

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance & Operations Committee
June 7, 2018**

A meeting of the Finance & Operations Committee of the Board of Regents was held on Thursday, June 7, 2018 at 7:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

Student Representatives present: Lauren Anderson and Joshua Preston.

**PRESIDENT'S RECOMMENDED FY 2019
ANNUAL OPERATING BUDGET**

Regent Anderson invited President Kaler and Senior Vice President Burnett to present for action the president's recommended FY 2019 annual operating budget (operating budget), as detailed in the docket.

A motion to recommend approval of the president's recommended FY 2019 annual operating budget was made and seconded.

Kaler reminded the committee of his budget priorities, noting that no significant changes were made to the operating budget since the committee reviewed it in May.

Regent Simonson moved to amend the operating budget to reduce resident undergraduate tuition systemwide by one percent from the rates set within the FY 2018 operating budget. The motion was seconded.

Simonson spoke to his amendment, citing examples of students graduating with debt, including an intern who works for his company. He offered that 70 percent of University students graduate with debt and that the State of Minnesota ranks third highest in the nation for student debt. He pointed out that Purdue University has implemented a tuition freeze for resident undergraduates for the past seven years and seen increases in key indicators. He expressed his belief that the administration will be able to find the necessary savings without compromising quality.

Regent Johnson expressed his opposition to the amendment, recalling previous presentations showing that 52 percent of University students graduate without debt. He added that reducing potential revenue for the Crookston, Morris, and Duluth campuses is neither timely nor in their best interests.

Kaler clarified that that 43 percent of Twin Cities students graduate with no debt. Of those with debt, he reported that the average is \$25,000. The cost of attendance is roughly \$28,000 per year.

Regent Rosha noted that the current budget structure keeps tuition revenue with the campuses that collect it, and asked for clarification on how the system campuses would be protected from a decrease in tuition revenue. Burnett responded that if the amendment were adopted, centrally available funds might be able to fill the gap. Or, funds would need to be reallocated from the Twin Cities campus to the other campuses.

Student Representative Preston offered his view that there is a point when the debt load on a student becomes unsustainable and graduates are unable to achieve their full potential given their debt burden. He suggested that any reduction be for both resident and non-resident, non-reciprocity (NRNR) students.

Simonson emphasized to Burnett his belief that the administration could find slightly over \$9 million in savings out of a \$4 billion operating budget.

Regent Hsu reminded the committee of the significant subsidy allocated to the Law School, noting that if the operating budget is passed, the 10-year cost to subsidize the Law School will be close to \$100 million. He stated his view that there is plenty of funding available centrally to fund the tuition reduction given other allocations made from the central reserves budget.

Rosha offered his support for the Simonson amendment, stating that a one-percent reduction will move resident tuition rates closer to where the University had been historically. He expressed disappointment in the modeling provided for the other tuition rate options, and noted that the justification in the modeling for a potential resident tuition freeze is unconvincing. Rosha reported seeing tuition and administrative costs grow dramatically over a number of years and suggested looking back further than the current trends. He called the argument that \$9 million will be difficult to find flawed, given recent experience with changes in Twin Cities Athletics staffing.

Regent Beeson reiterated his belief that the University has held the cost curve down with a one percent average resident tuition increase during Kaler's administration. He noted that the actual spend rate for the University is 1.8 percent, suggesting that is lower than the actual tuition rate. He again advocated for increased state support and bold investment in strategic initiatives.

Regent Omari commented that this is a difficult conversation given his desire to sacrifice neither quality nor access, and the burden that places on students. He offered his support for the two percent salary pool increase for employees, and clarified to those who submitted public comments that the NRNR undergraduate tuition rate was approved by the Board in December. Omari asked for confirmation of the Law School funding numbers cited by Hsu, and sought clarification around the possibility of using central reserves funding to pay for the Simonson amendment. He agreed with Rosha's comments regarding the alternative resident tuition rate modeling provided by the administration.

Hsu outlined how he arrived at his calculations for the subsidies paid to the Law School since 2014 and what the total will be if the proposed plan is implemented as outlined to the committee in May. He expressed concern that the Board has approved incremental allocations without having a broader conversation about the potential total allocation, whether that allocation is worth it, what other priorities exist, and whether they are greater than continuing the subsidy. He cited the University of Michigan as an example of a highly ranked public law school. Hsu explained that there are other areas to find necessary funding, including internal savings and central reserves. He reported that the operating budget includes a \$5.7 million

allocation from central reserves already, and given the performance of the University's investments, more could be allocated.

Student Representative Anderson observed that for many students, an undergraduate degree is not the only degree needed for their careers. She proposed that with the cost of graduate education, even \$26,000 in undergraduate debt is burdensome. She acknowledged that cost and quality are difficult to balance.

Regent Sviggum expressed that he supported the concept of Simonson's amendment, but is unclear where the necessary funding will be allocated from to cover the decrease in resident tuition. He proposed looking at this option in next year's budget to give time to come up with a complete plan.

Simonson expressed his interest in discussing the various statistics being cited by members of the committee. He emphasized that in his view, the cost of higher education is increasing faster than the growth of wages for degree holders.

The committee voted 3-9 and the Simonson amendment failed. Regents Hsu, Rosha, and Simonson voted in favor of the amendment.

Regent Powell moved to amend the resident undergraduate tuition rate for the Twin Cities campus from two percent to one percent. The motion was seconded.

Powell spoke to his amendment by noting that the personal consumption index rate of inflation is at 1.8 percent. He offered his concern that a resident tuition increase above the inflation rate will put the resident tuition rate at an unstable amount in four years. He noted that funding for the difference in the rate could be found from increased enrollment, continued focus on cost management, and increased support from the University's growing endowment.

Regent McMillan stated that while he agrees with Powell that a two-percent increase is unsustainable over the long term, he supports it right now. He shared the view of other committee members that this year's budget process is the best it has been.

Omari agreed that the University should pay close attention to the sustainability of any tuition increase. He added that tuition sustainability should be looked at with both resident and NRNR tuition.

Beeson agreed that the University needs to discuss what the rate of tuition increase should be. He reiterated his view that without investment, the Board will commit the University not to growth, but to the status quo.

Rosha noted the shift from admitting any Minnesota student with a high school diploma to striving to be among the top-ranked schools, sharing that he is trying to reconcile that with the duty to educate the people of the state. He offered his support for the Powell amendment. He noted that the Board and administration are in the process of defining a systemwide strategic plan that will guide future budget discussions and tuition rate philosophy. He offered the University of Wisconsin as one peer institution that is charging less for resident tuition, but still providing excellence.

Beeson responded that both Wisconsin and Purdue have a much higher percentage of out-of-state students when compared to the University, and they rely on those students to subsidize resident students. He suggested that no one at the University has the appetite for that type of funding model.

Hsu commented that the University has space to increase enrollment. He noted that in his view, the ACT score requirement is preventing more students from being admitted.

On a show of hands, the committee voted 4-8 and the Powell amendment failed. Regents Hsu, Powell, Rosha, and Simonson voted in favor of the amendment.

Sviggum moved to amend the operating budget by adding a requirement for employment positions funded with operations and maintenance (O&M) funding, as follows:

To ensure that an expansion of the O&M position pool is justified, units wishing to increase the number of positions (funded 100% from O&M) over and above the total that was funded in the approved budget for the year, will need to gain joint approval of the Executive Vice President and Provost and the Senior Vice President for Finance and Operations. This process will also be required for any hire to fill any empty position that is supported by O&M funds. All campuses and all units (academic and support) will be included in this process. The University will report to the Board of Regents at its May 2019 meeting on the approvals granted through this process. This process would be effective on July 1, 2018.

The motion was seconded.

Sviggum outlined his amendment, noting the increase in employee headcount over last year. He suggested that to bend the tuition cost curve, more must first be done to control the number of employees. He explained that the amendment only covers those positions funded by either tuition or the general state appropriation, not those funded through new grants or other awards. He described the process that will be used to implement the amendment.

Kaler offered his support for the Sviggum amendment, characterizing the additional structure as helpful to the administration.

Beeson offered his support for the Sviggum amendment given that the oversight appears to be manageable. He asked the administration to track the amendment's impact and report those results to the committee. Beeson recommended changing the reporting requirement from six months to one year.

In response to a question from Johnson, Sviggum explained that he views this as an addition to the operating budget that requires a new process. He accepted Beeson's suggestion of changing the reporting requirement to a yearly reporting requirement. Anderson asked if Sviggum was seconding Beeson's amendment. Sviggum asked for it to be incorporated into his motion. There was no objection to the Beeson modification.

Omari expressed his support for the Sviggum amendment but noted that he views this action as skirting the line between governance and management.

Hsu asked if the reporting requirement could be 11 months to ensure that the Board has the information before the budget process. Kaler proposed modifying the Sviggum amendment to require that the report come to the committee in May 2019.

Anderson called for the vote on the Sviggum amendment with the modification that the administration report the results to the committee at the May 2019 meeting. The committee voted unanimously to approve the Sviggum amendment.

McMillan moved to amend the operating budget by adding the following resolution to it:

WHEREAS, as part of a multi-year plan to resolve a structural imbalance in the Law School, the President has recommended additional investment in FY 2019;

NOW, THEREFORE, BE IT RESOLVED, that future increases in the Law School budget allocation will be contingent on evidence that the Law School is meeting expectations of the administration and the Board of Regents (Board), as follows:

(1) The Law School must regularly meet with and report to the Office of the Senior Vice President for Finance & Operations to report on progress against the plan that served as the basis for this recommended investment.

(2) The Law School must aggressively manage its budget in accordance with the plan and develop metrics and appropriate targets to measure progress, such as:

- actual enrollment outcomes relative to targets
- scholarship expenditures
- the number of full-and part-time employees in all classes
- salary levels for faculty and staff

The Law School's metrics and targets must be approved by the Senior Vice President for Finance & Operations.

(3) By September 2018, the administration will report to the Board the metrics and targets that have been adopted. Additionally, the administration will provide the Board a recommendation regarding continued investments in the Law School no later than February 2019. This recommendation should reflect the Law School's progress in meeting its fiscal goals and overall plans for eliminating the long term structural imbalance by the end of FY 2021.

The motion was seconded.

McMillan reviewed his amendment. He argued that the amendment moves the University toward a more disciplined and structured approach for dealing with the ongoing performance of the Law School.

Kaler offered his support for the McMillan amendment. While he agreed that it, too, might be right on the governance/management line that Omari described earlier, he noted that he sees the amendment as re-emphasizing the importance of the Law School meeting specific expectations.

Omari commented that given the importance of this decision and the Board's fiduciary role, in this instance the Board is not overstepping its governance role. He suggested that the University of Michigan is not a fair peer comparison.

Rosha responded that he views the University's law graduates as being the peers of any Michigan law graduate. Rosha expressed his support for the McMillan amendment and his interest in discussing the principles that will be used going forward.

Johnson noted that tenure prevents quick action to address faculty salaries and salary bands. McMillan agreed, but offered that by creating a metric, the administration can look at that area and potential options. Kaler responded that the University has previously used retirement incentive programs as a solution. He cautioned that the University might have to offer that type of program to all eligible employees, not only those in the Law School.

Powell expressed his support for the resolution but challenged the Law School to come back early with metrics and a plan to fulfill the resolution's requirements.

Hsu expressed his concern with the level of subsidy for the Law School, that the Law School student body is only one-third Minnesota residents, and that it should be producing more graduates each year. He indicated that he will support the resolution, but expressed apprehension on the timing of the report.

The committee voted unanimously to approve the McMillan amendment.

Regent Lucas stated her understanding that the University has not yet met its NRNR enrollment goal for this year and inquired whether funding is built into the operating budget to cover any potential gap. Burnett responded that the operating budget included a conservative number for NRNR enrollment. He noted that the NRNR enrollment number is tracking within the range built into the budget, but the University will not know the final number until the fall.

Lucas challenged the committee and administration to look at not only items to cut in next year's budget, but also adding aspirational goals to the discussion.

Rosha stated that more work should be done to find administrative savings that could be reinvested in aspirational goals and objectives. He noted the continued subsidy to Twin Cities Athletics as one area for further discussion. He argued that since the subsidy comes from O&M funding, it is akin to a student service fee except that students have no voice in its allocation. He expressed his disappointment in the lack of job family data that was promised to support the proposed salary increases, and stressed the need for better data next year.

Regent Cohen stated her support for the operating budget. She explained that it addresses her two key areas – excellence and access for students – and continues to ensure that the University is the economic driver of the state. She noted the strong financial aid portion of the operating budget for those students who need it. Cohen expressed her agreement with the quality of the operating budget process this year, characterizing it as being the best that she has participated in during her time on the Board.

Hsu agreed with Cohen on the operating budget process. He noted that the total cost of attendance will go up by more than two percent given the increases in housing rates.

Beeson observed that the two percent resident tuition rate increase is only the sticker price and not the actual average increase for students. He offered his agreement with Lucas that the Board should take time to step back and determine the University's bigger goals and aspirations.

The committee voted 8-4 to recommend approval of the president's recommended FY 2019 annual operating budget as amended. Regents Hsu, Powell, Rosha, and Simonson voted no.

PRESIDENT'S RECOMMENDED FY 2019 ANNUAL CAPITAL IMPROVEMENT BUDGET

Regent Anderson invited President Kaler, Senior Vice President Burnett and Vice President Berthelsen, to present for action the president's recommended FY 2019 annual capital improvement budget (capital budget), as detailed in the docket.

Berthelsen explained the key changes since the committee reviewed it in May. He noted that the capital budget now reflects the outcome of the University's capital budget request. He also described the updated debt component of the capital budget. Burnett shared his appreciation of the Minnesota Legislature for the capital funding allocated to the University.

Regent Sviggum asked for an update on the process to renovate Pillsbury Hall. Berthelsen stated that predesign is complete and after the capital budget is approved, the project will move

into the schematic design phase. Sviggum asked about concerns regarding design. Berthelsen responded that he is aware of those concerns and encouraged those with concerns to contact him. He added that there are still more conversations to have about the design and assured the committee that the historic exterior will not be changed. Burnett noted that while the design will seek significant input, no design will meet all of the desires expressed.

Regent McMillan encouraged examination of the allocation formula used to distribute Higher Education Asset Preservation and Replacement (HEAPR) in the context of the Systemwide Strategic Plan. He asked how the allocation formula is updated and implemented. Berthelsen responded that the HEAPR formula has been updated to reflect more variables and balance square feet and facility condition. He explained how HEAPR funding has at times been reallocated from the Twin Cities campus if a system campus was short of funding for a high-priority project given the results of the formula. Kaler pointed out the Romano Gym on the Duluth campus as an example of a project assembling a variety of funding sources.

Regent Hsu added his thanks to the legislature and governor. He asked for information on next steps for the Glensheen matching funding and how complaints heard at the recent budget forum in Duluth regarding HVAC issues will be addressed.

In response to a question from Regent Simonson, Burnett explained the funding process for capital projects. He outlined how the University uses debt to fund those projects and emphasized that HEAPR funding is fully funded by the state. Anderson noted that recent credit rating reports reaffirmed the University's current credit rating. Kaler added that fundraising and philanthropy are also a key revenue source for University buildings.

In response to Hsu, McMillan wondered if the University could seek funding for the greater Minnesota projects that were left out of the bonding bill. Anderson noted the possibility of gaining additional support for those projects in the future.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the president's recommended FY 2019 annual capital improvement budget.

PROCESS AND OVERSIGHT OF CAPITAL PROJECTS

Regent Anderson invited Vice President Berthelsen and Bruce Gritters, Assistant Vice President, to describe the process and oversight of capital projects, as detailed in the docket.

Berthelsen described the life cycle of a capital project. He explained how large projects tend to stretch out over five years and highlighted some of the key aspects.

Gritters outlined the types of selection processes that are used based on the size and scope of the project. He emphasized that projects are used with best value delivery that puts an emphasis on both performance and price. He described the benefits of the best value delivery model. Gritters gave an overview of the various construction delivery methods and how each affects the construction schedule.

Berthelsen noted that construction cost is only one quarter of a building's total cost over its life cycle and how that compares to the total cost profile for facility life, which includes personnel salaries. He emphasized the need for high utilization within the University's buildings. He compared the University's building factors to the private sector. He also described the University building standards given the long life cycle of University buildings.

Gritters reported on the complexity of University construction, including reasons those projects tend to appear to cost more than private projects. Berthelsen noted that the University's capital

project management fees are on average 1.3 percent of the total project, as compared to fees that range from 2.5-3.5 percent in the private sector.

Regent Johnson pointed out the levels of requirements and bureaucracy that go into a University construction project. He suggested that the committee should continue to examine the capital project process and look for ways to streamline it.

In response to a question from Regent Powell, Berthelsen explained that the University has a master plan for managing space, including the integrated energy system and master energy plan. He noted that the University's financial structure creates incentives for units to manage their spaces, but that more needs to be done on space utilization.

Regent Lucas expressed her concern for neighborhoods around the Twin Cities campus and the quality of current construction. She wondered what the areas near the Twin Cities campus will look like in 20 years given what, in her view, appears to be low-quality construction by private developers.

Regent Omari stated that the University bureaucracy is hurting small businesses and their ability to interact with the University for projects like this. He noted the impact a University project could have on a small business and encouraged the Board to revisit this discussion.

REAL ESTATE TRANSACTIONS

A. Amendment to University Square Lease, 111 South Broadway, Rochester, Minnesota (Rochester Campus)

Associate Vice President Volna briefly reminded that committee of the property location and outlined the terms of the amendment of the lease of space at University Square, as detailed in the docket. Volna indicated that there were no changes since the project was reviewed in May.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the amendment to the University Square lease.

B. Sale of 435.546 acres at UMore Park for residential, commercial, and mixed use development, Dakota County, Minnesota

Volna summarized the property location and outlined terms of the sale of 435.546 acres at UMore Park, as detailed in the docket. He added that representatives from the City of Rosemount and the developer purchasing the property, Newland Land Acquisition, were in attendance.

In response to questions from Regents Powell and Rosha, Senior Vice President Burnett noted that revenue from the sale will be used first to pay deficits from the upkeep of the land. The funds will pay for relocation of a nearby turkey research facility, and the remainder will go to the UMore Park legacy fund as the Board directed in 2009.

Regent Anderson invited Bill Droste, mayor of the City of Rosemount, to comment. Droste offered that the city has been working with the University for over a decade and views the transaction as a win-win for the region, county, and city.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the sale of 435.546 acres at UMore Park.

CONSENT REPORT

Senior Vice President Burnett presented the revised 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 Willis Towers Watson for the estimated amount of \$393,750 for health care and other Human Resource consulting services for the University of Minnesota Office of Human Resources, Employee Benefits, for the two-year period of September 1, 2018 through August 31, 2020 with optional contract extensions through August 31, 2024 for an additional \$1,141,389. Total contract value, if all options are exercised would be \$1,535,139. The administrative service fees are funded on an annual basis through the fringe pool. The supplier was selected through a competitive process.

Appointments and Employment Agreements

- Two trustees to the Minnesota Landscape Arboretum Foundation Board of Trustees
- Mostafa Kaveh as Dean of the College of Science and Engineering (Twin Cities campus)
- John Hoffman as Vice Chancellor for Academic and Student Affairs (Crookston campus)

Schematic Designs:

- Bost Farm Red Barn Renovation – Minnesota Landscape Arboretum
- MHealth Clinics and Surgery Center Renovation for Third MRI Unit (Twin Cities campus)
- Jean K. Freeman Aquatics Center HVAC Replacement (Twin Cities campus)

Provost Hanson outlined the appointment of Mostafa Kaveh as dean of the College of Science and Engineering, Twin Cities campus. Chancellor Holz-Clause presented the appointment of John Hoffman as vice chancellor for academic and student affairs, Crookston campus.

In response to a question from Regent Omari, Burnett responded that the request for additional MRI units in the Clinics and Surgery Center came from University of Minnesota Physicians. He explained that demand for MRI scans outpaced what was originally anticipated during the design of the building.

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

INFORMATION ITEMS

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

- Annual University Health Benefits and UPlan Performance Report
- Debt Management Advisory Committee Update
- Investment Advisory Committee Update
- Permanent University Fund Lands Update
- Progress Report on Sustainability and Energy Efficiency Targets and Standards
- Quarterly Asset Management Report

- Quarterly Purchasing Report
- Semi-Annual Capital Project Management Report

The meeting adjourned at 10:40 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit & Compliance Committee
June 7, 2018**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, June 7, 2018, at 11:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Michelle Behr, Lendley Black, and Mary Holz-Clause; Vice Presidents Kathryn Brown and Bernard Gulachek; Interim Vice President Michael Goh; Executive Director Brian Steeves; and Chief Auditor Gail Klatt.

Student Representatives present: Mina Kian and Apoorva Malarvannan.

2018-19 INTERNAL AUDIT PLAN

Regent Cohen invited Chief Auditor Klatt to present the FY 2019 Internal Audit Plan, as detailed in the docket.

Klatt reviewed the process and risk factors used to develop the plan, and noted alignment with the newly redeveloped institutional risk profile. The plan includes 34 audits of University processes, academic units, and colleges.

Student Representative Malarvannan reminded the committee that in their report to the Board, the student representatives encouraged the University to consider assessment of corporate social responsibility of suppliers and asked if the current audit of contracts includes that assessment. Klatt responded that corporate social responsibility is not an element of the contract audit process.

In response to questions from Regent Powell, Klatt explained that in comparison to peer institutions, the University is more decentralized, adding that decentralization creates operational complexities.

In response to questions from Regents Omari and Hsu, Klatt reported that the process audit of residency determination will help the University understand if non-resident, non-reciprocity (NRNR) students are being charged the correct tuition rate, although the scope of the audit is broader. She clarified that the Twin Cities campus Office of Admission audit was focused on process and did not specifically address the consequences of lost revenue when NRNR students receive waivers for in-state tuition.

Regent McMillan expressed his appreciation for the thorough overview of the process and priorities outlined in the plan. He asked if Internal Audit has enough resources. Klatt responded that the office has adequate resources and highly qualified and professional auditors. She added that if they were better resourced they would be able to do more audit work.

INTERNAL AUDIT UPDATE

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

Klatt reported that since the last update in February 2018, University departments implemented 43 percent of the outstanding recommendations rated as “essential,” exceeding the expected implementation rate of 40 percent. Six units fully implemented all remaining “essential” recommendations. Six audit reports containing 22 recommendations rated as “essential” were issued in the last four months.

Regent Hsu inquired about the process audit for tracking employee Family Medical and Leave Act (FMLA) leave. Klatt reported that the University’s HR system, PeopleSoft, is adequate for tracking employee leaves, although leaves are not consistently recorded. She added that there is opportunity to use PeopleSoft more, but that Human Resources is not in agreement with the recommendation.

In response to a question from Hsu, Klatt explained that it is not possible to quantify the dollar amount that could be saved if the University took advantage of more GSA contracts. She shared that Internal Audit saved 40 percent on a software system purchase by utilizing a GSA contract.

INFORMATION ITEMS

Chief Auditor Klatt referred the committee to information items contained in the docket materials.

The meeting adjourned at 11:40 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
June 7, 2018**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, May 10, 2018 at 11:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Thomas Anderson, Dean Johnson, Darrin Rosh, Randy Simonson, and Steven Sviggum.

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

Others present: Sarah Dirksen, Tim Pramas, Brian Slovut, and Jon Steadland.

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

The meeting convened in public session at 11:00 a.m. 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, February 8, 2018 at 11:00 a.m. in the East Committee Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Shannon Miller, Jen Banford and Annette Wiles v. The Board of Regents of the University of Minnesota*
- II. *Potential litigation by former and current students*
- III. *Regents of the University of Minnesota v. Gilead Sciences, Inc.*
- IV. *Regents of the University of Minnesota v. AT&T Mobility LLC, et al.; Sprint Spectrum L.P., et al; T-Mobile USA, Inc., et al.; Cellco Partnership, d/b/a Verizon Wireless, et al.*
- V. *Regents of the University of Minnesota v. LSI Corporation and Avago Technologies U.S., Inc.*

The committee voted unanimously to adopt the resolution and the public portion of the meeting ended at 11:01 a.m.

The meeting adjourned at 12:36 p.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Mission Fulfillment Committee
June 7, 2018**

A meeting of the Mission Fulfillment Committee of the Board of Regents was held on Thursday, June 7, 2018, at 1:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

Student Representatives present: Sean Chen and Marta Dean.

**BOARD OF REGENTS POLICY:
*EQUITY, DIVERSITY, EQUAL OPPORTUNITY, AND AFFIRMATIVE ACTION***

Regent Omari invited Provost Hanson to present for action proposed amendments to Board of Regents Policy: *Equity, Diversity, Equal Opportunity, and Affirmative Action*, as detailed in the docket.

Hanson reminded the committee of the proposed changes, noting that no changes were made since the committee reviewed them in May.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to Board of Regents Policy: *Equity, Diversity, Equal Opportunity, and Affirmative Action*.

**BOARD OF REGENTS POLICY:
*INTERNATIONAL EDUCATION AND ENGAGEMENT***

Regent Omari invited Provost Hanson to present for action proposed amendments to Board of Regents Policy: *International Education and Engagement*, as detailed in the docket.

Hanson reminded the committee of the proposed changes, noting that no changes were made since the committee reviewed them in May.

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

**PROGRESS UPDATE FROM THE SYSTEMWIDE
ENROLLMENT PLANNING TASKFORCE**

Regent Omari invited Provost Hanson; Barbara Keinath, Vice Chancellor for Academic and Student Affairs, UMC; and Robert McMaster, Vice Provost and Dean of Undergraduate Education, UMTC, to provide an update from the Systemwide Enrollment Planning Taskforce, as detailed in the docket.

Hanson reminded the committee of its discussion in October 2017 on the same topic and reported that the temporary Systemwide Enrollment Planning Taskforce will become a permanent Systemwide Enrollment Council. McMaster and Keinath reported on the progress of the taskforce. Keinath explained that the group is developing a six-year rolling enrollment plan that they plan to unveil in September. McMaster and Keinath provided an overview of the taskforce's seven strategies and examples of action for each.

Regent Powell expressed desire for a deeper discussion on increasing enrollment at a future meeting. He added that increased resources for marketing may alleviate the competition the University faces in recruiting students.

Regent Beeson encouraged the presenters to consider a new pricing strategy. As an example, he explained that tuition on the Crookston campus could be reduced in order to be more competitive with the University of North Dakota and North Dakota State University. Beeson explained that reducing price would attract more students, increase enrollment, and generate more revenue. He also expressed his support for differential tuition across colleges on the Twin Cities campus.

In response to questions from Regent Hsu, McMaster reported that the University collects data from the National Student Clearinghouse, including a report of schools that students ultimately attended after they were admitted to the University. Hsu encouraged the presenters to consider automatic admission criteria, test-optional admissions policies, and differential tuition at the Twin Cities campus.

Regent Anderson remarked on trends in legislative funding for the University. He noted that more money is going directly to students to earn college credit in programs like Post-Secondary Enrollment Options (PSEO) and College in the Schools.

Regent Lucas commented on the statistics about Minnesota students attending Wisconsin universities. McMaster reported that Minnesota students regularly make up about 10 percent of the student population in the University of Wisconsin system. He added that the number of Wisconsin students attending Minnesota colleges and universities varies more from year to year, typically from 18 to 20 percent.

In response to a question from Regent Sviggum, McMaster confirmed that academic profile, graduation rates, and career placement are important in telling the story of the University, but that the advantage of studying at a research university is also an important differentiator.

Student Representative Dean urged the presenters to consider offering more training to tour guides, campus ambassadors, and admissions professionals so they have information about the other University campuses to share with prospective students and their families.

Student Representative Chen noted the trends in international enrollment and asked how the University is working to recruit students in the uncertain political climate. Keinath reported that international recruitment is an area of opportunity, for example with more collaboration between the campuses.

President Kaler reminded the committee that the University has many stakeholders and uses different media to reach each group. He explained that television ads reach a different audience than Facebook posts, but each is valuable. Kaler acknowledged Keinath for her service to the University and wished her well in her retirement.

SUPPORTING STUDENTS IN GATEWAY COURSES

Regent Omari invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, UMTC; LeeAnn Melin, Associate Vice Provost for Student Success, UMTC; and Andrea Schokker, Interim Dean, Swenson College of Science & Engineering, UMD, to discuss supporting students in gateway courses, as detailed in the docket.

McMaster provided a definition of gateway courses and explained that they typically fulfill liberal education requirements and serve as prerequisites for advanced coursework. He summarized data for courses on the Twin Cities campus with the highest rates of D and F grades and withdrawals (DFW). Melin provided an overview of efforts to increase student success in gateway courses, including comprehensive placement testing, midterm alerts, and SMART Learning Commons. Schokker shared related examples from the Duluth campus, including the Learning Commons, Securian Math Learning Lab and summer math bridge programs.

Regent McMillan inquired about the cost of additional services to support students in gateway courses. Schokker confirmed that these efforts require additional resources, noting the shift from 300-seat lecture courses to flipped-classroom models for gateway courses as an example.

Regent Powell commented on the varying levels of preparation students receive in high school for gateway courses. Schokker discussed chemistry as an example, explaining many students take high school chemistry in 10th grade and too much time passes by the time they get to their first year of college. She explained the increased efforts at UMD to enhance placement testing and provide summer learning modules to help students prepare for chemistry courses.

21st CENTURY OUTREACH MISSION, PART III: A VISION FOR THE UNIVERSITY'S OUTREACH MISSION

Regent Omari invited Provost Hanson; Allen Levine, Vice President for Research; and Matt Kramer, Vice President for University and Government Relations, to discuss the University's 21st century outreach mission, as detailed in the docket.

Hanson reminded the committee of two previous discussions on this topic and on the Systemwide Strategic Plan outreach and public service focus area. She noted that this discussion will combine elements of those and frame a systemwide understanding of the University's outreach mission in the 21st century.

Kramer explained how the University strives to connect its work to Minnesotans through awareness campaigns so the value of the University is understood statewide. Levine highlighted how research and technology commercialization interacts with the outreach mission and addresses the needs of the state through programs like MnDRIVE.

Regent McMillan asked how resources can be directed toward University centers that focus on outreach. Kaler explained that centers are primarily focused on the research and outreach elements of the mission and noted examples of the Center for Small Towns and the Institute on the Environment.

In response to a question from Regent Powell, Hanson explained that outreach mission activities are funded in a variety of ways, including grants, philanthropy, and O&M funds.

Regent Rosha remarked on the subjective nature of outreach and reported that it can be hard to measure as there is no discrete data to analyze. Regent Beeson added that the disbursed

nature of outreach activities makes it nearly impossible to aggregate. He praised the presenters for their work in aligning the University's outreach mission with the needs of the state.

Regent Simonson thanked the presenters for their work in addressing the needs of the state, namely the response to opioid addiction.

Regent Hsu urged the presenters to leverage Athletics to reach Minnesotans, noting that it is an important doorway for many people into the University.

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**

- Medical School (Twin Cities campus)—Create fellowship in Orthopaedic Sports Medicine
- College of Liberal Arts (Twin Cities campus)—Create M.A. degree in Asian Studies
- College of Liberal Arts (Twin Cities campus)—Create M.S. degree in Cognitive Science
- College of Food, Agricultural, and Natural Resource Sciences, the College of Veterinary Medicine, and the School of Public Health (Twin Cities campus)—Create post-baccalaureate certificate in Integrated Food Systems Leadership
- College of Liberal Arts and the College of Science and Engineering (Twin Cities campus)—Create graduate minor in Translational Sensory Sciences
- College of Education and Human Development (Twin Cities campus)—Create undergraduate minor in Learning Technologies
- College of Liberal Arts (Duluth campus)—Create graduate minor in American Indian Studies

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

- College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Create sub-plan in Molecular Plant Pathology within the Ph.D. degree in Plant Pathology
- College of Education and Human Development (Twin Cities campus)—Create sub-plan in Foundations of Special Education for Schools and Society within the B.S. degree in Special Education
- College of Liberal Arts (Duluth campus)—Create sub-plan in Leadership Development within the B.A. degree in Cultural Entrepreneurship
- College of Liberal Arts (Duluth campus)—Change the B.A. degree in Geographic Information Science to a B.S. degree
- College of Education and Human Development (Twin Cities campus)—Change the name of the undergraduate certificate and minor in Coaching to Sports Coaching

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

- College of Continuing and Professional Studies (Twin Cities campus)—Discontinue postbaccalaureate certificate in Transportation Studies.

- **Request for Conferral of Tenure for Outside Hires**

- Matt Carlson, Associate professor with tenure, School of Journalism and Mass Communication, College of Liberal Arts
- Mariacristina De Nardi, Professor with tenure, Economics, College of Liberal Arts

- William Hedgcock, Associate professor with tenure, Marketing, Carlson School of Management
- Richard Landers, Associate professor with tenure, Psychology, College of Liberal Arts
- Xiaoji Lin, Associate professor with tenure, Finance, Carlson School of Management
- Martin Manalansan, Associate professor with tenure, American Studies, College of Liberal Arts
- Anant Mishra, Associate professor with tenure, Supply Chain and Operations, Carlson School of Management
- Laura Niedernhofer, Professor with tenure, Biochemistry, Molecular Biology and Biophysics, Medical School
- Jean-Phillipe Richard, Professor with tenure, Industrial and Systems Engineering, College of Science and Engineering
- Paul Robbins, Professor with tenure, Biochemistry, Molecular Biology and Biophysics, Medical School
- Sophia Vinogradov, Professor with tenure, Psychiatry, Medical School
- Matthew Weber, Associate professor with tenure, School of Journalism and Mass Communication, College of Liberal Arts
- Haiwen (Helen) Zhang, Associate professor with tenure, Accounting, Carlson School of Management
- Lucy Vulchanova, Associate Professor with tenure, Neuroscience, Medical School

INFORMATION ITEMS

Provost Hanson referred the committee to the information items in the docket, including a report of student and faculty awards and activities.

The meeting adjourned at 4:33 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Governance & Policy Committee
June 8, 2018**

A meeting of the Governance & Policy Committee of the Board of Regents was held on Friday, June 8, 2018 at 7:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Michelle Behr and Mary Holz-Clause; Senior Vice President Brian Burnett; Vice Presidents Michael Berthelsen, Matt Kramer, and Allen Levine; General Counsel Douglas Peterson; Executive Director Brian Steeves.

**BOARD OF REGENTS POLICY:
BOARD OPERATIONS AND AGENDA GUIDELINES**

Regent Rosha invited Executive Director Steeves to present for action proposed changes to Board of Regents Policy: *Board Operations and Agenda Guidelines* (BOAG), as detailed in the docket.

Steeves reviewed the main changes, including the addition of a systemwide strategic plan and progress card as fundamental planning documents; codification of the new committee structure; clarification on review/action items; and revisions to the emergency approval process. He introduced two changes made since the last meeting, regarding notification of emergency approvals and an update to language regarding the president's compensation.

Regent Johnson asked for clarification on the changes to the review/action guidelines. Steeves explained that if an item is up for review and the Board decides to take action during the course of the meeting, a vote can take place unless there is an objection. He added that an objection keeps the item as review-only.

In response to a follow-up question from Johnson, Rosha confirmed that the Board can vote to override the rule.

Johnson asked about options for Regents who would like to add an agenda item, other than bringing them up during New Business. Rosha responded, encouraging Regents to approach committee chairs with suggested agenda items. He noted that if the items are not added to the agenda, the option to bring an item under New Business remains.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of the proposed changes to Board of Regents Policy: *Board Operations and Agenda Guidelines*.

2018 BOARD POLICY REPORT

Regent Rosha invited Executive Director Steeves to discuss the 2018 Board Policy Report, as detailed in the docket.

Steeves reported that 13 Board policies were reviewed in the past year. He detailed the status of each policy, noting that four from the current year will continue on the upcoming plan. He outlined the work plan for the 2018-19 fiscal year and the process for the 19 policies slated for comprehensive review.

Rosha applauded the effectiveness of the policy review process, and requested that it remain flexible to allow room for unplanned policy reviews as needed.

REVIEW OF BOARD POLICY COMMITTEE ROUTING

Regent Rosha invited Executive Director Steeves to review Board Policy Committee Routing, as detailed in the docket.

Steeves explained that the new committee structure presents an opportunity to examine and give feedback on the process for routing policies through the Board. He explained that each Board policy is assigned to a committee based on subject matter.

In response to a question from Regent Anderson, Steeves noted that the Office of the Board of Regents (OBR) monitors items brought forward to the Board to ensure compliance with established policies. He explained that because the Board sets its own policies, there is no penalty for going against policy if the majority of the Board is in agreement.

Anderson asked if OBR would notify the Board if it were voting on something not aligned with Board policies. Rosha responded that anyone could flag these types of inconsistencies.

Regent Beeson offered that while policy exceptions are rare, they are worth noting when they do happen.

Rosha noted that although policies are routed by subject matter to certain committees, some policies could be re-routed to the Governance and Policy Committee to help balance committee workloads.

OVERVIEW OF BYLAWS OF THE BOARD OF REGENTS

Regent Rosha invited Executive Director Steeves to provide an overview of the *Bylaws of the Board of Regents* (Bylaws), as detailed in the docket.

Steeves shared that the Bylaws have not been comprehensively reviewed since 2001, which is when they were last amended. He gave an overview of the various topics covered by the articles in the Bylaws, explaining that the committee intends to include review of Bylaws in its workplan for the coming year.

Regent Johnson noted that when five or more Board members call for a special meeting, the current language allows that meeting to conclude at any point. He suggested specifying that the Board must consider the issue before them before adjourning.

Rosha offered that the Bylaws do not specify a time period in which a special meeting must take place after the Chair calls for the meeting, and suggested adding guidelines to prevent undue delays.

Regent Anderson commented that he considers the Bylaws to be a guide for keeping the Board focused on a long-term perspective. Rosha agreed, noting that it is important to keep a longer-term perspective when considering changes.

Regent Beeson concurred with Regents Anderson and Rosha, offering his view that updates will likely be more technical in nature.

Rosha noted that he anticipates discussion of the ways Board members may participate in meetings, such as by phone, email, or other technology.

INFORMATION ITEMS

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

- Completed Comprehensive Review of Board Policy

The meeting adjourned at 8:21 a.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
June 8, 2018**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, June 8, 2018 at 8:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, and Mary Holz-Clause; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Michael Berthelsen, Kathryn Brown, Bernard Gulachek, Matt Kramer, and Allen Levine; General Counsel Douglas Peterson; Executive Director Brian Steeves; Chief Auditor Gail Klatt; and Associate Vice President Michael Volna.

ANNUAL MEETING

Chair McMillan called the Annual Meeting to order at 8:45 a.m.

ESTABLISHMENT OF MEETING DATES

Chair McMillan outlined the proposed meeting dates for 2018-19, noting that March 6-8, 2019, presents a conflict for some Regents. The Board engaged in a discussion around alternative dates and discovered that none of the proposed dates works for all Regents.

Regent Johnson asked President Kaler for guidance. Kaler responded that his office does not have a preference.

Several Regents expressed an interest in keeping the originally proposed dates of March 6-8 because those dates follow the standard practice, outlined in the Bylaws, of holding Board meetings on the second Friday of the month and the preceding Thursday.

Regent Omari recommended against scheduling the March meeting during spring break, which includes March 20-22, to ensure that students may attend the meeting.

A motion was made and seconded to amend the 2018-19 Board meeting dates proposed in the docket, as follows.

- July 11-13, 2018 (includes retreat)
- September 13-14, 2018
- October 11-12, 2018
- December 13-14, 2018
- February 7-8, 2019
- March 27-29, 2019 (includes tentative retreat)
- May 9-10, 2019
- June 13-14, 2019

Regent Rosha spoke in opposition to this amendment, and urged the Board to adopt the originally proposed dates of March 6-8.

Regent Sviggum reminded the Board that in recent years the March meeting has taken place later in the month, but also expressed support for keeping the originally proposed dates.

Beeson suggested setting meeting dates two years in advance in the future to avoid conflicts.

The motion was withdrawn.

A motion was made and seconded and the Board of Regents voted unanimously to approve the following meeting schedule:

- July 11-13, 2018 (includes retreat)
- September 13-14, 2018
- October 11-12, 2018
- December 13-14, 2018
- February 7-8, 2019
- March 6-8, 2019 (includes tentative retreat)
- May 9-10, 2019
- June 13-14, 2019

The annual meeting adjourned at 8:59 a.m.

REGULAR MEETING

Regent McMillan suspended the regular meeting to conduct the oath of office ceremony.

OATH OF OFFICE

The Honorable Justice Paul Thissen, Minnesota Supreme Court, administered the oath of office to the following Regent:

Randy R. Simonson, representing the 1st Congressional District, completing the term left open by the resignation of Patricia Simmons.

RECOGNITIONS

Student Representatives to the Board of Regents

Recognition was given to the 2017-18 Student Representatives to the Board of Regents:

Joshua Preston, Chair
Twin Cities (PSG)

Alexandra Ulland, Vice Chair
Duluth

Lauren Anderson
Rochester

Sean Chen
Twin Cities (COGS)

Marta Dean
Crookston

Mina Kian
Twin Cities (MSA)

Apoorva Malarvannan
Twin Cities (MSA)

Parker Smith
Morris

Civil Service Consultative Committee Outgoing Chair

Recognition was given to Raymond Munro, Information Technology Manager in the Aerospace Engineering department in the College of Science and Engineering, and outgoing 2017-18 chair of the Civil Service Consultative Committee.

APPROVAL OF MINUTES

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

Mission Fulfillment Committee – May 10, 2018
Audit & Compliance Committee – May 10, 2018
Litigation Review Committee – May 10, 2018
Finance & Operations Committee – May 10, 2018
Board of Regents – May 11, 2018

REPORT OF THE PRESIDENT

President Kaler reported on several items, including the expansion and upgrade of lab space at UMC; increase in enrollment at UMD; funding for the McNair project at UMM; the Higher Education Innovation Summit hosted by UMR; and several research breakthroughs, achievements and honors on the Twin Cities campus.

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

REPORT OF THE CHAIR

Regent McMillan offered examples from the Board's June agenda to demonstrate how the Board is working to achieve its priorities. He also noted that Regent Omari and Regent Powell will serve with him on the Presidential Performance Review Committee.

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

RECEIVE AND FILE REPORTS

Regent McMillan noted the receipt and filing of the Report of the Academic Professionals & Administrators Consultative Committee, the Report of the Civil Service Consultative Committee, and the Quarterly Report of Grant and Contract Activity.

CONSENT REPORT

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

- Gifts
- Report of the All-University Honors Committee
- Regents Professor Recommendation

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Regent McMillan invited Joseph Konstan, Chair of the Faculty Consultative Committee, to present the report of the Faculty Consultative Committee, as detailed in the docket.

Konstan profiled the work and accomplishments of several faculty members. He encouraged the Board to meet with faculty members to learn more about the innovative work being done at the University, and offered to help facilitate those meetings. Konstan characterized the faculty as a major asset to the state of Minnesota. He compared operating the University to driving a quality car, where one must look ahead, steer with a light touch on the wheel, and keep the car filled with fuel.

Regent Lucas and Regent Cohen thanked Konstan for outlining the accomplishments of the faculty, and concurred with the analogy of the University as a quality car.

Regent Rosha expressed appreciation for the opportunity to see the work of the faculty. He recalled the 1991 restructuring of the University, and the general support the Board received due to understanding that the University was moving strategically in the right direction. He asked about the current perception among faculty of the Board's ability to serve the University and state while balancing the needs of the faculty. Konstan referenced the strategic planning process on the Twin Cities campus, when some faculty became concerned that the Board wanted to set research priorities at the strategic planning stage, rather than build a framework that allowed priorities to be identified as they emerged. He urged the faculty and Board to continue their dialogue.

Rosha stressed that he does not see the work of the Board as a top-down process. Regents Powell, Beeson, and Rosha shared their desire for the Board to have more exposure to the work of the faculty. They expressed appreciation for these types of interactions because the Board is often consumed with issues of governance.

Regent Anderson urged Board members to interact more with faculty. He concurred with Konstan's car analogy, and added that the Board must allow the faculty the freedom to lead the students.

Regent Johnson noted that while he supports academic freedom for research, he wondered whether the University can release controversial research without upsetting political leaders. He gave an example of a professor who released a report on ethanol that offended some members of the legislature, leading them to question their support of the University. Konstan responded that the University values academic freedom, which allows researchers to speak the truth even when it is unpopular. He noted that it is impossible to avoid offending someone. He emphasized the strong scrutiny and peer review that research undergoes before release, and the importance of the ability to withdraw when researchers make mistakes.

Regent Omari encouraged the Board to shadow a student for a day, calling it a great way to engage with faculty and students. He spoke highly of his recent shadowing experience and thanked the student representatives for proposing the idea.

Beeson expressed his perspective that the Board, given its focus on the business side of the University, may lose connection with the faculty. He noted that while most of the scholarship the University produces is excellent, there is a process for addressing it when it is substandard.

Regent Simonson shared his belief that the faculty is excellent and as a new Regent, he is eager to meet more faculty from across the system. He stated that he is troubled by Konstan's statement that resources to do more come from what the University chooses to discontinue or do less of. Konstan responded that nationwide, investment in higher education is falling, resulting in universities making strategic choices around what they continue to do and discontinue doing. He noted that this is not intended as a political statement, but as a simple statement of the way things are.

Cohen recalled a previous practice of the Board hosting faculty and students for lunch during Board meetings. She suggested reintroducing that practice.

SYSTEMWIDE STRATEGIC PLAN: TEACHING & LEARNING

Regent McMillan invited Provost Hanson to present the fourth of five systemwide strategic planning presentations, on Teaching and Learning, as detailed in the docket.

President Kaler outlined the final presentation topic that will take place in July, which is Supporting the Mission. He noted that the presentations will culminate at the October 2018 meeting with the full systemwide strategic plan and the biennial budget request presented for action.

Hanson explained that during the systemwide strategic planning process, the University has worked to leverage the strengths of the five campuses to improve teaching and learning while serving the state. She outlined the seven areas of opportunity identified during this process: enrollment management, value proposition of the University, system financial aid strategy, pathways development, collaborative academic planning, online learning, and student development. Hanson described the academic investing planning process as a collaborative process between many bodies of the University, community, and government.

McMillan commented that the Board would benefit from trusting faculty to set research priorities. He asked how the Board can be confident that the faculty will bear in mind the priorities and needs of the state in doing so. Hanson responded that through regular consultation, the faculty strives to be responsive to the needs of the state.

In response to a question from Regent Simonson, Hanson responded that there is a high level of faculty involvement in the campus-level strategic planning process, while the system-level planning proceeds through administrative routes. Simonson asked how the University ranks in terms of education, and stated an interest in finding out how the University can partner with other institutions to build on each other's strengths. Hanson emphasized that each campus excels in different areas, and that the systemwide strategic plan seeks to find ways that the entire system can augment the priorities of each campus. She noted that Big Ten institutions have a long-standing alliance through which they share initiatives and opportunities for students.

Regent Sviggum asked why the University uses its own resources to provide financial aid to some students when the government also provides financial aid. He suggested spreading the University's resources to all students equally. Hanson responded that providing financial aid to students with less financial ability is critical to the University's commitment to diversity. Sviggum asked why government grants are not sufficient to ensure diversity, agreeing with Hanson that diversity is important but noting that it means higher tuition. Hanson and Kaler responded that government grants are inadequate to meet the University's diversity goals and that the University needs to compete with other universities in terms of financial aid offered to students.

Regent Beeson suggested that the financial aid discussion should be at the Board level, noting the longstanding Board policy to distribute financial aid beyond Pell and state grants. Sviggum, McMillan and Roshia agreed that the topic is a Board discussion.

Regent Omari noted that the cost of operations for higher education is not decreasing, and therefore the University must look for other funding sources.

Regent Roshia noted the changes in types of funding provided by the state that challenge the University's financial aid decisions. He asked the Board to consider that a higher tuition model may signal to the legislature that the University is comfortable with funding operations using student debt and does not need further support.

Regent Powell expressed appreciation for the focus on digital distribution, and asked for more details on it and other areas of priority moving forward. He asked how decisions will be made at the school and department level for funding area priorities. Hanson responded that inefficient elements of infrastructure are being addressed. She suggested that the Board may benefit from seeing examples of proposals from the faculty, and the process they go through for approvals.

OVERVIEW OF INSTITUTIONAL RISK PROFILE & RELATED MITIGATION PLANS

Regent McMillan invited Provost Hanson and Senior Vice President Burnett to present an overview of the institutional risk profile and related mitigation plans, as detailed in the docket.

Hanson described the process of identifying institutional risks with the Audit & Compliance Committee, and gave an overview of each of the 21 institutional risk categories identified by the administration. Burnett detailed the mitigation plans for two of the categories: employee demographics/succession planning and facilities: maintenance, scope, and alignment.

Regent Anderson observed that the University has lower operating margins than its peers. He expressed concern that this may cause interest rates to increase, which will in turn cost the University more money. He noted the trend in recent years for government funding to shift away from funding universities directly, and toward supporting individuals. Burnett responded that the University's conservative budget takes into account the risk of rising interest rates.

Regent Cohen thanked Chief Auditor Klatt and the senior leadership team for their work in this area.

Regent Simonson asked about the University's view on adjunct professors compared to full-time professors, and whether the University is competitive with its peers regarding retention efforts such as salaries and bonuses. Hanson noted that the University does have adjunct professors across the campuses. She referenced an increasing disparity between salaries at the University and private schools, but emphasized they are similar to other public institutions.

In response to a question from Regent Omari, Burnett reported that the risk categories will be addressed in the future by the committee they are assigned to.

BOARD OF REGENTS POLICY: CODE OF ETHICS FOR MEMBERS OF THE BOARD OF REGENTS – ANNUAL REVIEW

Regent McMillan invited General Counsel Peterson to present the annual review of Board of Regents Policy: *Code of Ethics for Members of the Board of Regents*, as detailed in the docket.

Peterson outlined the guiding principles that each Board member is held to. He discussed financial disclosure requirements, gift restrictions, expense reimbursement, and conflicts of

interest. He described financial and employment conflicts of interest, and urged Board members to flag any potential conflicts as soon as they arise. He emphasized that recusal from a matter does not reflect negatively on a Regent.

Regent Sviggum asked Peterson to clarify the policy that prohibits Regents from giving gifts. Peterson responded that Regents cannot give gifts to public officials because it could be perceived as trying to influence them. He noted that the policy describes the specifics in detail. Sviggum asked if personal political contributions are prohibited. Peterson and Executive Director Steeves responded that political gifts are allowed under the policy.

Regent Powell asked if the Board should consider prohibiting participation in openly partisan initiatives, such as hosting political fundraisers. Peterson responded that the Board has the freedom to make that policy change.

Sviggum expressed an interest in exploring the Regents' roles in affecting public policy.

Regent Hsu noted that the policy does not specifically reference giving gifts, and asked if the Board should consider adding that language. McMillan and Regent Beeson responded that the Governance & Policy Committee could explore adding that language. Steeves and Peterson clarified that there is a companion policy that outlines specific restrictions on giving gifts.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- 1) Approval of the President's Recommended FY 2019 Annual Operating Budget, as amended. A motion was made and seconded, and the Board voted 8-4 to approve the proposed resolution, as follows:

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

WHEREAS, the State of Minnesota, through its legislative and executive branches, has appropriated \$648,636,000 in state general fund monies for fiscal year 2019 to the University of Minnesota, which includes a decrease over fiscal year 2018 of \$10,050,000, for the pursuit of its mission and in support of our goals and objectives; and

WHEREAS, the \$10,050,000 reduced appropriation was used for nonrecurring during the current year; and

WHEREAS, the University of Minnesota is committed to achieving standards of national and international excellence while maintaining efficient and effective services and processes.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents hereby approves the University of Minnesota Fiscal Year 2019 Annual Operating Budget as follows:

The Fiscal Year 2019 Annual Operating Budget approved by the Board of Regents includes the following attachments from the President's Recommended Fiscal Year 2019 Operating Budget:

- | | |
|---------------|---|
| Attachment 2. | Resource and Expenditure Budget Plan – University Fiscal Page |
| Attachment 6. | U of M Tuition Rate Plan |
| Attachment 8. | Course/Class Fees |

- Attachment 9. Miscellaneous Fees
- Attachment 10. Academic Fees
- Attachment 11. Student Services Fees
- Attachment 12. Fund Forecast - Centrally Distributed and Attributed Funds – CORRECTED

- 2) Approval of the President’s Recommended FY 2019 Annual Capital Improvement Budget. A motion was made and seconded, and the Board voted unanimously to approve the proposed resolution, as follows:

WHEREAS, the Board of Regents (Board) directed the administration to annually submit an annual capital improvement budget and a six-year capital improvement plan; and

WHEREAS, the Board has adopted principles to guide the formulation of the annual capital improvement budget and six-year capital improvement plan; and

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

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

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the FY 2019 Annual Capital Improvement Budget and reaffirms its prior year capital expenditure authorizations.

- 3) Approval of the real estate transaction related to the lease of University Square located in Rochester. A motion was made and seconded, and the Board voted unanimously to approve the real estate transaction.
- 4) Approval of the real estate transaction related to the sale of 435.546 acres at UMore Park for residential, commercial, and mixed use development in Dakota County. A motion was made and seconded, and the Board voted unanimously to approve the real estate transaction.
- 5) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the May 10, 2018 committee minutes. A motion was made and seconded, and the Board voted unanimously to approve the Consent Report.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

Regent Cohen, chair of the committee, reported that the committee discussed the internal audit plan for FY 2019, noting that the selection of audits in the coming year is reflective of the new institutional risk profile. The committee also received an update on internal audits performed since February 2018.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Beeson, chair of the committee, reported that pursuant to notice sent by the University, the Litigation Review Committee met on June 7, 2018. At this meeting, a resolution was considered and adopted that authorized the closing of the meeting. In the closed meeting, discussion was held on matters subject to the attorney-client privilege.

REPORT OF THE MISSION FULFILMENT COMMITTEE

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

1. Adoption of the proposed amendments to Board of Regents Policy: *Equity, Diversity, Equal Opportunity, and Affirmative Action*, as follows:

SECTION I. GUIDING PRINCIPLES.

The following principles shall guide the commitment of the University of Minnesota (University) to equity, diversity, equal opportunity, and affirmative action:

- (a) Consistent with its academic mission and standards, the University is committed to achieving excellence through equity and diversity.
- (b) A diverse student body enhances the academic and social environment for all students and prepares students to thrive in an increasingly diverse workforce and society.
- (c) Equal educational access is critical to preparing students for the responsibilities of citizenship and civic leadership in a heterogeneous society.
- (d) As a community of faculty, staff, and students engaged in research, scholarship, artistic activity, teaching and learning, or the activities that support them, the University seeks to foster an environment that is diverse, humane, and hospitable.
- (e) In partnership with community groups, the University is committed to serving the state, the nation, and the world through its outreach and public service.

SECTION II. IMPLEMENTATION.

The University shall:

- (a) provide equal access to and opportunity in its programs, facilities, and employment without regard to race, color, creed, religion, national origin, gender, age, marital status, familial status, disability, public assistance status, membership or activity in a local commission created for the purpose of dealing with discrimination, veteran status, sexual orientation, gender identity, or gender expression;
- (b) advocate and practice affirmative action consistent with law, including the use of recruiting and search processes to enhance participation of racial minorities, women, persons with disabilities, and protected veterans;
- (c) establish and nurture an environment for faculty, staff, students, and visitors that actively acknowledges and values equity and diversity and is free from racism, sexism, ageism, homophobia, and other forms of prejudice, intolerance, or harassment;
- (d) provide equal educational access to members of underrepresented groups and develop affirmative action admissions programs, where appropriate, to achieve the University's educational mission; and
- (e) promote and support equity and diversity through its academic programs, its employment policies and practices, its delivery of services, and purchase of goods, materials, and services for its programs and facilities from businesses of the diverse communities it serves.

SECTION III. MONITORING.

The president or delegate shall set performance goals consistent with this policy and law; remedy any discriminatory practice that deviates from this policy; and assess and reward the

performance of individuals and units using the University's critical measures for the equity and diversity performance goals as part of the University's planning and budget process.

2. Adoption of the proposed amendments to Board of Regents Policy: *International Education and Engagement*, as follows:

SECTION I. SCOPE.

This policy governs international education, research, and outreach activities of the students, faculty, and staff of the University of Minnesota (University).

SECTION II. GUIDING PRINCIPLES.

This policy affirms the commitment of the Board of Regents (Board) to foster international education, research, and outreach throughout the University community. The following principles shall guide international education, research, and outreach at the University:

- (a) In an interdependent world, the welfare of the state and the well-being of its citizens are linked to the welfare of all humankind.
- (b) Through international education, research, or outreach the University builds and extends its scholarly standing, its potential for research, its contributions to economies, and the education and skills of students and citizens of the state, the nation, and the world.
- (c) The University has a responsibility to incorporate into its community and curriculum international opportunities that provide students, faculty, and staff the understanding, skills, and knowledge necessary to be globally competent citizens of the state, the nation, and the world.
- (d) The University has a responsibility to ensure to the extent possible, respectful and ethical engagement with people, places, and ideas around the globe.

SECTION III. IMPLEMENTATION.

The president or delegate shall administer policies that, in compliance with all applicable laws and regulations, effectively promote and encourage a comprehensive approach to international education, research, and outreach that includes the following elements:

- (a) International Experience for Students. The University will encourage the participation of University students in international educational, research, and outreach experiences and provide opportunities that afford participating students the guidance and assistance necessary to integrate these experiences into University degree curricula.
 - (b) Enrollment and Inclusion of International Students. The University will recruit and enroll students from other countries in its undergraduate, professional, and graduate programs in such numbers and with such geographic origins as to meet the guiding principles stated in this policy.
 - (c) Faculty and Staff Teaching, Research, and Outreach. The University will encourage international education and engagement in the teaching, research, and outreach of its faculty and staff through the interaction of people and ideas.
 - (d) Collaboration with International Institutions. The University will build strategic international partnerships with universities, institutions, and organizations worldwide; expand international scholarly engagement; and internationalize the University community and curriculum.
3. Approval of the consent report, which includes academic program additions, changes, and discontinuations and conferral of tenure for outside hires.

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

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

Regent Roshia, chair of the committee, reported that the committee voted unanimously to recommend:

- 1) Adoption of proposed amendments to Board of Regents Policy: *Board Operations and Agenda Guidelines*, as follows:

SECTION I. SCOPE.

This policy governs the Board's operations, committee structure, and agenda guidelines.

SECTION II. GUIDING PRINCIPLES.

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

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

SECTION III. BOARD BUSINESS.

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

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

(a) Fundamental planning documents, including:

- Systemwide Strategic Plan - The Systemwide Strategic Plan articulates and reinforces the mission and vision of the University; identifies University priorities and goals; and establishes a framework to guide University decision-making. The plan includes goals articulated through the University Progress Card and establishes a framework for the University's operating and capital budgets.
- University Performance and Accountability Report - The University Performance and Accountability Report publicly demonstrates the University's accountability for progress in reaching its stated goals and objectives; links planning, performance evaluation, and resource allocation at the system and campus/college level; illustrates and analyzes longitudinal trends in key areas; provides a means for comparisons with peer institutions; and identifies areas for continued work. The report includes progress made in achieving the goals articulated in the University Progress Card.

- Annual Operating Budget - The annual operating budget sets forth the operating requirements and authorizations for financing the activities of the University. The budget includes all funds (revenues and expenditures), all campuses, and all programs of the University. It incorporates historical background and projections. It is based on the framework established by the Systemwide Strategic Plan. The president recommends to the Board the annual operating budget in successive meetings.
 - Capital Budget - The capital budget has two parts. Part I is the six-year capital plan, which is updated annually and identifies capital projects, as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section VIII, Subd. 6, that are approved to proceed with preliminary project planning, but not authorized to proceed with design and construction. Part II is the annual capital improvement budget, which authorizes the completion of design and construction of projects, as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section VIII, Subd. 7, that have approved financing. The framework established by the Systemwide Strategic Plan and approved campus master plans guide both parts of the capital budget. The president recommends to the Board both parts of the capital budget in successive meetings.
- (b) Legislative funding requests, including the biennial budget request and the capital request.
 - (c) Reports on federal and legislative relations and issues.
 - (d) Reports submitted to the State of Minnesota as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section I, Subd. 7.
 - (e) Annual financial report.
 - (f) Summary of expenditures for the Office of the President, Eastcliff, and the Office of the Board of Regents (OBR).
 - (g) Gifts.
 - (h) Other reports, including, but not limited to, reports of the Faculty Consultative Committee, the University of Minnesota Foundation, the University of Minnesota Alumni Association, and the Student Representatives to the Board.
 - (i) Additional items as decided by the Board chair in consultation with the president and Board vice chair.

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

SECTION IV. COMMITTEES OF THE BOARD.

Subd. 1. Role of Committees. Committees provide recommendations for action by the Board. Typically, standing committees have the following responsibilities:

- recommend action on matters where the Board has reserved authority to itself as outlined in Board of Regents Policy: *Reservation and Delegation of Authority* and other Board policies;
- provide oversight on topics within the committee's purview;
- review and make recommendations on relevant new and existing Board policies;
- receive reports on policy-related issues affecting University departments and units;
- receive information items (e.g., status reports on current issues of concern and administrative searches); and

- review other items placed on the agenda by the Board chair in consultation with the president and the Board vice chair.

Subd. 2. Responsibilities of Committee Chairs. Committee chairs preside over the meetings of their respective committees, ensuring the orderly, open, and timely conduct of committee business. Committee chairs should annually review the committee responsibilities outlined in this policy as the committee work plans outlined in Section V, Subd. 4 are finalized. The senior leader committee liaison consults with committee chairs prior to committee meetings regarding background issues for committee agendas.

Subd. 3. Committee Descriptions. Standing, nominating, and special committees meet on a varying schedule set through the agenda development process. These committees, specific committee responsibilities, and required agenda items are listed below. As stated in the *Bylaws*, the Board chair has the authority to name and identify the responsibilities of all committees. Any changes in committee structure are to be noted in this policy.

Subd. 4. Audit & Compliance Committee Charter. The Audit & Compliance Committee oversees the University's system of risk assessment and internal controls, audits, financial reporting practices, and the institutional compliance program. The committee is to assist the Board in discharging its oversight responsibilities related to the audit and compliance functions by:

- promoting the development of an effective, efficient, and continuously improving control environment, in concert with the administration, to achieve the institution's objectives through an appropriate system of risk assessment and internal control;
- overseeing the University's integrated framework of internal control, risk management practices, and institutional compliance program to ensure that the administration executes the provisions of Board of Regents Policy: *Internal Control*;
- serving as an informed voice on the Board by relaying the audit and compliance perspective when related issues are brought before the Board and its standing committees; and
- providing a direct channel of communication to the Board for the chief auditor and the independent public auditor.

Consistent with Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section X, the Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external public accountants and the chief auditor; review audit plans; and evaluate the performance of the independent auditor and, jointly with the president, the performance of the internal audit function.

Specific duties of the Audit & Compliance Committee include the following:

- (a) Oversight of the Independent Auditor. The independent auditor reports directly to the Board through the Audit & Compliance Committee. The committee shall recommend for Board approval the engagement and related fees of the independent auditor to perform the annual financial statement and federal compliance audits. The committee shall approve in advance all audit and non-audit services provided by the independent auditor with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in the United States General Accounting Office Government Auditing Standards. Engagements not requiring approval by the Board shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee. The committee shall annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.

- (b) Oversight of the Internal Audit Function. The Audit & Compliance Committee shall recommend for Board approval (1) the appointment or removal of the chief auditor, (2) changes to the Office of Internal Audit's charter, and (3) any material revisions to internal audit plans or budgets. In consultation with management and the chief auditor, the committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.
- (c) Review of Financial Statements. The Audit & Compliance Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.
- (d) Review of Audit Results. The Audit & Compliance Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, chief auditor, and management. The committee shall monitor management's progress in addressing audit recommendations.
- (e) Investigation of Reported Concerns Regarding Accounting or Auditing Matters. The Audit & Compliance Committee shall be apprised of investigations conducted under administrative policy.
- (f) Requests for Audits. The Audit & Compliance Committee is authorized to request supplemental reviews or other audit procedures by the chief auditor, the independent auditor, or other advisors.
- (g) Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors. The Audit & Compliance Committee shall approve all engagements of external audit firms to perform work or provide services with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in (a) of this section. Engagements not requiring approval by the Board shall be reported to the committee at the next scheduled meeting of the committee.
- (h) This committee provides additional oversight of compliance initiatives and enterprise risk management processes, including risk identification and mitigation.

This committee also reviews:

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

Subd. 5. Finance & Operations Committee. The Finance & Operations Committee oversees and makes recommendations to the Board related to the University's operations, fiscal stability,

physical assets (e.g., land, buildings, infrastructure, technology, and equipment), and long-term economic health. The committee also advises the administration on faculty and staff compensation strategy, benefits, recruitment, and engagement.

Specifically, this committee recommends to the Board:

- appointments reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section IV.
- budgetary, financial, and investment matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section VII.
- property, facilities, and capital budgets reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section VIII.
- employment and labor relations matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section XI.

This committee provides oversight of:

- long-range financial planning strategies, including total indebtedness of the University and investment portfolio;
- the financial relationship between the University and its partners, including affiliated foundations, clinical operations, and external entities;
- potential risks within University finance and operations;
- long-range physical asset planning strategies, including technology infrastructure;
- public safety and emergency preparedness;
- operational services such as housing, parking, transportation, and dining;
- faculty and staff employment, compensation and benefits policy, including senior leader compensation, benchmarking, and terms of employment; and
- employee engagement and workforce development.

This committee also reviews:

- the annual report on central reserves;
- semi-annual capital financing and debt management reports;
- semi-annual management reports;
- semi-annual capital planning and project management reports;
- quarterly purchasing reports and violations of Board of Regents Policy: *Purchasing*;
- quarterly asset management reports;
- selected financial metrics that measure the University's fiscal condition;
- periodic updates on future facilities projects;
- design guidelines when a project design represents an exception to adopted campus master plans; and
- other financial reports, employment reports, and facilities management reports and significant issues.

Subd. 6. Governance & Policy Committee. The Governance & Policy Committee oversees and makes recommendations to the Board related to policy and processes that seek to ensure the integrity and high performance of the Board. The committee supports effective governance by guiding the Board to: articulate a clear vision for the University and its major components; clarify reserved and delegated authorities; establish institutional benchmarks and performance measures; and thoughtfully considers risks that may impact the performance of the institution.

Specifically, this committee recommends to the Board:

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

This committee provides oversight to:

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

Subd. 7. Litigation Review Committee. The Litigation Review Committee reviews litigation matters and obtains legal advice regarding specific University actions and their legal consequences. This committee typically meets in non-public session and consults with the general counsel on cases and claims, consistent with Board of Regents Policy: *Attorneys and Related Services* and Board of Regents Policy: *Legal Claims and Settlements*. The committee determines which matters shall be referred to the Board for review or approval.

Subd. 8. Mission Fulfillment Committee. The Mission Fulfillment Committee oversees and makes recommendations to the Board related to the University's mission, as articulated in Board of Regents Policy: *Mission Statement* and carried out on five campuses and across the state, the nation, and the world. The committee oversees and advises the administration on academic priorities, activities, programs, and initiatives central to the threefold mission of research and discovery, teaching and learning, and outreach and public service.

Specifically, this committee recommends to the Board:

- academic matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section V.

This committee provides oversight of:

- academic program reviews and strategic plans of academic units;
- admissions practices, demographic trends and enrollment planning;
- curricular and co-curricular educational, research and engagement opportunities;
- diversity and campus climate;
- faculty development, recruitment and retention;
- faculty promotion and tenure;
- international partnerships and global research and educational programs;
- health education and academic medicine;
- issues related to the University's academic profile such as accreditation, reputation, and academic ranking;

- online learning;
- public engagement and community partnerships that fulfill the University's land-grant mission;
- scholarship, artistic activity and commercialization of technology and intellectual property;
- sponsored projects and research support infrastructures;
- student affairs, student wellness and the student experience;
- student experience and academic performance of student-athletes;
- undergraduate, graduate, and professional education.

Subd. 9. Nominating Committee. The Nominating Committee is charged with nominating candidates to serve as Board chair, vice chair, secretary, and treasurer.

Subd. 10. Presidential Performance Review Committee. The Presidential Performance Review Committee evaluates the president's performance. This committee meets in non-public session, reporting its findings to the Board.

Subd. 11. Special Committees. The Board chair identifies the responsibilities, appoints the members, and designates the chair of special committees.

SECTION V. MEETINGS OF THE BOARD AND COMMITTEES.

Subd. 1. Board Meetings. The Annual Meeting of the Board is held on the second Friday in June, unless otherwise determined by the *Bylaws*. At the Annual Meeting a schedule is approved for regular meetings, which are usually held on the second Friday and preceding Thursday of each month in February, March, May, June, July, September, October and December.

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

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

Subd. 2. Committee Meetings. Committees usually meet as follows:

- Audit & Compliance: Meets six times a year.
- Finance & Operations: Meets six times a year.
- Governance & Policy: Meets five times a year.
- Litigation Review: Meets six times a year and as called by the committee chair.
- Mission Fulfillment: Meets six times a year.
- Nominating: May of odd-numbered years prior to the Board's Annual Meeting and election of officers in June.
- Presidential Review: As called by the Board chair.

Subd. 3. Meeting Procedures. The Board chair presides over meetings of the Board. The Board vice chair presides in the absence of the chair. Board and committee meetings are conducted consistent with the *Bylaws* and Robert's Rules of Order. The general counsel rules on all disputed questions of procedure.

Items are presented in one of the following ways:

- *Review* - All significant items typically are reviewed one month with action in a subsequent month. Any Board member may request that an item listed for Review become a Review/Action item. If there is no objection from other members of the Board, the item is voted on in that meeting. The fundamental planning documents, as described in Section III, Subd. 2, (a) of this policy, are exempt from this provision.
- *Action* - Previously reviewed items requiring Board approval.
- *Review/Action* - Items for review and action in the same meeting, as allowed by Board policy or under special circumstances with permission of the Board chair or respective committee chair. The Consent Report includes routine action items that normally do not require discussion. Any Board member may request discussion or separate action on any Consent Report item.
- *Discussion* - Items for discussion that require no action when presented.
- *Other*
 - *Information Items* - Items of interest to a committee or the Board requiring no action or discussion, such as status reports on current issues of concern and administrative searches.
 - *Receive and File Reports* - Submitted reports that are not intended for discussion and do not require action, but are listed on the agenda and officially noted by the chair in the form of a statement to “receive and file.”

Subd. 4. Work Plans. Each year the Board outlines its priorities and its committees develop work plans with the advice of the president or delegate. Committee work plans outline major agenda items and discussion topics for the year, and include a brief description of the purpose of the item.

Subd. 5. Staff Responsibilities.

- (a) Senior Leader Committee Liaisons. The Board chair and president identify a senior leader for each committee to facilitate committee meetings, assist in agenda development, prepare docket materials, coordinate presentations, and fulfill other duties. Assignments to standing committees are typically as follows:
 - Audit & Compliance: Chief Auditor
 - Finance & Operations: Senior Vice President for Finance and Operations
 - Governance & Policy: Executive Director and Corporate Secretary
 - Litigation Review: General Counsel
 - Mission Fulfillment: Executive Vice President and Provost
- (b) Board Staff. The Board elects an executive director and corporate secretary, whose duties and responsibilities include:
 - advising and supporting each Board member, as well as Board leadership, to advance good governance practices;
 - acting as a liaison between the Board and senior leaders of the University;
 - managing the Board's policy library and ongoing policy review process;
 - managing the Board agenda and docket process;
 - maintaining official records of meetings of the Board and its committees;

- advising the president regarding the standards and protocols of Board meetings;
- maintaining and providing to the Board an annual planning calendar that outlines Board and committee meetings along with reports and other actions required by Board policy; and
- ensuring that logistical support is provided so that Board proceedings are conducted in an open, timely, and accountable manner.

The executive director and corporate secretary assigns a committee coordinator to each committee. Committee coordinator responsibilities include:

- advising and supporting committee leadership and members of the committee to ensure successful committee operations;
- serving as a liaison between committee leadership and the senior leader committee liaison;
- facilitating annual work planning, agenda planning, and docket previews; and
- reviewing docket materials, resolutions, and revisions to Board policies.

Subd. 6. Docket. The docket is the set of recommendations, reports, and all supporting documents prepared for each item on an agenda of the Board and its committees. A docket item summary accompanies each agenda item, summarizing key points and background. Materials are submitted to the Board by the president or delegate with the assistance of Board staff. The OBR distributes the docket to Regents one week prior to meeting dates, after which it is publicly available.

Subd. 7. Urgent Approvals. Upon recommendation of the president, the Board chair, Board vice chair, and the respective committee chair may act on behalf of the Board when delay for Board approval could have a significant impact on the University's mission or poses a considerable health, safety, or financial risk. Urgent approvals shall be used judiciously and any such approvals will be reported to the Board or respective committee upon approval and included as an information item at the next scheduled meeting, consistent with Subd. 3 of this section.

SECTION VI. BOARD MEETING AGENDAS.

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

- (a) Approximately two months prior to each Board meeting, the executive director and corporate secretary develops a draft agenda for discussion at Agenda I, a meeting with the president and senior leader committee liaisons. The agenda is a result of consultation with Board leadership and committee agenda planning meetings. Agenda items are identified from Board priorities, committee work plans, and other reports and items as specified in Board policy.
- (b) The Board chair approves the agenda at a subsequent Agenda II meeting, which is also attended by the Board vice chair, the president, and senior leader committee liaisons. Changes to an approved Board or committee agenda require the approval of the Board chair and, in the case of a committee agenda, shall be done in consultation with the appropriate committee chair.

Subd. 2. Requests to Appear Before the Board. Anyone requesting to appear before the Board must follow the process stated in Article VI of the *Bylaws*.

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

Subd. 1. Presidential Performance Review. The Presidential Performance Review Committee evaluates the president's performance annually in order to: assess outcomes; support the president's efforts to strengthen performance; enable the president and the Board to establish

mutually-agreeable goals; and inform decisions regarding annual compensation and other terms of employment.

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

The following principles shall guide the performance review process:

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

Performance review process procedures shall be on file in the OBR.

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

The following principles shall guide compensation setting:

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

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

Compensation-setting procedures shall be on file in the OBR.

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

OLD BUSINESS

Regent Rosha asked if the University retains mineral rights after a property is sold. Senior Vice President Burnett responded that his office will find out and provide an answer at a later time.

NEW BUSINESS

Regent Omari asked Executive Director Steeves to read a resolution to conduct a non-public meeting of the Board of Regents to discuss the 2018 presidential performance review as follows:

RESOLVED, that as provided by Minnesota Statute 13D.05, Subd. 3(a), a non-public meeting of the Presidential Performance Review Committee of the Board of Regents will convene on Friday, June 8, 2018 at 11:54 a.m. in the Boardroom, 600 McNamara Alumni Center, 200 SE Oak Street, Minneapolis, for the purpose of evaluating the performance of the President of the University of Minnesota.

Regent Johnson voiced his opposition to the resolution, noting that the Presidential Performance Review process is on schedule and does not need to be accelerated.

Regent McMillan responded that the review process is approximately a month behind schedule.

Regent Hsu asked if this meeting meets the requirement for proper notice under state statute. Steeves clarified that because the Board is meeting during a regularly scheduled and noticed meeting, and that New Business is on the agenda, it does constitute proper notice.

Johnson called for a roll call vote. The vote was as follows:

Regent Anderson	Yes
Regent Beeson	No
Regent Cohen	No
Regent Hsu	Yes
Regent Johnson	No
Regent Lucas	Yes
Regent McMillan	Yes
Regent Omari	Yes
Regent Powell	Yes
Regent Rosha	Yes
Regent Simonson	Yes
Regent Sviggum	Yes

The Board voted 9-3 and the Omari resolution passed. The public portion of the meeting ended at 11:58 a.m.

The meeting adjourned at 12:56 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
June 18, 2018**

A special meeting of the Board of Regents of the University of Minnesota was held on Monday, June 18, 2018 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

Regent McMillan noted that Regent Lucas was overseas, and took an informal vote to approve her participation by phone. By a show of hands, all Regents present approved her participation by phone.

**LETTER OF INTENT BETWEEN THE UNIVERSITY OF MINNESOTA,
UNIVERSITY OF MINNESOTA PHYSICIANS, AND FAIRVIEW HEALTH SERVICES**

Regent McMillan invited General Counsel Peterson; Senior Vice President Burnett; Macaran Baird, CEO, University of Minnesota Physicians; and Brad Benson, University of Minnesota Physicians Board of Directors, to present for action a nonbinding letter of intent (LOI) between the University of Minnesota (University), University of Minnesota Physicians (UMP), and Fairview Health Services (Fairview), as detailed in the docket.

Kaler reviewed the evolution of the University's partnership with Fairview over the past seven years, emphasizing it has been a priority during his tenure. He voiced his support of the nonbinding LOI, which he characterized as a critical step toward finalizing a definitive agreement between the partners.

Peterson described the complex environment in which the future of Minnesota's healthcare is unfolding. He detailed the three areas of priority where this partnership seeks agreement, and noted that adoption of the LOI is the first of three phases in developing a patient-centered vision for academic medicine.

Benson noted that the UMP Board of Directors has already unanimously approved the LOI. He outlined several shared commitments that all parties agreed upon in their vision for a successful partnership.

Baird discussed how the relationship with Fairview has evolved into a true partnership thanks to the efforts of all parties. He emphasized the importance of understanding that when mistakes are made, the partners are committed to working together in good faith to resolve them.

Burnett noted that this agreement intends to commit \$111 million for capital improvements to modernize operating rooms and other spaces. He described the goal to simplify the agreement

into one contract, instead of the many contracts that exist right now. He emphasized that Fairview has committed to a significant increase in academic support to the Medical School.

Peterson outlined the upcoming approval deadlines for phases of the agreement that will require Board action. He noted that 2023 will mark five years into the agreement, and at that point the parties will need to shift from legal documents to a culture of alignment with academic and clinical practices.

McMillan thanked the presenters, and echoed Benson's description of the LOI as imperfect but excellent.

Regent Johnson asked about public perception of this agreement. Baird responded that those he has spoken with have responded positively, but some have questioned whether the enterprise will remain an asset to the entire state.

Regent Cohen thanked the negotiating team for the years of work that led to this outcome. She expressed her appreciation for the focus on culture and ambitious goals.

Regent Powell thanked the partners for their commitment to resolving differences. He noted the substantial amount of work yet to be done, and asked if there will be consequences for missing deadlines. Burnett responded that he does not anticipate that any deadlines will be missed, and that all sides are working hard to make it happen.

Regent Beeson observed that the original agreement with the University, UMP, and Fairview was an affiliation agreement, and conveyed his appreciation for the hard work over the years that led to a fully developed partnership. He stressed the critical importance of this vote to the Board.

Regent Rosha recalled the history and evolution of the agreement, and urged caution during negotiations when working with a partner that has not met expectations in the past. He noted the importance of ensuring that the University retains the ability to consider alternatives if the agreed-upon terms are not met by the partner.

Regent Simonson voiced his support for the partnership. He asked what the University's areas of strength are in terms of research, and what the strengths will be in the future. Baird and Benson described oncology, cancer care, bone marrow transplant, cardiovascular research, orthopedics, infectious disease, and organ transplants as the University's major strengths.

Regent Hsu expressed appreciation for the work on both sides of the partnership, and conveyed his approval of the direction of the agreement. He acknowledged that while it is imperfect, the parties are committed to working together as issues arise.

A motion was made and seconded to approve the resolution related to the M Health Fairview Letter of Intent, as follows:

WHEREAS, since December 31, 1996, the University of Minnesota (the "University"), University of Minnesota Physicians ("UMPhysicians") and Fairview Health Services ("Fairview"), have been working together to deliver world class health care, research and education to the state of Minnesota and beyond, at the University of Minnesota Medical Center and at other facilities within the Fairview system; and

WHEREAS, in 2013, the parties, desiring to improve their affiliation, entered into that certain Master Integrated Structure Agreement ("MISA") and related agreements to begin providing services under the banner of M Health; however, because the M Health relationship has not achieved the goals and needs of the parties, the University, pursuant to the Board of Regents Resolution Related to Non-Renewal of the Master Integrated

Structure Agreement adopted on May 12, 2017, issued its notice of non-renewal of the MISA, with the hope and expectation that a re-negotiated agreement would be put in place among the parties; and

WHEREAS, through significant efforts, the parties have now reached nonbinding terms for a re-negotiated agreement, which, once memorialized in definitive agreements, would have the goal of creating a nationally-renowned, high performing academic health system comprised of academic and community resources serving patients and communities in a coordinated manner, that also supports the education and research missions of the University across the care delivery system; and

WHEREAS, the Letter of Intent (and its Attachment A) attached to this Resolution reflects the non-binding expressions of intent reached by the parties for the renewed relationship, and also identifies certain other agreements the parties are willing to make to each other as they work towards putting definitive agreements in place by the end of September 2018, including extending the MISA termination date set forth in the University's notice of non-renewal to the earlier of September 30, 2018 or the effective date of the definitive agreements.

NOW, THEREFORE, BE IT RESOLVED that that the Letter of Intent (and its Attachment A) attached to this Resolution is hereby approved and administration is hereby authorized and directed to execute the Letter of Intent on behalf of the University.

Cohen and McMillan conveyed their appreciation to the President for prioritizing this initiative over the past several years.

Regent Anderson echoed a comment made earlier by Johnson, urging the negotiating team to remember the needs of rural Minnesotans in this partnership. He illustrated his point with an example of a Minnesotan whose life was extended by 15 years due to the critical care provided by the University health system.

The Board voted unanimously to approve the resolution related to the M Health Fairview Letter of Intent.

The meeting adjourned at 9:55 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary