trends; University-wide strategies to achieve goals; summaries of accomplishments and investments; progress in institutional performance measures; and summaries of special institutional studies and reports; and

WHEREAS, on the recommendation of the senior vice president for academic affairs and provost, the president of the University requests the Board accept the 2013 Report; and

NOW, THEREFORE, BE IT RESOLVED that the Board accepts the 2013 Report as submitted by the administration.

2014 STATE CAPITAL BUDGET REQUEST

Chair Beeson invited Vice Presidents Richard Pfutzenreuter and Pamela Wheelock to present for action the 2014 State Capital Budget Request (Request), as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. The Request conforms with the following mission-driven principles and goals used in the development of the most recent six-year capital plan to:

- Ensure student success;
- Ensure research productivity and scholarly impact;

- Fulfill the institution's statewide mission;
- Protect public assets and investment; and
- Responsibly manage the University's finances.

Wheelock stated that the Request aligns capital projects to a platform of excellence, with a number of factors considered when determining how to best invest limited resources. She explained that projects are prioritized by how they fulfill the institution's mission, advance innovation and discovery, and enhance the teaching and learning experience; factors related to funding and return on investment; and how they enhance the institution's reputation. Wheelock explained that the administration also considers facilities condition and how projects improve sustainability and efficiency in operations and enhance the institution's competitive advancement in higher education.

Wheelock indicated the Request includes Higher Education Asset Preservation and Replacement (HEAPR) funds to be used system-wide to maximize and extend the life of existing buildings, and to help the institution strategically reduce operating costs, leverage research grants, advance sustainability goals, and enhance student success. Wheelock also provided a brief summary of each of the projects included in the Request.

Pfutzenreuter noted that the \$299 million Request is built upon a combination of funds appropriated by the state (\$232.7 million) and resources committed by the University (\$66.3 million). He presented information on projected annual debt service costs as well as operating costs of the projects included in the Request.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Resolution Related to the 2014 State Capital Budget Request, as follows:

WHEREAS, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University's strategic priorities; and

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

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

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the University's 2014 State Capital Request to the Minnesota Legislature in the amount of \$299,000,000 consisting of \$232,667,000 from the State of Minnesota and \$66,333,000 from the University of Minnesota.

ANNUAL REPORT ON PRIVATE GIVING

Chair Beeson invited Becky Malkerson, Interim President and CEO, University of Minnesota Foundation, to present an annual review of fundraising highlights as provided in the materials distributed at the meeting and on file in the Board Office.

Malkerson reported that in FY 2013 more than 74,000 donors made commitments of \$236 million in current and future gifts, a slight decrease from FY 2012 but still one of the organization's top five fundraising years. The Foundation distributed \$165 million to the

University community in scholarships, fellowships, academic programs, faculty, and research. Malkerson highlighted a number of accomplishments made possible by gifts to the University.

Malkerson reported on the February 1, 2013 merger of the University of Minnesota Foundation and Minnesota Medical Foundation. The merger is designed to better serve University donors by providing one voice for private giving at the University and ensuring greater operating excellence in gift administration.

Malkerson discussed a new \$10 million gift from the Bentson Foundation designated to scholarships for new students in the School of Nursing's Doctor of Nursing Practice Program. She acknowledged Judi Dutcher, Executive Director of the Bentson Foundation, who was present to celebrate receipt of the gift.

UMORE PARK PROGRESS REPORT

Chair Beeson welcomed Vice President Pfitzenreuter, Michael O'Keefe, Chair, UMore Development LLC Board of Governors, and Carla Carlson, Executive Director, UMore Development LLC, to provide an update on elements of development of the UMore Park property, a 5,000-acre parcel of University-owned land in Dakota County (detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.)

O'Keefe provided an overview of UMore Development LLC, which is governed by a nine-member board created in 2009 to oversee and manage the property to meet the dual goals of monetizing the property while contributing to economic development in the region. O'Keefe summarized the history of the property and how areas of the property have evolved to become what UMore Park is today.

O'Keefe summarized key actions taken by the Board of Regents, including development of guiding principles, approval of articles of organization of the UMore Development LLC, creation of the UMore Park Legacy Fund, authorization of an aggregate mining agreement, and an agreement to convey land to the city of Rosemount for recreational play fields. He noted that a previous Board of Regents resolution affirms the goal of developing the property in a manner that furthers the University mission and directs the administration to:

- Maintain the property as an intact whole parcel;
- Prepare a concept master plan; and
- Make the land ready for development.

O'Keefe described a number of accomplishments to date for each.

O'Keefe outlined next steps, including the first phase of development, beginning with searching for a master developer for residential, commercial, light industrial, and retail space.

Carlson reported that a number of tasks have been completed and acknowledged the contributions made and input provided by a number of partners. She introduced three officials from the City of Rosemount: Bill Droste, Mayor, Dwight Johnson, City Administrator, and Kim Lindquist, Community Development Director.

In response to questions from Regent Johnson, O'Keefe noted that the agreement with Dakota Aggregates LLC includes restoration of the property following the mining activities. He stated that development plans for the property have not changed in the broad concept, and that the expertise of a master developer will be essential. Pfitzenreuter reported that expenditures to

date have been slightly higher than revenues; going forward the mining and development activities will generate a positive cash flow and allow funds to flow into the Legacy Fund.

In response to comments from Regents Beeson and Brod, Carlson explained that land has been set aside for agriculture research for decades to come to ensure that this academic priority will be met. Regent Larson cautioned that the board be mindful of the value of this property and to look at alternatives to agricultural research.

In response to comments from Regent Frobenius, Carlson indicated that there have been many opportunities for community input and involvement throughout each phase of work on the property.

The meeting adjourned at 11:49 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary