

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

March 9, 2007

A meeting of the Board of Regents of the University of Minnesota was held on Friday, March 9, 2007, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Anthony Baraga, Presiding; Clyde Allen, Dallas Bohnsack, John Frobenius; Steven Hunter, David Larson, David Metzen, and Patricia Simmons.

Staff present: President Robert Bruininks; Chancellors Charles Casey and Jacqueline Johnson; Senior Vice President and Provost Thomas Sullivan; Senior Vice Presidents Frank Cerra and Robert Jones; Vice Presidents Kathryn Brown, Carol Carrier, Karen Himle, Kathleen O'Brien and Richard Pfutzenreuter; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Gail Klatt, Robert Kvavik, and Michael Volna.

RECOGNITION OF McKNIGHT LAND GRANT PROFESSORS

Recognition was given to the recipients of the 2007-09 McKnight Land-Grant Professors. The goal of this program is to advance the careers of the University's most promising junior faculty at a crucial period in their professional lives. Recipients are honored with the title McKnight Land-Grant professor and an endowed chair that they hold for two years. The recipients are:

Professor Daniel R. Bond
Microbiology & Biotechnology Institute

Professor Kathleen A. Collins
Department of Political Science

Professor Christy L. Haynes
Department of Chemistry

Professor Karen Ho
Department of Anthropology

Professor Nihar Jindal
Department of Electrical & Computer Engineering

Professor Marta Lewicka
Department of Mathematics

Professor Helen C. Muller-Landau
Department of Ecology, Evolution & Behavior

Professor William Schuler
Department of Computer Science & Engineering

Professor Kathleen D. Vohs
Department of Marketing/Logistics Management

Professor Christophe M. Wall-Romana
Department of French & Italian

Professor Chun Wang
Department of Biomedical Engineering

APPROVAL OF MINUTES

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

Audit Committee – February 8, 2007
Educational Planning & Policy Committee – February 8, 2007
Facilities Committee – February 8, 2007
Faculty, Staff & Student Affairs Committee – February 8, 2007
Finance & Operations Committee – February 8, 2007
Litigation Review Committee – February 8, 2007
Board of Regents Work Session – February 8, 2007
Board of Regents – February 9, 2007

REPORT OF THE PRESIDENT

President Bruininks addressed how the strategic positioning efforts continue to be integrated into the core processes of the University. He reported that the institution is currently moving from a focus on planning to one of implementing recommended actions, with an emphasis on creating a culture striving toward excellence and continuous improvement.

President Bruininks briefly discussed proposed changes that the University is suggesting for reciprocity with Wisconsin. He indicated that there would be no change in current reciprocity arrangements for Wisconsin undergraduates who start at the University in Fall 2007.

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

REPORT OF THE CHAIR

Chair Baraga that reported five Regents and several Board staff members attended the National Conference on Trusteeship sponsored by the Association of Governing Boards held in Phoenix, Arizona.

Baraga announced that the previous evening the state legislature elected four new members of the Board of Regents who will serve six-year terms: Maureen Cisneros, Linda Cohen, Venora Hung, and Dean Johnson. The new Board members replaced Peter Bell, Frank Berman, Cynthia Leshner, and Lakeesha Ransom.

RECEIVE AND FILE REPORTS

Regent Baraga noted the receipt and filing of the Quarterly Report of Grant and Contract Activity.

BOARD CALENDAR ANNUAL REVIEW

Chair Baraga presented the Board of Regents calendar for annual review. The calendar lists required actions, reports, and other items routinely presented for consideration by the Board and its committees. It is reviewed annually as required by Board of Regents Policy: *Board Operations and Agenda Guidelines*.

It was noted in the docket materials that the calendar had been revised since the Board last reviewed it in March 2006. The current revisions were made to bring the calendar into compliance with amended or new Board policies; reflect existing practice; and correct inaccuracies.

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Chair Baraga noted that the Report of the All-University Honors Committee was forwarded to the Board from President Bruininks on February 23, 2007.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Report of the All-University Honors Committee. A copy of the report is on file in the Board Office.

GIFTS

Foundation President Gerald Fischer presented the list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through January 31, 2007, as included in the docket materials.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the receipt of gifts as presented.

QUARTERLY SUMMARY OF EXPENDITURES

Chair Baraga presented the Quarterly Summary of Expenditures for the Office of the Board of Regents, the President's Office, and Eastcliff Operations, for six months ending December 31, 2006 as contained in the docket materials.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Summary of Expenditures for the period ending December 31, 2006.

BOARD OF REGENTS POLICY: ASSOCIATED ORGANIZATIONS

Chair Baraga introduced for action Board of Regents Policy: *Associated Organizations*, as included in the docket materials. The objective of the policy is to maintain and enhance already existing relationships with associated organizations that have benefited the University of Minnesota. The policy establishes criteria for the University's recognition of an associated organization and delegates to the President the authority to grant, suspend, or revoke recognition.

Chair Baraga noted that the policy has been modified to reflect suggestions made at the February 2007 Board of Regents meeting.

Regent Simmons commented that the policy will serve the interests of the University well, as it recognizes the importance of the relationships and the many contributions of associated organizations. The policy also ensures oversight on behalf of the people of this state to see that associations and funds are administered properly.

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

Associated Organizations

SECTION I. SCOPE.

This policy governs legal, financial, and other relationships of the University of Minnesota (University) with Associated Organizations and sets forth the University's expectations regarding the conduct of Associated Organizations relative to the University.

SECTION II. EXCLUSIONS.

Subd. 1. Recognized Foundations. Recognized Foundations are Associated Organizations that are governed separately under other Board of Regents (Board) and University administrative policies.

Subd. 2. Registered Student Organizations. Registered student organizations are regulated separately and shall not be classified as Associated Organizations.

Subd. 3. Booster Clubs. Booster clubs are regulated separately and shall not be classified as Associated Organizations.

SECTION III. DEFINITIONS.

Subd. 1. Associated Organization. Associated Organization shall mean a non-profit corporation, foundation, partnership, or other entity exempt from federal and state income taxation:

- (a) whose primary purpose is to support the University or the University's mission and that uses substantial University resources, such as financial support, employees, or facilities, to accomplish its purpose; or
- (b) regarding which the University may be legally responsible for its activities and liabilities; or
- (c) whose financial condition or results of operations should be included or noted in the University's financial statements.

SECTION IV. GUIDING PRINCIPLES.

The Board intends to maintain excellent relationships with Associated Organizations, which are highly valued by the University and enhance the institution's ability to accomplish its mission. To that end, the University and Associated Organizations shall work cooperatively to ensure that Associated Organizations adhere to the highest standards of ethical conduct, employ sound fiscal and business practices, and comply with all applicable laws and University policies and procedures.

SECTION V. UNIVERSITY RECOGNITION.

Subd. 1. Recognition. The University shall maintain a process for granting recognition to Associated Organizations. Criteria to be considered in deciding whether to grant recognition shall include:

- (a) the Associated Organization's commitment and capacity to undertake activities primarily to support the University or its mission and to enhance the University's stature;
- (b) the Associated Organization's commitment and capacity to adhere to the highest standards of ethical conduct in operating and managing its affairs and to avoid activities that undermine its credibility and reputation or the credibility and reputation of the University;
- (c) the Associated Organization's ability to employ sound fiscal and business practices, including internal controls adequate to ensure its activities are duly authorized and accounted for;
- (d) the Associated Organization's compliance with all applicable laws, regulations, University contracts, and University policies and procedures;
- (e) the Associated Organization's acceptance of University representation on its governing body and/or executive committee; and
- (f) the best interests of the University.

Subd. 2. Revocation of Recognition. Recognition of an Associated Organization may be suspended or revoked (a) if the Associated Organization fails to adhere to University policy; (b) if the Associated Organization fails to adhere to the criteria specified in subd. 1 of this section; or (c) if, in the judgment of the president or delegate, suspension or revocation is in the best interest of the University. The process for revoking or suspending recognition shall be that established in a written agreement between the University and the Associated Organization or, in the absence of a written agreement, the process specified in University administrative policy.

SECTION VI. DELEGATION OF AUTHORITY.

The president or delegate is authorized to:

- (a) grant, suspend, or revoke recognition of an Associated Organization, provided that the president shall consult with the Board before a decision is made to suspend or revoke recognition of an Associated Organization whose activities substantially affect the University's interests;
- (b) enter into written agreements with Associated Organizations as necessary;
- (c) maintain appropriate administrative policies regarding recognition of and relationships with Associated Organizations; and
- (d) determine whether it is necessary to have University representation on the governing body and/or executive committee of a recognized Associated Organization.

SECTION VII. ORGANIZATIONAL REPRESENTATION.

The University shall have representation on the governing boards of recognized Associated Organizations as appropriate. Board representation shall be governed by Board of Regents Policy: *Appointments to Organizations* and Boards and/or University administrative policy.

SECTION VIII. PRIVILEGES OF RECOGNITION.

Subd. 1. Types of Support. The University may provide support to Associated Organizations by, among other things:

- (a) leasing space, technology, or equipment;
- (b) directing designated University employees to provide agreed upon services;
- (c) permitting the use of selected University-owned names, logos, wordmarks, or other trademarks solely in promoting University-related activities; or
- (d) making available agency accounts to hold, manage, and disburse cash assets.

Subd. 2. Restrictions in Absence of Recognition. Except as provided in policy or a written agreement with the University, a recognized Associated Organization whose recognition has been suspended or revoked may not receive the types of support specified in this section.

SECTION IX. FUNDRAISING AND DEVELOPMENT ACTIVITIES BY ASSOCIATED ORGANIZATIONS.

Funds raised by an Associated Organization on behalf of or in the name of the University, or intended by a donor to be used to support the University, shall be recorded, receipted, deposited, safeguarded, and disbursed according to a written agreement and/or administrative policy that shall require, among other things, compliance with all applicable federal or state regulations regarding gifts to tax-exempt charitable organizations.

SECTION X. WRITTEN AGREEMENTS AND ADMINISTRATIVE POLICIES.

Written agreements and/or administrative policies shall define cooperative working relationships with recognized Associated Organizations, addressing audits, financial review, program review, the provision of University support, and other relevant topics.

SECTION XI. PERIODIC REVIEWS.

Upon the University's written request, each recognized Associated Organization shall:

- (a) permit the University and its agents, including its independent auditors, to inspect its books and records; and
- (b) cooperate with the University's periodic review of its recognition as an Associated Organization and its programs and activities.

STRATEGIC POSITIONING UPDATE

President Bruininks presented progress to date on the University of Minnesota's strategic positioning in a presentation entitled "*Built to Last: Embracing the Future at the University of Minnesota*" (on file in the Board Office). He reviewed more than two years of planning and foundational steps taken in pursuit of the institution's goal to be one of the top research university systems in the world.

Bruininks highlighted four objectives that exemplify the University's commitment to the state and its citizens:

- Recruiting exceptional students;
- Hiring, retaining, and supporting the best faculty and staff;
- Building an exceptional organization; and
- Building a culture that inspires innovation and exploration of new ideas and discoveries.

He described goals and supporting initiatives in place to achieve the objectives. He stressed that the efforts focus on cultural change and a sustained commitment to strive for excellence, achievement and contribution.

Bruininks reviewed how progress is tracked and accountability demonstrated. He indicated that success requires that the institution be more adaptive, flexible, and committed to creating the University's own future in an intentional way.

Regent Simmons expressed support for this plan as it simultaneously invests in excellence while ensuring access for students. In response to a question, Bruininks indicated that progress has been demonstrated with the alignment between biennial request and strategic plan priorities. In addition, colleges and units have been reorganized, curriculums transformed, and standards for student progress toward graduation have been reset.

Board members commended the President and the administration for building a conceptual framework for improvement, working to build a culture of change, and demonstrating that a large educational organization can implement strategic action.

SIX-YEAR CAPITAL IMPROVEMENT PLAN

Vice President O'Brien, Vice President Pfutzenreuter, and Associate Vice President Kvavik presented the Six-Year Capital Improvement Plan (Plan) for 2008-13, as detailed in the docket, and associated materials distributed at the meeting. The Plan establishes the next capital request to be presented to the State for consideration.

President Bruininks stated that the Plan is updated annually and is aligned with the strategic directions of the University. It includes projects funded with state support, as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships.

O'Brien summarized the Plan's components and the process by which capital projects are proposed, reviewed, recommended, and approved. She noted the principles that guided the development of the Plan.

Kvavik described a number of representative projects that align with the University's strategic goals. He noted there is an emphasis on creating premier teaching and learning environments.

Vice President Pfutzenreuter referred to the financial summary. He reported that the Plan totals \$1.2 billion, with the State share being approximately 67 percent, or approximately \$278 million in each of the following years: 2008, 2010, and 2012. The Plan also includes funding for the Minnesota Biomedical Sciences Research Facility Authority and University-funded projects. Pfutzenreuter provided an analysis of the projected debt service assumptions.

Regent Frobenius stated that a 30 percent debt reserve on total debt capacity is realistic and allows a cushion for unforeseen circumstances. Regent Allen pointed out that the State request is reasonable when considering what is required to keep facilities in working condition and how often space is updated.

The Plan will return for action at a future meeting of the Board of Regents.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Simmons recused herself during the discussion of the Consent Report due to a possible conflict of interest. She left the meeting.

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

- a) Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the March 8, 2007 minutes.

The Board of Regents voted unanimously to approve the recommendation of the Educational Planning and Policy Committee. Regent Simons returned to the meeting.

Larson reported that the committee received a report on Transforming the Undergraduate Experience: Strategic Positioning Initiatives; and also reviewed information items contained in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

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

- a) Approval of the Consent Report for the Facilities Committee as presented to the committee and described in the March 8, 2007 minutes;
- b) Approval of schematic plans for the following projects:
 1. Medical Biosciences Building and Utility Infrastructure, Twin Cities campus;
 2. Biomass Heating Plant Addition, Morris campus
- c) Approval of an amendment to the FY2007 Capital Budget by:
 1. \$18,231,000 to increase funding for the East Gateway District project, Twin Cities campus;

- d) Approval of the following real estate transactions:
1. Five-year lease for 7,200 rentable square feet at University Enterprises Laboratory, 1000 Westgate Drive, St. Paul for Academic Health Center's Lion's Eye Bank, Twin Cities campus;
 2. Seven-year lease at University Park Plaza, 9th Floor, 2829 University Avenue SE, Minneapolis for Academic Health Center, Twin Cities campus;
- e) Approval of an amendment to the FY2007 Capital Budget by:
1. \$3,750,000 to increase funding for the Malcom Moos Health Sciences Tower 11th Floor Renovation, Twin Cities Campus;

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

Metzen reported that the committee reviewed two real estate transactions: 1) a seven-year lease at University Park Plaza, 6th floor, 2829 University Avenue SE, Minneapolis for the Academic Health Center, Twin Cities campus; 2) a ten-year lease at University Park Plaza, 7th floor, 2829 University Avenue SE, Minneapolis for the Office of Information Technology, Twin Cities campus; reviewed a capital budget amendment for the Biomass Heating Plant Addition, Morris campus; received a report on the Six-Year Capital Plan: Principles, Process and Priorities; and reviewed a number of information items as described in the docket materials.

The committee delayed discussions of the schematic plans for the Malowsky Stadium Renovation, Duluth Campus; review of the acquisition of land and easement interests from Union Pacific Railroad, East Gateway District, Twin Cities Campus; review of a six-year lease at 111 South Broadway, Rochester for Rochester Campus; and a capital budget amendment for a leasehold improvement project at 111 South Broadway, Rochester for Rochester Campus.

REPORT OF THE AUDIT COMMITTEE

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

- a) Approval of the Consent Report for the Audit Committee as presented to the committee and described in the March 8, 2007 minutes.

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

Frobenius reported that the committee received a report from the compliance officer; received an external auditor review; and reviewed a number of information items as described in the docket materials.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

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

- a) Adoption of Board of Regents Policy: *Employee Performance Evaluation and Development*, as follows:

Employee Performance Evaluation and Development

SECTION I. SCOPE.

This policy governs performance evaluation and development of University of Minnesota (University) faculty, academic professional and administrative, civil service, and union-represented staff employees.

SECTION II. DEFINITIONS.

Subd. 1. Performance Evaluation and Development. Performance evaluation and development shall mean a process undertaken between responsible administrators/supervisors and the employees reporting to them. This process includes assessing, guiding, improving, and recognizing employee performance, resulting in effective achievement of organizational and individual goals.

SECTION III. GUIDING PRINCIPLES.

The following principles shall guide the University's evaluation and development of employee performance:

- (a) The University cultivates a high performing workforce through employee performance evaluation and development that engages the entire organization, is appropriate to the nature of the work, recognizes and rewards exemplary performance, and addresses substandard performance.
- (b) The University is committed to assessing and supporting the development of the behavioral and functional competence of its employees, consistent with expressed academic and administrative needs, the role of the employee, and performance expectations.
- (c) The University is committed to a performance evaluation process that incorporates regular feedback and candid discussion about performance.
- (d) The University is committed to responsible investments in its employees through professional development, education, and training directed at maximizing productivity, enhancing employee personal and professional competencies, supporting employees as they seek new career opportunities within the University, and generating a succession of leaders prepared and able to lead the University into the future.
- (e) The University holds its leaders, responsible administrators, and supervisors accountable for actively supporting and engaging in the performance evaluation and development process in a fair and equitable manner and for ensuring the alignment of employee and organizational goals and priorities.

SECTION IV. PERFORMANCE REVIEWS.

University leaders, responsible administrators, and supervisors shall conduct performance reviews for purposes of evaluation and development. The

University expects ongoing evaluation of employee performance, with regularly conducted and documented reviews of all employees administered according to applicable administrative policies, rules, and collective bargaining agreements.

SECTION V. EMPLOYER RESPONSIBILITY.

Subd. 1. Leadership Accountability. University leaders, responsible administrators, and supervisors shall be held accountable for implementing a performance evaluation and development process that is consistent in the treatment of employees, provides for accurate performance reviews, and encourages open communication.

Subd. 2. Implementation. The University shall provide to its leaders, responsible administrators, and supervisors the necessary resources, tools, and training to effectively manage employee performance.

SECTION VI. EMPLOYEE RESPONSIBILITY.

Employees are expected to (a) understand the importance of their contribution to the University's mission, values, and success and (b) to exercise responsibility for actively engaging in the performance evaluation process and subsequent development efforts.

- b) Adoption of Board of Regents Policy: *Employee Compensation and Recognition*, as follows:

Employee Compensation and Recognition

SECTION I. SCOPE.

This policy governs compensation and recognition for University of Minnesota (University) employees.

SECTION II. DEFINITIONS.

Subd. 1. Compensation. *Compensation* shall mean base salary and additional payments to employees, such as augmentations, lump sum payments, and incentives.

Subd. 2. Recognition. *Recognition* shall mean formal and informal acknowledgement of work or service performed.

SECTION III. GUIDING PRINCIPLES.

The following principles shall guide the University's compensation and recognition systems:

- (a) The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is competitive relative to institutional peers and other appropriate labor markets and serves to attract and retain a high performance workforce.
- (b) The University seeks to reward meritorious performance and employee contribution to the success of the University through compensation and other forms of recognition.

- (c) In the setting of initial salaries and subsequent pay adjustments, the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate.
- (d) The University adheres to compensation and recognition practices that are fair and equitable in design, application, and delivery.

SECTION IV. IMPLEMENTATION.

Subd. 1. Compensation System. The University's compensation system shall articulate current compensation strategies, describe forms of pay, identify funding sources, and outline annual compensation plans for each employee group. Responsible administrators shall be held accountable for disseminating salary and other compensation within the defined parameters of the annual plans in a manner that supports the academic direction and investment strategies of the University. The University's compensation system shall (a) be administered in a manner that complies with all applicable federal, state, and local regulations and laws and (b) be consistent with applicable administrative policies, rules, and collective bargaining agreements.

Subd. 2. Recognition System. The University shall have programs of awards, honors, and events that recognize excellence in performance by individuals, groups, and units.

SECTION V. MONITORING AND REPORTING.

The president or delegate shall monitor the effectiveness of compensation and recognition programs and report annually to the Board of Regents.

- c) Approval to rescind Board of Regents Policy: *Administrative Fringe Benefits*;
- d) Approval to rescind Board of Regents Policy: *Salaries for Administrative Officers*;
- e) Approval to rescind Board of Regents Policy: *Severance for Academic Professional and Administrative Employees*.

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

Bohnsack reported that the committee also received a report on Strategic Positioning: Equity and Diversity Initiatives; received a report on a student interest survey; and reviewed a number of information items included in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- a) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the March 8, 2007 minutes.

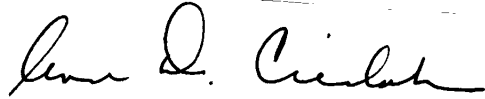
The Board of Regents voted unanimously to approve the recommendation of the Finance & Operations Committee.

Allen reported that the committee also discussed issues related to the State of Minnesota economic update; discussed issues related to the Six-Year Capital Improvement Plan, received the Annual Investment Consultants Report from Cambridge Associates; and reviewed a number of information items as described in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Chair Baraga reported that the committee did not meet this month.

The meeting adjourned at 11:16 a.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary