



Governance & Policy Committee

December 2017

December 15, 2017

7:45 a.m. - 9:00 a.m.

Boardroom, McNamara Alumni Center

GOV - DEC 2017

1. Board of Regents Policy: Reservation and Delegation of Authority (Approval Thresholds) - Review

Docket Item Summary - Page 3

Revised Policy - Page 6

Revised Presentation Materials - Page 13

Presentation Materials - Page 27

2. Board Operations, Part 3: Legislative Reports and Presidential Performance Review, Evaluation, and Compensation

Docket Item Summary - Page 38

Presentation Materials - Page 40

Board Operations and Agenda Guidelines - Page 56

3. Committee Charges: Audit & Compliance Committee

Docket Item Summary - Page 65

Draft Committee Charge - Page 66

4. Committee Charges: Governance & Policy Committee

Docket Item Summary - Page 68

Draft Committee Charge - Page 69



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 15, 2017

AGENDA ITEM: Board of Regents Policy: *Reservation and Delegation of Authority* (Approval Thresholds)

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President
Brian R. Steeves, Executive Director & Corporate Secretary

PURPOSE & KEY POINTS

The purpose of this item is review of proposed changes to the Board’s approval thresholds, as defined within Board of Regents Policy: *Reservation and Delegation of Authority*. A summary of those thresholds broken down by type and amount is included in the docket materials.

Review Framework

In October, the committee discussed the following framework for reviewing the University’s current approval thresholds:

1. Continue to strengthen public confidence in the University’s decision-making processes.
2. Ensure that Board oversight of University operations is right sized and at the right level.
3. Align thresholds for consistency across types of projects and purchases.
4. Avoid surprises that might create public relations risks.

Threshold Recommendations

Board policy outlines four major types of approval thresholds:

1. Contracts for Goods & Services
2. Real Estate & Capital Projects
3. Other approval thresholds
4. Appointment authority

In addition, Board policy includes umbrella language for other commercial transactions or matters not otherwise subject to Board approval. Proposed changes to each of these areas are as follows:

Contracts for Goods & Services - Article I, Section VII

Approval Item	Current Threshold	Proposed Threshold
Individual purchases of goods and services - Subd. 6	\$1 million	\$2 million

Real Estate & Capital Projects - Article I, Section VIII

Approval Item	Current Threshold	Proposed Threshold
Purchase or sale of real property - Subd. 1	\$1.25 million or larger than 10 acres	\$2 million
Leases, easements, or other interests in real property - Subd. 2	Initial term amount to be paid by or to the University exceeds \$1.25 million	Initial term amount to be paid by or to the University exceeds \$2 million
Capital budget projects and amendments - Subd. 7	\$500,000	\$2 million
Multi-year capital plans - Subd. 6	\$1 million	\$5 million
Schematic Plans - Subd. 9	<ul style="list-style-type: none"> • Interior renovations - \$5 million • Exterior visual impact - \$2 million • Projects that vary from adopted campus master plans or have significant visual impact • Projects noted during the annual review of the capital budget. 	Eliminate approval requirement - for all projects over \$5 million, schematic plans would be included as a part of the final review of capital projects.
Final review of capital projects prior to award of construction contracts - Subd. 10	\$5 million - received as an information item.	No change.

Other Approval Thresholds

Approval Item	Current Threshold	Proposed Threshold
Financial support to non-University entities for the commercialization of technology - Article I, Section V, Subd. 4	\$250,000	Modify language since a “not to exceed” threshold of \$250,000 is already included in Board of Regents Policy: <i>Commercialization of Intellectual Property Rights.</i>
Amendments to the University sponsored retirement plans - Article I, Section XI, Subd. 3	\$250,000	No threshold - all amendments would come to the Board for approval.

Appointment Authority - Article I, Section IV

Proposed changes to this section of the policy include:

- Establishment of a threshold requiring Board approval for employment agreements that create a contractual obligation totaling an amount to be determined by the Board;
- Clarification that significant amendments to Board-approved employment agreements are also subject to Board approval;
- Adding Vice Chancellor for Academic Affairs to the list of positions requiring Board approval (this was previously identified by the administration as a gap in current policy); and
- Other minor corrections to the appointment list.

Umbrella Approval Language - Article I, Section I

The proposed amendment modifies the current umbrella language to reduce confusion as follows:

Subd. 6. The Board reserves to itself authority to approve any ~~commercial transaction or~~ matter not otherwise ~~subject reserved~~ to the Board approval in Article I, Section II through Section XII of this policy or in other Board polices, if the ~~transaction or~~ matter:

- a) raises unusual questions of public interest or public policy;
- b) has a significant impact on the University's mission; or
- c) has a value greater than \$2 million.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the proposed amendments to Board of Regents Policy: *Reservation and Delegation of Authority.*



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY**

Page 1 of 7

Delegation of Authority

**RESERVATION AND DELEGATION OF
AUTHORITY**

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9, 2008; February 12, 2010; February 10, 2012; May 12, 2017

Technical Change: March 1, 2012; December 11, 2013; March 31, 2016; February 10, 2017; October 13, 2017

Supersedes: (see end of policy)

Draft for Review

RESERVATION AND DELEGATION OF AUTHORITY

ARTICLE I

RESERVATION OF AUTHORITY

SECTION I. GENERAL RESERVATIONS OF AUTHORITY.

Subd. 1. The Board of Regents reserves to itself all authority necessary to carry out its legal and fiduciary responsibilities under the University Charter, the Constitution of the State of Minnesota, and the Board of Regents (Board) Bylaws. This reservation specifically includes all authority to enact laws and policies for the governance of the University of Minnesota (University) and to issue Board directives to executive officers and employees. The Board's reserved authority shall be exercised consistent with the University Charter, the Constitution of the State of Minnesota, Board Bylaws, and relevant Board policies.

Subd. 2. The Board reserves to itself authority to ensure constitutional and institutional autonomy, to approve the University's mission and vision, to set the overall direction of the institution, including the adoption of fundamental plans for the educational, financial, and physical development of the University, and to declare a fiscal emergency.

Subd. 3. No authority that the Board reserves to itself in this policy shall be exercised by any other person or body unless expressly authorized by Board policy or directive.

Subd. 4. The authority of the Board resides only with the Board as a whole and not in its individual members, except as the Board itself may have delegated specific authority to one of its members or one of its committees.

Subd. 5. The Board reserves to itself authority to approve the use, and revocation of the use, of its corporate name or any abbreviated name, including *University of Minnesota*, by any non-University person or entity, consistent with Board policies. The Board also reserves authority over the removal of the corporate name or any abbreviated name from the name of any University campus, college, school, division, or unit, consistent with Board policies.

Subd. 6. The Board reserves to itself authority to approve any ~~commercial transaction or~~ matter not otherwise ~~subject reserved~~ to ~~the~~ Board ~~approval in Article I, Section II through Section XII of this~~ policy or in other Board policies, if the ~~transaction or~~ matter:

- a) raises unusual questions of public interest or public policy;



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 2 of 7

Delegation of Authority

RESERVATION AND DELEGATION OF
AUTHORITY

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9,
2008; February 12, 2010; February 10, 2012; May 12,
2017

Technical Change: March 1, 2012; December
11, 2013; March 31, 2016; February 10, 2017;
October 13, 2017

Supersedes: (see end of policy)

Draft for Review

- b) has a significant impact on the University's mission; or
- c) has a value greater than \$2 million.

SECTION II. CONDUCT OF BOARD BUSINESS.

The Board reserves to itself authority to establish procedures for the conduct of its business, create committees, set its agenda, require reports from executive officers and employees, hear appeals, and enforce its code of ethics.

SECTION III. ELECTION OF BOARD OFFICERS.

The Board reserves to itself authority to elect and remove Board officers, including the president, chair, vice chair, secretary, and treasurer.

SECTION IV. APPOINTMENT AUTHORITY.

Subd. 1. The Board reserves to itself authority to appoint all individuals and approve any individually negotiated terms of employment, and any significant contract amendments, for those who serve in each of the following positions:

- (a) Chancellor
- (b) Chief Auditor
- (c) Dean
- (d) Director of Intercollegiate Athletics ~~Director~~, Twin Cities campus
- (e) Executive Vice President and Provost
- (f) General Counsel
- ~~(g) Provost~~
- (g) Senior Vice President for Finance and Operations
- (h) University Librarian and Dean of Libraries
- (i) Vice Chancellor for Academic Affairs
- (j) Vice President
- (k) Such other administrative positions as the Board may specify from time to time.

The president shall recommend individuals for appointment to these positions, consistent with Board policies and directives.

Subd. 2. The Board reserves to itself authority to approve any individually negotiated terms of employment, and any significant contract amendments, when the employment agreement creates a contractual obligation totaling \$ _____ or more.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 3 of 7

Delegation of Authority

RESERVATION AND DELEGATION OF
AUTHORITY

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9, 2008; February 12, 2010; February 10, 2012; May 12, 2017

Technical Change: March 1, 2012; December 11, 2013; March 31, 2016; February 10, 2017; October 13, 2017

Supersedes: (see end of policy)

Draft for Review

Subd. 2 3. The Board reserves to itself authority to remove University officers as provided in the University Charter. The president (a) may remove the general counsel with Board approval and (b) may remove any other individuals appointed under subd. 1 of this section, except the chief auditor.

Subd. 3 4. The Board reserves to itself authority to appoint members of the boards of University-associated foundations, institutes, committees, and other bodies, consistent with Board policies.

SECTION V. ACADEMIC MATTERS.

Subd. 1. The Board reserves to itself authority to grant academic degrees, grant faculty indefinite tenure, grant continuous appointments to academic professionals, and award the title faculty emeritus, consistent with Board policies.

Subd. 2. The Board reserves to itself authority to establish, name, and abolish colleges, academic institutes, programs, and courses of study, consistent with Board policies.

Subd. 3. The Board reserves to itself authority to establish tuition and student fees and approve policies and reciprocity agreements related to such matters, consistent with Board policies.

Subd. 4. The Board reserves to itself authority to: (a) establish and review policies relating to the conduct of research and the receipt and accounting of sponsored research funds; (b) require timely reporting to the Board of sponsored research activity; and (c) ~~approve~~ **establish limits for** financial support ~~greater than \$250,000~~ to non-University entities for the commercialization of technology, ~~consistent with Board policies as defined by Board of Regents Policy: Commercialization of Intellectual Property Rights.~~

Subd. 5. The Board reserves to itself authority to approve educational policies and procedures, in consultation with the president and the faculty governance process, consistent with Board policies. This policy is not intended to alter the relationship between the Board, the University Senate, and the faculties regarding educational policies.

SECTION VI. AWARDS, HONORS, AND NAMINGS.

Subd. 1. The Board reserves to itself authority to establish and bestow awards, honors, and recognition, consistent with Board policies.

Subd. 2. The Board reserves to itself authority to name and revoke names of University buildings and other assets, consistent with Board policies.

SECTION VII. BUDGETARY, FINANCIAL, AND INVESTMENT MATTERS.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 4 of 7

Delegation of Authority

RESERVATION AND DELEGATION OF
AUTHORITY

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9, 2008; February 12, 2010; February 10, 2012; May 12, 2017

Technical Change: March 1, 2012; December 11, 2013; March 31, 2016; February 10, 2017; October 13, 2017

Supersedes: (see end of policy)

Draft for Review

Subd. 1. The Board reserves to itself authority to approve the following: annual operating budgets; the central reserves budget and minimum reserve level; and adjustments and amendments, consistent with Board policies. The Board also reserves to itself authority to approve any modifications to the central reserves budget and any expenditures from the central reserves general contingency account, consistent with Board policies.

Subd. 2. The Board reserves to itself authority to approve all requests for operating and capital budget appropriations from the State of Minnesota and positive or negative adjustments to the budget caused by a 1% or more change in total appropriations within a fiscal year.

Subd. 3. The Board reserves to itself authority to establish investment objectives, approve asset allocation guidelines, and approve the payout rate for endowment distributions.

Subd. 4. The Board reserves to itself authority to authorize issuance and retirement of debt and to engage debt advisers and/or underwriters, consistent with Board policies.

Subd. 5. The Board reserves to itself authority to accept gifts for the benefit of the University, consistent with Board policies.

Subd. 6. The Board reserves to itself authority to approve individual purchases of goods and services with a value greater than ~~\$1,000,000~~ \$2,000,000, consistent with Board policies.

SECTION VIII. PROPERTY, FACILITIES, AND CAPITAL BUDGETS.

Subd. 1. The Board reserves to itself authority to approve the purchase or sale of real property with a value greater than ~~\$1,250,000 or larger than ten (10) acres~~ \$2,000,000, consistent with Board policies.

Subd. 2. The Board reserves to itself authority to approve leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds ~~\$1,250,000~~ \$2,000,000, consistent with Board policies.

Subd. 3. The Board reserves to itself authority to exercise the power of eminent domain to acquire land for University purposes.

Subd. 4. The Board reserves to itself authority to (a) exercise property owner rights regarding the designation, decommissioning, or demolition of historic resources; and (b) take final action on all environmental reviews of historic resources initiated by the administration for which the University is the responsible governmental unit, consistent with Board policies and applicable state and federal laws.

Subd. 5. The Board reserves to itself authority to approve campus master plans and amendments thereto.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 5 of 7

Delegation of Authority

RESERVATION AND DELEGATION OF
AUTHORITY

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9, 2008; February 12, 2010; February 10, 2012; May 12, 2017

Technical Change: March 1, 2012; December 11, 2013; March 31, 2016; February 10, 2017; October 13, 2017

Supersedes: (see end of policy)

Draft for Review

Subd. 6. The Board reserves to itself authority to approve multi-year capital plans consisting of projects with a value greater than ~~\$1,000,000~~ \$5,000,000.

Subd. 7. The Board reserves to itself authority to approve annual capital budgets consisting of projects with a value greater than ~~\$500,000~~ \$2,000,000.

Subd. 8. The Board reserves to itself authority to approve capital budget amendments to approved projects and new projects when the amendment has a value greater than ~~\$500,000~~ \$2,000,000.

Subd. 9. ~~The Board reserves to itself authority to approve project schematic plans for (a) interior renovations with a value greater than \$5,000,000; (b) projects with a value greater than \$2,000,000 that have an exterior visual impact; (c) projects that vary from adopted campus master plans or that have a significant visual impact; and (d) projects noted during the annual review of the capital budget.~~

Subd. 10. The Board reserves to itself authority for a subsequent review of approved capital budget projects, including schematic plans, with a value greater than \$5,000,000 prior to the award of construction contracts.

SECTION IX. LEGAL MATTERS.

The Board reserves to itself, or to one of its committees, authority to direct the president or the general counsel to settle any legal claim or initiate or appeal a lawsuit or administrative proceeding, consistent with Board policies.

SECTION X. AUDIT FUNCTION.

The Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external auditors and the chief auditor; and evaluate the performance of the independent auditor, and, jointly with the president, the performance of the internal audit function.

SECTION XI. EMPLOYMENT AND LABOR RELATIONS.

Subd. 1. The Board reserves to itself authority to approve all contracts and other agreements with the exclusive collective bargaining representatives of its employees.

Subd. 2. The Board reserves to itself authority to approve civil service rules and annual pay and benefit plans for University employees.

Subd. 3. The Board reserves to itself authority to establish or discontinue retirement plans for University faculty and staff. For those plans sponsored by the University and governed by formal plan documents, the Board reserves to itself authority to approve amendments to those plans ~~that significantly affect the cost structure of the plans. An amendment is considered to significantly affect~~



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY**

Page 6 of 7

Delegation of Authority

**RESERVATION AND DELEGATION OF
AUTHORITY**

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9, 2008; February 12, 2010; February 10, 2012; May 12, 2017

Technical Change: March 1, 2012; December 11, 2013; March 31, 2016; February 10, 2017; October 13, 2017

Supersedes: (see end of policy)

Draft for Review

~~the cost structure of the plan if the change causes a cost impact of more than \$250,000.~~

Subd. 4. The Board reserves to itself authority to review individually negotiated employee severance agreements of unusual importance or significance.

SECTION XII. ASSOCIATED ORGANIZATIONS.

The Board reserves to itself authority to approve the legal structure and scope of any relationship between the University and any associated organization, non-profit corporation, foundation, institute, or similar entity that substantially relies upon University resources or personnel to carry out its mission.

ARTICLE II

DELEGATION OF AUTHORITY

SECTION I. DELEGATION OF AUTHORITY TO THE PRESIDENT.

The Board delegates to the president authority to act as chief executive officer of the University, with such general executive management and administrative authority over the University as is reasonable and necessary to carry out the policies and directives of the Board, subject to the limitations noted in Article II, Section II below.

SECTION II. LIMITATIONS UPON PRESIDENTIAL AUTHORITY.

The authority delegated to the president is limited by the following:

- (a) the provisions of the University Charter and the Constitution of the State of Minnesota;
- (b) the provisions of Board Bylaws;
- (c) the provisions of Board policies and directives, including specifically Article I of this policy; and
- (d) the directive that the president shall notify the Board of any matter not otherwise addressed in this section that significantly involves the authority and role of the Board, including its fiduciary, oversight, and public accountability responsibilities.

SECTION III. DELEGATION OF AUTHORITY BY THE PRESIDENT.

Subd. 1. Unless otherwise restricted by specific Board policies or directives, the president shall be responsible for delegating general executive management and administrative authority to other executive officers and employees as necessary and prudent, including authority to execute contracts



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 7 of 7

Delegation of Authority

RESERVATION AND DELEGATION OF AUTHORITY

Adopted: April 5, 2001

Amended: July 9, 2004; December 10, 2004; July 9, 2008; February 12, 2010; February 10, 2012; May 12, 2017

Technical Change: March 1, 2012; December 11, 2013; March 31, 2016; February 10, 2017; October 13, 2017

Supersedes: (see end of policy)

Draft for Review

and other legal documents. The president may condition, limit, or revoke any presidential authority so delegated.

Subd. 2. All delegations and revocations under this section shall be in writing, name the position to whom such authority is delegated, describe the scope and limitations of such authority, and prescribe the extent to which such authority may be further sub-delegated.

Subd. 3. All delegations and revocations under this section shall be reviewed as to form, legality, and consistency by the general counsel.

Subd. 4. Annually, the president shall report to the Board significant changes to the delegations.

SECTION IV. DELEGATION OF AUTHORITY TO THE CHAIR AND VICE CHAIR.

The chair and vice chair of the Board shall have such authority as is authorized by Board Bylaws and policies and is customarily exercised by such officers of a corporation. The chair shall have authority to execute any and all instruments and documents on behalf of the Board.

SECTION V. DELEGATION OF AUTHORITY TO THE BOARD SECRETARY, TREASURER, GENERAL COUNSEL, AND CHIEF AUDITOR.

The secretary, treasurer, general counsel, and chief auditor shall have authority to perform such duties for the Board as provided by Board Bylaws, policies, and directives.

The secretary shall have authority to execute such instruments and documents that would customarily devolve upon a corporate officer and are usual to that office.

The secretary and the general counsel shall have authority to accept legal service on behalf of the University.

SECTION VI. CONFORMANCE WITH THIS POLICY.

Subd. 1. Any request or demand by a Board member for action must be consistent with the written policies, rules, and regulations of the Board and the University.

Subd. 2. No executive officer or employee of the University shall have any authority to take any action or make any representation on behalf of the University beyond the scope of, or materially inconsistent with, the authority delegated to such executive officer or employee as provided in this policy.

Subd. 3. The secretary and the general counsel each shall have the duty to inform the Board of any existing or proposed Board policy or directive that is inconsistent with or alters the delegations of authority as provided in this policy.

Supersedes: General Delegations Adopted October 17, 1980, Last Amended October 10, 1997.

Board of Regents Policy: *Reservation and Delegation of Authority* (Approval Thresholds)

Brian D. Burnett
Senior Vice President

Brian R. Steeves
*Executive Director &
Corporate Secretary*



UNIVERSITY OF MINNESOTA

Driven to Discover®

Process Review

- October 2017 – Discussion of principles to guide review of Board approval thresholds.
- **December 2017 – Review of proposed amendments to thresholds.**
- February 2018 – Potential action on amended thresholds.

Principles to Guide Review

1. Continue to strengthen public confidence in University decision-making processes.
2. Ensure Board oversight of University operations is right-sized and at the right level.
3. Align thresholds for consistency across types of projects and purchases.
4. Avoid surprises that have potential to create public relations risks.

Overview of Current Thresholds



*Includes only thresholds outlined in Board of Regents Policy: Reservation and Delegation of Authority.

Overview of Proposed Thresholds

\$2 MILLION

- Individual purchases of goods and services (\$1.0M)
- Capital budget projects and amendments (\$500K)
- Purchase or sale of real property (\$1.25M)
- Leases, easements, or other interests in real property (\$1.25M)
- Matters not otherwise subject to Board approval (NO CHANGE TO DOLLAR THRESHOLD)

\$5 MILLION

- Multi-year capital plans (\$1.0M)
- Final review of capital projects prior to award of construction contracts (NO CHANGE)
- Schematic designs INCLUDE IN FINAL REVIEW OF PROJECTS

Additional

- Amendments to University sponsored retirement plans APPROVE ALL - ELIMINATE \$250K THRESHOLD
- Financial support to non-University entities for commercialization of technology – ADD CROSS REFERENCE TO THRESHOLD ALREADY IN BOARD POLICY
- REMOVE acreage threshold from real property purchase/sale

Capital plans & budgets

Real property

Facilities

Purchasing

Umbrella

Other

Rationale for Change

- Ensure focused oversight by Board of Regents
- Consistency and alignment of like transactions:
 - Purchases of all types
 - Goods and Services
 - Professional Services
 - Real Estate
 - Commercial Transactions
 - Capital projects
 - Align annual decisions with major purchases at \$2M
 - Align long-term decisions with major final project approval at \$5M
 - Commercialization of Technology
 - A not to exceed threshold of \$250,000 is already included in Board of Regents Policy: *Commercialization of Intellectual Property Rights*.

Other Considerations

- Effect of increasing thresholds:
 - purchases of goods and services threshold from \$1M to \$2M

FY16	Items	Dollars (in millions)	% of total dollars presented to Board
\$1M - \$2M	7	\$10.0	2%
\$2M+	14	\$411.9	98%
Total	21	\$421.9	100%

FY17	Items	Dollars (in millions)	% of total dollars presented to Board
\$1M - \$2M	12	\$14.7	3%
\$2M+	29	\$469.3	97%
Total	41	\$484.0	100%

Other Considerations

- Effect of increasing thresholds:
 - real property threshold from \$1.25M to \$2M

FY16	Items	Amount received	Amount paid	Dollars (in millions)	% of total dollars presented to Board
\$1.25M - \$2M	1	\$1.6	\$0	\$1.6	2%
\$2M+	4	\$21.3	\$58.5	\$79.7	98%
Total	5	\$22.9	\$58.5	\$81.3	100%

FY17	Items	Amount received	Amount paid	Dollars (in millions)	% of total dollars presented to Board
\$1.25M - \$2M	1	\$0	\$1.3	\$1.3	1%
\$2M+	7	\$24.2	\$97.0	\$121.2	99%
Total	8	\$24.2	\$98.3	\$122.5	100%

Other Considerations

- Effect of increasing thresholds:
 - capital budget projects and amendments from \$500K to \$2M

Capital projects	Items approved by BOR	Items under \$2M	% of total projects presented to Board
FY15	35	13	37%
FY16	25	7	28%
FY17	16	8	50%

Capital project amendments	Items approved by BOR	Items under \$2M	% of total dollars presented to Board
FY15-17	19	5	26%

Other Considerations

Peer institution review

– Capital projects

- Thresholds range from \$185,000 (Wisconsin state building commission) to \$10M (Penn State)
- Average between \$2M and \$3M

– Purchase of goods and services

- Thresholds range from \$400,000 (Nebraska) to NOT REQUIRED (Indiana, Michigan, Michigan State, Northwestern)
- Average of those required \$2M

– Real property (leases and purchase/sale)

- Leases – thresholds range from \$100,000 to \$10M and 5 years to 30 years
- Purchase/Sale – thresholds range from \$1.25M to ALL

Maintain practice of alerting Board to note-worthy transactions that fall below any of these thresholds

Appointments & Umbrella Language

The proposed language:

- Establishes a threshold requiring Board approval for employment agreements that create a contractual obligation over an amount to be determined by the Board.
- Clarifies that significant amendments to Board-approved employment agreements are also subject to Board approval.
- Adds Vice Chancellor for Academic Affairs to the list of positions requiring Board approval and makes other minor corrections.
- Clarifies the umbrella threshold language to reduce confusion.

Umbrella Language

Possible Revised Umbrella Language

Subd. 6. The Board reserves to itself authority to approve any ~~commercial transaction or~~ matter not otherwise ~~subject reserved~~ to the Board approval in Article I, Section II through Section XII of this policy or in other Board polices, if the ~~transaction or~~ matter:

- a) raises unusual questions of public interest or public policy;
- b) has a significant impact on the University's mission; or
- c) has a value greater than \$2 million.

Appointments Language

Possible Revised Appointment Language

Subd. 1. The Board reserves to itself authority to appoint all individuals and approve any individually negotiated terms of employment, and any significant contract amendments, for those who serve in each of the following positions:

- (a) Chancellor
- (b) Chief Auditor
- (c) Dean
- (d) Director of Intercollegiate Athletics ~~Director~~, Twin Cities campus
- (e) Executive Vice President and Provost
- (f) General Counsel
- ~~(g) Provost~~
- (g) Senior Vice President for Finance and Operations
- (h) University Librarian and Dean of Libraries
- (i) Vice Chancellor for Academic Affairs
- (j) Vice President
- (k) Such other administrative positions as the Board may specify from time to time.

The president shall recommend individuals for appointment to these positions, consistent with Board policies and directives.

Subd. 2. The Board reserves to itself authority to approve any individually negotiated terms of employment, and any significant contract amendments, when the employment agreement creates a contractual obligation totaling \$ _____ or more.



UNIVERSITY OF MINNESOTA
Driven to Discover[®]

You  UniversityofMinn

 UMNNews

 UofMN

The University of Minnesota is an equal opportunity educator and employer.

Board of Regents Policy: *Reservation and Delegation of Authority* (Approval Thresholds)

Brian D. Burnett
Senior Vice President

Brian R. Steeves
*Executive Director &
Corporate Secretary*



UNIVERSITY OF MINNESOTA

Driven to Discover®

Process Review

- October 2017 – Discussion of principles to guide review of Board approval thresholds.
- **December 2017 – Review of proposed amendments to thresholds.**
- February 2018 – Potential action on amended thresholds.

Principles to Guide Review

1. Continue to strengthen public confidence in University decision-making processes.
2. Ensure Board oversight of University operations is right-sized and at the right level.
3. Align thresholds for consistency across types of projects and purchases.
4. Avoid surprises that have potential to create public relations risks.

Overview of Current Thresholds



*Includes only thresholds outlined in Board of Regents Policy: Reservation and Delegation of Authority.

Overview of Proposed Thresholds

\$2 MILLION

- Individual purchases of goods and services (\$1.0M)
- Capital budget projects and amendments (\$500K)
- Purchase or sale of real property (\$1.25M)
- Leases, easements, or other interests in real property (\$1.25M)
- Matters not otherwise subject to Board approval (NO CHANGE TO DOLLAR THRESHOLD)

\$5 MILLION

- Multi-year capital plans (\$1.0M)
- Final review of capital projects prior to award of construction contracts (NO CHANGE)
- Schematic designs INCLUDE IN FINAL REVIEW OF PROJECTS

Additional

- Amendments to University sponsored retirement plans APPROVE ALL - ELIMINATE \$250K THRESHOLD
- Financial support to non-University entities for commercialization of technology – ADD CROSS REFERENCE TO THRESHOLD ALREADY IN BOARD POLICY
- REMOVE acreage threshold from real property purchase/sale

- Capital plans & budgets
- Real property
- Facilities
- Purchasing
- Umbrella
- Other

Rationale for Change

- Ensure focused oversight by Board of Regents
- Consistency and alignment of like transactions:
 - Purchases of all types
 - Goods and Services
 - Professional Services
 - Real Estate
 - Commercial Transactions
 - Capital projects
 - Align annual decisions with major purchases at \$2M
 - Align long-term decisions with major final project approval at \$5M
 - Commercialization of Technology
 - A not to exceed threshold of \$250,000 is already included in Board of Regents Policy:
Commercialization of Intellectual Property Rights.

Other Considerations

- Peer institutions review
 - Thresholds range from \$185,000 (Wisconsin state building commission) to \$10M (Penn State)
 - Average between \$2M and \$3M
- Maintain practice of alerting Board to note-worthy transactions that fall below any of these thresholds

Appointments & Umbrella Language

The proposed language:

- Establishes a threshold requiring Board approval for employment agreements that create a contractual obligation over an amount to be determined by the Board.
- Clarifies that significant amendments to Board-approved employment agreements are also subject to Board approval.
- Adds Vice Chancellor for Academic Affairs to the list of positions requiring Board approval and makes other minor corrections.
- Clarifies the umbrella threshold language to reduce confusion.

Umbrella Language

Possible Revised Umbrella Language

Subd. 6. The Board reserves to itself authority to approve any ~~commercial transaction or~~ matter not otherwise ~~subject reserved~~ to the Board approval in Article I, Section II through Section XII of this policy or in other Board polices, if the ~~transaction or~~ matter:

- a) raises unusual questions of public interest or public policy;
- b) has a significant impact on the University's mission; or
- c) has a value greater than \$2 million.

Appointments Language

Possible Revised Appointment Language

Subd. 1. The Board reserves to itself authority to appoint all individuals and approve any individually negotiated terms of employment, and any significant contract amendments, for those who serve in each of the following positions:

- (a) Chancellor
- (b) Chief Auditor
- (c) Dean
- (d) Director of Intercollegiate Athletics ~~Director~~, Twin Cities campus
- (e) Executive Vice President and Provost
- (f) General Counsel
- ~~(g) Provost~~
- (g) Senior Vice President for Finance and Operations
- (h) University Librarian and Dean of Libraries
- (i) Vice Chancellor for Academic Affairs
- (j) Vice President
- (k) Such other administrative positions as the Board may specify from time to time.

The president shall recommend individuals for appointment to these positions, consistent with Board policies and directives.

Subd. 2. The Board reserves to itself authority to approve any individually negotiated terms of employment, and any significant contract amendments, when the employment agreement creates a contractual obligation totaling \$ _____ or more.



UNIVERSITY OF MINNESOTA
Driven to Discover®

You  UniversityofMinn

 UMNNews

 UofMN

The University of Minnesota is an equal opportunity educator and employer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 15, 2017

AGENDA ITEM: Board Operations, Part 3: Legislative Reports and Presidential Performance Review, Evaluation, and Compensation

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Brian R. Steeves, Executive Director & Corporate Secretary

PURPOSE & KEY POINTS

This item is the last in a three-part series to comprehensively review Board of Regents Policy: *Board Operations and Agenda Guidelines* (BOAG). This discussion will focus on the types of legislative reports the Board wishes to approve and submit to the state; a discussion of the framework used to review, evaluate the president’s performance and set the president’s compensation; and complete the discussion of how agenda items come to the Board.

The Board of Regents, as the governing body of the University, maintains the University’s formal relationship with the other branches of state government and has ultimate authority to accept and submit reports to those branches. The type and number of reports requested by the legislature or state agencies varies, from the University Plan, Performance, and Accountability Report to research reports on specific issues, such as aquatic invasive species. This discussion will seek to define a set of guiding principles for the types of reports the Board wishes to accept and submit, and the types of reports it wishes to delegate to the administration to submit directly, if any.

Section IV of BOAG describes the process used by the Board to evaluate the president’s performance and set the president’s compensation.

Section II, Subd. 6 of BOAG identifies five categories that define how the Board or committee interacts with a given agenda item:

- Review
- Action
- Review/Action
- Discussion
- Other

These agenda categories were reviewed with the committee in October, but there was not sufficient time for committee members to provide feedback.

BACKGROUND INFORMATION

The Governance & Policy Committee participated in several discussions regarding BOAG in 2016-17. Significant effort was devoted to advancing a new committee structure for implementation in 2017-18. Feedback from those discussions, and discussions during 2017-18, will inform revised policy language for consideration in spring 2018.

The committee discussed the fundamental planning documents included in BOAG in September 2017 and discussed meeting procedures and emergency approval in October 2017.

Board Operations Part 3:

Legislative Reports and Presidential Performance Review, Evaluation, and Compensation

Brian R. Steeves

Executive Director & Corporate Secretary



UNIVERSITY OF MINNESOTA

Driven to Discover®

Remaining Items to Review

- December 2017
 - Legislative Reports
 - Presidential Performance Review, Evaluation and Compensation
 - Complete the discussion of how agenda items come to the Board

Legislative Reports

- The Board, as the governing body of the University, maintains the formal relationship with the other branches of state government.
- The Board has the ultimate authority to accept and submit reports to those branches.
- The type of reports submitted to the legislature and executive departments vary widely.

Legislative Reports

- Possible criteria to determine the types of reports that come to the Board for approval:
 - Areas that impact the University's autonomy.
 - Performance of the University and/or of its major initiatives.
 - Academic planning and analysis.
 - Management of University personnel, operations, and facilities.
- Reports that fall outside of these criteria could be brought to the Board at the President's discretion.

Discussion Question #1

- At what level would the Board like to engage with legislative reports?

Presidential Performance Review

BOAG defines guidelines for an annual review of the president's performance. The process seeks to:

- Assess outcomes;
- Support efforts to strengthen performance;
- Establish mutually-agreeable goals; and
- Inform decisions regarding annual compensation and other terms of employment.

Presidential Performance Review

BOAG requires that the process be guided by the following principles:

- All Board members shall be involved.
- Comments on the president's performance shall be requested from multiple sources.
- Collegiality shall be a hallmark of all discussions.
- Confidentiality of personnel matters shall be maintained.

Presidential Performance Review

BOAG leaves the specific structure of the review up to the Presidential Performance Review Committee, only requiring that the committee abide by the principles.

Presidential Compensation

BOAG determines a process for setting the president's compensation. It requires that the compensation plan support the University's mission, enable the recruitment and retention of the individual, reward and motivate the president, be commensurate with the president's responsibilities and performance, and be informed by comparable market data.

Presidential Compensation

- The chair of the Board, in consultation with the vice chair, recommends to the Board the presidential compensation and other contract terms for Board action.
- The chair is also responsible for reviewing the president's total compensation and approving all reimbursements for presidential business travel and expenses.

Discussion Question #2

- Should there be changes to the principles and processes that guide presidential performance review or the setting of presidential compensation?

Discussion Question #3

- Should there be additional detail in policy for how the Presidential Performance Review Committee conducts the review?

Meeting Procedures

BOAG requires that items coming before the Board or a committee be presented in one of the following ways:

- Review
- Action
- Review + Action
- Discussion
- Other (Information Items or Receive & File Reports)

Discussion Question #4

- Should additional guidance or specific thresholds be added to BOAG to clarify what types of items come as *Review/Action*?

Discussion Question #5

- Should additional guidance be added for the types of items included on a consent report?



UNIVERSITY OF MINNESOTA
Driven to Discover®

You  **Tube** UniversityofMinn

 UMNews

 UofMN

The University of Minnesota is an equal opportunity educator and employer.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 1 of 9

Board Operations

BOARD OPERATIONS AND AGENDA GUIDELINES

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

BOARD OPERATIONS AND AGENDA GUIDELINES

SECTION I. PRINCIPLES OF BOARD OPERATIONS.

The Board of Regents (Board), created under the Minnesota Territorial Laws of 1851 by the passage of the University charter and perpetuated by the Constitution of the State of Minnesota, is the governing body of the University. The Board, guided by the laws and constitution of the state:

- holds itself accountable to the public for accomplishing the mission of the University;
- meets openly, in the spirit of the Minnesota Open Meeting Law;
- fosters communication with the citizens of Minnesota, its elected representatives, and the University community; and
- works with the president to create a relationship characterized by trust and openness.

This policy provides an overview of the Board's operations, committee structure, and agenda guidelines.

SECTION II. BOARD OPERATIONS.

Subd. 1. Governing Documents. The Board exercises its authority consistent with the University Charter, the Constitution of the State of Minnesota, the Board of Regents Bylaws, and relevant Board policies. These documents provide the basic framework for the conduct of the business of the Board.

Subd. 2. Board Business. The Board conducts business through meetings of the Board and its committees. Items placed on the Board agenda have the most fundamental importance and broad policy implications for the University. The following items are required to come to the Board:

(a) Fundamental planning documents, including:

- University Plan, Performance, and Accountability Report — The University Plan, Performance, and Accountability Report (Plan) articulates the mission and vision of the University; identifies critical issues and challenges confronting the University; and sets forth major goals, objectives, and timelines for the ongoing pursuit of the teaching, research, and outreach functions of the University. The Plan publicly demonstrates the University's accountability for progress in reaching its stated goals and objectives; links planning, performance evaluation, and resource allocation at the system and campus/college level; illustrates and analyzes longitudinal trends in key areas; provides a means for comparisons with peer institutions; and identifies areas for continued work. The Plan sets the framework for the University budget.
- University Budget: Operating and Capital — The University budget sets forth the operating and capital requirements and authorizations for financing the activities of the University. The budget includes all funds (revenues and expenditures), all campuses, and all programs of the University. It incorporates historical background and projections.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 2 of 9

Board Operations

**BOARD OPERATIONS AND AGENDA
GUIDELINES**

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

The capital budget has two parts. Part I is the six-year capital plan, which is updated annually and identifies capital projects approved to proceed with preliminary project planning but not authorized to proceed with design and construction. Part II is the annual capital improvement budget, which authorizes the completion of design and construction of projects with approved financing and schematic design, consistent with Board policies.

The president recommends to the Board both the operating and capital budgets in successive meetings.

- (b) Legislative funding requests, including the biennial budget request and the capital request.
- (c) Reports on federal and legislative relations and issues.
- (d) Annual report of asset management.
- (e) Annual report of capital financing and debt management.
- (f) Annual financial report.
- (g) Summary of expenditures for the Office of the President, Eastcliff, and the Board of Regents Office.
- (h) Gifts.
- (i) Other reports, including, but not limited to, reports of the Faculty Consultative Committee, the University of Minnesota Foundation and Minnesota Medical Foundation, the University of Minnesota Alumni Association, and the Student Representatives to the Board.
- (j) Additional items as decided by the chair of the Board in consultation with the president and vice chair.

At the chair's discretion, any of these items may be referred for discussion in committee.

Subd. 3. Committees. Committees provide recommendations for action by the Board. Typically, standing committees have the following responsibilities:

- recommend action on matters where the Board has reserved authority to itself as outlined in Board of Regents Policy: *Reservation and Delegation of Authority* and other Board policies;
 - provide governance oversight on topics within the committee's purview;
 - review and make recommendations on relevant new and existing Board policies;
 - receive reports on policy-related issues affecting University departments and units;
 - receive information items (e.g., status reports on current issues of concern and administrative searches); and
 - review other items placed on the agenda by the Board chair in consultation with the president and the Board vice chair.
- (a) **Responsibilities of Committee Chairs.** Committee chairs preside over the meetings of their respective committees, ensuring the orderly, open, and timely conduct of committee business. Committee chairs should annually review the committee responsibilities outlined in this policy as the committee work plans outlined in Subd. 7 are finalized. The president or delegate consults with committee chairs prior to committee meetings regarding background issues for committee agendas.
 - (b) **Committee Descriptions.** Standing, nominating, and special committees meet on a varying schedule set through the agenda development process. These committees, specific committee



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 3 of 9

Board Operations

**BOARD OPERATIONS AND AGENDA
GUIDELINES**

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

responsibilities, and required agenda items are listed below. The Board chair has the authority to name and identify the responsibilities of all committees. Any changes in committee structure are to be noted in this policy.

- (1) **Audit Committee.** The Audit Committee oversees the University's system of risk assessment and internal controls, audits, financial reporting practices, and the institutional compliance program. This committee also provides a direct channel of communication to the Board for the independent auditor and internal auditors.

Specifically, this committee:

- recommends the engagement and related fees of the independent auditor to perform the annual financial audit of the University and required federal compliance audits;
- approves all engagements of external audit firms;
- annually reviews the results of the independent auditor's work;
- recommends appointment or removal of the chief auditor;
- reviews the chief auditor's annual audit plan and approves subsequent material revisions to the plan or the department's budget; and
- recommends changes in the Office of Internal Audit Charter.

This committee also reviews:

- the annual financial statements, prior to issuance;
- periodic Office of Internal Audit reports, including a report on the implementation of audit recommendations;
- semi-annual controller reports;
- the independent auditor's annual audit and management letter; and
- responses to questions regarding audit issues, reports on enterprise systems, administrative program reviews, and other items relevant to the audit function.

Detailed information on Audit Committee authority and responsibilities is outlined in Board of Regents Policy: *Audit Committee Charter*.

- (2) **Academic and Student Affairs Committee.** The Academic and Student Affairs Committee advises on academic priorities and the teaching, research, and outreach missions of the University. This committee assesses academic programs for relevance to students and consistency with the University's mission and strategies and reviews internal and external evaluations of academic programs.

Specifically, this committee recommends:

- academic program additions, revisions, or discontinuations;
- tuition and fees policy;
- reciprocity agreements; and
- support for commercialization of technology to non-University entities.

This committee provides governance oversight to:

- academic program reviews and strategic plans of academic units;



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 4 of 9

Board Operations

**BOARD OPERATIONS AND AGENDA
GUIDELINES**

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

- enrollment and demographic trends;
- student affairs;
- academic medicine;
- issues related to the University's academic profile such as accreditation, reputation, and academic ranking;
- e-Learning;
- public engagement;
- international partnerships and education; and
- intercollegiate athletics.

(3) **Facilities and Operations Committee.** The Facilities and Operations Committee oversees the University's physical assets (e.g., land, buildings, infrastructure, and equipment) and operations. This committee considers the general adequacy, condition, and use of existing facilities and infrastructure; oversees policy related to technology, operations and physical planning; reviews renewal, replacement, and new construction decisions; and recommends capital projects.

Specifically, this committee recommends:

- project components of the University capital budget;
- district and campus master plans;
- real estate transactions;
- capital budget amendments; and
- schematic plans prior to the inclusion of a project in the annual capital budget.

This committee provides governance oversight to:

- long range physical asset planning strategies;
- public safety and emergency preparedness;
- technology infrastructure and long range planning; and
- operational services such as housing, parking, transportation, and dining.

This committee also reviews:

- semi-annual capital planning and project management reports;
- miscellaneous facilities management reports and significant issues;
- design guidelines when a project design represents an exception to adopted campus master plans; and
- approved capital budget projects prior to the award of construction contracts, consistent with Board policies.

(4) **Faculty and Staff Affairs Committee.** The Faculty and Staff Affairs Committee advises the administration on faculty and staff and compensation, benefits, recruitment, development, retention, and other issues related to employee engagement. This committee also reviews employment-related issues and policies.

Specifically, this committee recommends:

- the granting of faculty promotion and tenure and continuous appointments;
- appointments to specific boards and advisory committees;



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 5 of 9

Board Operations

**BOARD OPERATIONS AND AGENDA
GUIDELINES**

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

- appointments of senior leaders;
- approval of negotiated labor agreements, retirement plans, and other employment matters, consistent with Board policy; and
- changes in the University Senate Constitution and civil service rules.

This committee also provides governance oversight to:

- senior leader compensation, benchmarking, and terms of employment;
- faculty and staff compensation and benefits policy as well as other policies related to employment; and
- employee engagement.

(5) **Finance Committee.** The Finance Committee oversees the fiscal stability and long-term economic health of the University. This committee monitors the University's financial operations, debt level, and investment performance; requires the maintenance of accurate and complete financial records; and maintains open lines of communication with the Board about the institution's financial condition.

Specifically, this committee recommends:

- the University operating budget;
- financial components of the University capital budget;
- approval of purchases of goods and services over \$1,000,000;
- the issuance of debt;
- changes to the approved central reserves budget; and
- asset allocation guidelines and other policies related to the University's asset management function.

This committee also provides governance oversight to:

- long range financial planning strategies;
- total indebtedness of the University;
- the investment portfolio; and
- the financial relationship between the University and its partners, including affiliated foundations, clinical operations, and external entities.

This committee also reviews:

- selected financial metrics that measure the University's fiscal condition;
- quarterly purchasing reports and violations of Board of Regents Policy: *Purchasing*;
- semi-annual capital financing and debt management reports;
- the annual report on central reserves;
- quarterly asset management reports;
- semi-annual management reports; and
- other financial reports as requested by the committee.

(6) **Litigation Review Committee.** The Litigation Review Committee reviews litigation matters and obtains legal advice regarding specific University actions and their legal consequences. This committee typically meets in non-public session and consults with the



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 6 of 9

Board Operations

BOARD OPERATIONS AND AGENDA GUIDELINES

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

general counsel on cases and claims, consistent with Board policy. The committee determines which matters shall be referred to the Board for review or approval.

- (7) **Nominating Committee.** The Nominating Committee is charged with nominating candidates to serve as Board chair, vice chair, secretary, and treasurer.
- (8) **Presidential Performance Review Committee.** The Presidential Performance Review Committee evaluates the president's performance. This committee meets in non-public session, reporting its findings to the Board.
- (9) **Special Committees.** The chair of the Board identifies the responsibilities, appoints the members, and designates the chair of special committees.

Subd. 4. Board Meetings. The Annual Meeting of the Board is held on the second Friday in June, unless otherwise determined by Board bylaws. At the Annual Meeting a schedule is approved for regular meetings, which are usually held on the second Friday and preceding Thursday of each month in February, March, May, June, July, September, October and December.

Other meetings are scheduled as needed and may include work sessions, open forums, and public hearings. Retreats, typically held annually in the summer, are opportunities for the Board to plan, assess its performance, develop priorities for the year, and/or to consider a particular topic.

The documents, minutes, and recordings related to the public deliberations of the Board are available in the Board Office.

Subd. 5. Committee Meetings. Committees usually meet as follows:

- Audit: Meets four to five times a year.
- Academic and Student Affairs: Most months when Board meets.
- Facilities and Operations: Most months when Board meets.
- Faculty and Staff Affairs: Most months when Board meets.
- Finance: Most months when Board meets.
- Litigation Review: Meets four to five times a year and as called by the committee chair.
- Nominating: May of odd-numbered years prior to Board's Annual Meeting and election of officers in June.
- Presidential Review: As called by the chair.

Subd. 6. Meeting Procedures. The Board chair presides over meetings of the Board. The vice chair presides in the absence of the chair. Board and committee meetings are conducted consistent with Board bylaws and Robert's Rules of Order. The general counsel rules on all disputed questions of procedure.

Items are presented in one of the following ways:

- *Review* - All significant items typically are reviewed one month with action in a subsequent month.
- *Action* - Previously reviewed items requiring Board approval.
- *Review/Action* - Items for review and action in the same meeting, as allowed by Board policy or under special circumstances with permission of the Board chair. The Consent Report includes



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 7 of 9

Board Operations

BOARD OPERATIONS AND AGENDA GUIDELINES

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

routine action items that normally do not require discussion. Any Board member may request discussion or separate action on any Consent Report item.

- *Discussion* - Items for discussion that require no action when presented.
- *Other*
 - *Information Items* - Items of interest to a committee or the Board requiring no action or discussion, such as status reports on current issues of concern and administrative searches.
 - *Receive and File Reports* — Submitted reports that are not intended for discussion and do not require action, but are listed on the agenda and officially noted by the chair in the form of a statement to “receive and file.”

Subd. 7. Work Plans. Each year the Board outlines its priorities and its committees develop work plans with the advice of the president or delegate. Committee work plans outline major agenda items and discussion topics for the year.

Subd. 8. Staff Responsibilities.

- (a) **Administrative Staff.** The president identifies a senior leader for each committee to facilitate committee meetings, assist in agenda development, prepare docket materials, coordinate presentations, and fulfill other duties. Assignments to standing committees are typically as follows:

- Audit - Chief Auditor
- Academic and Student Affairs - Executive Vice President & Provost
- Facilities and Operations - Vice President for University Services
- Faculty and Staff Affairs - Vice President for Human Resources
- Finance — Senior Vice President for Finance & Operations
- Litigation Review — General Counsel

- (b) **Board Staff.** The Board appoints an executive director/corporate secretary whose duties and responsibilities include:

- providing advice and support to each Board member, as well as to Board leadership, to advance good governance practices;
- acting as a liaison between the Board and senior leaders of the University;
- managing the Board's policy library and ongoing policy review process;
- managing the Board agenda and docket process;
- maintaining official records of meetings of the Board and its committees;
- advising the president regarding the standards and protocols of Board meetings;
- maintaining and providing to the Board an annual planning calendar that outlines Board and committee meetings along with reports and other actions required by Board policy; and
- ensuring that logistical support is provided so that Board proceedings are conducted in an open, timely, and accountable manner.

The executive director assigns staff to each committee. Staff responsibilities include:

- reviewing docket cover sheets, resolutions, and revisions to Board policies;



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 8 of 9

Board Operations

BOARD OPERATIONS AND AGENDA GUIDELINES

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

- scheduling and attending docket previews;
- facilitating communication on agenda items;
- assisting in work plan and agenda development; and
- supporting the committee chair as needed.

Subd. 9. Docket. The docket is the set of recommendations, reports, and all supporting documents prepared for each item on an agenda of the Board and its committees. A docket cover for each agenda item includes a statement related to the policy and financial impact of the item. Materials are submitted to the Board by the president or delegate with the assistance of Board staff. The Board Office distributes the docket to Regents one week prior to meeting dates, after which it is publicly available.

Subd. 10. Emergency Approvals. Upon the recommendation of the president, the Board chair, vice chair, and the respective committee chair may act on behalf of the Board when delay for Board approval poses a significant health, safety, or financial risk to the University. Any such emergency approvals will be brought to the next meeting of the Board, consistent with Board policy.

SECTION III. BOARD MEETING AGENDAS.

Subd. 1. Agenda Development. The agenda is set in the following manner:

Approximately two months prior to each Board meeting, the executive director develops a draft agenda for discussion at Agenda I, a meeting with the president and senior leaders. Agenda items are identified from Board priorities, committee work plans, and other reports and items as specified in Board policy. Following this meeting, the draft agenda is shared with the Board chair and committee chairs for review and comment. The Board chair approves the agenda at a subsequent meeting (Agenda II), also attended by the vice chair and participants in the Agenda I meeting. Subsequent changes to an approved Board or committee agenda require the approval of the Board chair and, in the case of a committee agenda, shall be done in consultation with the appropriate committee chair directly or through staff.

Subd. 2. Requests to Appear Before the Board. Anyone requesting to appear before the Board must submit a written request to the executive director, who reviews the request with the Board chair.

SECTION IV. PRESIDENTIAL PERFORMANCE REVIEW, EVALUATION, AND COMPENSATION.

Subd. 1. Presidential Performance Review. The Presidential Performance Review Committee evaluates the president's performance annually in order to: assess outcomes; support the president's efforts to strengthen performance; enable the president and the Board to establish mutually-agreeable goals; and inform decisions regarding annual compensation and other terms of employment.

This committee meets in non-public session as permitted by law, reporting its findings to the Board at a public meeting.

The following principles shall guide the performance review process:



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 9 of 9

Board Operations

**BOARD OPERATIONS AND AGENDA
GUIDELINES**

Adopted: March 8, 2002

Amended: July 9, 2004; December 10, 2004;
October 13, 2006; February 10, 2012;
December 14, 2012

Technical Change: March 31, 2016;
February 10, 2017

Supersedes: (see end of policy)

- (a) All Board members shall be involved.
- (b) Comments on the president's performance shall be requested from multiple sources.
- (c) Collegiality shall be a hallmark of all discussions.
- (d) Confidentiality of personnel matters shall be maintained.

Performance review process procedures shall be on file in the Board Office.

Subd. 2. Presidential Compensation. The compensation of the president shall be set by the Board at a public meeting. The Board shall exercise reasonable care and set compensation in a transparent, prudent, and responsible manner.

The following principles shall guide compensation setting:

- (a) The compensation plan shall support the organization's mission,
- (b) Compensation shall enable the recruitment and retention of an individual who can achieve excellence for the University and contribute to the vitality of the state of Minnesota.
- (c) Compensation is meant to appropriately reward and motivate the president, be commensurate with the president's responsibilities and performance, and be responsive to the president's requests.
- (d) Compensation shall be informed by appropriate data that helps determine comparability or fair market value.

The Board shall consider data from a comparable peer group of public research universities and private universities that are substantially similar to the University and designate a list for comparison purposes. It shall be the responsibility of the chair, in consultation with the vice chair, to recommend presidential compensation and other contract terms for Board action. The chair also shall be responsible for reviewing the president's total compensation and approving all reimbursements for presidential business travel and entertainment expenses.

Compensation-setting procedures shall be on file in the Board Office.

Supersedes: Board Operation and Agenda Guidelines adopted September 11, 1992, last amended March 8, 1996.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 15, 2017

AGENDA ITEM: Committee Charges: Audit & Compliance Committee

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Gail Klatt, Chief Auditor
Maggie Flaten, Board Associate, Communications & Committees

PURPOSE & KEY POINTS

The purpose of this item is to discuss a draft committee charge for the Audit & Compliance Committee. This is the third in a series of discussions to define charges for the Board’s new committee structure.

A draft committee charge is included in the docket as a starting point for the committee’s discussion. Feedback from the committee will be used to refine the draft language, which will be included in proposed amendments to Board of Regents Policy: *Board Operations and Agenda Guidelines*.

In addition to committee charge language currently in *Board Operations and Agenda Guidelines*, Board of Regents Policy: *Audit Committee Charter* further defines the duties and responsibilities of the committee. The proposed committee charge will repeal *Audit Committee Charter* by integrating it into *Board Operations and Agenda Guidelines*.

The proposed amendments will be considered this spring.

BACKGROUND INFORMATION

The Board adopted a *Resolution Related to Board Committee Structure* on June 20, 2017. The resolution created the Audit & Compliance Committee by expanding the role of the Audit Committee.

The resolution directed the executive director and corporate secretary to draft amendments to Board of Regents Policy: *Board Operations and Agenda Guidelines* to implement the new committee structure.

The charges for the previous committees are contained in *Board Operations and Agenda Guidelines* Section II, Subd. 3.

DRAFT COMMITTEE CHARGE

AUDIT & COMPLIANCE COMMITTEE

The Audit & Compliance Committee oversees the University's audit function, as reserved to the Board and stated in Board of Regents Policy: *Reservation and Delegation of Authority*. This includes oversight of the University's system of risk assessment and internal controls, audits, financial reporting practices, and the institutional compliance program. The committee also provides a direct channel of communication to the Board for the independent auditor and internal auditors.

Specifically, this committee is delegated authority from the Board to:

- Request supplemental reviews or other audit procedures by the chief auditor, independent auditor, or other advisors.
- Annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.

This committee recommends to the Board:

- Audit matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority*, Article I, Section X.
- The appointment or removal of the chief auditor as reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority*, Article I, Section IV.
- The appointment of the University's principal independent auditor.
- Audit and non-audit services provided by the independent auditor with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University.
- Engagements with audit firms other than the University's principal independent auditors to perform work or provide services with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University.
- Changes to the Office of Internal Audit's charter.
- Material revisions to internal audit plans or budgets.

This committee provides oversight of:

- The internal audit function.
- Engagements with the independent auditor.
- Audit results and management's progress in addressing audit recommendations.
- Financial reporting practices.
- Compliance initiatives.
- Enterprise risk management processes, including risk identification and mitigation.
- Investigation of reported concerns regarding accounting or auditing matters. The committee shall be apprised of investigations conducted under administrative policy.
- The University's integrated framework of internal control, risk management practices, and institutional compliance program in accordance with Board of Regents Policy: *Internal Control*.

This committee also reviews:

- The annual financial statements, prior to issuance.
- Semi-annual controller reports.
- The independent auditor's annual audit and management letter.
- The chief auditor's annual audit plan.

- Responses to questions regarding audit issues, reports on enterprise systems, administrative program reviews, investigations conducted under administrative policy, and other items relevant to the audit function.
- Semi-annual institutional compliance reports.
- The institutional conflict of interest report.
- External auditor engagements not requiring approval by the Board. Any engagements shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 15, 2017

AGENDA ITEM: Committee Charges: Governance & Policy Committee

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Brian R. Steeves, Executive Director & Corporate Secretary

PURPOSE & KEY POINTS

The purpose of this item is to discuss a draft committee charge for the Governance & Policy Committee. This is the fourth in a series of discussions to define charges for the Board's new committee structure.

A draft committee charge is included in the docket as a starting point for the committee's discussion. Feedback from the committee will be used to refine the draft language, which will be included in proposed amendments to Board of Regents Policy: *Board Operations and Agenda Guidelines*. The proposed amendments will be considered this spring.

BACKGROUND INFORMATION

The Governance & Policy Committee was established by then-Chair Dean Johnson on October 2, 2015 under authority delegated to the chair of the Board by the *Bylaws of the Board of Regents*. When the Board adopted the *Resolution Related to Board Committee Structure* on June 20, 2017, it extended the previous committee charge.

The June 20, 2017 resolution also directed the executive director and corporate secretary to draft amendments to Board of Regents Policy: *Board Operations and Agenda Guidelines* to implement the new committee structure.

DRAFT COMMITTEE CHARGE

GOVERNANCE & POLICY COMMITTEE

The Governance & Policy Committee oversees and makes recommendations to the Board related to policy and processes that seek to ensure the integrity and high performance of the Board. The committee supports effective governance by guiding the Board to articulate a clear vision for the University and its major components; clarify reserved and delegated authorities; thoughtfully consider risk; and establish institutional benchmarks and performance measures.

Specifically, this committee recommends to the Board:

- amendments to the Bylaws and changes to the structure and function of the Board;
- amendments to Board policies not routed through one of the other standing committees; and
- consideration of other University policy matters referred to the committee by the Chair.

This committee provides oversight to:

- evaluate the effectiveness of the Board through periodic self-assessment;
- ensure that Regents are fully oriented and receive ongoing education; and
- identify best practices in governance for possible implementation.