

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

February 12-13, 2015

Office of the Board of Regents

600 McNamara Alumni Center

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
February 13, 2015**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, February 13, 2015, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

APPROVAL OF MINUTES

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

Audit Committee – December 11, 2014
Special Committee on Academic Medicine – December 11, 2014
Academic & Student Affairs Committee - December 11, 2014
Finance Committee - December 11, 2014
Facilities & Operations Committee - December 11, 2014
Faculty & Staff Affairs Committee - December 11, 2014
Board of Regents - December 12, 2014

REPORT OF THE PRESIDENT

President Kaler reported that the University receives popular support from Minnesotans, as demonstrated in an annual public opinion poll taken just after the November election. The poll indicates that many Minnesotans believe the University does not receive enough funding from the state; some believe it should be funded primarily by state support. Kaler stated that the current biennial budget request does seek enough funding to freeze tuition but that the Governor's proposal will likely mean a slight tuition increase.

Kaler reported that the University is ranked in the top 25 nationally in nine categories, as reported by the Center for Measuring University Performance. The University ranks highest on faculty awards, doctorates granted, and endowment assets. He noted that high performance in the nine categories demonstrates that the University is among the country's top public research universities.

Kaler provided updates on the Dairy Growth Summit; changes in leadership at Fairview, reporting that Medical School Dean Brooks Jackson is now part of the interim CEO team; and the University of Minnesota Libraries partnering with the Penumbra Theater Company and

receiving a grant to support the adoption of an online search tool for nationwide materials on African-American history and culture.

Kaler also reflected on a protest held at Morrill Hall by current and former University students over issues of diversity on campus. He explained that constructive conversations resulted from the event, but expressed disappointment in the group's belief that their views differ from his own, and from those in the broader University community. He emphasized his commitment to achieving the goals of equity, diversity, and a welcoming campus climate.

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

REPORT OF THE CHAIR

Chair Beeson recognized the Regents who are leaving the Board: Regents Allen, Frobenius, and possibly Simmons. He expressed his gratitude for their service and for their friendship during his tenure. Beeson opened the floor to his colleagues to offer their comments and reflections.

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 All-University Honors Committee recommendation forwarded in a letter from President Kaler dated February 5, 2015;
- Summary of Gifts through December 31, 2014; and
- Summary of Expenditures.

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

2014 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Chair Beeson invited President Kaler and Senior Vice President and Provost Hanson to present the 2014 *University Plan, Performance & Accountability Report* (Report) for action, as detailed in the docket.

Hanson explained that this year's report highlights quantitative and qualitative data that demonstrate the University's success in remaining accessible, attracting outstanding students, offering a great student experience, graduating students prepared for success, conducting breakthrough research, engaging with communities, and being a productive and efficient organization. She pointed out that only minor adjustments had been made to the report, which was previously brought to the Board for review.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the 2014 *University Plan, Performance & Accountability Report*.

**BOARD OF REGENTS POLICY:
APPOINTMENTS TO ORGANIZATIONS AND BOARDS**

Chair Beeson invited Executive Director Brian Steeves to present for action proposed amendments to Board of Regents Policy: *Appointments to Organizations and Boards*, as detailed in the docket materials.

Steeves noted modifications to the draft policy since review by the Board at its December 12, 2014 meeting. The policy now includes a special selection committee to review nominations for the University of Minnesota Health Board of Governors and the Fairview Health Services Board of Directors. Additionally, a new proposed subdivision for UMore Development LLC has been removed given pending Board action.

A motion was made and seconded, and the Board of Regents voted unanimously to adopt proposed amendments to Board of Regents Policy: *Appointments to Organizations and Boards*, as follows:

Appointments to Organizations and Boards

SECTION I. SCOPE.

This policy governs Board of Regents (Board) appointments to selected organizations and boards that advance the teaching, research, and outreach mission of the University of Minnesota (University).

SECTION II. BOARD AUTHORITY.

The Board shall appoint some or all of the members of the organizations and boards listed in Section III.

SECTION III. ORGANIZATIONS AND BOARDS.

For subdivisions 1 and 2, the Board chair shall appoint a special selection committee consisting of three Regents to review nominations made by the president and recommend action to the full Board.

Subd. 1. Board of Governors, University of Minnesota Health.

Selection of Appointees: The Board selects appointees for appointment by University of Minnesota Physicians to the Board of Governors.

Nominations: The president, in consultation with the vice president for health sciences and dean of the medical school, recommends appointees to be selected by the Board.

Number of Appointments: Half of the Board of Governors (no fewer than 2 and no more than 6), including the dean of the medical school as an ex officio voting governor.

Appointment Schedule: As needed.

Appointment Term: 3-year, staggered terms.

Reference: *Operating Agreement of Integrated Structure, LLC (2013)*.

Subd. 2. Board of Directors, Fairview Health Services.

Nominations: The president, in consultation with the vice president for health sciences and dean of the medical school, recommends nominees to the Board.

Number of Appointments: 1 plus 2 ex officio. If the Fairview Board of Directors determines that a seventh at large member is to be appointed to the Board of Directors, then the Board of Regents shall nominate a community member for that position, subject to election by the Fairview Board of Directors.

Appointment Schedule: December of each year in which there is a vacancy or reappointment needed.

Appointment Term: 3-year term.

Reference: *Seventh Restated and Amended Bylaws of Fairview Health Services (2012)*.

Subd. 3. Board of Trustees, University of Minnesota Foundation (UMF).

Nominations: The Board chair, in consultation with the president, recommends nominees to the Board. UMF Board also may provide recommendations.

Number of Appointments: UMF Board - Board appoints the president and additional individuals (no more than 3 Regents) to constitute no less than one-fourth of UMF Board membership.

UMF Executive Committee - Board appoints the president and 3 additional individuals who are UMF trustees.

UMF Audit Committee - Board appoints 2 individuals who need not be UMF Board members.

Appointment Schedule: Annually in October.

Appointment Term: 3 years, unless ex officio member.

Reference: *University of Minnesota Foundation/University of Minnesota First Amended and Restated Memorandum of Understanding (May 17, 2005)*.

Subd. 4. Board of Trustees, Minnesota Landscape Arboretum Foundation.

Nominations: The president recommends nominees to the Board.

Number of Appointments: The Board appoints one-fourth of trustees.

Appointment Schedule: June of each year in which a vacancy occurs.

Appointment Term: 3 years.

Reference: *Memorandum of Agreement (August 29, 1991)*.

Subd. 5. Board of Trustees, Hormel Foundation.

Nominations: The president, in consultation with the vice president for research, recommends nominees to the Board.

Number of Appointments: 1 member.

Appointment Schedule: As needed.

Appointment Term: In the event of a vacancy.

Reference: *Collaboration Agreement (2011)*.

Subd. 6. Advisory Board, Hormel Institute.

Nominations: The president, in consultation with the vice president for research, recommends nominees to the Board.

Number of Appointments: The Board appoints 3 members.

Appointment Schedule: In the event of a vacancy.

Appointment Term: Continuous.

Reference: *Collaboration Agreement (2011)*.

Subd. 7. Eastcliff Advisory Board.

Appointments: The Board chair appoints a Regent to serve as chair.

Appointment Schedule: July of odd years.

Appointment Term: 3 years.

Reference: *Eastcliff Advisory Board Bylaws (February 14, 2014)*.

Subd. 8. Eastcliff Technical Advisory Committee.

Appointments: The Board chair appoints the chair from committee membership.

Appointment Schedule: As needed.

Appointment Term: Indefinite.

Reference: *Eastcliff Technical Advisory Committee Bylaws (February 14, 2014)*.

SECTION IV. NOMINATIONS.

With the exception of Eastcliff committees, the boards and organizations in Section III shall notify the Office of the President when nominations are required to fill vacant positions so that the Board may take appropriate steps to fill the vacancy and process the appointment. Recommendations regarding appointments under this policy shall be forwarded to the Board in alignment with docket deadlines as published by the Board Office. Nominations shall be presented for review and action in the same month.

SECTION V. BYLAWS.

Upon request, organizational documents, including articles and bylaws, shall be provided to the Board Office.

RESOLUTION RELATED TO THE REORGANIZATION OF UMORE PARK DEVELOPMENT PROJECT

President Kaler explained that current planning and development activities for the University of Minnesota Outreach, Research and Education Park (UMore Park) began in 2006. In 2008, the Board adopted a master concept plan and vision for UMore Park, and also authorized gravel mining on a portion of the property.

Kaler recognized City of Rosemount officials, Mayor Bill Droste and City Administrator Dwight Johnson, who were present in the audience.

Kaler offered that while much progress has been made in readying the property for development, market changes since the 2008 recession cause it to be both timely and necessary for the University to reconsider its strategy. He explained that in October 2014, he charged a group of University leaders with responding to six questions related to outstanding issues and questions and to make recommendations about the future of UMore Park.

Kaler introduced Richard Pfitzenreuter, Vice President and Chief Financial Officer; Pamela Wheelock, Vice President, University Services; William Donohue, General Counsel; and Brian Buhr, Dean, College of Food, Agriculture and Natural Resources Sciences to discuss their findings about the financial impact of agricultural research, pollution remediation and other matters related to development activities, as detailed in the docket

Donohue reported that the total cost associated with addressing presently known environmental releases and removal of all above- and below-grade concrete structures to facilitate the level of redevelopment contemplated in the UMore Park Concept Master Plan is estimated at \$20-28 million. The group recommends that the University complete only the remediation required by the Minnesota Pollution Control Agency at this time, with further cleanup awaiting future market-driven redevelopment or sale.

Buhr stated that research at UMore Park generates significant external funding for the University. In 2014, 518 acres of land were used for research trials supported by grants totaling \$6.3 million. Over the 40-year life of the gravel mining contract, the loss of agricultural research at UMore Park represents a present value loss of \$71.4 million. The group recommends that the University pursue options with Dakota Aggregate to shield more critical research plots from mining activity for a longer period of time than outlined in the current contract.

Pfitzenreuter described that long-term development of UMore Park will require significant relocation expenditures and lost income. These costs would be spread across the estimated 40-50-year development horizon. The group recommends that the University not be directly involved in vertical development, and only undertake horizontal development in an exceptional circumstance where a clear financial benefit exists.

In response to questions from Regent Johnson, Pfutzenreuter emphasized that the relationship with affected local units of government was strong. Mayor Droste came forward to note support for the resolution.

Regent Beeson reiterated that the Board reserves the right to approve future development agreements and land sales. He noted that the resolution provides strong direction regarding research on the site.

Regent Brod commented that the resolution represents the right approach for the strategic change needed regarding UMore, adding that the new direction is much more mission-focused.

Regent Frobenius referenced years of Board action regarding UMore and offered that development of the parcel was a perennial concern of past Boards. He noted that the proposal allows the University to remain in charge of UMore without funding development and implements a critically needed market test regarding potential projects.

Regent Simmons offered a reminder that an earlier Board had established principles governing UMore. She shared a few of those principles, noting that the proposal aligns with them.

Regent Allen acknowledged that the UMore project had not turned out exactly as originally planned but expressed hope that the experience would not dampen the institution's appetite for trying new things.

Regent McMillan commented that the proposal rightfully honored key stakeholders and agricultural research long-term. He voiced concern about the project being a distraction for the president's senior team, stating that the University needs to become more focused on research and remain focused on teaching and outreach.

Regent Devine offered that while the proposal sets a direction for the future of UMore, there was still much to evaluate. He asked for greater clarity on staffing and budgeting, and questioned whether the proposal closes the door on the preservation of land to support the University's land grant mission.

Regent Lucas reiterated the potential of UMore Park to benefit the University and added her desire that the Foundation's real estate office be leveraged regarding UMore land decisions going forward.

The Board of Regents voted unanimously to approve the Resolution Related to the Reorganization of UMore Park Development Project, as follows:

WHEREAS, the University embraces UMore Park as a unique development and research opportunity in the region; and

WHEREAS, the University of Minnesota's primary focus is its historical commitment to the people of the State of Minnesota to deliver what the University does best: teaching, research and public service; and

WHEREAS, UMore Park represents a valuable asset that should be used to advance University teaching, research and public service mission and future sale and development of UMore Park land will achieve this goal; and

WHEREAS, the primacy of the University's mission, market conditions and financial realities have compelled the University to embark on a revised vision and strategy for UMore Park aimed at maximizing financial return, avoiding direct financial risk and reflecting the University's values; and

WHEREAS, the future development of UMore Park should be market-sensitive and delivered through market-based projects that represent the highest and best use of the land; and

WHEREAS, the activities, expertise and commitment of UMore Development LLC and its Board of Governors have materially assisted the University in beginning gravel mining operations and in its planning for the development of the land in Rosemount; and

WHEREAS, the president has determined that the University's interest in UMore Park are now best be served and maximized by allowing market forces and private actors to more directly affect the development of the land and therefore the need for the UMore Development LLC to lead future planning is diminished;

NOW, THEREFORE, BE IT RESOLVED that

a) UMore Park will become a vibrant, market-driven community for residents and business.

b) UMore Park development will proceed in stages spread across decades, focusing first on those parcels most ready to be developed.

c) The University will prioritize retention of land determined to be essential for fulfilling our research mission, based upon academic research needs.

d) UMore Park development that is market-based and led by business, commercial and residential real estate developers will produce the highest potential financial return to the University over time.

e) Opportunities to incorporate the original Concept Master Plan (2008) vision will be considered when executing transactions involving the sale of UMore Park land, but only to the extent that there is a private market demand for such elements and that such concepts serve to protect or enhance the development value of the remaining site.

f) The University will maximize its financial return selling land at UMore Park through public processes, at competitive prices, benchmarked to market rates.

g) To achieve the highest value, the University will engage with city, county and townships and private developers in the planning of, and participation in, development projects at UMore Park.

h) To protect the future value of the entire property, the University will be actively engaged with local jurisdictions and private parties in ensuring that development projects at UMore Park protect and enhance the value of subsequent development stages. Key strategies to achieve that goal may include site plan review to ensure that infrastructure, open spaces and amenities plans meet long-term development goals.

i) The University will not take a direct role in vertical development activities. It may participate in horizontal development on an exceptional basis but only to the extent required to achieve a clearly identified University need or to address a University responsibility as part of a broader development activity, and when such participation is also financially advantageous with an acceptable return on investment.

j) All land sale proposals must be approved by the Board of Regents. The University intends to advance proposals that are economically sound, compatible with the vision articulated in this resolution, reflective of private sector demand, and in alignment with adjacent community needs, desires, and standards.

k) Net proceeds derived from the mining of gravel and from land sale transactions will be deposited into the Legacy Endowment as directed by the Board of Regents in 2009.

NOW, THEREFORE, BE IT FURTHER RESOLVED that the Board of Regents authorizes and approves the dissolution of the UMore Development LLC and authorizes, empowers and directs the President to take all acts necessary including executing and delivering instruments in the name of the University, to realize this outcome.

**OVERVIEW OF THE GOVERNOR'S BLUE RIBBON COMMITTEE ON THE
UNIVERSITY OF MINNESOTA MEDICAL SCHOOL AND
RESOLUTION RELATED TO FY 2016-17 BIENNIAL BUDGET REQUEST**

President Kaler introduced Dean Jackson, who provided an overview of the Governor's Blue Ribbon Committee on the University of Minnesota Medical School, as detailed in the docket. He explained that the governor created the Blue Ribbon Committee to advise on future strategies to strengthen the position of the University's Medical School by ensuring the School's national preeminence; sustaining the University's national leadership in health care research, innovation, and service delivery; expanding the University's clinical services; and addressing the state's health workforce needs.

Jackson reminded the Board that the governor included \$30 million for the University of Minnesota Medical School in his FY 2016-17 biennial budget proposal. This funding will be used to develop medical discovery teams into which tenure-track faculty will be hired, thus helping raise National Institutes of Health (NIH) funding for the University. Funds will also be directed toward research infrastructure investment and expanding rural and statewide medical programs, clinics, and facilities. The proposal also includes support for the University's Healthy Minnesota request.

Pfutzenreuter reported that the University's 2016-17 biennial budget request, previously approved by the Board at its October 10, 2014 meeting, has increased by \$21 million. This change reflects a decrease in the Healthy Minnesota request and includes the \$30 million proposed by the governor.

In response to a question from Regent Simmons, Jackson explained that interim operating costs would be offset by the goal of recruiting top faculty to the school. The University intends to cover the initial costs through grants and NIH funding resulting from a focus on team hires and acquiring top talent. He further detailed that the success of the institution will then lead to additional funds through increased philanthropy and more industry advancements such as patents and royalties. In response to Jackson's explanation, Simmons reminded the Board that the timeframe is longer for the return on investment and that patience is important.

In response to a question from Regent Devine, Jackson agreed that the University of Minnesota Medical School has a strong relationship with Mayo. He added that the proposed team hires will be open to continued collaboration and will partner with anyone they feel is necessary for success.

In response to a question from Regent Frobenius, Jackson addressed the plan for residency funding and assignment of residents to specialties. He emphasized that there is support for a model in which residency decisions are administered by the supporting institution, not the hospitals. This model will ensure the best allocation of residents based on the needs of the state.

In response to a question from Regent McMillan, Kaler indicated that it was too soon to tell what will come in the governor's final budget.

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

WHEREAS, the Governor of the State of Minnesota issued an Executive Order on July 30, 2014 establishing the Governor's Committee on the University of Minnesota Medical School; and

WHEREAS, this committee consisted of a Blue Ribbon Commission of members including Dean/VP Jackson, Medical School faculty, health system leaders, health providers, state officials and legislators; and

WHEREAS, this Blue Ribbon Commission was charged with developing recommendations to ensure the Medical School's national preeminence by attracting and retaining world-class faculty, staff, students, and residents; sustain the University's national leadership in health care research, innovation, and service delivery; expand the University's clinical services to strengthen its ability to serve as a statewide resource for providers and patients, as a training site for health professional students and residents, and as a site for cutting-edge clinical research; and to address the state's health workforce needs to serve Minnesota's broad continuum of health care needs, including primary care, a growing aged population, and increased chronic health needs; and

WHEREAS, the Blue Ribbon Commission issued a report in January 2015 recommending seven strategies to meet this charge, including investments in research, faculty recruitment, workforce development, and facilities; and

WHEREAS, Governor Dayton has proposed \$30 million in FY 2016-17 for the University of Minnesota Medical School to hire top researchers (Medical Discovery Teams), support clinical research support services, and invest in physician training programs that benefit rural underserved communities; and

WHEREAS, this funding will allow the Medical School to hire 50 new researchers, 8 researchers in FY 2016-17 and 10 per year thereafter, increase NIH grant awards, and improve the ranking of the Medical School;

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2016-17 biennium be amended to include support for the Governor's proposal for \$30 million to the University of Minnesota Medical School in the FY 2016-17 biennium; and

BE IT FURTHER RESOLVED that the Healthy Minnesota request that is part of the University's 2016-17 request is reduced by \$9,000,000 for the biennium by removing the clinical research support services, which are instead included in the Governor's proposal. The amended Healthy Minnesota request will now be for a general fund appropriation of \$7,500,000 in fiscal year 2016 and \$18,000,000 in FY 2017 for a biennial total of \$25,500,000 for health professional workforce and new models of health promotion and care initiatives.

**ECONOMIC DEVELOPMENT: HOW THE UNIVERSITY IS
ENHANCING INDUSTRY PARTNERSHIPS**

Vice President Herman introduced Maura Donovan, Executive Director of the Office of University Economic Development (UED), to explain how UED is implementing goals set out by the University's research strategic plan, as detailed in the docket. These goals are to expand economic development and external engagement, reengineer public-private partnerships, and

showcase the economic impact of University research. She noted that these goals directly align with UED's mission, which is to strengthen the University's ties to business and community partners and to help grow and diversify Minnesota's economy.

Donovan detailed a number of UED initiatives implemented over the past year. They include partnerships with the University of Minnesota Foundation to co-lead the Corporate Engagement Workgroup and facilitate a university-wide, strategic approach to corporate engagement; with U of M Extension to form an Economic Development Network to provide a collaboration forum for units and centers engaged in economic development activities throughout Minnesota; and with the Minnesota Department of Employment and Economic Development to support business retention, expansion and recruitment efforts across the state. She noted that the goal is to reinforce UED's role in connecting statewide partners with University capabilities and build relationships that reinforce collaborative economic development.

Moving forward, UED will work to increase external connections, develop new partnerships and emphasize strategic engagement with key businesses, corporations and industries.

In response to a question from Regent Allen, Donovan explained that the UED portfolio process of tracking companies is helping them gain a better understanding of the types of businesses interested in collaborating with the University. She described the way UED is working with smaller businesses to discuss their widely varying needs.

UPDATE ON NCAA REFORMS

President Kaler introduced the topic of National Collegiate Athletic Association (NCAA) reforms, as detailed in the docket. He asked Norwood Teague, Director of Intercollegiate Athletics, and General Counsel William Donohue to provide additional information. Teague reported on the changes to NCAA legislation related to the newly formed Autonomy Group, which is 65 schools belonging to five major Division I conferences, including the Big Ten.

Teague described changes to NCAA rules and policies as put forward by the Autonomy Group. Under new rules, financial aid is to be awarded for tuition and fees, room and board, and books, in addition to other expenses related to attendance at the institution such as transportation. He noted that the new rules also require a more stringent concussion safety protocol and approval of each school's protocol by the NCAA Concussion Safety Protocol Committee. Teague added that the new rules allow a student to purchase insurance for loss of value, in addition to disability, injury or illness, and prohibit the reduction or nonrenewal of a student-athlete's financial aid for athletic reasons.

Donohue detailed the status and potential impact of several lawsuits involving college athletics, including *O'Bannon v. EA Sports and NCAA*, which addresses using an athlete's image or likeness in video games. He noted that the University has identified 512 affected student-athletes and submitted their names for review by the class administrator, who will determine if they are eligible for compensation. Another suit – *Jenkins v. NCAA* – seeks to invalidate all restrictions on compensation for student-athletes. Donohue also explained the NCAA Concussion Litigation, in which several concussion lawsuits have been consolidated into one case against the NCAA. A settlement was reached in the case but rejected by a judge; the case is ongoing. Donohue also reported on the effort underway by Northwestern football players to unionize and be recognized as employees.

In response to a question from Regent Lucas, Teague explained that the cost of attendance among peer institutions varies widely, and that the University is in the middle.

In response to a question from Regent Brod, Donohue emphasized that if the Northwestern players are found to be employees, many implications beyond compensation and unionization will need to be addressed.

In response to a question from Regent Johnson, Teague reported that he has not heard much conversation among the University's student-athletes about the new rules or pending lawsuits. He described the students as being more focused on their academic and athletic performance than on NCAA rulings.

Responding to a question from Regent Omari, Teague stated that he was unsure how popular the new loss of value insurance would be. He explained that only a few athletes have taken advantage of the insurance. He speculated that use of the insurance will be related to which companies participate.

REPORT OF THE AUDIT COMMITTEE

Regent Brod, Chair of the committee, reported that the committee reviewed the external auditor's final report and letter to management; discussed the internal audit quality assurance report; received an internal audit update; and heard a presentation on perspectives on governance and trends in higher education from a senior partner with Deloitte & Touche LLP.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent McMillan, Chair of the committee, reported that pursuant to notice sent by the University, the Litigation Review Committee met on February 12, 2015. A resolution was considered and passed that authorized the closing of the meeting. In the closed meeting a discussion was held of matters subject to the attorney-client privilege.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of amendments to the FY 2015 Capital Budget as presented to the committee and described in the February 12, 2015 minutes:
 - 1. Design of Intercollegiate Athletics Athletes' Village (Twin Cities Campus).

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

Allen reported that the committee also reviewed the annual update on sustainability in operations; discussed long-range planning through balancing stewardship, focus, and growth; and reviewed a number of information items outlined in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the February 12, 2015 committee minutes.

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

Frobenius reported that the committee also considered a proposed scholarship program pilot for the Crookston campus; discussed human resources needs in the College of Liberal Arts; reviewed the results of the 2014 employee engagement survey; heard an update on workforce metrics; and received a number of information items outlined 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 February 12, 2015 committee minutes.

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

Simmons reported that the committee also discussed balancing UMTC strategies around enrollment and financial aid; heard about diversifying faculty through the C.L.E.A.R. evidence based-strategies; and discussed academic support and performance of UMTC student-athletes.

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 February 12, 2015 committee minutes.
- b) Approval of the budget amendment for the Enterprise System Upgrade Program.

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

McMillan reported that the committee also reviewed the following annual reports: the investment performance and peer benchmarking report, the capital finance and debt management report, and the insurance and risk management report.

REPORT OF THE SPECIAL COMMITTEE ON ACADEMIC MEDICINE

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

The meeting adjourned at 11:49 a.m.



BRIAN R. STEEVES

**Executive Director
and Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
February 12, 2015**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, February 12, 2015 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: Chancellors Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Bernard Gulacheck.

Student Representatives present: Hannah Keil and Callie Livengood.

BALANCING UMTC STRATEGIES AROUND ENROLLMENT AND FINANCIAL AID

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, to report on and discuss key strategies regarding enrollment management and financial aid on the Twin Cities campus, as detailed in the docket.

McMaster outlined enrollment management principles and explained that another set of principles guides financial aid. He reported that enrollment management has evolved into more than admissions decisions but is linked to financial aid strategies, student success, and quality. The enrollment process begins with a discussion between the Provost and college deans to evaluate admissions, retention and graduates to arrive at enrollment goals.

McMaster described a population shift that anticipates a dramatic decline in high school graduates in Minnesota and much of the Midwest and Northeast over the next 10 years. In response, the University will have to recruit nationally and internationally to sustain enrollment. He reminded the committee that a campus visit remains one of the top decision factors for prospective students.

McMaster outlined typical need-based financial aid packages at various income levels. He reported that gift aid is increasing and loans are decreasing. He also noted an increase in the number of students graduating with no debt, from 35 percent in 2009 to 39 percent in 2014.

McMaster shared the various sources and amounts of merit aid such as admission scholarships, tuition waivers, and athletic scholarships, as well as need-based aid such as Pell, U of M Promise grants, and other scholarships. He revealed that the ratio is approximately 32 percent merit-based and 68 percent need-based.

In response to a question from Regent Devine, McMaster argued that the four-year graduation rate is not lagging but is actually experiencing a rapid increase compared to peer institutions. He added that while the number of applications continue to rise, the University is competing with highly ranked schools that may offer more robust financial aid packages to recruit the top students.

In response to a question from Regent Omari, McMaster noted that the proportion of racially diverse students is similar at around 20 percent for both incoming freshman and transfer students.

In response to a question from Student Representative Livengood, McMaster indicated that most financial aid packages are directed toward incoming freshman rather than transfer students. Hanson added that transfer students would be eligible for money within the colleges.

In response to comments by Regents, a discussion ensued around the balance of merit versus need-based aid. Regents discussed the difficulty of balancing a desire to increase need-based aid with the importance of maintaining enough merit aid to attract top students.

DIVERSIFYING THE FACULTY: C.L.E.A.R. EVIDENCE-BASED STRATEGIES

Provost Hanson invited Vice President Katrice Albert and Michael Goh, Associate Vice Provost, Office for Equity and Diversity, to report on the University initiative called C.L.E.A.R. to prioritize the recruitment and retention of the best diverse scholars, as detailed in the docket.

Albert outlined the University's Equity and Diversity Vision Framework, noting a gap in engagement between white and diverse faculty. She noted that structural diversity and college climate were the two main concerns cited by diverse faculty. She suggested a need to move from recruiting to attracting diverse faculty along with a shift from retaining diverse faculty to helping them thrive.

Goh outlined the C.L.E.A.R. initiative, a set of best practices for attracting diverse, field-shaping faculty to the University. The C.L.E.A.R. initiative focuses on composing diverse search committees, countering implicit bias, advertising positions through networks and referrals, and fostering relationships during campus visits.

In response to a question from Regent Omari, Albert stated that alignment across the institution and the infusion of bridge funding are creating stronger momentum than has been seen in the past. Hanson added that efforts are multipronged and at every level of the institution.

In response to a question from Regent Devine, Albert recounted the importance of the campus visit in enrollment decisions. She shared that a VIP weekend experience is being planned for high-performing ethnic minority students to visit campus.

ACADEMIC SUPPORT AND PERFORMANCE OF UMTC STUDENT-ATHLETES

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, and Lynn Holleran, Director, McNamara Academic Center for Student-Athletes (MAC), to report on the mission, structure, services, and oversight of the MAC, as detailed in the docket.

McMaster outlined the governance and monitoring structure for the MAC. He described the checks and balances in place around reporting to ensure appropriate oversight related to academic integrity and compliance with National Collegiate Athletic Association (NCAA) regulations.

Holleran shared a brief history of the MAC and explained its organizational structure and services, including academic support, advising, and student development. She highlighted the six-year graduation rate for student-athletes as compared to all students over a 13-year period. Holleran noted the volatility of the rate given the small number of student athletes, but added that in 10 of the 13 years student-athletes had a higher graduation rate than the overall

University student body. She also shared the Graduation Success Rate, a measure used by NCAA Division I schools, noting that a steady increase has moved the University from the bottom to near the top as compared to its Big Ten peers.

Holleran explained how the NCAA calculates the Academic Progress Rate, a measure of term-by-term eligibility and retention of student-athletes. The number is an early indicator of eventual graduation rates and is used by the NCAA to decide whether schools are eligible for post-season play.

She also shared some of the challenges facing the MAC, in particular the occurrence of “clustering,” which occurs when student-athletes represent a disproportionate number of students in a particular course, program, or college. For example, 30 percent of student athletes are enrolled in the College of Education and Human Development (CEHD) compared to only 8 percent of the overall student body. Holleran explained that in this example, the disparity is driven by the program offerings in CEHD that appeal particularly to student-athletes, such as Kinesiology and Sport Management.

CONSENT REPORT

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

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

- Labovitz School of Business and Economics (Duluth campus)—Create a Bachelor of Business Administration (B.B.A.) degree in Financial Planning
- College of Education and Human Service Professions (Duluth campus)—Create undergraduate minor in Early Childhood Studies
- College of Liberal Arts (Duluth campus)—Create undergraduate minor in Lesbian, Gay, Bisexual, Transgender, and Queer Studies
- Labovitz School of Business and Economics (Duluth campus)—Create undergraduate minor in Entrepreneurship
- Morris campus—Create B.A. degree in Human Services with sub-plans in General, Criminal Justice, Human Development, and Social Justice
- Morris campus—Create undergraduate minor in Creative Writing for non-English majors
- Crookston campus—Create a B.S. degree in Agricultural Education

- **Request for Changes to Academic Programs**

- College of Design (Twin Cities campus)—Discontinue sub-plans in Retail Merchandising – General Emphasis and Retail Merchandising – Apparel Emphasis
- College of Education and Human Development (Twin Cities campus)—Create sub-plans in Science, and Second Languages and Cultures within the M.Ed. degree in Teaching
- College of Education and Human Development (Twin Cities campus)—Discontinue sub-plans in Chemistry, Earth Science, General Science, Life Science, and Physics within the M.Ed. degree in Teaching

- College of Education and Human Development (Twin Cities campus)—Discontinue sub-plans in Arabic, Chinese, English as a Second Language, French, German, Hebrew, Japanese, Italian, Latin, Norwegian, Ojibwe, Polish, Russian, Spanish, and Swedish within the M.Ed. degree in Teaching
- School of Fine Arts (Duluth campus)—Create sub-plans in Applied Dance and Dance Studies within the undergraduate minor in Dance
- Morris campus—Change the name of the minor in African American Studies to African and Black American Studies
- Morris campus—Create sub-plan in Creative Writing within the B.A. degree in English
- **Request for Approval of Discontinued Academic Programs**
 - College of Liberal Arts (Duluth campus)—Discontinue the minor in Cultural Studies
 - Morris campus—Discontinue B.A. degree in Liberal Arts for the Human Services

The meeting adjourned at 4:00 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee
February 12, 2015**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, February 12, 2015, at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

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

Student Representatives present: Aashka Joshi and Jesse Mara.

**EXTERNAL AUDITOR'S REVIEW OF COMPLETED AUDIT WORK
AND LETTER TO MANAGEMENT**

Regent Brod invited Associate Vice President Volna along with Kirsten Vosen and Katie Knudtson from Deloitte & Touche LLP (Deloitte) to present the external auditor's review of completed audit work and letter to management, as detailed in the docket.

Knudtson reported that Deloitte had completed the Federal A-133 compliance audit, the Minnesota Office of Higher Education financial aid programs examination, and the National Collegiate Athletic Association (NCAA) agreed-upon procedure engagement. No findings were indicated for any of the audits.

Knudtson stated that Deloitte audited student fees with agreed-upon procedures. The audit looked at 24 student organizations with respect to financial affairs and accounting records. Deloitte communicated to management that there was a lack of underlying account reconciliations and a lack of consistency in supporting documentation. Knudtson added that the findings are consistent with prior years and there is no real concern.

Knudtson also detailed audits of Weisman Art Museum and Northrop Auditorium. Deloitte issued management recommendations resulting from the two audits that focused on reporting depreciation expense at the unit level. Knudtson indicated that this was not a control issue, but rather a recommendation. Volna noted that the University is taking steps to ensure that depreciation expense is reflected in the individual units.

In response to a question from Regent Omari, Knudtson commented that the challenge with student organizations is turnover in leadership from year to year. She noted that student organizations with recurring issues are identified for a full-scope audit, and that Deloitte provides training for those organizations before an audit begins. Knudtson indicated that she has seen improvement over the past three years. Vosen offered that this type of audit is unique in higher education across the country, and Volna added that student fees covers a wide variety of organizations of various sizes, from large organizations to small clubs.

OMB UNIFORM GUIDANCE AND ITS IMPACT ON THE UNIVERSITY

Regent Brod introduced Associate Vice President Webb and Assistant Controller Sue Paulson to present on OMB Uniform Guidance and its impact on the University, as detailed in the docket.

Webb explained that the United States Office of Management and Budget (OMB) has combined many documents on sponsored research into a single guidance document for use by all federal agencies. This document is known as Uniform Guidance. Uniform Guidance went into effect on December 24, 2014 and aims to use metrics to balance the goals of reducing fraud, waste, and abuse against streamlined reporting processes and regulations. Webb detailed the University's Uniform Guidance implementation plan, which has been active since December 2013 and will continue through 2016. She noted significant changes that will take place over the next year now that Uniform Guidance has taken effect.

Paulson laid out the five areas changed under Uniform Guidance that will have the greatest impact on the University: direct charges, sub-awards, award closeout, procurement, and dependent care. She explained that administrative charges and costs could be charged to the grant if considered integral to the research. Paulson further explained that "micro purchases" – or those purchases of \$3,000 to \$10,000 – would now require a competitive bidding process. She noted that current University policy only requires competitive bidding for purchases above \$10,000, and that the University will have until July 2016 to change its practice.

In response to a question from Regent Allen, Paulson explained that the new regulations will create new tension between principal investigators and University administration. She noted that faculty members are concerned that overhead costs will to be charged to their grants, compared to the current practice of units covering that overhead.

In response to a question from Regent Simmons, Webb stated that the new regulations will eventually stabilize but will cause adjustment issues over the short term. She noted that the new focus on metrics will allow the University and others to demonstrate when a regulation is ineffective, possibly creating a better environment for change. Webb cautioned that since the regulations are so broad, it will take time for changes to be implemented.

In response to the questions from Regents, Kaler clarified that it is not an issue of differential indirect cost rate, but the ability to charge administrative support directly to a grant. He added that faculty members would prefer the University to provide that support, but the University frequently does not have the resources to provide a trained administrative assistant. As a result, a researcher may have a student worker performing administrative tasks. Kaler pointed out that the change will allow faculty members to pay for professional administrative support, which may increase their productivity since less time will be spent training and overseeing student workers. He offered his belief that the change would do more good than harm. Paulson added that the University has been asking for this ability for quite some time.

INTERNAL AUDIT QUALITY ASSURANCE REPORT

Associate Vice President Klatt invited Don Espersen, member of the external review team, to present the internal audit quality assurance report, as detailed in the docket.

Klatt explained that per professional standards, the Office of Internal Audit is required to perform a self-assessment and quality assurance report every five years. The members of the review team assembled to perform the review have significant experience performing these types of reviews across industries and around the world, including for many of the top audit firms. The review team included individuals who are seen as the leading experts in the field.

Espersen explained that the review team was charged with reviewing the self-assessment performed by the Office of Internal Audit and validating the results. He pointed out that the

self-assessment was rigorous and the Office of Internal Audit was conservative in its assessment. Espersen stated that the review team concurred with the overall results of the self-assessment, increasing one area – due professional care – to “generally conforms.”

Espersen noted that the review team was also asked to recommend areas that could be added to the continuous improvement plan for the Office of Internal Audit. Those areas include development of rating scales around the University’s risk management processes to enhance the consistency of judgments about risk and enable better allocation of resources; automated software to improve efficiency and ensure that time is spent on content, not process; perhaps reducing follow-up on audit issues in areas with a proven history of strong controls; and continued succession planning for management.

Espersen reported that the review team was very impressed, and commented that the office has a clear sense of purpose and excitement around their work, with an obvious culture of quality.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket.

Klatt reported that since the last update to the committee in September 2014, University departments implemented 36 percent of outstanding recommendations rated as “essential,” below the expected implementation rate of 40 percent. Five units fully implemented all their remaining “essential” recommendations. The report includes an updated control evaluation chart for each audit to show progress made on the “essential items.” Eleven audit reports containing 32 recommendations rated as “essential” were issued in the last five months.

Klatt highlighted two recently completed audits, the first dealing with the University’s top researchers and the second dealing with the Regents’ and president’s expenses. She noted that both returned excellent results. Klatt added that Internal Audit has begun a joint review with University of Minnesota Physicians.

PERSPECTIVES ON GOVERNANCE AND TRENDS IN THE HIGHER EDUCATION LANDSCAPE

Regent Brod invited Robert Kueppers, senior partner, Deloitte Center for Corporate Governance, Deloitte & Touche LLP, to lead a discussion on perspectives on governance and trends in the higher education landscape, as detailed in the docket.

Kueppers and the committee engaged in a broad discussion on the role of the audit function, risk oversight, governance best practices, insights on the regulatory environment of higher education, and key areas of transformation such as cost pressures, new types of students, and the rise of digital or blended learning. The committee also discussed how the audit function could be used to assess the performance of the new Twin Cities campus strategic plan.

The meeting adjourned at 9:48 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
February 12, 2015**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, February 12, 2015 at 10:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Jacqueline Johnson and Fred Wood; Vice President Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Michael Berthelsen and Stuart Mason.

Student Representatives present: Hannah Keil and Callie Livengood.

CAPITAL BUDGET AMENDMENT

A. Design of Intercollegiate Athletics Athletes' Village (Twin Cities Campus)

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

On recommendation of the President and the Vice President for University Services, the FY 2014 Capital Budget is amended to include the following project:

- Design of Intercollegiate Athletics Athletes' Village – Twin Cities Campus
- Scope of Project: Design services for a new 340,000 square foot Athletes' Village comprised of four buildings – a Center for Excellence, Basketball Practice Facility, Indoor Football Practice Facility, and Football Performance Center.
- Master Plan: The project is in compliance with the 2009 Twin Cities Campus Master Plan.
- Cost Estimate: \$15,000,000 for design services
- Capital Funding: External fundraising

Vice President Wheelock introduced Suzanne Smith, Assistant Vice President for Capital Planning & Project Management and Norwood Teague, Intercollegiate Athletics Director, to review the project.

Smith outlined the total project cost for the 340,000 square foot Athletes' Village as \$150 million, which will be funded by private donations. Short-term debt financing may be used to bridge timing differences between the actual receipt of donations and the construction timetable. She emphasized that the requested \$15 million capital budget amendment is for schematic design only and that a future request for approval to complete the project will be advanced when an approved financing agreement is reached.

Teague described the project rationale, including existing facility deficiencies, scheduling challenges in the existing venues, importance of new facilities to recruiting, and the benefits of a central hub for all student-athletes featuring academic and nutrition centers.

In response to a question from Regent Johnson, Teague stated that current facilities are a hindrance in recruiting, noting that they do not offer a nutrition center. He emphasized that the Center for Excellence will benefit all student-athletes. Wheelock added that any loss of parking will be addressed following completion of the design.

In response to a question from Regent Lucas, Teague explained that repurposing the Gibson-Nagurski complex is not included in the \$150 million projected project cost and will need to be part of a future phase.

The committee voted unanimously to recommend approval of the Design of Intercollegiate Athletics Athletes' Village – Twin Cities Campus.

ANNUAL UPDATE ON SUSTAINABILITY IN OPERATIONS

Vice President Wheelock introduced University of Minnesota Morris Chancellor Jacqueline Johnson and Shane Stennes, Sustainability Coordinator, to provide the annual report on sustainability, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Johnson described the importance of sustainability to the University's mission and highlighted its alignment with three areas of the Twin Cities campus strategic plan: address grand challenges, reciprocal engagement, and reject complacency. She cited the ability to capitalize on research efforts to address grand challenges such as global food security and climate change; reciprocal engagement efforts through outreach and extension such as students teaching communities about composting; and renewed impetus to reject complacency by seeking creative and innovative solutions with an eye toward the future.

Wheelock updated the committee on the work of the Systemwide Sustainability Committee, which has completed a project to make recommendations for advancing sustainability at the University and is now ready to advance concepts that will build understanding and competency, infuse sustainability practices into daily operations, and position the University as a sustainability leader. Discussion on implementation has begun at the senior leader level.

Stennes reported on the outcomes of energy efficiency and other operational improvements already in place. He shared that energy consumption is one of the largest contributors to the University's carbon footprint and each campus has developed a plan to reduce consumption. The Twin Cities campus has moved to LED lighting in buildings and parking ramps and upon completion, the Combined Heat and Power Plant is expected to reduce greenhouse gas emissions by 10-12 percent. Stennes also highlighted the success of waste diversion programs, student-led campus gardens providing produce for dining services, the bike commuter program that offers wellness benefits to employees, and the installation of 13 electric vehicle charging stations on the Twin Cities campus.

In response to a question from Regent Devine, Johnson explained that each campus has a chief sustainability officer and campuses are working to build previously student-led efforts into the administrative structure.

In response to a question from Student Representative Keil, Wheelock explained that priority setting begins with Board Policy: *Sustainability and Energy Efficiency* and ensuring that existing commitments such as the President's Climate Commitment are met.

LONG-RANGE PLANNING: BALANCING STEWARDSHIP, FOCUS, AND GROWTH

Vice President Wheelock and Michael Berthelsen, Associate Vice President, Facilities Management, reported on a revised approach toward long-range facilities planning by creating building-specific plans, as detailed in the docket.

Wheelock reminded the committee of the guiding principles outlined in the 2009 Master Plan. She shared maps detailing where building investments, decommissioning, and new construction have taken place on the Twin Cities campus since 2000.

Berthelsen introduced the new physical asset strategy, "A Plan for Every Building," which will enhance transparency and create a prioritized building-by-building plan. He outlined the two-stage process that will be used to assess a building and assign it to one of three categories: catch-up/keep-up, sustain, or dispose/replace. Stage One will evaluate current condition, expected renovation costs, space efficiency, historical value, and code issues. Stage Two will evaluate the adaptability and programmatic fit of a building.

In response to a comment from Regent Lucas, Wheelock agreed that the quality of buildings being constructed on the edge of campus for retail and housing is a concern as it influences the safety and attractiveness of the institution.

In response to a question from Regent Devine, Wheelock explained that gathering relevant data is the next step toward getting a picture of long-term needs. She noted that initial meetings with deans around program direction from a growth or pedagogy perspective will inform discussions around facility improvements or relocation.

In response to a question from Regent Allen, Berthelsen stated that when buildings are scheduled for improvements such as an HVAC or electrical upgrade now, colleges are consulted to coordinate improvements with any planned investments such as a lab renovation. The new strategy will ensure there is collective agreement between the colleges and University Services on whether a facility, or spaces within a facility, should continue to be improved.

INFORMATION ITEMS

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

- Update on TCF Bank Stadium Facility Use Agreement
- Update on Combined Heat and Power Plant

The meeting adjourned at 11:42 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
February 12, 2015**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, February 12, 2015 at 2:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Vice Presidents Kathryn Brown, Richard Pfitzenreuter, and Scott Studham; 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.

ANNUAL INVESTMENT PERFORMANCE: PEER COMPARISONS

Regent McMillan invited Associate Vice President Stuart Mason to provide an overview of the annual investment performance and peer benchmarking report, as detailed in the docket.

Mason reviewed the Annual Peer Benchmarking Report, which contains a summary of investment performance and asset allocation data relative to peer institutions for the fiscal year ending June 30, 2014. He highlighted the following:

- Consolidated Endowment Fund (CEF) investment performance of 20.4 percent ranked first among peer institutions.
- Drivers of performance included:
 - Venture capital managers who produced greater than 50 percent returns
 - Overweight to U.S. equity.
 - Underweight to international developed equity and to hedge fund managers, both of which significantly underperformed.
- Increased portfolio liquidity and an enhanced asset allocation framework position the endowment fund for continued success.

Mason also noted effective spending rates; CEF performance against National Association of College and University Business Officers (NACUBO) averages over time; comparison to other NACUBO institutions; a discussion of NACUBO asset allocations; comparison to Big Ten institutions; and a comparison of asset allocation. He explained that while venture capital helped to drive outperformance this year, the Office of Investments and Banking is working to lower the percentage of venture capital in CEF moving forward.

ANNUAL CAPITAL FINANCE AND DEBT MANAGEMENT REPORT

Regent McMillan invited Carole Fleck, Director of Debt Management, to provide the annual capital finance and debt management report, as detailed in the docket.

Fleck reported that as of June 30, 2014, the University's long-term outstanding debt was \$1,282,507,000, consisting of general obligation bonds, special purpose revenue bonds, commercial paper notes, auxiliary revenue bonds, infrastructure development bond obligations, and capital leases. The balance outstanding at June 30, 2014 of University supported debt (at par) plus capital leases was \$908,847,000.

Fleck reviewed guiding principles for issuance of debt, explained the debt management advisory committee structure, provided a long-term debt analysis, reviewed the University's capital structure, noted key financial indicators, and compared the University to peer groups. She discussed the institution's credit rating and debt capacity determinants, noting that an analysis of student demand, market position, and financial indicators places the University in a strong position. Fleck reported that the University is currently rated Aa1 by Moody's and AA by Standard and Poor's. While higher education as a whole has been downgraded, the University was given a stable outlook by both rating agencies.

In response to a question from Regent Brod, Fleck agreed that while higher education as a sector has been downgraded, the University is still considered stable due to its strong market position as Minnesota's only research and land grant university, as well as being a member of the Big Ten. The University continues to enjoy favorable student demand and research market positions, creating positive operating cash flow and debt service. Fleck noted that rating agencies expect that the University will be able to translate its brand and market strength into ongoing financial stability.

In response to a question from Student Representative Wentz, Fleck explained that Minnesota's high school enrollment has declined. Rating agencies have identified that as a challenge that the University will need to address to ensure that it continues to attract students from within and outside the state. Regent Allen added that flagship status helps counter the enrollment issue for the Twin Cities campus, but some of the other campuses may face challenges in attracting students. Regent Frobenius commented that while the University has a cushion, demographic trends are already affecting the Duluth campus and campuses in the Minnesota State Colleges and Universities System.

In response to a question from Regent Beeson, Fleck and Vice President Pfitzenreuter noted that there would be little change if the University were to move either way in the ratings given the current financial environment. Pfitzenreuter also pointed out that the current ranking is above what is required by Board of Regents policy.

ANNUAL INSURANCE & RISK MANAGEMENT REPORT

Regent McMillan invited Associate Vice President Volna and Steven Pardoe, Director of Risk Management and Insurance, to present the annual insurance and risk management report, as detailed in the docket.

Pardoe outlined the risk finance program structures, which include risk retention and risk transfer. He noted casualty insurance claims and operations costs covered by the Regents of the University of Minnesota Insurance Company (RUMINCO). Pardoe described the University's self-insured workers' compensation amounts and average over time. He stated current property insurance coverage and reported year-on-year savings from the property deductible change. Pardoe described the commercial insurance cost and the five-year total cost of risk across all areas.

Pardoe provided an update on FY 2014 projects in the Office of Risk Management (Risk Management) and reported FY 2015 priorities:

- Create a light duty return to work program.
- Continue to address back injuries from trash handling.
- Create coordination of evacuation services.

Volna added that current evacuation services coverage for students and employees falls under multiple programs. Risk Management is looking to merge the programs to create a seamless program and consider using RUMINCO to reduce the cost of this coverage.

In response to a question from Regent McMillan, Pardoe explained that insurance for information security breaches is still an emerging marketplace. He expressed a lack of confidence in the coverage and suggested that money spent on this type of insurance was not the best way to manage risk in the information security area.

In response to related questions from Regents Brod and Allen, Volna explained that students are required to take coverage when going overseas. Pardoe added that foreign partners are vetted, but some risk balance is needed since insurance standards vary depending on country.

ENTERPRISE SYSTEMS UPGRADE PROGRAM BUDGET

Regent McMillan invited Vice President Studham and Dennis Wenzel, Executive Program Director, Enterprise Systems Upgrade Program (ESUP), to present an amendment to the ESUP budget for review and action, as detailed in the docket.

Studham explained that the administration is seeking approval for a \$1,250,000 increase in the ESUP budget. The increase is the result of shifting the go-live date from February 2015 to April 2015 to better manage a number of risks identified at the December “Go / No Go” check point. Wenzel explained that the risks were related to the human resources work stream and inconsistencies in payroll distributions. The team is working to address the issues and will have additional “Go/No Go” check points in March.

In response to several questions from Regents, Studham indicated that it was not practical to run the old and new systems simulatenously. Vice President Pfutzenreuter explained that the enterprise system assessment on payroll would pay for the additional funding needed to reach the new go-live date. Studham stated that if ESUP failed to be ready for the April 2015 go-live date, the next go-live window would not be until October 2015.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Enterprise Systems Upgrade Program Budget.

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 Allied Blacktop Co., for \$4,500,000 (\$900,000 annually) for maintenance of Twin Cities campus asphalt surfaces (includes streets, parking lots, loading zones, etc.), as requested by Parking and Transportation Services (PTS), for the period of April 1, 2015, through August 31, 2019. PTS is self-funded through parking revenue, and has budgeted the cost of the contract into its annual budget. Vendor was selected through a competitive process.
- To Barrie, DiRozario, DiLorenzo (BDD) for up to \$1,500,000 for services provided in the development and implementation of the University's integrated marketing campaign for the period of March 1, 2015, through February 28, 2018, for University Relations. The integrated marketing campaign will be funded through O & M funds, identified as a line item in University Relation's budget process. Vendor was selected through a competitive process.
- To Cardinal Health for an estimated \$8,000,000 for the purchase of pharmaceuticals and related supplies for the period of March 1, 2015, through October 31, 2016, for Boynton Health Services Pharmacy. This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by University departments for pharmaceuticals. Vendor was selected through a competitive process.
- To Contemporary Services Corporation (CSC) for an additional \$3,500,000 for security and crowd management services for athletic facilities including TCF Bank Stadium, Williams Arena and Mariucci Arena for the period of February 2015 through July 31, 2016, for the Department of Intercollegiate Athletics. Security and crowd management services will be funded by department budgeted funds. Approximately \$880,000 will be invoiced to the Vikings, Minnesota State High School League, and concert promoters. Vendor was selected through a competitive process.
- To Identisys, Inc. not to exceed \$1,500,000 in cardstock, related supplies, and printer maintenance for the period of April 1, 2015, to March 31, 2018, with contract extensions through March 31, 2021 for the U Card Office. Funding is provided by participating campus departments operating funds. Vendor was selected through a competitive process.
- To The Kenwood Company for \$2,775,000 for maintenance of Twin Cities campus parking structure surfaces, as requested by Parking and Transportation Services (PTS), for the period of April 1, 2015, through August 30, 2019. PTS is self-funded through parking revenue, and has budgeted the cost of this contract into its annual budget. Vendor was selected through a competitive process.
- To OptumHealth for an estimated \$18,500,000 for stop loss insurance coverage for UPlan participants for an initial contract period of one year, beginning January 1, 2015, for the Office of Human Resources Employee Benefits, with five one-year options to renew. This contract will be funded out of the Fringe Benefits Recovery. 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:

- Annual Report on Central Reserves
- Quarterly Asset Management Report
- Semi-Annual Purchasing Report
- Debt Management Advisory Committee Update

The meeting adjourned at 3:49 p.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
February 12, 2015**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, February 12, 2015 at 10:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

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

Student Representatives present: Emily Caldis and Damien Carriere.

PROPOSED SCHOLARSHIP PROGRAM PILOT: UM CROOKSTON

Regent Frobenius invited Chancellor Wood and Vice President Brown to present the proposed scholarship program pilot for the Crookston campus, as detailed in the docket.

Brown reminded the committee about the Regents Scholarship program in Board policy and noted that Crookston employees seeking an advanced degree struggle to take advantage of the current scholarship program given their distance from the Twin Cities campus. She characterized the pilot program as largely an employee retention tool.

Wood stated that the pilot program for the Crookston campus would build on the standard policy explained by Brown. He noted that the main objective of the program was to develop and retain staff and faculty members who are interested in acquiring further education. The pilot program will allow selected faculty and staff to be reimbursed for graduate coursework taken at institutions closer to Crookston, including institutions in North Dakota. Similar to the Regents Scholarship, the employee would pay 25 percent of the cost. Wood added that reimbursements will be capped at \$5,000 per employee per year, paid out over time to encourage the employee to remain with the University. He explained that the pilot program will sunset after four years.

Brown noted that this is an administrative pilot that does not require Board approval. If the pilot were successful, a policy proposal would come to the Board to create a permanent program.

Regent McMillan voiced his support for the pilot program, but stressed that if the program is successful, a dialogue will be needed to explore how this program would extend to the other campuses.

In response to questions from Regent Simmons, Wood stated that the main goal for the program is both retention and recruitment of faculty and staff. Since faculty and staff at Crookston are often younger, the program will help those employees achieve graduate degrees. Wood added that the program is not an equal benefit for all employees since there will be a selection process. He also noted that the benefit will be taxable.

Regent Frobenius commented that he supports the program since it could help promote and build cooperative relationships between the University of North Dakota and the Crookston campus. Frobenius stated that a new model of cooperation and collaboration between those campuses' faculties is needed. Wood responded that Crookston is building a number of collaborative programs between the two institutions and will continue to work toward a cooperative relationship.

HUMAN RESOURCE NEEDS IN THE COLLEGE OF LIBERAL ARTS

Vice President Brown invited Dean John Coleman and Director Lisa Bachman of the College of Liberal Arts (CLA) to discuss human resource needs in CLA, as detailed in the docket.

Coleman walked through CLA's vision and roadmap for the future. He described the steps and timeline CLA is implementing to reach five major goals. In addition, he outlined the college's faculty and instructional staff, noting the number of tenured and tenure-track faculty, the percent of tenured and tenure-track faculty of color, and the percent of tenured and tenure-track faculty who are women. He also noted CLA's administrative and advising staff.

Coleman explained CLA's student demographics. The college is becoming smaller, but has seen a recent upward trend in transfer students. He noted that CLA's graduation rates have been improving, allowing students to leave earlier than in the past, which helps explain some of the reduction in size. Coleman stated that the science, technology, engineering, and mathematics (STEM) fields are gaining enrollment and that this enrollment shift has influenced faculty hiring and department funding. He stressed that CLA is looking to balance the needs of increased enrollment in certain areas with the University's missions of research, teaching, and outreach broadly in the liberal arts.

Bachman outlined the staff component of CLA. She noted that while faculty are limited in where they can move within CLA, staff are more flexible and can shift across departments. One of the areas she noted for improvement is undergraduate advising. The advisor to student ratio is currently 1:200; Bachman explained that CLA is working to secure additional resources to improve that ratio while expanding career counseling.

In response to a question from Regent Simmons, Coleman stated that one of the objectives of CLA is to create graduates who engage in civic life. He noted an increased workplace focus on ensuring that students are able to articulate what they can contribute. Coleman offered that CLA is uniquely positioned to help give students that ability, and added that CLA graduates have the largest economic impact based on the size of graduating classes entering the workforce.

In response to a question from Regent Beeson, Coleman explained that CLA is working to create technical clusters outside the college that show the value of a liberal arts education in technical fields. CLA is also working to create cross-college programs to provide a liberal arts background to more technical and STEM fields elsewhere in the University. Colman reported that CLA is working to create more internships and to place internship coordinator positions within the largest majors. He added that the college is considering "career bundles" to help highlight what a student can accomplish with a liberal arts degree that might not be directly related to a certain major.

2014 EMPLOYEE ENGAGEMENT RESULTS

Vice President Brown introduced Brandon Sullivan, Director, Leadership and Talent Development, Office of Human Resources, to present the 2014 employee engagement results, as detailed in the docket.

Sullivan reminded the committee of the employee engagement survey history and objectives, stated the process and timeline, and reviewed the employee engagement model. Sullivan outlined the significant changes that have taken place within the University over the last 12 months that offer possible context for the survey results.

Response rates for both faculty and staff increased from 2013 – faculty from 60 percent to 68 percent and staff from 47 percent to 52 percent. Sullivan explained that these response rates are considered high for the higher education field. He also highlighted the results of this year's survey, detailing both the key strengths and opportunities.

In response to a question from Regent Brod, Sullivan responded that there is not a target number for faculty or staff response rates. The goal is to hear from as many employees as possible. He noted that the unit or department also influences participation. Where employees feel that their feedback is heard and influences decision making, they are more likely to take the engagement survey. Sullivan offered that a response rate of 70-80 percent would be a tremendous accomplishment.

In response to a question from Student Representative Caldis, Sullivan explained that there are no peer universities doing this type of survey system-wide and that the University is working with other institutions to create some peer comparisons. He added that while some of the data could lead a student to think that a vast number of faculty members are disengaged, the survey questions that reflect day-to-day interactions with students continue to show strong engagement.

REPORT ON WORKFORCE METRICS

Regent Frobenius invited Vice President Brown and Lincoln Kallsen, Director, Financial Analysis, to give a report on workforce metrics, as detailed in the docket.

Brown reviewed the dashboard starting points and the type of data being used. She highlighted the four primary dashboards:

1. Workforce Distribution.
2. Workforce Flows.
3. Workforce Cost.
4. Workforce Return On Investment.

Brown explained that enterprise data supports decision making at all levels and is shared with the public, the Board, executive leadership, and at the campus, college, and unit levels. Brown and Kallsen reviewed each dashboard and its component metrics, sharing graphs for each component.

In response to a question from Regent Frobenius, Kallsen explained that the Job Family Study would create an issue with the data being produced and compared to past years given the changes in job family structure. The current data being presented has been corrected for the Job Family Study, but over the next two years there will be some issues with the data. After the transition, the data will be better once the job families are stable.

In response to a question from Regent Simmons, Brown cited data showing that roughly a third of the University's workforce are Baby Boomers, while another third are Millennials. She added

that 50 percent of the workforce will be under 50 in the next decade, and with a younger workforce comes greater interest in more-flexible work hours and the ability to work from home. Brown also noted that a number of faculty members are starting to move to phased retirement; given the large number of staff approaching retirement and the institutional knowledge of those employees, the University is considering a similar phased retirement option for staff.

In response to a question from Regent McMillan, Brown noted that the consultants counted in the Consulting category are not generally used to perform standard work typically done by University employees. Instead, the University uses consultants for specialized tasks or projects that need time-limited specialty skills that the University does not possess. Brown cited the Enterprise System Upgrade Project and Job Family Study as two projects where consultants are being used.

ANNUAL REPORT ON COMPENSATION

Regent Frobenius announced that due to time constraints, the annual report on compensation would be rescheduled for a future committee meeting.

CONSENT REPORT

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

- Appointment of Dr. Valery Forbes as Dean of the College of Biological Sciences, effective July 31, 2015
- Conferral of Tenure for outside hire

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

INFORMATION ITEMS

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

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

The meeting adjourned at 12:03 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
February 12, 2015**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, February 12, 2015 at 8:45 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Richard Beeson, and Dean Johnson.

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

Others present: Amy Phenix, Tracy Smith, and Brent Benrud.

The meeting convened in public session at 8:45 a.m.

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

At 8:47 a.m. a motion was made and seconded that the following resolution be approved:

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

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Thursday, February 12, 2015 at 8:45 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. West Bank ground contamination claims
- II. *Minnesota Police and Peace Officers Association and Police Officers Federation of Minneapolis (MPPOA) v. National Football League, Minnesota Vikings Football, LLC, and Regents of the University of Minnesota*
- III. Office for Civil Rights claim
- IV. *Regents of the University of Minnesota v. AT&T Mobility, et al.*
- V. Threatened lawsuit

The committee voted unanimously to approve the resolution.

The meeting adjourned at 9:54 a.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive style with a light beige background behind it.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary