

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Special Selection Committee –
Appointments to the Fairview Health Services Board of Directors
December 7, 2016**

A meeting of a Special Selection Committee of the Board of Regents was held on Wednesday, December 7, 2016 at 2:30 p.m. in the Hail! Minnesota Room, McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; and David McMillian. Linda Cohen participated by phone.

Staff present: Vice President Brooks Jackson; General Counsel Douglas Peterson; and Executive Director Brian Steeves. President Eric Kaler participated by phone.

Others present: Sarah Dirksen, Keith Dunder, and Amy Phenix.

Regent Simmons called the meeting to order and reviewed items before the committee for consideration regarding University seats on the Fairview Health Services (FHS) Board of Directors:

1. Ratification of Brooks Jackson and Jakub Tolar in the ex officio seats.
2. Nomination of Kenneth Roering to the at-large seat, pending appointment by the FHS Board.
3. Appointment of Levi Downs to the University representative seat.

President Kaler reviewed his December 6, 2016 memo, distributed at the meeting and on file in the Board Office, which includes biographical information on Tolar, Roering and Downs. Jackson noted that while the memo did not anticipate the need for action on the Downs appointment, additional communication with FHS solidified the need for action at this meeting. The committee discussed the sequence and timing of Board of Regents and FHS Board of Directors meetings and actions related to these board seats.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the ratification of Brooks Jackson and Jakub Tolar in the ex officio seats; nomination of Kenneth Roering to the at-large seat, pending appointment by the FHS Board; and appointment of Levi Downs to the University representative seat for a three-year term.

The meeting adjourned at 3:19 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
December 8, 2016**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, December 8, 2016 at 7:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; General Counsel Douglas Peterson; and Executive Director Brian Steeves.

Others present: Dan Herber, Amy Phenix, Timothy Pramas, Brian Slovut, and Shelly Carthen Watson.

The meeting convened in public session at 7:30 a.m.

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Thursday, December 8, 2016 at 7:30 a.m. in the East Committee Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Indira Junghare v. University of Minnesota*
- II. *Dr. Seraphin Abou v. University of Minnesota*
- III. *Friends of the Electric Steel Elevator, LLC, et al. v. University of Minnesota*
- IV. *Pro-Life Action Ministries, Incorporated, Brian Gibson, and Bridget Busacker vs. Regents of the University of Minnesota*
- V. *Shannon Miller, Jen Banford and Annette Wiles v. The Board of Regents of the University of Minnesota*
- VI. *Service Employees International Union, Local 284, South St. Paul, Minnesota and University of Minnesota, Unit 8, Minneapolis, Minnesota*

The committee voted unanimously to adopt the resolution. The public portion of the meeting ended at 7:32 a.m.

The meeting adjourned at 8:32 a.m.

A handwritten signature in cursive script that reads "Brian R. Steeves".

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities, Planning & Operations Committee
December 8, 2016**

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, December 8, 2016 at 8:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Fred Wood; Senior Vice President Brian Burnett; Vice President Brooks Jackson; Interim Vice Presidents Michael Berthelsen and Bernard Gulachek; General Counsel Douglas Peterson; Executive Director Brian Steeves; and Associate Vice President Michael Volna.

Student Representatives present: Mckenzie Dice and Connor Klemenhagen

REAL ESTATE: STRATEGY, TACTICS, AND VISION

Regent McMillan invited Interim Vice President Berthelsen; Associate Vice President Volna; Susan Weinberg, director of Real Estate; and Sarah Harris, managing director of University of Minnesota Foundation Real Estate Advisors (UMFREA), to present the strategy, tactics, and vision for real estate purchases, as detailed in the docket.

Weinberg summarized the mission of the University's Real Estate Office (REO), describing its organizational structure and responsibilities, and noting the total acres of land and leases it controls. She explained the conditions under which REO recommends acquisition of real estate, describing the process and reminding the committee of the Board's ability to use eminent domain if there is a clear public purpose for the land. She explained circumstances when the University leases and sells real estate and reviewed when the University uses public-private partnerships. Volna explained the types of financing used for real estate purchases.

Harris walked through UMFREA's history. She explained that UMFREA is a subsidiary of UMF and highlighted its advisory council and governing board. Harris described the work of UMFREA, noting the management of the Dinnaken portfolio and other commercial properties and the advising and investing operations. She reviewed the collaboration between the University and UMFREA, including monthly update meetings and cooperation around specific projects. Weinberg added the University perspective on the partnership.

McMillan commented that a collaborative and coordinated approach is key to achieving better results for both the University and UMF. He offered his appreciation that the relationship has also led to better engagement with stakeholders. Regent Lucas agreed and offered her hope that the partnership would lead to a better interface with local neighborhoods and in turn greater public safety.

Regent Johnson asked which organization he would deal with if he had land to sell the University, and whether he could he play the two organizations against each other. Volna responded that it would depend on the property and potential use, but that the University and UMFREA coordinate well to ensure that they are not bidding against each other in any real

estate purchase. Harris added that previous relationships can influence which organization a seller approaches.

Regent Rosha commented that he appreciates the new role played by UMF in the acquisition of land near campus, but stressed the primary importance of ensuring that the University meets its space needs. He wondered if public-private partnerships are standard across the country. Weinberg responded that public-private partnerships like the University has with United Properties are common across the United States and Canada, especially in areas where state approval is needed to purchase land. Harris offered that such partnerships are often used to ensure private-sector connections to campuses.

In response to a question from McMillan, Weinberg outlined some of the University's public-private partnerships, identifying the land lease for the Commons Hotel as one type and the joint venture with United Properties as another. She reminded the committee that United Properties was the winning bidder for the Days Hotel site and given the critical role that land plays in redeveloping that section of campus, the University entered into a partnership to ensure that its needs were considered within the project.

Regent Anderson asked about the performance of the Greek loan program. Harris responded that the program has approved five loans totaling \$1.2 million, and that it has been successful so far.

Regent Devine expressed his support for the partnership between the University and UMF. He stated his belief that a good working relationship with the neighborhoods near campus is critical to future development, offering the example of development around the University of Maryland, College Park campus. He asked about future challenges and opportunities. Harris responded that the University has the ability to signal long-term needs and the private sector will respond, such as with student housing. She observed that the University should work more with the private sector to maximize current development, and emphasized the need for REO and UMFREA to plan collaboratively and support each other. Harris suggested reviewing how current space is used and creating a new model that increases density.

In response to a question from Student Representative Klemenhagen, Weinberg explained that the University entered into two master leases that would start housing students in the fall of 2017. She noted that this would provide additional housing stock over five years. Harris pointed out that UMFREA does not lease to the University but does operate 975 student beds.

EAST GATEWAY: ISSUES AND INTERESTS

Regent McMillan invited Monique MacKenzie, director of planning, and Sarah Harris, managing director of University of Minnesota Foundation Real Estate Advisors, to discuss issues and interests related to the East Gateway section of the Twin Cities campus, as detailed in the docket.

MacKenzie put the East Gateway area in geographic context and offered the history behind the acquisition of property from the railroads. She reviewed the University District Alliance and reminded the committee of what the Twin Cities campus master plan from 2009 and campus development framework from 2016 envisioned for that section of campus. She summarized the East Gateway district plan and Stadium Village plan and how they interact with the academic focus. She outlined the University's 2013 joint venture with United Properties and explained that it was still trying to understand commercial viability for the proposed site plan.

Harris described the Towerside Innovation District. She defined its boundaries and outlined the vision for the area. She explained that one goal of Towerside is to create district systems that encourage increased development in underutilized sections of the area. She offered that the area has great assets, including its location, 70-plus acres of underdeveloped land, three light

rail stations, and the University as an anchor. She clarified that UMF does not own the Towerside organization but has taken an active role within it given the area's importance to the University.

Harris used the anticipated redevelopment of Fourth Street as an example of Towerside's work. She noted the proposed district storm water system, focus on creating green spaces, and eventual district energy system as key elements. Harris outlined Towerside's requests for the University, including how to integrate more crossings with the transit-way, University participation in the district energy system, and participation in the green Fourth Street maintenance. She added that if the area won the 2023 World Fair Expo later this year, it would escalate development.

Regent Johnson offered his support for Towerside's work. He asked about development of new roadways to alleviate traffic issues during major events. MacKenzie responded that an area-wide transportation study should provide additional understanding for future development, and noted that a roadway north of the transit-way to connect TCF Bank Stadium to Minnesota 280 could be advanced. Harris added that offering more amenities to encourage individuals to spend more time in the area would help alleviate major traffic issues before and after events.

Student Representative Dice wondered if the district energy system would reduce emissions. Harris explained that the system would provide shared heating and cooling and would include a plug-in option for solar and wind as more users moved into the area. She suggested that another goal of Towerside is to have residents use more public transit, further decreasing emissions.

In response to questions from Regent Devine, Harris explained that the light rail platforms do not need to be expanded. She explained that Towerside hopes to make the Prospect Park area more walkable, with significant connections between the Stadium Village station and the Prospect Park station. She reported that MacKenzie has attended planning meetings and urged the University to be even more involved. Devine encouraged Harris to be aggressive in giving input on this project to the Board.

Regent Rosha commented that he was pleased that the transit-way was still an effective way to travel between Minneapolis and Saint Paul on the Twin Cities campus. He expressed his desire to ensure that the transit-way is maintained, while offering his support for looking toward the neighborhood as a partner in development. He asked Harris to ensure that the Board is kept updated.

RECREATION AND WELLNESS FACILITIES SITING (TWIN CITIES CAMPUS)

Regent McMillan invited Interim Vice President Berthelsen, Assistant Vice President Suzanne Smith, and George Brown, Assistant Vice Provost and director of University Recreation and Wellness, to present for review and action the siting for the recreation and wellness facilities (facilities), as detailed in the docket.

Berthelsen outlined the project. Smith explained the assumptions and principles used in examining possible locations. She reviewed each of the possible locations, highlighting their strengths and weaknesses. She noted that siting the facilities on the steel elevator site was the preferred option.

McMillan noted the variety of perspectives on siting, but commented that the committee needs to make a decision to keep the projects moving forward.

Regent Johnson asked whether the project would be delayed until litigation on the demolition is resolved. Berthelsen stated that the University is moving forward with the demolition of the cement elevators on the site. He explained that the University hoped to resolve the litigation quickly. He reminded the committee that student fees funded the current facilities and the administration seeks to ensure the student investment is protected. He added that any delay in siting the facilities would affect University Recreation and Wellness programming.

Johnson noted the schedule for the track and field and expressed his desire to also protect opportunities for students to participate in recreational sports. He wondered if the current sports bubble would be put in storage if there were a delay in siting the facilities or demolishing the steel elevators. Berthelsen responded that if the track and field moves forward without a site for the facilities, the bubble would be stored and the University Recreation and Wellness programming would be displaced at the end of this academic year. Johnson wondered what option would be used if litigation delayed demolition of the steel elevators. Berthelsen responded that the University would stop and wait for the litigation to be fully resolved. President Kaler offered that there is not a good alternative, creating a compelling need to relocate the facilities to the proposed location.

In response to a question from Regent Rosha, Kaler explained that the lineman's facility is on the list of potential projects and is being fundraised for, but is not the highest priority. He stressed that the current focus is on building the track and field.

Rosha expressed his view the sports bubble be separated from the track and field development. He offered that there is indoor space that could be used in the short term as swing space until other options were fully considered. He stated that he would not support the facilities siting.

McMillan observed that the Board already approved the funding for the demolition of the steel elevators, the location of the track and field, and relocation of the facilities. He reminded the committee that the Board asked the administration to examine other potential locations for the facilities and that the decision before the committee is which site to use.

Regent Devine commented that the cost to delay the track and field was too great a price to pay. He stated his belief that the student experience needs land for recreational sports. He noted the reduction in land for recreational sports and suggested a need to expand it. Devine reminded the committee that completion of the track and field is needed for Title IX compliance.

Regent Lucas offered that the steel elevator site is the right location for the facilities. She urged the administration to create a historic marker or interpretive piece to tell the story of the steel elevators.

Regent Anderson expressed his support for the steel elevator site, noting that this is the site University Recreation and Wellness prefers. He offered that the Board should pick the best site regardless of the pending litigation.

A motion was made and seconded, and the committee voted five to one to approve the recreation and wellness facilities siting. Rosha voted no.

**CAPITAL BUDGET AMENDMENT: AHC RENOVATION
AND RELOCATION PROGRAM (TWIN CITIES CAMPUS)**

Interim Vice President Berthelsen gave a brief overview of the capital budget amendment for the AHC renovation and relocation program. Regent McMillan announced that due to time constraints, full review of the project would move to a future committee meeting.

INFORMATION ITEMS

Interim Vice President Berthelsen referred the committee to the information items in the docket:

- Capital Planning and Project Management Semi-Annual Project Report
- Pioneer Hall / Superblock Interconnection

The meeting adjourned at 10:47 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
December 8, 2016**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, December 8, 2016 at 8:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Executive Director Brian Steeves; and Associate Vice President Stuart Mason.

Student Representatives present: Lauren Anderson and Lauren Mitchell.

**BOARD OF REGENTS POLICY: RESERVATION AND DELEGATION OF AUTHORITY
(APPOINTMENT AUTHORITY)**

Regent Simmons invited Vice President Brown to review Board of Regents Policy: *Reservation and Delegation of Authority*. Simmons provided background information on the recent policy amendment process. After a discussion about the policy by the full Board, the Board Chair charged the Governance & Policy Committee with review of potential changes. The Governance & Policy Committee voted at its June 2016 meeting to recommend approval of the version of the policy that appears in the docket. Instead of acting on the committee recommendation, the Board voted to refer the policy to Faculty & Staff Affairs for additional consideration. Simmons clarified that the policy is before the committee for review, not action.

Simmons invited President Kaler to provide his input on the policy amendments. Kaler shared that the current revisions reduce the flexibility of the president to make hiring decisions, noting that positions at the University that receive higher compensation than the president are in Athletics and are highly visible and the public have great interest in their pay and performance. He explained that hires in Athletics, especially coaches, happen very quickly and leaving approval of those hires to the Board may disadvantage the University in the marketplace. Kaler recommended that if the Board moves forward with amending the policy to include coaches, it should have a mechanism in place to ensure timely approval. He provided two suggestions: the Board could delegate authority to the Chair and Vice Chair to consult with the president on such contracts, or the Board could agree to meet by telephone to consider such contracts in a more expedited manner.

Regent Hsu pointed out that peer institutions have in recent weeks hired head coaches that were either approved by or subject to approval by a governing board. He noted that the Board has a fiduciary responsibility for the University and that mechanisms for emergency approval already exist that could be used to approve coach contracts. Hsu explained that in existing policy, the Chair and Vice Chair of the Board and the Chair of the Faculty & Staff Affairs Committee could approve coach contracts on an emergency basis. Hsu argued that the Board must demonstrate to the Legislature and others that it is acting as a responsible steward of University funds, and noted that the highest paid public employees in the state are often University coaches. He commented that the current revisions are good, but that more work

remains, particularly around the inclusion of contract buy-outs, which may require consultation with the general counsel.

Regent Cohen noted that she feels torn – the Board has the authority to hire the president and athletic director, who have the authority to make certain hiring decisions without Board approval, but the current climate demands that the Board publicly display its oversight responsibility for highly paid, highly visible staff members. She added that she would be able to support either of the options outlined by the President.

Regent Beeson expressed his opposition to the amended policy language, noting that the University is unique in that the position at the top of the organizational chart is not the highest paid. He emphasized the authority of the president and athletic director rather than a salary threshold and questioned whether Regents can or have added value to the coach hiring process. Beeson concluded that amendments to the policy should address the issue of highly paid coaches and not use the president's salary as a threshold.

Simmons encouraged the committee to consider amendments to the policy that address the issue of highly paid Athletics hires. She offered that it is not appropriate to use the president's salary as a threshold for Board approval since markets of university presidents and coaches are not parallel. She noted the possibility of unintended consequences if the current language were approved, with a future president being hired for \$1 or \$5 million a year.

Hsu shared his understanding of the policy's history, explaining that head coaches were subject to Board approval prior to a change in policy under President Hasselmo in the 1990s. He added that some coaches were paid more than the president at that time and because their positions were removed from the list, language was added to Section I, Subd. 5 of the policy that would reserve to the Board the authority to approve transactions that had great public interest, impact on the University's mission, or value greater than \$2 million.

In response to Simmons, Hsu commented that he does not disagree with adding specific head coaches to the list but noted that assistant coaches potentially also have a salary greater than the president's. Kaler confirmed there are two assistant coaches with salaries above his.

Hsu referenced conversations by some Regents with other Big Ten board members in Spring 2016, noting that several use the salary of the President as a threshold for Board approval. He cited the University of Maryland model as an example used for earlier policy amendment language. Cohen confirmed that the Governance & Policy Committee did review policies of peer institutions in their process.

Simmons summarized that she heard no committee support for using the president's salary as a threshold and asked the committee for any additional direction so Vice President Brown could draft new language that focused on high-salary coaches.

In response to an invitation from Simmons for comments from the student representatives, Student Representative Mitchell asked about candidates' expectations as part of their search. She suggested that chancellors, for example, would likely know to expect Board approval.

Kaler agreed with moving toward a focus on highly paid coaches, and noted the national conversation around the sustainability of ever-higher coaches' salaries. In response to Mitchell's question, he commented on the range of expectations from candidates. Kaler responded to Beeson's comment about whether the Board adds value by approving coach contracts by acknowledging the very real public consequences of coach hires. He added that his current practice for any contract renewal, amendment, or extension includes a conversation with the Chair and Vice Chair of the Board.

Simmons thanked Hsu for his comments and observations. She reemphasized the Board's need to be accountable, as well as the sizable amount of money at stake with coach contracts. She echoed Beeson's comment that the Board should add value and not simply add another step to the process. Simmons concluded that the committee would move forward to amend the policy so it addresses certain coach positions and does not use the president's salary as a threshold.

ANNUAL REPORT ON COMPENSATION

Regent Simmons invited Vice President Kathryn Brown; Kenneth Horstman, Senior Director of Total Compensation; and Mary Rohman Kuhl, Director of Compensation, to discuss the annual report on compensation, as detailed in the docket.

Brown explained that the report illustrates total compensation of all employees and a detailed report of senior leader compensation. Horstman reviewed the compensation policy and the employee value proposition, noting that base pay and merit increases are vital to remaining a competitive employer. Salary and fringe represent 61 percent of the University's total expenditure of non-sponsored funds.

Rohman Kuhl reported that with the implementation of the 19 job family classifications for Civil Service and Professional & Administrative staff, salary ranges for each job family are set with a midpoint that is equal to the market median. She described the use of compensation ratios to determine how closely individuals or job family salaries compare to the market median.

Rohman Kuhl explained that markets for faculty and senior leaders differ by campus, and reviewed the institutions that are comparable to the Twin Cities, Crookston, Duluth and Morris campuses. Brown added that the Office of Institutional Research selected the peer institutions for each campus. Those peers are used to benchmark other data as well.

In response to a question from Regent Simmons, Rohman Kuhl confirmed that benchmarking data used for faculty includes salary, but not total compensation. Brown explained that base salary data is more readily available, whereas total compensation data is more difficult to calculate and can be less reliable.

In response to a comment from Regent Hsu, Rohman Kuhl explained that the average salaries for faculty at peer institutions are the average of all faculty, and not broken down by discipline.

Brown recognized Horstman and Rohman Kuhl for their work and presented the senior leader compensation strategy and benchmarking data. She reminded the committee that the strategy aligns with compensation policy.

In response to a question from Regent Omari, Brown explained that to hire for hard-to-fill positions and reduce turnover, managers must sometimes consider restructuring staff or budgeting in a way that allows better pay for certain positions. She added that when recruiting new staff, managers must also convey the value of total compensation, not just salary.

Simmons commented on the faculty salary benchmarking data, and asked if it includes medical schools. Lincoln Kallsen, Director, Institutional Analysis, confirmed from the audience that the data does not include medical schools.

In response to comments from Regents Hsu and Beeson, Brown agreed that retention data is valuable and shared that although it is not included in the compensation report, it is collected and used.

Simmons emphasized the importance of salary ranges, but cautioned that goals need also to consider the work environment, community, and other factors. Horstman commented that the measures are tools utilized to signal changes in the marketplace.

In response to a question from Hsu, Rohman Kuhl noted that the data do not consider cost of living. The faculty data are broken out by institution, but staff and senior leader compensation is reported in aggregate, so cost of living cannot be taken into consideration.

In response to a question from Hsu, Brown explained that the University does not have a mechanism for collecting data about start-up or other funds that faculty may receive in addition to their salary. She added that colleges or departments might capture such data.

WELLBEING: A HOLISTIC APPROACH TO SUPPORTING AN ENGAGED AND PRODUCTIVE WORKFORCE

Regent Simmons invited Vice President Kathryn Brown; Brandon Sullivan, Senior Director, Leadership and Talent Development; and Kenneth Horstman, Senior Director, Total Compensation, to discuss the holistic approach to wellbeing, as detailed in the docket.

Brown noted the shift from “wellness” to “wellbeing,” explaining that the University has offered wellness programming in the past, but will shift to a more holistic wellbeing approach. She added that employee engagement and productivity are closely related to overall wellbeing.

Sullivan provided a definition of wellbeing and reported that employers utilize wellbeing programs to improve and maintain performance and safety, raise awareness of health, and to develop a culture of a healthy workplace. He cited research that shows that successful programs utilize goals and rewards or incentives for achieving goals.

Horstman described the University’s current wellness program, noting that it is a best-practice program. He shared its accomplishments and outlined the proposed new wellbeing program, along with the implementation timeline.

In response to a question from Regent Cohen, Horstman explained that telephone health coaching is available to employees who opt in. He added that in-person health coaching is also available at the Twin Cities campus.

In response to a question from Regent Omari, Horstman noted that the University’s wellness program has continued to provide a substantial return on investment every year. He added that it will not be possible or necessary to measure all outcomes; some will remain anecdotal.

In response to questions from Student Representative Anderson, Horstman reported that the University has implemented wellness programs on the Crookston, Duluth, and Morris campuses. Programs differ by location.

CONSENT REPORT

Vice President Brown invited President Kaler to join her in presenting for review and action the Consent Report, which included the following items:

- Appointment of Michelle Behr as Chancellor of the University of Minnesota Morris.
- Conferral of tenure for four outside hires.

President Kaler presented for approval the appointment of Michelle Behr as Chancellor of the University of Minnesota Morris. Brown walked through the other items. A motion was made and seconded and the committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President Brown referred the committee to the information items contained in the docket materials, which included personnel highlights and faculty and staff activities and awards.

The meeting adjourned at 10:45 a.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Work Session:
System-wide Strategic Plan Themes**

December 8, 2016

A work session of the Board of Regents of the University of Minnesota was held on Thursday, December 8, 2016 at 11:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice President Kathy Brown; Interim Vice Presidents Michael Berthelsen and Bernard Gulachek; Executive Director Brian Steeves; and Chief Auditor Gail Klatt.

Student Representatives present: Lauren Mitchell.

Chair Johnson invited Chancellor Stephen Lehmkuhle; Rebecca Ropers-Huilman, Vice Provost for Faculty Affairs; and Meredith Fox, CEO of Portage Partners Consulting to lead the Board in a discussion of system-wide strategic plan themes, as detailed in the docket.

Lehmkuhle provided an update on the work of the system-wide strategic planning committee. He reported that the committee has met with stakeholder groups at each campus, addressing several key questions related to goals for the system.

The Board separated into small groups to discuss those same questions:

- In an ideal future, what would a better-coordinated University of Minnesota system look like?
- What changes would need to be made at a system-level to achieve this ideal future?
- What changes would need to be made by campuses to achieve this ideal future?
- What should *not* change as we plan our system's future?

Fox asked Regents for their feedback on the question about system coordination.

Regent Hsu noted he would like to see more coordination around the admissions process. He acknowledged tools such as the common application and the Share My App program, but suggested a more efficient process that puts less burden on the student. He remarked that the additional time and energy needed to distribute an application to multiple campuses might lead a student to look at another institution.

Regent Devine agreed with the need for better strategy around a common application. He suggested a common orientation process for students and parents that addresses shared campus priorities, such as the land-grant mission, sexual assault prevention, and the student conduct code. He added that there could also be greater continuity post-graduation in the efforts of various alumni groups and the Foundation.

Regent Lucas noted the importance of common elements in the orientation process, since many students continue in the system for graduate education.

Regent Cohen emphasized the need to highlight the strengths and individuality of each campus within the broader system.

Regent Simmons suggested greater focus on the mission of the University and ways each campus can contribute to the mission. She cautioned against losing the regional character and unique responsibility of each campus.

Regent Omari commented on the coordination of services, such as libraries, finances, and human resources. He suggested these services should not be entirely centralized, but there should be a balance within the system.

Representative Mitchell noted that she would like to see a balance of autonomy and unity in policy issues. She referenced the administrative policy for absence and makeup work, citing differences of opinion among campuses for how these situations should be handled. She suggested this is a situation where it might be best to allow each campus to determine what is best for them.

Regent Beeson remarked on the need for greater advertising across the system, noting there is too strong an emphasis on the Twin Cities campus. He suggested a clearer focus on each facet of the University mission, including research and outreach.

In response to a comment from Chair Johnson, Lehmkuhle replied that a University degree is highly valued, regardless of the campus. This is one of the greatest benefits of the system, as reported by stakeholders.

Regent Rosha expressed a desire for greater consistency in the student experience across campuses as well as clarity in common policies and practices. He noted that the strength of each campus is its regional identity but suggested that a strategic plan will help clarify their role within the University's mission. Rosha added that establishing a specific identity and place within the institution can help a campus in the budget process. He emphasized the importance of engaging state-wide leadership in the strategic planning process.

Fox asked the Board for feedback on the remaining discussion questions.

Lucas raised concerns about revenue generated by Gopher athletics. She noted that much of the media revenue returns to the Twin Cities campus, despite high viewership across the entire state. She suggested that athletics revenue should benefit the whole system.

Hsu suggested a different approach to allocating resources to campuses, or to specific schools or units that might be struggling in the rankings. He suggested establishing clear, achievable goals and allocating the necessary resources to meet them. He added that clear goals and priorities for the athletics department are crucial to the strategic planning process.

In response to a comment from Johnson, Hsu remarked that there should be a greater commitment to long-term financial goals. He noted his perception that budget priorities are determined from year to year, without working toward long-term goals. He would like the new Senior Vice President for Finance and Operations to be involved in the strategic planning process.

Simmons suggested campus coordination, when appropriate, to meet institutional goals. She remarked that this would require determining priorities for units.

Beeson called for better recruitment efforts across the system. He suggested targeting recruitment in underserved populations, such as those in rural or urban areas.

Devine suggested the need for better prioritization regarding tuition modeling. He appreciated that the most recent tuition increases varied from campus to campus, but noted the difficulty in determining market value across the system. He emphasized the need for better advising and retention efforts at all campuses.

Rosha noted that it is difficult to evaluate the budget or the admissions process without clear institutional goals. He emphasized the importance of establishing system-wide goals to guide priorities. He suggested that the current decision-making process lacks cohesion.

Hsu suggested that the 21st century land-grant mission be included in the strategic plan.

Omari agreed with the need for clearer priorities. He noted that units without agency funding, such as from the NSF or NIH, are typically the first to be cut. He used the College of Liberal Arts as an example.

Regent Anderson disagreed that there have not been priorities, noting accomplishments such as better 4-year graduation rates and lower student debt. He suggested that perhaps priorities have not been clearly defined and that there could be more specificity around goal setting, but that does not mean priorities have not existed

Hsu remarked that the budget process previously has not provided enough understanding of where money goes within the organization. He added his opinion that without clear goals, it is difficult to understand where resources are allocated.

Ropers Huilman reported feedback from the system campuses, noting general themes from various stakeholder groups, such as faculty, staff, and students.

Johnson thanked the group for their efforts.

In response to a comment from Devine, Lehmkuhle responded that the feedback presented was merely a summary of themes heard from various stakeholders. He clarified that more detailed responses would be released from each campus.

Rosha asked about a process for evaluating the needs of the state and suggested that other state leaders, such as from the Minnesota State system, be involved in the planning process.

The meeting adjourned at 11:57 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
December 8, 2016**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, December 8, 2016 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle and Fred Wood; Executive Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Associate Vice President Meredith McQuaid; and Executive Director Brian Steeves.

Student Representatives present: Phillip Guebert and Mina Kian.

**SYSTEM CAMPUS HIGHLIGHTS FROM THE 2016 UNIVERSITY PLAN,
PERFORMANCE, AND ACCOUNTABILITY REPORT**

Regent Cohen invited Provost Karen Hanson to introduce system campus highlights of the 2016 *University Plan, Performance, and Accountability Report*, as detailed in the docket.

Hanson pointed out that she will share the 2016 *University Plan, Performance, and Accountability Report* in its entirety with the Board at its December 9 meeting. She welcomed the chancellors, who introduced a student from each campus. Each student reviewed the distinctive features of their campus and shared why they chose to attend that campus.

Cohen expressed her gratitude to the chancellors for selecting exemplary students and thanked the students for sharing their personal stories. Regents Anderson, Johnson, and Rosha commented that they happy to hear from students from across the system.

In response to a question from Johnson, each student shared their plans and goals for their future beyond their University of Minnesota education.

Cohen concluded the discussion by thanking Chancellors Johnson and Wood for their service to the Morris and Crookston campuses. She wished them well in their future endeavors.

TWIN CITIES CAMPUS UNDERGRADUATE EDUCATION UPDATE

Regent Cohen invited Provost Hanson and Robert McMaster, Vice Provost and Dean of Undergraduate Education, to present the Twin Cities campus undergraduate education update, as detailed in the docket.

McMaster reviewed UMTC fall 2016 undergraduate enrollment and shared the profile of new freshmen and transfer students. He reported retention and graduation rates and highlighted programs that support retention and timely graduation. McMaster also provided an update on financial aid and student debt.

In response to a question from Cohen, McMaster confirmed that the average debt he reported only includes those students with loan debt.

Regent Simmons commented that the increasing ACT scores appear to correlate to improving graduation rates, and inquired whether additional programs supporting student success were also a key factor in improved graduation rates. McMaster reported that new programs like the President's Emerging Scholars and Center for Academic Planning and Exploration were major factors leading to improved 4-year graduation rates.

In response to questions from Regent Lucas, McMaster confirmed that the diversity of the student body mirrors the diversity of the high schools across Minnesota. He reported that the University has fewer African American and Latino and Hispanic students than the statewide percentage, but higher than the statewide percentage of Asian and American Indian student populations. McMaster explained that admissions and recruiting outreach not only focuses on ethnic diversity, but also recruiting Pell-eligible and first-generation college students.

In response to comments from Regent Johnson, McMaster agreed that it is generally less competitive to gain admission through transferring from another college than through applying as a freshman. He stressed that transfer students must meet certain academic qualifications. McMaster reported that the top transfer institutions outside of Minnesota are the University of Wisconsin, University of Illinois, University of Iowa, and colleges in North and South Dakota. The top two sources of transfer students are Normandale Community College and the University of St. Thomas.

In response to questions from Student Representative Kian, McMaster explained that the University uses the six federally defined racial and ethnic categories in collecting and reporting student data. He added that there is no disaggregation beyond those six categories. McMaster confirmed that the University defines first generation college students as those students whose parents who have not taken any college coursework.

In response to a question from Regent Anderson, McMaster clarified that admissions only reviews the collegiate academic record of transfer students. Their high school GPA and ACT score are not considered. He added that the University only accepts transfer students with 26 or more college credits.

Regent Lucas inquired about the gender imbalance among undergraduate students. McMaster responded that it represents national trends. Hanson agreed that the problem is not exclusive to the University of Minnesota, and asserted there is no need to make changes to admissions and recruiting strategy or standards.

Cohen asked if undeclared students pose any issue since they must choose a college to be admitted into. McMaster explained that movement between colleges is common and stressed the importance of resources that support students in exploring and selecting majors that fit their interests and talents.

PREDICTIVE VALUE OF STANDARDIZED TESTS

Regent Cohen invited Provost Hanson and Robert McMaster, Vice Provost and Dean of Undergraduate Education, to discuss the predictive value of standardized tests, as detailed in the docket.

Hanson noted that this item continues the discussion that began in October on the topic of admissions principles and holistic review. McMaster discussed the holistic review process and shared that standardized tests are a part of the primary review factors that are considered when reviewing an application for admission. He noted that even a student with a high ACT score may be denied admission due to other primary or secondary review factors.

McMaster explained that the University uses standardized tests for multiple reasons, primarily because they predict a student's academic success in the first year of college. He added that sub-scores are useful in evaluation for specific majors or colleges. McMaster shared that the average ACT score has been set as a performance metric on the University Progress Card and is a factor in some institutional rankings.

Regent Simmons noted that the University Progress Card includes an average ACT goal of 28 for Twin Cities campus students and asked McMaster if he thought that was an appropriate goal. McMaster agreed that it is, adding that a score of 28 represents the top 15 percent of students who take the ACT.

In response to a comment from Regent Rosha, McMaster confirmed that correlation exists between geography and ACT score. He explained that Minneapolis and St. Paul schools generally have lower average ACT scores; first- and second-ring suburbs have higher averages; and averages decline again in Greater Minnesota, with the exception of pockets around cities such as Rochester.

Regent Anderson commented that approximately 150 students were admitted with an ACT score of 21 or below, and asked what aspects of their application indicated they would be successful at the University. McMaster explained that secondary factors such as leadership, talent, or rigor in their high school curriculum are considered and that programs like the President's Emerging Scholars program can give them the support they need to succeed academically.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - College of Education and Human Development (Twin Cities campus)—Create M.A. degree in Applied Developmental Psychology and deliver online
 - College of Liberal Arts and College of Design (Twin Cities campus)—Create M.A. degree and graduate minor in Heritage Studies and Public History
 - Medical School (Twin Cities campus)—Create fellowship Advanced Interventional Cardiology and Research
 - Carlson School of Management (Twin Cities campus)—Create undergraduate minor in Business Analytics
 - College of Continuing Education (Twin Cities campus)—Create undergraduate minor in Information Technology Infrastructure

- **Request for Changes to Academic Programs**
 - College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Create joint Bachelor/Master of Science degree in Nutrition
 - College of Design (Twin Cities campus)—Create sub-plan in Research Practices within the M.S. degree in Architecture
 - College of Liberal Arts (Twin Cities campus)—Discontinue sub-plan in Ancient Art and Archaeology within the M.A. and Ph.D. degrees in Classical and Near Eastern Studies
 - School of Fine Arts (Duluth campus)—Create sub-plans in Marketing and Studio within the B.F.A. degree in Graphic Design

- Swenson College of Science and Engineering (Duluth campus)—Move the academic home of the M.S. degree in Integrated Biosciences from the Twin Cities campus to the Duluth campus
 - College of Education and Human Development (Twin Cities campus)—Change the name of the post-baccalaureate certificate in Emerging Leaders in Private Colleges to Private College Leadership
 - College of Education and Human Development (Twin Cities campus)—Change the name of the B.S. degree in Recreation, Park and Leisure Studies to Recreation Administration
- **Request for Approval of Discontinued Academic Programs**
 - College of Continuing Education (Twin Cities campus)—Discontinue the Master of Liberal Studies degree
 - College of Continuing Education (Twin Cities campus)—Discontinue the graduate minor in Liberal Studies
 - College of Continuing Education (Twin Cities campus)—Discontinue the postbaccalaureate certificate in Innovation Studies
 - College of Liberal Arts (Twin Cities campus)—Discontinue the B.A. degree in Statistics
 - College of Liberal Arts (Duluth campus)—Discontinue the M.A. degree in Criminology
 - Swenson College of Science and Engineering (Duluth campus)—Discontinue the B.S. degree in Computer Information Systems
 - School of Fine Arts (Duluth campus)—Discontinue the B.F.A. in Graphic Design and Marketing

INFORMATION ITEMS

Provost Hanson referred committee members to the following information item:

- University of Minnesota receives Inaugural Award for Global Learning, Research, and Engagement by the Association of Public and Land-grant Universities (APLU).

The meeting adjourned at 3:09 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
December 8, 2016**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, December 8, 2016 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice President Kathryn Brown; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason, Meredith McQuaid, Julie Tonneson, and Michael Volna.

Student Representatives present: Lauren Anderson and Mike Kenyanya.

INTERNATIONAL STUDENT TUITION RATES

Regent Beeson invited Associate Vice President Meredith McQuaid; Robert McMaster, Vice Provost and Dean; and Lincoln Kallsen, Director of Institutional Analysis, to lead a discussion on international student tuition rates, as detailed in the docket.

McQuaid provided background about international students, noting the significant growth in numbers since 2005. She outlined their economic impact on both to the University and the state, and explained that increasing competition for international students means being creative to sustain recruitment.

Kallsen reported the international student headcount for all academic levels by campus, highlighting the undergraduate international student population for the Twin Cities campus for fall 2016. He shared that there has been a five-fold increase in such students at UMTC in the last decade. He outlined where the University is positioned compared to peer institutions, the top source countries, and enrollment by Twin Cities college.

Kallsen explained that international students' desire for affordability is not significantly different from other students. He reported that some peer intuitions use a separate international student tuition rate, while others use surcharges. The University uses an international student surcharge and academic fee.

McMaster outlined how those surcharges and fees are used, noting that English language support is a main use. He explained that while the international student population is smaller, making it more susceptible to variation, international students overall have similar retention and four-year graduation rates as other students. McMaster offered as an example that Korean males are required to take a break for military service during their college education, which skews their four-year graduation rate.

Omari asked about benefits of using a surcharge versus a different tuition rate. Kallsen explained that for some institutions, being able to communicate a single non-resident rate is preferable. He observed that many institutions have started with a surcharge and moved to a separate tuition rate. Kallsen noted that the University's surcharge started as an academic fee

to ensure that it would be used for specific services instead of being blended into general tuition revenue.

In response to a question from Regent Devine, McMaster explained that the fee is set after the University identifies necessary support services and the cost to fund them. He stated that the fee generates enough revenue now but will eventually need to increase.

Beeson asked about elasticity of international student demand compared to non-international non-resident students. McMaster responded that there is not a good way to gauge elasticity given recent increases in non-resident, non-reciprocity tuition (NRNR). He noted that the Office of Admissions increased offers by 23 percent last year, making any gauge of elasticity unclear. McQuaid added that the University does not have any documentation of the source of an international student's funding. She stated her belief that the University should attract students from a variety of countries, not simply those where students have the personal means to pay tuition.

Devine observed the difference between the University and peer institutions and wondered about the variance in the amounts charged. Kallsen responded that many of the institutions see international students as providing revenue enhancements and choose to charge more. Regent Hsu noted that Purdue University has the largest number of international students and charges the most.

In response to a question from Beeson, McQuaid reported that the University admits more international students than it enrolls. She explained that if the University wished to add more international students, the costs to maintain the same level of service would increase.

Student Representative Kenya suggested that the University should strive to have the lowest tuition possible for all students and that a focus on possible increases is wrong. He emphasized that the University's position in the market should not be justification to raise tuition for international students.

Hsu suggested that geographic diversity is important and that it is difficult to know the right percentage of international students without a defined goal. He expressed his desire not to increase tuition rapidly, but emphasized the need to increase rates given the opportunity with both international students and NRNR students.

ADMINISTRATIVE COST DEFINITION AND BENCHMARKING

Regent Beeson invited Associate Vice President Tonneson to present an update on the administrative cost definition and benchmarking analysis, as detailed in the docket.

Tonneson reminded the committee of the three main categories used in the analysis – direct mission delivery including student aid, mission support and facilities, and leadership and oversight – and examples of the specific positions included in each for FY 2016.

In response to a question from Beeson, Associate Vice President Volna responded that only interest costs have been included in the analysis. He explained that the principal cost and the cost to purchase buildings are not included. President Kaler added that the analysis looks primarily at personnel costs.

Tonneson outlined updates to the methodology used for FY 2016. She reminded the committee that given those changes, this data would not be comparable to the data presented in October 2015, but is comparable to the adjusted data of past years.

Tonneson presented the results of the analysis, indicating that the percentage of total spend across the three areas was stable from FY 2014 to FY 2016. She noted the major areas of

spending and the largest category of non-personnel expenses. Tonneson summarized other major trends observed over the three years of the analysis. She offered that it is difficult to see many of the administrative cuts that have been made since those cuts are often reallocated, creating a shift within a category instead of between categories. She summarized the potential direction of future analysis, noting that it is of primary value at the unit level, and offered options for sharing results with the committee in the future.

Regent Hsu responded that he would like to continue to have an annual presentation of the results as well as a written report, if the written report contains more detail. He asked what additional costs are not included in the analysis. Tonneson replied that the cost of the Enterprise System Upgrade, debt, construction costs, and other items listed in the presentation were not included.

Regent McMillan expressed his support for continuing and deepening the analysis, and asked if the analysis was more meaningful as a management tool. Kaler responded that understanding cost drivers is a key component of oversight. He noted that this presentation is helpful when talking with community members and provides a way to show where and how the University is allocating its resources.

Regent Devine proposed including debt costs with both the interest rate and principal in the analysis. Beeson agreed, suggesting excluding one-time costs but including debt and capital costs.

REPORT ON BIENNIAL APPROPRIATION AND PERFORMANCE GOALS

Regent Beeson invited Associate Vice President Tonneson to present for review and action the Report on Biennial Appropriation and Performance Goals, as detailed in the docket.

Tonneson reminded the committee of the history behind the performance measures and the five performance measures agreed upon with the Minnesota Office of Higher Education for the last biennium:

1. Improve graduation rates for students of color system-wide.
2. Increase the total number of undergraduate STEM (science, technology, engineering and mathematics) degrees system-wide.
3. Improve the overall four-year undergraduate graduation rate at the University of Minnesota.
4. Reallocate \$15 million of administrative costs.
5. Increase license disclosures.

Tonneson reported that the University achieved all five of the performance measures. She summarized the methodology used to determine the graduation rates, STEM degrees, and invention disclosures.

A motion was made and seconded to approve the report and submit it to the State of Minnesota.

Regent Omari expressed his disappointment that the administrative reallocations are affecting student services directly, including the ability to fill teaching assistant and graduate student positions. He emphasized his belief that reallocations should not be made from items that support students, noting the difficulty in continuing administrative cuts that include items affecting students and student work hours. He suggested closely examining additional cuts to understand what is being cut and the cost of those choices.

Regent Hsu expressed his belief that there is still more to cut and wondered if the Board should examine what has been cut and why. Beeson asked the administration to provide information about what it plans to cut in next year's operating budget, paying particular attention to anything that directly affects students.

Tonneson clarified that units are only directed to avoid cuts to student aid. She explained that units must prioritize and propose cuts based on their managerial judgment. She reminded the committee that only cuts in mission support and facilities, and leadership and oversight qualify toward the administrative cost reduction.

In response to a question from Hsu, Tonneson stated that each unit receives a target amount, and that the actual amount achieved is on average equal to or more than the target.

McMillan commented that the operating budget process is the time to look at potential cuts to student services, and shows the benefit of having more time to consider the operating budget.

The committee voted five to one to recommend approval of the report and submit it to the State of Minnesota. Omari voted no.

ANNUAL FINANCIAL REPORT

Regent Beeson welcomed Senior Vice President Burnett to the committee. He invited Burnett and Associate Vice President Volna to present the University's annual financial report, as detailed in the docket.

Burnett stated that the University has a strong balance sheet with strong cash flows. Volna explained that the net position of the University increased by \$107.1 million in FY 2016. Total net operating losses remained flat compared to FY 2015 at \$1.1 billion. Volna noted that the FY 2016 positive cash flows were \$126.1 million, an increase of \$104.3 million from FY 2015. Total University assets increased by \$127 million, or 2.2 percent, and total liabilities increased by \$90 million, or 3.8 percent. The adoption of new Governmental Accounting Standards Board (GASB) pension standards, or GASB 72, reduced the FY 2015 net position by \$15.5 million.

Regent Hsu noted that the ending cash position was better over FY 2015 based primarily on the University's investments.

Student Representative Anderson wondered if the University's expenses could be normalized per student. Volna responded that expenses are broken out by campus every other year, but not normalized by student. He added that this report is used to show the University's position based on outside accounting guidelines. President Kaler added that it is challenging to normalize by cost per student since that does not take into account the other missions of the University. He offered that the total allocated cost of instruction would be close.

Kaler called the financial results wonderful but commented that they are not purely positive. He noted that the University must consistently and fully explain to the public why an increase in cash position is a good thing and its impact on tuition and staff salaries. He added that the credit rating agencies revising their outlook for the University to stable is positive and based in large part on the cash on hand. That stable outlook allows the University to continue to access debt at better rates.

CONSENT REPORT

Associate Vice President Volna presented the Consent Report, as detailed in the docket:

General Contingency:

- There were no items requiring approval this period.

Purchase of Goods and Services \$1,000,000 and Over:

- To Dell, Inc., for \$1,305,528 for Dell servers to support Splunk licenses and support and maintenance for the Office of Information Technology (OIT) for the period January 1, 2017, through December 31, 2021. The first year purchase of equipment and support and maintenance is funded through the financing plan for the Next Generation Network project that was reviewed and approved by the Board of Regents in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget. Vendor was selected through a competitive process.
- To Forsythe Solutions Group, Inc., for \$6,714,609 for Splunk log management tool licenses and support and maintenance for the Office of Information Technology (OIT) for the period January 1, 2017, through December 31, 2021. The first year purchase of equipment and support and maintenance is funded through the financing plan for the Next Generation Network project that was reviewed and approved by the Board of Regents in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget. Vendor was selected through a competitive process.
- To Gatan, Inc., for an estimated \$1,000,000 for a direct electron detector with energy filter to accompany the Cyro Electron Microscope system purchased through FEI in 2015 for The Hormel Institute. The system will be purchased using funds specifically donated by The Hormel Foundation to equip an electron microscope share instrument core. This item was not budgeted for as part of the current fiscal year budget. See attached documentation regarding basis for vendor selection.
- To Matrix Integration for \$5,667,563 for HP/Aruba Corporation Wi-Fi devices and support and maintenance for all campuses for the Office of Information Technology (OIT) for the period January 1, 2017, through December 31, 2021. The first year purchase of equipment and support and maintenance is funded through the financing plan for the Next Generation Network project that was reviewed and approved by the Board of Regents in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget. Vendor was selected through a competitive process.
- To Plunkett's Pest Control for an estimated \$1,081,300 for campus wide pest control services for the University of Minnesota Twin Cities campus for the period of January 1, 2017, through December 31, 2018 with contract extensions through December 31, 2022. The funds required for this contract will be paid for by the various units requiring pest control services. Vendor was selected through a competitive process.
- To Ruffalo Noel Levitz for an estimated \$6,000,000 for direct marketing products and services for undergraduate admissions at the University of Minnesota Twin Cities for the period of February 1, 2017, through June 30, 2020, with the option to renew for two additional one-year terms through June 30, 2022. The direct marketing and application development services will be funded through O&M funds and is identified as a line item in the Office of Admissions annual budget. Vendor was selected through a competitive process.

University of Minnesota Off-Cycle Tuition Rates:

- Tuition rates for summer 2017, fall 2017, and spring 2018 for those programs noted in the docket.

Regent Omari encouraged the administration to seek a locally owned option for pest control in the future.

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

INFORMATION ITEMS

Associate Vice President Volna referred the committee to the information items in the docket:

- Investment Advisory Committee Update
- Quarterly Purchasing Report
- Debt Management Advisory Committee Update
- Annual Business and Community Economic Development Report

Darryl Peal, Executive Director of the Office for Business and Community Economic Development, referred the committee to the Annual Business and Community Economic Development Report. Peal summarized the report's main points and highlighted the growth created by the University's supplier diversity initiatives. He noted that while gains have been made in some areas, there is still more work to be done, especially in using businesses owned by veterans and those with disabilities. He explained the work being done to begin identifying and using LGBT-owned businesses. Regent Omari commented that continuing to increase use of diverse suppliers should be a performance metric tracked by the Board.

The meeting adjourned at 3:17 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Governance & Policy Committee
December 8, 2016**

A meeting of the Governance & Policy Committee of the Board of Regents was held on Thursday, December 8, 2016 at 3:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Jacqueline Johnson and Fred Wood; and Executive Director Brian Steeves.

Student Representatives present: Lauren Mitchell

BOARD OF REGENTS POLICY: BOARD POLICY DEVELOPMENT

Regent Cohen invited Executive Director Steeves and Jason Langworthy, Board Associate, Policy & Committees, Office of the Board of Regents, to review proposed amendments to Board of Regents Policy: *Board Policy Development*, as detailed in the docket.

Steeves reminded the committee of its discussion in October and the discussions that took place last year focused on the Board policy review process and development of administrative policy.

Langworthy reviewed the proposed amendments, offering that they clarify language and align the policy with current practice. He noted that the proposed language codifies the current comprehensive review process. He highlighted new language that makes clear that Board policies can be amended outside of the comprehensive review process. Langworthy noted the addition of a review to ensure alignment of other University policies to Board policy. He explained that the alignment review would sample a portion of other University policies annually to determine alignment with Board policy. He added that the review would be reported to the Board by the president or delegate.

Regent Rosha asked if the term “sample” was precise enough within the alignment review language. He wondered if it would be too onerous on the administration to simply have the policy state that the president shall ensure alignment with Board policy. Steeves noted that the expectation for alignment already exists in the policy. He offered that the proposed language aims to require the administration to operationalize a process to determine the state of alignment and report those results to the Board. Langworthy added that section three of the policy already contains language that makes it clear that Board policy supersedes all other policies.

In response to a question from Regent Devine, Langworthy responded that for other University policies where the administration has been delegated authority, it has become the practice for the Board to ratify those policies they feel require Board input. Devine wondered if the Board was giving up too much authority with this type of action. Steeves explained that it is always the prerogative of the Board to bring items into Board policy from administrative policy. He added that this language is for when the Board wants to give input on administrative policy, but not make it a Board policy.

Devine wondered if technical corrections should come to the full Board for approval. Steeves noted that the ability of the executive director and corporate secretary to make technical corrections with approval of the Board chair is a long-standing provision. He explained that the change simply clarifies current language. He indicated that all technical corrections are noted on Board policies.

Regent Anderson wondered whether an administrative policy the Board declined to ratify would still be in force. Rosha commented that in his view, it would be highly unlikely that the Board would simply vote no to ratifying an administrative policy without giving feedback to the administration of what it would prefer to see in its place. He noted that if a Board policy required ratification of a particular administrative policy, the policy would not be in place until that ratification was obtained. Cohen offered her expectation that the administration would work with the Board if there were an issue with a requested ratification. Langworthy added that Board policy always remains the ultimate policy.

Board of Regents Policy: *Board Policy Development* will return for action at a future meeting of the committee.

**BOARD OF REGENTS POLICY: RESERVATION AND
DELEGATION OF AUTHORITY (BOARD AUTHORITY)**

Regent Cohen invited Executive Director Steeves and Jason Langworthy, Board Associate, Policy & Committees, Office of the Board of Regents, to review proposed amendments to Board of Regents Policy: *Reservation and Delegation of Authority*, as detailed in the docket.

Steeves explained that the objective of the proposed amendments is to combine the majority of Board of Regents Policy: *Board Authority* into *Reservation and Delegation of Authority*. Steeves noted that this was an example of looking for Board policies that could be combined to decrease the total number of policies, as discussed by the committee at the October meeting.

Langworthy outlined the proposed changes. He explained that subdivisions one and two of *Board Authority* would be added to the appropriate sections of *Reservation and Delegation of Authority*. Since subdivision three of *Board Authority* is repetitive and the intent of the subdivision is included in other Board policies, most notably Board of Regents Policy: *Responsibilities of the Board and Individual Regents*, that section would not be added to *Reservation and Delegation of Authority*.

In response to a question from Regent Devine, Langworthy clarified that the changes only absorb the two subdivisions noted into *Reservation and Delegation of Authority* and do not make any substantive changes to current practice.

Rosha wondered how and when a majority of the Board could delegate the authority of the Board to a small subset of the Board under subdivision one. Steeves responded that the Board has been very specific and narrow in its delegations. He noted the delegations made to the chair and vice chair as the main examples of a delegation of the Board to a subset of the Board. He also identified provisions related senior leader compensation, explaining that the Board put in place parameters that the president must seek written approval from the chair and vice chair to exceed. Steeves stated the view of the Board Office that delegations have been limited and clearly articulated in Board policy. Langworthy added that Board policy is bound by the provisions and limitations placed in the *Bylaws*.

Board of Regents Policy: *Reservation and Delegation of Authority* will return for action at a future meeting of the committee.

ORIENTATION OF NEW REGENTS

Regent Cohen invited Executive Director Steeves and Sarah Dirksen, Deputy Director, Office of the Board of Regents, to discuss orientation of new Regents, as detailed in the docket.

Steeves defined the objectives of orientation. Dirksen outlined the goals and process of orientation. She mentioned some of the core pieces that new Regents need to know first, including an understanding of public meetings, building relationships with key senior leaders, and the culture of the Board. She offered that avoiding information overload and the time constraints of new Regents were two limiting factors.

The committee discussed what was most helpful and least helpful from their orientation experiences, and gave advice for future orientations.

The meeting adjourned at 4:35 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit & Compliance Committee
December 8, 2016**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, December 8, 2016, at 3:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Peggy Lucas, presiding; Richard Beeson, Michael Hsu, Abdul Omari, and Patricia Simmons. Regent Brod participated by phone.

Staff present: President Eric Kaler; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice President Katrice Albert; Interim Vice Presidents Bernard Gulachek and Michael Berthelsen; General Counsel Douglas Peterson; Executive Director Brian Steeves; Associate Vice President Michael Volna; and Chief Auditor Gail Klatt.

Student Representatives present: Connor Klemenhausen and Tareyn Stomberg.

EXTERNAL AUDITOR REPORT

Chief Auditor Klatt invited Susan Paulsen, Assistant Controller, and Katie Knudtson, Partner, Deloitte & Touche LLP, to present the external auditor's opinion on the University's fiscal year 2016 financial statements and other required audit materials, as detailed in the docket.

Knudtson reported that Deloitte issued an unqualified opinion for 2016. She summarized major financial elements of the audit, noting that the balance sheet, net position, and cash flow were stable year over year. Knudtson shared that the University adapted GASB No. 72 related to fair value standard, which resulted in a \$14 million loss to the University. She summarized the other audit services performed by Deloitte in 2016.

In response to a question from Regent Simmons, Knudtson explained that the single audit of Centers for Medicare and Medicaid Services was related to compliance testing of sponsored research funding, predominantly from National Institutes of Health.

Regent Beeson requested a copy of the management letter. Knudtson explained Deloitte issued no management letter because there were no significant deficiencies to report.

In response to a question from Regent Hsu, Knudtson explained that the NCAA agreed-upon procedures include financial information that all Division I schools must report annually. She added that the findings will be issued before the end of the calendar year and shared with the committee in February.

In response to a question from Regent Omari, Knudtson shared that the University is not maximizing technology use, especially in delivering education. She noted that her clients in education and the private sector share this problem.

Hsu questioned what priority Knudtson would give technology if she and Deloitte were engaged in strategic planning exercises at the University. Knudtson stated that technology would be the number one item on the strategic plan.

UPDATE ON REMEDIATION OF INTERCOLLEGIATE ATHLETICS AUDIT FINDINGS

Regent Lucas invited Associate Vice President Michael Volna and Mark Coyle, Director of Intercollegiate Athletics, to provide an update on remediation of intercollegiate athletics audit findings, as detailed in the docket.

Volna referred the committee to a scorecard in the docket that outlines the progress made on each of the nine priorities of the work plan developed by the financial oversight group. He noted that five items are complete, three are in process, and that work has not begun on one item. Volna explained that the one outstanding item requires input of Senior Vice President Burnett who has not yet had the opportunity to provide his perspective.

In response to a question from Regent Simmons, Volna explained that policy violations discovered in the audits involved administrative policies only, not Board of Regents policies.

Regent Omari thanked Volna and Coyle for the development of a scorecard, noting it provides a mechanism for the Board to exercise its oversight.

In response to a question from Regent Hsu, Volna confirmed that the University does not require certifications similar to what is required in corporate and private industry.

Regent Brod commented that the work being completed by Athletics can be expanded and shared as best practices with other colleges and units at the University.

In response to a question from Hsu, Coyle thanked Volna for the work of the financial oversight group that was completed before his tenure. He added that his staff has received mandatory training.

COMPLIANCE PROGRAM UPDATE

Regent Lucas invited Boyd Kumher, Chief Compliance Officer, to deliver the compliance program update, as detailed in the docket.

Kumher shared his professional and educational background and expressed his gratitude to the University for the opportunity to serve as its chief compliance officer. He referred the committee to the Semi-Annual Compliance Officer Report that appears as an information item in the docket materials and outlined his initial thoughts about the future of the compliance program.

Regent Simmons commented that Kumher's vision of compliance and high ethical standards will require more than merely monitoring and providing education. Kumher explained that compliance exists on a continuum, and that his role will be to lead assessments and guide units on how to create a culture where compliance is second nature. Simmons expressed her satisfaction with these expectations and requested another report from Kumher in six months.

In response to a question from Regent Omari, Kumher explained that the cost of compliance is a challenge at a large complex institution. Klatt added that failure of compliance is often the result of reduced investment.

Kumher shared his initial thoughts on the University's compliance programs, including his satisfaction with the high-level oversight of the Board through the Audit & Compliance Committee. He also noted areas of opportunities that include improvements to the reporting hotline and the creation of compliance and ethics training. Simmons commented that the governing body should set expectations for compliance. She noted that the Board can provide support and expertise to the chief compliance officer and the compliance program as needed.

Regent Brod shared her satisfaction with the elevation of the compliance function to deepen the culture of compliance at the University. She added that a proactive program will drive a culture of compliance.

UPDATE ON COMPLIANCE WITH STATE STATUTE REGARDING PROCUREMENT FROM SMALL BUSINESS

Regent Lucas invited Tim Bray, Director, Purchasing Services, and Darryl Peal, Executive Director, Business & Community Economic Development, to provide an update on compliance with MN Statute 137.31, as detailed in the docket.

Bray outlined the statute, enacted in 1979 and last updated in 1993, which requires that the University award 20 percent of purchasing contracts to small business. He explained that compliance is complicated by the University's multiple funding sources and by the fact that federal funds prohibit the use of geographical preference in selecting vendors.

Peal reported that in FY 2016, the University awarded 12 percent of purchasing contracts to small business under the definition, short of the 20 percent to achieve compliance. The University spent \$98 million in FY 2016 with targeted woman- and minority-owned business, an 11.5 percent increase over the previous year. Bray noted that emphasis was not historically placed on compliance with the state statute, but on awarding contracts to woman- and minority-owned businesses.

Regent Beeson observed that the state statute oversteps the University's institutional autonomy and encouraged the group to consider engaging the legislature for revision. He added that the University could simultaneously share what they are doing to support small, local businesses.

Regent Simmons supported Beeson's comments. She added that it is important to do what is practical and supports the people of Minnesota, without jeopardizing any federal funding.

Regent Omari encouraged the committee to consider a plan for the University to achieve compliance with the statute, rather than lobby the legislature to amend the statute. He noted that the presenters provided actionable items for moving toward compliance.

In response to Regent Hsu, Peal explained that no mechanisms are in place to achieve complete compliance.

Klatt summarized the next steps for identifying a path to compliance or determining whether there is a need to speak with the legislature.

INFORMATION ITEMS

Chief Auditor Klatt referred the committee to information items contained in the docket materials, which included:

- Report of engagements less than \$100,000 requiring after-the-fact reporting.
- Semi-Annual Controller's Report.
- Semi-Annual Chief Compliance Officer's Report.

The meeting adjourned at 4:54 p.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Meeting
December 8, 2016**

A meeting of the Board of Regents of the University of Minnesota was held on Thursday, December 8, 2016 at 4:56 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Interim Vice President Michael Berthelsen; Executive Director Brian Steeves; and Associate Vice President Michael Volna.

APPROVAL OF MINUTES

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

Litigation Review Committee – October 6, 2016
Governance & Policy Committee – October 13, 2016
Academic & Student Affairs Committee – October 13, 2016
Finance Committee – October 13, 2016
Facilities, Planning & Operations Committee – October 13, 2016
Faculty & Staff Affairs Committee – October 13, 2016
Board of Regents Work Session – October 13, 2016
Board of Regents Closed Meeting – October 14, 2016
Board of Regents – October 14, 2016

CONSENT REPORT

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

- Summary of Gifts through October 31, 2016
- Report of the Regents Award Nominating Committee
- Report of the All-University Honors Committee
- Report of the Naming Committee
- Election of Board of Regents Treasurer

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

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Devine, Chair of the committee, reported that pursuant to notice sent by the University, the Litigation Review Committee met on December 8, 2016. A resolution was considered and adopted that authorized the closing of the meeting. In the closed meeting, a discussion was held on matters subject to the attorney-client privilege.

REPORT OF THE FACILITIES, PLANNING & OPERATIONS COMMITTEE

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

1. Approval of the proposed siting of the replacement Recreation and Wellness Facilities – Twin Cities Campus.

A motion was made and seconded.

Regent Hsu voiced concern about the connection between the track and bubble projects, with potential delays in one part of the project affecting the other. He asked for clarification on the construction timeline.

McMillan replied that while the projects will be completed sequentially, the committee determined that timeliness is paramount. He noted pending litigation that could delay the project, but that it is important to approve the siting so construction can begin as soon as possible. McMillan added that if significant delays occur, the administration would return to the Board for a discussion of options. Kaler added that the objective is for students to have uninterrupted access to a sports facility in the winter.

Regent Rosha voiced dissent for the motion, explaining that he believes funds appropriated for this project could be better used. He suggested that there are alternate indoor facilities that could be used for a short-term, transitional period and that by requiring the bubble to go in the proposed site, there is a lack of clarity about project completion.

The Board voted 10-2 to approve the recommendations of the Facilities, Planning & Operations Committee. Rosha and Hsu voted no.

McMillan reported that the committee also discussed real estate strategy, tactics, and vision; discussed issues related to the East Gateway area; reviewed a capital budget amendment for the AHC renovation and relocation program; and received several information items as outlined in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

1. Approval of the revised Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the December 8, 2016 committee minutes.

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

Simmons reported that the committee also reviewed Board of Regents Policy: *Reservation and Delegation of Authority*; received the annual report on compensation; discussed wellbeing in the work force; and received an information item as outlined in the docket.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

1. Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the December 8, 2016 committee minutes.

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

Cohen added that the committee also discussed system campus highlights from the 2016 accountability report; received an update on undergraduate education on the Twin Cities campus; discussed the predictive value of standardized testing; and received an information item as outlined in the docket.

REPORT OF THE FINANCE COMMITTEE

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

1. Approval of the Report on Biennial Appropriation and Performance Goals.
The Board voted 11-1 to approve the Biennial Appropriation Report. Omari voted no.
2. Approval of the Consent Report for the Finance Committee as presented to the committee and described in the December 8, 2016 committee minutes.
The Board voted unanimously to approve the Consent Report.

Beeson added that the committee also discussed international student tuition rates, and administrative cost definition and benchmarking; reviewed the annual financial report; and received several information items as outlined in the docket.

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

Regent Cohen, Chair of the committee, reported that the committee reviewed two Board of Regents Policies: *Board Policy Development* and *Reservation and Delegation of Authority*; and discussed orientation of new Regents.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

Regent Lucas, Vice Chair of the committee, reported that the committee received the report of the external auditor, and discussed the following topics: remediation of intercollegiate athletics audit findings; the compliance program; and compliance with state statute regarding procurement from small businesses.

REPORT OF THE SPECIAL SELECTION COMMITTEE

Regent Simmons, Chair of the committee, reported that the committee recommended:

1. Approval of appointments to the Fairview Health Services Board of Directors as presented to the Committee and described in the December 7 committee minutes.

The Board of Regents voted unanimously to approve the recommendations of the committee.

The meeting adjourned at 5:15 p.m.

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

BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Meeting
December 9, 2016**

A meeting of the Board of Regents was held on Friday, December 9, 2016 at 7:30 a.m. in the Gateway Room, McNamara Alumni Center.

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

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

Others present: Amy Phenix.

**RESOLUTION TO CONDUCT NON-PUBLIC MEETING
OF THE BOARD OF REGENTS**

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

BE IT RESOLVED, that in accordance with Minnesota Statutes § 13D.01, Subd. 3 and 13D.03 Subd. 1, a non-public meeting of Board of Regents will be held on Friday, December 9, 2016 at 7:30 a.m. in the Gateway Room, 600 McNamara Alumni Center, 200 Oak Street, SE, Minneapolis, Minnesota for the purpose of discussing labor negotiations strategy.

The Board voted unanimously to adopt the resolution. The public portion of the meeting ended at 7:34 a.m., at which time the Board discussed labor negotiations.

The meeting adjourned at 8:09 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Meeting
December 9, 2016**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, December 9, 2016 at 8:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Katrice Albert, Kathy Brown, Brian Herman, Brooks Jackson; Interim Vice President Bernard Gulachek; General Counsel Douglas Peterson; Executive Director Brian Steeves; Chief Auditor Gail Klatt; and Associate Vice Presidents Julie Tonneson and Michael Volna.

RECOGNITIONS

Vice President for Research

Recognition was given to Brian Herman, Vice President for Research, who will return to a faculty position in the Department of Biomedical Engineering at the end of the calendar year. Herman briefly addressed the Board.

Chancellor, University of Minnesota Morris

Recognition was given to Jacqueline Johnson, Chancellor of the Morris campus, who will retire at the beginning of the next calendar year. Johnson briefly addressed the Board.

Chancellor, University of Minnesota Crookston

Recognition was given to Fred Wood, Chancellor of the Crookston campus, who is resigning at the end of the calendar year to begin a new appointment as the Chancellor of the Contra Costa Community College District. Wood briefly addressed the Board.

INTRODUCTIONS

Senior Vice President for Finance & Operations

President Kaler introduced Brian Burnett, Senior Vice President for Finance & Operations, who began his appointment on November 17, 2016. Burnett received a Ph.D. in educational leadership, research, and policy from the University of Colorado, Colorado Springs; an M.S. in finance from the University of Colorado, Denver; and a B.A. in economics from the University of Colorado, Boulder. He previously served as the vice president for finance at the University of Missouri. Burnett briefly addressed the Board.

Chief Compliance Officer

President Kaler introduced Boyd Kumher, Chief Compliance Officer, who began his appointment on October 10, 2016. Kumher holds an M.B.A., a Master of Project Management, and a B.S. in nursing. He is active in the Society for Corporate Compliance and Ethics. He previously served as the chief compliance, export control, and privacy officer at Case Western Reserve University. Kumher briefly addressed the Board.

REPORT OF THE PRESIDENT

The meeting was interrupted by the actions of protesters. Chair Johnson called the meeting to order, instructing the protesters to leave the room or they would be removed. At 9:20 a.m., Johnson recessed the meeting; several members of the Board left the room.

The Board reconvened at 9:27 a.m.

President Kaler reported on system-wide activities by students, staff, and faculty that are helping to unify the University and state communities. He discussed some of the challenges of the coming year, including maintaining affordability, increasing diversity on campus, and relationship building with the legislature. Kaler remarked on several notable changes in the campus community, welcoming the new Morris Chancellor. He remarked on the importance of student mental health, emphasizing the need for continued investment in these resources.

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

REPORT OF THE CHAIR

Chair Johnson reported on the Board's recent outreach activities, including a visit to the St. Paul campus, where Regents learned about agricultural education, research, and outreach. He also discussed a two-day visit to southern Minnesota, which included a visit to the Rochester campus and the Hormel institute. Regents had opportunities to visit with Rochester students and staff, learning about the unique campus and curriculum, as well as to learn about Hormel's ground-breaking cancer research.

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

RECEIVE AND FILE REPORTS

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Chair Johnson invited Colin Campbell, Chair of the Faculty Consultative Committee (FCC), to present a report on the FCC's recent activities. Campbell highlighted the focus on University finances, a joint task force on student mental health, shared governance, and faculty legislative liaisons. He noted that the FCC is also devoting time to a possible reorganization of the Senate Committee on Educational Policy, a discussion with the Bias Response Team, meetings with key academic and athletic leaders, and continued conversations about academic freedom and freedom of expression.

In response to a question from Regent Simmons, Campbell explained that the FCC carefully considered the qualifications of the two new faculty legislative liaisons. The committee determined that the chosen individuals are appropriately prepared to serve in their respective roles.

Regent Omari urged the Board to recognize the frustration and discouragement of the students and staff who protested earlier. He noted that though he does not agree with all of their claims or their methods, it is important to consider the issues they are raising. In response to a question from Omari, Campbell responded that the main topics outlined in the report are ongoing, long-term issues. He added that the additional items are more immediate, some brought to the committee's attention by student groups. Campbell noted the FCC's efforts to engage with students and student groups on key issues, but agreed that some feel their issues are not heard.

Several Regents thanked Campbell for his leadership and engagement with the Board.

2016 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Chair Johnson invited President Kaler and Executive Vice President and Provost Hanson to present the 2016 *University Plan, Performance & Accountability Report* (report) for review, as detailed in the docket.

Hanson offered examples from the past year of how students, faculty, staff, and alumni are fulfilling the University's mission. She discussed access to education, reporting on diversity across the system and highlighting student debt trends. Hanson reported on student success as measured by changes in graduation rates and first-year retention rates for students of color and other domestic students. She urged the Board to use the report as a guide in conversations with legislators and community leaders.

Regent Beeson noted progress made in certain areas and suggested creating a summary document that would identify highlights and key metrics. He added that such a document would be helpful when communicating with legislators and community leaders.

Regent Simmons suggested that the improvement in graduation rates is an example of strategic prioritization and targeted investment in a specific outcome. She noted that when students graduate in a timely manner, it creates space for new students. She emphasized the need to focus on graduation rates and not just admissions and retention.

Regent Rosha agreed that the report highlights many accomplishments of the past year. He suggested greater precision in the reporting of student debt. He noted that current measures of "no student debt" only consider federally subsidized debt but not other forms of debt, such as personal or credit card loans. Rosha encouraged a greater focus on overall costs, not just federal grants and loans.

Regent Devine applauded the increases in four-year graduation rates, noting steady improvement over the past 10 years. He noted improved retention rates for students of color and commended the staff for their efforts in this area. He remarked that graduating students quickly results in cost savings for the institution and the state.

In response to a question from Regent Hsu, Hanson replied that student debt data do not include information on international students.

Regent Anderson asked if improved retention rates for students of color were a result of the University's efforts. Hanson remarked that many factors could lead to better retention rates.

She clarified that there could be correlation between better preparation in high school and University retention, but it has not been specifically investigated.

In response to a question from Regent Cohen, Hanson replied that there is always room for improvement, despite nearing targeted goals. She noted that they are looking into ways to improve processes and the student experience, such as identifying different pathways to a degree. She added that they are also evaluating measures of success in advising.

Regent Omari was pleased to see an improvement and increase in students of color, but cautioned that the data look different when broken down by specific ethnic groups. He noted that the percentage of African American students is significantly lower than that of Latino students, adding that those percentages are not representative of the racial population of the state. He suggested this is an area that requires continued attention.

In response to a question from Hsu, Hanson noted that the retention and graduation rates for transfer students are measured in similar ways. She acknowledged that there is room for improvement in transfer resources, such as better advising and introduction to campus life. She confirmed that transfer student data are available.

The 2016 *University Plan, Performance, and Accountability Report* will return for action at a future Board of Regents meeting.

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

Chair Johnson invited Vice President Brian Herman to report on the status of research and commercialization of intellectual property. He outlined the total funding awarded to the University in the past year, highlighting increases in funding from the National Institutes of Health (NIH), business and industry, and state and local sources. He detailed the distribution of funds across colleges and campuses, and discussed the distribution of funding sources. The University maintained its third place ranking among Big Ten peers in annual awards, behind Michigan and Wisconsin.

Herman provided data on technology commercialization, highlighting a record 17 start-ups in the past year. He emphasized start-ups as a great way to showcase the University's research and its impact on the community. Herman discussed a strategic plan developed by the Office of University Economic Development (UED). The plan includes a three-part framework: expedite access, act statewide, and catalyze economic development. He applauded UED for efforts to engage the state and business communities. Herman reported that the strategic priorities target sustainability and capacity building programs. He highlighted key initiatives, such as MnDRIVE, research advancement programs, and human research protections.

Regent Beeson thanked Herman for his service to the University, noting that all areas of research have improved under his leadership. Beeson commented on the importance of continuing efforts in the formation of businesses and partnership agreements. He agreed that this is a critical area of development for the University, and urged establishing more businesses and private offices near campus.

Regent McMillan commented on the vital role of private industry and commended Herman for his efforts engaging with the state's rural communities. McMillan remarked on the importance of communicating the impact of the University's research on those communities.

In response to a question from Regent Lucas, Herman responded that the Hormel Institute was included in the data he presented. He shared his hope for continued strong partnerships with Hormel and the Hormel Foundation. He added that the Foundation will soon have an increase

in available funding, creating even greater potential for partnership and collaboration with the University.

Regent Devine agreed with the potential for enhanced partnerships with the Hormel Foundation. He noted much room for growth in commercialization efforts and asked if the University is doing enough to support that growth. Herman replied that the key is to invest resources wisely and added that an area for great impact is in the discover capital program.

Regent Anderson noted that there is nothing more important to the University's land grant mission than research, especially in terms of its ability to boost job creation and innovation.

In response to a question from Regent Hsu, Herman agreed with the importance of including research in the strategic planning process. He added that the University should be attentive to its investments and how those investments are returning value to the University. He emphasized that research is one of the most important aspects of a public institution.

Regent Rosha remarked on the importance of commercialization efforts, especially as they lead to a greater return on investment for innovation and intellectual property. He emphasized the importance of prioritizing the needs of the state when considering future research and commercialization efforts.

Regent Brod noted that Herman has helped shift old patterns of thinking and operating. She thanked him for his service and his legacy.

PROGRESS REPORT ON MEDICAL SCHOOL STRATEGIC PLAN

Chair Johnson invited Vice President Jackson to provide an update on the medical school strategic plan. Jackson reviewed the vision and intent of the strategic plan, titled Strategic Vision 2025. He discussed ways new leadership is helping develop a culture that demands and supports excellence. He described efforts focused on the school's research endeavors, including investments in faculty and research infrastructure. He cited data on expenditures and publications, as well as admissions on the Twin Cities and Duluth campuses.

Jackson reported on several ways the school is working to enhance its educational mission, such as strengthening curriculum and supporting faculty development. He discussed the school's tuition model, scholarship statistics, and the student body make-up. He reported on the challenges and opportunities facing the Twin Cities and Duluth campuses in their clinical care and patient services.

In response to a question from Regent Rosha, Jackson replied that some of the benefits of his dual role as Vice President and Dean are the many synergies and partnerships formed between the various units within the AHC and medical school. He added that it is unusual to have so many different collaborative relationships that include clinicians, researchers, nurses, and other groups. Jackson noted challenges such as constraints on time and on physical resources. Rosha asked if the University would increase its ability to advance the medical school if it regained ownership of the hospital. Jackson responded that a hospital alone isn't enough and emphasized the importance of being a part of a larger health care system. He noted that being part of a clinical system would broaden the scope and patient population, important factors in the current health care environment.

Regent Simmons expressed support for the plan and emphasized the importance of active recruiting in achieving targeted outcomes.

In response to a question from Regent Anderson, Jackson confirmed that increasing the size of the clinical enterprise would increase the school's earning potential and revenue stream back

to the University. Anderson observed that building partnerships is likely less expensive than building more infrastructure.

Regent Beeson suggested accelerating conversations with other statewide healthcare partners, given the stall in negotiations with Fairview.

ANNUAL FINANCIAL REPORT

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

Volna reported that the net position of the University increased by \$595.1 million in FY 2016. The total net operating losses remained flat compared to FY 2015 and non-operating revenues were down by \$13.1 million. Volna noted that FY 2016 cash flow increased by \$104.3 million from FY 2015, to a positive cash flow of \$126.1 million. Total University assets increased by \$127 million or 2.2 percent and total liabilities increased by \$90 million or 3.8 percent. Revenues for FY 2016 totaled \$3.5 billion and operating expenses totaled \$3.3 billion.

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

Burnett provided an overview of the University's financial statements.

The meeting adjourned at 11:51 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary