

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Presidential Performance Review Committee
May 8, 2015**

A meeting of the Presidential Performance Review Committee of the Board of Regents was held on Friday, May 8, 2015 immediately following the Board of Regents Meeting in the Office of the Board of Regents, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Dean Johnson, and Peggy Lucas.

Staff present: Executive Director Brian Steeves.

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

A motion was made and seconded that the following resolution be approved:

RESOLVED, that as provided by Minnesota Statute 13D.05, Subd. 3(a), a non-public meeting of the Presidential Performance Review Committee of the Board of Regents will be held on Friday, May 8, 2015 immediately following the Board of Regents Meeting, in the Office of the Board of Regents, 600 McNamara Alumni Center, 200 Oak Street, SE, Minneapolis, Minnesota, for the purpose of evaluating the performance of the President of the University of Minnesota.

The committee voted unanimously to approve the resolution.

The public portion of the meeting adjourned at 12:05 p.m.

The non-public portion of the meeting adjourned at 12:37 p.m.

BRIAN R. STEEVES



**Executive Director
and Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Presidential Performance Review Committee
May 21, 2015**

A meeting of the Presidential Performance Review Committee of the Board of Regents was held on Thursday, May 21, 2015 at 2:00 p.m. in the Office of the Board of Regents, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Dean Johnson, and Peggy Lucas.

Staff present: Executive Director Brian Steeves.

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

A motion was made and seconded that the following resolution be approved:

RESOLVED, that as provided by Minnesota Statute 13D.05, Subd. 3(a), a non-public meeting of the Presidential Performance Review Committee of the Board of Regents will be held on Thursday, May 21, 2015 at 2:00 p.m. in the Office of the Board of Regents, 600 McNamara Alumni Center, 200 Oak Street, SE, Minneapolis, Minnesota, for the purpose of evaluating the performance of the President of the University of Minnesota.

The committee voted unanimously to approve the resolution.

The public portion of the meeting adjourned at 2:06 p.m.

The non-public portion of the meeting adjourned at 3:00 p.m.

BRIAN R. STEEVES



**Executive Director
and Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Presidential Performance Review Committee
June 10, 2015**

A meeting of the Presidential Performance Review Committee of the Board of Regents was held on Wednesday, June 10, 2015 at 6:00 p.m. in the Hearth Room of the Minneapolis Club, 729 2nd Avenue South, Minneapolis, Minnesota.

Regents present: Richard Beeson, presiding; Dean Johnson; and Peggy Lucas.

Staff present: President Eric W. Kaler and Executive Director Brian Steeves.

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

A motion was made and seconded that the following resolution be approved:

RESOLVED, that as provided by Minnesota Statute 13D.05, Subd. 3(a), a non-public meeting of the Presidential Performance Review Committee of the Board of Regents will be held on Wednesday, June 10, 2015 at 6:00 p.m. in the Hearth Room of the Minneapolis Club, 729 2nd Avenue South, Minneapolis, Minnesota, for the purpose of evaluating the performance of the President of the University of Minnesota.

The committee voted unanimously to approve the resolution.

The public portion of the meeting adjourned at 6:10 p.m.

The non-public portion of the meeting adjourned at 8:35 p.m.

BRIAN R. STEEVES



**Executive Director
and Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
June 11, 2015**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, June 11, 2015 at 7:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Thomas Devine, presiding, Thomas Anderson, Linda Cohen, Dean Johnson, and Peggy Lucas.

Staff present: President Eric Kaler; Chancellor Lendley Black; Vice Presidents Brooks Jackson, Richard Pfutzenreuter, Scott Studham, and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Terry Bock.

Student Representatives present: Hannah Keil and Callie Livengood.

SCHEMATIC DESIGN

A. Bee Discovery and Pollinator Center – Landscape Arboretum

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

The schematic plans for the Bee Discovery and Pollinator Center, Landscape Arboretum are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Edward Schneider, Director of the Landscape Arboretum, to present the schematic plans, as detailed in the docket.

Smith explained that the project would include construction of a new facility on the east side of the Landscape Arboretum at the Red Barn Farm Garden site. The project scope includes 6,700 square feet with specialty spaces for central exhibits, teaching/gathering, honey extraction, and greeter stations. An additional 4,500 square feet of outside space will provide for Apiary live demonstration and pollinator garden and outdoors exhibitions.

Schneider shared that the project will provide year-round education on the importance of bees as pollinators and highlighted that the project is driven almost entirely by private funds.

In response to questions and comments by Regents, Schneider explained that the facility would be complimentary to the Bee Research Laboratory on the St. Paul campus, with research taking place in St. Paul and public outreach at the Arboretum. He indicated that education and outreach would target the general public as well as K-12 students, with particular focus on STEM education.

The committee voted unanimously to recommend approval of the schematic plans for the Bee Discovery and Pollinator Center – Landscape Arboretum.

B. Mechanical Engineering Lab Renovations – Twin Cities Campus

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

The schematic plans for the Mechanical Engineering Lab Renovations, Twin Cities Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Uwe Kortshagen, Department Head, Mechanical Engineering, to present the schematic plans, as detailed in the docket.

Smith explained that the project would renovate approximately 30,000 square feet of space on the third and fourth floors of the north wing of the Mechanical Engineering Building. The renovation and reconfiguration project will increase square footage for research, accommodate additional research staff, and maximize adjacencies and interaction of students and staff.

Kortshagen reported that mechanical engineering is one of the largest programs in the College of Science and Engineering and that this renovation will include the entire undergraduate teaching space and half of the department’s research space.

In response to a question from Regent Johnson, Smith shared that the Mechanical Engineering program is already displaced as Higher Education Asset Preservation and Renovation projects are completed in the building. Kortshagen shared that the department has rented swing space and is using teaching labs in other departments on an interim basis to keep students on campus.

The committee voted unanimously to recommend approval of the schematic plans for the Mechanical Engineering Lab Renovations – Twin Cities Campus.

REAL ESTATE TRANSACTION

A. Purchase of 4.79 Acres in Minneapolis – 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 appropriate administrative officers are authorized to execute the appropriate documents providing for the following real estate transaction:

- The subject property consists of approximately 4.79 acres and is located at 600 25th Ave SE and 649 26th Avenue SE, Minneapolis. The property is known as the White Box Commodities/Electric Steel Elevator site, with 32 steel elevators previously used for grain storage that are vacant and empty, various obsolete building structures and approximately 1,500 lineal feet of railroad siding that includes three railroad tracks and a spur track that serves the site. The current owner will remove all elevators and other building structures.

- Basis for Request: The purchase of this property is an opportunity purchase. The current owner of the subject property contacted the University to advise that the property is no longer needed for its business operations and was for sale.
- Detail of Transaction: The University will pay \$1,450,000 in cash at closing and reimburse the seller for the seller's cost to demolish the elevators and other building structures on the property, estimated at \$578,000, of which \$100,000 is the contingency amount. The seller will donate to the University part of the property's value at closing, which the seller currently estimates at \$1,050,000.

In response to questions and comments by Regents, Weinberg indicated the adjacent land owned by the City of Minneapolis contains a storm water retention pond and is not available for purchase. The University has completed appraisals and made a first offer on the adjacent Mathisen Properties parcel, and is in discussion with Burlington Northern Railroad as well.

The committee voted unanimously to recommend approval of the real estate transaction for the purchase of 4.79 acres in Minneapolis at 600 25th Avenue SE and 649 26th Avenue SE.

PROJECT COMPONENTS OF THE PRESIDENT'S RECOMMENDED FY 2016 ANNUAL CAPITAL IMPROVEMENT BUDGET

Vice President Wheelock provided an overview of the project components of the President's Recommended FY 2016 Capital Improvement Budget (Capital Budget), as detailed in the docket.

Wheelock explained that the Capital Budget authorizes projects totaling \$92,900,000 to begin design or construction during the next fiscal year. She highlighted several key projects, including the Northrop organ restoration and re-installation and the health sciences facilities design project. Of the \$92.9 million included in the capital budget, \$82.9 million is supported by local funds, grants and gifts, or institutional funds, with the remaining \$10 million covered by University debt. Wheelock noted that the Capital Budget would be updated to reflect the outcome of the special legislative session before returning to the Board for action.

In response to a question from Regent Lucas, Wheelock explained that while additional renovation projects within Mariucci Arena have been identified for a future phase, the project included in the Capital Budget is the only one fully funded and ready to begin construction.

In response to questions and comments by Regents, a wide-ranging discussion ensued regarding future land use south of Washington Avenue. Several Regents expressed concern about investing significant repair and replacement funds into student housing located in that area until long-term planning for Academic Health Center facilities was complete.

In response to a question from Regent Johnson, Wheelock explained that the Athletes Village project was not included in the Capital Budget because the design process is ongoing and several options are still being considered to relocate the track. Wheelock suggested that the project might come before the committee in September.

IMPLEMENTING THE MASTER PLAN: DISTRICT PLANNING

Vice President Wheelock invited Monique MacKenzie, Director of Space, Planning, and Architecture; Terry Bock, Associate Vice President for Health Sciences; and Lorelee Wederstrom, Director of Academic Health Center (AHC) Facilities and Planning, to provide information on the district planning process and the history of planning for the Academic Health Sciences district, as detailed in the docket.

Wheelock explained the differences between a master plan, which guides direction, and a district plan, which begins to get into specific uses of an area. She emphasized that the presentation is not a specific proposal but rather an illustration of how plans have been used in the past.

Bock stressed the importance of long-range planning by sharing a 1967 decision by the Board of Regents to retain the academic health facilities on campus but in high-density buildings. This led to the design and construction of the Phillips-Wangensteen Building (PWB), Moos Tower and the hospital, which are all still in use today, 58 years later.

Wederstrom outlined several AHC facilities plans beginning in the 1990's to today. The plans have informed several building projects over the last 20 years, including the Biomedical Discovery District (BDD), the children's hospital, and the Ambulatory Care Center (ACC). Each of the plans has also called for renovation of several existing buildings to replace obsolete facilities with more flexible research and education spaces.

MacKenzie tied the district plans back to the campus master plan. She shared how the campus plan was used to forecast growth areas and consider connectivity and adjacencies when it became clear that AHC could not be contained within a four-block area south of Washington Avenue. She cited the BDD as an example, with several interconnected research facilities only an eight-minute walk from PWB.

Wheelock noted that in 2014 University Services and the ACH undertook strategic facility planning to determine space needs for the next 20 years and programming for near-term capital projects. Phase One is complete, with Phase Two expected in time to include projects in the Six-Year Capital Plan in the fall.

In response to a question from Regent Johnson, Wheelock offered that ease of access was a strong consideration in the placement of the ACC just off I-94 on the Huron Boulevard exit and the new Children's Hospital on the Riverside Avenue exit.

In response to a question from Regent Lucas, Wheelock stated that a second phase is part of the plan for the ACC and that the University owns land to the east and west of the building.

INFORMATION TECHNOLOGY CAPITAL PLANNING

Vice President Wheelock invited Scott Studham, Vice President and Chief Information Officer, to outline the goals, scope, and evaluation and approval process for information technology (IT) capital planning, as detailed in the docket.

Studham outlined a new IT capital planning process put in place to centralize IT capital investments expected to cost more than \$1,000,000. This new process keeps departments from making simultaneous investments that compete or utilize the same resources. It also ensures alignment with strategic priorities. This summer completes the pilot phase of the new process, and it will be utilized system-wide.

In response to a question from Regent Cohen, Studham noted that the IT Capital Planning Committee includes the Provost, vice presidents of information technology, health sciences, research, and University Services, the CFO, an enterprise architect, and two academic officers, including one from a system campus.

INFORMATION ITEMS

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

- Capital Planning and Project Management Semi-Annual Report
- Final Project Review: Aquatic Invasive Species Lab (Twin Cities Campus)
- Preliminary 2016 State Capital Request

The meeting adjourned at 9:48 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
June 11, 2015**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, June 11, 2015 at 7:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Richard Beeson, Laura Brod, Michael Hsu, Darrin Rosha, and Patricia Simmons.

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

Student Representatives present: Tyler Ebert.

**HUMAN RESOURCE NEEDS:
OFFICE OF INFORMATION TECHNOLOGY**

Vice President Brown invited Vice President Studham and Diane Wollner, Senior Director, Business Office, Office of Information Technology (OIT), to discuss human resource needs in OIT, as detailed in the docket.

Studham walked through the common characteristics of OIT workers, describing them as great problem solvers who also need to provide end users with support they can understand and implement. He described OIT as competing in a highly competitive labor market, with a Twin Cities IT unemployment rate of only 1.5 percent. While OIT evaluates employees on a variety of subjective measures, Studham noted that productivity is also measured by objective standards, such as the number of closed help desk tickets. He added that OIT employees are required to be flexible, since the University community requires support 24 hours a day, seven days a week. This standard has caused some employee turnover.

Studham outlined additional HR challenges faced by OIT. He noted that the University highly values longevity of an employee, while the IT world highly values the very latest skills. Since OIT has to remain flexible in an ever-changing technological environment – often reinventing itself every 18 months – Studham asserted that OIT employees must continually adapt. This environment leads to involuntary departures and the need for quick onboarding of employees.

Wollner explained OIT's HR strategies. The first is to recruit and develop the talent needed to support the institution's key strategic and operational priorities. The next step is to focus on engaging leaders and staff in culture and values while fostering accountability and innovation. Wollner noted that OIT has a strong leadership pipeline and was one of the first units to fully implement merit pay, which is now in its second year. Studham added that in 2010 OIT was near the bottom of employee satisfaction, but has now been recognized for operational excellence and is near the top of employee engagement.

In response to a question from Regent Simmons, Studham stated that it is a challenge for OIT to work efficiently within a large, geographically distributed system. While large systems like PeopleSoft can be run centrally, desktop support needs are local. Studham noted that higher-

level positions do not need to be duplicated across campuses, but can be held centrally. He explained that OIT is working to create a “culture of we” across the system, ensuring ways to share best practices across campuses or units.

In response to related questions and comments from Regents Beeson, Brod, Hsu, and McMillan, Studham explained that OIT is working to cluster and consolidate where possible. Examples include Help Desk centralization and clustering units into support zones instead of having specific desktop support employees assigned to each unit. He noted that there continues to be a need for some units to maintain local support, but there are areas of consolidation, like business analysts, that could be ripe for review. Studham agreed that the job family study is an important first step before that type of consolidation is possible.

ANNUAL UPLAN HEALTH INSURANCE UPDATE

Regent McMillan invited Vice President Brown and Kenneth Horstman, Director of Employee Benefits, to present the annual UPlan health insurance update, as detailed in the docket.

Brown described UPlan governance and administration. Horstman outlined the history of the plan. Brown emphasized that the UPlan is well managed, with 95 cents out of every dollar going to care. The plan also offers a variety of options for employees who require more care versus those who require less.

Horstman described national healthcare trends, noting that the UPlan continues to be at or below the national trend in terms of cost. He detailed how the UPlan manages and avoids costs, and stated that employee contributions to medical plan premiums would not increase in 2016. Horstman emphasized rising pharmacy costs, explaining that while only one percent of prescriptions were specialty, they accounted for 27 percent of prescription costs. Brown added that employees would receive educational pieces to understand prescription costs and differences over the next year.

In response to a question from Regent Hsu, Horstman noted that the University is known for its benefits package, but that the cost is in line with other employers of similar size in the state. Brown added that the benefits package is a major recruitment advantage. While University salaries might be lower than private industry, higher benefits are a strong tool for attracting and keeping talent.

RECRUITING FIELD-SHAPING FACULTY

Regent McMillan invited Senior Vice President and Provost Karen Hanson, Vice Provost for Faculty and Academic Affairs Allen Levine, and Professor Timothy Kehoe to present on recruiting field-shaping faculty, as detailed in the docket.

Hanson described the attributes of field-shaping faculty, noting that private colleges and universities often have more field-shapers. She added that the University’s mission and culture are an attractive draw to many, but the University needs to be sure it is also working to support, reward, and recognize its best faculty members.

Kehoe described his work as one of the co-leads of the strategic planning workgroup that focused on field-shaping researchers and teachers. He outlined the idea of the “University of Opportunity,” noting that to recruit and retain field-shapers flexibility and autonomy must be balanced with accountability and responsibility. Kehoe advocated for collaboration across fields, while providing the needed resources and support to develop chairs and directors.

Kehoe discussed the need to encourage faculty to create new initiatives and for the administration to support them when they do so. He encouraged faculty not to be afraid to try something new, but to embrace it, cycle out failures, and create new ideas based on those findings. He advocated for sunset dates for centers and initiatives to ensure that the University continues to be dynamic.

Levine described how the University performs against peer institutions on a variety of satisfaction indicators, including whether they would choose the University again; their influence over the focus of their work; satisfaction with their department; and department collegiality. He also compared how faculty members feel about facilities and work resources.

Hanson explained how the University is working to attract and keep diverse faculty, including through dual career hires, and how to ensure that field-shapers are rewarded and recognized.

Regent Brod commented that the sunset date described by Kehoe was significant. At the end date, there should be proof of worth in order to continue. She stated that this was how the University would ensure excellence.

In response to a question from Regent Brod, Hanson explained that the data do show that faculty satisfaction with the institution is currently greater than with the department. This is important since Hanson commented that faculty members would not want to stay at the University if their department were not functioning well. Kehoe concurred, advocating for departments to look at best practices from other departments. Vice President Brown noted that excellence attracts and helps replicate excellence, and proposed that if the University works on ensuring strong departments, retention of field-shapers would follow.

Regent Beeson commented that it is critical to improve at the departmental level. While knowing how specific departments are doing is not the work of the Board, Beeson encouraged collaboration among the Office of Human Resources, the provost, and the president to ensure that work is being done to improve and support departments.

In response to a question from Regent Hsu, Hanson stated that tracking awards and measures within a specific field is one way to evaluate how well field-shapers are doing. She added that paying for field-shapers is often done by reallocation and not through a pot of money specifically for that purpose. Her overall goal is to have field-shapers in every department, and strong oversight of the hiring, tenure, and post-tenure review processes can help do that. Levine added that attracting and retaining field-shapers also depends on the field and sometimes requires funding to purchase the necessary equipment or to upgrade facilities.

COLLECTIVE BARGAINING AGREEMENT WITH GRAPHIC COMMUNICATIONS INTERNATIONAL UNION LOCAL 1-B

Regent McMillan invited Vice President Brown to present for review and action a collective bargaining agreement between the Regents of the University of Minnesota and the Graphic Communications International Union Local 1-B, as detailed in the docket.

Brown outlined the terms and conditions of employment between the date of signing and November 1, 2017.

In response to a question from Regent Roshia, Brown clarified that the bargaining unit had agreed to take the compensation rate defined by the University in coming fiscal years.

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

CONSENT REPORT

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

- Conferral of tenure for five outside hires.
- Conferral of tenure for one internal candidate.

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 and faculty and staff activities and awards. Brown also noted the annual senior leader compensation report, highlighting how the University compares to other institutions by position. She reminded the committee that the primary point of review by the Board is at the time of hire. She also stated that additional information would be brought to the committee in the fall.

Regent Beeson asked that a copy of the report produced by the 2012 Special Committee on Executive Compensation & Administrative Transitional Leaves be distributed to the committee. He noted that the report would provide context for a more substantial conversation on how senior leadership compensation functions at the University today.

Regent Brod asked that future reports include the length of service of the individuals holding the senior leader positions and how the relevant department ranks against peers. She wants to ensure that the University is paying for excellence; if the department is not performing well, the Board should know what is being done to improve it given the compensation level.

Regent Rosha expressed that he would need additional information on benefits to understand the total compensation of senior leaders and comparisons with peer institutions. Regent Hsu also asked for additional background.

Brown asked the committee to provide her with feedback on what they would like to see in future reports. She noted that defining comparable positions and contrasting them to peer institutions is very difficult given the differences between institutions. She emphasized that this issue is magnified by the difference in health benefits and the other items included as compensation that the University does not include, including items like a housing or car allowance. She added that it is also difficult to obtain peer data.

Regent McMillan agreed that reviewing this information from a total compensation point of view is the best approach when thinking about compensation. He asked that the last report on compensation presented to the committee be shared with new committee members to fully prepare for the fall conversation.

The meeting adjourned at 9:52 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

Year 2014-15

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee
June 11, 2015**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, June 11, 2015, at 10:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Thomas Anderson, Richard Beeson, Linda Cohen, Thomas Devine, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillian, Abdul Omari, Darrin Rosha, and Patricia Simmons.

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

Student Representatives present: Tyler Ebert and Hannah Keil.

INTERNAL AUDIT PLAN

Regent Brod invited Associate Vice President Klatt to present the FY 2016 Internal Audit Plan (plan), as detailed in the docket.

Klatt noted that the plan is risk-based and continues to reflect the principles of the Integrated Framework of Internal Control. The annual internal audit plan is intended to demonstrate:

- The breadth and depth of audit activities addressing financial, operational, compliance, and strategic risks of the University;
- Accountability for resources; and
- Progress in efforts to continually improve the University's Internal Audit Program.

Klatt explained that the plan includes 25 audits of University processes, units, and systems. She noted that a significant amount of the audit coverage would be used to assess both the implementation of the work plan for improving the Human Research Protection Program (HRPP) and the new systems and processes created by the Enterprise System Upgrade.

Klatt observed that the plan devotes 55 percent of audit resources to scheduled audits; 6 percent to investigations; 10 percent to requests from the Board of Regents, President, and senior leaders; 4 percent for follow-up procedures; and 25 percent for internal administrative functions. The plan covers a wide range of University units and multiple areas of the Institutional Risk Profile.

In response to a question from Regent Brod, Klatt explained that 60 percent of audits are unit audits and 40 percent are process audits. The balance between the two fluctuates depending on the year.

In response to a question from Regent Brod, Klatt stated that even with the uncertainty around how much time will be needed to evaluate the implementation of the work plan to improve HRPP, Internal Audit would continue its typical approach to the work for the upcoming year. If

additional resources are needed due to a higher-than-expected workload, Klatt noted that she would inform the committee of that need. She added that with the HRPP work, other areas that might have been included in this year's plan were not.

Klatt reviewed the results from FY 2015, noting the high marks given to Internal Audit by the quality assurance review conducted this past winter. She noted the excellent level of productivity by her staff. She observed that while it is a strength to have a large number of employees with 30-plus years of experience, the office is facing significant turnover in the near future. Klatt stated that Internal Audit is planning for succession.

INTERNAL AUDIT UPDATE

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

Klatt reported that since the last update in February 2015, University departments implemented 13 percent of outstanding recommendations rated as "essential," below the expected implementation rate of 40 percent. Three units fully implemented all their remaining "essential" recommendations. Six audit reports containing 32 recommendations rated as "essential" were issued in the last five months.

The 13 percent rate is the lowest rate in 20 years. Klatt explained that much of the low rate could be attributed to more than half of the audits being issued recently. Of those remaining, half had recommendations that had not yet reached their implementation date. She stated that Internal Audit would continue to monitor the implementation of the outstanding recommendations closely.

Klatt highlighted three recently completed audits: Duluth Medical School, technology vendor due diligence, and an incentive compensation review. She noted that all returned results that will require further review by the administration and follow-up from Internal Audit.

In response to questions from Regent Brod, Klatt explained that her office ensures that a sustainable process is in place to correct issues identified in the audits performed. People will often revert to the previous state if new processes are not supported. She noted that findings in related areas are shared, along with corrections and best practices.

INFORMATION ITEMS

Regent Brod invited Associate Vice President Volna to present the information items, as detailed in the docket.

Volna referred Regents to the semi-annual controller's report. He noted that much of the report focused on three new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB) that will be effective for FY 2015.

IMPLEMENTATION OF WORK PLAN TO IMPROVE HUMAN RESEARCH PROTECTION PROGRAM

Regent Brod invited Dr. William Tremaine, chair of the implementation team and a member of the Gastroenterology and Hepatology Departments at the Mayo Clinic and director of the Mayo Clinic Institutional Review Board, as well as Vice President Herman and Vice President Jackson to present for review and action a resolution related to implementation of the work plan to improve the Human Research Protection Program, as detailed in the docket.

President Kaler extended his thanks to Tremaine, Herman, Jackson and the rest of the implementation team for their work. He expressed his support for the work plan and committed to ensuring that University research would be conducted at the highest scientific and ethical standards possible.

Tremaine presented the work plan to the committee. He outlined and explained each section of the report, highlighting the specific recommendations made by the implementation team. He informed the committee of the overall cost for implementation, both in terms of the one-time and recurring costs to support the recommended reforms. Herman and Jackson added their support for the recommendations.

Brod presented the resolution to the committee, noting that it had been revised from the original resolution included in the docket materials distributed to Regents. The revised sections defined the role of the Board and the Audit Committee in implementation oversight. Brod cited the provision requiring that any report to the legislature regarding this topic must be distributed to all Regents and approved by the chair of the Board and the chair of the Audit Committee.

Regent Simmons extended her thanks to the implementation team and emphasized the effort put into creating the plan's strong direction. She asserted that the Board has four tasks: The first is to approve the resolution. The second is to assume responsibility and accountability to the people of Minnesota to oversee successful implementation of the plan. The third is to review and amend Board policy to ensure that it clearly states the principals and values that the University will uphold. The fourth is to acknowledge that this plan will improve human participant research, but at a price. She noted that the reforms set forth in the plan would require an increase in administrative costs; while she supports those increases, it should be acknowledged given the president's focus to reduce those costs across the University.

In response to a question from Regent Hsu, Herman explained that the University negotiates with corporations to recover the full cost to perform research at the University, including those costs associated with oversight. Herman stated that he believes the reforms in the work plan will increase efficiency and grow capacity of the system. Corporations have contacted the University regarding this issue and are enthusiastic about the proposed changes. Jackson added that the increased costs put the University at the median of peer institutions, keeping it competitive. He explained that the increases in recurring costs would be a small portion of the overall Academic Health Center budget.

In response to a question from Regent Devine, Tremaine observed that the proposed changes should be characterized as a good thing for the University and its research. The work plan will ensure that University research is safer and all human participants will be treated well. He added that the implementation should also improve the University's relationship with Fairview. Tremaine asserted that the new processes and efficiencies, including an electronic Institutional Review Board system, will help expand opportunities for the University to compete for grants and be productive in the research it performs. Herman reported that all progress made on the work plan would be published online and the administration will work with Board leadership to develop a report.

Regent Beeson commented that while there will be additional costs beyond those presented, this is a defining moment in this area of the University's work. The success of the work plan will depend not only on what is implemented, but how. He expressed that the "how" is key to balance best practices for participants and researchers.

Regent Anderson emphasized the focus on ethics within the report. He offered that as the University implements these changes, he felt confident that corporations would seek out the University. He noted that this pursuit fits with the theme of grand challenges.

A motion was made and seconded and the committee voted unanimously to recommend approval of the resolution related to implementation of the work plan to improve the Human Research Protection Program.

The meeting adjourned at 12:00 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**

**Litigation Review Committee
June 11, 2015**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, June 11, 2015 at 12:00 p.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center.

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

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

Others present: Amy Phenix, Tracy Smith, and Brian Slovut.

The meeting convened in public session at 12:10 p.m.

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

At 12:13 p.m. a motion was made and seconded that the following resolution be approved:

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

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Thursday, June 11, 2015 at 12:00 p.m. in the W.R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *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*
- II. *Regents of the University of Minnesota v. AT&T Mobility, et al.*
- III. Threatened employment claims at University of Minnesota Duluth
- IV. Environmental contamination claims
- V. *Preeti Kaur Rajpal v. Regents of the University of Minnesota, Aaron L. Friedman*

The committee voted unanimously to approve the resolution.

The meeting adjourned at 1:00 p.m.

BRIAN R. STEEVES

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 a long, sweeping underline.

**Executive Director and
Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
June 11, 2015**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, June 11, 2015 at 1:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellor Jacqueline Johnson; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathryn Brown, and Brian Herman; Executive Director Brian Steeves; and Associate Vice President Stuart Mason.

Student Representative present: Callie Livengood.

**BOARD OF REGENTS POLICY:
COMMERCIALIZATION OF INTELLECTUAL PROPERTY RIGHTS**

Provost Hanson invited Jay Schrankler, Executive Director, Office for Technology Commercialization and Stuart Mason, Associate Vice President and Chief Investment Officer, to provide an overview of proposed changes to Board of Regents Policy: *Commercialization of Intellectual Property Rights*, as detailed in the docket.

Schrankler explained that the Discovery Capital Program, launched last September as a pilot, provides seed money to support University start-ups through matching grants. He reported that the proposed amendments would allow the University to implement the program.

Schrankler outlined proposed policy language that would:

- Clarify the use of proceeds from an investment;
- Give the President authority to delegate responsibility to someone at the University to make the investments; and
- Set a cap on total investment at \$1,050,000.

In response to a question from Regent Devine, Schrankler indicated that this is one of the only programs among peer institutions that requires a matching investment from the private sector.

In response to a question from Regent Simmons, Mason explained that an extensive administrative policy governs the Discovery Capital program. That policy outlines a \$350,000 per round limit, for up to three rounds, totaling no more than \$1,050,000.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of the proposed amendments to Board of Regents Policy: *Commercialization of Intellectual Property Rights*.

CAMPUS CULTURE AND CLIMATE

Provost Hanson and Danita Brown Young, Vice Provost for Student Affairs and Dean of Students, provided an update on the work of the President's Campus Climate Workgroup, as detailed in the docket.

Hanson reported that while the Campus Climate report is complete, the Campus Climate Workgroup continues to meet monthly. Four World Café discussions were held with students, staff, and faculty, and more than 100 recommendations emerged from the process. Hanson cited four themes that surfaced from the discussions: engagement, recruitment and retention of staff, bullying behaviors, and work/life balance.

Brown Young described a culturally inclusive campus environment and shared seven student development outcomes that the University works to develop in all undergraduate students:

- Responsibility and Accountability
- Independence and Interdependence
- Goal Orientation
- Self Awareness
- Resilience
- Appreciation of Differences
- Tolerance of Ambiguity

Hanson also discussed the University's foundational commitment to academic freedom, but emphasized its difference from constitutional freedom of speech. She cited the 1940 statement on academic freedom and tenure, which outlines that professors are officers of an institution who should recognize that their profession or institution might be judged by what they say. Hanson emphasized that the University must have a climate that, while welcoming and supportive, is also challenging, since growth only comes from being challenged.

In response to a question from Regent Omari, Brown Young responded that engagement survey results show that staff of color are fairly satisfied and engaged but also express more dissatisfaction. She also noted that there is significant variation across colleges and units, as climate is mostly felt at a local level.

In response to a question from Regent Simmons, Hanson indicated that department chairs bear a responsibility for their department's climate but that all faculty members have a role in how an office interacts. She discussed the role of faculty in participating in peer review and policing each other, and expressed her belief that faculty can be challenged without infringing on academic freedom.

In response to a question from Student Representative Livengood, Brown Young cited efforts to share the campus climate recommendations with students by working with student groups and committees as well as student participation in the World Café discussions.

In response to a question from Regent Cohen, Brown Young specified that the seven development outcomes are incorporated into the academic curriculum, into student activities through program advisors, and advising and career services.

ROLE OF FACULTY

Provost Hanson introduced the agenda item on the role of faculty, as detailed in the docket. She introduced panelists Rebecca Ropers-Huilman, Professor in Organizational Leadership, Policy & Development, and chair of the Faculty Consultative Committee; Janet Schrunck Ericksen, Associate Professor of English at the Morris campus and Interim Chair, Division of

the Social Sciences; and Robert Dunbar, Associate Professor at the Rochester campus, and chair of the Center for Learning Innovation Directorship Committee.

Hanson outlined the pivotal role faculty play in shaping the academic direction and excellence of the University. She noted the University's strong shared governance system, and the active role of the Faculty Senate and its executive committee, the Faculty Consultative Committee. She also outlined the many leadership roles faculty assume, such as chairing a department, directing a research center, or participating as a member of task forces or work groups.

Hanson invited Ropers-Huilman, Schrunk Ericksen, and Dunbar to share a day in their faculty lives. Their reports conveyed the many responsibilities they juggle each day, including conducting department meetings, teaching classes, mentoring students or other faculty, conducting research, and balancing family life.

In response to a question from Regent Simmons, Ropers-Huilman suggested that faculty governance is a process for norming – gaining shared expectations of how to achieve the mission. Schrunk Ericksen and Dunbar both cited enhancing communication as a central role of faculty governance.

In response to a question from Regent Omari, the professors agreed that it is most difficult to fit in dedicated research time amid their commitments to teach, mentor students, participate in shared governance, and serve in department leadership roles. Hanson added that department support and administrative protections are needed for faculty that take on these roles, and that they should be considered longitudinally, in the context of a career that often spans 40 years.

In response to a question from Regent Cohen, Ropers-Huilman explained that her department suggests faculty allocate 40 percent of their time to research, 40 percent to teaching, and 20 percent to service. She would like to see more flexibility for tenured faculty, perhaps by balancing that allocation across an entire department. Hanson added that the allocation downplays the value of service but that it is also important to protect research time for junior faculty who need to publish to earn tenure. Hanson noted that the suggested time allocation does vary among campuses and departments.

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**
 - School of Public Health (Twin Cities campus)—Create Ph.D. degree in Molecular and Systems Toxicology
 - School of Public Affairs (Twin Cities campus)—Create post-baccalaureate certificate in Election Administration
 - Academic Health Center (Twin Cities campus)—Create undergraduate certificate in Medical Laboratory Sciences
 - College of Liberal Arts (Twin Cities campus)—Create undergraduate certificate in Advanced Chinese
 - College of Biological Sciences (Twin Cities campus)—Create undergraduate minor in Behavioral Biology

- College of Liberal Arts (Twin Cities campus)—Create undergraduate minor in Creative Writing
- Crookston campus—Create B.S. degree in Exercise Science and Wellness
- Crookston campus—Create B.S. degree in Medical Laboratory Science
- **Request for Changes to Academic Programs**
 - College of Education and Human Development (Twin Cities campus)—Create sub-plan in Emotional and Behavioral Disabilities within the M.Ed. degree in Special Education
 - College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Change the name of the B.S. degree in Agricultural Industries and Marketing to Agricultural Communication and Marketing and add sub-plan in Food, Agricultural and Natural Resource Sciences
 - College of Liberal Arts (Twin Cities campus)—Change the name of the undergraduate minor in New Media Studies to Digital Media Studies
 - School of Nursing (Twin Cities campus)—Create dual M.P.H./D.N.P. degree in Public Health Practice
- **Request for Approval of Discontinued Academic Programs**
 - College of Education and Human Development (Twin Cities campus)—Discontinue the post-baccalaureate certificate in Career and Technical Education

The meeting adjourned at 2:45 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
June 11, 2015**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, June 11, 2015 at 1:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Richard Beeson, Laura Brod, Michael Hsu, Dean Johnson, and Darrin Rosha.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock, Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Tyler Ebert and Hannah Keil.

PRESIDENT'S RECOMMENDED FY 2016 ANNUAL OPERATING BUDGET

Regent McMillan invited Vice President Pfutzenreuter and Associate Vice President Tonneson to present for discussion the President's recommended FY 2016 annual operating budget (Operating Budget), as detailed in the docket.

Tonneson provided an overview of University budget planning and development, revenue sources, and budget structure. She noted the all-funds budget for 2016, detailing the breakdown between sponsored and non-sponsored funds. Tonneson outlined the centrally distributed and attributed funds, noting an ending balance of \$23,419,808.

The University received a 4.4 percent increase in state appropriations for the biennium. Tonneson cautioned that the increase is only for the first year of the biennium (FY 2016); funding for the second year of (FY 2017) would match the first year. She provided an overview, as follows:

University of Minnesota 2016-2017 Biennial Appropriations (\$ in Thousands)			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Biennium</u>
Beginning Biennial Base Level Appropriation	\$598,949	\$598,949	\$1,197,898
S.F. 5 State Funding Level	<u>\$625,549</u>	<u>\$625,549</u>	<u>\$1,251,098</u>
Change from Beginning Biennial Base Level	\$26,600	\$26,600	\$53,200
Change from Prior Year	\$26,600	\$0	
% Increase from Prior Year	4.4%	0%	
% Increase from Biennial Base Level Funding			4.4%

Incorporating the FY 2016 appropriations, Tonneson detailed the incremental changes in the Operating Budget framework, as follows:

University of Minnesota
FY 2016 Budget Framework – Incremental Changes

Incremental Resources:	
Increased State Appropriations	\$26,600,000
Tuition Revenue Increase	\$15,100,000
Unit Resources	<u>\$36,800,000</u>
Total Incremental Resources	\$78,500,000
Incremental Expenditures:	
Compensation	\$23,000,000
Student Financial Aid	\$750,000
Academic Initiatives	\$48,550,000
Mission Support & Operations	<u>\$6,100,000</u>
Total Incremental Expenditures	\$78,400,000
Balance	\$100,000

Tonneson also reported on program-specific state appropriations, operations and maintenance fund, unit and institutional resources, current progress toward the \$90 million reallocation of administrative costs, state performance measures, tuition rates and related fees, and academic and operational costs and investments.

Student Representative Keil read a statement on behalf of the student representatives. She asked the Board to take the needs of each group of students into account when forming the budget. While acknowledging the land grant mission of the University, she encouraged the Board to think about the diversity that non-resident and international students bring. She asserted that many of those non-resident and international students make Minnesota their home after graduation and their impact on the state should be factored in when considering non-resident tuition rates. She further urged the Board and president to make an increase in tuition transparent and to report it to all students with enough time for them to prepare for the increase. She concluded by recommending the University continue to look for alternative streams of revenue outside of tuition and state support.

President Kaler noted that, without additional resources from the state, resident undergraduate tuition would need to increase by 3 percent in FY 2017, the same percent that was initially planned for FY 2016. If resident undergraduate tuition were frozen this year, tuition would need to be increased by 4.5 percent next year. Kaler emphasized that given increases in Pell grants, the Minnesota State Grant Program, and the U Promise program, 42 percent of resident undergraduates would not pay the 1.5 percent increase. He added that increasing the U Promise cap to \$120,000 would mean 48 percent would not pay the increase.

Regent Brod commented that the Board needs to spend time discussing a clear strategy for tuition. She noted that the strategy should be not just about balancing the budget, but about the long-term direction for the University. She added that the Board needs to understand what the market will support and how that influences possible increases in resident and non-resident tuition.

In response to a question from Student Representative Ebert, Pfutzenreuter explained that reallocations have occurred every year during his time at the University. He noted that administrative cost reallocation would have to continue given the long-range financial situation facing the University.

FINANCIAL COMPONENTS OF PRESIDENT'S RECOMMENDED

FY 2016 ANNUAL CAPITAL IMPROVEMENT BUDGET

Regent McMillan invited Vice President Pfutzenreuter to present for discussion the President's recommended FY 2016 annual capital improvement budget (Capital Budget), as detailed in the docket.

Pfutzenreuter explained that the Capital Budget authorizes projects totaling \$92,916,000 to begin design or construction during the next fiscal year. No state support is designated for the Capital Budget, but Pfutzenreuter reminded the committee that the upcoming special session could yield a bonding bill that includes funding for some of the proposed projects.

LONG-TERM FINANCIAL PLANNING

Regent McMillan invited Vice President Pfutzenreuter and Lincoln Kallsen, Director, Institutional Analysis, to present the Long Range Financial Planning Model for discussion, as detailed in the docket.

Kallsen explained that this discussion would update the six-year operating budget forecast based on the FY 2016 operating budget, the result of the University's biennial request, and baseline assumptions. He presented how long-range financial planning interacts with annual operating budget recommendations, the biennial budget request to the state, trends in state funding, changes in student enrollment, changes in federal research funding, base revenue assumptions, and investment and expense assumptions.

Kallsen offered four revenue scenarios for consideration. Pfutzenreuter noted that compared to previous years, this year's scenarios would include different state investment assumptions. Kallsen added that each scenario manipulates the annual change in all tuition rates and the annual change in state appropriation. Each model creates a budget that is in some level of deficit over the projected period.

A discussion ensued that examined each of the scenarios, the need to focus on the investment and expense assumptions, enrollment strategy and management, capacity for increased enrollment, and market share.

McMillan commented that discussions like this need to take place earlier in the process to enable Board input into the formation of the budget and the biennial request.

GREEK LOAN PROGRAM

Regent McMillan invited Vice President Pfutzenreuter and Sarah Harris, Managing Director, University of Minnesota Foundation Real Estate Advisors, to present for action the Greek Loan Program (program), as detailed in the docket.

Regent Hsu recused himself from action on the Greek Loan Program due to a potential conflict of interest. He left the meeting.

Pfutzenreuter reminded the committee of the details of the program and that the committee reviewed the program at their last meeting in May.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Greek Loan Program.

Regent Hsu returned to the meeting.

**RESOLUTION RELATED TO REFUNDING OF DEBT
RESOLUTION RELATED TO ISSUANCE OF DEBT**

Regent McMillan invited Vice President Pfutzenreuter and Carole Fleck, Director of Debt Management, to present for review and action a resolution related to refunding of debt and a resolution related to issuance of debt, as detailed in the docket.

Pfutzenreuter outlined the background and history of the Special Purpose Revenue Bonds Series 2006 that were issued to pay for TCF Bank Stadium. Fleck explained that Chapter 69 of Minnesota Laws 2015 amended existing Minnesota State Statute Section 137.54 to allow the University to refund the Series 2006 bonds and reissue the debt at a lower rate. She stated that the savings would be used to pay debt service on the issuance of debt in the amount up to \$10 million for predesign and design of improved health education and clinical research facilities for the Medical School and the Academic Health Center. She added that a margin of \$250,000 would be left each year, except for the last three years when that amount is required to be returned to the state.

In response to questions from Regents Anderson and Brod, Pfutzenreuter observed that the state would continue to transfer its portion of the debt service. In the last three years, the University would return the savings to the state. Pfutzenreuter indicated that this arrangement could change in the future depending on the will of the legislature.

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

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 Egan Company, Werner Electric, and Graybar Electric for \$1,617,930 for Phase 3 LED lighting retrofit of 8 parking ramps/garages and 2 surface lots of Twin Cities campus, as requested by Parking and Transportation Services (PTS), for the period of June 17, 2015, through December 31, 2015. The project is a joint venture between Energy Management (EM) and PTS. The Phase 3 LED lighting retro fit project is funded through PTS in FY15 and FY16 budget year. PTS is self-funded through parking revenue. Vendors were selected through a competitive process.

Approval of Underwriter:

- Appointment of Barclays Capital, Inc. (Barclays) as Managing Underwriter for the refunding of the Special Purpose Revenue Bonds (State Supported Stadium Bonds) Series 2006 and the issuance of General Obligation Bonds in the amount of \$10,000,000.

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
- Quarterly Asset Management Report

The meeting adjourned at 3:24 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".

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
June 12, 2015**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, June 12, 2015 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Thomas Anderson, Laura Brod, Linda Cohen, Thomas Devine, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillan, Abdul Omari, Darrin Rosha, and Patricia Simmons.

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

ANNUAL MEETING

Chair Beeson called the Annual Meeting to order at 9:02 a.m.

ESTABLISHMENT OF MEETING DATES

Chair Beeson proposed adjusting the tentative March 2016 meeting dates to March 30-31, 2016. A motion was made and seconded and the Board of Regents voted unanimously to approve the following meeting schedule for 2015-16:

- July 8-10, 2015 (includes annual retreat)
- September 10-11, 2015
- October 8-9, 2015
- December 10-11, 2015
- February 11-12, 2016
- March 30-31, 2016
- May 12-13, 2016
- June 9-10, 2016

NOMINATING COMMITTEE REPORT: ELECTION OF BOARD OFFICERS

Regent Devine, Chair of the Nominating Committee, presented the report of the Nominating Committee of the Board of Regents. The following individuals were recommended to serve as Board officers for 2015-17:

Chair: Dean E. Johnson
Vice Chair: David J. McMillan
Secretary: Brian R. Steeves
Treasurer: Richard H. Pfutzenreuter

Chair Beeson asked if there were any additional nominations. There were none and the nominations were closed. A motion was made and seconded to approve the slate presented by the Nominating Committee.

The Board of Regents voted unanimously to approve the slate as presented.

The annual meeting adjourned at 9:05 a.m.

The regular meeting of the Board of Regents was convened at 9:06 a.m.

MONTHLY MEETING

RECOGNITIONS

Student Representatives to the Board of Regents

Recognition was given to the 2014-15 Student Representatives to the Board of Regents:

Hannah Keil, Chair
Duluth

Tyler Ebert
Twin Cities (MSA)

Callie Livengood, Vice Chair
Twin Cities (MSA)

Aashka Joshi
Rochester

Emily Caldis
Crookston

Jesse Mara
Twin Cities (MSA)

Damien Carrière
Twin Cities (GAPSA)

Jordan Wentz
Morris

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 – May 7, 2015
Special Committee on Academic Medicine – May 7, 2015
Academic & Student Affairs Committee – May 7, 2015
Finance Committee – May 7, 2015
Facilities & Operations Committee – May 7, 2015
Faculty & Staff Affairs Committee – May 7, 2015
Board of Regents Work Session – May 7, 2015
Board of Regents Public Forum – May 7, 2015
Board of Regents Meeting – May 8, 2015

REPORT OF THE PRESIDENT

President Kaler reported on some of the University's successes in his first four years as President. He highlighted the past tuition freeze, reallocation of administrative costs, philanthropic efforts, educational achievements system-wide, and improved graduation rates. Describing more recent activity, Kaler detailed the University's contributions to the broader community. He praised several technological advancements by University researchers, the

contributions made by the University to battle the avian flu outbreak, and the academic achievements of Gopher student-athletes. He gave a brief update on the upcoming legislative special session and what that might mean for the University.

Kaler discussed the need for the University to work more closely with the legislature. He detailed the opportunities for change with the human research participation program and the Grand Challenges initiative. He outlined goals of stronger partnerships with faculty, staff and students, as well as with system campuses. Kaler thanked Regent Beeson for his leadership of the Board during the past two years.

REPORT OF THE CHAIR

Chair Beeson reported that Regents have been involved with many outreach activities, including visits to campus centers, the presentation of several prestigious awards, and the conferral of degrees at 28 commencement ceremonies. He commented on the work plan to improve the human research protection program and pledged continued oversight by the Board. Beeson stated that the Board has listened to feedback from the community and he is confident that the proposed work plan will bring the University to the forefront of clinical research.

Beeson reported on the activities of the Presidential Performance Review Committee. He praised President Kaler's performance as outstanding and applauded his commitment to the University. He highlighted several of Kaler's strengths, including his transparency, inclusiveness, and rejection of complacency. Beeson invited other members of the committee and the Board to comment.

Regent Johnson reported that Kaler received high marks from community leaders, faculty, students, and donors. He specifically noted Kaler's ability to manage challenges. Johnson highlighted specific achievements, including the matter of UMore Park and the Board's Progress Card.

Regent Lucas emphasized Kaler's unflagging enthusiasm for philanthropy. She also praised Karen Kaler for her involvement in these efforts. Lucas noted Kaler's support of the organization GenNext and closing of the achievement gap.

Several Regents applauded Kaler for his work this year and in his tenure, as well as complimenting Karen Kaler for her partnership in supporting the University.

RECEIVE AND FILE REPORTS

Chair Beeson noted the receipt and filing of the Report of the Academic Professionals and Administrators Consultative Committee and the Quarterly Report of Grant and Contract Activity.

CONSENT REPORT

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

- Appointment of Regents Professors
- Report of the All-University Honors Committee
- Summary of Gifts through April 30, 2015.

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Professor Rebecca Ropers-Huilman, Chair of the Faculty Consultative Committee (FCC), reported on the committee's recent activities. Topics included an increased focus on equity and diversity, the strategic plan, the budget reallocation process, and human subjects research oversight. Ropers-Huilman announced FCC leadership for the 2015-16 academic year: Collin Campbell, Associate Professor of Pharmacology, as Chair, and Jigna Desai, Associate Professor, Department of Gender, Women, and Sexuality Studies and Asian American Studies, as Vice Chair.

RECOGNITION OF FACULTY CONSULTATIVE COMMITTEE OUTGOING CHAIR

Professor Ropers-Huilman was recognized for her service as 2014-15 FCC chair.

BOARD OF REGENTS POLICY: CODE OF ETHICS FOR MEMBERS OF THE BOARD OF REGENTS - ANNUAL REVIEW

Deputy General Counsel Tracy Smith reviewed Board of Regents Policy: *Code of Ethics for Members of the Board of Regents*. The Board, with the assistance of the general counsel, annually reviews the requirements and procedures set forth in the policy.

Smith highlighted the guiding principles that Board members are obligated to follow: 1) Board members are responsible for the governance of the University and must be accountable in the areas of financial disclosure, gifts, expenses, and conflicts of interest; and 2) Board members are expected to put aside parochial interests, keeping the welfare of the entire University, not just a particular constituency, at all times paramount. She described when conflicts of interest exist, how to manage them, and what should be done if a Board member has a conflict of interest.

PRESIDENT'S RECOMMENDED FY 2016 ANNUAL OPERATING BUDGET

Regent Beeson asked President Kaler to present for review his Recommended FY 2016 Annual Operating Budget (Operating Budget) as detailed in the docket materials. Kaler invited Vice President Richard Pfutzenreuter and Associate Vice President Julie Tonneson to join the discussion.

Kaler pointed out that the Operating Budget is a reflection of the institution's values and priorities. He emphasized that his recommendations continue to promote a University that is accessible, affordable, and committed to academic excellence; promote a culture of operational excellence and accountability; and show appreciation for the University's faculty and staff.

Kaler detailed sources of revenue and reported that the total FY 2016 budget will be \$3.7 billion. He explained that the largest incremental change in the budget is due to reallocation of resources, mostly from the elimination of positions, retirement and attrition. Kaler noted some reduction of general operating costs – an estimated reduction of over 70 full-time equivalent positions.

Kaler described his proposal for tuition and fees, stating that the aim was to limit the impact of a tuition increase for most Minnesota undergraduates. The budget proposes a tuition increase

of 1.5 percent for resident undergraduate students and 2.5 percent, on average, for graduate students. For non-resident, non-reciprocity (NRNR) undergraduates, the budget proposes a tuition increase of 7 percent on the Twin Cities campus and 3 percent on the Duluth campus. Kaler explained that due to feedback from the legislature and some Regents, he also proposes an alternative 10 percent increase in NRNR tuition. He explained that the revenue from such an increase would go toward the U Promise scholarship program. Kaler outlined total cost of attendance under the proposed budget, including room and board for undergraduate students, noting that the changes will be similar on system campuses.

In response to several questions from Regent Johnson, President Kaler explained that he does not think that ACT scores alone are a valid measure of a student's capabilities or potential. He argued that it is important to evaluate a student's suitability for the University in a more holistic way. He noted that many individuals have the ability to become outstanding students and it is unfair to exclude them from consideration. Kaler agreed with Johnson that some in the legislature believe that NRNR students should be paying a higher rate of tuition than they do today. Kaler cautioned that it is important to consider the market when pricing NRNR tuition and that the proposed plan is a fair compromise.

Regent Rosha inquired whether Minnesota's high ACT scores and graduation rates among its high school graduates support the University having a high percentage of resident students compared to peer institutions. In response, Kaler remarked that the average ACT scores for NRNR students are higher than for resident students, which he believes is a benefit for the University. He suggested that all students benefit from the geographical diversity that comes from having national and international students on campus. Kaler cautioned that though resident students are talented, it would be unwise to limit recruitment to only Minnesotans. He added that even if the University limited recruitment to Minnesotans, those students are also likely to be in high demand at other institutions. In response to a follow-up question, Kaler agreed that the quality of Minnesota resident high school students would support a strong resident attendance rate.

Regents Simmons stated that she is glad the Board is having such a robust discussion about enrollment strategy and management, but believes that the discussion should go further. She argued that focus should be placed on students getting out of college, not just into college. She stated that she is not sure what the answers are but is glad the Board is having the complex discussion.

Regent Brod commented that it is important for the Board to engage in more conversations about the budget throughout the year, not just in the spring when it comes for review. She stated that in the discussion about resident versus NRNR students, it is important to consider market variables and to think about tuition rates from a policy standpoint. Kaler agreed about ongoing discussions regarding policy and strategy throughout the year.

Regent Cohen agreed that conversations about the budget should be held year-round and stated that perhaps the Academic & Student Affairs Committee would be an appropriate venue to begin those discussions. She commented that diversity of perspective is crucial, and would be limited if only local students are recruited.

Regent Devine offered his support for the Operating Budget. He commented that it is important to consider the total cost of attendance, including room and board, student fees, and other expenses. Kaler pointed out that the total cost of attendance at the University is ranked seventh of the 13 Big Ten public institutions. Kaler reminded the Board that the University's housing costs are the lowest in the Big Ten.

Regent McMillan agreed that discussions about tuition should focus on enrollment management strategy. He suggested that the Board begin to consider the FY 2017 budget soon,

with a focus on long-range planning. McMillan argued that the discussions be system-wide, avoiding an over-focus on the Twin Cities campus.

Regent Omari commented that the proposed budget is a good start but there is more work to be done. He pointed out that the proposed students fees are lower than what was originally expected. He argued that even with a 7 percent tuition increase for NRNR students the U remains a good value. Omari stated his wish to increase the U Promise scholarship program to help lower the achievement gap for those in need. Kaler agreed with the need to close the achievement gap, stating that the gap for students of color in Minnesota is one of the worst in the country.

In response to comments and questions by Regent Hsu, Pfitzenreuter stated that it would require \$6.1 million to freeze tuition for resident undergraduate students. Kaler reiterated that the reason the budget does not propose a tuition freeze is that 42 percent of students will not be affected by the increase. He added that others on the Board disagree with a freeze. Regent Hsu stated that even though 42 percent would not see an increase in tuition, they would still see additional costs in other areas.

Regent Lucas commented that she is unafraid of raising tuition marginally, especially when an increase means the University will preserve its priorities of quality programs, diversity, and addressing the achievement gap. She argued that for many students, higher tuition would not be a barrier to their education.

In response to a question from Regent Anderson, Kaler invited Lincoln Kallsen, Director of Institutional Analysis, to join the discussion. Kallsen stated that in order for non-residents to qualify for resident tuition, they must live in the state for at least one year unrelated to their academic pursuits.

In response to several questions related to student debt from Regent Roshia, Kaler stated that the average debt for an undergraduate student after graduation is approximately \$26,000, though he noted that 39 percent of students graduate with no debt at all. Kallsen explained there is no way for students to separate themselves from their parents' income; if a student is listed as a dependent for tax purposes, then that student's aid computations are linked to their income. Roshia asked if the University tracks whether parents actually provide the imputed income to their children; Kallsen responded that the University does not track that information.

In response to a question from Regent Hsu, Kallsen explained that the metrics for student debt only take into account the debt accrued at the University of Minnesota. He agreed that the metrics for debt only measures students' individual debt and not that of their parents.

PRESIDENT'S RECOMMENDED FY 2016 ANNUAL CAPITAL IMPROVEMENT BUDGET

Chair Beeson introduced Vice Presidents Pfitzenreuter and Wheelock to present for review the President's Recommended FY 2016 Annual Capital Improvement Budget (Capital Budget), as presented in the docket materials. Wheelock reminded the Board that policy directs the administration to develop a Capital Budget with a six-year time horizon, which is updated annually. She explained that approval of the budget allows individual projects with completed predesigns and financing plans to proceed with design and construction.

Wheelock reviewed the major components of the Capital Budget. She emphasized that the University's legislative capital request was not funded during the regular session, and that projects have been included on the list of potential amendments. She stated that the Capital Budget would be updated as needed following the special legislative session. Kaler stated that

the budget reflects the goals of the institution to provide proper facilities for the faculty, staff, and students to learn, work, and live.

Regent Devine commented that he feels housing needs to be a priority, in addition to improvements being considered for academic health. He emphasized that the geographic areas being considered for development are high-impact areas, and that it is important to be deliberative about decisions in those areas.

In response to comments and questions from Regent Hsu, Wheelock emphasized the importance of striking a balance between affordability and the student experience. She agreed that some residence halls are dated, but pointed out that they are being well maintained and are in reasonable condition. She explained that many projects compete for resources.

In response to a question from Regent Rosha, Wheelock explained that room and board costs have been kept low not because residence facilities are antiquated, but because most do not have any outstanding debt.

In response to a question from Regent Beeson, Wheelock detailed the location of Sanford Hall and explained that one-third of the facility is one of the oldest buildings on campus. She emphasized that there have been renovations and improvements made to the structure. She explained that the large allocation in the budget for Sanford is due to significant improvements needed to the bathrooms and plumbing.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

1. Approval of the following schematic designs, as presented to the committee and described in the June 11, 2015 minutes:
 - A. Bee Discovery and Pollinator Center (Landscape Arboretum)
 - B. Mechanical Engineering Lab Renovations (Twin Cities Campus)
2. Approval of the following real estate transactions as presented to the committee and described in the June 11, 2015 minutes:
 - A. Purchase of 4.79 Acres in Minneapolis (Twin Cities Campus)

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

Devine reported that the committee also received information on the President's Recommended FY 2016 Annual Capital Improvement Budget; discussed implementation of the campus master plan; received an update on information technology capital planning; and reviewed information items as outlined in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

1. Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented

to the committee and described in the June 11, 2015 minutes.

2. Approval of a Resolution Related to the Proposed Labor Agreement with Graphic Communications International Union Local 1-B, as follows:

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

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

WHEREAS, according to the Board of Regents Policy: *Board Operations and Agenda Guidelines*, approval of labor agreements by the Board of Regents is required; 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 June 11, 2015.

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

McMillan also reported that the committee discussed human resources needs in the Office of Information Technology; received an annual update on UPlan health insurance; received information about recruiting field-shaping faculty; and reviewed information items as outlined in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

1. Adoption of proposed revisions to Board of Regents Policy: *Commercialization of Intellectual Property* as follows:

SECTION I. SCOPE.

This policy governs patents and the ownership, commercialization, and dissemination of intellectual property rights in technology created at the University of Minnesota (University).

SECTION II. EXCLUSIONS.

Subd. 1. Copyright. With the exception of the commercialization of intellectual property rights in software owned by the University, this policy shall not apply to the ownership or use of copyrighted works that are governed by other Board of Regents (Board) or administrative policies.

Subd. 2. Trademarks. With the exception of intellectual property rights in University trademarks that identify University-owned plant varieties or that are commercialized in conjunction with other technology covered by this policy, this policy shall not apply to the use of University-owned or licensed names, trademarks, or service marks.

Subd. 3. Equity Interests. This policy shall not apply (a) to the University's acquisition of equity securities in a publicly held company or appointment of a voting member to the

governing body of a publicly held company or (b) to the acquisition of equity securities of a publicly held company by a University employee.

Subd. 4. Student-Created Technology. This policy shall not apply to technology created or reduced to practice by University students to fulfill a University course requirement unless (i) the development of the technology was funded, in whole or in part, by an external sponsor; (ii) the technology was an improvement of an invention in which the University holds the intellectual property rights; (iii) a University faculty member or other University employee was a co-inventor of the technology; or (iv) substantial University resources were used to develop or reduce the technology to practice. This policy does not prohibit the University from conditioning participation in a University course or other University-sponsored activity on an individual's assigning to or licensing to the University the rights in technology created or reduced to practice in the course or activity.

SECTION III. DEFINITIONS.

Subd. 1. Inventor. Inventor shall mean a University employee, student, or postdoctoral or other fellow who invents technology.

Subd. 2. Technology. Technology shall mean the following items and their related intellectual property rights:

- (a) a discovery or invention, patentable or not;
- (b) software owned by the University; and
- (c) trademarks owned by the University that identify University-owned or University-licensed plant varieties or that are commercialized in conjunction with other technology covered by this policy.

Subd. 3. University Official. University official shall mean a person defined as a University official in Board of Regents Policy: *Institutional Conflict of Interest* and any person covered by administrative policies or procedures implementing that policy.

Subd. 4. Controlling Equity Interest. Controlling equity interest shall mean the University's ownership of equity securities of a licensee sufficient to grant the University the power to direct the licensee's management. The University shall be considered to have a controlling equity interest in a licensee under this policy if:

- (a) the University owns a majority of the voting equity interest in the licensee; or
- (b) the University has the power to appoint a majority of the voting members of the governing body of the licensee.

Subd. 5. Licensee. Licensee shall mean a for-profit, privately held company to which the University licenses or assigns intellectual property rights in University-owned technology.

Subd. 6. Net Income. Net income shall mean the gross monetary payments the University receives in consideration for granting rights in the technology less (a) the University's out-of-pocket expenditures (including legal fees) directly attributable to protecting, developing, and transferring that technology and (b) a fifteen percent administrative fee of the gross monetary payments to help defray the costs associated with operating the Office of Technology Commercialization. Net income includes the net cash proceeds received from the sale of securities acquired under Section V, Subd. 6 of this policy. Net income does not include the net cash proceeds received from the sale of securities acquired under Section VII, Subd. 5 of this policy. Fees, charges, and other monetary payments made to the University to compensate it for administering intellectual property agreements or seeking and maintaining intellectual property protection for technology shall not be considered monetary payments under this policy.

SECTION IV. GUIDING PRINCIPLES.

The following principles shall guide the University in commercializing technology:

- (a) The primary mission of University research is the generation and dissemination of knowledge, and academic freedom requires that faculty, staff, and students be free to pursue areas of research and study without regard to the potential for the creation of inventions.
- (b) The development and dissemination of new knowledge, technology, or scientific procedures resulting in innovative products, practices, and ideas is a valued supplement to scholarly publications.
- (c) University commercialization activities shall not inhibit the ability of University researchers to pursue research of their choosing, to publish results of their work in a timely manner, and otherwise to exercise their rights of academic freedom.
- (d) Licensing University-owned technology to private companies promotes the University's interest in successful commercial development of University-owned intellectual property. In some circumstances, a non-commercial method of distribution, such as open source sharing of technology or licensing for humanitarian needs, may be the preferred method of providing public access to, and use of, University discoveries.
- (e) The University may own a controlling equity interest and assert control over the direction and management of a licensee only when doing so (1) enhances the potential for the licensee to successfully develop and make available to the public useful products and services and (2) increases the potential value of the University's investment.

SECTION V. OWNERSHIP OF TECHNOLOGY.

Subd. 1. Ownership. The University shall be the sole owner of all rights, titles, and interests (including intellectual property rights) in and to technology:

- (a) created by University employees in the course of their employment;
- (b) created by individuals, including employees, students, or post-doctoral or other fellows, using substantial University resources.

Subd. 2. Assignment of Intellectual Property Rights. Inventors assign to the University all rights, titles, and interests, if any, in and to technology owned by the University.

Subd. 3. Ownership Under Third Party Agreements. Ownership of and rights in technology are subject to the terms of written agreements between the University and third parties under which the University, solely or in collaboration, conducts research or other activities. Under these agreements, the University may claim, disclaim, or otherwise grant or accept rights in technology as appropriate and desirable.

Subd. 4. Waiver of University Rights. Consistent with administrative policies and procedures, the president or delegate is authorized to waive or otherwise assign to an inventor all or part of the University's rights, titles, or interests in or to a technology created by the inventor.

Subd. 5. Rights to Publish. At the University's request, inventors shall delay the publication or public disclosure of any descriptions of technology for a brief period of time to permit the registration, application for, and protection of the intellectual property rights in the technology.

Subd. 6. Rights to Third Parties. The president or delegate may assign, license, or otherwise grant a third party the right to use technology royalty-free or in exchange for cash, stock or other securities, or other tangible or intangible property.

SECTION VI. DISTRIBUTION OF INCOME FROM COMMERCIALIZATION OF TECHNOLOGY.

The University shall share with inventors the net income from the commercialization of technology as follows:

- (a) thirty-three and one-third percent to the inventors;
- (b) twenty-five and one-third percent to the department, division, or center that supported the creation of the technology, to be spent in support of the inventor's research or directly related University work;
- (c) eight percent to the collegiate unit that supported the creation of the technology; and
- (d) thirty-three and one-third percent to the Office of the Vice President for Research, to be spent in support of the University's technology commercialization activities and to fund University research and scholarly activity.

The president or delegate may change the distribution to collegiate units or to departments, divisions, or centers if such amounts become disproportionate compared to their budgets or if there have been administrative organizational changes, including an inventor's movement among units or departments. The president or delegate also may distribute to inventors a portion of the net income from commercialization of technology in the form of a bonus or salary supplement.

SECTION VII. EQUITY, CONTROLLING INTERESTS, AND ASSISTANCE WITH COMMERCIALIZATION.

Subd. 1. Disposition of Equity Securities. The University shall sell the equity securities acquired under Section V. Subd. 6. of this policy as soon as prudent and in strict compliance with all applicable federal and state laws.

Subd. 2. Acquiring a Controlling Equity Interest in the Commercialization of Technology. In acquiring, as part of a transaction to commercialize technology, a majority or other equity interest in a company that grants the University the power to direct the company's management or the power to appoint a majority of the voting members of the governing body of the company, the following prohibitions shall apply:

- (a) Except as permitted under Section VII. Subds. 4. and 5. of this policy or any other applicable Board policies, the University shall not make a cash investment in, lend money to, or guarantee the obligations of the company; and
- (b) University officials shall not purchase or invest, directly or indirectly, in the equity securities of a licensee as long as the licensee is privately held, except that University employees who are not University officials may purchase or invest, directly or indirectly, in such equity securities if permitted under Board of Regents Policy: *Individual Business or Financial Conflict of Interest* and other applicable Board policies.

Subd. 3. Appointment of Voting Members to Governing Bodies as Part of the Commercialization of Technology. The president or delegate may authorize the appointment of voting members to the governing bodies of privately held companies commercializing technology. The member shall:

- (a) be an individual with demonstrated experience and competence in technology commercialization and in the creation, management, and capitalization of privately held companies; and
- (b) be reasonably insured against liability arising from service on the governing bodies of such companies.

The member:

- (a) shall not accept compensation for service as a member of the governing body of the company, but may accept reasonable reimbursement for service-related expenses;
- (b) shall comply with applicable University policies and procedures;
- (c) shall discharge fiduciary and contractual responsibilities to the company, subject to the performance of University duties as provided in Board and other University policy and procedures if the individual is an employee of the University; and
- (d) shall resign as a voting member of the governing body of the company prior to the company's becoming publicly held, unless the president or delegate approves an extension of the appointment.

Subd. 4. Use of Technology Commercialization Income to Assist Commercialization by Non-University Entities. The president or delegate may authorize non-University entities to use income the University earns from technology commercialization to directly encourage, promote, or assist with the commercialization and development of University intellectual property. The commitment of financial support for particular projects shall not exceed \$250,000, consistent with Board of Regents Policy: *Reservation and Delegation of Authority*.

Subd. 5. Equity Investment to Support Commercialization by Non-University Entities. The president or delegate may authorize an investment in the equity securities (including securities that are convertible to equity securities) of a company formed for the purpose of commercializing and developing University-owned technology. No such investment may exceed \$1,050,000.

SECTION VIII. REPORTING.

The president or delegate shall report annually to the Board on University activities under this policy.

SECTION IX. IMPLEMENTATION.

The president or delegate shall implement this policy and maintain appropriate policies and procedures to administer it.

Supersedes: Educational Materials dated April 14, 1967, Patent and Technology Transfer dated October 10, 1986, Intellectual Property adopted October 8, 1999, Use of Royalty Income to Support Technology Commercialization adopted March 12, 2004, and Acquiring Controlling Equity Interests in Technology Licensees adopted December 8, 2006.

2. Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the June 11, 2015 minutes.

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

Simmons reported that the committee also discussed campus culture and climate and received information on faculty roles.

REPORT OF THE AUDIT COMMITTEE

Regent Brod, Chair of the committee, reported that the committee voted unanimously to recommend approval of a Resolution Related to Implementation of Work Plan to Improve Human Research Protection Program.

Several Regents expressed their gratitude to Dr. William Tremaine, Regent Simmons, and the Implementation Team for their efforts in developing the work plan and resolution, and expressed that this only the beginning.

Regent Brod stated that she thought Tremaine's use of the word "colleague" was particularly significant, explaining that this appropriately conveyed the tone the University will use moving forward.

Regent Devine expressed his hope that the process remains transparent and accessible. He suggested that regular updates, stated in laymen's terms, would be beneficial to constituents and legislators.

The Board of Regents voted unanimously to approve the Resolution Related to Implementation of Work Plan to Improve Human Research Protection Program, as follows:

WHEREAS, the University is committed to meeting, upholding and exceeding the highest ethical standards in research practices involving human participants; and

WHEREAS, these ethical standards are critically important, particularly in the context of clinical research involving participants with limited decision-making capacity; and

WHEREAS, recent reports have made recommendations to improve and create a human participant research protection program that serves as a national model; and

WHEREAS, President Kaler charged a highly qualified team of experts to develop a work plan to implement these recommendations; and

WHEREAS, this team, through a rigorous and transparent process, has drafted a work plan that will result in significant improvements to the University's human participant research protection program; and

WHEREAS, protecting research participants and enhancing the University's research programs are critical institutional priorities;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents (Board) endorses the final work plan to strengthen the University's human research protection program and directs the President to implement the action steps outlined therein, including but not limited to:

- a) Strengthening membership and processes of the Institutional Review Board;
- b) Additional education and training for investigators;
- c) Stronger protections for participants with limited or fluctuating capacity to consent;
- d) Enhanced engagement with research participants and families;
- e) Formation of a Community Oversight Board; and
- f) More stringent management of conflicts of interest.

BE IT FURTHER RESOLVED that the Board will take an active role in providing ongoing oversight and monitoring of these activities by receiving regular progress reports through its Audit Committee at each of the committee's meetings until the work plan has been fully implemented; and

BE IT FURTHER RESOLVED that all Regents receive, and the chair of the Board and the chair of the Audit Committee are delegated authority by the Board to review and approve, all reports to be submitted to the Minnesota Legislature relating to implementation of this work plan; and

BE IT FURTHER RESOLVED that the Office of Internal Audit shall monitor and evaluate the progress reported by the President and report those findings to the Audit Committee.

Regent Brod also reported that the committee discussed the internal audit plan; received an update on internal audit activities; and reviewed information items as outlined in the docket materials.

REPORT OF THE FINANCE COMMITTEE

Regent McMillan, Chair of the committee, reported that committee voted unanimously to recommend approval of a Resolution Related to Funding Safe Housing for Greek Chapter Students.

Regent Rosha commented that in addition to efforts being made to improve the safety and general condition of the Greek facilities, attention should also be paid to other non-profit student housing options.

Regents Devine and Hsu recused themselves from action on the Greek Loan Program due to potential conflicts of interest. They left the meeting.

The Board of Regents voted unanimously to approve the Resolution Related to Funding Safe Housing for Greek Chapter Students, as follows:

WHEREAS, the University has been advised that the housing facilities for students at the University who are members of Greek organizations are in critical need of renovation and repair, and external sources of funding for necessary improvements are limited in availability, expensive, and likely of too short a duration;

WHEREAS, the safety of its students is of paramount importance to the University, and such renovation and repair plays a significant role in the reinvigoration of the University campus as a whole;

WHEREAS, it is thus appropriate for the University to provide financial support to achieve its goal of improving the safety of Greek housing on and around campus;

WHEREAS, the University has asked the University of Minnesota Foundation (Foundation), and the Foundation has agreed, to support the University's efforts to improve the safety and sustainability of Greek housing on campus by establishing a revolving loan fund to be known as the Safe Housing for Greek Chapter Students Improvement Fund (the Fund) to finance such improvements;

WHEREAS, University of Minnesota Foundation Real Estate Advisors (UMFREA) is a limited liability company owned by the Foundation whose purpose is to receive, hold, invest, develop, administer and provide advice with respect to real property;

WHEREAS, the Foundation has asked UMFREA, and UMFREA has agreed, to support the efforts of the University and the Foundation in this initiative by establishing, operating, and administering the Fund; and

WHEREAS, the University desires to transfer \$1,500,000 in unrestricted one-time funds to the Fund, which will be matched by a transfer in the same amount from the Foundation;

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

1. The establishment by UMFREA of the Safe Housing for Greek Chapter Students Improvement Fund for the purposes described above, and the transfer by the University of \$1,500,000 to the Fund, is hereby approved.

2. The appropriate University officers are authorized to execute and deliver all documents, and to take such other actions as may be necessary or appropriate in connection with the establishment and operation of the Fund in order to achieve the goals of the University as described above.

Regents Devine and Hsu returned to the meeting.

Regent McMillan reported that committee also voted unanimously to recommend:

1. Approval of a Resolution Related to Refunding of Debt, as follows:

WHEREAS, pursuant to Sections 137.50 through 137.60 of the Minnesota Statutes, the University has outstanding its Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006, in the approximate amount of \$104,385,000 (the Series 2006 Bonds);

WHEREAS, on May 22, 2015, Minnesota Laws 2015, Chapter 69, Section 17 was signed into law by Governor Dayton, which amended Minnesota Statutes, Section 137.54 (as so amended, the "Act") to provide that the Board of Regents (Board) may refund the Series 2006 Bonds if refunding is determined by the Board to be in the best interest of the University,

WHEREAS, the Act provides that the amount of the State's annual payment to the University for the refunded bonds shall be equal to the maximum annual appropriation under the Act of \$10,250,000;

WHEREAS, it has been proposed that the University proceed with a plan of financing to refund the State Supported Stadium Debt by the issuance and sale of indebtedness in the form of bonds, issued in one or more series (the "Debt"), the proceeds of which will be used to refund all or a portion of the Series 2006 Bonds, and to pay the costs of issuance of the Debt;

WHEREAS, the Debt will be issued pursuant to one or more Indentures of Trust between the University and a bank or trust company acting as trustee or pursuant to one or more Orders of the University;

WHEREAS, an Indenture of Trust or Order pursuant to which 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 and interest on such Debt;

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. To provide funds to refund the Series 2006 bonds and to pay costs of issuance thereof, the Board hereby authorizes the sale and issuance of Debt in one or more series in a principal amount not to exceed the lesser of (i) \$104,385,000 and (ii)

the amount necessary to defease the bonds outstanding immediately prior to refunding. The Debt may be issued in one or more series and shall mature not later than August 1, 2031. The Treasurer is authorized to determine whether or not the Debt shall be issued as special purpose revenue bonds of the University and whether or not the Debt shall be tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. 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. 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.

3. In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture(s) of Trust or Order(s) 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 are approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the documents evidencing the Debt in accordance with such Indenture(s) of Trust or Order(s) or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

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

5. The Treasurer is authorized to approve the Preliminary Official Statement(s), final Official Statement(s), Offering Memorandum or Memoranda, Offering Circular(s), 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 Debt, and the President is authorized to execute and deliver the final Official Statement(s) or any supplements or amendments thereto. In the case of the sale of any series of Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

6. 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. Specifically, each of the President and Treasurer is hereby authorized to take any and all appropriate action on behalf of the Board to make or update, as may be appropriate, any certification required under Section 137.54.

7. 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.

8. 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.

2. 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 (the "Debt"), the proceeds of which are to be used to finance the portion of a capital project to meet certain needs of the Medical School and Academic Health Center on the Twin Cities campus (the "Project") that includes the predesign and design of collocated health education and clinical research facilities, 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 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 and interest on such Debt;

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

1. To provide funds to finance the portion of the Project that includes the predesign and design of collocated health education and clinical research facilities, as well as the costs of issuance of such financing, the Board hereby authorizes the sale and issuance of Debt in the principal amount of up to \$10,000,000. The Debt may be issued in one or more series and shall mature not later than the date that is 20 years after the date of issuance of each series. The Treasurer is authorized to determine whether or not the Debt shall be issued as general obligations of the University and whether or not the Debt shall be tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The portion of the AHC Project to be financed by the proceeds of the Debt shall be the portion designated by the Board of Regents or by the Treasurer as part of the University's capital planning process.

3. The Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. 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. 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 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 documents evidencing 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 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 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 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.

3. Approval of the Consent Report for the Finance Committee as presented to the committee and described in the June 11, 2015 minutes.

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

McMillan reported that the committee also received information on the President's Recommended FY 2016 Annual Operating Budget and on financial components of the President's Recommended FY 2016 Annual Capital Improvement Budget; discussed long-term financial planning; and reviewed information items as outlined in the docket materials.

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 June 11, 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 SPECIAL COMMITTEE ON ACADEMIC MEDICINE

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

NEW BUSINESS

Regent Johnson expressed his gratitude to the Board for their confidence in electing him to serve as Chair. He stated that he is eager to engage his fellow Regents in discussion and collaboration, and to work closely with the President and his administration. He explained that there are three words he thinks of when he looks ahead to his term as Chair: anticipation, strategy, and governance. He noted that he is open to counsel, suggestions, guidance, and constructive criticism.

The meeting adjourned at 11:58 a.m.

BRIAN R. STEEVES



**Executive Director
and Corporate Secretary**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Public Forum on the President's Recommended
FY 2016 Annual Operating Budget**

June 12, 2015

A public forum was held by the Board of Regents of the University of Minnesota on Friday, June 12, 2015 at 12:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Thomas Anderson, Laura Brod, Linda Cohen, Thomas Devine, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillian, Abdul Omari, Darrin Rosha, and Patricia Simmons.

Staff present: President Eric Kaler; Chancellor Fred Wood; Vice Presidents Kathryn Brown and Richard Pfitzenreuter; Executive Director Brian Steeves; and Associate Vice President Julie Tonneson.

Regent Beeson welcomed those in attendance and reviewed the procedures for the forum. He explained that the President's Recommended FY 2016 Annual Operating Budget would be presented to the Board for action at a special meeting on Wednesday, June 24.

The following individuals addressed the Board:

Nicholas Goldsmith – Twin Cities graduate student

Goldsmith explained the work of graduate students and detailed their contributions to the University and the surrounding community. He emphasized that they need to be valued more highly and have access to more career services.

Andrew McNally – Graduate student and outgoing president, Council of Graduate Students

McNally cited several statistics about graduate students at the University and at other Big Ten institutions, and pointed out the cost of graduate school and graduate student debt. He argued that the University should have higher salaries to support the cost of living.

Nicole Scott – Twin Cities graduate student

Scott described the difficulties of grad students who are also parents and called for better family support for both graduate students and staff. Scott suggested mobile lactation units and child-care grants for graduate students, similar to those offered for undergraduates.

Cherrene Horazuk – Staff member and president of AFSCME Local 3800

Horazuk argued that a 2 percent raise for unionized employees is not enough, and called for a 5 percent increase. She also argued for better parental leave and more benefits from the Regents Scholarship. She suggested that the University cut administrative overhead from higher-level positions, rather than from the front-line workers.

Alison Brimeyer – Staff member and member of AFSCME Local 3800

Brimeyer stated that though her colleagues value her contributions, she does not feel valued by the University. She argued that parental leave for bargaining unit employees is not enough and that using sick time for parental leave is not acceptable. She suggested that better sick and parental leave benefits would boost employee retention.

Claire Thiele – Staff member and member of Teamsters Local 320

Thiele stated that she cares for lab animals used in important clinical trials. She explained that, despite the importance of her work in the research process, she feels underpaid and undervalued by the University.

Mick Kelly – Staff member and member of Teamsters Local 320

Kelly argued that a 2 percent increase is not enough for Teamsters, especially given the work they do on campus. He argued that as a land-grant institution, the University should support everyone, including the front-line workers. He expressed a desire to thrive, not merely survive.

Wendy Lougee – University Librarian

Lougee offered her support for the proposed budget. She explained the difficulties of managing the budget for the University libraries, but stated that they have done their part to cut costs. She reported that among peer institutions, the University libraries have the leanest staff.

Eric Schwartz – Dean, Hubert H. Humphrey School of Public Affairs

Schwartz expressed his support for the proposed budget. He stated that the University has a unique capacity for excellence and the opportunities are available at modest costs. He suggested that the budget continues to provide opportunities for students and for research.

Gary Cohen – Professor, History Department and Chair, University Senate Committee on Finance and Planning

Cohen stated that the senate committee found the budget to be prudent in light of the current economic climate. He explained that the budget is often discussed in incremental terms, but urged the Board and administration to give more attention to total costs and revenues. He expressed the desire to ensure the viability and integrity of programs and activities.

Joelle Stangler – Twin Cities undergraduate and president of Minnesota Student Association

Stangler stated that she couldn't support the current budget because it ignores two issues important to students: transparency and debt. She argued that there needs to be better communication about tuition increases and that more attention should be paid to middle income students.

Lorraine Haley – Staff member and member of AFSCME Local 3800

Haley explained that though she has been happy working at the University, she is not appropriately prepared for her upcoming retirement. She expressed that she felt forced into retirement. She stated that she plans to seek part-time employment once she retires.

Will Dammann – speaking on behalf of Callie Livengood, student representative to the Board

Dammann read a letter written by Callie Livengood, student representative to the Board. The letter explained that Livengood, a non-resident student, chose the University because it met her requirements and was affordable. She suggested that if an out-of-state tuition increase is necessary that it be made gradually to allow students to plan.

The meeting adjourned at 1:13 p.m.

BRIAN R. STEEVES



**Executive Director
and Corporate Secretary**