

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance & Operations Committee
October 12, 2017**

A meeting of the Finance & Operations Committee of the Board of Regents was held on Thursday, October 12, 2017 at 7:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Michelle Behr and Lendley Black; Interim Chancellor Lori Carrell; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Kathryn Brown, Bernard Gulachek, and Matt Kramer; Interim Vice Presidents Michael Berthelsen and Allen Levine; General Counsel Douglas Peterson; Executive Director Brian Steeves; Chief Auditor Gail Klatt; and Associate Vice Presidents Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Sean Chen and Apoorva Malarvannan.

**PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL PLAN
& 2018 STATE CAPITAL REQUEST**

Regent Anderson invited Senior Vice President Burnett and Vice President Kramer to present for action the president's recommended six-year capital plan (Capital Plan) and 2018 state capital request (Capital Request), as detailed in the docket.

Burnett outlined the core strategy of the Capital Plan to balance the University's mission and facility priorities. Kramer noted that the University relies on the State of Minnesota for 70 percent of its capital funding. He described how the Capital Request considers the state's financial outlook as well as trends and priorities of state leaders. He described the Capital Request strategy as prioritizing renewal through Higher Education Asset Preservation and Restoration (HEAPR) funding, system campus academic and student experience investment, and the renewal of Pillsbury Hall on the Twin Cities campus.

President Kaler noted that since the Capital Request was reviewed in September, the Glensheen Renewal Challenge Initiative was added. He explained that the initiative totals \$8 million, split equally between the University and the state. The state portion is contingent upon the University securing its portion. Burnett emphasized that the University would seek to raise its \$4 million from private gifts or other outside sources.

Regent Johnson asked if either the City of Duluth or St. Louis County has a local option sales tax that could be used to fund the project. Kramer responded that he does not know, and noted that Duluth Mayor Emily Larson would likely be unwilling to provide funding from that type of sales tax given the city's infrastructure needs. Johnson encouraged the administration to discuss this option with the legislature. He noted the use of this type of tax to fund the purchase of land for the Rochester campus.

Regent Sviggum stated that he has a number of concerns with the Capital Request and his intention is to offer an amendment when the item is considered by the full Board. He noted

support for listening to the legislature's input, but argued that the additional funds go beyond what is being asked for by legislative leaders. Sviggum asserted that Glensheen is not core to the University's mission. He suggested listing HEAPR-eligible projects at Glensheen in the request, and listing other Glensheen projects elsewhere in the Capital Request without a specific number.

In response to a question from Sviggum, Kramer acknowledged that the University has never received this level of capital funding. Sviggum stated his belief that the University's Capital Request is too large given past history. He suggested that the HEAPR amount be reduced to \$150 million.

Regent Rosha agreed that Glensheen is not a typical core mission building, but suggested that other buildings in the Capital Request are like Glensheen. He noted that it is a living lab and is valuable to the University's outreach and extension mission, and that the Duluth campus uses Glensheen as an event space. He added that Glensheen is a significant asset in need of funding despite higher needs elsewhere across the system. Rosha recommended a Capital Request that shows a range of needs and allows the legislature to prioritize. He added his appreciation for the focus on maintaining current facilities.

Regent McMillan agreed that while Glensheen is not a core University asset, it provides a clear outreach opportunity for the University. He highlighted the winter garden and location on Lake Superior as examples.

Kaler argued that if the University asks for a smaller amount within the bonding bill, it will not receive that amount. He suggested that the University should request \$3 billion if it wants to be comprehensive about its HEAPR need. He cautioned that the HEAPR request should not be set through political priorities, which will limit the flexibility available within the current model.

Regent Beeson commented that if he had the option to start over, he would have Glensheen owned by the Minnesota Historical Society. He encouraged the administration to seek support from the state and local governments for Glensheen.

Regent Lucas offered that while she supports adding Glensheen, she prefers to submit a request that focuses more on the renovation of Pillsbury Hall.

A motion was made and seconded, and the committee voted 11-1 to recommend approval of the president's recommended six-year capital plan and 2018 state capital request. Regent Sviggum voted no.

FY 2019 BUDGET VARIABLES AND LEVERS

Regent Anderson invited Senior Vice President Burnett and Associate Vice President Tonneson to review the FY 2019 budget variables and levers and proposed FY 2019 non-resident, non-reciprocity (NRNR) undergraduate tuitions rates for the Twin Cities campus, as detailed in the docket.

Burnett outlined the purpose of the discussion and the timeline for the annual operating budget. Tonneson reviewed the major revenue sources within the University budget framework. She reported on the change in state appropriations, noting that funding remains below the pre-Great Recession peak, and described the reallocations made within the budget framework each year. She reviewed the growth in annual tuition revenue and explained tuition trends for both undergraduate residents across the system and for Twin Cities NRNR undergraduate students.

Tonneson detailed the compensation increases approved since FY 2010. She also described other significant costs and investments included in the budget framework.

Burnett presented the president's recommend increase for Twin Cities NRNR undergraduate tuition. He explained that an NRNR increase of 15 percent this year and 15 percent next year should move the University to the middle of the Big Ten. He argued that the current position relative to peers presents equity and political challenges for the University. Burnett added that by setting this rate earlier, the University could be more transparent with prospective NRNR students.

Anderson conveyed support for budget conversations earlier in the process and the transparency such tuition discussions provide to NRNR students.

In response to a question from Regent Powell, Burnett explained that roughly \$1.5 million of the additional revenue from a 15 percent increase will be used to fund additional recruiters, tuition discounts, and other efforts aimed at attracting and retaining NRNR students. The University expects a net revenue gain of \$8.5 million.

Powell shared his appreciation for the early operating budget information and detailed description of budget drivers. He conveyed his desire to continue to be careful with tuition increases given low inflation, both in Minnesota and across the United States, noting that any increase above the inflation rate is problematic. Powell suggested that when the University finishes the \$90 million reallocation of administrative expenses under Operational Excellence, it should implement a new program to continue to work smarter and simplify processes. Regarding compensation, he requested a more detailed look at compensation beyond senior leaders, looking at compensation strategy with a focus on midpoints and peers with specific job classes.

Regent Rosha offered his appreciation for the budget process and ability to refine the information the Board will receive when considering the budget. He observed that this is the last budget process without a system-wide strategic plan to help define budget priorities. He agreed that the University's workforce is far too broad to look at as one entity, arguing that additional information is needed to compare specific classes of employees to comparable markets and set compensation rates accordingly. Rosha spoke in support of the NRNR tuition increase, noting that he is even comfortable moving to the midpoint of the Big Ten all at once. He suggested maintaining a cap on the maximum increase that current NRNR students could receive. He commented that he does not view increases to NRNR tuition as a revenue source and will support using more of the \$10 million for need-based aid and students of exceptional capacity. He added that more money from other sources will be needed to keep tuition rates low while maintaining the quality of the institution.

President Kaler stated his belief that as a land grant institution, the University needs significant state support. He noted that this requires a partnership between the two, with the resident tuition freeze as an example of how that partnership can work. He voiced pride in the tuition cost curve, explaining that the University must balance providing high quality and what students and families are able to pay. Kaler asserted that the University offers remarkable value to its students.

Regent McMillan advocated for a relentless focus on controlling costs without sacrificing quality. He noted that compensation and benefits are key, adding that he does not fully understand the fringe pool structure and would like to see more detail on that process. He emphasized that tuition should be examined campus by campus, since some are comparable to peers and others are not. McMillan asserted that campuses with tuition above peers are significantly disadvantaged. He offered his support for the NRNR increase, but cautioned against raising it too high given the state's demographic trends and the need to import talent. He noted that NRNR students are one option for increasing diversity.

Regent Simmons urged the Board to consider both data and the University's philosophical and political realities. She explained the need to have the right process to set tuition on the various campuses, and that the current method is not working as well as it could.

In response to a question from Simmons, Tonneson noted that for FY 2016 applications were up for both domestic and international NRNR students, but enrollment was down for domestic students, yielding flat NRNR enrollment overall. For FY 2017, applications were down, particularly domestically, so the Office of Admissions increased recruitment efforts, including additional scholarship funding. She reported that the result was a higher yield rate and increased NRNR enrollment. Tonneson commented that while she does not have information on student quality, the Office of Admissions reports that applications continue to be of a similar, very high quality compared to pre-tuition increase applicants. Simmons responded that she seeks a continued increase in enrollment while maintaining the recruitment of high-quality of students – many of whom, she argued, stay and serve Minnesota.

Regent Johnson requested additional information on how peer institutions have performed when recruiting NRNR students after large increases in tuition, as well as the number of NRNR students who stay in Minnesota after graduation. He questioned whether the University is marketing the tuition price correctly. He voiced support for the NRNR increase but cautioned that too steep an increase could lead to future enrollment issues.

Regent Cohen encouraged the Board to continue to emphasize building and sustaining University excellence, cautioning against cutting costs so much that it might decrease the University's quality. She noted that NRNR students enrich both the University and the state. Cohen stressed her desire to continue to attract those students and agreed with Johnson that more information is needed on how many remain in Minnesota. She wondered whether families understand tuition discounting and whether that lack of understanding might be a barrier to application.

Regent Beeson also requested additional information on NRNR students. He noted his support for increasing recruitment from underserved areas, which will help build a more representative cohort of students. Beeson agreed with McMillan that the price elasticity for tuition varies greatly by campus, with some having no elasticity and the Twin Cities campus appearing to have plenty. He agreed with Kaler that it will be unrealistic in coming years for the University to hold tuition flat without significant support from the state.

Regent Omari noted that NRNR applications have decreased while yield has increased. He argued that the likely explanation is that students who are able to afford the increase are still applying, while those who are unable to are not. Omari wondered how much additional recruitment will help that situation.

In response to a question from Omari, Kaler emphasized that he is mindful of how a 30 percent increase will affect incoming NRNR students. Tonneson clarified that the 5.5 percent cap applies only to current sophomores and juniors through 2020.

Regarding compensation as a cost driver, Omari noted he would like to see what a variable compensation strategy would look like, particularly for low- and middle-income earners.

Student Representative Malarvannan shared that in her conversations with NRNR students, many noted they chose the University on price. She stressed the importance of NRNR students in creating a diverse and vibrant University community. She conveyed her strong belief that a 15 percent increase coupled with no increase cap for incoming students will have a significant and negative impact on the student body. Malarvannan stated that the student representatives do not support the proposed increase as currently proposed. Burnett responded given state funding reductions, the University has to find additional revenue and the only other major revenue source is tuition.

Regent Hsu expressed his general support for the NRNR increase but also concern that NRNR tuition is being considered separate from the resident tuition rate or the total cost of attendance. He estimated that the proposed NRNR increase raises it to 2.2 times the resident rate, suggesting that other Big Ten institutions have NRNR tuition rates 3 to 4 times the resident tuition rate. Hsu noted that ACT scores continue to rise, which indicates no problem attracting high-quality students, but reiterated his interest in a test-optional model. He questioned why the University needs to increase diversity from outside Minnesota when it can be found within the state. He advocated for examining yield from certain areas and examining how recruitment could affect yield.

Regent Sviggum stated his strong support for the NRNR increase. He praised the administration for not using the \$10 million on recurring costs in the budget. He argued that the budget for FY19 could include no increase in resident tuition by continuing Operational Excellence and reducing the University's total employment. He suggested that the University seek from the legislature the additional \$10 million that was not funded in the second year of the current biennium. Burnett responded that if an opportunity arises for the University to request that additional funding, the administration will bring a recommendation to the committee. He cautioned that given the recent revenue forecast and the difficult relationship between the governor and legislative leadership, it may be difficult to secure that funding.

Rosha added his support for a discussion of how tuition rates are set across the system. He cautioned using NRNR students as a way to increase diversity, advocating for increasing investments in Minnesota students instead.

Regent Lucas urged caution for increasing NRNR tuition rates, noting that NRNR students make for a richer University community. She asked for additional discussions on the impact of reciprocity agreements.

EXPANSION OF COMMERCIAL PAPER FACILITY

Regent Anderson invited Senior Vice President Burnett, Associate Vice President Volna, Associate Vice President Mason, and Carole Fleck, Director of Debt Management, to present for action a proposed expansion of the University's commercial paper (CP) facility, as detailed in the docket.

Burnett noted that since review of the CP program in September, the Office of General Counsel suggested changing the name from program to facility. He added that no substantive changes were made to the proposal. Volna explained that the University already uses "program" for previous commercial paper issuances. Fleck reviewed the details of the proposed CP facility.

Anderson commented that by issuing CP the University will be able to invest its cash reserves, gaining a higher return than what it would pay in interest.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to the issuance of commercial paper and the establishment of a commercial paper facility.

UPDATE TO ASSET ALLOCATION GUIDELINES

Regent Anderson invited Senior Vice President Burnett, Associate Vice President Mason, and Andrew Parks, Senior Director, Office of Investments and Banking (OIB), to present for action proposed recommendations to update the asset allocation guidelines, as detailed in the docket.

Burnett described the goal of the guidelines and offered that the Investment Advisory Committee (IAC) endorsed the guidelines.

Mason explained that no changes were made to the proposed guidelines since review in September. He reminded the committee of the new structure and the goal of producing a 7.5 percent annual return. He compared the proposed and current guidelines.

In response to a question from Student Representative Chen, Mason responded that the ranges within the proposed guideline categories offer OIB flexibility to adjust based on market forces.

Regent Powell offered his support for the proposal and voiced his thanks to the IAC for helping to craft the proposal. He suggested applying the model of an outside advisory committee to other areas of the University's work. Powell asked how much return is needed before affecting the University's operations, given the factors described by Mason. Mason responded that the proposed guidelines increase the University's ability to reach its 7.5 percent annual return target. He indicated that the model suggests a return of 7.5 to 7.9 percent over 20 years. Burnett added that fund use is governed by their specific endowment. He stated that the current annual payout rate is 4.5 percent, leaving the rest of the annual gain to be reinvested to help maintain the fund over time.

Regent Beeson commented that the role of IAC is powerful. He suggested that the changes are a more intentional approach for future investments, not a repositioning of the endowment portfolio.

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

**COLLECTIVE BARGAINING AGREEMENT:
UNIVERSITY EDUCATION ASSOCIATION, DULUTH AND CROOKSTON**

Regent Anderson invited Vice President Brown to present for review and action a collective bargaining agreement with the University Education Association, Duluth and Crookston campuses (CBA), as detailed in the docket.

Brown outlined the terms and conditions. She noted that future salary adjustments in years two and three will be tied to the University's academic salary memos.

Regent Hsu asked about development of the salary adjustment set in the academic salary memo. Brown stated that the rates are approved within the annual operating budget. She clarified that there is no limit to the salary adjustment, only that it not be less than what is set for the Twin Cities campus within the academic salary memo.

Regent Hsu suggested that through approval of the CBA, the Board would be requiring that any Duluth or Crookston campus cost savings be used to fund the proposed salary increases. He wondered if that creates a budget issue for those campuses. Burnett responded that the University's operating budget is set at a system level and accounts for this kind of language.

In response to a question from Regent Sviggum, Brown explained that the terms include making a small portion of salary contingent upon merit. She noted that the other two CBA's that the committee will consider at this meeting do not have merit as a component of the salaries. Sviggum responded that all salaries should have some merit included in their terms and conditions. Burnett noted that the University attempts to include merit considerations in negotiations but is not always successful. Regent Beeson added that the Board's compensation policy should include a merit guideline.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to the proposed labor agreement with the University Education Association.

**COLLECTIVE BARGAINING AGREEMENT:
AFSCME LOCAL 3260, HEALTH CARE UNIT**

Regent Anderson invited Vice President Brown to present for review and action a collective bargaining agreement with the AFSCME Local 3260, Health Care Unit (CBA), as detailed in the docket. Brown outlined the terms and conditions.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to the proposed labor agreement with AFSCME Local 3260, Health Care Unit.

**COLLECTIVE BARGAINING AGREEMENT: INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, LOCAL 292, RADIO AND BROADCAST TECHNICIANS**

Regent Anderson invited Vice President Brown to present for review and action a collective bargaining agreement with the International Brotherhood of Electrical Workers, Local 292, Radio and Broadcast Technicians (CBA), as detailed in the docket. Brown outlined the terms and conditions.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to the proposed labor agreement with International Brotherhood of Electrical Workers, Local 292, Radio and Broadcast Technicians.

AMENDMENTS TO THE UNIVERSITY OF MINNESOTA FACULTY RETIREMENT PLAN

Regent Anderson invited Vice President Brown and Kenneth Horstman, Senior Director, Office of Human Resources, to present for review proposed amendments to the University of Minnesota Faculty Retirement Plan (plan), as detailed in the docket.

Brown described that the proposed amendments seek to retroactively correct historic contribution errors and align the plan with administrative policy. She explained that a recent audit found the errors. She emphasized that the proposed amendments make no major changes to the plan.

Horstman stated that the Board reserves to itself approval of any significant amendments to the plan. He outlined the plan's structure, the number of covered individuals, and total fund size. He explained that in addition to Board approval, the Internal Revenue Service (IRS) approved the structure of the plan when it was established. Horstman noted that the plan administrator is responsible for correcting errors and the IRS views self-corrections favorably. He reviewed the proposed amendments, noting that they seek to make employees affected by under-contributions whole, but do not seek to withdraw over-contributions made to other employees.

In response to a question from Anderson, Horstman explained that the cost to reimburse employees who were underpaid totals approximately \$574,000. He noted that payments have already been made.

Student Representative Malarvannan inquired about the process for employees who leave the University. Horstman explained that the plan is a 401a plan that includes full vesting upon

first contribution. When an employee leaves, all contributions go with them. He added that a former employee could leave the funds in the plan or move them to another plan managed elsewhere.

Regent Hsu sought clarification on the status of fixing errors in PeopleSoft. Horstman reported that OHR is making the necessary corrections to ensure this type of error does not happen again. Hsu responded that while a technical error might have led to some of this, the University employs consultants to help with these types of upgrades. He wondered whether consultants could be held liable for part of the cost of the error and if University employees involved in the upgrade would have the error noted in their performance evaluations.

Regent Omari asked why it took so long to discover the issues. Horstman responded that the summer earnings issues most likely started before 1973 and that decisions made at the local level were most likely seen as being well intentioned. Establishment of a common payroll platform painted a fuller picture of what is being done across the University.

CONSENT REPORT

Senior Vice President Burnett 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 Dalco Enterprises for an estimated \$1,150,000 for custodial paper products including toilet paper and paper towels for the Twin Cities campus for the two-year period of November 1, 2017, through October 31, 2019, with possible contract extensions through October 31, 2022, for an additional \$1,725,000. Total contract value if all options are exercised would be \$2,875,000. Funding for the custodial paper products will come from departmental purchases through U Market. Supplier was selected through a competitive process.

Real Estate Transactions:

- Purchase of 0.394 acres land and building from VFW Post 1215 in Rochester, Minnesota. Purchase price is \$2,665,000.

Demolition of Quarantine Barn (Twin Cities campus)

Resolution Related to Historically Eligible Asset: Pioneer Hall

Employment Agreements:

- Michael Berthelsen as Vice President for University Services
- Allen Levine as Vice President for Research

Secondary Dean Title - Academic Leadership for University Libraries

Regent Powell asked if the resolution declining the listing of Pioneer Hall on the National Register of Historic Places is sufficient to keep it off the register. Burnett responded that it would not be entirely sufficient given the requirement that the University coordinate with the State Historic Preservation Office during the renovation of Pioneer. He emphasized that the University has been coordinating with the state and that this action would not change the

needed approvals or level of engagement with the state. Regent McMillan shared his belief that the University is going above and beyond the requirements of state statute to preserve the historic nature of Pioneer Hall.

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

INFORMATION ITEMS

Senior Vice President Burnett referred the committee to the information items in the docket.

The meeting adjourned at 10:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit & Compliance Committee
October 12, 2017**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, October 12, 2017, at 11:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Michael Hsu, Peggy Lucas, David McMillan, Abdul Omari, and Ken Powell.

Staff present: Chancellors Michelle Behr, Lendley Black, and Mary Holz-Clause; Interim Chancellor Lori Carrell; Executive Vice President and Provost Karen Hanson; Vice President Bernard Gulachek; Interim Vice President Allen Levine; Executive Director Brian Steeves; Associate Vice President Michael Volna; and Chief Auditor Gail Klatt.

Student Representatives present: Parker Smith and Alexandra Ulland.

UPDATE ON THE DEPARTMENT OF PSYCHIATRY

Regent Cohen invited Interim Vice President Allen Levine and Sophia Vinogradov, Head of the Department of Psychiatry, to provide an update on the Department of Psychiatry, as detailed in the docket. Levine explained that this is the final regular update to the committee on the human participant research protection program. He introduced Vinogradov and provided an overview of her work and research interests.

Vinogradov reviewed her first year at the University, explaining that she came into the role with knowledge of the department's challenges. She noted that those challenges are not unique to the University, citing examples of other institutions that have faced similar situations. Vinogradov reported that universities expanded clinical drug trials starting in the 1980s and that those partnerships sometimes caused ethical conflicts of interest.

Vinogradov summarized the department's efforts to increase communication with research participants and create processes to better determine when it is appropriate to recruit research participants. She described the new Community Advisory Council, Research Volunteer Advocates, and the Dan Markingson Symposium. Vinogradov stressed the importance of continuing high-risk research and the need for increased compliance and regulatory oversight.

Regents Lucas, Powell, and McMillan thanked Vinogradov for her leadership of the Department of Psychiatry.

In response to questions from Powell, Vinogradov explained that under conflict of interest policies, faculty members must disclose meetings with private industry partners. She added that the pharmaceutical industry is partnering with university-based investigators less frequently and moving to Europe, Africa, and Asia to conduct studies.

Regent Omari asked about future Board oversight of human participant research protection, given that this is the last update to the committee. Klatt reported that although the action plan is complete, Internal Audit will continue to conduct audits of the department, the Institutional Research Board, and other areas affected by implementation of the action plan.

In response to questions from Cohen, Vinogradov explained that of 60 current studies in the Department of Psychiatry, only two are industry-funded.

INTERNAL AUDIT UPDATE

Regent Cohen invited Chief Auditor Klatt to present the Internal Audit Update, as detailed in the docket.

Klatt reported that since the last update in June 2017, University departments implemented 51 percent of the outstanding recommendations rated as “essential,” exceeding the expected implementation rate of 40 percent. Nine units fully implemented all remaining “essential” recommendations. Eight audit reports containing 18 recommendations rated as “essential” were issued in the last four months.

Klatt explained that one of the eight audit reports issued – the Twin Cities campus Office of Admissions – is classified as needing improvement. She explained that the Office of Admissions continues to meet enrollment goals and raise the academic profile of incoming classes, but the audit identified aspects of work processes that need improvement. Specific recommendations include better documentation of the rationale behind admissions decisions and increasing accuracy of student data in the system of record. Klatt noted that the office is highly dependent on technology and a number of recommendations address locally managed systems. She added that the application fee waiver process warrants a review to ensure it is cost-effective.

Regent Powell asked how the Office of Admissions compares to peer schools in the Big Ten in terms of the number of applications, staffing levels, and overall budget. Klatt reported that the office has had consistent resources over the years, although the number of applications has significantly increased. She added that the increase in applications raises questions of workload. Provost Hanson noted that staff is stressed by a lack of resources, and reminded the committee that the audit recommendations primarily address the need to better document decisions, not the accuracy of the decisions themselves.

INSTITUTIONAL RISK PROFILE, PART II: REVIEW OF RISK PRINCIPLES

Regent Cohen invited Chief Auditor Klatt to introduce the institutional risk profile item on risk principles, as detailed in the docket.

Klatt reminded the committee that the current risk principles were briefly discussed at the September meeting. She explained that the risk principles will guide the administration’s development of a draft risk profile for the December meeting.

Regent McMillan observed that there are four levels of risk in the risk principles – zero, low, moderate, and high – yet the institutional risk profile is a quadrant with only high and low levels of risk. He suggested the committee consider the relationship between the two.

In response to questions from McMillan, Klatt explained that the campus has low tolerance for safety rather than zero tolerance because many activities – such as biking, for example – would need to be restricted in order to have zero tolerance for risk.

Regent Powell suggested changing the framing of the risk principles from tolerance for risk to accepting risks and mitigating risk appropriately. He offered that the University must have a willingness to accept even high risk, but that those risks require mitigation. Powell confirmed that he is suggesting a change in the language, and would consider a recommendation from

the administration. He urged the committee to consider how to capture reputational risk in these principles and in the institutional risk profile.

Regent Hsu questioned how resources will be allocated to various risks. Cohen explained that risk mitigation plans and their associated resources will be addressed at a future meeting.

McMillan asked whether a list of risk principles is needed in addition to the institutional risk profile. Klatt explained that they serve different purposes: the institutional risk profile is a visualization of risk, and the principles describe the areas where the University is willing to accept risk.

Cohen directed Klatt to draft new language for the existing principles and incorporate an additional principle related to reputational risk.

OVERVIEW OF FINANCIAL STATEMENTS REVIEW

Regent Cohen invited Associate Vice President Michael Volna and Assistant Controller Suzanne Paulson to provide an overview and timeline of the annual financial statements review, as detailed in the docket.

Volna explained that the review of the annual financial statements by the committee began in 2004 as a result of the Sarbanes-Oxley Act of 2002. While the University's general counsel determined that the Act did not apply to the University, the committee requested recommendations for expanding Board oversight. As a result, Board of Regents Policy: *Audit Committee Charter* was amended to include the review of the University's audited financial statements prior to their final issuance.

Paulson shared the timeline for the upcoming review of the FY 2017 audited financial statements.

Regent McMillan expressed appreciation for the high-level overview and focus on the governance-level aspects of the review.

The meeting adjourned at 12:19 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
October 12, 2017**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, October 12, 2017 at 11:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Thomas Anderson, Dean Johnson, Darrin Rosha, Patricia Simmons, and Steven Sviggum.

Staff present: President Eric Kaler, Senior Vice President Brian Burnett, Vice President Kathy Brown, General Counsel Douglas Peterson, Executive Director Brian Steeves.

Others present: Sarah Dirksen, Ken Horstman, Brian Slovut, and Jon Steadland.

REPORT ON LEGAL MATTERS

Chair Beeson invited General Counsel Peterson to present the Report on Legal Matters. Peterson noted that while the report is straightforward, he wanted to remark on his first year at the University. He reported that the high caliber of services offered by the Office of the General Counsel (OGC) is attributable entirely to the quality of the staff. He added that the core values of the University are key to all the work undertaken by OGC.

In response to a question from Regents Simmons, Peterson responded that Academic Health Center (AHC) counsel Susan Kratz previously served as chair of the health care practice area at Nilan Johnson Lewis PA. He noted that Kratz has broad experience in the business of health law, including mergers and acquisitions. Peterson acknowledged that Kratz has less litigation experience than the previous AHC counsel but that OGC staff are available to assist. Simmons praised the hire.

Regent Sviggum requested clarification on the reporting structure of the General Counsel. Peterson responded that his responsibility is to the University system but his primary client relationship is with the Board of Regents, as a whole. He noted that some of his responsibilities are directed by the President but that the Board holds the ultimate authority. Peterson clarified that the Board as a whole enjoys attorney-client privilege with him but that does not extend to individual Regents. If the Board requested that he share the details of a conversation with an individual Regent, he would be obligated to divulge that information.

Regent Rosha agreed on the importance of clarifying the General Counsel's relationship with the Board. He emphasized that the role of OGC is to provide a clear and comprehensive legal analysis and not provide policy guidance. He acknowledged that Peterson's team has been helpful in providing this unbiased counsel.

Johnson thanked Peterson and OGC staff for their guidance and counsel during his term as Chair.

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Thursday, October 12, 2017 at 11:00 a.m. in the East Committee Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. Potential Minnesota Government Data Practices Act litigation by University employee
- II. Potential litigation relating to retirement plans
- III. Potential litigation regarding student fee process
- IV. *Stacy Ingraham v. University of Minnesota*
- V. *Lane Pederson, et al. v. Beverly Long*

The committee voted unanimously to adopt the resolution and the public portion of the meeting ended at 11:16 a.m.

The meeting adjourned at 12:32 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Meeting
October 13, 2017**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 13, 2017 at 9:48 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Richard Beeson, Michael Hsu, Dean Johnson, Peggy Lucas, Abdul Omari, Kendall Powell, Darrin Rosha, Patricia Simmons, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, and Mary Holtz-Clause; Interim Chancellor Lori Carrell; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Michael Berthelsen, Bernard Gulachek, Matt Kramer, and Allen Levine; General Counsel Douglas Peterson; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Julie Tonneson.

APPROVAL OF MINUTES

The Board of Regents voted unanimously to approve the following minutes as presented in the docket materials:

Finance & Operations Committee – September 7, 2017
Audit & Compliance Committee – September 7, 2017
Litigation Review Committee – September 7, 2017
Board of Regents – September 7, 2017
Mission Fulfillment Committee – September 7, 2017
Governance & Policy Committee – September 8, 2017
Board of Regents – September 8, 2017

REPORT OF THE PRESIDENT

President Kaler reported on several items, including a conference of Somali-American leaders from across the nation to discuss youth development; conferral of an honorary degree to the President of Finland; the 100th anniversary of the School of Social Work; and the work of students and student groups.

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

REPORT OF THE CHAIR

Chair McMillan remarked on Regent engagement throughout the system, including participation in Chancellor Behr's inauguration at the Morris campus and several events at the Crookston campus. He noted that the Board had hoped to receive at this meeting a new agreement from Fairview Health Services (FHS), following the University's notice in May of non-renewal of the M Health partnership with FHS and the University of Minnesota Physicians. McMillan endorsed a letter from President Kaler to FHS reaffirming the University's notice of

non-renewal. He emphasized the priority of achieving the vision for an integrated academic medicine enterprise.

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

RECEIVE AND FILE REPORTS

Chair McMillan noted the receipt and filing of the Report on Legal Matters.

CONSENT REPORT

Chair McMillan presented for review and action the Consent Report as described in the docket materials, including:

- Gifts
- Report of the Naming Committee
- Report of the Regents Award Nominating Committee
- Appointments to University of Minnesota Foundation Board of Trustees

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

INTERSECTIONS BETWEEN STRATEGIC PLANS THROUGHOUT THE SYSTEM

Chair McMillan invited President Kaler to introduce a discussion on the system-wide strategic plan, as detailed in the docket. Kaler reviewed the timeline of the planning process to date. He emphasized the importance of including the University community, business leaders, and public officials in evaluating next steps. He highlighted several strengths of each campus and provided a summary of their strategic plans. He noted that the system-wide plan is not about recreating work that has already been completed, but about tying together common themes across the campuses.

Kaler reviewed the five focus areas of the System-Wide Oversight Committee and outlined a tentative timeline for the planning process. He emphasized that during the next year the Board will have an opportunity to provide feedback on progress.

Regent Powell remarked on the importance of creating a structure to track and evaluate progress for each of the focus areas. He emphasized the need for data and suggested a dashboard approach to presenting information. Kaler responded that comprehensive data will be shared at the Board's December meeting, including peer data and aspirational goals. Powell agreed that a level-setting approach will be helpful.

Regent Rosha shared his appreciation for the plan groundwork and requested that the Board stay involved throughout the process. He suggested that the Board revisit the plan once a comprehensive draft is completed.

Regent Simmons observed that one of the strengths of the Rochester campus is its ability to meet the workforce needs of southeastern Minnesota. She questioned whether that scope is too narrow and offered that the campus should serve the entire state. Kaler acknowledged that the campus has a unique relationship with Mayo but agreed with the importance of considering the broader state community.

Regent Sviggum inquired about the process for determining funding needs. Kaler responded that the planning process will include a review of resources needed to meet the plan objectives. He noted that the plan should help with future funding from the legislature and philanthropic efforts, since it will better articulate the University's impact on the state. Kaler added that the plan will enable greater collaboration between campuses and units, and provide clarity in evaluating budget priorities. He emphasized the importance of strong stewardship of the University's resources.

Regent Rosha remarked that the plan will help the University determine its priorities within available resources. He reiterated the importance of sharing the plan with the legislature to demonstrate and emphasize the University's impact on the state and its people.

In response to a question from Regent Beeson, Kaler explained that the data he will present in December will include such metrics as research activity, areas of possible University over-investment, recruitment of undergraduate and graduate students, the impact of outreach and public service efforts, and more.

Regent Omari agreed that the data level-set will be helpful to the Board and its committees. He stressed the importance of including the Office for Student Affairs in the planning process, specifically in the Teaching and Learning focus area. He expressed his appreciation for the breadth of involvement and his desire to have students included in the consultation process.

Regent Cohen commented that the plan will be a useful tool. She shared her hope for clear data on where the University is now to help determine its aspirational goals. She stressed that knowing the starting point will help establish strategic goals and future steps.

**BOARD OF REGENTS POLICY:
*SEXUAL HARASSMENT, SEXUAL ASSAULT, STALKING AND RELATIONSHIP VIOLENCE***

Chair McMillan invited EOAA Director and Title IX Coordinator Tina Marisam and Deputy General Counsel Brian Slovut to present for action Board of Regents Policy: *Sexual Harassment, Sexual Assault, Stalking, and Relationship Violence*, as detailed in the docket.

Marisam reviewed changes made to the proposed Board and Administrative policy language since initial review by the Board in June. She noted that the changes are the result of Regent feedback, recommendations from the *Joint Report and Recommendations on Title IX and Athletic Discipline Practices*, and alignment with the Office for Civil Rights' new interim guidance.

Slovut reviewed the proposed modifications to the Board of Regents Policy: *Student Conduct Code* and discussed the benefits of the timing of changes to these policies.

Regent Powell moved the following:

1. Adoption of Board of Regents Policy: *Sexual Harassment, Sexual Assault, Stalking and Relationship Violence*, as presented to the Board today, with an effective date of January 1, 2018;
2. Adoption of modifications to Board of Regents Policy: *Student Conduct Code* to align with the above policy, as articulated in the revised docket item summary, with an effective date of January 1, 2018;
3. The President and General Counsel are charged to review and make recommendations by December 2017 on provisions within Board of Regents Policy: *Student Conduct Code* that establish when the conduct of students can be attributed to student groups; and

4. The President is charged to solicit public comments on the proposed administrative policy and bring a final version to the Board of Regents for ratification in December 2017.

Regent Johnson seconded the motion.

Regent Omari reiterated his concern about including stalking in the policy, since stalking can occur without sexual activity. He argued that an incident of non-sexual stalking could result in a violation of a policy related to sexual harassment and assault, which would be misleading. In response to a question from Regent Rosha, Slovut confirmed that a stalking charge would appear on a person's record as a violation of the policy. Omari noted that this could be damaging to a student if they apply for additional education or employment.

Regent Hsu asked about the inclusion of the word "sober" in the definition for affirmative consent. Marisam responded that the word was added to clarify that intoxication is not a reasonable defense for misinterpretation of intent or for an incident of sexual assault. She noted that many cases of sexual misconduct include alcohol or intoxication. Hsu observed that sober implies use of alcohol, when a person could be under the influence of other substances. Marisam clarified that the intent of the word sober is to include any form of altering substances. Regent Simmons added that the healthcare industry acknowledges the word sober to indicate the use of either drugs or alcohol.

In response to a question from Regent Beeson, Kaler explained that the task force led by Dean Finnegan is reviewing more than just one incident. He noted that the results of the task force will not necessarily lead to additional changes to the policy, and agreed that the Board should be briefed by Finnegan once the task force completes its work.

Regent Anderson asked for clarification about the term "initial findings" in the administrative policy, sharing his belief that the recommendation of the joint report is "initial charges." Marisam responded that the term allows additional information to be discovered throughout an investigation. She added that the term "charges" might create confusion between the institutional process and the criminal process. She offered that "findings" provides clarity and distinguishes between the two processes.

In response to a question from Regent Hsu, Slovut responded that the proposed policy changes satisfy the requirements of the Office for Civil Rights (OCR). He added the University is unsure when OCR will respond to the University's draft.

Regent Rosha walked through several objectives of the policy process: upholding appropriate standards of behavior on campus; protecting faculty, staff, and students on campus; and establishing an appropriate process that is understandable and can be executed fairly. He stressed the importance of considering the implications of policy decisions in terms of what makes the most sense for the institution and what is possible with available resources. Rosha noted his willingness to discuss additional considerations.

Chair McMillan reminded the Board of additional opportunities for clarification and feedback on parts 3 and 4 of the motion.

The Board of Regents voted unanimously to approve the following:

1. Adoption of Board of Regents Policy: *Sexual Harassment, Sexual Assault, Stalking and Relationship Violence*, as presented to the Board today, with an effective date of January 1, 2018;
2. Adoption of modifications to Board of Regents Policy: *Student Conduct Code* to align with the above policy, as articulated in the revised docket item summary, with an effective date of January 1, 2018;

3. The President and General Counsel are charged to review and make recommendations by December 2017 on provisions within Board of Regents Policy: *Student Conduct Code* that establish when the conduct of students can be attributed to student groups; and
4. The President is charged to solicit public comments on the proposed administrative policy and bring a final version to the Board of Regents for ratification in December 2017.

CONFLICT MANAGEMENT PLAN

Chair McMillan invited Chief Compliance Officer Boyd Kumher to present for review a draft of President Kaler's conflict management plan. The initial plan was put in place in May 2013 to address potential purchasing conflicts due to the employment of President Kaler's two adult sons at companies that may have or have had contracts with the University.

Kumher reported that the updated plan reflects Sam Kaler's departure from Mortenson Construction, and retains the mechanisms applicable to Charles Kaler's continued employment with Russell Reynolds Associates.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

Regent Cohen, Chair of the committee, reported that the committee received an update on progress in the protection of human research participants; discussed the institutional risk profile; received an update on internal audits; and reviewed the annual financial statement review process.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- 1) Approval of the Resolution Related to the 2017 Six-Year Capital Plan and the 2018 State Capital Request.

Regent Sviggum moved to amend the Six-Year Capital Plan and the 2018 State Capital Request by removing the Glensheen Renewal Challenge Initiative, and to amend the Resolution Related to 2017 Six-Year Capital Plan and 2018 State Capital Request as follows:

BE IT FURTHER RESOLVED, that the Board of Regents approves the University's 2018 State Capital Request to the Minnesota Legislature in the amount of \$251,800,000 consisting of \$234,500,000 from the State of Minnesota and \$17,300,000 from the University of Minnesota for capital projects including those projects that qualify for Higher Education Asset Preservation and Replacement (HEAPR) funding located on the University's campuses, including the following examples:

- Crookston – Campus electric distribution, Lysacker Gym, Owen Hall;
- Duluth – Chemistry, Glensheen, Humanities and Tweed Museum;
- Morris – Behmler Hall, Humanities Fine Arts, Multi-Ethnic Resource Center;
- Twin Cities – Andrew Boss Lab, Ferguson Hall, Social Science; and

HEAPR projects located at the University's research and outreach centers, and field stations, including the following examples:

- Cloquet Forestry Center – Complete electrical renewal;
- Itasca Biological Station and Laboratories – Dining hall;
- North Central Research and Outreach Center – Beef and wild rice buildings;
- Southern Research and Outreach Center – Horticulture building;
- West Central Research and Outreach Center – Maintenance shop; and the Pillsbury Hall Capital Renewal.

Regent Simmons seconded the motion.

Sviggum reported that several legislators sent a letter to the Board detailing their concerns with the upkeep of Glensheen and requesting that it be a bonding priority for the University. He suggested that the inclusion of the Glensheen Initiative in the capital request is perhaps an over-response, noting that his amendment provides an opportunity for the legislature to discuss funding for Glensheen through HEAPR. Sviggum emphasized that many other facilities throughout the system are in worse condition and have been on the six-year capital plan longer. He observed that Glensheen was not included in any recent six-year plans and questioned the timing of prioritizing it now.

Chair McMillan clarified that of the recommendation of the committee includes \$4 million from the state and a \$4 million match from the University, which would come in the form of private donations and partnerships. Senior Vice President Burnett confirmed that the figures in the Sviggum amendment are correct as proposed.

In response to a question from Regent Omari, Sviggum clarified that his amendment proposes removing only the Glensheen Renewal Challenge Initiative.

Regent Beeson urged caution in including specific HEAPR projects in a request, noting that it could allow the legislature to become overly involved in selecting projects. He noted that the listed projects could change. He praised the University's portion of the proposed funding coming from local, private funds, noting that the benefits of the Glensheen estate are largely for the local community and Duluth campus.

Regent Johnson observed that the University, as the owner of Glensheen, has some responsibility for maintenance and upkeep. He asked Vice President Berthelsen to name the most significant repair that is needed. Berthelsen replied that failure of the boiler system would result in a significant operational risk to the facility. He added that designs and estimates are in process for determining next steps for larger repairs but that some maintenance is taking place in the interim. Johnson suggested that if the Board adopts the capital plan as presented, the legislature may address Glensheen on its own at some point.

McMillan asked Chancellor Black to provide perspective from UMD. Black emphasized the complexity of the Glensheen estate and its upkeep. He argued that it is a state asset, available to the public, with some impact on the academic priorities of the Duluth campus. Black voiced concern with including the project with the HEAPR request, since other campus buildings are in greater need of repair. He noted that listing it as a separate project makes sense, given other priorities.

In response to a question from Regent Lucas, Sviggum explained while the legislature can act on its own without a request from the University, assuming legislators will bring Glensheen forward for funding disrespects the process.

Regent Simmons expressed concern about including specific projects in the HEAPR request, and believed that could be problematic for the Duluth campus. She stressed the importance of doing what is in the best interests of the University and the state. In response to a question from Simmons, Burnett responded that the President's recommendation is the most prudent course of action.

Sviggum reiterated his concern that the project's timing is unusual and stressed that Glensheen has not been on the six-year plan in the last several years. He questioned why the proposal is being prioritized above other projects with greater need.

Kaler remarked that the Glensheen Estate presents unique issues for the University. He acknowledged that the opportunity for funding is recent and there has been little time for discussion. Kaler reminded the Board that funding for the new Bell Museum was made available in a similarly unprecedented way.

Regent Rosha observed that this is a unique opportunity to improve a building that is in dramatic disrepair. He noted that the funding leverages both state and private dollars, adding that it is a good opportunity even though including the Glensheen Initiative could reduce other areas of the request. Rosha noted that the Minnesota State system has a broader reach in the state and they too compete for funding. He suggested that if the legislature has expressed an interest in Glensheen, the University should take advantage of that. He offered that the request is not only in response to a few legislators, but is balancing the needs of the University with an opportunity.

Sviggum withdrew his motion related to Glensheen.

Sviggum moved to amend the Six-Year Capital Plan and the 2018 State Capital Request by reducing File 197 - Higher Education Asset Preservation and Replacement from \$200 million to \$150 million, and removing file 193 - Greater Minnesota Academic Renewal; and to amend the Resolution Related to the 2017 Six-Year Capital Plan and 2018 State Capital Request as follows:

BE IT FURTHER RESOLVED, that the Board of Regents approves the University's 2018 State Capital Request to the Minnesota Legislature in the amount of \$194,000,000 consisting of \$178,000,000 from the State of Minnesota and \$16,000,000 from the University of Minnesota.

The motion was not seconded.

The Board of Regents voted 11-1 to approve the Resolution Related to the 2017 Six-Year Capital Plan and the 2018 State Capital Request as follows. Regent Sviggum voted no.

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 165 years is a commitment the Board has made to the State; and

WHEREAS, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University's strategic priorities; and

WHEREAS, the Board of Regents recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and

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

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the 2017 Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives.

BE IT FURTHER RESOLVED, that the Board of Regents approves the University's 2018 State Capital Request to the Minnesota Legislature in the amount of \$259,800,000 consisting of \$238,533,000 from the State of Minnesota and \$21,267,000 from the University of Minnesota.

Regent Anderson reported that the committee voted unanimously to recommend:

- 2) Approval of the Resolution Related to the Issuance of Commercial Paper and the Establishment of a Commercial Paper Facility. The Board of Regents voted unanimously to approve the resolution as follows:

WHEREAS, Board of Regents Policy: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 4, and Board of Regents Policy: *Debt Transactions*, Section III, Subd. 1, provide that the power and authority to issue and refund debt is reserved exclusively to the Board of Regents; and

WHEREAS, it has been proposed that the University establish a revolving facility through which it may issue tax-exempt and taxable variable rate debt in the form of commercial paper ("Commercial Paper") from time to time as general obligation indebtedness of the University for the short or long-term financing of capital projects, which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of items of capital equipment, and which shall include the related costs of issuance (such facility, the "Commercial Paper Facility"), in such amounts as may be determined from time to time so long as the aggregate principal amount outstanding, including that of the University's currently outstanding Commercial Paper Notes Series A, B, C, D, E, and F (the "Prior Notes"), does not exceed \$400,000,000; and

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

WHEREAS, the Indenture(s) of Trust or Order(s) pursuant to which Commercial Paper will be issued under the Commercial Paper Facility will contain the terms of such Commercial Paper and agreements and covenants of the University with respect to the payment of the principal and interest on such Commercial Paper.

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 and/or reimburse the University for capital projects currently in process or to be undertaken in the future, which may include purchases of land and buildings, construction and remodeling projects, and/or the acquisition and installation of items of equipment (all of such capital projects, together with the projects financed or refinanced with proceeds of the Prior Notes, the "Projects"), the Board hereby authorizes the establishment of a Commercial Paper Facility and the issuance of Commercial Paper in such principal amounts as may be designated from time to time by the Treasurer or the Assistant CFO (each, an "Authorized Officer"), provided that any such amount, including all costs of issuance thereof, together with all other Commercial Paper then outstanding including without limitation the Prior Notes, shall not exceed \$400,000,000. Commercial Paper issued under the Commercial Paper Facility may be tax-exempt or taxable, as determined by an Authorized Officer, and shall be a general obligation of the University.

2. This authorization by the Board of a Commercial Paper Facility constitutes the authorization of multiple issuances of debt pursuant to Board of Regents Policies: Reservation and Delegation of Authority, Section VII, Subd. 4 and Debt Transactions, Section III, Subd. 1, subject to the limitation stated in Paragraph 1.

3. The Projects to be financed by the proceeds of Commercial Paper shall be those Projects the source of funding of which is so designated by either of the Authorized Officers as part of the University's capital planning process.

4. Projects that in the aggregate are designated by either of the Authorized Officers as a single issue shall constitute a single governmental purpose of the University. The amortization schedule for repayment of Commercial Paper issued under the Commercial Paper Facility shall be not longer than 25 years after the date of first issuance in each series.

5 Each of the Authorized Officers is authorized to negotiate with one or more banks, investment banking firms or financial institutions to act as issuing and paying agent and/or as a dealer for Commercial Paper, the terms and conditions upon which Commercial Paper shall be sold and issued, and to approve the terms of each sale and issuance.

6. In connection with the Commercial Paper Facility and the issuance of Commercial Paper, the President and each of the Authorized Officers are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order of the University and any supplement or amendment thereto under which Commercial Paper is to be issued in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by either of the Authorized Officers and the General Counsel, and the Secretary and each of the Authorized Officers are authorized to execute and deliver Commercial Paper in accordance with such Indenture of Trust or Order of the University or any supplement or amendment thereto. The signatures of the Secretary and/or each of the Authorized Officers may be made on Commercial Paper by facsimile.

7. In connection with any issuance of Commercial Paper under the Commercial Paper Facility, each of the Authorized Officers is authorized to select the portions, if any, of then-outstanding Commercial Paper to be refunded and to take any and all actions necessary and appropriate to provide for the payment when due of all amounts due in connection with such refunding from the proceeds of the Commercial Paper.

8. Each of the Authorized Officers is further authorized to negotiate with one or more commercial banks, insurers or other credit support or liquidity facility providers the terms and conditions of any credit support or liquidity facility for Commercial

Paper, and to execute and deliver any agreements of the University with the provider of any such credit support facility or liquidity facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by either of the Authorized Officers and the General Counsel.

9. If any of the resolutions of the Board authorizing the issuance of the Prior Notes, which resolutions were adopted on November 8, 1996 and September 9, 2005; December 9, 2005; October 12, 2007; June 12, 2009; December 13, 2013; October 10, 2014; and December 12, 2014 respectively (collectively the “Prior Resolutions,” and each a “Prior Resolution of [a given date]”) is found to be in conflict herewith, such Prior Resolution(s) is/are hereby repealed to the extent necessary to resolve such conflict.

10. Each of the Authorized Officers is authorized to approve the Official Statement, Offering Memorandum, Offering Circular or other offering material to be prepared and distributed by the University to any purchaser or potential purchaser of any of Commercial Paper (however so entitled, the “Offering Memorandum”), and to execute and deliver the Offering Memorandum.

11. 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 Commercial Paper Facility and the issuance and sale of Commercial Paper.

12. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of Commercial Paper 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 Commercial Paper and the Commercial Paper Facility 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.

13. The execution of any document by the appropriate officers of the University herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, Offering Memorandum, purchase agreement with the initial purchaser or purchasers of Commercial Paper or any other document to be executed by the President or Treasurer in connection with Commercial Paper or the Commercial Paper Facility may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

- 3) Approval of the resolution related to Asset Allocation Guidelines. The Board of Regents voted unanimously to approve the resolution, as follows:

WHEREAS, Board of Regents Policy: *Endowment Fund* provides that the president or delegate shall recommend asset allocation ranges for approval by the Board of Regents (Board); and

WHEREAS, the Board last approved asset allocation ranges on June 8, 2012; and

WHEREAS, the following asset allocation ranges are recommended to replace those approved on June 8, 2012:

1. Stability – The long-term allocation for Stability assets shall be between 5 to 15 percent and include Liquid Reserves (5-15 percent) and High Quality Credit (0-6 percent).
2. Diversifiers – The long-term allocation for Diversifier assets shall be between 20 to 40 percent and include Enhanced Stability assets (5-20 percent), Idiosyncratic assets (0-15 percent), and Growth Diversifiers (5-20 percent).
3. Growth – The long-term allocation for Growth assets shall be between 50 to 70 percent and include Equity (45-70 percent) and Extended Credit (0-10 percent). Within Growth assets, the Equity allocation shall have long-term geographic target exposures of United States markets (45 percent), Developed Markets (30 percent), and Emerging Markets (25 percent).

NOW, THEREFORE, BE IT RESOLVED that the Board approves the recommended asset allocation ranges for investment in the University of Minnesota endowment fund, effective upon approval of this resolution.

- 4) Approval of the resolution related to the Proposed Labor Agreement with the University Education Association. The Board of Regents voted unanimously to approve the resolution, as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, the University Education Association, Duluth and Crookston, have ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required.

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 12, 2017.

- 5) Approval of the Resolution Related to the Proposed Labor Agreement with AFSCME Local 3260, Health Care Unit. The Board of Regents voted unanimously to approve the resolution, as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, AFSCME Local 3260 has ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required.

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 12, 2017.

- 6) Approval of the Resolution Related to the Proposed Labor Agreement with the International Brotherhood of Electrical Workers, Local 292, Broadcast Technicians. The Board of Regents voted unanimously to approve the resolution, as follows.

WHEREAS, the parties have negotiated and reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, IBEW Local 292 has ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 12, 2017.

- 7) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the October 12, 2017 committee minutes. The Board of Regents voted unanimously to approve the Consent Report.

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

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

- 1) Adoption of the proposed amendments to Board of Regents Policy: *Institutional Conflict of Interest*. The Board of Regents voted unanimously to approve the policy, as follows:

SECTION I. SCOPE.

This policy governs institutional conflict of interest at the University of Minnesota (University) and applies to members of the Board of Regents (Board), University officials, department/unit heads, and other individuals as required by administrative policies and procedures.

SECTION II. DEFINITIONS.

Subd. 1. Institutional Conflict of Interest. *Institutional conflict of interest* shall mean a situation in which the University's research, teaching, or outreach mission activities, or its institutional reputation may be compromised or appear to be compromised because of an external financial or business relationship held at the institutional level that may bring financial gain to the institution, any of its units, or the individuals covered by this policy.

Subd. 2. University Official. *University official* shall mean persons holding the following positions, including those holding these positions in a temporary capacity:

- (a) Associate Vice President
- (b) Chancellor
- (c) Chief Auditor
- (d) Chief Compliance Officer
- (e) Dean
- (f) Director of Intercollegiate Athletics, Twin Cities campus
- (g) Executive Director and Corporate Secretary

- (h) Executive Vice President and Provost
- (i) General Counsel
- (j) President
- (k) President's Chief of Staff
- (l) Senior Vice President for Finance and Operations
- (m) University Librarian and Dean of Libraries
- (n) Vice President

SECTION III. GUIDING PRINCIPLES.

The following principles shall guide the University in addressing institutional conflict of interest:

- (a) Because it is critical to the mission and reputation of the University to maintain the public's trust, University research, teaching, outreach, and other activities must not be compromised or perceived as biased by financial and business considerations.
- (b) Because of its numerous and complex relationships with public and private entities, the University must be aware of any relationships involving financial gain that may compromise or appear to compromise its integrity.
- (c) The University shall establish and maintain an oversight process to manage, reduce, or eliminate institutional conflict of interest.

SECTION IV. RESERVATION OF AUTHORITY.

The Board reserves authority to review and approve plans for managing, reducing, or eliminating institutional conflict of interest involving:

- (a) external relationships with an unusually significant financial impact that present a potential conflict;
 - (b) potential conflicts involving the president;
 - (c) potential conflicts that raise serious policy issues or have a significant public impact on the mission and reputation of the University; or
 - (d) potential conflicts arising in matters that otherwise require Board review and action under Board of Regents Policy: *Reservation and Delegation of Authority*.
- In these instances of conflict of interest, the president shall consult with the Board.

SECTION V. ASSURANCE, DELEGATION OF AUTHORITY, AND REPORTING.

The president or delegate shall:

- (a) implement an oversight process and administrative policies and procedures to address institutional conflict of interest and to identify situations in which institutional conflict of interest may arise;
- (b) recommend and implement plans to manage, reduce, or eliminate institutional conflict of interest;
- (c) develop and present conflict of interest plans to the Board for review and action as required under Section IV;
- (d) ensure that individuals covered by this policy who act on behalf of the institution adhere to these policies and procedures, follow applicable conflict management plans, and do not engage in activities in which there is an actual conflict of interest; and
- (e) report to the Board annually all institutional conflict of interest matters that do not meet the thresholds identified in Section IV.

SECTION VI. DISCLOSURES.

Subd. 1. Regents. Regents shall file a financial disclosure statement annually and report conflicts of interest as required by Board of Regents Policy: *Code of Ethics for Members of the Board of Regents*.

Subd. 2. University Officials. University officials shall, upon appointment and annually, file a financial disclosure statement with the president or delegate, disclosing significant economic interests and how those interests may relate to their institutional responsibilities. Such disclosure shall be made in addition to any reporting requirement for individual conflicts of interest.

Subd. 3. Department/Unit Heads. Annually and under circumstances described in administrative policy, department/unit heads shall disclose relevant financial and business interests by filing a *Report of External Professional Activities*.

Subd. 4. Other Individuals. The president or delegate may designate other individuals who shall file a financial disclosure statement.

Supersedes: Financial Disclosure for Senior University Officials, Dated November 10, 1995.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Beeson, Chair of the committee, reported that pursuant to notice sent by the University, the Litigation Review Committee met on October 12, 2017. At this meeting, a resolution was considered and adopted that authorized the closing of the meeting. In the closed meeting, discussion was held on matters subject to the attorney-client privilege.

REPORT OF THE MISSION FULFILLMENT COMMITTEE

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

- 1) Approval of the Consent Report for the Mission Fulfillment Committee as presented to the committee and described in the October 12, 2017 committee minutes.

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

NEW BUSINESS

Chair McMillan invited Dean Durgan to present for review a resolution related to Dissolution of the Minnesota 4-H Foundation and the Transfer of Assets to the University of Minnesota Foundation. Durgan reported that the change will result in better operational efficiency while continuing to promote the interests of the 4-H organization.

In response to a question from Regent Anderson, Durgan clarified that the Minnesota 4-H Foundation Board voted unanimously to support the change.

The meeting adjourned at 12:14 p.m.

Brian R. Steeves

BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Governance & Policy Committee
October 13, 2017**

A meeting of the Governance & Policy Committee of the Board of Regents was held on Friday, October 13, 2017 at 8:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, and Mary Holz-Clause; Interim Chancellor Lori Carrell; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Bernard Gulachek and Matt Kramer; Interim Vice Presidents Michael Berthelsen and Allen Levine; General Counsel Douglas Peterson; and Executive Director Brian Steeves.

**BOARD OF REGENTS POLICY: INSTITUTIONAL CONFLICT OF INTEREST
(CHANGE IN FINANCIAL DISCLOSURE REQUIREMENTS)**

Regent Rosha invited Boyd Kumher, Chief Compliance Officer, to present for action proposed amendments to Board of Regents Policy: *Institutional Conflict of Interest* related to a change in financial disclosure requirements, as detailed in the docket.

Kumher reminded the committee of the proposed amendments, noting that they would reduce the number of employees defined as University officials from 180 to 51. He emphasized that the individuals removed from the Financial Disclosure for University Officials (FDUO) filing will still be required to complete a Report of External Professional Activities (REPA). He told the committee that no changes to the proposed amendments were made since the committee reviewed them in September.

Regent Simmons spoke in favor of the amendments. She commented that any compliance policy needs to ensure actual compliance and offered her support for streamlining the current process. She requested that Kumher report to the Board on actual compliance with the amended policy.

In response to related questions from Regent Hsu, Kumher stated that he was unsure of the exact savings, but asserted that 129 filers would spend less time filling out the REPA as compared to the FDUO. He explained that depending on the complexity of holdings, individuals might take several hours to multiple days to complete a FDUO.

In response to a question from Simmons, Kumher agreed to examine adding the director of the Bell Museum of Natural History to the list of additional University staff required to complete a FDUO.

Rosha noted that the Office of the General Counsel provided a memo describing the other processes in place for these employees outside of the FDUO requirements. He offered that the amendments provide a thoughtful approach to the University's compliance program, but that ongoing Board oversight will be needed since no process can prevent all potential misconduct.

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

**BOARD OPERATIONS, PART 2:
MEETING PROCEDURES AND EMERGENCY APPROVAL**

Regent Rosha invited Executive Director Steeves to review meeting procedures and the emergency approval process articulated in Board of Regents Policy: *Board Operations and Agenda Guidelines* (BOAG), as detailed in the docket.

Steeves outlined the remaining items that require review. He described the meeting procedures and agenda item categories outlined in BOAG. He described and gave examples for each category. Steeves explained the process for emergency approval as defined by BOAG, noting that since 2014, the process has been used eight times. He offered discussion questions for the committee's consideration.

The committee engaged in a discussion regarding the use of the emergency approval process, including the need for communication of emergency approval items ahead of action and once action is taken; the need to clarify how such items are presented to the relevant committee and the full Board; how the process has been used in the past; the types of items that the emergency approval process should be used for; the need for an emergency approval mechanism; and other communication methods for emergency approvals.

Rosha noted that the committee had not yet discussed what constitutes a review and action item and would need to return to that discussion at a later time.

**COMMITTEE CHARGES:
MISSION FULFILLMENT COMMITTEE**

Regent Rosha invited Executive Vice President and Provost Hanson and Maggie Flaten, Board Associate, Communications & Committees, to discuss a draft committee charge for the Mission Fulfillment Committee, as detailed in the docket.

Flaten reminded the committee that this was the second in a series of conversations to review draft amendments to Board of Regents Policy: *Board Operations and Agenda Guidelines* (BOAG) to codify the new committee structure. She reviewed the committee description, noting that the scope was expanded from the former Academic & Student Affairs Committee. Flaten detailed the types of items the committee will recommend to the Board for action, as well as areas of committee oversight.

Hanson described the expanded role of the Mission Fulfillment Committee. She noted that the granting of tenure and continuous appointments would be moved into the committee. Hanson proposed moving appointments of deans and vice provosts to the Mission Fulfillment Committee from the Finance & Operations Committee, arguing that those academic appointments are better aligned with Mission Fulfillment. She emphasized the need to work closely with the Finance & Operations Committee, citing the example of how enrollment goals affect the need for facilities like residence halls and classrooms.

Regent Omari observed that the structure included in the Mission Fulfillment Committee charge seeks to mirror the administrative organizational chart. He offered that since Senior Vice President Burnett oversees the Office of Human Resources, the Finance & Operations Committee should oversee appointments and employment agreements. He noted that the Provost oversees the tenure process, so in turn the Mission Fulfillment Committee should oversee the granting of tenure.

Regent McMillan stated his support for following the organizational chart in defining items for committee oversight. Regent Anderson agreed.

Regent Simmons noted that while the committee charge can define the scope of work and establish goals, the Board must ensure that the committee is used strategically to advance the work of the University. She observed that the Finance & Operations Committee has many annual approval items, given the transactional nature of the committee's business, but that the Mission Fulfillment Committee is different. She noted that attention is needed to ensure that strategic topics related to the University's mission come forward, offering the research agenda topic from the previous day as an example. Simmons added that the committee offers the opportunity to discuss topics that the Board has not engaged on together, such as defining the University's outreach mission.

Regent Beeson noted that the committee charge does not mention the University's land-grant mission, and suggested adding such a reference to the charge.

McMillan described the new committee structure as an iterative process that is working reasonably well. He agreed that Finance & Operations is heavy in transactional items, expressing his concern that the volume of transactions can be overwhelming. He noted that Mission Fulfillment offers more substantive conversations across the University's mission. He expressed his openness for feedback on how the new committee structure continues to perform.

Rosha emphasized the symbiotic relationship between the two committees, and how that will help drive the work of the Board forward.

BOARD APPROVAL THRESHOLDS, PART 1: PRINCIPLES

Regent Rosha invited Senior Vice President Burnett and Executive Director Steeves to discuss principles related to the review of the Board's approval thresholds as stated in Board of Regents Policy: *Reservation and Delegation of Authority*, as detailed in the docket.

Steeves outlined the proposed process for reviewing the thresholds stated in Board policy. He noted the Board and administration's interest in an off-cycle amendment to refine thresholds within policy. Steeves reviewed possible principles to guide review of the thresholds, and outlined the current thresholds in policy.

Burnett asked for the Board's input regarding how to review the current thresholds, and shared discussion questions to guide the committee. He raised the question of alignment across thresholds, noting that much of the current misalignment was unintentional and varied by the type of approval item. Burnett asked whether some thresholds should differ depending on whether an item is sole source versus competitively bid. He noted that the umbrella threshold in policy was used to bring action items like the recent naming rights extension for TCF Bank Stadium to the Board.

Steeves reviewed the current umbrella threshold language. He suggested discussion questions to frame review of that language.

Regent Beeson noted that the thresholds chart was interesting, acknowledging that there have been reasons why each threshold was set. He stated his belief that some of the thresholds should be increased, citing purchases as an example. Beeson argued that some thresholds could be lower, citing the sale of property as an example. He explained his preference for listing the specific employment positions that should require Board approval, but indicated that he would be willing to consider a dollar threshold as well.

Regent McMillan expressed his appreciation for the threshold chart as a needed tool in reviewing the thresholds.

Regent Simmons suggested that the timeframe associated with the terms of a purchase or contract could also be considered when defining thresholds, observing that a multiyear contract might not be above the threshold in a single year, but would be over the threshold if the full length of the contract were considered. She explained that she finds the umbrella language confusing and advocated that the language be clarified.

Burnett responded that he has noticed that the administration takes a very conservative view of ensuring that multiyear contracts come to the Board for approval if the total value of the contract is approve the current \$1 million threshold. He offered that this has been a historic practice based on a level of trust between the Board and the administration. Rosha cautioned that there not be any implication that a specific threshold, or oversight thereof, be based on trust. Burnett agreed with Rosha that it is not about trust, but being confident in the thresholds put in place.

Regent Omari expressed hesitation in using competitive bidding as a determination. He stated his belief that the bidding process is not clear to the Board and asserted that there have been times when a purchase that was competitively bid had only one bidder.

In response to a question from Regent Powell, President Kaler explained that the University has a cap of \$350,000 in total support provided to companies seeking to commercialize the University's intellectual property.

Simmons stated her desire for a clear determination whether the umbrella language covers employment agreements and explained that she would not support it doing so. Rosha commented that his concern is not specific to athletic employment contracts, but employment agreements generally. He suggested that the Board's thresholds should be about risk and that employment agreements are high risk since the funds cannot be recovered if the employee does not perform well. He noted that while he does not want to approve faculty agreements, the Board does approve the granting of tenure.

INFORMATION ITEMS

Executive Director Steeves referred the committee to the information items in the docket:

- Completed Comprehensive Review of Board Policy

The meeting adjourned at 9:34 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Mission Fulfillment Committee
October 12, 2017**

A meeting of the Mission Fulfillment Committee of the Board of Regents was held on Thursday, October 12, 2017, at 1:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Michelle Behr and Lendley Black; Interim Chancellor Lori Carrell; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice President Bernard Gulachek; Interim Vice President Allen Levine; and Executive Director Brian Steeves.

Student Representatives present: Mina Kian and Joshua Preston

DIVERSITY AND INCLUSION: CAMPUS CLIMATE, FACULTY, AND GRADUATE EDUCATION

Regent Omari invited Provost Hanson; Scott Lanyon, Vice Provost and Dean of Graduate Education; Valery Forbes, Dean, College of Biological Sciences, Twin Cities campus; Sean Garrick, Professor, Mechanical Engineering, Twin Cities campus; and Fernando Delgado, Executive Vice Chancellor for Academic Affairs, Duluth campus to discuss diversity and inclusion, as detailed in the docket.

Hanson introduced the item and explained the importance of the state's land grant institution being mindful of and responsive to the state's changing demographics. Lanyon reported that the Graduate School, as a central system-wide office, is actively working to share best practices in recruiting and advising students from diverse backgrounds. He explained that while the Graduate School has seen some success, more work is needed to prepare students from diverse backgrounds to be successful in graduate programs at the University.

Garrick provided an overview of the new President's Post-Doctoral Fellowship Program, modeled after a successful program in the University of California system. He explained that students have formally and informally raised the issue of lack of faculty diversity and this program is one initiative to address that.

Forbes reported on diversity and inclusion initiatives in the College of Biological Sciences. She shared examples of efforts in faculty recruitment and retention, campus climate, and faculty professional development.

Delgado shared the challenges of the Duluth campus in attracting and retaining both students and faculty from diverse backgrounds. He explained the need for a more diverse faculty and staff in order to enroll a more diverse student body.

In response to a question from Omari, Delgado reported that Minnesota's demographics are changing and high school graduates will be much more diverse in the next two decades. He added that the largest growth will be in populations with the biggest achievement gap currently

across the state. He stressed the importance of pipeline and college-readiness programs for those populations, so that they will be prepared to be successful at the University.

Regents Simmons asked about the importance of geographic diversity. Lanyon responded that although the University's research is valuable to the state of Minnesota, all diversity – including geographic diversity – is valuable for bringing new ideas and perspectives into that research. Forbes offered that students also desire interaction with students from diverse backgrounds and other states.

Hsu asked for more data about faculty diversity and goals to increase it. Forbes reported that the first-year class in the College of Biological Sciences is 65 percent female, but the faculty is 35 percent female. Students of color represent 30 percent of the incoming class, which is above the University-wide 23 percent. She added that the percentage of faculty of color is in the single digits and expressed her frustration with the inability to increase that number. Delgado shared that faculty on the Duluth campus from underrepresented groups is less than 10 percent. Garrick reported that over the past 15 years, the University's number of diverse faculty has either stayed the same or decreased and is significantly lower than at peer institutions.

Regent Powell commented on the high priority placed on diversity and inclusion in the corporate community. He added that corporate recruiters want a diverse employee base and may be interested in helping the University with initiatives to create a pipeline for students and future employees.

In response to questions from Regent Rosha, Delgado and Garrick explained that qualitative and quantitative studies prove the advantages and benefits to students learning in a diverse environment.

Simmons asked about the impact of federal decisions on the University's ability to attract and retain a diverse student body. Delgado reported that if the PELL grant continues to decrease in size and number of awards, it will become more difficult for underrepresented students to attend the University. He suggested the University begin thinking about how to financially support those students without PELL funding.

Regent Beeson remarked on the success of the financial investment in recruiting students from non-resident/non-reciprocity states and asked if a similar model could be used to attract more diverse faculty. Garrick responded that the President's Post-Doctoral Fellowship Program will be a powerful tool to attract new faculty. He added that if fellows have a positive experience in their time at the University, they will share that message with their networks, which is an influential approach in the academic community.

THE UNIVERSITY'S RESEARCH ENTERPRISE

Regent Omari invited Allen Levine, Interim Vice President for Research; Jessica Hellmann, Director, Institute on the Environment; Jennifer Gunn, Director, Institute for Advanced Study; and Colleen Satyshur, Research Scientist, Department of Ecology, Evolution, and Behavior to discuss the University's research enterprise, as detailed in the docket.

Levine introduced the item, noting its focus on qualitative and interdisciplinary research that intersects the arts, humanities, and sciences. He also addressed the decrease in total research awards received in FY 2017 and reminded the committee that the Board will receive the annual report on research at the December meeting.

Gunn outlined the Institute of Advanced Study, a University-wide interdisciplinary department, and shared examples of collaborative and cross-disciplinary research. Hellmann described the interdisciplinary research conducted at the Institute on the Environment. Satyshur shared her

research that was funded by a Minnesota Futures award, a program that funds projects in order to make them more competitive for future external funding.

Regent Simmons commented on the importance of discovery and creativity at a research university and noted that research is much more than sponsored projects, technology, and start-ups. She noted that the University brings value to the state through its qualitative and interdisciplinary research in addition to sponsored research.

Regent Johnson asked how researchers bridge the gap between science and politics. Hellman responded that interdisciplinary researchers consistently work to answer that question, citing the example of climate change. She offered that the combination of sciences and humanities prepares people to be capable of implementing solutions to grand challenges.

In response to a question from Regent Cohen, Levine explained that funding for interdisciplinary and qualitative research comes from both internal sources and external sponsored funds.

In response to questions from Regent Lucas, Satyshur noted that the Minnesota Futures Grant is one of only a few research awards she is eligible for as a staff scientist. Her award was \$245,000. Levine explained that the application process is competitive and funded through the Office of the Vice President for Research budget.

Student Representative Preston observed that the intersection of the arts and sciences is central to the University's land-grant mission. Regent Powell echoed that sentiment, remarking on the importance of communicating the University's scientific findings.

21ST CENTURY OUTREACH MISSION, PART I: EXTENSION AND RESEARCH & OUTREACH CENTERS

Regent Omari invited Provost Hanson; Beverly Durgan, Dean, University of Minnesota Extension; and Brian Buhr, Dean, College of Food, Agriculture and Natural Resource Sciences (CFANS) to present on the 21st century outreach mission, as detailed in the docket.

Hanson introduced the item, noting that this is the first in a three-part series of discussions. She noted that outreach and public service are core to the University's mission and have changed to meet the changing needs of the state.

Durgan provided an overview of Extension, noting Extension operates in all 87 counties. She explained that Extension's efforts are broken into four major categories: 4-H and youth development; agriculture, food, and natural resources; family development; and community vitality. She highlighted 4-H, which began in rural communities but has expanded to include programming in urban and suburban communities as well.

Buhr reported that the function of Research and Outreach Centers (ROCs) is similar to other academic units in CFANS. The ROCs are located across the state in order to conduct research on land with different climate conditions and soil variations. Buhr stressed the importance of agriculture research, citing a study that showed a return on investment of over \$40 for every \$1 invested. He added that most states see a return of \$21 for every \$1.

Regent Rosha remarked on the importance of understanding the history of Extension and recognizing the role of the state's land-grant institution in developing the agriculture industry. He asked whether Extension is likely to always have a rural Minnesota/agriculture focus. Durgan responded that it will serve all populations, and that youth programs like 4-H are growing rapidly in urban and suburban areas. She noted that other programs such as the Master Gardener program are administered through Extension, but even those enrolled in the

program do not see it as a function of Extension. Durgan emphasized the importance of evolving with the needs of the state while staying true to Extension's roots in agriculture.

Regent Anderson conveyed the importance of having an Extension presence in every county in Minnesota because it helps enhance the University's statewide visibility. He reported that he has seen the impact of Extension's work in his community's economic development efforts and with the local chamber of commerce.

In response to questions from Regent Sviggum, Buhr confirmed that University researchers are studying white mold-resistant soybeans. Sviggum noted that it is the biggest problem facing soybean farmers.

Regent Beeson commented that both the hard sciences and social sciences must be included in the work of Extension and outreach. He reported that he recently visited the Center for Small Towns in Morris and that visit illustrated to him the importance of the social sciences in economic development and opportunity in rural Minnesota.

In response to questions from Regent Hsu, Buhr reported that the \$40 return for every \$1 invested in agriculture research in Minnesota is based on long-range return.

In response to a question from Regent Powell, Buhr explained that Extension and CFANS are involved extensively in water quality research. He added that they cooperatively operate the University's Water Resource Center on the St. Paul campus.

UPDATE ON ONLINE LEARNING OFFERINGS

Regent Omari invited Provost Hanson; Mary Holz-Clause, Chancellor, University of Minnesota Crookston; Christopher Cramer, Associate Dean, College of Science and Engineering; and Philip Miller, Assistant Dean, Carlson School of Management to discuss the University's online learning offerings, as detailed in the docket.

Hanson provided a summary of the number of online learning opportunities across the University system and noted that 12 percent of degree programs can be completed online and nearly 10 percent of all courses are delivered completely online. She explained that faculty also offer courses in a blended format by incorporating online components into their in-person classes. Hanson reported that she has charged a committee of faculty and staff to provide guidance on shaping the vision for the future of online learning across the system.

Cramer described the College of Science and Engineering's partnership with Coursera, an online platform, in offering massive open online courses (MOOCs). He explained that University coursework content is copied to Coursera, allowing anyone to take the course online and earn a Coursera certificate. Cramer noted that this initiative is beginning to generate revenue, and reported on the number of students who have accessed University course material through the platform.

Holz-Clause provided an overview of the Crookston campus's online enrollment, including year-to-year enrollment trends and degree programs offered. She explained that the demographic profile of online students mirrors that of the on-campus population with the exception of age; online students, on average, are older. Holz-Clause described the online programs as fulfilling the modern land grant through access. Online students may have not been able to complete a college degree otherwise.

Miller shared the Carlson School of Management's evolution of its part-time MBA program from primarily in-person to a flexible program that can be completed online. He explained that the

change originated in changing student needs and has expanded the reach of the University and increased the number of students from greater Minnesota.

In response to questions from Omari, Miller explained that costs, technology needs, and staffing needs have changed. He explained that the Carlson School has increased the number of instructional design staff from one to four. Holz-Clause explained that the Crookston campus has three instructional designers whose role is to partner with faculty to deliver the coursework online. She added that at Crookston, faculty who teach online have developed a community through sharing ideas and best practices for course delivery.

Regent Beeson urged the presenters to consider partnerships with area businesses to invest in customized programs for their employees. He noted it is one way to grow enrollment in Minnesota and make connections with corporate partners. Miller explained that the Carlson School has partnerships with many local companies and global firms in their Executive Education and certificate course offerings. Holz-Claus reported that Crookston is beginning conversations with local businesses to become a preferred educational partner for their employees.

Regent Hsu echoed Beeson's remarks and suggested that the Board receive an analysis on the return on investment of online course offerings. President Kaler added the System-Wide Strategic Plan will include an online learning element.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - Carlson School of Management (Twin Cities campus) – Create graduate minor in Business Management
- **Request for Conferral of Tenure for Outside Hires**
 - Constantin Aliferis, Professor with tenure, Medicine, Medical School
 - Catherine McCarty, Professor with tenure, Family Medicine and Biobehavioral Health, Medical School

INFORMATION ITEMS

Provost Hanson referred the committee to the information items contained in the docket materials

The meeting adjourned at 4:42 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary