

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

**September 3, 2013
September 12-13, 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

September 3, 2013
September 12-13, 2013

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**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
September 3, 2013**

A meeting of the Litigation Review Committee of the Board of Regents was held on Tuesday, September 3, 2013 at 4:00 p.m. in the W.R. Peterson Conference Room, 600 McNamara Alumni Center.

Regents present: David Larson, presiding; Richard Beeson. David McMillan participated by phone.

Staff present: President Eric Kaler; General Counsel William Donohue; and Executive Director Brian Steeves.

Others present: Keith Dunder, Amy Phenix, and Tracy Smith.

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

At 4:05 p.m. a motion was made and seconded that the following resolution be approved:

WHEREAS, based on advice of the General Counsel, the Board of Regents Litigation Review Committee has balanced the purposes served by the Open Meeting Law and by the attorney-client privilege, and determined that there is a need for absolute confidentiality to discuss litigation strategy in particular matters involving the University of Minnesota;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Tuesday, September 3, 2013 at 4:00 p.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Lavelle Brown, a minor, by Niesha Jones, individually and as parent and guardian of Lavelle Brown, et al., vs. Regents of the University of Minnesota*

The committee voted unanimously to approve the resolution.

The meeting adjourned at 4:31 p.m.



**BRIAN R. STEEVES
Executive Director and
Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee
September 12, 2013**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, September 12, 2013 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: Senior Vice President & Provost Karen Hanson; Vice Presidents Brian Herman, Richard Pfutzenreuter, and Scott Studham; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Meghan Mason and Nicole Vang.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket. Since the last update to the Audit Committee in June 2013, University departments implemented 47 percent of outstanding recommendations rated as “essential,” more than the expected implementation rate of 40 percent. Four units fully implemented all their remaining “essential” recommendations. Four audit reports containing 11 recommendations rated as “essential” were issued in the last three months.

Klatt explained that five recommendations related to human resources practices would be implemented as part of the Enterprise Systems Upgrade Program (ESUP). She reported that the administration would not be implementing two recommendations related to the University’s research enterprise, and that they had accepted the risks associated with not doing so.

In response to a question from Regent Simmons, Klatt explained that information related to the acceptance of risk by the administration is documented and acknowledged by the appropriate vice president.

PROCESS AUDIT RESULTS

Associate Vice President Klatt presented process audit results, as detailed in the docket. She provided a summary of process audit results to date and noted that they are considered “best practice” methodology for providing assurance to governance bodies. Sixteen process audits, including four of the most significant financial processes, have been completed since 2011.

Klatt noted that the decentralized nature of the University is a challenge for the internal control structure. She explained that the Office of Internal Audit is well positioned for the ESUP, since the current audit process results will provide a baseline to evaluate the impact of ESUP process, policy and system changes.

In response to a question from Regent Allen, Klatt explained that the process audits did not identify any policies that were overly restrictive.

UNIVERSITY FINANCIAL RISK PROFILE

Associate Vice President Klatt introduced Vice President Richard Pfutzenreuter to present information on the University Financial Risk Profile, as detailed in the docket.

Pfutzenreuter provided an overview of the financial risks associated with operating the University. He explained that the business cycle of state government and the fluctuating level of state support are critical components of the University's overall financial health. He questioned the University's long-term reliance on undergraduate tuition revenue as a significant source of funding 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 (ACA) and uncertainty surrounding the affordability of fringe benefits were also areas of concern.

In response to questions from Regent Lucas, Pfutzenreuter acknowledged that research facilities are expensive to construct and maintain.

In response to a question from Student Representative Mason, Pfutzenreuter clarified that the Internal Revenue Service monitors the amount of private use that occurs in public buildings.

2012-13 COMMITTEE WORK PLAN DISCUSSION

Associate Vice President Klatt provided an overview of the 2013-14 Audit Committee Work Plan. She indicated that the proposed plan would continue to focus on updating the University's risk profile as well as discussions related to the fiduciary responsibilities of audit committee members.

Regents agreed to the work plan by consensus.

CONSENT REPORT

Associate Vice President Klatt presented the consent report, as detailed in the docket materials.

- The University's Office of Student Affairs (Student Affairs) seeks to engage Deloitte & Touche, LLP (Deloitte) to perform agreed-upon procedures for certain student groups receiving allocations of student fees from the University. This engagement was not included within the scope of Deloitte's FY 2013 annual audits previously approved by the Board. The fees for this engagement are not to exceed \$79,000.

INFORMATION ITEMS

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

- Emergency Approval for PricewaterhouseCoopers for an estimated \$2,700,000 for professional services related to the replacement of the University of Minnesota's existing legacy identity management system (x.500) with Oracle Identity Management and related systems, between July 2013 and May 2014.

The meeting adjourned at 9:30 a.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
September 12, 2013**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, September 12, 2013 at 8:00 a.m. in the W.R. Peterson Conference Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding. David McMillan participated by phone.

Staff present: President Eric Kaler; General Counsel William Donohue; and Executive Director Brian Steeves.

Others present: Brent Benrud, Keith Dunder, Jennifer Frisch, Amy Phenix, and Tracy Smith.

The meeting convened in public session at 8:04 a.m.

ANNUAL REPORT ON LEGAL MATTERS

General Counsel Donohue presented highlights from the Annual Report on Legal Matters.

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

At 8:17 a.m. a motion was made and seconded that the following resolution be approved:

WHEREAS, based on advice of the General Counsel, the Board of Regents Litigation Review Committee has balanced the purposes served by the Open Meeting Law and by the attorney-client privilege, and determined that there is a need for absolute confidentiality to discuss litigation strategy in particular matters involving the University of Minnesota;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Thursday, September 12, 2013 at 8:00 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Patent infringement claims*
- II. *Prescription drug insurance claims*
- III. *Brenny v. University of Minnesota*
- IV. *Vital Medix v. University of Minnesota*

The committee voted unanimously to approve the resolution. The public portion of the meeting adjourned at 8:18 a.m.

The meeting adjourned at 9:15 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**

**Academic & Student Affairs Committee
September 12, 2013**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, September 12, 2013 at 9:30 a.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; and Executive Director Brian Steeves.

Student Representatives present: Meghan Mason and Joelle Stangler

**ANNUAL REPORT ON UNDERGRADUATE, GRADUATE AND
PROFESSIONAL ACADEMIC PROGRAM CHANGES**

Provost Hanson introduced the annual report on academic program changes, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. She asked the committee to consider whether the process for new, changed and discontinued academic programs ensures a rigorous review at the appropriate levels and supports the University's advancement toward its academic goal. She asked Dean John Finnegan, School of Public Health; Executive Vice Chancellor for Academic Affairs Andrea Schokker, University of Minnesota Duluth (UMD), and Joseph Shultz, Deputy Chief of Staff to the Provost, to present the report to the committee.

Shultz provided background on the University's number of academic degree programs; program approval levels; and common criteria used in approval. He noted the heavy emphasis within the process on consultation, resources and students. In reviewing the 2012-13 summary of program approvals, he cautioned that courses, not programs, are the building blocks of degree programs. If a program is discontinued but its courses remain, the University realizes little to no savings.

Finnegan walked through graduate and professional student trends and education program management at the School of Public Health (SPH). In addressing the strategic planning process used to help SPH find opportunities for expansion, he shared a variety of strategic directions under consideration, including:

- Expanding digital learning.
- Expanding learning partnerships.
- Integrated and systematic continuous quality improvement.
- Inter-professional education of health professionals in community and population health competencies.

Schokker detailed the program prioritization approach at UMD. She addressed recent major program changes, and noted that tracking mechanisms show that colleges have become

skilled at targeting student enrollment for new programs. She added that UMD's ongoing need to increase revenues, decrease expenses, improve quality and strengthen reputation requires that they carefully vet new academic programs; balance quality degree programs and tight resources; and balance faculty, staff and administrative support.

Schokker explained that UMD's prioritization process began in June 2013, with implementation anticipated in Spring 2014. It includes all programs, considers all positions, accommodates all students, and directs units to focus internally on their own programs rather than suggesting cuts elsewhere.

In response to a question from Regent Omari, Finnegan explained that SPH has mechanisms in place to accommodate increased student loads.

In response to a question from Student Representative Stangler, Schokker reported that UMD is overhauling its intra-college transfer process. She noted that the campus cannot confine curriculum so much that students cannot be flexible as their needs or minds change; this includes not overemphasizing pre-requisites to the extent that students cannot change majors.

In response to comments from Regent Devine regarding future enrollments and placement, Schokker noted that UMD has had to overcome complacency about enrollments "always" growing year over year, and the erroneous assumption that high school students from the Duluth area don't want to attend a university in the area. Finnegan described how SPH's market for students is both national and international, and that by holding non-resident tuition down it has attracted a student base from 38 countries and 48 states. He explained that the school works to buttress excellent academic programs with close attention to economic factors to gain an edge in recruitment.

STRATEGIC ISSUES RELATED TO UNIVERSITY PLAN, PERFORMANCE AND ACCOUNTABILITY REPORT

Provost Hanson introduced the discussion on strategic issues related to the 2013 *University Plan, Performance and Accountability Report*. Hanson invited each system campus chancellor to share performance and accountability information from their campus.

Chancellor Fred Wood explained that the University of Minnesota Crookston (UMC) seeks to provide an extraordinary educational experience through a modern land grant mission; a student-centered focus; and diversity and internationalization. He illustrated this mission by telling the stories of five students drawn to UMC by its commitment to access, to equity and inclusions, and to experiential learning.

University of Minnesota Duluth (UMD) Chancellor Lendley Black described how UMD continues to build on best practices in enrollment management to meet or exceed enrollment goals, and to improve retention of its undergraduates. This includes a pilot partnership with Lake Superior College that gives selected students the full UMD campus experience while they prove themselves in the classroom and prepare for transferring. He discussed steps to advance UMD's status as a major campus for research and creative activities, including a focus on freshwater research and a recent national grant to develop a rapid-access ice drilling platform in Antarctica. Black also talked about UMD's efforts to strengthen ties with the city of Duluth and surrounding communities as a leader in economic development and community engagement.

Chancellor Jacqueline Johnson noted that the University of Minnesota Morris (UMM) currently has the highest number of students on campus in a decade; enrollment is up 12%. Forty percent of UMM students are first-generation college students. Of 2012 graduates, 98% are

employed or in graduate/professional school; of those who are employed, 80% are employed full time in their field or in another or related field by choice. Johnson stressed the UMM liberal arts mission of building the critical and analytical thinking skills required for participation in a democratic society.

University of Minnesota Rochester (UMR) Chancellor Stephen Lehmkuhle talked about his campus's efforts to join education and industry. He explained the Finish in Four program that designs a curriculum and culture that promotes a high four-year graduation rate. He added that UMR's first-year retention rate is 80%.

Vice Provost and Dean of Undergraduate Education Robert McMaster reviewed student support programs, financial aid, and assessing graduate student learning at the University of Minnesota Twin Cities (UMTC). Regarding student support programs, he addressed the President's Emerging Scholars Program, improving retention rates for under-represented students, and the new Digital Storytelling Project. On the topic of financial aid, McMaster noted that indebtedness is a critical issue, with those who graduate in four years amassing a median student debt of \$28,000. He reviewed an optional online fiscal literacy module rolled out in 2013 and shared that 72% of freshmen completed the module.

Regent Simmons commented that the Board of Regents is responsible for the accountability report and that members needed to be careful to not get lost in the data. Regent Cohen thanked the Provost for the report's rich data, but noted that it may need to be presented in a different or better format in order to fully reach its many audiences.

In response to a question from Regent Lucas, the chancellors and McMaster each addressed the demand for and proliferation of high-end housing and its impact on indebtedness.

In response to a question from Regent Devine, Hanson noted the high level of interest around the concept of "system-ness," which seeks to address how and to what extent collaboration, uniformity and efficiency can be implemented across a diverse multi-system campus. Hanson reminded committee members that a related item would be coming before them at their October 2013 meeting.

2013-14 COMMITTEE WORK PLAN DISCUSSION

Regent Simmons and Senior Vice President and Provost Hanson reviewed the 2013-14 work plan for the Academic and Student Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

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 co-directed Ph.D. in Civil Engineering between the University of Minnesota and the University of Liège in Belgium

- **Request for Changes to Academic Programs**

- School of Public Health (Twin Cities campus)—Deliver portions of the M.P.H. degree in Public Health Administration and Policy and the M.P.H. degree in Nutrition to students at an off-site location in Arizona
- College of Liberal Arts (Twin Cities campus)—Create sub-plans in Environmental and Sustainable Development, Global Political Economy, Human Rights and Justice, Population, Migration, and Identity, Africa, East Asia, Europe, Islamic World, Latin America, Middle East, Russia, South Asia, and Individualized Region, within the B.A. degree in Global Studies
- College of Liberal Arts (Twin Cities campus)—Create sub-plans in Guitar, Harp, Organ, Piano, String/Wind/Brass/Percussion, and Voice within the B. Music degree in Music
- Medical School (Twin Cities campus)—Change the name of the Selective Pathology Fellowship Program to the Surgical Pathology Program
- School of Public Health (Twin Cities campus)—Change the Plan B option (project) to a Plan C (coursework) within the M.P.H. degree in Biostatistics
- College of Education and Human Service Professions (Duluth campus)—Change the name of the B.A.Sc. degree in Health Education to Public Health Education and Promotion

- **Request for Approval of Discontinued Academic Programs**

- Carlson School of Management (Twin Cities campus)—Discontinue the Ph.D. degree and minor in Human Resources and Industrial Relations

- **Minnesota-North Dakota Public Higher Education Tuition Reciprocity Agreement**

- The State of Minnesota requested changes to the reciprocity agreement with North Dakota, effective with the 2013-14 academic year. These changes affect only Minnesota students attending North Dakota public institutions and do not affect students attending the University of Minnesota.
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The meeting adjourned at 11:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
September 12, 2013**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, September 12, 2013 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Fred Wood; Vice President Richard Pfutzenreuter; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason and Mike Volna.

Student Representatives present: Jesse Jennings and John Reichl.

**STRATEGIC ISSUES RELATED TO
UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

Vice President Pfutzenreuter invited Carole Fleck, Director of Debt Management to provide an overview of the University's financial performance as reported in the 2013 *University Plan, Performance, and Accountability Report*, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Fleck explained that the University's goal is to be responsible stewards of resources, focused on service, driven by performance, and known as best among peers. She noted that financial ratio analysis helps determine the financial health of the institution. The four ratios calculated most often by the University are known as the Composite Financial Index (CFI) and are used by Moody's Investor Services (Moody's) to assign debt ratings. She reported that the University's CFI scores of 2011, 2012 and 2013 were above 3, which indicates strong financial health.

In response to questions and comments from committee members a lengthy discussion ensued regarding:

- Costs of managing debt;
- Ratio comparability across higher education;
- Using reserve funds to pay for operating costs; and
- Key Moody's staff retirements and their potential impact on the University's debt rating.

FINANCIAL COMPONENTS OF THE 2014 STATE CAPITAL BUDGET REQUEST

Vice President Pfutzenreuter provided an overview of the financial components of the 2014 State Capital Budget Request, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter explained the major capital improvements that would be requested during the 2014 legislative session. He reported that the projects listed in the proposed plan appear in

rank order of priority. The total capital request consists of \$299 million; with the University responsible for \$66.3 million of the request. He noted that, unlike other projects in the 2014 request, the University would not be responsible for one-third of the \$100 million Higher Education Asset Preservation and Replacement (HEAPR) request.

In response to a question from Regent Frobenius, Pfutzenreuter explained that the facilities condition assessment report has not been very effective in increasing HEAPR funding.

In response to a question from Regent Johnson, Pfutzenreuter explained that state statute requires the University to submit a HEAPR request for specific types of maintenance.

ANNUAL ASSET MANAGEMENT REPORT

Vice President Pfutzenreuter invited Associate Vice President Stuart Mason to provide an overview of the Annual Asset Management Report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Mason reported that the Consolidated Endowment Fund (CEF) ended FY 2013 with a market value of \$1,079.7 million, which is a \$102.1 million improvement over the prior fiscal year. He indicated that the total investment return for CEF was up 12.8 percent over the last 12 months compared to a benchmark return of 8.9 percent, which added \$40 million of incremental value. He added that the best performing asset classes were venture capital and distressed debt. He explained that when compared to peer institutions (Cambridge survey) the University ranks in the upper quartile of fund performance.

Mason reported that the Temporary Investment Pool and Regents of the University of Minnesota Insurance Company (RUMINCO) were performing well and exceeded key benchmarks for the fiscal year. He explained that liquidity had improved dramatically over the last two years, noting that private investments had been reallocated to public stocks and fixed income investments in emerging markets.

In response to a question from Regent Frobenius, Mason clarified that the increased liquidity would ensure portfolio stability if another economic downturn were to occur.

In response to a question from Regent Beeson, Mason explained that large companies are purchasing assets in the technology market due to growth in private capital.

2013-14 COMMITTEE WORK PLAN DISCUSSION

Regent Frobenius and Vice President Pfutzenreuter reviewed the 2013-14 work plan of the Finance Committee, as detailed on the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

In response to a question from Regent Frobenius, Pfutzenreuter indicated that the full Board would receive additional information on administrative costs throughout the course of the upcoming year.

CONSENT REPORT

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

General Contingency

- An expenditure of \$250,000 by University Services for an upgrade to the University Stores sprinkler system.

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

- To HTC Global Services Group, Kelly Mitchell Group, Inc., Modis Iceberg Technology Group and other approved vendors for an estimated additional \$13,500,000 for consulting services for both direct services and backfill for the Enterprise System Upgrade Program (ESUP) for the period July 1, 2013 through December 31, 2014.
- To Metropolitan Council and Metro Transit for an estimated \$18,500,000 for the continuation of the UPass/Metropass programs from August 26, 2013 to September 2018 including options for renewal for Parking and Transportation Services. The annual estimated cost of \$3,700,000 per year will incorporate the actual volume of base card sales from the previous academic year and approved or anticipated transit fare increases. Annual price per pass will be communicated to the University in January for the following contract/academic year.
- To Midwestern Higher Education Compact (MHEC) for an estimated amount of \$7,200,000 to purchase property insurance for the University of Minnesota for the period July 1, 2013 through June 30, 2016.
- To Nikon, USA for an estimated \$1,178,000 for three separate micro to nano-optical imaging systems for the University Imaging Centers (UIC).
- To Illumina, Inc. for \$3,250,000 for manufacturer reagents as well as instrumentation service agreements as needed for the period September 12, 2013 through June 30, 2015, for the Genomics Department core facility, University of Minnesota Genomics Center (UMGC).
- To Oracle Corporation for \$1,035,096 to renew Oracle PeopleSoft Campus Solutions computer software licenses, updates, and maintenance support for the one-year period September 26, 2013 through September 25, 2014, for the Office of Information Technology (OIT).
- To Veolia Energy Solutions, LLC for an estimated \$7,380,000 for steam and electrical generating facilities plant operator services for the period of February 1, 2014 through January 31, 2019, including optional contract extensions through January 31, 2029, for Facilities Management.

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 Purchasing Report;
- Annual Economic Development Report (Small & Targeted Business Report); and

- Emergency Approval for PricewaterhouseCoopers for an estimated \$2,700,000 for professional services related to the replacement of the University of Minnesota's existing legacy identity management system (x.500) with Oracle Identity Management and related systems, between July 2013 and May 2014.

The meeting adjourned at 11:15 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
September 12, 2013**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, September 12, 2013 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler, Vice Presidents Richard Pfitzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

Student Representatives: Hannah Keil and Nicole Vang.

REAL ESTATE TRANSACTION

A. Acceptance of Transfer of Property in Oregon from Landscape Plant Development Center

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

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

- The subject property is located at 11225 Ehlen Road NE, Aurora, Oregon, in a mainly agricultural area, and consists of 24.17 acres improved with 3 buildings totaling 2,760 square feet.
- Basis for Request: The Landscape Arboretum would be the beneficiary of the transfer of assets to the University by the Landscape Plant Development Center (LPDC) consisting of the subject land as well as intellectual property (patent and royalty rights), equipment and cash. Advanced plant selections from the LPDC breeding programs are located on the land and need to be further evaluated in Oregon and propagated for evaluation in Minnesota. The Landscape Arboretum would also like to use the subject property for research on plant breeding and the effects of Oregon's milder climate.
- Detail of Transaction: The property is owned by the Landscape Plant Development Center, a Minnesota non-profit corporation established in 1991 by Harold Pellett, then a University of Minnesota, College of Food, Agricultural and Natural Resource Sciences professor (now retired), to develop new varieties of landscape plants.

The committee voted unanimously to recommend approval of the real estate transaction for the Acceptance of Transfer of Property in Oregon from Landscape Plant Development Center.

PROJECT COMPONENTS OF THE 2014 STATE CAPITAL BUDGET REQUEST

Vice President Wheelock provided an overview of the project components of the 2014 State Capital Budget Request, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock explained the major capital improvements that would be requested during the 2014 legislative session. She noted that the projects listed in the proposed capital plan would contribute directly or indirectly to student success. They appear in rank order of priority and are driven by programmatic needs and current facility conditions. The total capital request consists of \$299 million, with the University responsible for \$66.3 million of the total.

Wheelock noted that the University would be working diligently with the legislature to ensure that all projects advanced in the request are given full consideration.

MAXIMIZING THE UNIVERSITY'S PHYSICAL ASSETS (PART 1): FACILITIES CONDITION ASSESSMENT

Associate Vice President Berthelsen presented the annual Facilities Condition Assessment (FCA), as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Berthelsen explained that the FCA provides accurate and up-to-date information on the state of existing buildings. He emphasized that maintaining and operating the University's physical plant is critical to supporting the University's mission of teaching, research, and outreach. He added that Higher Education Asset Preservation and Replacement (HEAPR) funding must increase dramatically in order to address the average age of buildings operated by the University, and commented that the institution's capital need exceeds the current level of available funding. He clarified that the University would have to invest \$160 million per year simply to maintain current facility conditions.

In response to questions and comments from committee members, a lengthy discussion ensued regarding:

- Condition of Minnesota State Colleges and Universities (MnSCU) facilities;
- Amount of space used by the University;
- Average price of renovating or repurposing an existing building; and
- Feasibility of private fundraising campaigns to fund building maintenance.

STRATEGIC ISSUES RELATED TO UNIVERSITY PLAN, PERFORMANCE AND ACCOUNTABILITY REPORT

Vice President Wheelock provided an overview of the University's performance as reported in the 2013 *University Plan, Performance, and Accountability Report*, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock outlined the mission of University Services and related it to metrics listed in the report. She noted that due to funding constraints, University Services has had to consider how to provide quality facilities at the lowest cost, while still enhancing the student experience. She explained that increased enrollment in online courses and the need for fewer surface parking lots could provide an opportunity to address shortages in classroom and student study space.

In response to a question from Regent Omari, Wheelock explained that the University does have high bus ridership and bike ridership among faculty, staff, and students.

In response to a question from Regent Johnson, Wheelock noted that University Services would like to gather more information on how students use University space.

In response to a question from Student Representative Keil, Wheelock explained that University of Minnesota, Crookston has increased the number of online courses it provides.

2013-14 COMMITTEE WORK PLAN DISCUSSION

Regent Allen and Vice President Wheelock reviewed the 2013-14 work plan for the Facilities and Operations Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

INFORMATION ITEMS

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

- FY 2013 Annual Report on Real Estate Transactions Over \$250,000 and/or Over 10 Acres.
- Use of Easement Consideration Received from Dakota County (Vermillion Highlands).
- Combined Heat and Power Plant Project, Twin Cities East Bank Campus – Final Project Review.
- Contract Award for Steam Plant and Electrical Generating Facility Operations.

The meeting adjourned at 3:15 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
September 12, 2013**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, September 12, 2013 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Lendley Black and Jacqueline Johnson; Senior Vice President and Provost Karen Hanson; Vice President Kathryn Brown; General Counsel William Donohue; and Executive Director Brian Steeves.

Student Representatives present: Joseph Daniewicz and Kevin Lang.

COLLECTIVE BARGAINING AGREEMENT WITH 1B PRINTERS

Vice President Brown invited Patti Dion, Director of Employee Relations, to present a collective bargaining agreement between the University and Graphic Communications International Union Local 1-B, as detailed in the docket.

The contract, which runs through October 2014, covers 6 journey person production workers and includes a 2.5% base pay adjustment for each of two fiscal years. This is consistent with pay adjustments for other employee groups across the University system.

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

**STRATEGIC ISSUES RELATED TO
UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT**

Vice President Brown provided an overview of strategic issues related to the University's accountability report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Brown described the strategic framework supporting the redesign of core HR functions across the University. She reminded committee members that the Human Resource Management System update would be completed by late 2014. She shared that the report included data showing greater productivity, with increases in both students per employee and research dollars per employee.

In response to a question from Regent Simmons, Brown noted that the Office of Human Resources is focused on first improving and/or updating HR processes, and then adopting or updating technology to support those processes.

In response to a question from Regent Brod, Brown offered that strategic understanding first requires building appropriate, understandable detail at the granular data level.

DISCUSSION OF PLAN FOR ENHANCING EMPLOYEE ENGAGEMENT

Vice President Brown invited Brandon Sullivan, Employee Engagement Manager, to present an overview of the University's employee engagement plan, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Sullivan walked through the engagement initiative, defining engagement as dedication and commitment to collective excellence in combination with individual well-being. He described a long-term effort that starts with a system-wide survey to determine the current level of employee engagement. He noted that it is not known whether the University has an engagement problem because no one had a good understanding of the current engagement level. He pointed out that the survey, which will be rolled out in October 2013, goes beyond the typical employee attitude survey and is designed to measure engagement, not satisfaction. To maximize survey participation, an active process of participative planning has occurred across the University's five campuses.

Once the survey data is in hand, Sullivan explained that it will be used to identify successful pockets of engagement across the system and how they can be leveraged and modeled. Survey follow-up will include action-planning support for colleges, units and departments, as well as tools to increase the skills of leaders and managers to support high employee engagement.

Sullivan noted that the committee would hear the survey results and resulting action plans at its February 2014 meeting.

In response to a question from Regent Simmons, Sullivan responded that once action plans were in place, the engagement team would turn its attention to issues such as retention and turnover. Brown added that a very satisfied employee might not be doing very much with that satisfaction, and that engagement was a better overall measure.

In response to a question from Regent Beeson, Sullivan agreed that even in a high-engagement culture an employee might have a low-quality supervisor. He noted that one way to use engagement data as a management tool is to offer support and tools to leaders and manager that help them handle issues on the people side of work.

In response to a question from Student Representative Lang, Sullivan explained that graduate assistants will not be included in the 2013 survey.

In response to a question from Regent Frobenius, Sullivan noted that the University is a highly complex organization and that faculty and staff are exhibiting healthy skepticism around the engagement effort.

ANNUAL REPORT ON COMPENSATION

Vice President Brown presented the annual report on compensation, as detailed in the docket and in associated materials distributed at the meeting and on file in the Board Office

The report covered:

- Total compensation philosophy and policy;
- Workforce trends that affect compensation, such as total headcount, healthcare costs and salary increase trends;
- The challenges of benchmarking, including size of institution and cost of living; and
- 2013 data for senior leaders, faculty, and professional employees.

Brown cautioned that the report focused on comparisons of base pay, not on total compensation. She suggested that the complexity of what makes up total compensation – base pay, paid time off, health benefits, life and disability insurance, retirement contributions, and lump-sum payments – makes comparisons to peers very difficult.

The report showed that senior leader base salaries are on par or below peers:

- Average senior leader base pay at the University is 15% less than “peer university” peers, and 16% less than Big 10 peers. Senior leaders included the president, vice presidents, and chancellors.
- For deans, average base pay at the University is 6% less than “peer university” peers, and 8% less than Big 10 peers.

Brown explained that market pricing for professional staff employee groups is initially being done through the Job Family Study. She noted that this would provide benchmarks for future comparisons.

In response to questions and comments from the committee, Brown engaged in a discussion of the importance of being able to compare total compensation in the future.

In response to a question from Regent Beeson, Brown noted that her office was working to fully understand the ongoing effects of having implemented salary freezes instead of layoffs during the recent economic downturn.

2013-14 COMMITTEE WORK PLAN DISCUSSION

Regent Frobenius and Vice President Brown reviewed the 2013-14 work plan for the Faculty and Staff Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

CONSENT REPORT

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

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 3:15 p.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**

**Board of Regents
September 13, 2013**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, September 13, 2013 at 9:00 a.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, Abdul Omari, and Patricia Simmons. Laura Brod participated by phone.

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

INTRODUCTION

Senior Vice President and Provost Hanson introduced Danita Brown Young, Vice Provost for Student Affairs and Dean of Students, to the University community. Brown Young began her appointment on July 31, 2013. Brown Young briefly addressed the Board.

APPROVAL OF MINUTES

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

Board of Regents - July 10, 2013

REPORT OF THE PRESIDENT

President Kaler reported on a number of his key priorities: launching the strategic planning process for the Twin Cities campus, furthering operational excellence, pursuing private philanthropy, improving the undergraduate experience, strengthening the institution's partnership with the state, driving a culture of innovation, and preparing the state's future workforce and the next generation of leaders.

Kaler provided an update on the searches for a Medical School dean and vice president for health sciences, and dean of the College of Liberal Arts on the Twin Cities campus. He also announced the exploration of a merger between the College of Biological Sciences and the College of Food, Agricultural, and Natural Resource Science.

Kaler highlighted a number of events, honors, and awards system-wide, distributed his work plan for the coming year, and provided a brief update on current and future initiatives. He noted the accidental death of a visitor to the Twin Cities campus the previous week.

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

REPORT OF THE CHAIR

Chair Beeson reported on the Board of Regents retreat held in July in Red Wing, Minnesota, during which the Board visited with leaders from Red Wing Shoes and toured one of the company's factories. The retreat also provided the Board an opportunity to establish its priorities for the coming year. Each year the Board highlights a small number of topics for special emphasis during the year. Beeson noted these priorities are intended to assist the president and senior leadership group in advancing their work, and to guide agenda planning and development throughout the year.

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

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 revised Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the September 12, 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 received an annual report on undergraduate, graduate, and professional academic program changes; discussed strategic issues related to the *University Plan, Performance & Accountability Report*; and discussed the 2013-14 committee work plan.

REPORT OF THE AUDIT COMMITTEE

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

- a) Approval of the Consent Report for the Audit Committee as presented to the committee and described in the September 12, 2013 committee minutes.

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

Simmons reported that the committee also received an internal audit update; discussed process audit results; received a presentation on the University financial risk profile; discussed the 2013-14 committee work plan; and reviewed a number of information items included in the docket materials.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of the following real estate transaction as presented to the committee and described in the September 12, 2013 committee minutes:
 - 1) Acceptance of transfer of property in Oregon (from Landscape Plant Development Center).

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

Allen reported that the committee also discussed project components of the 2014 State Capital Budget Request; received a presentation on maximizing the University's physical assets: facilities condition assessment; discussed strategic issues related to the *University Plan, Performance & Accountability Report*; discussed the 2013-14 committee work plan; and reviewed a number of information items detailed 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 September 12, 2013 committee minutes.
- b) Approval of a Resolution Related to the Proposed Labor Agreement with Graphic Communications International Union Local 1-B, as follows:

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

WHEREAS, Graphic Communications International Union Local 1-B has ratified acceptance of the agreement, and

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

NOW, THEREFORE, BE IT RESOLVED, that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for September 12, 2013.

GRAPHIC COMMUNICATIONS INTERNATIONAL UNION LOCAL 1-B

This unit is comprised of Journeyperson Production Workers. The total number of employees in this unit is 6. The contract is for a 19 month duration from April 1, 2013 – October 31, 2014.

ECONOMIC SETTLEMENT

The parties agreed to a 2.5% base pay adjustment for Fiscal Year 2013 to be effective on April 1, 2013 as well as a 2.5% base pay adjustment for Fiscal Year 2014 to be effective on November 1, 2013

BASE ANNUAL PAYROLL \$261,987.00

RECURRING COSTS

Fiscal Year 2013 base salary adjustments \$6,550.00

Fiscal Year 2014 base salary adjustments \$6,713.00

NON-ECONOMIC HIGHLIGHTS

Neither the Union nor the University proposed non-economic changes to contract language.

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

Frobenius reported that the committee also discussed strategic issues related to the *University Plan, Performance & Accountability Report*; reviewed a plan for enhancing employee engagement; received an annual report on compensation; and discussed the 2013-14 committee work plan.

REPORT OF THE FINANCE COMMITTEE

Regent Frobenius, Vice 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 September 12, 2013 committee minutes.

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

Frobenius reported that the committee also discussed strategic issues related to the *University Plan, Performance & Accountability Report*; discussed financial components of the 2014 State Capital Budget Request; discussed the Annual Asset Management Report; discussed the 2013-14 committee work plan; and reviewed a number of information items detailed in the docket materials.

REPORT OF THE LITIGATION COMMITTEE

Chair Beeson reported that pursuant to notice sent by the University, the Litigation Review Committee met on September 3, 2013. A resolution was considered and passed that authorized the closing of the meeting. In the closed meeting a discussion was held of matters subject to the attorney-client privilege.

Beeson also reported that pursuant to notice sent by the University, the Litigation Review Committee met on September 12, 2013. The committee met in public session to discuss the Annual Report on Legal Matters. A resolution was then considered and passed that authorized the closing of the meeting. In the closed meeting a discussion was held of matters subject to attorney-client privilege.

REPORT OF THE SPECIAL STUDY COMMITTEE ON ACADEMIC MEDICINE

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

RECEIVE AND FILE REPORTS

Chair Beeson noted the receipt and filing of the Annual Report on Legal Matters, the Quarterly Report of Grant and Contract Activity, and the Annual Asset Management Report.

CONSENT REPORT

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

- Report of the All-University Honors Committee recommendation forwarded in a letter from President Kaler dated September 4, 2013;
- Summary of Gifts through July 31, 2013; and
- Summary of Expenditures.

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

President Kaler introduced Professor William Durfee as the incoming Chair of the Faculty Consultative Committee (FCC) for the 2013-14 academic year.

Durfee reported on the activities of the committee since its last report to the Board of Regents. Recent issues addressed by the FCC include salary equity, interdisciplinary teaching and research, online learning, strategic planning, and graduate education.

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

UNIVERSITY PLAN, PERFORMANCE & ACCOUNTABILITY REPORT

Beeson invited President Kaler and Senior Vice President and Provost Hanson to lead the discussion of 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 presented a brochure highlighting a number of key points from the Report. 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.

Hanson discussed several measures of progress on each of the campuses related to graduate and undergraduate enrollment, financial aid, retention and graduation rates, degrees granted, and undergraduate research. She reported on administrative cost reductions and increased efficiency in a number of areas, described how faculty, staff, and students connect and engage with communities, described study abroad programs and participation, and briefly highlighted some of the economic impacts each campus makes on the community and state through programs, partnerships, and educating students for the workforce. Hanson also reported that the University is ranked eighth among U.S. public research universities, based on research and development expenditures, and described several research initiatives.

Board members expressed support for the Report, indicating that it highlights accomplishments, demonstrates and tracks progress, and illustrates clearly the outstanding contributions of the institution to the community.

The *University Plan, Performance & Accountability Report* will return for action at the October 2013 Board of Regents meeting.

2014 STATE CAPITAL BUDGET REQUEST

Chair Beeson invited Vice Presidents Richard Pfutzenreuter and Pamela Wheelock to present details on 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. President Kaler reported that 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 indicated that projects are prioritized by how they fulfill the institution's mission, advance innovation and discovery, enhance the teaching and learning experience, and are mindful to funding and return on investment as well as how they enhance the institution's reputation. Wheelock explained that the administration also considers facilities condition, 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, help the institution to 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.

Regent Simmons commented that it might be useful to utilize existing data on the benefits of physical activity and promoting a healthy lifestyle when discussing the proposed wellness center on the Crookston campus. She indicated her support for the Request. Regent Omari agreed. Regent Devine noted his support as well, calling the Request aggressive and well balanced and noting that it met needs in a number of areas.

The 2014 State Capital Budget Request will return for action at the October 2013 Board of Regents meeting.

STRATEGIC PLANNING UPDATE

Chair Beeson invited President Kaler to provide an update on the strategic planning process for the Twin Cities campus.

Kaler reported that the external environment for higher education has significantly changed over the past five years and the current strategic plan no longer serves as a meaningful guide. He presented a number of observations from his first two years as president that illustrate areas within the institution needing attention and improvement, such as connections with greater Minnesota, improved educational efficiency, operational improvement, and increased collaboration.

Kaler indicated that the administration consulted with multiple constituencies across campus to gather input on key strategic issues facing the University and the proposed strategic planning process. He appointed a workgroup charged with developing the strategic plan framework and implementing a communications plan to effectively engage the entire campus community and key external stakeholders.

Kaler summarized the strategic planning process workgroup, timeline, components, and potential benefits. He reviewed a number of strategic planning goals:

- Increasing the University's impact and reputation;
- Creating a Twin Cities campus plan that intersects those of other campuses;
- Articulating a 10-year vision and specific action steps for the next 3-5 years;
- Defined metrics to guide investment decisions and articulate possibilities;
- Selectively build on past initiatives, but with a new vision, goals, and priorities;
and
- Aligning with current collegiate or unit strategic plans.

Kaler stressed that his goal was an ambitious, bold plan for the future that will be driven by strong leadership; may require difficult decisions; and be consultative, inclusive, and timely.

Regent Simmons commented that the proposed plan demonstrates the appropriate level of engagement with the Board of Regents, campus community, and other constituencies. She expressed her support for the plan and indicated her belief that it was an optimal time to begin the process. Regent Frobenius indicated his support for the plan and commended the President's commitment to developing a plan with measurable goals and targets.

OPERATIONAL EXCELLENCE IMPLEMENTATION PLAN

Chair Beeson invited President Kaler to lead the discussion of the Operational Excellence Implementation Plan, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. Vice Presidents Brown, Pfutzenreuter, and Studham joined the presentation.

Kaler stated that Operational Excellence, launched in September 2011, is a long-term commitment to working smarter, reducing costs, enhancing services, and increasing revenues throughout the University system to redirect resources to core mission activities of teaching, research, and public engagement. Kaler reviewed four principles guiding development of the plan:

- Achieve administrative cost reductions and productivity improvements across all the institution's activities and programs;
- Encourage enterprise solutions while reducing redundancy and duplication;
- Promote entrepreneurialism, seize opportunities, and enhance organizational flexibility and adaptability; and
- Recalibrate the University's risk profile to achieve greater efficiencies while enhancing service.

Kaler reported that approximately \$32 million in annual savings and \$2 million in one-time savings have resulted from initiatives such as strategic purchasing, IT server consolidation, energy conservation efforts, and the merging of the University of Minnesota Foundation and Minnesota Medical Foundation. He described a number of additional activities that have resulted in one-time and ongoing cost savings.

Kaler announced that his administration intends to reduce administrative costs by \$90 million by 2020 to self-fund critical academic priorities. Kaler stressed that this is an ambitious but achievable goal that may require difficult decisions, but it will also present new opportunities to work smarter and reduce costs while serving students, their families, and the state.

Brown reported that the institution engaged Sibson Consulting to conduct a spans and layers analysis to examine organizational structure and potential with regard to efficiency. Brown described how the data was collected and analyzed, the criteria for efficiency, and the scope of analysis. She also summarized the findings and discussed recommendations and next steps. Brown noted that the results indicated that, overall, the University meets industry-leading criteria for an efficient organization.

Pfutzenreuter reported that Huron Consulting Services delivered a benchmarking and diagnostic study of four functional areas within the University (finance, procurement, human resources, and information technology) to determine areas for improvement and service delivery approaches, and to highlight peer and leading practices that may be applicable to the University. Pfutzenreuter explained that the study had three primary objectives:

- Identify, determine the scale of, and prioritize opportunities for improvement.
- Describe primary factors such as technology, organizational structure, and service delivery approaches that may currently impact performance in each area.
- Highlight peer and leading practices that may have applicability to the University of Minnesota.

Pfutzenreuter explained that the University's implementation plan is organized into three sections, each of which provides a detailed path forward to continue to redesign the University's administrative services. The implementation plan addresses ongoing initiatives in

alignment with Huron Consulting's findings, identifies long-term tasks the University will undertake based on Huron recommendations, and provides a closer look at shared services, one of Huron's main recommendations.

Brown outlined the current HR initiatives underway, focusing on the human resources management system upgrade, job family redesign, spans and layers analysis, and payroll and job center redesign. Brown summarized five key initiatives from the Huron Report and explained how all recommendations for human resources are directly tied to current initiatives.

Studham reported on a number of findings related to information technology. He described a number of initiatives currently underway as well as others that are underway but require more time to complete.

Pfutzenreuter reported that the institution has increased the equipment capitalization threshold, introduced an e-shopping environment for purchasing, streamlined electronic orders and invoice processing, and adopted ways to leverage University-wide contract pricing. He described a number of short-, mid-, and long-term opportunities in the finance and procurement area to increase automation, enhance processes, and consolidate activities. Pfutzenreuter also discussed the concept of shared services, a way of organizing the delivery of administrative support services into a separate, service-oriented entity whose whole mission is to provide efficient, high-quality, reliable services.

Chair Beeson requested that Board committee chairs review the priorities to ensure they come before committees at the appropriate time.

Regent Simmons moved that the Board of Regents commend the administration, approve the report and plan, and ask the president to share it with the legislature. The motion was seconded and the Board voted unanimously to approve the motion.

The meeting adjourned at 11:50 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary