

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
October 9, 2014**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, October 9, 2014 at 2:00 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: Chancellor Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; Executive Director Brian Steeves.

Student Representatives present: Hannah Keil and Callie Livengood.

BUFFER ENTITY FOR INTERNATIONAL OPERATIONS

Senior Vice President and Provost Hanson invited Meredith McQuaid, Associate Vice President and Dean, International Programs; Greg Brown, Director of Transactional Law, Office of General Counsel; and Kelly Farmer, University Tax Director, to explain the benefits of creating a buffer entity to allow the University to operate legally in countries of strategic importance. Hanson explained that the administration was seeking a delegation of authority to the President, or a designee, to establish, maintain, or dissolve buffer entities.

McQuaid explained that the sole purpose of such an entity would be to facilitate University education, research, and outreach in foreign countries. She cited three primary benefits of using buffer entities rather than the University serving as the parent organization for foreign offices:

1. Independent action: Only the buffer entity would be required to register with foreign authorities.
2. Administrative oversight and operational effectiveness: The buffer entity would serve as a single point of contact for all worldwide operations, and could act more quickly and efficiently.
3. Added liability protection: The buffer entity would offer some protection to the University in tax or employment claims.

Farmer shared that the resolution was written broadly because the University anticipates it will need to be used in several countries, although the specific intent at this time is to create a wholly owned foreign entity (WOFE) to comply with the law in China, where the University opened a Beijing office in 2009.

McQuaid explained that the Northwest Minnesota Education Center would be repurposed for use as the parent company due to a Chinese requirement that the parent company be in existence for at least two years.

In response to a question from Regent Devine, McQuaid explained that study abroad is based in Minneapolis out of the Global Learning Center and does not operate as a business. Therefore, it does not need to be operated through a WOFE. She added that the University's

office in China conducts business activities such as targeted recruitment and alumni outreach and engagement. It does not support students who are studying abroad.

In response to a question from Regent Simmons, Brown reported that the articles and bylaws of the Northwest Minnesota Education Center would be changed, and the President would appoint a board of directors. He added that the WOFE will not be able to incur debt without approval of the President and will be subject to all University policies.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to Global Operations Compliance.

SHIFTS TO LEGAL EDUCATION ENVIRONMENT & FUTURE PLANNING

Senior Vice President and Provost Hanson invited David Wippman, Dean of the Law School, and Fionnuala Ni Aoláin, Professor of Law, to share factors shaping legal education along with strategies the Law School is employing to ensure the strength of the school and success of graduates.

Wippman recounted that the current media narrative about legal education is that it is too expensive, leads to students incurring significant debt, and may not offer a good return on investment. He shared three significant changes in the legal environment that have contributed to this narrative:

1. Pressure on law firms to decrease costs. Routine work is bid on cost, with no preference for the individual lawyer or law firm.
2. Technological advancements. Discovery, a job that used to be done by new lawyers, can now largely be accomplished through the use of sophisticated computer modeling.
3. A significant rise in the number of law schools. Growth in law schools has led to an imbalance between the number of law graduates and new J.D. required jobs created.

Wippman reported that the University's Law School is defying national trends. It has a 94 percent employment rate for its graduates, with 85 percent of those jobs requiring admission to the bar. The average starting salary for full-time employment is \$88,000. He noted that on average over an earning lifetime, law school graduates would make \$1 million more than those holding only a bachelor's degree. Wippman asserted that a law degree from the University of Minnesota is still a good investment.

He emphasized that the Law School has historically experienced a number of peaks and valleys depending on the economy and world affairs. He added that the Law School has reduced its class size in order to maintain the quality of its students.

Ni Aoláin identified several new strategies and programs that could boost enrollment, attract a different segment of students, or create efficiencies. She detailed two new programs that the law school has implemented that have produced positive results, including a new M.S. in Patent Law targeted toward individuals with science and engineering backgrounds, and a targeted expansion of the LL.M. program to increase diversity and enhance the international brand.

In response to questions and comments from Regents, Wippman reported that the University has the only first-tier law school in the state and competes more nationally, rather than locally, for students and jobs. He indicated that other local law schools serve different markets and have also decreased class sizes so the impact on each other and the job market has not been substantial.

In response to a question from Regent Cohen, Wippman indicated that increased revenue and cost reduction would be necessary to balance the budget. He added that the M.S. in Patent Law and LL.M. programs are revenue generators, and shared that costs have been reduced through natural faculty attrition and a one percent salary increase for last year rather than 2.5 percent, as was suggested across the University. Wippman stated approximately \$2 million had already been cut, and that additional cuts would be necessary.

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 Changes to Academic Programs**
 - College of Liberal Arts (Twin Cities campus)—Create sub-plans in Generalist, Social Justice/Applied Drama, History/Literature, Design/Technology, and Performance Creation within the B.A. degree in Theater Arts

- **Request for Approval of Discontinued Academic Programs**
 - College of Liberal Arts (Twin Cities campus)—Discontinue the M.A. degree in English as a Second Language
 - College of Education and Human Service Professions (Duluth campus)—Discontinue the post-baccalaureate certificate in Educational Psychology Specialist: Education and Counseling
 - College of Liberal Arts (Twin Cities campus)—Discontinue the B.A.Sc. in Ojibwe Elementary School Education

The meeting adjourned at 3:10 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee Work Session
October 9, 2014**

A work session of the Audit Committee of the Board of Regents was held on Thursday, October 9, 2014 at 8:00 a.m. in the W.R. Peterson Conference Room, 600 McNamara Alumni Center.

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

Staff present: Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

INSTITUTIONAL RISK PROFILE

Regent Brod asked Associate Vice President Klatt to provide an overview of the Institutional Risk Profile process, as detailed in the docket.

Klatt explained that the purpose of the work session was to create a draft of the institutional risk profile. The institutional risk profile is used to identify those risks of greatest import to the Board of Regents as the University's governing body.

She noted that the discussion would be the culmination of the committee's work in reviewing various institutional risks presented by each of the vice presidents over the last two years.

Klatt reminded the committee that at the February 11, 2011 Board of Regents meeting, the Board expressed support for the Strategic Risk Management Work Group's operational strategy and risk principles. These principles have provided a framework that has guided the University community toward a more strategic risk management approach to all aspects of its operations.

Over the past two academic years, the Audit Committee reviewed and discussed risks associated with each of the major operational components of the University. Klatt outlined the committee's previous risk discussions:

- Research (December 2012).
- Human Resources (February 2013).
- Information Technology (May 2013).
- University Operations (June 2013).
- Finance (September 2013).
- Intercollegiate Athletics (December 2013).
- Compliance (February 2014).
- Health Sciences (February 2014).
- Academics (May 2014).
- Research - Updated (June 2014).

She added that the current institutional risk profile was last updated in 2009.

Regent Brod invited Regents to brainstorm and discuss various risks that should be placed on the institutional risk profile, pulling from both their knowledge of the University and the

previous risk discussions. A lengthy discussion ensued in which the following items were listed and placed on the risk profile:

- Campus safety and security.
- Brand and reputation.
- Data privacy and security.
- Integrity and success of athletic programs.
- Information technology infrastructure and costs.
- Managing the velocity of change.
- Maximizing value of multiple campuses.
- Meeting expectations on workforce development.
- Preparedness of students.
- Public perception of the value of higher education and its costs.
- Student demographics and enrollment strategies.
- Attracting and retaining talent.
- Facilities; strategic needs and aging infrastructure.
- Human subject research.
- Succession planning.
- Higher education operating model.
- Research funding.
- State funding.
- Strategic plan implementation.
- Strategic prioritization; balancing scope and quality.
- Success of University of Minnesota Health.
- Autonomy.
- Effective communication.
- Student athlete health and welfare.

Regent Brod asked staff to refine the institutional risk profile based on the committee's conversation. A final draft will return to the committee for review in December.

The work session adjourned at 9:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
October 9, 2014**

A meeting of the Board of Regents was held on Thursday, October 9, 2014 at 4:00 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

Others present: Amy Phenix, Jay Schrankler, and Tracy Smith.

The meeting convened in public session at 4:00 p.m.

**RESOLUTION TO CONDUCT NON-PUBLIC MEETING
OF THE BOARD OF REGENTS**

At 4:00 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 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 the Board of Regents held on Thursday, October 9, 2014 immediately following the afternoon committee meetings (approximately 4:00 p.m.) in the Boardroom, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. Patent infringement claims

The Board of Regents voted unanimously to approve the resolution. The public portion of the meeting adjourned at 4:03 p.m.

The meeting adjourned at 5:10 p.m.



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

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
October 10, 2014**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 10, 2014 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

APPROVAL OF MINUTES

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

Audit Committee – September 11, 2014
Litigation Review Committee – September 11, 2014
Academic & Student Affairs Committee – September 11, 2014
Finance Committee – September 11, 2014
Facilities & Operations Committee – September 11, 2014
Faculty & Staff Affairs Committee – September 11, 2014
Board of Regents – September 12, 2014

REPORT OF THE PRESIDENT

President Kaler reported on several events in which he participated recently, including the groundbreaking for the new Wellness Center at the University of Minnesota Crookston and a meeting of the Morris Advisory Council on the Twin Cities campus. He also reported that the University of Minnesota Duluth, for the fourth year in a row, has been designated as one of the nation's most military-friendly schools, dedicated to serving the educational needs of veteran and active-duty students.

Kaler reported on efforts to address and improve the campus climate with the launching of World Cafes, developed from the work of the Campus Climate Workgroup. He also discussed a series of upcoming educational forums sponsored by the Office for Equity and Diversity leading up to the November 2nd Vikings-Washington NFL football game. The programming goal is to increase awareness of, discussion about, and understanding of the effects of stereotypes associated with American Indian mascots and logos.

Kaler provided information on first-year retention rates, which increased to 92.6 percent. In addition, for the first time, first-year retention among students of color was 92.63 percent. He also previewed a short video on this year's Driven to Discover campaign theme: "Made in Minnesota." The campaign is tied to the University's Twin Cities Strategic Plan and aims to raise awareness among Minnesotans that the University is a global leader and uniquely positioned to solve grand challenges.

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

REPORT OF THE CHAIR

Chair Beeson reported on a recent visit to the University of Minnesota Morris with Regents Devine and Johnson. The visit included time with students, faculty, staff and community leaders, as well as alumni who were in Morris for homecoming events.

Beeson noted several activities and events in which Regents have engaged: a ribbon cutting for new research facilities at the Itasca Biological Station; groundbreaking for the new Wellness Center at the University of Minnesota Crookston; the President's Emerging Scholars Fall Conference; and the Humphrey School's Fall Social.

Beeson announced that President Kaler would be traveling that day to Cambridge, Massachusetts, where he would be inducted into the American Academy of Arts and Sciences. President Kaler is the third University of Minnesota president to receive this honor. On behalf of the Board of Regents, Chair Beeson offered his congratulations to President Kaler.

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

CONSENT REPORT

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

- Report of the University Naming Committee recommendation forwarded to the Board of Regents in a letter from President Kaler dated October 2, 2014.
- Summary of Expenditures.
- Summary of Gifts through August 31, 2014.
- Appointments to the University of Minnesota Foundation Board of Trustees:
 - The Honorable David J. McMillan, three-year term expiring 2017.
 - David Meyer, three-year term expiring 2017.
 - Simon K. Wong; three-year term expiring in 2017, with eligibility to be renewed for one additional term as a Board of Regents-appointed trustee.

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

STRATEGIC PLAN FOR THE TWIN CITIES CAMPUS

Chair Beeson invited Senior Vice President and Provost Hanson to present for action the Strategic Plan for the Twin Cities Campus as included in the docket.

Hanson reiterated President Kaler's belief that the proposed strategic plan for the Twin Cities campus (Plan) is a roadmap for reinvigorating the University of Minnesota. She reminded the Regents that the Plan is the culmination of many months of discussion and planning by the

campus community, led by the Strategic Planning Workgroup and five teams of faculty, staff, and students. Hanson noted that the Plan presents a vision for building on the institution's defining strengths to reinvent the land-grant research university at a time of great change, challenge, and opportunity in higher education and society.

Hanson recalled that the Board reviewed the Plan at its September 12, 2014 meeting. Since then, the report as currently presented has been strengthened by feedback from the Board and the campus community during a public comment period. Hanson summarized a number of aspects of the Plan that have been made clearer based on comments received.

Regent Cohen expressed support for the plan, noting the enthusiasm – particularly among faculty – for the Plan.

Regent Devine expressed his support, especially the elements related to challenging complacency, ensuring the institution supports the best students, and the focus on student outcomes, advising, housing, a safe campus, and four-year graduation rates.

Regent Simmons expressed her appreciation that the Plan not only looks at how to address challenges, but is also attentive to understanding, translating, and defining what a public land-grant university must do for the state and society.

Regent Johnson expressed his support, noting his belief that it opens up the institution for great potential with the “grand challenges,” links the University to the people of the state, and demonstrates what the University is doing.

A motion was made and seconded, and the Board of Regents voted unanimously to recommend approval of the Strategic Plan for the Twin Cities campus.

PRESIDENT'S RECOMMENDED FY 2016-17 BIENNIAL BUDGET REQUEST

Chair Beeson invited President Kaler to present for approval the President's Recommended FY 2016-17 Biennial Budget Request (Budget Request) as detailed in the docket materials.

The Budget Request is designed to partner with the state to:

1. Deliver on the University's threefold mission of research and discovery, teaching and learning, and outreach and public service.
2. Advance initiatives and programs that will leverage the University's expertise in areas that will benefit the state's economy and its citizens.
3. Better support financial access and affordability to post-secondary education for students and families.

President Kaler detailed the \$1.3 billion request, which focuses on four specific goals:

1. A tuition freeze.
2. Improved facilities.
3. Improved health.
4. Economic development.

Kaler reported that the administration seeks to continue the tuition freeze for all Minnesota students, including graduate and professional resident students, on all campuses during 2016 and 2017. He summarized the funding strategy, tuition impact on each campus, and how the funds would be invested in essential faculty, facilities, and operations.

He reported that facility use is changing and will continue to change, but the need for high-quality research and teaching spaces will not. He stressed the importance of a predictable source of funding for facility repair and renovation. While Higher Education Asset Preservation and Renovation (HEAPR) funds are the primary source of this funding, for many years the allocation to the institution has been less than the request and insufficient to meet facilities needs. The administration is proposing that the state provide an incremental \$5 million in recurring operations and maintenance appropriation to the University in each year of the biennium to reduce long-term maintenance costs and provide a predictable source of funding. In return for the state investment in the University's operating budget, the University would decrease the HEAPR request by \$5 million per year over the same period.

Kaler described a proposal to revamp curriculum and clinical training programs to incorporate new models of health promotion and care, such as inter-professional education and training, team care, and prevention and wellness. He shared ways to promote economic development through two targeted initiatives – one focused on statewide industry, the other on community vitality.

President Kaler described the proposed investments in prevention and treatment of environmental problems associated with mineral extraction, and on reducing health, educational, and social disparities among Minnesota's diverse and changing communities. He summarized each initiative and financial proposal for each for the next two years.

Chair Beeson called upon Regent McMillan, Chair of the Finance Committee, to provide the recommendation of the committee. McMillan reported that the committee reviewed the financial components of the President's Recommended FY 2016-17 Biennial Budget Request and recommends approval of the resolution. The motion was seconded.

The Board of Regents voted unanimously to approve the Resolution Related to the State Biennial Budget Request for FY 2016-17, as follows:

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

WHEREAS, the University and the State of Minnesota play a critical role in supporting and strengthening economic and community vitality and advancing the health and wellness of Minnesota's citizens by advancing research initiatives and programs that benefit the state, business and industry and its citizens; and

WHEREAS, the University in partnership with the State of Minnesota can reduce tuition increases and better support financial access and affordability to post-secondary education for students and families; and

WHEREAS, the University proposes a more stable and predictable funding model for maintaining important public assets on each of the University's campuses; and

WHEREAS, the University is committed to achieving operational excellence and greater efficiency through internal actions to reduce administrative and operational costs; and

WHEREAS, by FY 2017 the University proposes to restore state funding levels to those of FY 2008, the year in which the University received its highest appropriation;

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2016-2017 biennium be adopted by the Board of Regents for presentation to the State

of Minnesota. The request is for a general fund appropriation of \$640,400,000 in fiscal year 2016 and \$684,600,000 in fiscal year 2017 for a biennial total of \$1,325,000,000 in the form of general operations and maintenance and state specials appropriations. The Board of Regents further requests continuation of fiscal year 2013 base funding levels for the Primary Care Education Initiatives totaling \$2,157,000 and for the Academic Health Center funding under Minnesota Statutes 297F.10 totaling \$22,250,000 for fiscal years 2016 and 2017.

PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL PLAN AND 2015 STATE CAPITAL BUDGET REQUEST

Chair Beeson invited Vice Presidents Richard Pfutzenreuter and Pamela Wheelock to present for action the President's Recommended Six-Year Capital Plan (Capital Plan) and 2015 State Capital Budget Request as detailed in the docket materials.

The Capital Plan establishes the next three University capital requests to be submitted to the state for consideration; sets priorities and direction for continued capital project and academic planning efforts; identifies the impact of additional University debt; assigns responsibility for capital fundraising; and forecasts additional building operational costs. The Capital Plan includes major capital improvements planned for FY 2015-2020 and includes projects to be funded with state capital support as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships. Year 1 of the Capital Plan (2015) outlines the projects that the University will submit to the state for consideration during the 2015 legislative session.

Wheelock presented the Capital Plan objectives, which are to:

- Advance strategic plan priorities.
- Enhance the campus-based experience.
- Align projects with available revenue sources.
- Increase utilization and functionality of physical assets.
- Complete capital investment sequences.
- Reduce total campus square footage.

In addition, the Capital Plan aligns with the Twin Cities strategic plan to:

- Build an exceptional University where grand societal challenges are addressed.
- Support excellence, and, with intention, reject complacency.
- Establish a culture of reciprocal engagement, capitalizing on the institution's unique location.
- Aggressively recruit, retain, and promote field-shaping researchers and teachers.

Wheelock summarized several system-wide projects included in the Capital Plan and anticipated programmatic outcomes for each project. She discussed facility renewal, and the importance of the HEAPR request as well as projects that are proposed for renewal using HEAPR funds. Wheelock also discussed potential decommissioning and demolition of space that is either no longer useful or too expensive to repurpose or repair.

Wheelock reported that the President's Recommended 2015 State Capital Request contains three projects: HEAPR funds, the replacement of the Veterinary Isolation Laboratory, and the replacement of a greenhouse in the St. Paul area of the Twin Cities campus.

Chair Beeson called upon Regent Devine, Vice Chair of the Facilities & Operations Committee, to present the recommendation of the committee. Devine reported that the committee reviewed

project components of the 2015 State Capital Request and voted unanimously to recommend approval of the resolution. He moved its approval.

Chair Beeson called upon Regent McMillan, Chair of the Finance Committee, to provide the recommendation of the committee. McMillan reported that the committee reviewed the financial components of the State Capital Request and recommends approval of the Resolution Related to the 2015 State Capital Request. He seconded the motion.

The Board of Regents voted unanimously to approve the Resolution Related to the 2015 State Capital 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 2015 State Capital Request to the Minnesota Legislature in the amount of \$88,000,000 consisting of \$77,000,000 from the State of Minnesota and \$11,000,000 from the University of Minnesota.

Chair Beeson called upon Regent Devine, Vice Chair of the Facilities & Operations Committee, to provide the recommendation of the committee on the Capital Plan. Devine reported that the committee reviewed project components of the President's Recommended Six-Year Capital Plan and voted unanimously to recommend approval of the resolution. He moved its approval.

Chair Beeson called upon Regent McMillan, Chair of the Finance Committee, to provide the recommendation of the committee. McMillan reported that the committee reviewed the financial components of the President's Recommended Six-Year Capital Plan. He seconded the motion.

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

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

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

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the President's Six-Year Capital Improvement Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research and outreach objectives.

UPDATE ON UNIVERSITY OF MINNESOTA HEALTH

Chair Beeson invited Vice President Jackson and Bobbie Daniels, Co-President of University of Minnesota Health, CEO of University of Minnesota Physicians, and Vice Dean for Clinical Affairs, Medical School, to provide an update on progress in implementing University of Minnesota Health (M Health), share M Health's strategic plan, and discuss opportunities and challenges in the changing health care marketplace, as detailed in the docket materials.

Jackson reported that M Health was established in May 2013 with approval of the Fairview Health Services (FHS) Board, University of Minnesota Physicians (UMP), and the Board of Regents. Jackson presented the governance, management, and operational model, described the scope of operations, and discussed how the structure encompasses the various clinics and hospitals.

Jackson presented M Health's strategic goals:

- Enhancing relationships with providers and payers.
- Developing focused clinical activities with sustainable competitive differentiation for key programs of distinction.
- Implementing innovative methods to provide high-quality interdisciplinary care, increased access, and improved services.
- Financial performance to support priority investment.

Jackson described activities and initiatives underway to work toward achieving and goals of the integrated structure.

Daniels reported how M Health is a significant first step in becoming an academic health system. She presented and discussed the goals of M Health: To be a national leader in outcomes, research and education, and aspire to be among the top 10 percent of academic medical centers in the nation. She stressed that the goals focus on improving patient care, enhancing education, increasing on-site training and inter-professional education, and supporting health care research with an increased emphasis on clinical trials.

Daniels reported that the M Health, FHS, and UMP boards recently approved a five-year strategic plan for M Health. She briefly discussed strategic plan priorities and what will be required to achieve success. Daniels reported M Health is on target to meet net income targets for 2014, which guarantees a full academic support payment for the Medical School. She also reported that construction of the M Health Clinics and Surgery Center – also known as the Ambulatory Care Center – is underway, with a targeted January 2016 opening.

In response to questions from Regent Cohen, Daniels expressed her vision for how the new care model would look in the new M Health Clinics and Surgery Center. She noted that all parts of

patient care would be more patient-centered and streamlined, and would leverage the strengths of the University of Minnesota and the Fairview Health system.

In response to comments from Regent Devine, Daniels commented that the University of Minnesota is a national leader in inter-professional education, with many resources available to foster cultural change. She noted that the possibility of a truly interdisciplinary care model fosters excitement and a willingness to change.

DEMOGRAPHIC TRENDS & SYSTEM-WIDE ENROLLMENT MANAGEMENT

Senior Vice President Hanson introduced Rachele Hernandez, Director of Admissions, Twin Cities Campus, and Andrea Schokker, Executive Vice Chancellor, University of Minnesota Duluth, to present on demographic trends and system-wide enrollment management, as detailed in the docket.

Hanson reported that staying informed about projected state demographic changes is an important part of enrollment management, tuition, financial aid planning, and policy making. She referred to a report and accompanying data prepared by Minnesota's state demographer outlining four key demographic trends poised to impact higher education:

1. An aging population will put new pressures on public budgets.
2. Slower labor force growth may alter the costs and benefits of attending college.
3. The composition of the student population continues to change.
4. The number of Minnesota high school graduates has declined recently, and is projected to remain at current levels for the next few years.

Hernandez briefly highlighted trends related to high school graduates. She reported Minnesota numbers are projected to be stagnant through 2016, with no return to near-2007 levels until 2023. She indicated the high school graduation rate in the entire Midwest region has been in decline, resulting in increasing competition for a smaller pool of students. Hernandez also reviewed the history and projections of Minnesota high school graduates.

Hernandez reported that the Western Interstate Commission on Higher Education predicts that multicultural students will make up 23-27 percent of Minnesota high school graduates by 2023, up from 15 percent in 2007. Because of current disparities in income across Minnesota by race and ethnicity, the value proposition will continue to be a priority for students and families.

Hanson stressed that the University will continue to be aggressive in recruiting talented students and enrolling a student body that reflects diversity. She described several proactive recruitment and enrollment efforts aimed at Minnesota students, and discussed expanded national recruitment to offset regional declines. Hanson indicated enhanced attention to diversity and multicultural recruitment and greater collaboration in recruitment efforts system-wide.

Schrocker provided information on three key themes:

- The University of Minnesota prepares all students for living and working in today's communities and in the more diverse communities of the future.
- Academic programs are developed with an eye on state, national, and global workforce needs, for today and for the future.
- The University is supporting the success of students at all levels while adapting to meet the specific needs of particular subgroups of students.

She noted that academic programs continue to be future-focused to support students of today and the future.

Hernandez reported that the University's recruitment and enrollment efforts are proactive and personal, ensuring a strong commitment to Minnesota students. She discussed initiatives on all five campuses to expand and enhance recruitment efforts to leverage resources and connect with students and counselors across Minnesota. She shared how the Twin Cities campus collaborates with University of Minnesota alumni to recruit students, as well as strategies to enhance recruitment of diverse populations, including first-generation students and those from less affluent socio-economic backgrounds.

Hernandez discussed other ways the recruiting strategy is robust and responsive to changing demographics. She announced the "Share my App" program, which allows a student applying for admission to share an application across all the system campuses.

ANNUAL REPORT ON PRIVATE GIVING

Chair Beeson invited Kathy Schmidlkofer, President and CEO, and Becky Malkerson, Executive Vice President and Chief Advancement Officer, University of Minnesota Foundation (UMF), to present an annual review of fundraising highlights as provided in the docket materials.

President Kaler noted philanthropy is a key element to student and faculty support, and a positive way for alumni and supporters to move the institution from good to great. He offered that the past year of giving has been exceptional, and a tribute to the value and trust the many donors place in the University.

Schmidlkofer provided a brief overview of the University of Minnesota Foundation, formed in 2013 when UMF and the Minnesota Medical Foundation merged to become one foundation. She discussed accomplishments and activities of UMF over the past year, and presented a number of priorities for the coming year.

Schmidlkofer reported that in FY 2014, more than 75,000 donors made commitments of \$282 million in current and future gifts – the second highest amount in history, representing a 20 percent increase in giving over FY 2013. She outlined how gifts are received and how donors designated their gifts, noting the largest category of giving was academic program support. UMF distributed \$184 million to the University community in scholarships, fellowships, academic programs, faculty support, and research. Schmidlkofer also reported that in FY 2013, the University's endowment ranked fifth among 14 Big Ten peers and ninth among all public universities. In 2014, strong market returns and gift production helped the endowment increase by nearly \$5 million.

Schmidlkofer and Malkerson highlighted a number of accomplishments made possible by gifts to the University and reported a gift from Bob Eddy, alumnus and retired business executive, who pledged \$20 million in support to academic programs and athletics.

BOARD OF REGENTS POLICY: ATTORNEYS AND RELATED SERVICES

Chair Beeson invited General Counsel Donohue to present for action proposed amendments to Board of Regents Policy: *Attorneys and Related Services* as outlined in the docket materials. Donohue recalled the amendments were reviewed at the July 2014 Board of Regents meeting.

Donohue reviewed the principal elements of the policy, noting the delegation of authority to the general counsel to hire outside legal counsel. He pointed out that most hiring of outside counsel is for specialized expertise not available in the Office of the General Counsel. The policy

amendment is a minor language change related to hiring outside counsel without competitive bidding.

A motion was made and seconded and the Board of Regents voted unanimously to adopt proposed amendments to Board of Regents Policy: *Attorneys and Related Services*, as follows:

Attorneys and Related Services

Subd. 1. Delegation of Authority. The Board of Regents (Board) of the University of Minnesota (University) delegates to the president and to the general counsel authority to hire attorneys from outside the Office of the General Counsel (OGC) and to enter into related contracts for services in any legal matter involving the University.

Subd. 2. Hiring Factors. The following factors shall be considered in the decision to hire outside attorneys and to contract for related services:

- (a) the existence of insurance coverage for the legal matter;
- (b) special expertise or experience in the subject area;
- (c) actual or perceived conflict of interest;
- (d) the need for additional resources beyond those available in the OGC to handle a particular matter because of its scope or time demands;
- (e) special need for independent counsel or a second opinion; and
- (f) the need for legal services outside the State of Minnesota.

Subd. 3. Exemption from Competitive Bidding. When the University retains outside attorneys it may do so without competitive bidding.

Subd. 4. Report. The general counsel shall report annually to the Board on the activities of the OGC. The Board's Litigation Review Committee may require from the OGC additional reports regarding legal matters.

BOARD OF REGENTS POLICY: GIFTS RECEIVED AND GIVEN BY REGENTS AND UNIVERSITY OFFICIALS

General Counsel Donohue presented for action proposed amendments to Board of Regents Policy: *Gifts Received and Given by Regents and University Officials*. He noted the proposed addition of assistant vice provosts to the definition of "University Official," which will make this policy consistent with Board of Regents Policy: *Institutional Conflict of Interest*. He recalled the proposed amendments were reviewed at the July 2014 Board of Regents meeting.

A motion was made and seconded and the Board of Regents voted unanimously to adopt proposed amendments to Board of Regents Policy: *Gifts Received and Given by Regents and University Officials*, as follows:

Gifts Received and Given by Regents and University Officials

This policy regulates gifts received and given by members of the Board of Regents (Board) and University of Minnesota (University) officials. Such regulation is essential in order to ensure that:

- (1) Regents and University officials do not influence inappropriately, or appear to influence inappropriately, decisions by federal, state, and local government officials; and
- (2) Regents and University officials are not influenced inappropriately, or do not appear to be influenced inappropriately, in performing their duties.

This policy is not intended to prohibit Regents or University officials from soliciting gifts on behalf of the University for University purposes.

SECTION I. SCOPE.

Subd. 1. Constitutional Authority. The Board has considered analogous federal and state laws and policies and has concluded that the University should have its own policy governing gifts, consistent with the Board's exclusive constitutional authority to establish rules for the governance and management of the University.

Subd. 2. Application. This policy shall be interpreted and applied with sound practical judgment in a manner that best serves the overall interests of the University, not any individual.

SECTION II. DEFINITIONS.

Subd. 1. Gift. *Gift* shall mean any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, services, training, transportation, lodging, meals, or other item that constitutes a personal benefit to the recipient. It does not include any gift made to the University or its foundations for University purposes.

Gift also shall mean a gift to a family member of a Regent or University official or a gift to any other individual based on that individual's relationship with a Regent or University official (1) if it is given with the knowledge and acquiescence of the Regent or University official and (2) if the Regent or University official has reason to believe the gift was given because of the recipient's University status.

The term *gift* shall not include the following:

- (a) anything for which the individual recipient pays the market value;
- (b) anything the individual receives but returns or gives to the University without substantial personal use or benefit;
- (c) food or refreshments of reasonable value in the normal course of University business;
- (d) plaques, trophies, mementos, hats, or similar items of reasonable value;
- (e) any gift from a relative, provided that the Regent or University official has no reason to believe that the gift was provided because of the recipient's official University position;
- (f) informational materials in the form of books, articles, other written materials, audio/video media, and other similar materials;
- (g) anything received because a Regent or University official participated in a group, a majority of whose members are not Regents or University officials and who customarily may receive an equivalent item;
- (h) anything paid for or reimbursed by the University pursuant to University policy;
- (i) tickets to University athletic or cultural events;
- (j) local transportation; and
- (k) political contributions to any candidate, political committee, organization, or party as permitted by state and federal law, provided that no such contributions may be made from University funds or resources.

Subd. 2. Financial Interest. *Financial interest* shall mean an actual or foreseeable nontrivial financial benefit resulting from a decision.

Subd. 3. University Official. *University official* shall mean:

- (a) chancellors and vice chancellors;
- (b) deans;

- (c) division I athletic directors;
- (d) general counsel;
- (e) president and president's chief of staff;
- (f) provosts, vice provosts, associate vice provosts, and assistant vice provosts;
- (g) senior vice president and provost;
- (h) senior vice presidents, vice presidents, associate vice presidents, and assistant vice presidents;
- (i) University directors and campus-wide directors; and
- (j) University employees officially engaged in legislative lobbying on behalf of the University.

SECTION III. GIFTS TO AND FROM REGENTS.

Subd. 1. Government Officials. No Regent shall give a gift or solicit another to give a gift to any federal, state, or local government officials or to any member of their staff.

Subd. 2. Financial or Personal Interests. No Regent shall solicit or accept a gift from any person or organization having a financial or other direct personal interest in a decision before the Board, provided, however, that a Regent may receive food, lodging, or other benefits resulting from the Regent's outside business or employment activities or other outside activities not connected to their duties as a Regent if (a) such food, lodging, or other benefits have not been offered or enhanced because of the Regent's official status and (b) such benefits customarily are provided to others in similar circumstances.

SECTION IV. GIFTS TO AND FROM UNIVERSITY OFFICIALS.

Subd. 1. Government Officials. No University official shall give a gift or solicit another to give a gift to any federal, state, or local government official or to any member of their staff.

Subd. 2. Financial or Personal Interests. No University official or other University employee authorized to make a decision involving the purchase of goods or services on behalf of the University shall solicit or accept a gift from any person or organization having a financial or other direct personal interest in such decision.

BOARD OF REGENTS POLICY: LEGAL CLAIMS AND SETTLEMENTS

General Counsel Donohue presented for action proposed amendments to Board of Regents Policy: *Legal Claims and Settlements* as outlined in the docket materials. He noted the proposed amendments were reviewed at the July 2014 Board meeting.

Donohue indicated that the proposed amendment increases the limit for settlements that must be presented to the Board of Regents Litigation Review Committee for approval from \$250,000 to \$500,000, an amount more consistent with Board of Regents commercial policies.

In response to questions from Regents Frobenius and Omari, Donohue explained that the Board has delegated to the Litigation Review Committee authority to initiate or settle legal claims above the threshold established in policy. It is the committee's responsibility to determine when significant matters require attention of the full Board.

Regent Simmons noted that regardless of the delegation outlined in policy, the Board retains the authority to act on legal matters at its discretion. Regent Brod added that it is the responsibility of the Board Chair to communicate to the Board significant matters or those that might carry reputational risk.

As a member of the Litigation Review Committee, Regent McMillan affirmed that the committee is mindful of items requiring attention from the full Board.

A motion was made and seconded and the Board of Regents voted unanimously to adopt proposed amendments to Board of Regents Policy: *Legal Claims and Settlements*, as follows:

Legal Claims and Settlements

Subd. 1. Scope. This policy applies to all legal claims asserted by the Regents of the University of Minnesota (University), legal claims asserted against the University, legal claims asserted against the Board of Regents (Board) as a corporate body or Board members in their official capacity, and legal claims asserted against Board members, employees of the University, and other individuals when the University has agreed to provide legal defense and indemnification to them, consistent with Board and administrative policy.

Subd. 2. Delegation of Authority. Except as provided in subds. 3 and 4, the president is authorized to initiate, appeal, or settle any claim after consultation with the general counsel. The president may delegate such authority, provided that any initiation, appeal, or settlement decision by a delegate of the president must be approved by the general counsel.

Subd. 3. Reservation of Authority. The Board reserves to itself authority to initiate, appeal, or settle a claim involving a specific decision of the Board or a claim against Board members in their individual capacity.

Subd. 4. Board of Regents Litigation Review Committee. Any settlement of a claim involving payment by the University in excess of \$500,000 shall be presented to the Litigation Review Committee (LRC) for approval. The president shall determine, in consultation with the general counsel, those other claims that shall be presented to the LRC for review prior to a decision to initiate, appeal, or settle, taking into account whether the claim involves one or more of the following factors:

- (a) a significant change in University-wide policy;
- (b) a serious conflict with University-wide policy;
- (c) an unusually significant financial impact;
- (d) a matter of special public interest; or
- (e) Board members as named defendants in their official capacity.

The LRC is authorized to determine which claims shall be referred to the Board for review or approval.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of the University of Minnesota Rochester Campus Master Plan, "Envision UMR" as presented to the committee and described in the October 9, 2014 committee minutes.

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

Devine reported that the committee also received and discussed a report on ensuring a safe university; and reviewed a proposed amendment to the FY 2015 Capital Budget for the following project: a) Combined Heat and Power Plant, Twin Cities Campus.

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 9, 2014 committee minutes.
- b) Approval of a Resolution Related to the Proposed Labor Agreement with University Education Association for Faculty on the Duluth and Crookston Campuses (Outstate Instructional Unit 9), as follows:

WHEREAS, the parties have met and negotiated over the course of the summer 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, the University Education Association (UEA) 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; and

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 9, 2014.

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

Frobenius reported that the committee also discussed human resource needs in University Services; received an update on student work; discussed developing leaders; and reviewed a number of information items outlined in the docket materials.

REPORT OF THE FINANCE COMMITTEE

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

- a) Approval of the Consent Report for the Finance Committee as presented to the committee and described in the October 9, 2014 committee minutes.
- b) Approval of a Resolution Related to Issuance of Debt, as follows:

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale of indebtedness (such indebtedness, whether issued in the form of bonds, notes, commercial paper or such other form of indebtedness as may be designated by the University, the "Debt"), the proceeds of which are to be used to finance University capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of the Debt;

WHEREAS, the Debt will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee or pursuant to an Order of the University;

WHEREAS, the Indenture of Trust or Order pursuant to which the Debt will be issued will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such Debt;

WHEREAS, the principal amount of the Debt authorized will be the amount of the Debt outstanding at any time, and not an aggregate principal amount;

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

1. To provide funds to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing, the Board hereby authorizes the sale and issuance of the Debt in the principal amount of up to \$52,000,000. The Debt may be issued in one or more series and shall mature (or if commercial paper, shall have an amortization schedule terminating) not later than the date that is 25 years after the date of issuance of each series. The Treasurer is authorized to determine whether or not the Debt shall be issued as a general obligation of the University and whether or not the Debt shall be issued as tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The purchases of land and buildings, construction and remodeling projects, or acquisition of equipment to be financed by the proceeds of the Debt shall be those the source of funding of which is so designated by the Board of Regents or by the Treasurer as part of the University's capital planning process.

3. If issued in the form of bonds, the Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. If issued in the form of commercial paper, the Debt is authorized to be issued under the University's existing commercial paper program authorized November 8, 1996, as supplemented and amended on September 9, 2005 and October 12, 2007. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of the Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

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

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

6. The Treasurer is authorized to approve the Preliminary Official Statement, final Official Statement, Offering Memorandum, Offering Circular, or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of the Debt, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto. In the case of the sale of any series of the Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Debt.

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

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

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

McMillan reported that the committee also discussed administrative cost definition and benchmarking, and reviewed a number of information items included in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the October 9, 2014 committee minutes.
- b) Approval of a Resolution Related to Global Operations Compliance, as follows:

WHEREAS, the University has a growing number of research, outreach and educational activities abroad that require the University to conform to local country laws;

WHEREAS, the administration is working with attorneys and other appropriate advisors to ensure legal and operational compliance in the U.S. and abroad in connection with its global operations;

WHEREAS, there is a need for the President or designee(s) to have authority to establish, maintain or dissolve branches, registered organizations or separate legal entities (compliance related structures) for the University to continue to operate in other countries.

NOW, THEREFORE, BE IT RESOLVED that the Board delegates authority to the President or designee(s) to establish, maintain or dissolve an entity in the United States which will be responsible for creating, maintaining and controlling representative offices or similar organizations in countries outside the United States. The sole purpose of the entities shall be conducting University education, research and outreach programs abroad in a manner that conforms to the laws and regulations relating to each specific country.

BE IT FURTHER RESOLVED, that this authorization is limited to only those general educational, research and outreach activities similar to and consistent with those activities which are currently conducted by the University and does not authorize any other activities that would require further board approval absent this specific authorization/delegation relating to compliance related structures.

BE IT FURTHER RESOLVED, that the Board authorizes, empowers and directs the President and designee(s) to undertake on behalf of the University all acts necessary and desirable to effectuate this resolution.

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

Simmons reported that the committee also discussed shifts to the legal education environment.

REPORT OF THE AUDIT COMMITTEE

Regent Brod, Chair of the committee, reported that the committee met in a work session to discuss an institutional risk profile.

REPORT OF THE LITIGATION COMMITTEE

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

REPORT OF THE SPECIAL COMMITTEE ON ACADEMIC MEDICINE

Regent Cohen, Chair of the committee, reported that the committee discussed the 2014-15 committee work plan; discussed implementation of the Medical School Strategic Plan; received an update on the Governor's Committee on the University of Minnesota Medical School; and discussed the impacts of health care reform on the clinical marketplace.

The meeting adjourned at 12:07 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Special Committee on Academic Medicine
October 9, 2014**

A meeting of the Special Committee on Academic Medicine of the Board of Regents was held on Thursday, October 9, 2014 at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

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

2014-15 COMMITTEE WORK PLAN DISCUSSION

Regent Cohen and Vice President Jackson reviewed the 2014-15 work plan for the Special Committee on Academic Medicine, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

IMPLEMENTING THE MEDICAL SCHOOL STRATEGIC PLAN

Vice President Jackson presented an update on implementation of the Medical School's strategic plan, as detailed in the docket. Jackson shared his goals and priorities and outlined his work plan focused on culture, expectations, scholarship, and excellence. Jackson emphasized that one of the plan's biggest challenges is that successful implementation will require significant changes to culture.

Jackson identified the six major goal areas of the Medical School Strategic Vision 2025 – scholarship, research, education, Academic Health System (clinical care), and financial sustainability – and presented several strategies to accomplish each goal. He stressed that the first goal of scholarship is essential to meeting all of the other goals and is the highest priority for the coming year. Other goals included larger grants in clinical research; addressing high student debt; changing training to meet new healthcare delivery models; integrating and expanding the clinical enterprise; improving financial stability through cost reduction and increased philanthropy and state support; and increasing underrepresented students, faculty, and staff to reflect Minnesota's diversity.

Within each goal area, Jackson shared specific metrics that would be used to gauge progress. He stressed the importance placed on transparency throughout the planning and implementation of the strategic plan, and reported that progress would be shared quarterly with all Medical School faculty.

In response to a question from Regent Devine, Jackson noted that several Fairview hospitals are not part of University of Minnesota Health. Expansion of that network would provide additional opportunities for clinical research, which elevates the standard of care and improves the ranking of the health system.

In response to a question from Regent Frobenius, Jackson stated it would be important to remain neutral and maintain strong partnerships with other health systems to support clinical research and education, despite increasing competition between the health systems related to patient care.

In response to a question from Regent Johnson, Jackson explained that physician shortages are more pronounced in certain geographic areas across the state, and also within certain specialties. He described a number of ways that the Medical School is addressing those shortages, such as the Rural Physician Associate Program and a strong emphasis on family medicine.

UPDATE ON GOVERNOR'S COMMITTEE ON THE UNIVERSITY OF MINNESOTA MEDICAL SCHOOL

Vice President Jackson provided a brief overview of the first two meetings of the Governor's Committee on the University of Minnesota Medical School. He shared that both meetings were largely informational and covered his observations as the new dean and the Medical School's strategic vision, reviewed the ranking methods for medical schools, and discussed the Medical School's research mission. Jackson invited the committee to share recommendations for the Governor's Committee.

A lengthy discussion ensued, with several committee members stressing the importance of a transparent process and outcomes that were rooted in data and facts. Other comments addressed the importance of supporting Minnesota's workforce needs, particularly in the rural areas, and recognizing the role and impact of the Medical School on the state's economy.

IMPACT OF HEALTH CARE REFORM ON THE CLINICAL MARKETPLACE

Vice President Jackson invited Bobbi Daniels, CEO, University of Minnesota Physicians and Vice Dean for Clinical Affairs, Medical School, to present on the impact of health care reform, including the Affordable Care Act (ACA), on the clinical marketplace. She also reviewed challenges and opportunities for Academic Medical Centers, information about the Twin Cities marketplace, and care models for the future, as detailed in the docket.

Daniels explained that the ACA has reshaped the healthcare landscape. New reimbursement trends lean toward high-deductible plans that increase the financial burden on the patient. Fewer people are uninsured, but networks are narrowing as a strategy to reduce costs so health systems are forming large-scale networks to increase their access to insured patients.

Daniels outlined four major challenges facing academic health centers in the wake of health care reform:

1. Sustaining referral volumes due to closed networks for historical referral sources.
2. Assuring competitive quality and cost.
3. Increasing access to insured patients.
4. Maintaining the tripartite mission of clinical care, research, and education.

She noted that academic medical centers have the opportunity to leverage their research and education missions to differentiate themselves and enhance care delivery and outcomes.

Daniels additionally provided data showing that the Twin Cities metro healthcare market is highly competitive and oversupplied with acute care beds and physicians. She stated that University of Minnesota Health would need to maintain a volume of at least 625,000 in-network patients to adequately support existing services, and high-end services such as the

bone marrow and lung transplant programs would need to attract patients from a much larger population base of at least 4-6 million individuals.

Daniels identified a key characteristic of future care models as a focus on the value – cost plus quality – of care across an entire episode of care rather than on a per visit basis. She also suggested that additional emphasis would be placed on maximizing the use of interdisciplinary care teams by widening the scope of practice for many health professions and increasing the coordination of care in a team approach that would include doctors, nurses, pharmacists and social workers.

In response to a question from Regent Johnson, Daniels stated that many factors could impact which hospital a patient is referred to, including patient preference, relation to referring physician, and payer requirements.

In response to a question from Regent Frobenius, Daniels agreed that the University of Minnesota Medical Center has not always been cost competitive because of the cost structure related to practicing in hospital-based clinics. She noted that opening the Ambulatory Care Center will directly address the areas with the greatest cost differential.

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, flowing style.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
October 9, 2014**

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

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

Staff present: President Eric Kaler; Chancellors Stephen Lehmkuhle and Fred Wood; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Michael Berthelsen and Gail Klatt.

Student Representatives present: Hannah Keil and Callie Livengood.

**PROJECT COMPONENTS OF THE PRESIDENT'S RECOMMENDED SIX-YEAR
CAPITAL PLAN AND 2015 STATE CAPITAL BUDGET REQUEST**

Vice President Wheelock reviewed the Project Components of the President's Recommended Six-Year Capital Plan (Plan) and 2015 State Capital Budget Request as detailed in the docket.

Wheelock reminded the committee of the Plan's objectives and its alignment with the strategic plan. She noted that no changes were made since the committee reviewed the proposed projects in September.

A motion was made and seconded and the committee voted unanimously to recommend approval of the resolutions related to the President's Recommended Six-Year Capital Plan and the 2015 State Capital Budget Request.

PLANNING & VISION FOR THE ROCHESTER CAMPUS

Vice President Wheelock reviewed the University of Minnesota Rochester (UMR) campus master plan, as detailed in the docket. She invited UMR Chancellor Stephen Lehmkuhle to answer questions.

In response to a question from Regent Johnson, Lehmkuhle indicated that the Rochester City Council, Ohlmsted County Board, and Mayo Clinic have all seen and support the plan. He added that no changes have been made since the committee reviewed the plan in September.

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

ENSURING A SAFE UNIVERSITY

Vice President Wheelock introduced Greg Hestness, University Police Chief; Kathy Waite, Minneapolis Police Inspector; and Ross Allanson, Director of Parking and Transportation Services, to update the committee on the status of various public safety efforts undertaken in the past year, details of the first few months of Green Line operation, and public safety initiatives planned for the current academic year.

Allanson outlined the education and engagement tactics used to prepare students for light rail on campus at the start of the fall semester. He noted that a shared lane for buses and light rail is unique and may serve as a model for other communities. He reported that additional bike lanes and bike boxes were added on and near campus, and that the number of bikes on campus had declined to around 7,500 per day, the same level as in 2012.

Hestness shared short and long-term strategies for addressing four key areas – environment, education, engagement and enforcement. He reported that UMPD has increased its engagement efforts with additional outreach to multicultural student groups and has focused enforcement on alcohol violations in the neighborhoods surrounding campus. Hestness also shared several public safety efforts undertaken in the past year, including:

- Addition of third officer to expanded coordinated response team.
- Implementation of building access program that automated lock/unlock procedures for 143 facilities on the Twin Cities campus and reduced public building hours.
- Expanded transportation options on Thursday, Friday and Saturday evenings.
- Installation of video cameras in high-traffic pedestrian corridors through and on the perimeter of campus.
- Assisted in the investigation of an organized crime ring operating a black market for stolen mobile devices.

Waite spoke about the coordinated efforts between the Minneapolis Police Department Second Precinct and UMPD to increase patrols near campus on weekend nights and for special events, including the Minnesota Vikings games at TCF Bank Stadium. She also reported that several permanent and portable cameras have been added in neighborhood areas with high foot traffic.

In response to a question from Regent Devine, Hestness and Waite explained that alcohol enforcement has been a priority this fall because alcohol impairs a victim's ability to recall details and provide a clear account of an incident, making it difficult for police to investigate.

In response to a comment by Student Representative Livengood, Waite encouraged students and others to call 911 if they see or experience verbal harassment on Viking game days. Hestness noted Viking fan conduct has generally been good.

In response to questions and comments from Regents, President Kaler shared his experience riding along with a UMPD officer and noted that officers are striking the right balance between education and enforcement.

CAPITAL BUDGET AMENDMENT

A. Combined Heat and Power Plant Project – Twin Cities Campus

The committee reviewed a proposal to amend the FY 2015 Capital Budget by \$17,100,000 to provide additional funding for the Combined Heat and Power Plant Project, Twin Cities campus, as detailed in the docket.

Vice President Wheelock introduced Michael Berthelsen, Associate Vice President, University Services, and Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, to review the project. Berthelsen reminded the committee that this project consists of installing combined heat and power generation equipment in the Old Main building, along with upgrading necessary infrastructure to complete the project and connect with Xcel Energy.

Smith shared that delays in the permit process, construction market cost escalation, additional complexity in electrical delivery, and unforeseen conditions have increased the cost of the project. She emphasized the unique nature of this project and noted that it lacks program choices typical in other University projects to reduce the scope and cost.

Berthelsen shared a revised budget and financial analysis. He cited that annual savings are still projected to be \$1.6 million to \$2 million and that the project becomes a hedge against future electricity costs.

In response to questions and comments from Regents, Wheelock stressed the unique nature of the project. She explained that projects typically are managed by the budget but this project must be managed by the scope. She indicated that the deconstruction in Old Main revealed several issues that could not have been anticipated prior to removal of the existing boiler and posed the question of whether more investment should be made at the time a building is decommissioned. She added that Gail Klatt, Associate Vice President, Internal Audits, has been engaged to review the project process.

In response to a question from Regent Lucas, Smith indicated the project initially had an 8.8 percent contingency. The \$17.1 million budget amendment includes \$4.7 million to replenish the contingency.

In response to additional questions and comments from Regents, Wheelock invited Vice President Pfitzenreuter to address the impact of \$17.1 million in additional debt on other University projects. Pfitzenreuter agreed that the University maintains a significant cushion between its expected debt load and its capacity for debt, so this amendment should not negatively impact the ability to fund planned or future projects.

The item will return for action at a future meeting of the committee.

The meeting adjourned at 11:20 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
October 9, 2014**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, October 9, 2014 at 2:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

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

Student Representatives present: Tyler Ebert and Jordan Wentz.

RESOLUTION RELATED TO ISSUANCE OF DEBT

Vice President Pfutzenreuter presented for review and action a resolution related to issuance of debt, as detailed in the docket.

Pfutzenreuter explained that the administration is requesting approval of a resolution authorizing the issuance and sale of debt up to an aggregate principal amount of \$52,000,000 to finance and pay costs of issuance to design, construct, furnish, and equip a new James Ford Bell Natural History Museum and Planetarium on the St. Paul portion of the Twin Cities campus. He reminded the committee that for fiscal years 2016 to 2041, \$3,500,000 was added to the University's base operations and maintenance appropriation from the State of Minnesota to offset debt service related to this project.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to issuance of debt.

LONG-RANGE FINANCIAL PLANNING UPDATE

Regent McMillan introduced Vice President Pfutzenreuter and Lincoln Kallsen, Director of Institutional Analysis, to present an update on long-range financial planning, as detailed in the docket.

Pfutzenreuter outlined the process of updating the long-range financial plan and noted that the plan now incorporates the President's recommended FY 2016-17 biennial budget request.

Kallsen presented how long-range financial planning interacts with annual operating budget recommendations. He reviewed the base revenue assumptions, the investment and expense assumptions from June 2014, and the updated revenue scenarios based on the FY 2016-17 biennial budget request.

A broad discussion ensued examining the updated plan; the assumptions for both revenues and expenses; internal University funding of Higher Education Asset Preservation and Renovations as a source of additional expense; enrollment and the possibility of increasing current enrollment; and the need for further work to close the projected deficit in out years.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED
FY 2016-17 BIEANNIAL BUDGET REQUEST**

Vice President Pfutzenreuter presented the financial components of the President's recommended FY 2016-17 biennial budget request, as detailed in the docket.

He outlined the goals of the biennial budget request as:

- Tuition freeze for all resident graduate and undergraduate students.
- Facility condition improvement strategy.
- Healthy Minnesota initiative.
- Vibrant economy through economic development opportunities through research.

The total biennial request for all four initiatives is \$127.2M, a change from base of 10.6 percent. If fully funded, Pfutzenreuter noted that the University's FY 2017 appropriation would equal its appropriation in FY 2008 without adjusting for inflation.

In response to a question from Regent Johnson, Pfutzenreuter stated that if the state did not fund the full request, it is assumed that tuition would need to be raised.

In response to a question from Regent McMillan, President Kaler agreed that the success of a program like MnDRIVE was a useful starting point. This request also uses themes that will help frame the conversation with legislators.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the financial components of the President's recommended FY 2016-17 biennial budget request.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED
FY 2016-17 SIX-YEAR CAPITAL PLAN & 2015 STATE CAPITAL BUDGET REQUEST**

Vice President Pfutzenreuter presented the financial components of the President's recommended Six-Year Capital Plan (Plan) & 2015 state capital budget request, as detailed in the docket.

He reminded the committee that the Plan includes major capital improvements planned for fiscal years 2015 through 2020. It includes projects to be funded with state capital support, as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships.

Pfutzenreuter noted that Year 1 of the Plan (2015) outlines the projects that the University will submit to the State of Minnesota for consideration during the 2015 legislative session. This includes \$55,000,000 for Higher Education Asset Preservation and Renovations (HEAPR), \$27,000,000 for veterinary isolation facility replacement on the Twin Cities campus, and \$6,000,000 for greenhouse replacement on the Twin Cities campus.

In response to questions from Regents Beeson and McMillan, Pfutzenreuter noted that the HEAPR request had been reduced this year as the University seeks to transition a portion of those funds from the capital request into the operating request. Beeson added that HEAPR

should not be negotiated against new buildings; it should be considered operational funding by the legislature.

A motion was made and seconded, and the committee voted unanimously to recommend approval of financial components of the President's recommended Six-Year Capital Plan.

A motion was made and seconded, and the committee voted unanimously to recommend approval of financial components of the 2015 state capital budget request.

ADMINISTRATIVE COST DEFINITION & BENCHMARKING

Regent McMillan invited Vice President Pfutzenreuter, Associate Vice President Tonneson, and Director Kallsen to update the committee on the third year of results for the administrative cost benchmarking analysis, as detailed in the docket.

Pfutzenreuter explained that the study identifies and benchmarks the University's expenditures into the categories of Direct Mission Delivery, Mission Support & Facilities, and Leadership & Oversight. Student Aid is a related category to Direct Mission Delivery. He reminded the committee of the original goals for the 2012 cost definition and benchmarking analysis.

Kallsen explained the job codes and how they relate to each of the three main categories. He noted that the job family study would move those jobs that were mislabeled and help clarify how those positions serve the mission. In the long run, personnel expenses will be more accurate in reflecting what a specific job is doing in relation to the three defined categories.

Kallsen reported that the Leadership & Oversight category is declining both in headcount and as a percentage of overall spending. Over the past three years, 87 percent of additional spending has been directed at Direct Mission Delivery or Mission Support & Facilities. He noted that the lack of growth in available sponsored funding is putting pressure on additional mission investment. He also noted that program expansions often require Mission Support & Facilities spending, as well as additional Direct Mission Delivery spending. Kallsen observed that non-personnel and sub-contract spending is quite variable year-to-year.

Tonneson reported the FY 2014 summary of results:

- Total spending was \$3.2 billion (up \$120 million or 3.9 percent from FY 2013).
- Personnel costs increased 2.6 percent overall, mostly reflecting the FY 2014 compensation increase.
 - Total system-wide headcount increased about one percent.
 - Continued movement from part-time to full-time employees.
- Non-personnel costs increased to a greater extent than personnel costs.
- Direct Mission Delivery increased as percent of total.
- Leadership & Oversight and Mission Support & Facilities Categories decreased as percent of total.

Tonneson also outlined each of the main categories, detailing notable changes in FY 2014 by personnel and non-personnel spending.

A discussion ensued around the effect the job family study and the Enterprise System Upgrade will have on this analysis and spending; the role of state and federal funding; how to communicate the results with an outside audience; and the progress made and continued effort that is needed.

CONSENT REPORT

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

General Contingency:

- There are no items requiring approval this period.

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

- To Cardinal Health for an estimated \$1,200,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2014, through February 28, 2015, 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.
- DOSECC Exploration Services, LLC, (DES) for \$8,200,000 for building and testing services to provide a mobile drilling platform to be used for research purposes on the ice sheets of Antarctica for University of Minnesota Duluth (UMD). The National Science Foundation (NSF) made a research award of about \$8.9M to UMD in August 2014. Most of the award funds are obligated to DES as the principal contractor for construction and testing, and direct payment by UMD is based on detailed weekly invoices from DES that are reviewed by the project management team. Continuation of funding will be based on overall performance as documented in periodic reports to NSF. 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:

- Quarterly Investment Advisory Committee Update

The meeting adjourned at 3:52 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
October 9, 2014**

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

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

Staff present: Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown, Brian Herman and Scott Studham; Executive Director Brian Steeves; and Associate Vice President Bernard Gulachek.

Student Representatives present: Emily Caldis and Damien Carrière.

HUMAN RESOURCE NEEDS IN UNIVERSITY SERVICES

Regent Frobenius invited Vice President Brown to present on human resource needs in University Services, as detailed in the docket.

Brown explained that this conversation is one in a series of discussions regarding human resource needs in various areas across the University. She introduced Linda Bjornberg, Director of Human Resources, and Leslie Krueger, Chief of Staff, to speak about human resources needs in University Services.

Krueger walked through University Services demographics, including labor classification, race/ethnicity, and gender. She noted progress in diversifying the University Services workforce. She explained the uniqueness of the University Services staff, given that its units include auxiliary services (bookstores, parking and transportation, housing and residential life, dining services, UMarket services, and printing and mailing services); facilities management; capital planning and project management; university health and safety; and public safety, including the University Police Department. Krueger noted that the unit is more akin to a municipality, providing services that ensure the full operation of the University.

Bjornberg described the University's focus on being a competitive employer. She noted the fair wage and complete compensation package offered to employees. She conveyed the influences of the job family study in aligning and creating equity between positions. She also spoke about the needs of University Services with regard to training and development; succession planning; competition for talent in a market that spans public and private sectors; and other unique needs within such a broad spectrum of staff.

In response to a question from Regent Beeson, Bjornberg indicated that the Office of Human Resources (OHR) creates core training for employees. OHR works with local units to create trainings that are unique to the specific responsibilities of the employee. Due to the unique jobs performed by their employees, University Services also uses outside consultants to train employees in specific areas.

In response to a question from Regent Simmons, Bjornberg stated that some positions – specifically engineers – are difficult to recruit. University Services offers both paid and unpaid internships to attract talent from within the University and hire successful interns upon their graduation if a position is available.

COLLECTIVE BARGAINING AGREEMENT WITH UNIVERSITY EDUCATION ASSOCIATION (UEA)

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

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

During FY 2015 and FY 2016, Crookston unit members are scheduled to receive a 2.5 percent economic increase. Of that, 0.75 percent will be delivered in equal dollars, 0.75 percent will be delivered in equal percentage, and one percent will be delivered as merit. Total recurring costs from FY 2014-16 total \$152,339. The agreement also includes a restructuring of rates and payment methods for distance education, overload compensation and summer session.

During FY 2015 and FY 2016, Duluth unit members are scheduled to receive a 2.5 percent economic increase. Of that, one quarter of the salary pool will be delivered in equal dollars, one quarter will be delivered in equal percentages, and one half will be delivered as merit. Total recurring costs from FY 2014-16 total \$1,902,219. The agreement additionally includes an adjustment of minimum nine-month base salary to no less than \$39,000.

In response to a question from Regent McMillan, Brown explained that in the case of the Duluth campus, the distribution of the salary pool depends on a variety of factors. Regardless of base salary, all employees under the agreement will receive an equal portion of one quarter of the pool. The second quarter is based on base salary, creating a difference in pay out between employees. The remaining half is delivered based on merit alone, also creating a difference between employees.

A motion was made and seconded and the committee voted unanimously to recommend approval of the collective bargaining agreement between the University and University Education Association PELRA Unit 9.

UPDATE ON STUDENT WORK

Laura Negrini, Employment Director in the Office of Human Relations, presented an update on student work, as detailed in the docket.

Negrini outlined relevant Board policy and how the University supports student workers and the benefits for those students. She noted the student job classifications; gave an explanation of the federal and state work study program; reported student work statistics and compared those to other Big Ten institutions; explained student development outcomes; and detailed recent streamlining of University policies for hiring students.

Negrini introduced Samantha Schleicher, an undergraduate student from the Twin Cities campus who works as a student manager at the Coffman Memorial Union information desk. Schleicher spoke about her positive experience as a student worker. She noted that through

her work, she gained a tolerance of ambiguity and was able to strengthen her interpersonal skills. Schleicher expressed her appreciation of having year-end reviews and feeling supported by her supervisors.

In response to a question from Regent Simmons, Negrini explained that the lottery used to allocate jobs to incoming freshmen is a special program. Only the first 500 students are guaranteed positions, creating a need for a lottery system. Brown added that all students can apply for open positions and the freshmen guaranteed program is not based on financial need. This differs from work-study. To qualify for a work-study position, a student has to meet certain financial criteria.

In response to a question from Student Representative Caldis, Negrini acknowledged that students who do not qualify for work-study, which includes all international students, are unable to apply for work-study-only positions. On the Twin Cities campus, all student jobs are open to both work-study and non-work study programs. This may differ across the system depending on the needs of the unit and the specific campus.

In response to a question from Regent McMillan, Schleicher shared that student employees would need time to adjust to entering their hours manually within the new Enterprise System Upgrade. Negrini added that students use the working titles for their positions and most are unaware of the job classification. This change will be beneficial to University staff members who oversee student positions.

In response to a question from Regent Brod, Negrini explained that the University tries to draw down as many state and federal dollars for work-study as possible and award those dollars to students who have need. If work-study is not a part of a student's financial aid, students can request that it be added if they qualify.

DEVELOPING LEADERS FOR WORKPLACE 2020

Senior Vice President and Provost Hanson, Vice Provost for Faculty and Academic Affairs Allen Levine, and Director of Leadership and Talent Development Brandon Sullivan presented on developing leaders for workplace 2020, as detailed in the docket.

Hanson explained that there is a critical need to develop leadership within the University. The implementation of the Twin Cities campus strategic plan requires leaders to take collective action. At the same time, leaders in public higher education face unprecedented challenges including greater public accountability, global competition for top talent, shifting enrollment trends, greater competition for grants, and shrinking state and federal funding.

Sullivan detailed the shifts in thinking across fields regarding leadership development. Studies have shown that leaders grow and develop primarily through on-the-job experience. Formal training plays a key role, along with mentoring and coaching, but is not the best development tool. Sullivan argued that practice must drive development, and that department heads and chairs are key to helping develop faculty for leadership roles. The University is looking to shift toward developing "leaders of leaders" and ensuring an application of learning while on the job.

Levine gave an example of this shift. With academic leadership, Levine's office has worked to provide opportunities for department heads and chairs to have dinner together. These dinners allow leaders to network, discuss problems they are facing, and come up with collective solutions. The leaders are able to apply this information directly to their units. Levine reported positive results from this method.

Brown noted that having the Provost's Office working closely with the Office of Human Resources creates meaningful partnerships in shifting how leadership development happens. It is the goal to pilot these programs on the Twin Cities campus and then move system wide.

In response to a question from Regent Frobenius, Hanson stressed the need to create balance between University structure and leadership development needs. No single leadership development model fits everyone given the broad differences between units. She noted that this is why approaches like the chair's dinners help improve outcomes.

In response to a question from Regent Brod, Sullivan offered that the employee engagement survey is one metric that can be used to measure culture change. OHR will look for how departments deal with challenges. If those challenges are met productively and the team moves forward in a positive way, those examples will demonstrate that engagement efforts are useful.

Hanson added that performance on the academic side would show awards gained by faculty members, performance on student evaluations, retention of faculty, and retention of faculty of color and women in fields where they are underrepresented. She stressed that leaders will be held accountable for those measures.

In response to a question from Regent Simmons, Hanson noted that the type of leadership needed to identify and address the grand challenges will be different from the type of administrative leadership currently leading departments and units. She added that both types of leadership are valuable and will help to create the cross-University relationships necessary to execute the plan.

CONSENT REPORT

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

- Conferral of tenure for outside and internal 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.
- Faculty and staff activities and awards.

The meeting adjourned at 11:34 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary