

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
December 10, 2015**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, December 10, 2015 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Thomas Anderson, Dean Johnson, Peggy Lucas, and Darrin Rosha.

Staff present: Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; and Executive Director Brian Steeves.

Student Representatives present: Callie Livengood and Cory Schroeder.

2015 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Provost Hanson introduced the discussion on strategic issues related to the 2015 *University Plan, Performance and Accountability Report*. Hanson invited each chancellor to share performance and accountability information from their campus.

Chancellor Fred Wood described the student experience at the University of Minnesota Crookston (UMC). He shared that of about 1,900 students, half are enrolled online. Natural resource sciences and agriculture are campus strengths, and contribute to the high enrollment in STEM disciplines. Wood noted that while only 27 percent of Minnesotans live in small towns, 67 percent of UMC graduates choose to live in small towns following graduation.

Wood introduced Emily Caldis, Veterinary Medicine graduate student and UMC alumna, to share her experience in the VetFAST program, a program designed to shorten the time to degree and provide mentoring and internship opportunities for students interested in becoming food animal veterinarians. Caldis explained that despite growing up in the Twin Cities area, she chose Crookston because of its smaller campus and opportunities for hands-on learning as an Animal Science major.

University of Minnesota Duluth (UMD) Chancellor Lendley Black introduced Joshua Hamilton, Dean of the Swenson College of Science and Engineering (Swenson), and Robert Sterner, Director of the Large Lakes Observatory (Observatory). Hamilton noted that Swenson is the largest college at UMD and the third-largest college in the system. He reminded the committee that UMD hosts Minnesota's sea grant. Sterner emphasized that the Observatory is one-of-a-kind within the United States, as research on large freshwater lakes is highly specialized. He told the committee about current research by Observatory faculty on climate change and reported on student research and community outreach conducted on the Blue Heron research vessel.

University of Minnesota Morris (UMM) Chancellor Jacqueline Johnson shared statistics from the Fall 2015 freshman class. The class was 18 percent American Indian students and 27 percent students of color overall. About one-third of the class is comprised of first-generation college students. Johnson reminded the committee that UMM is a young institution, and noted an increase in alumni donations and estate gifts from early graduates.

Johnson invited undergraduate student Hector Garcia to share his UMM experience. Garcia told the committee about his decision to attend Morris despite never visiting campus, and the opportunities he has had to intern with the Jane Addams Project and serve as a community advisor and hall director.

University of Minnesota Rochester (UMR) Chancellor Stephen Lehmkuhle introduced Vice Chancellor Lori Carrell to share statistics and knowledge gained from the first three UMR graduating classes. Carrell shared that 96 percent of the most recent graduating class finished in four years. The campus had a 63 percent retention rate to graduation, and the Bachelor of Science in Health Professions program had a 100 percent success rate of graduates passing certification testing and finding jobs in their field. Carrell indicated that the most successful students demonstrate a true passion for healthcare, often spurred by a personal experience, which UMR will emphasize as it refines its recruitment strategy.

In response to a question from Regent Johnson, Chancellor Wood explained that many of the facilities at UMC were built when the campus was a two-year technical college, so they are not in line with the expectations for a Division II school. He noted that similar challenges exist across the system; Chancellor Black agreed.

Regent Rosha commented on the importance of system-wide thinking and applauded the chancellors on creating better alignment throughout the system, specifically by remedying issues with transferring credits from one campus to another.

TWIN CITIES UNDERGRADUATE EDUCATION UPDATE

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, to report on the status of undergraduate education on the Twin Cities campus, as detailed in the docket.

McMaster reported that the new freshman class for Fall 2015 was one of the largest since the Vietnam War era, with about 300 more students than expected. The average ACT score of incoming freshman averaged 28.2. He noted that the gender imbalance continues to grow, with the incoming class being 54.1 percent female. The new freshman class was 20.8 percent students of color, a 10-year high and a statistic that matched the number of students of color graduating from Minnesota high schools.

McMaster shared that enrollment in the University Honors Program grew to 654 students in 2015 from 559 in 2014. The program is larger than targeted, but it is necessary to offer spots to high-performing students or they may choose to attend a different university. McMaster noted fewer transfer students from the MnSCU system, likely due to increased efforts by the system to retain its students moving from two-year to four-year schools.

He shared that the four-year graduation rate increased to 63.3 percent, reminding the committee that the original goal of 60 percent was surpassed last year and the target is now 65 percent. McMaster shared that the first-year retention rate has also increased slightly, to 92.7 percent, but that the University was not keeping up with peer institution retention rates of 93-95 percent.

In response to a question from Regent Lucas, McMaster explained that the goal for the Honors Program was to admit the top 10 percent of students from each college. While enrollment has increased to 12-13 percent of students in the College of Science and Engineering and College of Biological Sciences, the percentage has not been reduced in the other colleges, leading to a higher overall enrollment.

Regent Anderson asked if the University offers guaranteed admission to students transferring from Normandale Community College. McMaster explained that only some programs under the Minnesota Cooperative Admissions Program provided guaranteed enrollment. He added that the University worked with MnSCU to develop the Minnesota Transfer Curriculum so that all of the colleges and universities in Minnesota accept the same transfer courses.

In response to a question from Student Representative Schroeder, McMaster explained that transfer students must have completed one full academic year at another school. That transcript takes the place of the high school transcript during the admissions process.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - College of Continuing Education (Twin Cities campus)—Create Master of Professional Studies degree in Addictions Counseling
 - Medical School (Twin Cities campus)—Create fellowship in Advanced Neuroradiology
- **Request for Changes to Academic Programs**
 - Carlson School of Management and College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Create dual M.S./M.B.A. degree program in Applied Economics
 - College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Create sub-plans in Conservation Science within the M.S. and Ph.D. degrees in Conservation Sciences
 - Medical School (Twin Cities campus)—Change the name of the Procedural Dermatology Fellowship to Micrographic Surgery and Dermatologic Oncology Fellowship
 - Medical School (Twin Cities campus)—Change the name of the Advanced Catheterization Fellowship to Structural Heart Diseases and Advance Interventional Cardiology Fellowship
 - School of Public Health (Twin Cities campus)—Discontinue Plan A option within the Health Services Research, Policy, and Administration M.S. degree
 - Swenson College of Science and Engineering (Duluth campus)—Discontinue sub-plans in Industrial Systems Engineering Program and International Engineering within the Industrial Engineering B.S. degree
 - Duluth campus—Create sub-plan in Nuclear Medicine Technology within the Health Professions B.S. degree
- **Request for Approval of Discontinued Academic Programs**
 - Swenson College of Science and Engineering (Duluth campus)—Discontinue the undergraduate minor in Computer Information Systems

- Swenson College of Science and Engineering (Duluth campus)—Discontinue the undergraduate minor in Computer Science Applied

INFORMATION ITEM

Provost Hanson referred committee members to the following information item:

- Update on Accreditation Visit

The meeting adjourned at 11:44 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit & Compliance Committee
December 10, 2015**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, December 10, 2015, at 3:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Richard Beeson, Michael Hsu, Peggy Lucas, and Abdul Omari.

Staff present: President Eric Kaler; Chancellor Fred Wood; Senior Vice President and Provost Karen Hanson; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock, Gail Klatt, and Michael Volna.

Student Representatives present: Dalton Javener and Callie Livengood.

EXTERNAL AUDITOR REPORT

Associate Vice President Volna introduced Katie Knudtson and Judith Dockendorf from Deloitte and Touche LLP (Deloitte) to present the external auditor's opinion on the University's fiscal year 2015 financial statements and other required audit communications, as detailed in the docket.

Knudtson reported that Deloitte had issued an unqualified opinion for 2015. She summarized the key financial information and major elements of the audit as well as procedures used to complete the review. Dockendorf highlighted a policy change: the adoption of GASB No. 68 and GASB No. 71 related to accounting for pensions, which resulted in a decrease in net assets of \$609.6 million. Knudtson summarized other audit services performed by Deloitte in 2015.

Regent Brod commented on the difference in the type of audit conducted by the University's internal auditor and the audit performed by Deloitte. Knudtson explained that Deloitte's audit focuses on whether the financial statements are materially correct but does not focus on immaterial matters or evaluate adherence to policy.

Klatt stated that the internal auditors care about financial accuracy but focus more on the activities and business purposes that give rise to the financial recordings. Knudtson elaborated that Deloitte auditors evaluate the internal audit reports to understand areas of increased risk.

Regent Hsu asked what procedures related to cyber security have been used to test the University's new systems. Knudtson explained that the audit procedures involving cyber security sought to ensure that individuals have the correct access to the system. The audit team talked with information technology staff to understand the maturity of the University's information security systems but it was not a procedure performed as part of the audit work.

UPDATE ON IMPLEMENTATION OF THE HUMAN RESEARCH PROTECTION PROGRAM WORK PLAN

Regent Brod invited Vice President Brian Herman; Lynn Zentner, Director, Office of Institutional Compliance; and Steven Miles, Professor of Medicine and Bioethics, to update the Board on progress made since September 2015 related to Human Research Protection Program work plan implementation, as detailed in the docket.

Zentner shared that faculty will vote upon a more stringent conflict of interest policy in March. Recent reviews highlighted instances in which University faculty members were conflicted by serving as both the principal investigator for a study and the physician of a patient enrolled in that study. Additional concerns were raised about industry-sponsored research. The new conflict of interest policy requires vetting through faculty interest groups. Zentner stated that the new policy was developed after evaluating policies at other Big Ten universities and other academic health systems such as Harvard University and Brigham and Women's Hospital. She noted the significance of the change, especially culturally, if it is passed.

Miles reported that the University hosted a conference on Human Research Participant Protection and is planning a 15-unit lecture series covering both University and national standards. Four hundred people attended the conference, with an additional 1,000 participating online. He told the committee about the new research compliance office that will take over investigative work of the institutional review boards, and the establishment of a community oversight board.

Regent Lucas asked if peer institutions are also developing similar policies and if not, would it hinder research at the University. Zentner indicated that while most peer institutions do not have as stringent a conflict of interest policy, the University faced a unique situation that required a close look at values and ethics more so than compliance and laws. Herman added that the policy change will be significant for some clinicians, and further consultation is needed to determine if alternatives will be allowed in some situations.

In response to a comment by Regent Hsu, Herman noted that the University has put more time and resources than other institutions into developing a robust protection program. He indicated that other institutions and accreditors are watching the University's actions closely and considering potential changes.

PRIMER ON HIPAA COMPLIANCE AT THE UNIVERSITY

Regent Brod invited Lori Ketola, Chief Health Information Compliance Officer and Director, to describe the requirements of the Health Insurance Portability and Accountability Act (HIPAA), as detailed in the docket.

Ketola reminded the committee that HIPAA violations were placed in the upper right quadrant of the University's risk profile, signifying a high likelihood of occurrence and high impact. She provided an overview of HIPAA and explained that the University is a hybrid entity because some parts of the University are involved in health plan or health care provider activities while other parts of the University are not involved but must access or use health information. Ketola outlined reporting options for HIPAA breaches, the steps taken to investigate a potential breach, and requirements for reporting to affected individuals, the Department of Health and Human Services, and the media.

She shared that Deloitte recently conducted a comprehensive security risk assessment for the University and noted that a task force is addressing issues identified during the assessment. The task force has condensed three administrative policies and more than 20 procedures into one new administrative policy. The goal of the simplified policy is to increase understanding

and improve compliance. Updated training materials will be complete in the spring and training will be re-administered.

Regent Hsu asked how many security breaches the University reports each year. Ketola stated that the number of breaches is low, but likely due to underreporting.

Regent Beeson asked if merging with Fairview would increase the risk of violations. Ketola indicated that the merger should decrease the risk by bringing greater clarity to roles and responsibilities. With three separate organizations currently, information is not always shared securely and gaps can be missed due to lack of communication.

INSTITUTIONAL COMPLIANCE OFFICER SEMI-ANNUAL REPORT

Regent Brod invited Lynn Zentner, Director, Office of Institutional Compliance (OIC), to present the institutional compliance officer semi-annual report, as detailed in the docket.

Zentner provided an overview of OIC's activities. In that overview, she:

- Detailed efforts underway to review the University's current compliance infrastructure and make recommendations for realigning or restructuring to achieve greater compliance on both compliance- and ethics-related activities.
- Reported on progress related to the education/training initiative recommended in May. Vice President Kathy Brown and Interim Vice President Bernard Gulacheck are leading the development committee that is working to identify all training currently offered, align training expectations by position, and develop values-related training for all employees.
- Noted that monitoring is now required for all high- and medium-compliance risk areas.
- Summarized 2015 UReport data from 164 reports, 77 percent of which were anonymous. Of the reports, 36 percent were substantiated, meaning that an individual was coached, counseled or disciplined.

Regent Hsu expressed concern that because a report can be made anonymously through UReport, the University has no way to judge the validity of the report or to follow-up with the reporter to seek additional information. Zentner indicated while there are few incidents of double or fake reporting through UReport, additional information from the anonymous reporter may be necessary to conduct a thorough investigation. Klatt added that the Office of Internal Audit conducts many of the investigations and has had only a handful of instances in which the initial report did not provide enough information to conduct an investigation.

INFORMATION ITEMS

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

- Report of engagements less than \$100,000 requiring after-the-fact reporting.
- Report of emergency approvals of engagements \$100,000 or greater.
- Semi-Annual Controller's Report.

The meeting adjourned at 5:17 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 Special Meeting
December 8, 2015**

A special meeting of the Board of Regents of the University of Minnesota was held on Thursday, December 8, 2015 at 2:00 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathy Brown, and Richard Pfitzenreuter; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

**EXTERNAL REVIEW OF MATTERS RELATED TO THE
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS**

**AUDIT OF FINANCIAL MANAGEMENT PRACTICES
WITHIN INTERCOLLEGIATE ATHLETICS**

Chair Johnson introduced the topics of the meeting and asked Regent Brod to discuss the role of the Board-appointed oversight committee, which she chaired. Brod explained the charge of the committee and thanked her colleagues for their efforts.

Johnson invited attorneys Karen Schanfield and Joseph Dixon from Fredrikson & Byron to report the findings of the external review of the department of intercollegiate athletics (athletics), as detailed in the docket.

Schanfield emphasized that the reviewers found no systemic or pervasive culture of sexual harassment in athletics. She covered the scope of the external review, explaining that the reviewers were charged with evaluating:

- All post-resignation allegations of sexual harassment against Norwood Teague or other senior leaders in athletics.
- Confidential complaints of sexual harassment in athletics during Teague's tenure.
- Whether the University knew or should have known of allegations of sexual harassment by Teague, but failed to address them.
- The hiring and vetting of Teague.
- The climate in athletics for reporting and addressing sexual harassment.

Dixon and Schanfield reported on the role of the oversight committee, the methodology of the external review, and the findings and conclusions of the external review. They outlined their recommendations for athletics, which include better training and resources; stronger reporting and handling of reports; increased monitoring and auditing of complaints; development of a single policy related to sexual harassment; and a better process for hiring and vetting athletic staff.

Chair Johnson invited Associate Vice President of Internal Audit Gail Klatt to report on financial management practices within the athletics department. Klatt explained that the audit was included in the FY 2016 audit work plan, but that the timing was accelerated. She summarized the scope of the audit and discussed the conclusions, as detailed in the docket.

Klatt reported that although athletics has developed a system of internal control, a stronger culture of compliance is needed. She explained the need for improvements in the purchasing, contracting, and disbursement processes; a greater emphasis on compliance with travel policies; and greater consideration for appropriate stewardship of University assets and accountability when making purchasing decisions.

Regent Devine asked if the reviewers were familiar with the recommendations made by the legislature related to the Clery report, and if they could comment on those recommendations. Schanfield replied that she was only generally familiar with the statutes, but that any additional reporting is a good idea. Dixon noted that good policies are in place at the University, but that there are areas for improvement.

Regent Hsu asked about the difference between sexual assault and sexual harassment, and how the recommendations of the reviewers relate to previous recommendations that the University establish one policy for sexual misconduct. Dixon clarified that the policy recommendation for athletics was focused specifically on harassment, given the charge of the investigation. He noted that sexual harassment and assault are just two forms of sexual misconduct. Dixon stated that given the complex and diverse structure of the University, the recommendations of the review were specifically focused on the athletics department, but acknowledged that broader policies may be warranted. Schanfield reiterated that there was no evidence of pervasive sexual harassment in the department.

Regent Brod noted that regardless of the results of the reports, she is pleased to have the facts. She acknowledged the administration and interim athletics director Beth Goetz for their quick response to instances of financial misconduct. Brod suggested a need for better pathways for reporting inappropriate financial behavior. She remarked that the tracking and reporting of complaints by the Office of Equal Opportunity and Affirmative Action is critical, noting that while "tone at the top" is important, structures must be in place as well. Brod added that she looks forward to receiving follow-up information in the Audit & Compliance Committee.

Regent Cohen expressed pride in the University and noted that she is pleased to see that the administration is open to this discussion. She is encouraged to see improvements already being made by the athletics department in certain areas of financial management.

Regent Simmons commented that strong policies and appropriate expectations are in place, and that violations are the result of individual behavior. She agreed with the need for more appropriate monitoring to ensure accountability and adherence to policies and expectations.

Regent Rosha expressed satisfaction that the Board has been diligent in its attention to the issues. He asked whether stronger punishment or repercussions for policy violations might be required. Klatt explained that many of the policy violations identified in the audit report have been fixed, and that most were minor. She stressed the need for additional education, not a higher level of discipline.

Regent Brod reiterated that the internal audit was already scheduled as a course of regular business, and noted that a second part of the audit is planned. The follow-up to these reports and findings will be reported to the Audit & Compliance Committee.

Regent Beeson suggested potential longer-term oversight of athletics finances, perhaps by the chief financial officer. He observed that specific violations may occur, but that athletics will always have explicit financial pressures. President Kaler agreed, saying that he is willing to consider an additional level of financial oversight.

Regent Lucas thanked the presenters for their recommendations and commended Goetz for the actions that have already been taken. She expressed a desire for additional attention and oversight.

Regent Hsu asked how the results of the athletics audit compare to similar audits of other departments. Klatt noted that athletics audits traditionally reveal more exceptions than in other units, given the level of philanthropic engagement and support. She added that hospitality expenses tend to be higher in athletics since there are many people involved across many regions. She stated that the results of this audit are more pronounced than past athletics audits, largely due to donor relations activities related to the Athletes Village.

Johnson thanked the presenters, Kaler, and Goetz for their hard work and cooperation. He emphasized that safety is paramount for University student athletes, coaches, and staff. He added that the University has an obligation to donors and fans, and committed to working with the president and the administration to determine next steps. Johnson concluded that the University and athletics will be stronger as a result of this review process.

The meeting adjourned at 3:43 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Work Session:
Aligning Tuition/Aid Philosophy with Enrollment Strategy
December 10, 2015**

A work session of the Board of Regents of the University of Minnesota was held on Thursday, December 10, 2015 at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Thomas Anderson, Richard Beeson, Laura Brod, Linda Cohen, Thomas Devine, Michael Hsu, Peggy Lucas, David McMillian, Abdul Omari, 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 Kathy Brown, Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

Student Representatives present: Callie Livengood.

Chair Johnson introduced Senior Vice President and Provost Karen Hanson; Robert McMaster, Vice Provost and Dean of Undergraduate Education; and Lincoln Kallsen, Director of Institutional Analysis, to provide context for a discussion about tuition, aid, and enrollment strategy. Kallsen discussed the tuition structure of the five campuses, including undergraduate, graduate, and professional programs. He discussed the distribution of tuition revenue, noting that total tuition revenue has plateaued in the past few years.

Kallsen described several options for tuition modeling that differ from the current model of banding tuition at a credit-load of 13 and higher. He reported that a lower division/upper division model offers different rates for different level courses. He remarked that the University utilized this model in the 1980s and '90s, but that it was not met with great support. He explained that differential tuition offers a different tuition rate based on the market demand of a specific college or major. Kallsen noted that the cohort model, which guarantees a set rate for four years has been discussed previously by the Board.

McMaster discussed the principles of financial aid, describing the cost of attendance for Twin Cities campus undergraduate resident and non-resident, non-reciprocity (NRNR) students. He reported on the types of financial aid offered and described the debt accrued by undergraduates.

Regent Devine wondered if an agreement with the state about funding allocations were possible if the University were to implement the cohort model. Kallsen referenced the University of Illinois, where the state mandated a cohort model. He remarked that the University of Illinois is not financially secure currently and that the state has not kept up its end of the bargain. He observed that one problem with the model is that it limits the flexibility of the administration and Board should there be any kind of economic shock. Kallsen cited as an example past budget cuts at the University of Minnesota, when tuition increased despite a salary freeze, mandated furloughs, and layoffs.

Kallsen stressed that the cohort model assumes that a student can earn a degree in four years. He outlined reasons a student might take longer to graduate, including study abroad, academic enhancement opportunities, and life situations. The model offers price certainty but only if the

student graduates in four years. McMaster added that the cohort model requires a different financial aid package for each class, which could be extremely complicated.

Regent Omari asked if the cohort model at Illinois has been in practice long enough to see any effect on graduation rates. Kallsen replied that since the model's inception in 2003, the graduation rates have increased but not necessarily because of the specific tuition model. Regent Brod asked what impact the cohort model has on an institution's overall spending. Kallsen noted that he did not have those data on hand, but offered to research the question.

Regent Anderson observed that any necessary increases in tuition could take place with each incoming class. Regent Brod argued that those one-time increases might not be enough, or the required increase could be unreasonably high. Kallsen noted that the University offered a voluntary version of this model for several years, with the guaranteed rate set higher to allow for some rate of inflation over the course of four years. Most students opted for the lower rate, even though it offered less certainty.

Regent McMillan asked if the success of the differential tuition model used by the Carlson School of Management has prompted other schools to consider the same practice. Provost Hanson noted that demand is not strong enough for other majors or colleges to warrant a school-specific rate. Kaler added that at the time the model was adopted by the school, there was enough surety and demand for a Carlson education to support its implementation.

Regent Rosha questioned the assertion that 40 percent of students are graduating "debt free." He added that 60 percent of students with debt is still a high number, especially since it is difficult to know how much debt one has. The presenters clarified that the 40 percent represents only debt processed by the University, and does not include private, home equity, or credit card loans. In response to a comment from Rosha, McMaster agreed that the debt load shifts when considering fifth and sixth year student borrowing.

Regent Hsu suggested that the NRNR tuition rate offers the largest area of opportunity, since the University is at the bottom of the Big Ten. He added that if the University places a premium on paying market value for its employees, then it should charge market value for its education. He asked President Kaler to discuss his plan for NRNR rates in greater details.

Kaler reported that the goal of the proposed plan is to increase the NRNR list price to \$35,000 by the 2019-20 academic year, noting that this price is an estimated median of Big Ten competitors by that time. To reach the goal, he proposes a 15 percent increase in NRNR tuition per year for the next four years. Kaler added that the plan involves automatically lowering the list price for currently enrolled students, so that the increase in their rate would be much lower than 15 percent. While the exact percent increase is up for discussion, he would not be comfortable with more than a 10 percent increase per year. He explained that once the higher rate was established, not every incoming student would pay list price, and tuition would be discounted through aid or scholarships. Kaler emphasized that while not all students would pay sticker price, the University's NRNR rate would be near the median of the Big Ten.

In response to a question from Regent Hsu, Kallsen reported that the proposed NRNR plan would generate a net increase of \$7.5 million after the anticipated buy down for current students. Regent Lucas asked if the models used for that projection assume current levels of enrollment. Kallsen clarified that the model assumes the same number of students, which makes it difficult to generate future projections. He agreed with the need for sensitivity analysis to model different enrollment rates, noting that the University cannot increase its tuition from \$22,000 to \$35,000 without some impact on student demand. He emphasized that a strength of the plan is its four-year phase-in, allowing for adjustments as needed.

In response to a question from Regent Omari about recovering from a possible dip in NRNR enrollment, Kaler remarked that the proposed plan would limit the loss of students through increased waivers. Regent Brod asked if it is possible to see how many students are actually

paying list price at competing institutions, considering their waiver programs. Kallsen reported that fierce competition among institutions makes it difficult to know their recruitment strategy and tuition modeling for NRNR students. Brod remarked on the importance of being reasonable with any movement or change to tuition, adding that she is comfortable with some reasonable increase.

Regent Cohen asked how robust the NRNR applications are and whether the University can determine how many students are needed to meet enrollment goals. McMaster reported significant modeling around the topic, adding that yield rates vary significantly by geography. He offered California recruitment as an example, explaining that more incentives and higher discounting is needed in that market. Peer institutions offer significant discounts to recruit students and very few students pay list price.

Representative Livengood asked if the University is informing current high school seniors about the proposed tuition increases, especially those who may already be admitted. Kallsen acknowledged the importance of being forthcoming about the possibility of increases. Regent Hsu clarified that a student would not know the tuition rate at this point in the year, regardless of increases, adding that the total offer package is more important than sticker price. He expressed concern that by having the lowest sticker price in the Big Ten, the University might be viewed as a “cheap” institution.

Regent Rosha remarked that the University has a better idea than some have suggested of what the market can bear in tuition increases. He reiterated that his earlier, unsuccessful proposal to raise NRNR tuition by approximately 12 percent was based on a past increase that resulted in no significant impact on enrollment. Kallsen noted that the current proposed increase would represent a higher dollar increase in NRNR tuition than the University has ever implemented.

Rosha suggested that recruitment of NRNR students should meet a specific need of the institution, emphasizing that a primary goal should be to provide access for Minnesota students. He remarked that a strong waiver program can have a positive impact on the perceived value of an institution. He offered that the University should strive to be at the top of the Big Ten and allow the administration latitude to offer significant waivers. He suggested the University’s strategy should be to first give resident students an amazing education and use the remaining resources to recruit the best students from out of state.

Regent Anderson expressed concern about increasing tuition too much, indicating that it could impact the University’s relationship with the legislature. He cited the University of Michigan, where approximately half of the students are NRNR and the revenue from that tuition is so high that the legislature is unwilling to provide additional funding. He cautioned against an NRNR tuition so high that the Minnesota legislature is not inclined to allocate adequate funds. Regent Rosha argued that the Michigan example may not be correct given that Michigan has a very different economy and demographic makeup. Regent Omari agreed that Michigan is not the University of Minnesota, emphasizing that latter has unique recruiting challenges that other institutions do not – namely the climate.

Regent Devine commented that if recruitment efforts are intended to enroll more students, the impact on the institution and infrastructure must be considered. He questioned whether the University is able to bring in significantly more students without negatively affecting educational quality or housing capacity. He suggested a common application as a way to admit students to the University system, but at a campus other than the Twin Cities. Devine emphasized the need to carefully consider the ideal number of students at each campus.

Regent Lucas requested ACT scores and four-year graduation rates for NRNR students relative to Minnesota students. McMaster responded that the ACT scores, graduation rates, and retention rates are higher for NRNR students than for Minnesota students.

Regent Omari asked if the University knows how international students pay for their education and how an increase to surcharges might affect those students. McMaster remarked that it is difficult to know how international students pay, since the only financial requirement for admission is evidence that they can pay for a full year in the country. He shared the assumption that national governments pay for their students' educations.

Regent Omari asked for examples of other institutions that have increased NRNR tuition at comparable rates and whether enrollment was affected. McMaster replied that the University of Wisconsin implemented a similar model and reported a decrease in NRNR enrollment, but that decrease could not be linked directly to the tuition increase. Provost Hanson emphasized the intense competition for NRNR students nationwide.

Regent Beeson observed that a discussion about tuition should begin with enrollment strategy and consider if the University has the type of students it wants. He reminded his colleagues that the Board agreed that it wanted to maintain an enrollment of approximately two-thirds residents. He stressed that there are three specific constituencies who are underrepresented in the current student body: rural students, urban students, and students from private elite high schools. Beeson suggested that if the University ignores these groups it will be difficult to appeal to key stake holders. He added that the primary focus should be enrollment strategy and determining the revenue should be a secondary consideration.

Regent McMillan agreed with Beeson, citing one of the Board's annual priorities: to establish principles and objectives to govern campus enrollment strategies, graduation targets, and tuition/aid philosophy over the next decade. He stressed the need for specific actions and deliverable goals. He suggested that Minnesota might not have enough in-state students to meet enrollment goals.

Regent Rosha argued that there are plenty of qualified students in Minnesota, with high ACT scores. He speculated that out-of-state students are less likely than residents to stay after graduation. He suggested that recruiters would be better focused on recruiting resident students to the University's system campuses. McMillan suggested the need for more data on the demographics of the state.

Regent Brod observed that the discussion has only been about the Twin Cities campus and urged a broader focus on enrollment and recruitment system-wide. She stressed the importance of the other facets of the University's mission – outreach and research – and noted that out-of-state students are crucial to their advancement.

In response to a question from Regent Hsu, Provost Hanson replied that Indiana University has a long-running recruitment strategy designed to allow the NRNR tuition rate to rise incrementally. She emphasized that Indiana also increased recruiting efforts and pipelines, especially given the institution's own geographic recruiting challenges. Hanson confirmed that Indiana offered heavy discounts to offset the high sticker price.

Representative Livengood cautioned against raising the NRNR tuition simply to appear more valuable to prospective students, adding that the University is a valuable institution because of its merit, not because of its price. She noted that she would not have applied to Minnesota if the sticker price had been that of the University of Michigan, for example. Regent Hsu asked her which institution she would have selected if cost had not been a factor; Livengood replied that she would have chosen Michigan. Hsu pointed out that if Michigan is an aspirational peer to the University of Minnesota, then Minnesota should have a comparable sticker price for its NRNR students.

Regent Cohen speculated that many students do not understand that the sticker price is not necessarily what they will pay. Regent Brod added that she believes a slower and lower increase in tuition is required, given the common misunderstanding about actual price. She

noted the Board previously rejected a similar proposition for the Law School – that a higher tuition model will lead to the University being viewed as a better value with higher prominence.

President Kaler remarked that he still feels higher tuition would have led to greater prominence, citing Carnegie Mellon as an example of an institution where that was the case. He reiterated that the current proposal is reasonable, but agreed that students – especially in underrepresented populations – do not understand the difference between sticker price and actual price. He feels the balance between resident and NRNR students is reasonable.

Chair Johnson commented that the legislature is concerned with two points of interest: tuition and access. He suggested that as a land-grant institution, the University should consider what it is doing to serve the state as well as the nation. Regent Devine stressed that a decision about proposed increases should happen soon, given the minimal time before the start of the 2016 legislative session.

Regent Brod urged the Board to do a better job of including the system campuses when considering matters of tuition and enrollment. She emphasized that if the University wants to appeal to the legislature, then it needs to show that it cares about their constituents.

Regent Lucas emphasized that the University is the only research institution in the state. She suggested that a common application for all system campuses is one way to show the legislature that it is serious about the needs of Greater Minnesota.

The meeting adjourned at 9:35 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Meeting
December 11, 2015**

A meeting of the Board of Regents of the University of Minnesota was held on Thursday, December 11, 2015 at 8:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathy Brown, Brian Herman, Brooks Jackson, and Richard Pfutzenreuter; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

APPROVAL OF MINUTES

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

Governance & Policy Committee – October 8, 2015
Facilities, Planning & Operations Committee – October 8, 2015
Faculty & Staff Affairs Committee – October 8, 2015
Academic & Student Affairs Committee – October 8, 2015
Finance Committee – October 8, 2015
Board of Regents Work Session – October 8, 2015
Board of Regents – October 9, 2015
Litigation Review Committee – October 30, 2015

REPORT OF THE PRESIDENT

President Kaler reported on the findings of two reports presented to the Board, which reviewed matters related to intercollegiate athletics. He outlined his action plan, based on the results of these reports, and highlighted changes that are already underway. He stressed the University's commitment to being transparent and accountable.

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

REPORT OF THE CHAIR

Chair Johnson reported on activities and accomplishments of the past year, including: the enterprise system upgrade; important advancements in bee and pollinator research; first steps towards a new, integrated M Health system; and breaking ground on the Athletes Village project. He congratulated the gopher women's volleyball team on their success in the NCAA tournament and expressed his eagerness to support the men's football team at the Quick Lane Bowl in Detroit at the end of the month.

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

RECEIVE AND FILE REPORTS

Chair Johnson noted the receipt and filing of the Quarterly Report of Grant and Contract Activity and the Annual Eastcliff Report.

CONSENT REPORT

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

- Summary of Gifts through August 31, 2015.
- Guidelines Related to Complimentary Tickets.

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Chair Johnson invited Colin Campbell, Chair of the Faculty Consultative Committee (FCC), to present a report on the Committee's recent activities. Campbell reported that the FCC has identified several major themes for the coming year: equity and diversity; shared governance; academic freedom, freedom of expression, and the creation of inclusive campus climate; and working with University Relations to engage faculty in the outreach mission. Campbell reported that the FCC is working on a variety of additional topics including the job family study, review of intercollegiate athletics, the student conduct code, and the Regents scholarship program.

Regent Simmons applauded the president for including a faculty member in the senior leadership team, noting that this provides a more balanced perspective.

Regent Omari remarked on the benefit of having a faculty member on the oversight committee. In response to a question from Omari, Campbell explained that the student senate is involved in much of the work of the FCC. He noted that they participate in a broad scope of activities and are engaged in a variety of content-rich topics.

Regent Rosha remarked that faculty engagement in the shared governance process helps create a stronger institution. He commented on the healthy exchange of ideas and conversation with Campbell and his FCC colleagues at dinner the previous night.

Regent Anderson thanked Campbell for the contributions of the FCC in the Board orientation process, adding that the perspective has helped guide his understanding of the many issues facing the University

SUPPLEMENTAL 2016 STATE BUDGET REQUEST

Chair Johnson invited President Kaler to report on the 2016 Supplemental Budget Request (Request). Kaler commented that the Request includes support for: the Healthy Minnesota initiative, which provides critical health care training, education and services statewide; replacement support for lost UCare funding, to continue providing health training and services; advancing and diversifying Minnesota's mining activities; and cyber security to protect the

University's critical assets. Kaler added that the Finance Committee approved the resolution in its meeting the previous day.

Chair Johnson called upon Regent Beeson, Chair of the Finance Committee, to present the recommendation of the committee. Beeson reported that the committee reviewed the Request and voted unanimously to recommend approval of the resolution. He moved its approval. The motion was seconded.

Regent Devine suggested that the Request sends a clear message to the state that the Board supports the included initiatives. He noted that the health care and mining priorities are a critical part of the University's outreach mission.

Regent Simmons clarified that health care funding does not directly support UCare, rather it supports the University's academic health sciences, including healthcare delivery. She stressed the importance of not relying too heavily on the government to support the health sciences, since it may not be a recurring source of funding.

Regent Rosha asked whether the administration had considered requesting a portion of the state surplus to buy down a potential tuition increase. Kaler replied that it had considered such a request, but concluded that legislators do not seem as concerned about tuition as they are the other items included in the Request. He considers these proposals the "best bets" for funding from the legislature. Rosha remarked that despite frustrations over past requests, he feels the Board is gaining traction with the legislature.

The Board voted unanimously to approve the Resolution Related to the University of Minnesota's 2016 Supplemental State Budget Request, as follows:

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

WHEREAS, continuing investment in the Medical School's Department of Family Medicine and Community Health is essential for core programs in clinical training, education and research, and continuing investment in the School of Dentistry's Mobile Dental Clinic is critical to train dental students while addressing access-to-care gaps for public program members; and

WHEREAS, the University of Minnesota is in need of a major upgrade to its critical network infrastructure that must include substantial new investment to address growing threats of sophisticated cyber intrusions that pose significant risks, including wide scale or high consequence events that could cause harm by disrupting, denying access to, degrading or destroying critical information systems; and

WHEREAS, access to health and dental care in Minnesota varies depending on a variety of socio-economic and geographic factors and the University of Minnesota has the ability to improve access to quality care and lessen disparities through its research, education and patient care; and

WHEREAS, recent fluctuations in the global iron and steel markets have had negative impacts on the mining sector in Minnesota, and the University of Minnesota is set to collaborate with stakeholders to produce solutions and tangible results in this area; and

WHEREAS, the 2016 supplemental budget request is designed to meet these objectives by investing resources to replace lost UCare funds, purchase appropriate network equipment and software, support the needs of the Community University

Health Care Clinic and the Rural Dentist Associate Program, and conduct research in mining ore and other high value metallic products while reducing sulfate water contamination;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the University's 2016 Supplemental Budget Request to the Minnesota Legislature in the amount of \$17,350,000 in recurring funds and \$21,500,000 in onetime funds from the State of Minnesota.

2015 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Chair Johnson invited President Kaler and Senior Vice President and Provost Hanson to present the 2015 *University Plan, Performance & Accountability Report* (Report) for review, as detailed in the docket materials.

Hanson offered examples from the past year of how students, faculty, staff, and alumni are fulfilling the University's threefold mission of education, research and discovery, and outreach and public service.

Regent Devine noted the significant increase in graduation rates over the past few years, emphasizing that this has long been a goal of the Board. He observed that the report does not include the effort made in academic advising, which he noted is crucial to student success. Hanson remarked that advising is reflected in the graduation rates as well as student satisfaction.

Regent Omari thanked the Provost's staff for extraordinary effort invested in creating the report.

Regent Brod commented that the summary of student debt is a helpful tool for students and their families as they consider the cost of education.

Regent Simmons suggested that the Report be referenced as a benchmark when other reports are requested from the Board or the University.

The 2015 *University Plan, Performance, and Accountability Report* will return for action at a future Board of Regents meeting.

ANNUAL REPORT ON THE STATUS OF RESEARCH & COMMERCIALIZATION OF INTELLECTUAL PROPERTY

Chair Johnson invited Vice President Brian Herman to report on the status of research and commercialization of intellectual property. Herman explained the total funding awarded to the University in the past year, highlighting changes in National Institutes of Health (NIH) funding and increased diversification in research endeavors. He detailed the distribution of funds across colleges and campuses, and discussed the distribution of funding sources. Herman noted that collaborations with business and industry, as well as with other private sources, represent roughly half of total annual funding. The University ranks third among its Big Ten peers in total award dollars.

Herman discussed research expenditures, which he noted are the most effective way to measure success against other institutions. He reported that the University has moved up in the rankings of public research institutions, which is evidence that the University remains highly competitive with its peers. Herman detailed the breakdown of institutional funding, with direct funding remaining the largest source of institutional funding. He also reported on technology commercialization, highlighting a record number of start-ups in the past year. He

emphasized that start-ups are the most recognizable way to showcase the University's research and impact on the community.

Herman discussed strategic and program accomplishments, noted the advancements in human research participant protections, and highlighted the MNDrive initiative. He congratulated the Office of University Economic Development for its efforts to engage the state and business communities.

Regent Beeson stressed that the business community offers great potential for public-private partnerships. He commented that the Board would like to learn more about managing dynamic relationships with local businesses, suggesting that there is still much room for growth. Herman responded that his office has developed effective communication with partners across the University, such as the Foundation, who also have relationships in the community. He remarked on efforts to develop partnerships with larger corporations, citing Land O'Lakes as a good example. Herman reported that he meets regularly with government relations staff to evaluate legislative engagement efforts.

Regent Simmons stated that research is a critical component of the institutional mission and commended Herman for positioning the University for success. She observed that private funding could come with specific expectations and deliverables that might change the focus of the research, adding that the expectations of state versus federal funding can vary. Simmons noted that while some states have made large contributions to research, a significant return on that investment has not always occurred. She expressed hope that seeking federal funding continues to be a primary focus. Herman agreed that alternative funding sources can come with specific expectations and that the University should continue to seek government support, but observed that federal funding has plateaued. He urged that to maintain its standing as a top research institution, the University must look for additional sources of funding.

Regent McMillan remarked that the breakdown of funding – approximately two-thirds direct and one-third indirect – seems high. He asked whether the University is on par with other institutions. Herman stated the University is on the high side of research spending at roughly 29 percent, with peer institutions closer to 23 to 25 percent. He noted that this is an area of opportunity: evaluating how the dollars are being invested, considering the impact of research, and determining the return on investment.

Regent Devine commented that the return on investment data should be emphasized to the legislature, noting that this sets the University apart from other Minnesota institutions. In response to a question from Devine, Herman replied that his staff meets regularly with the Provost to discuss the strategic plan, specifically research challenges. He noted good alignment between the two offices about areas of institutional progress. He emphasized that the goal is to create an environment where collaboration is possible internally and also with national and global institutions.

Regent Anderson applauded Herman for engaging with greater Minnesota. In response to a question from Anderson, Herman responded that money received from programs such as the discovery capital program helps support future research. He noted that approximately \$20 million per year is reinvested in research infrastructure.

Regent Hsu asked what caused the decrease in award dollars for certain colleges and schools. Herman explained that the report's figures capture one discrete year and that there is some fluctuation in which units receive funds and when. He explained that this fluctuation has to do with grant cycles and project timelines, noting that funds come in at different times and in different amounts. Herman stressed that he is less concerned with minor shifts from year to year, since they are not necessarily indicative of long-term success.

Hsu noted that though the University ranks third among its Big Ten peers, there is a wide gap between the University and the total award dollars brought in by Wisconsin and Michigan – the

first- and second-ranked institutions, respectively. Herman explained that Michigan has very high philanthropy devoted to research, and the automotive industry is closely tied to its research activities. He stressed that the University should focus more on growing the overall research enterprise and less on the competition; though the University is a bit behind on dollars, it is still very competitive.

ANNUAL FINANCIAL REPORT

Chair Johnson invited Vice President Pfitzenreuter and Associate Vice President Volna to present the University's Annual Financial Report, as detailed in the docket materials.

Volna reported that the net position of the University decreased by \$595.1 million in FY 2015, primarily due to the implementation of new pension standards. Total net operating losses decreased compared to FY 2014 and non-operating revenues were down by \$126.9 million. Volna noted that FY 2015 cash flow decreased by \$7.1 million from FY 2014, to a positive cash flow of \$21.8 million. Total University assets increased by \$210 million or 3.7 percent and total liabilities increased by \$462 million or 23.9 percent. Revenues for FY 2015 totaled \$3.4 billion and operating expenses totaled \$3.3 billion.

Volna also reviewed the balance sheet, revenues, operating expenses, and cash flows, and discussed the University's component units.

Chair Johnson thanked the presenters for their leadership and guidance, emphasizing that they provide the Board with confidence in the University's financial strength.

Regent Hsu asked how the new M Health structure with Fairview will affect the overall financial statements. Volna replied that the anticipated approach is to analyze the nature of the agreement at each step as it moves forward. He explained that the goal and intent is for the final agreement to have a minimal impact on the University's finances and credit rating. He noted that the budget and finance offices are hopeful that they can minimize the impact on financial statements.

ANNUAL REPORT ON PRIVATE GIVING

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

Schmidlkofer reported that in FY 2015, more than 78,000 donors made commitments of \$351 million in current and future gifts – the highest amount in the history of UMF. She outlined how gifts are received and how donors designated their gifts, noting that UMF distributed \$196 million to the University community in scholarships, fellowships, academic programs, faculty support, and research. In FY 2015, the University's endowment ranked fifth among 14 Big Ten peers and ninth among all public universities. She noted that UMF was extremely efficient, as evidenced by a 13-cent cost to raise one dollar. Schmidlkofer and Malkerson also highlighted several specific accomplishments made possible by gifts to the University.

Regent Lucas recalled her time serving on the UMF Board of Trustees, adding that she remembered raising \$58 million and has seen such amazing growth. She complimented the presenters on their well-produced holiday party, noting that she expects many donations as a result.

In response to a question from Regent Omari about opportunities for growth in the next five years, Schmidlkofer explained that UMF is on pace with the recovering and growing economy,

with many opportunities to engage the baby boomer generation and alumni. She added that there are additional opportunities to engage donors and alumni regionally and internationally.

In response to a question from Regent McMillan, Schmidlkofer noted that the University spends an average of 12-14 cents to raise one dollar, while other public universities spend 14-16 cents. She explained raising more money requires additional overhead.

Regent Beeson commented on the positive communication between UMF and other entities such as the Alumni Association. He commended the president for his efforts in expanding donor relations.

Regent Hsu asked if pledges are counted differently than other donations. Schmidlkofer replied that cash pledges and future commitments are counted in the year that the bequest is made. Even if a donation carries over into multiple years, the amount is only counted once. Hsu remarked that, given the cents to dollar ratio, more money should be invested back into UMF to leverage the opportunity to raise more money.

Chair Johnson observed that this has been a difficult year for the University in terms of public perception. He remarked that there is much to be proud of at the University, in its faculty, staff, administration, and students. He suggested that the Board do its best to focus on the positive contributions of the University when talking with legislators and the public.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

Regent Hsu, Vice 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 December 10, 2015 committee minutes.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Faculty & Staff Affairs Committee.

Hsu reported that the committee also discussed a follow-up to the job family project; received information on the human resources implications of the Enterprise System Upgrade Project; discussed diversity and the composition of the workforce; and received several information items as outlined in the docket materials.

REPORT OF THE FACILITIES, OPERATIONS & PLANNING COMMITTEE

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

1. Approval of the following real estate transactions as presented to the committee and described in the December 10, 2015 minutes:
 - A. Purchase of 21.76 Acres and Buildings Thereon Totaling 708,000 sq ft at 701-24th Avenue SE, Minneapolis; and Ten-Year Lease of Approximately 434,000 sq ft at 701-24th Avenue SE, Minneapolis to Murphy Warehouse Company (Twin Cities Campus)

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Facilities, Planning & Operations Committee.

McMillan reported that the committee reviewed a second real estate transaction; discussed long-range campus and facility planning; and received several information items as outlined in the docket materials.

McMillan recognized the departure of Office of the Board of Regents staff member Stephanie Austin. He thanked her for her remarkable service to the committee and to the Board. Regent Devine echoed McMillan's comments, thanking Austin for her hard work.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

Regent Lucas, Vice Chair of the committee, reported that the committee received the external auditor's report; received an update on the human participant research protection implementation plan; reviewed a primer on HIPPA compliance; received the semi-annual report from the institutional compliance officer; and received several information items as outlined in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

1. Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the December 10, 2015 minutes.

A motion was made and seconded and the Board voted unanimously to approve the recommendation of the Academic & Student Affairs Committee.

Cohen reported that the committee also received a report on undergraduate education on the Twin Cities campus and the *2015 University Plan, Performance, and Accountability Report*; and received several information items as outlined in the docket materials.

Regent Cohen thanked Stephanie Austin for her work with the committee and for her service to the Board.

REPORT OF THE FINANCE COMMITTEE

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

1. Approval of the Resolution Related to Issuance of Debt, as follows:

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

WHEREAS, the Debt will be issued pursuant to one or more Order(s) of the University, which will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium or discount, if any, and interest on such Debt;

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

1) To provide funds to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing(s) the Board hereby authorizes the sale and issuance of Debt in the principal amount of up to \$97,900,000. The Debt may be issued in one or more forms and one or more series, each to mature (or if commercial paper, to have an amortization schedule terminating) not later than the date that is 25 years after the date of issuance. The Treasurer is authorized to determine the form(s) in which the Debt will be issued, whether or not the Debt will be issued as general obligations of the University and whether or not the Debt will be issued in a form that is tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

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

3) If issued in the form of bonds, the Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

4) In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Order or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as is approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such 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 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 the Consent Report for the Finance Committee as presented to the committee and described in the December 10, 2015 committee minutes.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Finance Committee.

Beeson added that the committee also discussed purchasing at the University; received the annual financial report; received an update on the fully allocated cost of mission activities; and received several information items as outlined in the docket materials.

Beeson thanked Stephanie Austin for her service to the Board.

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

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

1. Adoption of proposed amendments to Board of Regents Policy: *Namings*, as follows:

Namings

SECTION I. SCOPE.

The policy governs the namings of significant University of Minnesota (University) assets, including (1) honorary namings (Section IV); (2) namings associated with gifts or sponsorships (Section V); and (3) other namings (Section VI).

SECTION II. GUIDING PRINCIPLES.

- (a) Naming for an individual or organization is an honor that forges a close link between the individual or organization and the University. As such, it is critically important that the integrity, history, behavior, and reputation of the named individual or organization be consistent with the academic mission and values of the University.

- (b) The University shall ensure that namings preserve the long-standing traditions, values, culture, and prestige of the University.
- (c) Namings as part of sponsorship agreements shall be consistent with the University's reputation and core values and the highest standards for business and financial integrity.
- (d) The University shall maintain a consistent, coordinated, and transparent approach to naming that reflects the University's consultative and collaborative decision-making process, ensures the proper review and approval of all naming proposals, and preserves confidentiality consistent with applicable law.
- (e) The University shall ensure coordination between: (1) the institution and recognized University foundations; and (2) fund-raising and academic units in order to maintain alignment of institutional and development priorities and compliance with University policies and procedures.
- (f) Significant University assets may not be named in honor of current or former members of the Board of Regents (Board) except as provided in Section V of this policy. Such gift related namings may not include the title "Regent" or "Regent Emeritus."

SECTION III. DEFINITIONS.

Subd. 1. Significant University Assets. *Significant University assets* shall mean tangible or intangible resources of the University that are of significant prominence or visibility. Assets include but are not limited to the following: colleges and schools; University-level academic programs, centers, and institutes; and buildings, significant portions of buildings, grounds, physical structures, streets, and areas.

Subd. 2. Donor. *Donor* shall mean a person or entity transferring money or other property to the University or one of its recognized foundations in connection with a naming, whether or not the donor is the subject of the naming.

Subd. 3. Gift. *Gift* shall mean a transfer of, or promise to transfer, money or other property to the University without reciprocal benefit to the donor.

Subd. 4. Sponsor. *Sponsor* shall mean a person or entity entering into a sponsorship.

Subd. 5. Sponsorship. *Sponsorship* shall mean a contract involving the provision of funds or other support with the expectation of public acknowledgement or promotional opportunity.

Subd. 6. Street. *Street* shall mean any private road or driveway as defined in the *Regents of the University of Minnesota Traffic Regulations Ordinances*.

SECTION IV. HONORARY NAMINGS.

Significant University assets may be named in honor of an individual or a non-University entity to recognize service, dedication, or meritorious contributions to the institution when the naming is not associated with a gift or sponsorship.

Subd. 1. Naming of Colleges, Schools, and University-Level Academic Programs. These assets may be named in honor of an individual or non-University entity.

- (a) Approval. The Board of Regents (Board) reserves to itself authority to name, rename, or revoke the honorary naming of these assets.
- (b) Management. The Senate All-University Honors Committee (Honors Committee) manages the process and submits recommendations to the president, who recommends namings to the Board.

Subd. 2. Naming of Departmental Chairs A departmental chair may be named in honor of an individual.

- (a) Approval. The president or delegate approves this naming, with concurrence of departmental chairs.
- (b) Management. The relevant unit manages this naming process.

Subd. 3. Naming of Buildings and Other Significant University Assets. Buildings and other significant University assets may be named in honor of an individual or non-University entity. A building may be named for a person still living who has left the service of the University.

- (a) Approval. The Board of Regents (Board) reserves to itself authority to name, rename, or revoke the honorary naming of buildings and other significant University assets.
- (b) Management. The Honors Committee manages the process and submits recommendations to the president, who recommends namings to the Board.

Subd. 4. Naming of Buildings for Past Presidents. The University may name buildings for past presidents. Consideration of a naming shall take place after a president's association with the University has ended, usually between one and five years following service.

- (a) Approval. The Board of Regents (Board) reserves to itself authority to name, rename, or revoke the naming of buildings for past presidents.
- (b) Management. The chair of the Board convenes a committee with representatives from the Board, the Faculty Consultative Committee, and the Honors Committee to develop a recommendation. This recommendation shall be forwarded to the Honors Committee for information prior to submission to the Board for final action.

Subd. 5. Naming of Separate Building Parts. Separate building parts that are not significant University assets may be named in honor of an individual or a non-University entity. An independent committee of the relevant academic or administrative leadership and building occupants shall manage and approve the namings.

SECTION V. NAMINGS ASSOCIATED WITH GIFTS OR SPONSORSHIPS.

University assets may be named for individuals or non-University entities to recognize significant gifts or as part of a sponsorship. Colleges, schools, academic programs, centers, or institutes are not usually named for commercial entities; if the name of a commercial entity is to be considered, Board approval is required.

Subd. 1. Naming of Endowed Lectureships, Fellowships, Professorships, and Chairs. The University seeks and welcomes private financial support for endowed lectureships, fellowships, professorships, and chairs, which provide scholars a continuous and reliable source of support to pursue their research and teaching. Awards established in these categories shall typically carry the name of the donor, of a person or institution designated by the donor, or of a person in whose name the University seeks funds to endow the award.

- (a) Approval. The president or delegate approves the naming of a lectureship, fellowship, professorship, or chair.
- (b) Management. The relevant department or college establishes and manages the process for lectureships, fellowships, professorships, and chairs. Proposals to establish one of these institutional awards shall specify the conditions of the naming, the activities to be supported by the gift or sponsorship, and the amount of the endowment or the annual level of funding.

- (c) Candidates. The University shall have sole authority to appoint the holders of lectureships, fellowships, and chairs.
- (d) Provisions.

- (1) Restrictions on the Use of Title. Lectureships, fellowships, professorships, and chairs shall not include such terms as *University*, *distinguished*, or the title *Regents Professor*. These titles are conferred only by the Board.
- (2) Level of Endowment.
 - (i) Endowment for Chairs. A permanent chair may be established when \$2,000,000 or more has been placed in an endowment that provides in perpetuity the annual funds needed for support. Alternatively, a chair also may be established if a minimum of \$200,000 per year of expendable funds is made available for at least ten years.
 - (ii) Endowment for Professorships. The combination of salary and endowment shall be sufficient to provide salary and fringe benefits for the recipient, staff support, travel, and other expenses. Professorships require a minimum of \$1,000,000 in permanent endowment or a minimum of \$100,000 per year of expendable funds for ten years.
 - (iii) Endowment for Faculty Fellows. Faculty fellows require a minimum of \$500,000 in permanent endowment or a minimum of \$50,000 per year of expendable funds for ten years.
 - (iv) Other Named Endowments and Awards. The titles of lectureships, scholarships, or other named awards may be used for gifts of less than \$500,000 in permanent endowment or \$50,000 a year for ten years. A minimum award in this category would provide at least \$1,000 per year for ten years.

Subd. 2. Naming of Colleges, Schools, Buildings, and Other Significant University Assets. These assets may be named to recognize gifts or as part of a sponsorship. No commitment regarding namings associated with gifts or sponsorships shall be made to the donor or sponsor prior to the applicable University review and approval.

- (a) Consultation. Prior to entering into substantive discussions or making an oral or written commitment regarding a naming to a donor or sponsor, any individual acting on behalf of the University or a recognized University foundation shall (1) inform the donor or sponsor of this policy; (2) consult with the president to determine whether the naming opportunity requires the review and approval process outlined below; and (3) consult with the recognized University foundations as appropriate to determine whether the proposed naming meets the guidelines of the recognized University foundations.
- (b) Review. A naming committee, with two representatives from the Honors Committee, representatives from the recognized University foundations, and relevant academic and administrative officers, shall review naming proposals and submit recommendations to the president. The president recommends namings to the Board.
- (c) Approval. The Board reserves to itself authority to name, rename, or revoke the naming of colleges, schools, buildings, and other significant University assets.
- (d) Management. For gifts, the recognized University foundations shall maintain guidelines to implement this policy in order to ensure consistency in the size of gifts relative to the significance of the asset being named. For sponsorships, the president or delegate shall ensure the consistency of the size of the sponsorship agreement relative to the overall significance of the asset to be named.

Subd. 3. Other Namings Associated with Gifts or Sponsorships. University assets not covered by the definition in Section III., Subd. 1., may be named to recognize gifts or as part of a sponsorship.

- (a) Approval. The president or delegate shall approve the naming of these assets.
- (b) Management. Recognized University foundations shall manage the process for the naming of these assets and maintain guidelines and criteria for these namings.

SECTION VI. OTHER NAMINGS.

This section shall govern the naming of significant University assets when the name is not in honor of an individual or non-University entity and the naming is not associated with a gift or sponsorship.

Subd. 1. Naming of Colleges and Schools. A college or school may be named to reflect the relevant academic discipline.

- (a) Approval. The Board reserves to itself authority to name, rename, or revoke the naming of colleges and schools.
- (b) Management. The president or delegate recommends namings of colleges and schools to the Board.

Subd. 2. Naming of Buildings, Significant Portions of Buildings, Grounds, Physical Structures, Areas, or Streets. These assets may be named to describe the academic or administrative purpose of the asset or to reflect a symbolic meaning appropriate for the asset.

- (a) Approval. The Board reserves to itself authority to name, rename, or revoke the naming of buildings, significant portions of buildings, grounds, physical structures, areas, or streets.
- (b) Management. The Honors Committee manages the process for the naming of buildings, significant portions or buildings, grounds, physical structures, areas, or streets and submits recommendations to the president. The president recommends namings to the Board.
- (c) Working Titles. The president or delegate may provide a working title for buildings, significant portions of buildings, grounds, physical structures, areas, or streets during planning and construction and prior to official naming by the Board.

SECTION VII. RENAMINGS AND REVOCATION.

Subd. 1. Renamings. The University reserves the right to rename any named asset of the University. Renamings shall be consistent with the review and approval process for namings.

Subd. 2. Revocation. The University reserves the right to revoke a naming if for any reason it presents risk or harm to the reputation of the University, or if the intent of a gift or the terms of a sponsorship associated with the naming cannot be fulfilled. For all namings requiring Board approval, the Board reserves the right to revoke them. Other namings may be revoked by the president or delegate.

SECTION VIII. IMPLEMENTATION.

Subd. 1. Legal Review. All gift agreements or contracts involving a naming must be reviewed by the Office of the General Counsel prior to approval.

Subd. 2. Administration. The president or delegate shall establish and maintain administrative policies and procedures to implement this policy.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Governance & Policy Committee.

Cohen reported that the committee also participated in a work session on Board culture; discussed the administrative policy review process; and reviewed Board of Regents Policy: *Awards, Honors, and Recognition*. She thanked the committee for their engagement in an untraditional session.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

The meeting adjourned at 11:54 a.m.

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

BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Special Meeting
December 8, 2015**

A special meeting of the Board of Regents of the University of Minnesota was held on Thursday, December 8, 2015 at 2:00 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathy Brown, and Richard Pfitzenreuter; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

**EXTERNAL REVIEW OF MATTERS RELATED TO THE
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS**

**AUDIT OF FINANCIAL MANAGEMENT PRACTICES
WITHIN INTERCOLLEGIATE ATHLETICS**

Chair Johnson introduced the topics of the meeting and asked Regent Brod to discuss the role of the Board-appointed oversight committee, which she chaired. Brod explained the charge of the committee and thanked her colleagues for their efforts.

Johnson invited attorneys Karen Schanfield and Joseph Dixon from Fredrikson & Byron to report the findings of the external review of the department of intercollegiate athletics (athletics), as detailed in the docket.

Schanfield emphasized that the reviewers found no systemic or pervasive culture of sexual harassment in athletics. She covered the scope of the external review, explaining that the reviewers were charged with evaluating:

- All post-resignation allegations of sexual harassment against Norwood Teague or other senior leaders in athletics.
- Confidential complaints of sexual harassment in athletics during Teague's tenure.
- Whether the University knew or should have known of allegations of sexual harassment by Teague, but failed to address them.
- The hiring and vetting of Teague.
- The climate in athletics for reporting and addressing sexual harassment.

Dixon and Schanfield reported on the role of the oversight committee, the methodology of the external review, and the findings and conclusions of the external review. They outlined their recommendations for athletics, which include better training and resources; stronger reporting and handling of reports; increased monitoring and auditing of complaints; development of a single policy related to sexual harassment; and a better process for hiring and vetting athletic staff.

Chair Johnson invited Associate Vice President of Internal Audit Gail Klatt to report on financial management practices within the athletics department. Klatt explained that the audit was included in the FY 2016 audit work plan, but that the timing was accelerated. She summarized the scope of the audit and discussed the conclusions, as detailed in the docket.

Klatt reported that although athletics has developed a system of internal control, a stronger culture of compliance is needed. She explained the need for improvements in the purchasing, contracting, and disbursement processes; a greater emphasis on compliance with travel policies; and greater consideration for appropriate stewardship of University assets and accountability when making purchasing decisions.

Regent Devine asked if the reviewers were familiar with the recommendations made by the legislature related to the Clery report, and if they could comment on those recommendations. Schanfield replied that she was only generally familiar with the statutes, but that any additional reporting is a good idea. Dixon noted that good policies are in place at the University, but that there are areas for improvement.

Regent Hsu asked about the difference between sexual assault and sexual harassment, and how the recommendations of the reviewers relate to previous recommendations that the University establish one policy for sexual misconduct. Dixon clarified that the policy recommendation for athletics was focused specifically on harassment, given the charge of the investigation. He noted that sexual harassment and assault are just two forms of sexual misconduct. Dixon stated that given the complex and diverse structure of the University, the recommendations of the review were specifically focused on the athletics department, but acknowledged that broader policies may be warranted. Schanfield reiterated that there was no evidence of pervasive sexual harassment in the department.

Regent Brod noted that regardless of the results of the reports, she is pleased to have the facts. She acknowledged the administration and interim athletics director Beth Goetz for their quick response to instances of financial misconduct. Brod suggested a need for better pathways for reporting inappropriate financial behavior. She remarked that the tracking and reporting of complaints by the Office of Equal Opportunity and Affirmative Action is critical, noting that while “tone at the top” is important, structures must be in place as well. Brod added that she looks forward to receiving follow-up information in the Audit & Compliance Committee.

Regent Cohen expressed pride in the University and noted that she is pleased to see that the administration is open to this discussion. She is encouraged to see improvements already being made by the athletics department in certain areas of financial management.

Regent Simmons commented that strong policies and appropriate expectations are in place, and that violations are the result of individual behavior. She agreed with the need for more appropriate monitoring to ensure accountability and adherence to policies and expectations.

Regent Rosha expressed satisfaction that the Board has been diligent in its attention to the issues. He asked whether stronger punishment or repercussions for policy violations might be required. Klatt explained that many of the policy violations identified in the audit report have been fixed, and that most were minor. She stressed the need for additional education, not a higher level of discipline.

Regent Brod reiterated that the internal audit was already scheduled as a course of regular business, and noted that a second part of the audit is planned. The follow-up to these reports and findings will be reported to the Audit & Compliance Committee.

Regent Beeson suggested potential longer-term oversight of athletics finances, perhaps by the chief financial officer. He observed that specific violations may occur, but that athletics will always have explicit financial pressures. President Kaler agreed, saying that he is willing to consider an additional level of financial oversight.

Regent Lucas thanked the presenters for their recommendations and commended Goetz for the actions that have already been taken. She expressed a desire for additional attention and oversight.

Regent Hsu asked how the results of the athletics audit compare to similar audits of other departments. Klatt noted that athletics audits traditionally reveal more exceptions than in other units, given the level of philanthropic engagement and support. She added that hospitality expenses tend to be higher in athletics since there are many people involved across many regions. She stated that the results of this audit are more pronounced than past athletics audits, largely due to donor relations activities related to the Athletes Village.

Johnson thanked the presenters, Kaler, and Goetz for their hard work and cooperation. He emphasized that safety is paramount for University student athletes, coaches, and staff. He added that the University has an obligation to donors and fans, and committed to working with the president and the administration to determine next steps. Johnson concluded that the University and athletics will be stronger as a result of this review process.

The meeting adjourned at 3:43 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Work Session:
Aligning Tuition/Aid Philosophy with Enrollment Strategy
December 10, 2015**

A work session of the Board of Regents of the University of Minnesota was held on Thursday, December 10, 2015 at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Thomas Anderson, Richard Beeson, Laura Brod, Linda Cohen, Thomas Devine, Michael Hsu, Peggy Lucas, David McMillian, Abdul Omari, 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 Kathy Brown, Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

Student Representatives present: Callie Livengood.

Chair Johnson introduced Senior Vice President and Provost Karen Hanson; Robert McMaster, Vice Provost and Dean of Undergraduate Education; and Lincoln Kallsen, Director of Institutional Analysis, to provide context for a discussion about tuition, aid, and enrollment strategy. Kallsen discussed the tuition structure of the five campuses, including undergraduate, graduate, and professional programs. He discussed the distribution of tuition revenue, noting that total tuition revenue has plateaued in the past few years.

Kallsen described several options for tuition modeling that differ from the current model of banding tuition at a credit-load of 13 and higher. He reported that a lower division/upper division model offers different rates for different level courses. He remarked that the University utilized this model in the 1980s and '90s, but that it was not met with great support. He explained that differential tuition offers a different tuition rate based on the market demand of a specific college or major. Kallsen noted that the cohort model, which guarantees a set rate for four years has been discussed previously by the Board.

McMaster discussed the principles of financial aid, describing the cost of attendance for Twin Cities campus undergraduate resident and non-resident, non-reciprocity (NRNR) students. He reported on the types of financial aid offered and described the debt accrued by undergraduates.

Regent Devine wondered if an agreement with the state about funding allocations were possible if the University were to implement the cohort model. Kallsen referenced the University of Illinois, where the state mandated a cohort model. He remarked that the University of Illinois is not financially secure currently and that the state has not kept up its end of the bargain. He observed that one problem with the model is that it limits the flexibility of the administration and Board should there be any kind of economic shock. Kallsen cited as an example past budget cuts at the University of Minnesota, when tuition increased despite a salary freeze, mandated furloughs, and layoffs.

Kallsen stressed that the cohort model assumes that a student can earn a degree in four years. He outlined reasons a student might take longer to graduate, including study abroad, academic enhancement opportunities, and life situations. The model offers price certainty but only if the

student graduates in four years. McMaster added that the cohort model requires a different financial aid package for each class, which could be extremely complicated.

Regent Omari asked if the cohort model at Illinois has been in practice long enough to see any effect on graduation rates. Kallsen replied that since the model's inception in 2003, the graduation rates have increased but not necessarily because of the specific tuition model. Regent Brod asked what impact the cohort model has on an institution's overall spending. Kallsen noted that he did not have those data on hand, but offered to research the question.

Regent Anderson observed that any necessary increases in tuition could take place with each incoming class. Regent Brod argued that those one-time increases might not be enough, or the required increase could be unreasonably high. Kallsen noted that the University offered a voluntary version of this model for several years, with the guaranteed rate set higher to allow for some rate of inflation over the course of four years. Most students opted for the lower rate, even though it offered less certainty.

Regent McMillan asked if the success of the differential tuition model used by the Carlson School of Management has prompted other schools to consider the same practice. Provost Hanson noted that demand is not strong enough for other majors or colleges to warrant a school-specific rate. Kaler added that at the time the model was adopted by the school, there was enough surety and demand for a Carlson education to support its implementation.

Regent Rosha questioned the assertion that 40 percent of students are graduating "debt free." He added that 60 percent of students with debt is still a high number, especially since it is difficult to know how much debt one has. The presenters clarified that the 40 percent represents only debt processed by the University, and does not include private, home equity, or credit card loans. In response to a comment from Rosha, McMaster agreed that the debt load shifts when considering fifth and sixth year student borrowing.

Regent Hsu suggested that the NRNR tuition rate offers the largest area of opportunity, since the University is at the bottom of the Big Ten. He added that if the University places a premium on paying market value for its employees, then it should charge market value for its education. He asked President Kaler to discuss his plan for NRNR rates in greater details.

Kaler reported that the goal of the proposed plan is to increase the NRNR list price to \$35,000 by the 2019-20 academic year, noting that this price is an estimated median of Big Ten competitors by that time. To reach the goal, he proposes a 15 percent increase in NRNR tuition per year for the next four years. Kaler added that the plan involves automatically lowering the list price for currently enrolled students, so that the increase in their rate would be much lower than 15 percent. While the exact percent increase is up for discussion, he would not be comfortable with more than a 10 percent increase per year. He explained that once the higher rate was established, not every incoming student would pay list price, and tuition would be discounted through aid or scholarships. Kaler emphasized that while not all students would pay sticker price, the University's NRNR rate would be near the median of the Big Ten.

In response to a question from Regent Hsu, Kallsen reported that the proposed NRNR plan would generate a net increase of \$7.5 million after the anticipated buy down for current students. Regent Lucas asked if the models used for that projection assume current levels of enrollment. Kallsen clarified that the model assumes the same number of students, which makes it difficult to generate future projections. He agreed with the need for sensitivity analysis to model different enrollment rates, noting that the University cannot increase its tuition from \$22,000 to \$35,000 without some impact on student demand. He emphasized that a strength of the plan is its four-year phase-in, allowing for adjustments as needed.

In response to a question from Regent Omari about recovering from a possible dip in NRNR enrollment, Kaler remarked that the proposed plan would limit the loss of students through increased waivers. Regent Brod asked if it is possible to see how many students are actually

paying list price at competing institutions, considering their waiver programs. Kallsen reported that fierce competition among institutions makes it difficult to know their recruitment strategy and tuition modeling for NRNR students. Brod remarked on the importance of being reasonable with any movement or change to tuition, adding that she is comfortable with some reasonable increase.

Regent Cohen asked how robust the NRNR applications are and whether the University can determine how many students are needed to meet enrollment goals. McMaster reported significant modeling around the topic, adding that yield rates vary significantly by geography. He offered California recruitment as an example, explaining that more incentives and higher discounting is needed in that market. Peer institutions offer significant discounts to recruit students and very few students pay list price.

Representative Livengood asked if the University is informing current high school seniors about the proposed tuition increases, especially those who may already be admitted. Kallsen acknowledged the importance of being forthcoming about the possibility of increases. Regent Hsu clarified that a student would not know the tuition rate at this point in the year, regardless of increases, adding that the total offer package is more important than sticker price. He expressed concern that by having the lowest sticker price in the Big Ten, the University might be viewed as a “cheap” institution.

Regent Rosha remarked that the University has a better idea than some have suggested of what the market can bear in tuition increases. He reiterated that his earlier, unsuccessful proposal to raise NRNR tuition by approximately 12 percent was based on a past increase that resulted in no significant impact on enrollment. Kallsen noted that the current proposed increase would represent a higher dollar increase in NRNR tuition than the University has ever implemented.

Rosha suggested that recruitment of NRNR students should meet a specific need of the institution, emphasizing that a primary goal should be to provide access for Minnesota students. He remarked that a strong waiver program can have a positive impact on the perceived value of an institution. He offered that the University should strive to be at the top of the Big Ten and allow the administration latitude to offer significant waivers. He suggested the University’s strategy should be to first give resident students an amazing education and use the remaining resources to recruit the best students from out of state.

Regent Anderson expressed concern about increasing tuition too much, indicating that it could impact the University’s relationship with the legislature. He cited the University of Michigan, where approximately half of the students are NRNR and the revenue from that tuition is so high that the legislature is unwilling to provide additional funding. He cautioned against an NRNR tuition so high that the Minnesota legislature is not inclined to allocate adequate funds. Regent Rosha argued that the Michigan example may not be correct given that Michigan has a very different economy and demographic makeup. Regent Omari agreed that Michigan is not the University of Minnesota, emphasizing that latter has unique recruiting challenges that other institutions do not – namely the climate.

Regent Devine commented that if recruitment efforts are intended to enroll more students, the impact on the institution and infrastructure must be considered. He questioned whether the University is able to bring in significantly more students without negatively affecting educational quality or housing capacity. He suggested a common application as a way to admit students to the University system, but at a campus other than the Twin Cities. Devine emphasized the need to carefully consider the ideal number of students at each campus.

Regent Lucas requested ACT scores and four-year graduation rates for NRNR students relative to Minnesota students. McMaster responded that the ACT scores, graduation rates, and retention rates are higher for NRNR students than for Minnesota students.

Regent Omari asked if the University knows how international students pay for their education and how an increase to surcharges might affect those students. McMaster remarked that it is difficult to know how international students pay, since the only financial requirement for admission is evidence that they can pay for a full year in the country. He shared the assumption that national governments pay for their students' educations.

Regent Omari asked for examples of other institutions that have increased NRNR tuition at comparable rates and whether enrollment was affected. McMaster replied that the University of Wisconsin implemented a similar model and reported a decrease in NRNR enrollment, but that decrease could not be linked directly to the tuition increase. Provost Hanson emphasized the intense competition for NRNR students nationwide.

Regent Beeson observed that a discussion about tuition should begin with enrollment strategy and consider if the University has the type of students it wants. He reminded his colleagues that the Board agreed that it wanted to maintain an enrollment of approximately two-thirds residents. He stressed that there are three specific constituencies who are underrepresented in the current student body: rural students, urban students, and students from private elite high schools. Beeson suggested that if the University ignores these groups it will be difficult to appeal to key stake holders. He added that the primary focus should be enrollment strategy and determining the revenue should be a secondary consideration.

Regent McMillan agreed with Beeson, citing one of the Board's annual priorities: to establish principles and objectives to govern campus enrollment strategies, graduation targets, and tuition/aid philosophy over the next decade. He stressed the need for specific actions and deliverable goals. He suggested that Minnesota might not have enough in-state students to meet enrollment goals.

Regent Rosha argued that there are plenty of qualified students in Minnesota, with high ACT scores. He speculated that out-of-state students are less likely than residents to stay after graduation. He suggested that recruiters would be better focused on recruiting resident students to the University's system campuses. McMillan suggested the need for more data on the demographics of the state.

Regent Brod observed that the discussion has only been about the Twin Cities campus and urged a broader focus on enrollment and recruitment system-wide. She stressed the importance of the other facets of the University's mission – outreach and research – and noted that out-of-state students are crucial to their advancement.

In response to a question from Regent Hsu, Provost Hanson replied that Indiana University has a long-running recruitment strategy designed to allow the NRNR tuition rate to rise incrementally. She emphasized that Indiana also increased recruiting efforts and pipelines, especially given the institution's own geographic recruiting challenges. Hanson confirmed that Indiana offered heavy discounts to offset the high sticker price.

Representative Livengood cautioned against raising the NRNR tuition simply to appear more valuable to prospective students, adding that the University is a valuable institution because of its merit, not because of its price. She noted that she would not have applied to Minnesota if the sticker price had been that of the University of Michigan, for example. Regent Hsu asked her which institution she would have selected if cost had not been a factor; Livengood replied that she would have chosen Michigan. Hsu pointed out that if Michigan is an aspirational peer to the University of Minnesota, then Minnesota should have a comparable sticker price for its NRNR students.

Regent Cohen speculated that many students do not understand that the sticker price is not necessarily what they will pay. Regent Brod added that she believes a slower and lower increase in tuition is required, given the common misunderstanding about actual price. She

noted the Board previously rejected a similar proposition for the Law School – that a higher tuition model will lead to the University being viewed as a better value with higher prominence.

President Kaler remarked that he still feels higher tuition would have led to greater prominence, citing Carnegie Mellon as an example of an institution where that was the case. He reiterated that the current proposal is reasonable, but agreed that students – especially in underrepresented populations – do not understand the difference between sticker price and actual price. He feels the balance between resident and NRNR students is reasonable.

Chair Johnson commented that the legislature is concerned with two points of interest: tuition and access. He suggested that as a land-grant institution, the University should consider what it is doing to serve the state as well as the nation. Regent Devine stressed that a decision about proposed increases should happen soon, given the minimal time before the start of the 2016 legislative session.

Regent Brod urged the Board to do a better job of including the system campuses when considering matters of tuition and enrollment. She emphasized that if the University wants to appeal to the legislature, then it needs to show that it cares about their constituents.

Regent Lucas emphasized that the University is the only research institution in the state. She suggested that a common application for all system campuses is one way to show the legislature that it is serious about the needs of Greater Minnesota.

The meeting adjourned at 9:35 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

Year 2015-16

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS****Academic & Student Affairs Committee
December 10, 2015**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, December 10, 2015 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Thomas Anderson, Dean Johnson, Peggy Lucas, and Darrin Rosha.

Staff present: Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; and Executive Director Brian Steeves.

Student Representatives present: Callie Livengood and Cory Schroeder.

2015 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Provost Hanson introduced the discussion on strategic issues related to the 2015 *University Plan, Performance and Accountability Report*. Hanson invited each chancellor to share performance and accountability information from their campus.

Chancellor Fred Wood described the student experience at the University of Minnesota Crookston (UMC). He shared that of about 1,900 students, half are enrolled online. Natural resource sciences and agriculture are campus strengths, and contribute to the high enrollment in STEM disciplines. Wood noted that while only 27 percent of Minnesotans live in small towns, 67 percent of UMC graduates choose to live in small towns following graduation.

Wood introduced Emily Caldis, Veterinary Medicine graduate student and UMC alumna, to share her experience in the VetFAST program, a program designed to shorten the time to degree and provide mentoring and internship opportunities for students interested in becoming food animal veterinarians. Caldis explained that despite growing up in the Twin Cities area, she chose Crookston because of its smaller campus and opportunities for hands-on learning as an Animal Science major.

University of Minnesota Duluth (UMD) Chancellor Lendley Black introduced Joshua Hamilton, Dean of the Swenson College of Science and Engineering (Swenson), and Robert Sterner, Director of the Large Lakes Observatory (Observatory). Hamilton noted that Swenson is the largest college at UMD and the third-largest college in the system. He reminded the committee that UMD hosts Minnesota's sea grant. Sterner emphasized that the Observatory is one-of-a-kind within the United States, as research on large freshwater lakes is highly specialized. He told the committee about current research by Observatory faculty on climate change and reported on student research and community outreach conducted on the Blue Heron research vessel.

University of Minnesota Morris (UMM) Chancellor Jacqueline Johnson shared statistics from the Fall 2015 freshman class. The class was 18 percent American Indian students and 27 percent students of color overall. About one-third of the class is comprised of first-generation college students. Johnson reminded the committee that UMM is a young institution, and noted an increase in alumni donations and estate gifts from early graduates.

Johnson invited undergraduate student Hector Garcia to share his UMM experience. Garcia told the committee about his decision to attend Morris despite never visiting campus, and the opportunities he has had to intern with the Jane Addams Project and serve as a community advisor and hall director.

University of Minnesota Rochester (UMR) Chancellor Stephen Lehmkuhle introduced Vice Chancellor Lori Carrell to share statistics and knowledge gained from the first three UMR graduating classes. Carrell shared that 96 percent of the most recent graduating class finished in four years. The campus had a 63 percent retention rate to graduation, and the Bachelor of Science in Health Professions program had a 100 percent success rate of graduates passing certification testing and finding jobs in their field. Carrell indicated that the most successful students demonstrate a true passion for healthcare, often spurred by a personal experience, which UMR will emphasize as it refines its recruitment strategy.

In response to a question from Regent Johnson, Chancellor Wood explained that many of the facilities at UMC were built when the campus was a two-year technical college, so they are not in line with the expectations for a Division II school. He noted that similar challenges exist across the system; Chancellor Black agreed.

Regent Rosha commented on the importance of system-wide thinking and applauded the chancellors on creating better alignment throughout the system, specifically by remedying issues with transferring credits from one campus to another.

TWIN CITIES UNDERGRADUATE EDUCATION UPDATE

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, to report on the status of undergraduate education on the Twin Cities campus, as detailed in the docket.

McMaster reported that the new freshman class for Fall 2015 was one of the largest since the Vietnam War era, with about 300 more students than expected. The average ACT score of incoming freshman averaged 28.2. He noted that the gender imbalance continues to grow, with the incoming class being 54.1 percent female. The new freshman class was 20.8 percent students of color, a 10-year high and a statistic that matched the number of students of color graduating from Minnesota high schools.

McMaster shared that enrollment in the University Honors Program grew to 654 students in 2015 from 559 in 2014. The program is larger than targeted, but it is necessary to offer spots to high-performing students or they may choose to attend a different university. McMaster noted fewer transfer students from the MnSCU system, likely due to increased efforts by the system to retain its students moving from two-year to four-year schools.

He shared that the four-year graduation rate increased to 63.3 percent, reminding the committee that the original goal of 60 percent was surpassed last year and the target is now 65 percent. McMaster shared that the first-year retention rate has also increased slightly, to 92.7 percent, but that the University was not keeping up with peer institution retention rates of 93-95 percent.

In response to a question from Regent Lucas, McMaster explained that the goal for the Honors Program was to admit the top 10 percent of students from each college. While enrollment has increased to 12-13 percent of students in the College of Science and Engineering and College of Biological Sciences, the percentage has not been reduced in the other colleges, leading to a higher overall enrollment.

Regent Anderson asked if the University offers guaranteed admission to students transferring from Normandale Community College. McMaster explained that only some programs under the Minnesota Cooperative Admissions Program provided guaranteed enrollment. He added that the University worked with MnSCU to develop the Minnesota Transfer Curriculum so that all of the colleges and universities in Minnesota accept the same transfer courses.

In response to a question from Student Representative Schroeder, McMaster explained that transfer students must have completed one full academic year at another school. That transcript takes the place of the high school transcript during the admissions process.

CONSENT REPORT

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

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

- College of Continuing Education (Twin Cities campus)—Create Master of Professional Studies degree in Addictions Counseling
- Medical School (Twin Cities campus)—Create fellowship in Advanced Neuroradiology

- **Request for Changes to Academic Programs**

- Carlson School of Management and College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Create dual M.S./M.B.A. degree program in Applied Economics
- College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Create sub-plans in Conservation Science within the M.S. and Ph.D. degrees in Conservation Sciences
- Medical School (Twin Cities campus)—Change the name of the Procedural Dermatology Fellowship to Micrographic Surgery and Dermatologic Oncology Fellowship
- Medical School (Twin Cities campus)—Change the name of the Advanced Catheterization Fellowship to Structural Heart Diseases and Advance Interventional Cardiology Fellowship
- School of Public Health (Twin Cities campus)—Discontinue Plan A option within the Health Services Research, Policy, and Administration M.S. degree
- Swenson College of Science and Engineering (Duluth campus)—Discontinue sub-plans in Industrial Systems Engineering Program and International Engineering within the Industrial Engineering B.S. degree
- Duluth campus—Create sub-plan in Nuclear Medicine Technology within the Health Professions B.S. degree

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

- Swenson College of Science and Engineering (Duluth campus)—Discontinue the undergraduate minor in Computer Information Systems

- Swenson College of Science and Engineering (Duluth campus)—Discontinue the undergraduate minor in Computer Science Applied

INFORMATION ITEM

Provost Hanson referred committee members to the following information item:

- Update on Accreditation Visit

The meeting adjourned at 11:44 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
December 10, 2015**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, December 10, 2015 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Laura Brod, Thomas Devine, Michael Hsu, David McMillan, and Abdul Omari.

Staff present: President Eric Kaler; Vice Presidents Katrice Albert, Kathryn Brown, Brian Herman, Brooks Jackson, Richard Pfitzenreuter, and Pamela Wheelock; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Samantha Jensen and Nikki Ripp.

PURCHASING AT THE UNIVERSITY

Regent Beeson invited Vice President Pfitzenreuter and Associate Vice President Volna to present an overview of purchasing at the University, as detailed in the docket.

Volna outlined procurement technology development, noting the level of technology adoption since 2010. He summarized FY 2015 purchasing data for the University, breaking down the total spending by campus and the top 10 purchasing categories. Volna noted the total amount of purchases over \$50,000, the threshold that requires a unit to issue a request for proposals (RFP).

Volna detailed the current Board and administrative policies that define and establish thresholds for purchasing. Starting on January 1, 2016, the threshold for targeted businesses will fall from \$500,000 to \$50,000. Volna indicated that the change in threshold would align the University with other peer institutions and nearby government entities such as the cities of Minneapolis and St. Paul.

Darryl Peal, Executive Director of the Office for Business and Community Economic Development, referred the committee to the annual economic development report in the Information Items. Peal summarized the report's main points and explained University supplier diversity initiatives. He noted that this includes the change in threshold and increasing the monitoring of vendors' diversity commitments post-contract.

Regent Hsu asked about the current targets for targeted businesses. Peal responded that it is 13 percent for construction projects, but that no target exists for purchases of goods and services. The University is currently performing at three percent; for 2017, a target of six percent has been set. Hsu asked if meeting the targets is costing the University more. Peal offered that it does not. He noted that the businesses still have to be competitive and keep costs aligned with the market, while delivering what they have promised.

Regent Devine offered that expanding targeted businesses would yield more bids, which would increase competition and decrease overall cost. Peal agreed and added that many of these companies are also exploring innovative ways to deliver services.

In response to related questions from Regent Brod, Peal explained that the University monitors the percentage that the contractor agreed to against actual use of targeted businesses. The University would consider whether the percentage was met if the company were to bid on another project. Peal noted that targeted businesses must be certified by the state and that the University confirms that certification.

Volna offered that the University is also developing plans to increase small dollar purchases with targeted businesses by increasing opportunities to use these companies through U Market. He noted that there is also a communication and education campaign targeted at University departments.

Volna outlined the travel program initiative. He indicated that the current personal liability travel card would be converted to a corporate liability travel card like the University's purchasing cards. Volna commented that the program would seek to drive broader adoption of contract travel agencies, helping the University to take advantage of larger-scale savings. He noted the total spending on travel in FY 2015 and described the potential savings and benefits from improved travel management.

In response to a question from Beeson, Volna indicated that his office is monitoring where units are purchasing items from and how they are making those purchases. He noted that they look closely at the number of back-office tasks, such as procurement requests and expense reimbursement processing, being performed by units and have a dashboard to measure and ensure compliance.

Regent McMillan asked how compliance is implemented. Volna explained that new tools within the upgraded enterprise systems will allow his office to monitor and track established purchasing routes. He added that the upgrade has created the opportunity to enhance and strengthen monitoring.

In response to a question from Hsu, Volna stated that under Minnesota Statutes, frequent flyer miles gained through University travel must go toward a public use. Those who travel more than three times a year are required to track and use the miles for University travel. Any rebate dollars are also used to finance travel.

Volna asked the committee if it was comfortable maintaining the current threshold for Board approval of goods and services at \$1,000,000. The committee discussed the current threshold; how many additional purchases would require Board approval if the threshold were changed to \$500,000; if there would be a delay in purchasing to wait for Board approval; and if the emergency approval process would be used more frequently.

Hsu moved to change the purchasing threshold to \$500,000. There was no second.

Beeson asked Pfutzenreuter to review all thresholds and consider further recommendations.

ANNUAL FINANCIAL REPORT & GASB 68

Vice President Pfutzenreuter invited Associate Vice President Volna to present the University's annual financial report, as detailed in the docket.

Volna explained that the net position of the University decreased by \$595.1 million in FY 2015. Total net operating losses decreased by \$67.8 million and non-operating revenues decreased by \$126.9 million. Volna noted that the FY 2015 positive cash flows of \$21.8 million were a decrease of \$7.1 million from FY 2014. Total University assets increased by \$210 million, or 3.7 percent, and total liabilities increased by \$462 million, or 23.9 percent. The adoption of new Governmental Accounting Standards Board (GASB) pension standards, or GASB 68, resulted in the significant changes seen in the financial statements.

Volna outlined the required changes made by GASB 68, noting that the changes were adopted by GASB in 2012 and became effective in 2015. He explained that the changes are intended to improve financial reporting for public pensions and provide a broader picture of the activity and expected liabilities applicable to public pensions. Volna summarized those University retirement plans associated with the change and the direct impact to the annual financial report.

In response to related questions from Regents Hsu and Brod, Volna stated that his office had started to analyze the potential impact that the proposed merger with Fairview Health Systems would have on the University's financial statements and credit rating. He explained that it would be a goal to characterize the merger to credit agencies as having little impact on the University. Pfutzenreuter added that the new entity would not be treated as a component unit, but would have some connection. He indicated that S & P already factors some of University of Minnesota Physicians' impact into the analysis of the University, but Moody's does not. Volna noted that as a part of the University's due diligence, Deloitte would examine the potential impact.

FULLY ALLOCATED COST OF MISSION ACTIVITIES: UPDATE

Regent Beeson invited Associate Vice President Tonneson and Lincoln Kallsen, Director, Institutional Analysis, to give an update on the fully allocated cost of mission activities analysis (study), as detailed in the docket.

Kallsen reviewed the purpose of the study, its principles and audience, how the study has been organized, and the conceptual framework. Kallsen defined the nine primary cost allocation pools and indirect costs that are commonly found on campuses or within colleges. Kallsen summarized the FY 2014 results.

Tonneson defined the allocation of revenues and revenue sources that feed into the fully allocated revenue. She described how tuition and the O&M appropriation were treated for the purposes of the study. Tonneson reviewed mission-based revenue and costs in the areas of research, public service, auxiliaries, student aid, and instruction.

The committee members discussed the amount of the cost of instruction that tuition covers, the role of student aid, the indirect cost of research, the relationship between undergraduate and graduate program allocations, tuition differential by unit, and the possibility of setting strategic targets based on where the Board wants to allocate spending.

SUPPLEMENTAL 2016 STATE BUDGET REQUEST

Regent Beeson invited Vice President Pfutzenreuter and Associate Vice President Tonneson to present for review and action the supplemental 2016 state budget request, as detailed in the docket.

Pfutzenreuter told the committee that no formal process has been announced by the Dayton administration for submitting a supplemental request, and he is unsure whether Governor Dayton will move forward with recommending a supplemental budget. Given the current economic conditions, Pfutzenreuter stated he and President Kaler felt strongly that the University should make an additional request.

Tonneson outlined the four major topics of the request, which include:

1. Healthy Minnesota – a request for \$2 million to support primary care teaching at the Community University Health Care Clinic, \$1.25 million to advance dentistry in rural

Minnesota, and \$2.5 million to expand the rural dentist associate program at Bemidji and Hibbing.

2. Loss of UCare financial support – a request for \$9.5 million to support lost revenue to the Department of Family Medicine and Community Health and \$1 million to fund the Mobile Dental Clinic.
3. Advancing and diversifying Minnesota’s mining region - \$3.6 million to develop advanced technologies to improve the long-term viability of mining in the state.
4. Cyber security - \$19 million for security upgrades in conjunction with the installation of a major upgrade to the University’s network infrastructure.

Tonneson noted that the total request was for \$17.35 million recurring and \$21.5 million one-time funds, for a total request of \$38.85 million.

Regent McMillan expressed his support for the request, noting the need for increased outreach to Greater Minnesota as a part of the University’s outreach mission. Regent Devine agreed, commenting that cyber security upgrades are a good one-time investment by the state. He offered that attention to mining is appropriate and that the mobile dental program has a large impact on Greater Minnesota.

In response to a question from Regent Hsu, President Kaler stated that the size of the supplemental request is a political calculation. He noted that cyber security will be a state priority and Greater Minnesota outreach is a focus of the current legislature. He asserted that since the state made the decision on UCare funding, the state should make up that lost revenue to the University. Kaler conveyed that he felt this is the best package for the University to request at this time.

Hsu asked what was left off the request. Kaler said that an additional base allocation for a tuition freeze was not included. He indicated that there was no reason to request a freeze again since the legislature did not approve it in the last biennial request. Kaler agreed that the total amount is a best guess by the administration. Pfutzenreuter added that the total amount for the network upgrade was left out. He explained that the case for the \$19 million was strong given the state’s interest in cyber security. Kaler clarified that if a formal process was established by the governor that would allow the University to request more, he would use the emergency approval process to gain Board approval to do so.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the supplemental 2016 state budget request.

RESOLUTION RELATED TO DEBT

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

Fleck reviewed the proposed resolution, stating that the administration is seeking approval authorizing the issuance of debt in the principal amount of up to \$97.9 million to finance and reimburse the University for:

- purchases of land and buildings;
- construction and remodeling projects;
- the acquisition and installation of equipment, and;
- costs of issuance.

Fleck explained that the debt would be issued in multiple series and would be both taxable and non-taxable debt, which gives the University flexibility. She noted that all projects except one

have been approved by the Board, with purchase of the Murphy Warehouse property expected to be approved by the Board tomorrow.

In response to a question from Regent Hsu, Pfitzenreuter clarified that there is often a timing gap between when the University closes on land and when it issues debt. The University uses cash on hand to pay for the land, and then reimburses itself with the proceeds from the debt issuance.

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

CONSENT REPORT

Vice President Pfitzenreuter 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 FEI Company for an estimated \$5,115,470 (including \$165,696 import duty) for Tecnai G2 Spirit BioTWIN and Titan Krios cyro-electron microscope system for The Hormel Institute. The system will be purchased using funds specifically donated by The Hormel Foundation to equip an electron microscope shared instrument core. This item was not budgeted for as part of the current Fiscal Year budget but as noted, will be paid for with gift funds. Vendor was selected through a competitive process.

MD Anderson Settlement

- Approval of a resolution that provides the administration with authority to make the required distributions consistent with Board policy received from the sale of stock gained from the settlement with the University of Texas MD Anderson Cancer Center.

Jay Schrankler, Executive Director, Office for Technology Commercialization, explained that the University settled with MD Anderson over a licensing dispute for a cancer technology called “Sleeping Beauty” and is now in the process of liquidating the stock as required by Board policy.

Regent Hsu asked what strategy is being used to ensure the highest sale price. Associate Vice President Mason responded that Board policy contains no specific target levels or instructions for how to sell the stock, only to ensure that the stock is sold as soon as practicable without a negative price impact. Mason indicated they have given goals to the broker regarding the sale.

Hsu wondered about liability if the University sells the stock at a lower price than the inventor anticipated. Greg Brown, Director, Transactional Law Services, responded that the University does not believe there is any exposure given the manner in which the University liquidates its position. Brown noted that in Board policy, inventors are entitled only to cash proceeds and do not have any voice in when the stock is liquidated.

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

INFORMATION ITEMS

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

- Annual Economic Development Report
- Quarterly Investment Advisory Committee Update
- M Health Status Report
- Emergency Approval

The meeting adjourned at 11:56 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities, Planning & Operations Committee
December 10, 2015**

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, December 10, 2015 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Thomas Devine, Dean Johnson, Peggy Lucas, and Darrin Rosha.

Staff present: President Eric Kaler; Chancellor Fred Wood, Vice Presidents Brooks Jackson, Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Michael Berthelsen, Terry Bock, and Laurie Scheich.

Student Representatives present: Samantha Jensen and Chase Taylor.

REAL ESTATE TRANSACTIONS

A. Purchase of 21.76 Acres and Buildings Thereon Totaling 708,000 Square Feet at 701 24th Avenue SE, Minneapolis; and Ten-Year Lease of Approximately 434,000 Square Feet at 701 24th Avenue SE, Minneapolis to Murphy Warehouse Company – 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 21.76 acres and 38 inter-connected building sections totaling 706,029 square feet, of which 691,709 is warehouse space. The property is located south of Elm Street and west of 24th Avenue SE. The legal description of the property: Lot 8 and the east 75 feet of Lot 7, Auditors Subdivision No. 200, Hennepin County. The property serves as the headquarters for the Murphy Warehouse Company, a full-service public warehousing and contract logistics services company.
- Basis for Request: The University currently leases approximately 21,000 square feet of warehouse space at the property. The current owner contacted the University to advise that the property was for sale, provided that the University would agree to leaseback portions of the property to the owner to provide sufficient time for the owner to relocate its warehouse operations.
- Detail of Transaction: The bargain sale /partial donation transaction for purchase of the property will include a cash payment by the University in the amount of \$17,975,000, and a donation of the remaining property's value the seller estimates at \$2,000,000. The leaseback to Murphy Warehouse Company will require an initial rent payment of \$3.20 per square foot, with annual increases. The lessee will also be responsible for the maintenance and operation of the central heating facility, the

costs of snow removal, landscape maintenance, exterior lighting, and light building and parking lot maintenance for the entire property, as well as all noncapitalized interior repairs and maintenance and custodial premises leased to Murphy Warehouse Company.

In response to a question from Regent McMillan, Weinberg explained that a small petroleum leak from an underground container on the property will be remediated.

In response to a question from Regent Lucas, Vice President Pfitzenreuter explained that the rents received from the lease agreement will be used to pay property maintenance and operations costs, but the University will need to issue debt for purchase costs and will pay the debt service.

Regent Devine noted that this is the largest single undivided piece of land in the city of Minneapolis and indicated his strong support for purchasing it for future use.

The committee voted unanimously to recommend approval of the real estate transaction for the purchase of 21.76 Acres and Buildings Thereon Totaling 708,000 Square Feet at 701 24th Avenue SE, Minneapolis; and Ten-Year Lease of Approximately 434,000 Square Feet at 701 24th Avenue SE, Minneapolis to Murphy Warehouse Company.

B. Second Amendment to Lease with Dakota Aggregates LLC for Aggregate Mining at UMore Park – Rosemount ROC

The committee reviewed a proposed second amendment to the lease with Dakota Aggregates LLC for aggregate mining at UMore Park, as detailed in the docket.

Vice President Wheelock explained the amendment as follows:

- The second amendment to the Dakota Aggregates phased aggregate mining lease will delay mining on certain parcels in Empire Township included in the leased premises to allow continued use by the College of Food, Agricultural, and Natural Resource Sciences for agricultural research purposes; extend the lease term by 20 years; and modify the Initial Advanced Minimum Royalty amounts related to the delayed mining.
- Basis for Request: The University now desires to retain the use of certain portions of the leased premises in Empire Township for agricultural research purposes beyond the dates anticipated when the 2011 lease and previous amendment and letter agreement were executed, and in exchange, Dakota Aggregates has requested a 20-year extension of the lease to provide additional time for completion of its mining activities in Empire Township.
- Detail of Transaction: The second amendment to the Dakota Aggregates lease will modify the June 8, 2011 lease to extend the lease term for mining in Empire Township for 20 years, expiring June 30, 2073. The Operations Plan and accompanying Phasing schedule for the Empire Township property will be revised to delay mining of portions of the leased premises located in Empire Township to 2017 for 166.1 acres, to 2030 for 301.34 acres, and to 2040 for 240.12 acres. The Initial Advanced Minimum Royalty amounts to be paid by Dakota Aggregates will be revised, base royalty adjustments will be made every 5 years by escalator, agreement or arbitration for lease years 11 through 60, the University's use of the ROC building will end December 31, 2016, and the Dakota Aggregates and University annual meeting will now occur in October of each Lease Year.

In response to a question from Regent Roshia, Brian Buhr, Dean, College of Food, Agricultural, and Resource Sciences, noted that continuous crop research is conducted on the land.

Regent Anderson clarified that the mining delay resulted in delayed payments to the University. He asked whether the delay was long enough. Buhr indicated that the delay allows a sufficient time horizon to plan for relocating the research. President Kaler added that the present value cost of the delayed payments is \$4 million, while \$29 million of research expenditures on the property are expected over that time.

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

LONG-RANGE FACILITY PLANNING: ASSUMPTIONS AND CRITERIA TO GUIDE FUTURE SIX-YEAR CAPITAL PLANNING

Vice President Wheelock facilitated a discussion on long-term facility planning and the objectives and criteria used to develop the Six-Year Plan (the Plan). She reviewed the objectives used to develop the Plan and areas specifically emphasized during development of the 2015 plan, including addressing critical buildings, advancing the health sciences, modernizing St. Paul campus research laboratories, and expanding capacity in STEM programs. Wheelock also reviewed the project selection process for Higher Education Asset Preservation and Renovation eligibility. She outlined several questions to guide the discussion, as detailed in the docket.

Regent Devine suggested the University think more strategically, specifically in the medical areas. He offered that a 10- to 15-year vision, aligned with a financing plan, is necessary to provide a narrative to the legislature. Regent McMillan added that housing is another key area of long-term planning as the University refines its enrollment philosophy and strategy.

President Kaler responded that the overarching vision to have a leading academic medical center began in 1996, but progressed slowly. He added that while progress has accelerated over the past three years, it is premature to develop a vision for the physical plan until the University's relationship with Fairview is solidified. He noted that an increase in the student body is a decision that goes far beyond housing.

Regent Johnson noted that Academic Health Center facilities look fragmented on a map and when walking around campus. He urged the committee to be thoughtful before making critical planning decisions so those mistakes are not repeated. Wheelock responded that the sense of connection is a challenge and those areas must be knit together more intentionally.

In response to a question from Student Representative Taylor, Wheelock indicated the University has too much space, and much of it does not meet 21st century teaching and learning needs. Developing a building-by-building strategy will identify buildings that should be maintained or updated, as well as those buildings that should be decommissioned, which will help decrease the University's overall space.

LONG-RANGE CAMPUS PLANNING: ACADEMIC HEALTH CENTER STRATEGIC FACILITIES PLAN

Vice President Wheelock introduced Brooks Jackson, Vice President, Health Sciences and Dean, Medical School, and Monique MacKenzie, Director of Space, Planning, and Architecture, to provide an update on the development of the Academic Health Center (AHC) Strategic Facilities Plan, as detailed in the docket.

Wheelock shared the primary objectives of the planning process: Create a 10-year plan based on programmatic drivers that would increase utilization of space, improve connectivity between mission-related programs, reduce occupied space by 20 percent, and better integrate the academic health sciences district.

She noted that Phase I research yielded a better understanding of work styles, which will have benefits across the institution in determining how space can be allocated to meet workforce needs. Currently, the AHC averages 195 square feet of assignable space per person, while the scenarios outlined in the Phase I report show that 127-163 square feet per person would be sufficient.

MacKenzie outlined the different types of available and preferred teaching and learning spaces. She noted a desire for more active and small group spaces, as well as simulation and lab spaces, stemming from increased emphasis on experiential and interdisciplinary learning.

Wheelock emphasized that while the AHC has many buildings in excellent condition with state-of-the-art research spaces such as the Biomedical Discovery District, it also has some buildings in the very poorest condition, with intensive infrastructure needs. She previewed a building-by-building strategy for renovation or removal that will be included in the Phase II report.

Jackson noted that only modest enrollment increases are expected across the AHC schools. He explained the need to retrain the current workforce, adding that all AHC schools expect to expand clinical operations. Jackson reminded the committee that 50 percent of AHC space is leased or owned by Fairview or University of Minnesota Physicians and emphasized the importance of those relationships when considering long-term planning.

Regent McMillan asked whether the Phase I and Phase II reports were enough to develop a vision that would inspire legislators to fund the University's \$100 million request for a health sciences education facility. Wheelock responded that schematic design for that facility would be complete ahead of the legislative session, but noted that the facilities are designed around programmatic goals so it is imperative to understand the goals first. Jackson added that today's interdisciplinary form of education provides better access and more affordable and coordinated care, which are qualities that resonate with legislators.

INFORMATION ITEMS

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

- Capital Planning and Project Management Semi-Annual Report
- Minnesota Poultry Testing Lab, Project Summary for Schematic Design (West Central ROC)
- Combined Heat and Power Plant Update (Twin Cities Campus)
- Update on Purchase of 600 25th Avenue SE (Twin Cities Campus)

The meeting adjourned at 3:20 p.m.

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

BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
December 10, 2015**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, December 10, 2015 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Michael Hsu, presiding; Richard Beeson, Laura Brod, Linda Cohen, and Abdul Omari.

Staff present: Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Morrine Omolo and Cory Schroeder.

FOLLOW-UP: JOB FAMILY PROJECT

Regent Hsu invited Vice President Brown to present for discussion a follow-up to the job family project, as detailed in the docket.

Brown summarized the project and timeline for the committee. She noted that the development job family, which was postponed due to the merger between the University of Minnesota Foundation and the Minnesota Medical Foundation, would be completed soon. Brown outlined the job classification process, emphasizing that the same process, template, and principles were used for all job families. She reported that 10 percent of employees, or approximately 910 people, had appealed their classification; 38 percent of those appeals were granted.

Brown described the impacts of the study, such as creation of position descriptions for all employees, pay ranges for each job family, consistent job titles, and clearly defined career paths. Brown noted that the job family project enabled regular and transparent reviews of job classes, market studies for pay ranges, and equity studies within job families.

Regent Beeson asked how the total number of job titles has changed. Brown explained that the number of titles did not change, but that there are 50 fewer job classifications. She suggested that looking at the total number of job titles was not a good indicator of success, and offered that she was surprised that there was not a greater reduction. She concluded that the number of titles is workable and sustainable.

Beeson inquired about the impact on compensation. Brown responded that the number of employees whose pay increased was roughly equal to the number whose pay was frozen because they were outside the pay range, resulting in a basically neutral budget impact. She indicated that roughly one to two percent of employees were outside of the pay range.

Regent Brod expressed her support for the new “individual contributor” track and asked if contributors at level three would be offered training to be supervisors. Brown responded that employees could receive supervisor training at any point. Brod wondered if someone at the “contributor three level” has maxed out in their job. Brown responded that the pay range could

be adjusted and that units could request an exception to the pay range, allowing an individual to stay in that position but continue to have salary increases.

Brod asked about next steps. Brown explained that the Office of Human Resources (OHR) would continue to enhance the competencies for each job family. She noted that OHR would perform market studies on a three-year cycle for each job family, along with equity studies within the job families.

Regent Omari wondered how the job families compared to the market. Brown noted that the initial market analysis was done for all job families at the start of the project, but needs to be refreshed. She added that the education market provides a lower compensation level compared to the private market. She expressed the need for the University to monitor that gap to ensure it remains competitive.

In response to a question from Hsu, Brown reported that faculty had provided feedback to OHR regarding the project. The administrative job family was the largest job family and the one that affected faculty the most. She explained that the job family was not aimed at pushing employees down within the job family structure or into a specific salary level. While the faculty expressed concerns, she felt confident that OHR had addressed them.

ENTERPRISE SYSTEM UPGRADE: IMPLICATIONS FOR HUMAN RESOURCES

Regent Hsu invited Vice President Brown; Amy Kucera, Senior Director, Operations, Office of Human Resources (OHR); and Patricia Franklin, Chief of Staff, OHR, to discuss the implications of the enterprise system upgrade (upgrade) for human resources.

Brown outlined the human resource items related to the upgrade. She reminded the committee that the Human Resource Management System (HRMS) upgrade reduced the number of custom modifications to HRMS by 45 percent, improving vendor support and making future upgrades easier. Brown reported that the upgrade also separated student and employee data, simplifying access and reporting.

Franklin identified the changes to the MyU portal, describing the changes as providing a user-friendly gateway to accessing the HRMS system. She highlighted the announcements feature and absence request process, showing how both look for employees and managers.

Kucera described current and future challenges, including the need for regular upgrades. She noted that while HRMS will produce better data, giving OHR the ability to audit it, having so many people entering information will be a challenge for data accuracy. She stressed that first-year issues, like the ones faced in the recruiting portion of HRMS, would be addressed. She further emphasized that with better data, reporting would be improved.

Regent Beeson expressed support for the implications of the upgrade and that he looked forward to the creation of HR metrics that would align with the University's progress card. Brown agreed, adding that the old system was unable to produce the data needed to provide that type of analysis. She offered that the new system creates a solid foundation and will provide the Board with the needed data for strategic discussions.

In response to a question from Regent Brod, Brown indicated that merit-based pay was introduced last year. The new system is able to track whether each employee has had a performance review. She reminded the committee that the local unit chooses how merit pay is defined and awarded.

Regent Omari noted that HRMS would require upgrades and asked about their cost. Brown responded that maintenance upgrades would be relatively inexpensive and paid for from OHR internal funds. Hsu asked if OHR has the funds to cover those upgrades, and Brown responded that she is working with Vice President Pfutzenreuter to ensure available resources.

**DIVERSITY: COMPOSITION OF THE WORKFORCE,
FOCUS ON HIRING, AND ACTION STEPS**

Regent Hsu invited Vice President Brown, Senior Vice President and Provost Hanson, and Vice President Albert to discuss the steps being taken by the University to advance diversity through recruitment and hiring of faculty and staff, as detailed in the docket.

Brown outlined the current distribution of female faculty and staff, and of faculty and staff of color; reviewed the average age of employees by group; and compared the University to peer institutions on the basis of faculty race and gender.

Brown explained a variety of steps being taken within the Office of Human Resources (OHR). She noted the focus on increasing diversity of hiring pools, especially for staff who interact directly with students, since students do better when they can relate to those they interact with. She outlined a pilot program with University Services and the Office of Information Technology to develop diverse applicant pools for entry-level and other identified positions. Brown described a partnership between OHR and the Office of Equity and Diversity (OED) to offer implicit bias training for search committees in the faculty and staff hiring process. Three staff members were hired recently to connect with campus affinity groups to address recruiting, retention, and engagement efforts.

Hanson described steps being taken for the recruitment and hiring of faculty. She reminded the committee that hiring the best field-shaping researchers is a strategic plan priority, and the University must build the pipelines necessary for recruitment and retention. Hanson noted that the University is developing college- and department-specific guides for recruiting faculty of color and under-represented faculty. She identified cluster hiring as a proven strategy for promoting and expanding faculty diversity, and stressed the need for an inclusive climate where all feel valued and supported. Hanson noted that the University is working with the Committee on Institutional Cooperation (CIC) to build shared mentoring and pipeline programs across institutions.

Albert detailed the actions being taken by OED. She reported on the CLEAR initiative, a faculty of color, evidence-based hiring philosophy that seeks to attract more diverse pools of candidates. She outlined bridge funding for faculty of color hires and detailed the work of the Institute for Diversity, Equity, and Advocacy. She noted the need for a long-term focus on implicit bias.

Student Representative Schroeder wondered if the programs described by the presenters were systemwide. Hanson responded that they will be, but it will take time to institute them in each unit. Albert noted that the implicit bias training is being piloted across the system, having already been used at the Duluth campus.

Regent Beeson expressed his support for the work of the staff members who are intentionally building relationships and networks within underrepresented groups. He commented that departments could utilize that work. Hanson agreed, adding that building visibility is a key way to recruit faculty. She noted that competition is fierce for field-shaping faculty and the University must be vigilant to ensure a campus climate that is conducive for faculty members to do their best work.

In response to a question from Regent Brod, Brown explained that the University is getting more diverse applicant pools and finalists, but the hire rate is not consistent with those hiring pools. She identified implicit bias training as a tool for increasing the hire rate.

Brod asked about the retention rate for faculty and staff of color. Albert responded that survey data suggests that the University has a higher level of attrition compared with peer institutions. She explained that the climate of local units is key factor in retention, and offered that the University does not have systematic exit interviews, so it is difficult to know the specific reason for employees leaving. Brown added that the employee engagement survey can provide some detail on climate, but reports results only for units with at least 10 people.

Regent Cohen asked what the University is doing differently to recruit. Hanson responded that while it is true that the University is taking the same steps as many of its peer institutions, it is focusing significant effort on building the best climate possible to recruit and retain faculty members. While the University will not always be able to match compensation, a climate where a faculty member can do their best work could help overcome that difference.

In response to a question from Beeson, Albert explained that the Twin Cities campus does benefit from the reputation of the metropolitan area. She noted the Itasca working group and other local initiatives as attractive in creating an inclusive metropolitan culture.

Brod asked about accountability for ensuring the hiring of diverse candidates. Hanson responded that there are a variety of tools that exist, and gave the example of a recently hired dean insisting that any request for hiring must include a candidate from an underrepresented group or the search would be restarted. Brod wondered if Big Ten institutions could help each other to improve diversity. Hanson noted that while the institutions are fiercely competitive, there is also a spirit of collaboration. The CIC is building pipelines between programs to allow graduate students to be placed within the CIC, while also looking for grant funding to support diversity hiring and mentoring efforts between institutions.

Student Representative Omolo wondered how these programs affected graduate students. Albert responded that the Office for Diversity Graduate Education (ODGE) is working to recruit diverse students into the pipeline. ODGE provides fellowships and a community of scholars to enhance their experience. She added that implicit bias training is being piloted with admissions committees. Hanson emphasized that by building a more diverse graduate student body, the University would build a more diverse faculty.

Regent Omari cited a recent article in *The Chronicle of Higher Education* that reported on the invisible labor faced by faculty of color in mentoring students of color. Albert agreed that the University must be thoughtful to mentor junior faculty on how to handle the increased workload. Hanson added that the problem of invisible labor would not go away until issues of diversity improve. She emphasized the need to support the faculty and improve the climate across the entire institution.

In response to related questions from Hsu, Brown reported that OHR tracks how diverse the faculty and staff are and will continue to focus on improving those numbers. Albert commented on the obligation to enhance diversity in order to reach a critical mass of underrepresented groups. Once that critical mass is reached, the campus engagement survey and other surveys should show a campus climate where people can thrive. Albert explained that best practices from units moving toward reaching that critical mass would be shared across the University.

CONSENT REPORT

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

- Granting of faculty emeritus status to Dr. Charles Oberg.

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.

The meeting adjourned at 3:04 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

Year 2015-16

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit & Compliance Committee
December 10, 2015**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, December 10, 2015, at 3:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Richard Beeson, Michael Hsu, Peggy Lucas, and Abdul Omari.

Staff present: President Eric Kaler; Chancellor Fred Wood; Senior Vice President and Provost Karen Hanson; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock, Gail Klatt, and Michael Volna.

Student Representatives present: Dalton Javener and Callie Livengood.

EXTERNAL AUDITOR REPORT

Associate Vice President Volna introduced Katie Knudtson and Judith Dockendorf from Deloitte and Touche LLP (Deloitte) to present the external auditor's opinion on the University's fiscal year 2015 financial statements and other required audit communications, as detailed in the docket.

Knudtson reported that Deloitte had issued an unqualified opinion for 2015. She summarized the key financial information and major elements of the audit as well as procedures used to complete the review. Dockendorf highlighted a policy change: the adoption of GASB No. 68 and GASB No. 71 related to accounting for pensions, which resulted in a decrease in net assets of \$609.6 million. Knudtson summarized other audit services performed by Deloitte in 2015.

Regent Brod commented on the difference in the type of audit conducted by the University's internal auditor and the audit performed by Deloitte. Knudtson explained that Deloitte's audit focuses on whether the financial statements are materially correct but does not focus on immaterial matters or evaluate adherence to policy.

Klatt stated that the internal auditors care about financial accuracy but focus more on the activities and business purposes that give rise to the financial recordings. Knudtson elaborated that Deloitte auditors evaluate the internal audit reports to understand areas of increased risk.

Regent Hsu asked what procedures related to cyber security have been used to test the University's new systems. Knudtson explained that the audit procedures involving cyber security sought to ensure that individuals have the correct access to the system. The audit team talked with information technology staff to understand the maturity of the University's information security systems but it was not a procedure performed as part of the audit work.

**UPDATE ON IMPLEMENTATION OF THE
HUMAN RESEARCH PROTECTION PROGRAM WORK PLAN**

Regent Brod invited Vice President Brian Herman; Lynn Zentner, Director, Office of Institutional Compliance; and Steven Miles, Professor of Medicine and Bioethics, to update the Board on progress made since September 2015 related to Human Research Protection Program work plan implementation, as detailed in the docket.

Zentner shared that faculty will vote upon a more stringent conflict of interest policy in March. Recent reviews highlighted instances in which University faculty members were conflicted by serving as both the principal investigator for a study and the physician of a patient enrolled in that study. Additional concerns were raised about industry-sponsored research. The new conflict of interest policy requires vetting through faculty interest groups. Zentner stated that the new policy was developed after evaluating policies at other Big Ten universities and other academic health systems such as Harvard University and Brigham and Women's Hospital. She noted the significance of the change, especially culturally, if it is passed.

Miles reported that the University hosted a conference on Human Research Participant Protection and is planning a 15-unit lecture series covering both University and national standards. Four hundred people attended the conference, with an additional 1,000 participating online. He told the committee about the new research compliance office that will take over investigative work of the institutional review boards, and the establishment of a community oversight board.

Regent Lucas asked if peer institutions are also developing similar policies and if not, would it hinder research at the University. Zentner indicated that while most peer institutions do not have as stringent a conflict of interest policy, the University faced a unique situation that required a close look at values and ethics more so than compliance and laws. Herman added that the policy change will be significant for some clinicians, and further consultation is needed to determine if alternatives will be allowed in some situations.

In response to a comment by Regent Hsu, Herman noted that the University has put more time and resources than other institutions into developing a robust protection program. He indicated that other institutions and accreditors are watching the University's actions closely and considering potential changes.

PRIMER ON HIPAA COMPLIANCE AT THE UNIVERSITY

Regent Brod invited Lori Ketola, Chief Health Information Compliance Officer and Director, to describe the requirements of the Health Insurance Portability and Accountability Act (HIPAA), as detailed in the docket.

Ketola reminded the committee that HIPAA violations were placed in the upper right quadrant of the University's risk profile, signifying a high likelihood of occurrence and high impact. She provided an overview of HIPAA and explained that the University is a hybrid entity because some parts of the University are involved in health plan or health care provider activities while other parts of the University are not involved but must access or use health information. Ketola outlined reporting options for HIPAA breaches, the steps taken to investigate a potential breach, and requirements for reporting to affected individuals, the Department of Health and Human Services, and the media.

She shared that Deloitte recently conducted a comprehensive security risk assessment for the University and noted that a task force is addressing issues identified during the assessment. The task force has condensed three administrative policies and more than 20 procedures into one new administrative policy. The goal of the simplified policy is to increase understanding

and improve compliance. Updated training materials will be complete in the spring and training will be re-administered.

Regent Hsu asked how many security breaches the University reports each year. Ketola stated that the number of breaches is low, but likely due to underreporting.

Regent Beeson asked if merging with Fairview would increase the risk of violations. Ketola indicated that the merger should decrease the risk by bringing greater clarity to roles and responsibilities. With three separate organizations currently, information is not always shared securely and gaps can be missed due to lack of communication.

INSTITUTIONAL COMPLIANCE OFFICER SEMI-ANNUAL REPORT

Regent Brod invited Lynn Zentner, Director, Office of Institutional Compliance (OIC), to present the institutional compliance officer semi-annual report, as detailed in the docket.

Zentner provided an overview of OIC's activities. In that overview, she:

- Detailed efforts underway to review the University's current compliance infrastructure and make recommendations for realigning or restructuring to achieve greater compliance on both compliance- and ethics-related activities.
- Reported on progress related to the education/training initiative recommended in May. Vice President Kathy Brown and Interim Vice President Bernard Gulacheck are leading the development committee that is working to identify all training currently offered, align training expectations by position, and develop values-related training for all employees.
- Noted that monitoring is now required for all high- and medium-compliance risk areas.
- Summarized 2015 UReport data from 164 reports, 77 percent of which were anonymous. Of the reports, 36 percent were substantiated, meaning that an individual was coached, counseled or disciplined.

Regent Hsu expressed concern that because a report can be made anonymously through UReport, the University has no way to judge the validity of the report or to follow-up with the reporter to seek additional information. Zentner indicated while there are few incidents of double or fake reporting through UReport, additional information from the anonymous reporter may be necessary to conduct a thorough investigation. Klatt added that the Office of Internal Audit conducts many of the investigations and has had only a handful of instances in which the initial report did not provide enough information to conduct an investigation.

INFORMATION ITEMS

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

- Report of engagements less than \$100,000 requiring after-the-fact reporting.
- Report of emergency approvals of engagements \$100,000 or greater.
- Semi-Annual Controller's Report.

The meeting adjourned at 5:17 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**

**Governance & Policy Committee
December 10, 2015**

A meeting of the Governance & Policy Committee of the Board of Regents was held on Thursday, December 10, 2015 at 3:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Thomas Anderson, Thomas Devine, Dean Johnson, David McMillan, and Darrin Rosha.

Staff present: President Eric Kaler; Senior Vice President and Provost Karen Hanson; General Counsel William Donohue; and Executive Director Brian Steeves.

Student Representatives present: Chase Taylor.

CULTURE OF THE BOARD

Regent Cohen invited consultant Barbara Tuckner, Management Analysis & Development, to lead a facilitated discussion on the culture of the Board, as detailed in the docket.

Tuckner explained that the goal of the discussion is for the Board to work toward establishing a set of simple rules to guide behavior. She noted that the discussion would provide Regents with an opportunity to identify topics that could be explored further in future retreats. Tuckner gave examples of simple rules and explained the process the committee would use to begin the process of drafting a set of rules for itself.

Committee members worked in pairs and created action statements to assigned questions. Those questions included:

- What two to three things do we need to keep in mind as we determine the appropriate level of oversight on any given issue?
- How, specifically, will we manage minority opinions and remain a viable collective over time?
- How, specifically, will we engage with other important constituencies (administration, faculty, students) while practicing our role with fidelity?

In their pairs, committee members reviewed and discussed others' statements for each question. Tuckner facilitated a group review of all statements, noting common themes. The committee discussed how to facilitate oversight, how the Board reserves and delegates authority, how to acquire the information necessary to govern, when is it appropriate to express disagreement with the administration, and how the norms of governance are evolving.

ADMINISTRATIVE POLICY REVIEW PROCESS

Regent Cohen invited Michele Gross, Director, University Policy Program, to present an overview of the administrative policy review process, as detailed in the docket.

Gross outlined the University policy framework and its hierarchy, noting that administrative policy falls below Board policy. She defined the information that is contained within the policy library, including all administrative policy documents for system-wide policies, policies that apply to two or more of the campuses, and policies specific to the Twin Cities campus.

Gross reported that there are 199 administrative policies broken into six categories. She explained that each policy is comprehensively reviewed every four years. In a typical year, four new policies are created and five current policies are retired. In a given month, approximately 200 changes are made within administrative policies.

Gross defined how policies are created and the criteria for what is included in administrative policy. She defined the review process, key stakeholders, and identified two recent examples to highlight the consultation process.

Regent Devine asked about the process for responding to comments on student issues like affirmative consent and the expansion of definitions in Board of Regents Policy: *Student Conduct Code*. Gross responded that administrative policy has a 30-day review process that allows individuals outside of the formal consultation process to provide input. Policy owners are required to review all comments and consider what changes should be made in response to that input. Gross clarified that while she is unable to comment on the specific subject matter of a policy, she can assist the policy owner by contacting peer institutions for model language and facilitating focus groups within the University. Steeves added that the Academic & Student Affairs Committee has asked that the *Student Conduct Code* be comprehensively reviewed, which includes broad consultation. He specified that once those changes are made, administrative policies would be revised to conform to Board policy.

Regent McMillan commented that the context and background were helpful given the recent attention that administrative policy has garnered. He noted that the stakeholder slide should also include the Board.

BOARD OF REGENTS POLICY: AWARDS, HONORS, AND RECOGNITION

Regent Cohen invited Jason Langworthy, Board Associate, Policy & Committees, Office of the Board of Regents, to present for review proposed amendments to Board of Regents Policy: *Awards, Honors, and Recognition* as detailed in the docket.

Langworthy reviewed proposed amendments to the policy, which include:

- A comprehensive revision to improve clarity and specificity. Only those awards, honors, and recognitions (awards) approved directly by the Board remain in the revised policy. All other awards listed in Board policy but approved by other University offices will be transitioned to administrative policy.
- A new section (Section V.) that delegates to the president the responsibility to ensure that appropriate administrative policies are maintained to support the creation and granting of other awards for the University.
- Clear language that delineates the honorary degree, Regents Professor, and Regents Award as the highest University honors.
- A new approval structure for the Regents Award that more closely aligns with the approval process for Regents Professors.
- Repurposing the Award of Outstanding Merit and Certificate of Recognition.
- Eliminating the Distinguished International Service Award. The award has not been granted since the 1980s.

Board of Regents Policy: *Awards, Honors, and Recognition* will return for action at a future meeting of the committee.

BOARD OF REGENTS POLICY: NAMINGS

Regent Cohen invited Chief of Staff Amy Phenix to present for action proposed amendments to Board of Regents Policy: *Namings*, as detailed in the docket.

Phenix reviewed for the committee the proposed amendments and indicated that no changes to the proposed amendments had been made since the committee reviewed them in October.

Regents Rosha and Devine expressed concern that the proposed amendments would prevent honorary namings for Regents or Regents Emeriti for accomplishments separate from their Board service. Phenix commented that the Board could make an exception and that Regents or Regents Emeriti would still be able to receive gift-related namings. She also clarified that the policy defines “significant University assets” and that some gift related namings would not fall under this policy given that definition.

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

BOARD OF REGENTS POLICY: AMERICAN INDIAN ADVISORY BOARDS

Regent Cohen explained that after the committee reviewed proposed amendments to Board of Regents Policy: *American Indian Advisory Boards* in October the Board received a letter from Chief Executive Melanie Benjamin of the Mille Lacs Band of Ojibwe suggesting that the proposed advisory board required additional consultation before implementation. Cohen stated that she and Board leadership decided to set aside the proposed changes to the policy. The administration would form a working group of American Indian faculty members to fully consult the proposed language with each of the 11 tribes. Cohen indicated that once that consultation is complete, the policy would return for review.

The meeting adjourned at 5:14 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Meeting
December 11, 2015**

A meeting of the Board of Regents of the University of Minnesota was held on Thursday, December 11, 2015 at 8:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathy Brown, Brian Herman, Brooks Jackson, and Richard Pfutzenreuter; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

APPROVAL OF MINUTES

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

Governance & Policy Committee – October 8, 2015
Facilities, Planning & Operations Committee – October 8, 2015
Faculty & Staff Affairs Committee – October 8, 2015
Academic & Student Affairs Committee – October 8, 2015
Finance Committee – October 8, 2015
Board of Regents Work Session – October 8, 2015
Board of Regents – October 9, 2015
Litigation Review Committee – October 30, 2015

REPORT OF THE PRESIDENT

President Kaler reported on the findings of two reports presented to the Board, which reviewed matters related to intercollegiate athletics. He outlined his action plan, based on the results of these reports, and highlighted changes that are already underway. He stressed the University's commitment to being transparent and accountable.

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

REPORT OF THE CHAIR

Chair Johnson reported on activities and accomplishments of the past year, including: the enterprise system upgrade; important advancements in bee and pollinator research; first steps towards a new, integrated M Health system; and breaking ground on the Athletes Village project. He congratulated the gopher women's volleyball team on their success in the NCAA tournament and expressed his eagerness to support the men's football team at the Quick Lane Bowl in Detroit at the end of the month.

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

RECEIVE AND FILE REPORTS

Chair Johnson noted the receipt and filing of the Quarterly Report of Grant and Contract Activity and the Annual Eastcliff Report.

CONSENT REPORT

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

- Summary of Gifts through August 31, 2015.
- Guidelines Related to Complimentary Tickets.

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Chair Johnson invited Colin Campbell, Chair of the Faculty Consultative Committee (FCC), to present a report on the Committee's recent activities. Campbell reported that the FCC has identified several major themes for the coming year: equity and diversity; shared governance; academic freedom, freedom of expression, and the creation of inclusive campus climate; and working with University Relations to engage faculty in the outreach mission. Campbell reported that the FCC is working on a variety of additional topics including the job family study, review of intercollegiate athletics, the student conduct code, and the Regents scholarship program.

Regent Simmons applauded the president for including a faculty member in the senior leadership team, noting that this provides a more balanced perspective.

Regent Omari remarked on the benefit of having a faculty member on the oversight committee. In response to a question from Omari, Campbell explained that the student senate is involved in much of the work of the FCC. He noted that they participate in a broad scope of activities and are engaged in a variety of content-rich topics.

Regent Rosha remarked that faculty engagement in the shared governance process helps create a stronger institution. He commented on the healthy exchange of ideas and conversation with Campbell and his FCC colleagues at dinner the previous night.

Regent Anderson thanked Campbell for the contributions of the FCC in the Board orientation process, adding that the perspective has helped guide his understanding of the many issues facing the University

SUPPLEMENTAL 2016 STATE BUDGET REQUEST

Chair Johnson invited President Kaler to report on the 2016 Supplemental Budget Request (Request). Kaler commented that the Request includes support for: the Healthy Minnesota initiative, which provides critical health care training, education and services statewide; replacement support for lost UCare funding, to continue providing health training and services; advancing and diversifying Minnesota's mining activities; and cyber security to protect the

University's critical assets. Kaler added that the Finance Committee approved the resolution in its meeting the previous day.

Chair Johnson called upon Regent Beeson, Chair of the Finance Committee, to present the recommendation of the committee. Beeson reported that the committee reviewed the Request and voted unanimously to recommend approval of the resolution. He moved its approval. The motion was seconded.

Regent Devine suggested that the Request sends a clear message to the state that the Board supports the included initiatives. He noted that the health care and mining priorities are a critical part of the University's outreach mission.

Regent Simmons clarified that health care funding does not directly support UCare, rather it supports the University's academic health sciences, including healthcare delivery. She stressed the importance of not relying too heavily on the government to support the health sciences, since it may not be a recurring source of funding.

Regent Rosha asked whether the administration had considered requesting a portion of the state surplus to buy down a potential tuition increase. Kaler replied that it had considered such a request, but concluded that legislators do not seem as concerned about tuition as they are the other items included in the Request. He considers these proposals the "best bets" for funding from the legislature. Rosha remarked that despite frustrations over past requests, he feels the Board is gaining traction with the legislature.

The Board voted unanimously to approve the Resolution Related to the University of Minnesota's 2016 Supplemental State Budget Request, as follows:

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

WHEREAS, continuing investment in the Medical School's Department of Family Medicine and Community Health is essential for core programs in clinical training, education and research, and continuing investment in the School of Dentistry's Mobile Dental Clinic is critical to train dental students while addressing access-to-care gaps for public program members; and

WHEREAS, the University of Minnesota is in need of a major upgrade to its critical network infrastructure that must include substantial new investment to address growing threats of sophisticated cyber intrusions that pose significant risks, including wide scale or high consequence events that could cause harm by disrupting, denying access to, degrading or destroying critical information systems; and

WHEREAS, access to health and dental care in Minnesota varies depending on a variety of socio-economic and geographic factors and the University of Minnesota has the ability to improve access to quality care and lessen disparities through its research, education and patient care; and

WHEREAS, recent fluctuations in the global iron and steel markets have had negative impacts on the mining sector in Minnesota, and the University of Minnesota is set to collaborate with stakeholders to produce solutions and tangible results in this area; and

WHEREAS, the 2016 supplemental budget request is designed to meet these objectives by investing resources to replace lost UCare funds, purchase appropriate network equipment and software, support the needs of the Community University

Health Care Clinic and the Rural Dentist Associate Program, and conduct research in mining ore and other high value metallic products while reducing sulfate water contamination;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the University's 2016 Supplemental Budget Request to the Minnesota Legislature in the amount of \$17,350,000 in recurring funds and \$21,500,000 in onetime funds from the State of Minnesota.

2015 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Chair Johnson invited President Kaler and Senior Vice President and Provost Hanson to present the 2015 *University Plan, Performance & Accountability Report* (Report) for review, as detailed in the docket materials.

Hanson offered examples from the past year of how students, faculty, staff, and alumni are fulfilling the University's threefold mission of education, research and discovery, and outreach and public service.

Regent Devine noted the significant increase in graduation rates over the past few years, emphasizing that this has long been a goal of the Board. He observed that the report does not include the effort made in academic advising, which he noted is crucial to student success. Hanson remarked that advising is reflected in the graduation rates as well as student satisfaction.

Regent Omari thanked the Provost's staff for extraordinary effort invested in creating the report.

Regent Brod commented that the summary of student debt is a helpful tool for students and their families as they consider the cost of education.

Regent Simmons suggested that the Report be referenced as a benchmark when other reports are requested from the Board or the University.

The 2015 *University Plan, Performance, and Accountability Report* will return for action at a future Board of Regents meeting.

ANNUAL REPORT ON THE STATUS OF RESEARCH & COMMERCIALIZATION OF INTELLECTUAL PROPERTY

Chair Johnson invited Vice President Brian Herman to report on the status of research and commercialization of intellectual property. Herman explained the total funding awarded to the University in the past year, highlighting changes in National Institutes of Health (NIH) funding and increased diversification in research endeavors. He detailed the distribution of funds across colleges and campuses, and discussed the distribution of funding sources. Herman noted that collaborations with business and industry, as well as with other private sources, represent roughly half of total annual funding. The University ranks third among its Big Ten peers in total award dollars.

Herman discussed research expenditures, which he noted are the most effective way to measure success against other institutions. He reported that the University has moved up in the rankings of public research institutions, which is evidence that the University remains highly competitive with its peers. Herman detailed the breakdown of institutional funding, with direct funding remaining the largest source of institutional funding. He also reported on technology commercialization, highlighting a record number of start-ups in the past year. He

emphasized that start-ups are the most recognizable way to showcase the University's research and impact on the community.

Herman discussed strategic and program accomplishments, noted the advancements in human research participant protections, and highlighted the MNDrive initiative. He congratulated the Office of University Economic Development for its efforts to engage the state and business communities.

Regent Beeson stressed that the business community offers great potential for public-private partnerships. He commented that the Board would like to learn more about managing dynamic relationships with local businesses, suggesting that there is still much room for growth. Herman responded that his office has developed effective communication with partners across the University, such as the Foundation, who also have relationships in the community. He remarked on efforts to develop partnerships with larger corporations, citing Land O'Lakes as a good example. Herman reported that he meets regularly with government relations staff to evaluate legislative engagement efforts.

Regent Simmons stated that research is a critical component of the institutional mission and commended Herman for positioning the University for success. She observed that private funding could come with specific expectations and deliverables that might change the focus of the research, adding that the expectations of state versus federal funding can vary. Simmons noted that while some states have made large contributions to research, a significant return on that investment has not always occurred. She expressed hope that seeking federal funding continues to be a primary focus. Herman agreed that alternative funding sources can come with specific expectations and that the University should continue to seek government support, but observed that federal funding has plateaued. He urged that to maintain its standing as a top research institution, the University must look for additional sources of funding.

Regent McMillan remarked that the breakdown of funding – approximately two-thirds direct and one-third indirect – seems high. He asked whether the University is on par with other institutions. Herman stated the University is on the high side of research spending at roughly 29 percent, with peer institutions closer to 23 to 25 percent. He noted that this is an area of opportunity: evaluating how the dollars are being invested, considering the impact of research, and determining the return on investment.

Regent Devine commented that the return on investment data should be emphasized to the legislature, noting that this sets the University apart from other Minnesota institutions. In response to a question from Devine, Herman replied that his staff meets regularly with the Provost to discuss the strategic plan, specifically research challenges. He noted good alignment between the two offices about areas of institutional progress. He emphasized that the goal is to create an environment where collaboration is possible internally and also with national and global institutions.

Regent Anderson applauded Herman for engaging with greater Minnesota. In response to a question from Anderson, Herman responded that money received from programs such as the discovery capital program helps support future research. He noted that approximately \$20 million per year is reinvested in research infrastructure.

Regent Hsu asked what caused the decrease in award dollars for certain colleges and schools. Herman explained that the report's figures capture one discrete year and that there is some fluctuation in which units receive funds and when. He explained that this fluctuation has to do with grant cycles and project timelines, noting that funds come in at different times and in different amounts. Herman stressed that he is less concerned with minor shifts from year to year, since they are not necessarily indicative of long-term success.

Hsu noted that though the University ranks third among its Big Ten peers, there is a wide gap between the University and the total award dollars brought in by Wisconsin and Michigan – the

first- and second-ranked institutions, respectively. Herman explained that Michigan has very high philanthropy devoted to research, and the automotive industry is closely tied to its research activities. He stressed that the University should focus more on growing the overall research enterprise and less on the competition; though the University is a bit behind on dollars, it is still very competitive.

ANNUAL FINANCIAL REPORT

Chair Johnson invited Vice President Pfutzenreuter and Associate Vice President Volna to present the University's Annual Financial Report, as detailed in the docket materials.

Volna reported that the net position of the University decreased by \$595.1 million in FY 2015, primarily due to the implementation of new pension standards. Total net operating losses decreased compared to FY 2014 and non-operating revenues were down by \$126.9 million. Volna noted that FY 2015 cash flow decreased by \$7.1 million from FY 2014, to a positive cash flow of \$21.8 million. Total University assets increased by \$210 million or 3.7 percent and total liabilities increased by \$462 million or 23.9 percent. Revenues for FY 2015 totaled \$3.4 billion and operating expenses totaled \$3.3 billion.

Volna also reviewed the balance sheet, revenues, operating expenses, and cash flows, and discussed the University's component units.

Chair Johnson thanked the presenters for their leadership and guidance, emphasizing that they provide the Board with confidence in the University's financial strength.

Regent Hsu asked how the new M Health structure with Fairview will affect the overall financial statements. Volna replied that the anticipated approach is to analyze the nature of the agreement at each step as it moves forward. He explained that the goal and intent is for the final agreement to have a minimal impact on the University's finances and credit rating. He noted that the budget and finance offices are hopeful that they can minimize the impact on financial statements.

ANNUAL REPORT ON PRIVATE GIVING

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

Schmidlkofer reported that in FY 2015, more than 78,000 donors made commitments of \$351 million in current and future gifts – the highest amount in the history of UMF. She outlined how gifts are received and how donors designated their gifts, noting that UMF distributed \$196 million to the University community in scholarships, fellowships, academic programs, faculty support, and research. In FY 2015, the University's endowment ranked fifth among 14 Big Ten peers and ninth among all public universities. She noted that UMF was extremely efficient, as evidenced by a 13-cent cost to raise one dollar. Schmidlkofer and Malkerson also highlighted several specific accomplishments made possible by gifts to the University.

Regent Lucas recalled her time serving on the UMF Board of Trustees, adding that she remembered raising \$58 million and has seen such amazing growth. She complimented the presenters on their well-produced holiday party, noting that she expects many donations as a result.

In response to a question from Regent Omari about opportunities for growth in the next five years, Schmidlkofer explained that UMF is on pace with the recovering and growing economy,

with many opportunities to engage the baby boomer generation and alumni. She added that there are additional opportunities to engage donors and alumni regionally and internationally.

In response to a question from Regent McMillan, Schmidtkofer noted that the University spends an average of 12-14 cents to raise one dollar, while other public universities spend 14-16 cents. She explained raising more money requires additional overhead.

Regent Beeson commented on the positive communication between UMF and other entities such as the Alumni Association. He commended the president for his efforts in expanding donor relations.

Regent Hsu asked if pledges are counted differently than other donations. Schmidtkofer replied that cash pledges and future commitments are counted in the year that the bequest is made. Even if a donation carries over into multiple years, the amount is only counted once. Hsu remarked that, given the cents to dollar ratio, more money should be invested back into UMF to leverage the opportunity to raise more money.

Chair Johnson observed that this has been a difficult year for the University in terms of public perception. He remarked that there is much to be proud of at the University, in its faculty, staff, administration, and students. He suggested that the Board do its best to focus on the positive contributions of the University when talking with legislators and the public.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

Regent Hsu, Vice 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 December 10, 2015 committee minutes.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Faculty & Staff Affairs Committee.

Hsu reported that the committee also discussed a follow-up to the job family project; received information on the human resources implications of the Enterprise System Upgrade Project; discussed diversity and the composition of the workforce; and received several information items as outlined in the docket materials.

REPORT OF THE FACILITIES, OPERATIONS & PLANNING COMMITTEE

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

1. Approval of the following real estate transactions as presented to the committee and described in the December 10, 2015 minutes:
 - A. Purchase of 21.76 Acres and Buildings Thereon Totaling 708,000 sq ft at 701-24th Avenue SE, Minneapolis; and Ten-Year Lease of Approximately 434,000 sq ft at 701-24th Avenue SE, Minneapolis to Murphy Warehouse Company (Twin Cities Campus)

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Facilities, Planning & Operations Committee.

McMillan reported that the committee reviewed a second real estate transaction; discussed long-range campus and facility planning; and received several information items as outlined in the docket materials.

McMillan recognized the departure of Office of the Board of Regents staff member Stephanie Austin. He thanked her for her remarkable service to the committee and to the Board. Regent Devine echoed McMillan's comments, thanking Austin for her hard work.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

Regent Lucas, Vice Chair of the committee, reported that the committee received the external auditor's report; received an update on the human participant research protection implementation plan; reviewed a primer on HIPPA compliance; received the semi-annual report from the institutional compliance officer; and received several information items as outlined in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

1. Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the December 10, 2015 minutes.

A motion was made and seconded and the Board voted unanimously to approve the recommendation of the Academic & Student Affairs Committee.

Cohen reported that the committee also received a report on undergraduate education on the Twin Cities campus and the 2015 *University Plan, Performance, and Accountability Report*; and received several information items as outlined in the docket materials.

Regent Cohen thanked Stephanie Austin for her work with the committee and for her service to the Board.

REPORT OF THE FINANCE COMMITTEE

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

1. Approval of the Resolution Related to Issuance of Debt, as follows:

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

WHEREAS, the Debt will be issued pursuant to one or more Order(s) of the University, which will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium or discount, if any, and interest on such Debt;

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

1) To provide funds to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing(s) the Board hereby authorizes the sale and issuance of Debt in the principal amount of up to \$97,900,000. The Debt may be issued in one or more forms and one or more series, each to mature (or if commercial paper, to have an amortization schedule terminating) not later than the date that is 25 years after the date of issuance. The Treasurer is authorized to determine the form(s) in which the Debt will be issued, whether or not the Debt will be issued as general obligations of the University and whether or not the Debt will be issued in a form that is tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

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

3) If issued in the form of bonds, the Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

4) In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Order or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as is approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such 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 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 the Consent Report for the Finance Committee as presented to the committee and described in the December 10, 2015 committee minutes.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Finance Committee.

Beeson added that the committee also discussed purchasing at the University; received the annual financial report; received an update on the fully allocated cost of mission activities; and received several information items as outlined in the docket materials.

Beeson thanked Stephanie Austin for her service to the Board.

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

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

1. Adoption of proposed amendments to Board of Regents Policy: *Namings*, as follows:

Namings

SECTION I. SCOPE.

The policy governs the namings of significant University of Minnesota (University) assets, including (1) honorary namings (Section IV); (2) namings associated with gifts or sponsorships (Section V); and (3) other namings (Section VI).

SECTION II. GUIDING PRINCIPLES.

- (a) Naming for an individual or organization is an honor that forges a close link between the individual or organization and the University. As such, it is critically important that the integrity, history, behavior, and reputation of the named individual or organization be consistent with the academic mission and values of the University.

- (b) The University shall ensure that namings preserve the long-standing traditions, values, culture, and prestige of the University.
- (c) Namings as part of sponsorship agreements shall be consistent with the University's reputation and core values and the highest standards for business and financial integrity.
- (d) The University shall maintain a consistent, coordinated, and transparent approach to naming that reflects the University's consultative and collaborative decision-making process, ensures the proper review and approval of all naming proposals, and preserves confidentiality consistent with applicable law.
- (e) The University shall ensure coordination between: (1) the institution and recognized University foundations; and (2) fund-raising and academic units in order to maintain alignment of institutional and development priorities and compliance with University policies and procedures.
- (f) Significant University assets may not be named in honor of current or former members of the Board of Regents (Board) except as provided in Section V of this policy. Such gift related namings may not include the title "Regent" or "Regent Emeritus."

SECTION III. DEFINITIONS.

Subd. 1. Significant University Assets. *Significant University assets* shall mean tangible or intangible resources of the University that are of significant prominence or visibility. Assets include but are not limited to the following: colleges and schools; University-level academic programs, centers, and institutes; and buildings, significant portions of buildings, grounds, physical structures, streets, and areas.

Subd. 2. Donor. *Donor* shall mean a person or entity transferring money or other property to the University or one of its recognized foundations in connection with a naming, whether or not the donor is the subject of the naming.

Subd. 3. Gift. *Gift* shall mean a transfer of, or promise to transfer, money or other property to the University without reciprocal benefit to the donor.

Subd. 4. Sponsor. *Sponsor* shall mean a person or entity entering into a sponsorship.

Subd. 5. Sponsorship. *Sponsorship* shall mean a contract involving the provision of funds or other support with the expectation of public acknowledgement or promotional opportunity.

Subd. 6. Street. *Street* shall mean any private road or driveway as defined in the *Regents of the University of Minnesota Traffic Regulations Ordinances*.

SECTION IV. HONORARY NAMINGS.

Significant University assets may be named in honor of an individual or a non-University entity to recognize service, dedication, or meritorious contributions to the institution when the naming is not associated with a gift or sponsorship.

Subd. 1. Naming of Colleges, Schools, and University-Level Academic Programs. These assets may be named in honor of an individual or non-University entity.

- (a) Approval. The Board of Regents (Board) reserves to itself authority to name, rename, or revoke the honorary naming of these assets.
- (b) Management. The Senate All-University Honors Committee (Honors Committee) manages the process and submits recommendations to the president, who recommends namings to the Board.

Subd. 2. Naming of Departmental Chairs A departmental chair may be named in honor of an individual.

- (a) Approval. The president or delegate approves this naming, with concurrence of departmental chairs.
- (b) Management. The relevant unit manages this naming process.

Subd. 3. Naming of Buildings and Other Significant University Assets. Buildings and other significant University assets may be named in honor of an individual or non-University entity. A building may be named for a person still living who has left the service of the University.

- (a) Approval. The Board of Regents (Board) reserves to itself authority to name, rename, or revoke the honorary naming of buildings and other significant University assets.
- (b) Management. The Honors Committee manages the process and submits recommendations to the president, who recommends namings to the Board.

Subd. 4. Naming of Buildings for Past Presidents. The University may name buildings for past presidents. Consideration of a naming shall take place after a president's association with the University has ended, usually between one and five years following service.

- (a) Approval. The Board of Regents (Board) reserves to itself authority to name, rename, or revoke the naming of buildings for past presidents.
- (b) Management. The chair of the Board convenes a committee with representatives from the Board, the Faculty Consultative Committee, and the Honors Committee to develop a recommendation. This recommendation shall be forwarded to the Honors Committee for information prior to submission to the Board for final action.

Subd. 5. Naming of Separate Building Parts. Separate building parts that are not significant University assets may be named in honor of an individual or a non-University entity. An independent committee of the relevant academic or administrative leadership and building occupants shall manage and approve the namings.

SECTION V. NAMINGS ASSOCIATED WITH GIFTS OR SPONSORSHIPS.

University assets may be named for individuals or non-University entities to recognize significant gifts or as part of a sponsorship. Colleges, schools, academic programs, centers, or institutes are not usually named for commercial entities; if the name of a commercial entity is to be considered, Board approval is required.

Subd. 1. Naming of Endowed Lectureships, Fellowships, Professorships, and Chairs. The University seeks and welcomes private financial support for endowed lectureships, fellowships, professorships, and chairs, which provide scholars a continuous and reliable source of support to pursue their research and teaching. Awards established in these categories shall typically carry the name of the donor, of a person or institution designated by the donor, or of a person in whose name the University seeks funds to endow the award.

- (a) Approval. The president or delegate approves the naming of a lectureship, fellowship, professorship, or chair.
- (b) Management. The relevant department or college establishes and manages the process for lectureships, fellowships, professorships, and chairs. Proposals to establish one of these institutional awards shall specify the conditions of the naming, the activities to be supported by the gift or sponsorship, and the amount of the endowment or the annual level of funding.

- (c) Candidates. The University shall have sole authority to appoint the holders of lectureships, fellowships, and chairs.
- (d) Provisions.
 - (1) Restrictions on the Use of Title. Lectureships, fellowships, professorships, and chairs shall not include such terms as *University*, *distinguished*, or the title *Regents Professor*. These titles are conferred only by the Board.
 - (2) Level of Endowment.
 - (i) Endowment for Chairs. A permanent chair may be established when \$2,000,000 or more has been placed in an endowment that provides in perpetuity the annual funds needed for support. Alternatively, a chair also may be established if a minimum of \$200,000 per year of expendable funds is made available for at least ten years.
 - (ii) Endowment for Professorships. The combination of salary and endowment shall be sufficient to provide salary and fringe benefits for the recipient, staff support, travel, and other expenses. Professorships require a minimum of \$1,000,000 in permanent endowment or a minimum of \$100,000 per year of expendable funds for ten years.
 - (iii) Endowment for Faculty Fellows. Faculty fellows require a minimum of \$500,000 in permanent endowment or a minimum of \$50,000 per year of expendable funds for ten years.
 - (iv) Other Named Endowments and Awards. The titles of lectureships, scholarships, or other named awards may be used for gifts of less than \$500,000 in permanent endowment or \$50,000 a year for ten years. A minimum award in this category would provide at least \$1,000 per year for ten years.

Subd. 2. Naming of Colleges, Schools, Buildings, and Other Significant University Assets. These assets may be named to recognize gifts or as part of a sponsorship. No commitment regarding namings associated with gifts or sponsorships shall be made to the donor or sponsor prior to the applicable University review and approval.

- (a) Consultation. Prior to entering into substantive discussions or making an oral or written commitment regarding a naming to a donor or sponsor, any individual acting on behalf of the University or a recognized University foundation shall (1) inform the donor or sponsor of this policy; (2) consult with the president to determine whether the naming opportunity requires the review and approval process outlined below; and (3) consult with the recognized University foundations as appropriate to determine whether the proposed naming meets the guidelines of the recognized University foundations.
- (b) Review. A naming committee, with two representatives from the Honors Committee, representatives from the recognized University foundations, and relevant academic and administrative officers, shall review naming proposals and submit recommendations to the president. The president recommends namings to the Board.
- (c) Approval. The Board reserves to itself authority to name, rename, or revoke the naming of colleges, schools, buildings, and other significant University assets.
- (d) Management. For gifts, the recognized University foundations shall maintain guidelines to implement this policy in order to ensure consistency in the size of gifts relative to the significance of the asset being named. For sponsorships, the president or delegate shall ensure the consistency of the size of the sponsorship agreement relative to the overall significance of the asset to be named.

Subd. 3. Other Namings Associated with Gifts or Sponsorships. University assets not covered by the definition in Section III., Subd. 1., may be named to recognize gifts or as part of a sponsorship.

- (a) Approval. The president or delegate shall approve the naming of these assets.
- (b) Management. Recognized University foundations shall manage the process for the naming of these assets and maintain guidelines and criteria for these namings.

SECTION VI. OTHER NAMINGS.

This section shall govern the naming of significant University assets when the name is not in honor of an individual or non-University entity and the naming is not associated with a gift or sponsorship.

Subd. 1. Naming of Colleges and Schools. A college or school may be named to reflect the relevant academic discipline.

- (a) Approval. The Board reserves to itself authority to name, rename, or revoke the naming of colleges and schools.
- (b) Management. The president or delegate recommends namings of colleges and schools to the Board.

Subd. 2. Naming of Buildings, Significant Portions of Buildings, Grounds, Physical Structures, Areas, or Streets. These assets may be named to describe the academic or administrative purpose of the asset or to reflect a symbolic meaning appropriate for the asset.

- (a) Approval. The Board reserves to itself authority to name, rename, or revoke the naming of buildings, significant portions of buildings, grounds, physical structures, areas, or streets.
- (b) Management. The Honors Committee manages the process for the naming of buildings, significant portions or buildings, grounds, physical structures, areas, or streets and submits recommendations to the president. The president recommends namings to the Board.
- (c) Working Titles. The president or delegate may provide a working title for buildings, significant portions of buildings, grounds, physical structures, areas, or streets during planning and construction and prior to official naming by the Board.

SECTION VII. RENAMINGS AND REVOCATION.

Subd. 1. Renamings. The University reserves the right to rename any named asset of the University. Renamings shall be consistent with the review and approval process for namings.

Subd. 2. Revocation. The University reserves the right to revoke a naming if for any reason it presents risk or harm to the reputation of the University, or if the intent of a gift or the terms of a sponsorship associated with the naming cannot be fulfilled. For all namings requiring Board approval, the Board reserves the right to revoke them. Other namings may be revoked by the president or delegate.

SECTION VIII. IMPLEMENTATION.

Subd. 1. Legal Review. All gift agreements or contracts involving a naming must be reviewed by the Office of the General Counsel prior to approval.

Subd. 2. Administration. The president or delegate shall establish and maintain administrative policies and procedures to implement this policy.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Governance & Policy Committee.

Cohen reported that the committee also participated in a work session on Board culture; discussed the administrative policy review process; and reviewed Board of Regents Policy: *Awards, Honors, and Recognition*. She thanked the committee for their engagement in an untraditional session.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

The meeting adjourned at 11:54 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities, Planning & Operations Committee
December 10, 2015**

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, December 10, 2015 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Thomas Devine, Dean Johnson, Peggy Lucas, and Darrin Rosha.

Staff present: President Eric Kaler; Chancellor Fred Wood, Vice Presidents Brooks Jackson, Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Michael Berthelsen, Terry Bock, and Laurie Scheich.

Student Representatives present: Samantha Jensen and Chase Taylor.

REAL ESTATE TRANSACTIONS

A. Purchase of 21.76 Acres and Buildings Thereon Totaling 708,000 Square Feet at 701 24th Avenue SE, Minneapolis; and Ten-Year Lease of Approximately 434,000 Square Feet at 701 24th Avenue SE, Minneapolis to Murphy Warehouse Company – 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 21.76 acres and 38 inter-connected building sections totaling 706,029 square feet, of which 691,709 is warehouse space. The property is located south of Elm Street and west of 24th Avenue SE. The legal description of the property: Lot 8 and the east 75 feet of Lot 7, Auditors Subdivision No. 200, Hennepin County. The property serves as the headquarters for the Murphy Warehouse Company, a full-service public warehousing and contract logistics services company.
- Basis for Request: The University currently leases approximately 21,000 square feet of warehouse space at the property. The current owner contacted the University to advise that the property was for sale, provided that the University would agree to leaseback portions of the property to the owner to provide sufficient time for the owner to relocate its warehouse operations.
- Detail of Transaction: The bargain sale/partial donation transaction for purchase of the property will include a cash payment by the University in the amount of \$17,975,000, and a donation of the remaining property's value the seller estimates at \$2,000,000. The leaseback to Murphy Warehouse Company will require an initial rent payment of \$3.20 per square foot, with annual increases. The lessee will also be responsible for the maintenance and operation of the central heating facility, the

costs of snow removal, landscape maintenance, exterior lighting, and light building and parking lot maintenance for the entire property, as well as all noncapitalized interior repairs and maintenance and custodial premises leased to Murphy Warehouse Company.

In response to a question from Regent McMillan, Weinberg explained that a small petroleum leak from an underground container on the property will be remediated.

In response to a question from Regent Lucas, Vice President Pfitzenreuter explained that the rents received from the lease agreement will be used to pay property maintenance and operations costs, but the University will need to issue debt for purchase costs and will pay the debt service.

Regent Devine noted that this is the largest single undivided piece of land in the city of Minneapolis and indicated his strong support for purchasing it for future use.

The committee voted unanimously to recommend approval of the real estate transaction for the purchase of 21.76 Acres and Buildings Thereon Totaling 708,000 Square Feet at 701 24th Avenue SE, Minneapolis; and Ten-Year Lease of Approximately 434,000 Square Feet at 701 24th Avenue SE, Minneapolis to Murphy Warehouse Company.

B. Second Amendment to Lease with Dakota Aggregates LLC for Aggregate Mining at UMore Park – Rosemount ROC

The committee reviewed a proposed second amendment to the lease with Dakota Aggregates LLC for aggregate mining at UMore Park, as detailed in the docket.

Vice President Wheelock explained the amendment as follows:

- The second amendment to the Dakota Aggregates phased aggregate mining lease will delay mining on certain parcels in Empire Township included in the leased premises to allow continued use by the College of Food, Agricultural, and Natural Resource Sciences for agricultural research purposes; extend the lease term by 20 years; and modify the Initial Advanced Minimum Royalty amounts related to the delayed mining.
- Basis for Request: The University now desires to retain the use of certain portions of the leased premises in Empire Township for agricultural research purposes beyond the dates anticipated when the 2011 lease and previous amendment and letter agreement were executed, and in exchange, Dakota Aggregates has requested a 20-year extension of the lease to provide additional time for completion of its mining activities in Empire Township.
- Detail of Transaction: The second amendment to the Dakota Aggregates lease will modify the June 8, 2011 lease to extend the lease term for mining in Empire Township for 20 years, expiring June 30, 2073. The Operations Plan and accompanying Phasing schedule for the Empire Township property will be revised to delay mining of portions of the leased premises located in Empire Township to 2017 for 166.1 acres, to 2030 for 301.34 acres, and to 2040 for 240.12 acres. The Initial Advanced Minimum Royalty amounts to be paid by Dakota Aggregates will be revised, base royalty adjustments will be made every 5 years by escalator, agreement or arbitration for lease years 11 through 60, the University's use of the ROC building will end December 31, 2016, and the Dakota Aggregates and University annual meeting will now occur in October of each Lease Year.

In response to a question from Regent Roshia, Brian Buhr, Dean, College of Food, Agricultural, and Resource Sciences, noted that continuous crop research is conducted on the land.

Regent Anderson clarified that the mining delay resulted in delayed payments to the University. He asked whether the delay was long enough. Buhr indicated that the delay allows a sufficient time horizon to plan for relocating the research. President Kaler added that the present value cost of the delayed payments is \$4 million, while \$29 million of research expenditures on the property are expected over that time.

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

LONG-RANGE FACILITY PLANNING: ASSUMPTIONS AND CRITERIA TO GUIDE FUTURE SIX-YEAR CAPITAL PLANNING

Vice President Wheelock facilitated a discussion on long-term facility planning and the objectives and criteria used to develop the Six-Year Plan (the Plan). She reviewed the objectives used to develop the Plan and areas specifically emphasized during development of the 2015 plan, including addressing critical buildings, advancing the health sciences, modernizing St. Paul campus research laboratories, and expanding capacity in STEM programs. Wheelock also reviewed the project selection process for Higher Education Asset Preservation and Renovation eligibility. She outlined several questions to guide the discussion, as detailed in the docket.

Regent Devine suggested the University think more strategically, specifically in the medical areas. He offered that a 10- to 15-year vision, aligned with a financing plan, is necessary to provide a narrative to the legislature. Regent McMillan added that housing is another key area of long-term planning as the University refines its enrollment philosophy and strategy.

President Kaler responded that the overarching vision to have a leading academic medical center began in 1996, but progressed slowly. He added that while progress has accelerated over the past three years, it is premature to develop a vision for the physical plan until the University's relationship with Fairview is solidified. He noted that an increase in the student body is a decision that goes far beyond housing.

Regent Johnson noted that Academic Health Center facilities look fragmented on a map and when walking around campus. He urged the committee to be thoughtful before making critical planning decisions so those mistakes are not repeated. Wheelock responded that the sense of connection is a challenge and those areas must be knit together more intentionally.

In response to a question from Student Representative Taylor, Wheelock indicated the University has too much space, and much of it does not meet 21st century teaching and learning needs. Developing a building-by-building strategy will identify buildings that should be maintained or updated, as well as those buildings that should be decommissioned, which will help decrease the University's overall space.

LONG-RANGE CAMPUS PLANNING: ACADEMIC HEALTH CENTER STRATEGIC FACILITIES PLAN

Vice President Wheelock introduced Brooks Jackson, Vice President, Health Sciences and Dean, Medical School, and Monique MacKenzie, Director of Space, Planning, and Architecture, to provide an update on the development of the Academic Health Center (AHC) Strategic Facilities Plan, as detailed in the docket.

Wheelock shared the primary objectives of the planning process: Create a 10-year plan based on programmatic drivers that would increase utilization of space, improve connectivity between mission-related programs, reduce occupied space by 20 percent, and better integrate the academic health sciences district.

She noted that Phase I research yielded a better understanding of work styles, which will have benefits across the institution in determining how space can be allocated to meet workforce needs. Currently, the AHC averages 195 square feet of assignable space per person, while the scenarios outlined in the Phase I report show that 127-163 square feet per person would be sufficient.

MacKenzie outlined the different types of available and preferred teaching and learning spaces. She noted a desire for more active and small group spaces, as well as simulation and lab spaces, stemming from increased emphasis on experiential and interdisciplinary learning.

Wheelock emphasized that while the AHC has many buildings in excellent condition with state-of-the-art research spaces such as the Biomedical Discovery District, it also has some buildings in the very poorest condition, with intensive infrastructure needs. She previewed a building-by-building strategy for renovation or removal that will be included in the Phase II report.

Jackson noted that only modest enrollment increases are expected across the AHC schools. He explained the need to retrain the current workforce, adding that all AHC schools expect to expand clinical operations. Jackson reminded the committee that 50 percent of AHC space is leased or owned by Fairview or University of Minnesota Physicians and emphasized the importance of those relationships when considering long-term planning.

Regent McMillan asked whether the Phase I and Phase II reports were enough to develop a vision that would inspire legislators to fund the University's \$100 million request for a health sciences education facility. Wheelock responded that schematic design for that facility would be complete ahead of the legislative session, but noted that the facilities are designed around programmatic goals so it is imperative to understand the goals first. Jackson added that today's interdisciplinary form of education provides better access and more affordable and coordinated care, which are qualities that resonate with legislators.

INFORMATION ITEMS

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

- Capital Planning and Project Management Semi-Annual Report
- Minnesota Poultry Testing Lab, Project Summary for Schematic Design (West Central ROC)
- Combined Heat and Power Plant Update (Twin Cities Campus)
- Update on Purchase of 600 25th Avenue SE (Twin Cities Campus)

The meeting adjourned at 3:20 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**

**Finance Committee
December 10, 2015**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, December 10, 2015 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Laura Brod, Thomas Devine, Michael Hsu, David McMillan, and Abdul Omari.

Staff present: President Eric Kaler; Vice Presidents Katrice Albert, Kathryn Brown, Brian Herman, Brooks Jackson, Richard Pfitzenreuter, and Pamela Wheelock; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Samantha Jensen and Nikki Ripp.

PURCHASING AT THE UNIVERSITY

Regent Beeson invited Vice President Pfitzenreuter and Associate Vice President Volna to present an overview of purchasing at the University, as detailed in the docket.

Volna outlined procurement technology development, noting the level of technology adoption since 2010. He summarized FY 2015 purchasing data for the University, breaking down the total spending by campus and the top 10 purchasing categories. Volna noted the total amount of purchases over \$50,000, the threshold that requires a unit to issue a request for proposals (RFP).

Volna detailed the current Board and administrative policies that define and establish thresholds for purchasing. Starting on January 1, 2016, the threshold for targeted businesses will fall from \$500,000 to \$50,000. Volna indicated that the change in threshold would align the University with other peer institutions and nearby government entities such as the cities of Minneapolis and St. Paul.

Darryl Peal, Executive Director of the Office for Business and Community Economic Development, referred the committee to the annual economic development report in the Information Items. Peal summarized the report's main points and explained University supplier diversity initiatives. He noted that this includes the change in threshold and increasing the monitoring of vendors' diversity commitments post-contract.

Regent Hsu asked about the current targets for targeted businesses. Peal responded that it is 13 percent for construction projects, but that no target exists for purchases of goods and services. The University is currently performing at three percent; for 2017, a target of six percent has been set. Hsu asked if meeting the targets is costing the University more. Peal offered that it does not. He noted that the businesses still have to be competitive and keep costs aligned with the market, while delivering what they have promised.

Regent Devine offered that expanding targeted businesses would yield more bids, which would increase competition and decrease overall cost. Peal agreed and added that many of these companies are also exploring innovative ways to deliver services.

In response to related questions from Regent Brod, Peal explained that the University monitors the percentage that the contractor agreed to against actual use of targeted businesses. The University would consider whether the percentage was met if the company were to bid on another project. Peal noted that targeted businesses must be certified by the state and that the University confirms that certification.

Volna offered that the University is also developing plans to increase small dollar purchases with targeted businesses by increasing opportunities to use these companies through U Market. He noted that there is also a communication and education campaign targeted at University departments.

Volna outlined the travel program initiative. He indicated that the current personal liability travel card would be converted to a corporate liability travel card like the University's purchasing cards. Volna commented that the program would seek to drive broader adoption of contract travel agencies, helping the University to take advantage of larger-scale savings. He noted the total spending on travel in FY 2015 and described the potential savings and benefits from improved travel management.

In response to a question from Beeson, Volna indicated that his office is monitoring where units are purchasing items from and how they are making those purchases. He noted that they look closely at the number of back-office tasks, such as procurement requests and expense reimbursement processing, being performed by units and have a dashboard to measure and ensure compliance.

Regent McMillan asked how compliance is implemented. Volna explained that new tools within the upgraded enterprise systems will allow his office to monitor and track established purchasing routes. He added that the upgrade has created the opportunity to enhance and strengthen monitoring.

In response to a question from Hsu, Volna stated that under Minnesota Statutes, frequent flyer miles gained through University travel must go toward a public use. Those who travel more than three times a year are required to track and use the miles for University travel. Any rebate dollars are also used to finance travel.

Volna asked the committee if it was comfortable maintaining the current threshold for Board approval of goods and services at \$1,000,000. The committee discussed the current threshold; how many additional purchases would require Board approval if the threshold were changed to \$500,000; if there would be a delay in purchasing to wait for Board approval; and if the emergency approval process would be used more frequently.

Hsu moved to change the purchasing threshold to \$500,000. There was no second.

Beeson asked Pfutzenreuter to review all thresholds and consider further recommendations.

ANNUAL FINANCIAL REPORT & GASB 68

Vice President Pfutzenreuter invited Associate Vice President Volna to present the University's annual financial report, as detailed in the docket.

Volna explained that the net position of the University decreased by \$595.1 million in FY 2015. Total net operating losses decreased by \$67.8 million and non-operating revenues decreased by \$126.9 million. Volna noted that the FY 2015 positive cash flows of \$21.8 million were a decrease of \$7.1 million from FY 2014. Total University assets increased by \$210 million, or 3.7 percent, and total liabilities increased by \$462 million, or 23.9 percent. The adoption of new Governmental Accounting Standards Board (GASB) pension standards, or GASB 68, resulted in the significant changes seen in the financial statements.

Volna outlined the required changes made by GASB 68, noting that the changes were adopted by GASB in 2012 and became effective in 2015. He explained that the changes are intended to improve financial reporting for public pensions and provide a broader picture of the activity and expected liabilities applicable to public pensions. Volna summarized those University retirement plans associated with the change and the direct impact to the annual financial report.

In response to related questions from Regents Hsu and Brod, Volna stated that his office had started to analyze the potential impact that the proposed merger with Fairview Health Systems would have on the University's financial statements and credit rating. He explained that it would be a goal to characterize the merger to credit agencies as having little impact on the University. Pfutzenreuter added that the new entity would not be treated as a component unit, but would have some connection. He indicated that S & P already factors some of University of Minnesota Physicians' impact into the analysis of the University, but Moody's does not. Volna noted that as a part of the University's due diligence, Deloitte would examine the potential impact.

FULLY ALLOCATED COST OF MISSION ACTIVITIES: UPDATE

Regent Beeson invited Associate Vice President Tonneson and Lincoln Kallsen, Director, Institutional Analysis, to give an update on the fully allocated cost of mission activities analysis (study), as detailed in the docket.

Kallsen reviewed the purpose of the study, its principles and audience, how the study has been organized, and the conceptual framework. Kallsen defined the nine primary cost allocation pools and indirect costs that are commonly found on campuses or within colleges. Kallsen summarized the FY 2014 results.

Tonneson defined the allocation of revenues and revenue sources that feed into the fully allocated revenue. She described how tuition and the O&M appropriation were treated for the purposes of the study. Tonneson reviewed mission-based revenue and costs in the areas of research, public service, auxiliaries, student aid, and instruction.

The committee members discussed the amount of the cost of instruction that tuition covers, the role of student aid, the indirect cost of research, the relationship between undergraduate and graduate program allocations, tuition differential by unit, and the possibility of setting strategic targets based on where the Board wants to allocate spending.

SUPPLEMENTAL 2016 STATE BUDGET REQUEST

Regent Beeson invited Vice President Pfutzenreuter and Associate Vice President Tonneson to present for review and action the supplemental 2016 state budget request, as detailed in the docket.

Pfutzenreuter told the committee that no formal process has been announced by the Dayton administration for submitting a supplemental request, and he is unsure whether Governor Dayton will move forward with recommending a supplemental budget. Given the current economic conditions, Pfutzenreuter stated he and President Kaler felt strongly that the University should make an additional request.

Tonneson outlined the four major topics of the request, which include:

1. Healthy Minnesota – a request for \$2 million to support primary care teaching at the Community University Health Care Clinic, \$1.25 million to advance dentistry in rural

Minnesota, and \$2.5 million to expand the rural dentist associate program at Bemidji and Hibbing.

2. Loss of UCare financial support – a request for \$9.5 million to support lost revenue to the Department of Family Medicine and Community Health and \$1 million to fund the Mobile Dental Clinic.
3. Advancing and diversifying Minnesota’s mining region - \$3.6 million to develop advanced technologies to improve the long-term viability of mining in the state.
4. Cyber security - \$19 million for security upgrades in conjunction with the installation of a major upgrade to the University’s network infrastructure.

Tonneson noted that the total request was for \$17.35 million recurring and \$21.5 million one-time funds, for a total request of \$38.85 million.

Regent McMillan expressed his support for the request, noting the need for increased outreach to Greater Minnesota as a part of the University’s outreach mission. Regent Devine agreed, commenting that cyber security upgrades are a good one-time investment by the state. He offered that attention to mining is appropriate and that the mobile dental program has a large impact on Greater Minnesota.

In response to a question from Regent Hsu, President Kaler stated that the size of the supplemental request is a political calculation. He noted that cyber security will be a state priority and Greater Minnesota outreach is a focus of the current legislature. He asserted that since the state made the decision on UCare funding, the state should make up that lost revenue to the University. Kaler conveyed that he felt this is the best package for the University to request at this time.

Hsu asked what was left off the request. Kaler said that an additional base allocation for a tuition freeze was not included. He indicated that there was no reason to request a freeze again since the legislature did not approve it in the last biennial request. Kaler agreed that the total amount is a best guess by the administration. Pfutzenreuter added that the total amount for the network upgrade was left out. He explained that the case for the \$19 million was strong given the state’s interest in cyber security. Kaler clarified that if a formal process was established by the governor that would allow the University to request more, he would use the emergency approval process to gain Board approval to do so.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the supplemental 2016 state budget request.

RESOLUTION RELATED TO DEBT

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

Fleck reviewed the proposed resolution, stating that the administration is seeking approval authorizing the issuance of debt in the principal amount of up to \$97.9 million to finance and reimburse the University for:

- purchases of land and buildings;
- construction and remodeling projects;
- the acquisition and installation of equipment, and;
- costs of issuance.

Fleck explained that the debt would be issued in multiple series and would be both taxable and non-taxable debt, which gives the University flexibility. She noted that all projects except one

have been approved by the Board, with purchase of the Murphy Warehouse property expected to be approved by the Board tomorrow.

In response to a question from Regent Hsu, Pfitzenreuter clarified that there is often a timing gap between when the University closes on land and when it issues debt. The University uses cash on hand to pay for the land, and then reimburses itself with the proceeds from the debt issuance.

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

CONSENT REPORT

Vice President Pfitzenreuter 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 FEI Company for an estimated \$5,115,470 (including \$165,696 import duty) for Tecnai G2 Spirit BioTWIN and Titan Krios cyro-electron microscope system for The Hormel Institute. The system will be purchased using funds specifically donated by The Hormel Foundation to equip an electron microscope shared instrument core. This item was not budgeted for as part of the current Fiscal Year budget but as noted, will be paid for with gift funds. Vendor was selected through a competitive process.

MD Anderson Settlement

- Approval of a resolution that provides the administration with authority to make the required distributions consistent with Board policy received from the sale of stock gained from the settlement with the University of Texas MD Anderson Cancer Center.

Jay Schrankler, Executive Director, Office for Technology Commercialization, explained that the University settled with MD Anderson over a licensing dispute for a cancer technology called “Sleeping Beauty” and is now in the process of liquidating the stock as required by Board policy.

Regent Hsu asked what strategy is being used to ensure the highest sale price. Associate Vice President Mason responded that Board policy contains no specific target levels or instructions for how to sell the stock, only to ensure that the stock is sold as soon as practicable without a negative price impact. Mason indicated they have given goals to the broker regarding the sale.

Hsu wondered about liability if the University sells the stock at a lower price than the inventor anticipated. Greg Brown, Director, Transactional Law Services, responded that the University does not believe there is any exposure given the manner in which the University liquidates its position. Brown noted that in Board policy, inventors are entitled only to cash proceeds and do not have any voice in when the stock is liquidated.

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

INFORMATION ITEMS

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

- Annual Economic Development Report
- Quarterly Investment Advisory Committee Update
- M Health Status Report
- Emergency Approval

The meeting adjourned at 11:56 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
December 10, 2015**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, December 10, 2015 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Michael Hsu, presiding; Richard Beeson, Laura Brod, Linda Cohen, and Abdul Omari.

Staff present: Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Morrine Omolo and Cory Schroeder.

FOLLOW-UP: JOB FAMILY PROJECT

Regent Hsu invited Vice President Brown to present for discussion a follow-up to the job family project, as detailed in the docket.

Brown summarized the project and timeline for the committee. She noted that the development job family, which was postponed due to the merger between the University of Minnesota Foundation and the Minnesota Medical Foundation, would be completed soon. Brown outlined the job classification process, emphasizing that the same process, template, and principles were used for all job families. She reported that 10 percent of employees, or approximately 910 people, had appealed their classification; 38 percent of those appeals were granted.

Brown described the impacts of the study, such as creation of position descriptions for all employees, pay ranges for each job family, consistent job titles, and clearly defined career paths. Brown noted that the job family project enabled regular and transparent reviews of job classes, market studies for pay ranges, and equity studies within job families.

Regent Beeson asked how the total number of job titles has changed. Brown explained that the number of titles did not change, but that there are 50 fewer job classifications. She suggested that looking at the total number of job titles was not a good indicator of success, and offered that she was surprised that there was not a greater reduction. She concluded that the number of titles is workable and sustainable.

Beeson inquired about the impact on compensation. Brown responded that the number of employees whose pay increased was roughly equal to the number whose pay was frozen because they were outside the pay range, resulting in a basically neutral budget impact. She indicated that roughly one to two percent of employees were outside of the pay range.

Regent Brod expressed her support for the new “individual contributor” track and asked if contributors at level three would be offered training to be supervisors. Brown responded that employees could receive supervisor training at any point. Brod wondered if someone at the “contributor three level” has maxed out in their job. Brown responded that the pay range could

be adjusted and that units could request an exception to the pay range, allowing an individual to stay in that position but continue to have salary increases.

Brod asked about next steps. Brown explained that the Office of Human Resources (OHR) would continue to enhance the competencies for each job family. She noted that OHR would perform market studies on a three-year cycle for each job family, along with equity studies within the job families.

Regent Omari wondered how the job families compared to the market. Brown noted that the initial market analysis was done for all job families at the start of the project, but needs to be refreshed. She added that the education market provides a lower compensation level compared to the private market. She expressed the need for the University to monitor that gap to ensure it remains competitive.

In response to a question from Hsu, Brown reported that faculty had provided feedback to OHR regarding the project. The administrative job family was the largest job family and the one that affected faculty the most. She explained that the job family was not aimed at pushing employees down within the job family structure or into a specific salary level. While the faculty expressed concerns, she felt confident that OHR had addressed them.

ENTERPRISE SYSTEM UPGRADE: IMPLICATIONS FOR HUMAN RESOURCES

Regent Hsu invited Vice President Brown; Amy Kucera, Senior Director, Operations, Office of Human Resources (OHR); and Patricia Franklin, Chief of Staff, OHR, to discuss the implications of the enterprise system upgrade (upgrade) for human resources.

Brown outlined the human resource items related to the upgrade. She reminded the committee that the Human Resource Management System (HRMS) upgrade reduced the number of custom modifications to HRMS by 45 percent, improving vendor support and making future upgrades easier. Brown reported that the upgrade also separated student and employee data, simplifying access and reporting.

Franklin identified the changes to the MyU portal, describing the changes as providing a user-friendly gateway to accessing the HRMS system. She highlighted the announcements feature and absence request process, showing how both look for employees and managers.

Kucera described current and future challenges, including the need for regular upgrades. She noted that while HRMS will produce better data, giving OHR the ability to audit it, having so many people entering information will be a challenge for data accuracy. She stressed that first-year issues, like the ones faced in the recruiting portion of HRMS, would be addressed. She further emphasized that with better data, reporting would be improved.

Regent Beeson expressed support for the implications of the upgrade and that he looked forward to the creation of HR metrics that would align with the University's progress card. Brown agreed, adding that the old system was unable to produce the data needed to provide that type of analysis. She offered that the new system creates a solid foundation and will provide the Board with the needed data for strategic discussions.

In response to a question from Regent Brod, Brown indicated that merit-based pay was introduced last year. The new system is able to track whether each employee has had a performance review. She reminded the committee that the local unit chooses how merit pay is defined and awarded.

Regent Omari noted that HRMS would require upgrades and asked about their cost. Brown responded that maintenance upgrades would be relatively inexpensive and paid for from OHR internal funds. Hsu asked if OHR has the funds to cover those upgrades, and Brown responded that she is working with Vice President Pfutzenreuter to ensure available resources.

**DIVERSITY: COMPOSITION OF THE WORKFORCE,
FOCUS ON HIRING, AND ACTION STEPS**

Regent Hsu invited Vice President Brown, Senior Vice President and Provost Hanson, and Vice President Albert to discuss the steps being taken by the University to advance diversity through recruitment and hiring of faculty and staff, as detailed in the docket.

Brown outlined the current distribution of female faculty and staff, and of faculty and staff of color; reviewed the average age of employees by group; and compared the University to peer institutions on the basis of faculty race and gender.

Brown explained a variety of steps being taken within the Office of Human Resources (OHR). She noted the focus on increasing diversity of hiring pools, especially for staff who interact directly with students, since students do better when they can relate to those they interact with. She outlined a pilot program with University Services and the Office of Information Technology to develop diverse applicant pools for entry-level and other identified positions. Brown described a partnership between OHR and the Office of Equity and Diversity (OED) to offer implicit bias training for search committees in the faculty and staff hiring process. Three staff members were hired recently to connect with campus affinity groups to address recruiting, retention, and engagement efforts.

Hanson described steps being taken for the recruitment and hiring of faculty. She reminded the committee that hiring the best field-shaping researchers is a strategic plan priority, and the University must build the pipelines necessary for recruitment and retention. Hanson noted that the University is developing college- and department-specific guides for recruiting faculty of color and under-represented faculty. She identified cluster hiring as a proven strategy for promoting and expanding faculty diversity, and stressed the need for an inclusive climate where all feel valued and supported. Hanson noted that the University is working with the Committee on Institutional Cooperation (CIC) to build shared mentoring and pipeline programs across institutions.

Albert detailed the actions being taken by OED. She reported on the CLEAR initiative, a faculty of color, evidence-based hiring philosophy that seeks to attract more diverse pools of candidates. She outlined bridge funding for faculty of color hires and detailed the work of the Institute for Diversity, Equity, and Advocacy. She noted the need for a long-term focus on implicit bias.

Student Representative Schroeder wondered if the programs described by the presenters were systemwide. Hanson responded that they will be, but it will take time to institute them in each unit. Albert noted that the implicit bias training is being piloted across the system, having already been used at the Duluth campus.

Regent Beeson expressed his support for the work of the staff members who are intentionally building relationships and networks within underrepresented groups. He commented that departments could utilize that work. Hanson agreed, adding that building visibility is a key way to recruit faculty. She noted that competition is fierce for field-shaping faculty and the University must be vigilant to ensure a campus climate that is conducive for faculty members to do their best work.

In response to a question from Regent Brod, Brown explained that the University is getting more diverse applicant pools and finalists, but the hire rate is not consistent with those hiring pools. She identified implicit bias training as a tool for increasing the hire rate.

Brod asked about the retention rate for faculty and staff of color. Albert responded that survey data suggests that the University has a higher level of attrition compared with peer institutions. She explained that the climate of local units is key factor in retention, and offered that the University does not have systematic exit interviews, so it is difficult to know the specific reason for employees leaving. Brown added that the employee engagement survey can provide some detail on climate, but reports results only for units with at least 10 people.

Regent Cohen asked what the University is doing differently to recruit. Hanson responded that while it is true that the University is taking the same steps as many of its peer institutions, it is focusing significant effort on building the best climate possible to recruit and retain faculty members. While the University will not always be able to match compensation, a climate where a faculty member can do their best work could help overcome that difference.

In response to a question from Beeson, Albert explained that the Twin Cities campus does benefit from the reputation of the metropolitan area. She noted the Itasca working group and other local initiatives as attractive in creating an inclusive metropolitan culture.

Brod asked about accountability for ensuring the hiring of diverse candidates. Hanson responded that there are a variety of tools that exist, and gave the example of a recently hired dean insisting that any request for hiring must include a candidate from an underrepresented group or the search would be restarted. Brod wondered if Big Ten institutions could help each other to improve diversity. Hanson noted that while the institutions are fiercely competitive, there is also a spirit of collaboration. The CIC is building pipelines between programs to allow graduate students to be placed within the CIC, while also looking for grant funding to support diversity hiring and mentoring efforts between institutions.

Student Representative Omolo wondered how these programs affected graduate students. Albert responded that the Office for Diversity Graduate Education (ODGE) is working to recruit diverse students into the pipeline. ODGE provides fellowships and a community of scholars to enhance their experience. She added that implicit bias training is being piloted with admissions committees. Hanson emphasized that by building a more diverse graduate student body, the University would build a more diverse faculty.

Regent Omari cited a recent article in *The Chronicle of Higher Education* that reported on the invisible labor faced by faculty of color in mentoring students of color. Albert agreed that the University must be thoughtful to mentor junior faculty on how to handle the increased workload. Hanson added that the problem of invisible labor would not go away until issues of diversity improve. She emphasized the need to support the faculty and improve the climate across the entire institution.

In response to related questions from Hsu, Brown reported that OHR tracks how diverse the faculty and staff are and will continue to focus on improving those numbers. Albert commented on the obligation to enhance diversity in order to reach a critical mass of underrepresented groups. Once that critical mass is reached, the campus engagement survey and other surveys should show a campus climate where people can thrive. Albert explained that best practices from units moving toward reaching that critical mass would be shared across the University.

CONSENT REPORT

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

- Granting of faculty emeritus status to Dr. Charles Oberg.

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.

The meeting adjourned at 3:04 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Governance & Policy Committee
December 10, 2015**

A meeting of the Governance & Policy Committee of the Board of Regents was held on Thursday, December 10, 2015 at 3:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Thomas Anderson, Thomas Devine, Dean Johnson, David McMillan, and Darrin Rosha.

Staff present: President Eric Kaler; Senior Vice President and Provost Karen Hanson; General Counsel William Donohue; and Executive Director Brian Steeves.

Student Representatives present: Chase Taylor.

CULTURE OF THE BOARD

Regent Cohen invited consultant Barbara Tuckner, Management Analysis & Development, to lead a facilitated discussion on the culture of the Board, as detailed in the docket.

Tuckner explained that the goal of the discussion is for the Board to work toward establishing a set of simple rules to guide behavior. She noted that the discussion would provide Regents with an opportunity to identify topics that could be explored further in future retreats. Tuckner gave examples of simple rules and explained the process the committee would use to begin the process of drafting a set of rules for itself.

Committee members worked in pairs and created action statements to assigned questions. Those questions included:

- What two to three things do we need to keep in mind as we determine the appropriate level of oversight on any given issue?
- How, specifically, will we manage minority opinions and remain a viable collective over time?
- How, specifically, will we engage with other important constituencies (administration, faculty, students) while practicing our role with fidelity?

In their pairs, committee members reviewed and discussed others' statements for each question. Tuckner facilitated a group review of all statements, noting common themes. The committee discussed how to facilitate oversight, how the Board reserves and delegates authority, how to acquire the information necessary to govern, when is it appropriate to express disagreement with the administration, and how the norms of governance are evolving.

ADMINISTRATIVE POLICY REVIEW PROCESS

Regent Cohen invited Michele Gross, Director, University Policy Program, to present an overview of the administrative policy review process, as detailed in the docket.

Gross outlined the University policy framework and its hierarchy, noting that administrative policy falls below Board policy. She defined the information that is contained within the policy library, including all administrative policy documents for system-wide policies, policies that apply to two or more of the campuses, and policies specific to the Twin Cities campus.

Gross reported that there are 199 administrative policies broken into six categories. She explained that each policy is comprehensively reviewed every four years. In a typical year, four new policies are created and five current policies are retired. In a given month, approximately 200 changes are made within administrative policies.

Gross defined how policies are created and the criteria for what is included in administrative policy. She defined the review process, key stakeholders, and identified two recent examples to highlight the consultation process.

Regent Devine asked about the process for responding to comments on student issues like affirmative consent and the expansion of definitions in Board of Regents Policy: *Student Conduct Code*. Gross responded that administrative policy has a 30-day review process that allows individuals outside of the formal consultation process to provide input. Policy owners are required to review all comments and consider what changes should be made in response to that input. Gross clarified that while she is unable to comment on the specific subject matter of a policy, she can assist the policy owner by contacting peer institutions for model language and facilitating focus groups within the University. Steeves added that the Academic & Student Affairs Committee has asked that the *Student Conduct Code* be comprehensively reviewed, which includes broad consultation. He specified that once those changes are made, administrative policies would be revised to conform to Board policy.

Regent McMillan commented that the context and background were helpful given the recent attention that administrative policy has garnered. He noted that the stakeholder slide should also include the Board.

BOARD OF REGENTS POLICY: AWARDS, HONORS, AND RECOGNITION

Regent Cohen invited Jason Langworthy, Board Associate, Policy & Committees, Office of the Board of Regents, to present for review proposed amendments to Board of Regents Policy: *Awards, Honors, and Recognition* as detailed in the docket.

Langworthy reviewed proposed amendments to the policy, which include:

- A comprehensive revision to improve clarity and specificity. Only those awards, honors, and recognitions (awards) approved directly by the Board remain in the revised policy. All other awards listed in Board policy but approved by other University offices will be transitioned to administrative policy.
- A new section (Section V.) that delegates to the president the responsibility to ensure that appropriate administrative policies are maintained to support the creation and granting of other awards for the University.
- Clear language that delineates the honorary degree, Regents Professor, and Regents Award as the highest University honors.
- A new approval structure for the Regents Award that more closely aligns with the approval process for Regents Professors.
- Repurposing the Award of Outstanding Merit and Certificate of Recognition.
- Eliminating the Distinguished International Service Award. The award has not been granted since the 1980s.

Board of Regents Policy: *Awards, Honors, and Recognition* will return for action at a future meeting of the committee.

BOARD OF REGENTS POLICY: NAMINGS

Regent Cohen invited Chief of Staff Amy Phenix to present for action proposed amendments to Board of Regents Policy: *Namings*, as detailed in the docket.

Phenix reviewed for the committee the proposed amendments and indicated that no changes to the proposed amendments had been made since the committee reviewed them in October.

Regents Rosha and Devine expressed concern that the proposed amendments would prevent honorary namings for Regents or Regents Emeriti for accomplishments separate from their Board service. Phenix commented that the Board could make an exception and that Regents or Regents Emeriti would still be able to receive gift-related namings. She also clarified that the policy defines “significant University assets” and that some gift related namings would not fall under this policy given that definition.

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

BOARD OF REGENTS POLICY: AMERICAN INDIAN ADVISORY BOARDS

Regent Cohen explained that after the committee reviewed proposed amendments to Board of Regents Policy: *American Indian Advisory Boards* in October the Board received a letter from Chief Executive Melanie Benjamin of the Mille Lacs Band of Ojibwe suggesting that the proposed advisory board required additional consultation before implementation. Cohen stated that she and Board leadership decided to set aside the proposed changes to the policy. The administration would form a working group of American Indian faculty members to fully consult the proposed language with each of the 11 tribes. Cohen indicated that once that consultation is complete, the policy would return for review.

The meeting adjourned at 5:14 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary