

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

MINUTES

BOARD OF REGENTS MEETINGS

AND

COMMITTEE MEETINGS

September 11-12, 2014

**Office of the Board of Regents
600 McNamara Alumni Center**

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Minutes of the Board of Regents Meetings
and Committee Meetings

September 11-12, 2014

	PAGE
I. Committee Meetings	
A. Audit Committee - September 11, 2014 -----	9
B. Litigation Review Committee - September 11, 2014 -----	12
C. Academic & Student Affairs Committee - September 11, 2014 -----	14
D. Finance Committee - September 11, 2014 -----	19
E. Facilities & Operations Committee - September 11, 2014 -----	24
F. Faculty & Staff Affairs Committee - September 11, 2014 -----	28
II. Board of Regents Meeting - September 12, 2014	
A. Recognition of Regents Professor -----	31
B. Introductions -----	31
1. Dean, College of Liberal Arts	
2. Incoming Faculty Consultative Committee Chair	
C. Approval of Minutes -----	31
D. Report of the President -----	32
E. Report of the Chair -----	32
F. Receive and File Reports -----	33
1. Annual Report on Legal Matters	
2. Annual Asset Management Report	
2. Quarterly Report of Grant & Contract Activity	
G. Approval of Consent Report -----	33
1. Gifts	
2. Appointment of UMore Development LLC University Governor	
H. Review Strategic Plan for the Twin Cities Campus -----	33
I. Review President's Recommended FY 2016-17 Biennial Budget Request -----	36
J. Review President's Recommended Six-Year Capital Plan -----	37
K. Review President's Recommended 2015 State Capital Budget Request -----	37
L. Report of the Facilities & Operations Committee	
1. Approval of Schematic Plans -----	38
A. Scholars Walk, Twin Cities Campus	
2. Review Project Components of the President's Recommended Six-Year Capital Plan & 2015 State Capital Budget Request -----	38
3. 2014-15 Committee Work Plan -----	38
4. Optimizing the University's Physical Assets: Facilities Condition Assessment -----	38
5. Planning & Vision for the Rochester Campus -----	38
6. Information Items -----	38
M. Report of the Faculty & Staff Affairs Committee	
1. Approval of Consent Report -----	
2. 2014-15 Committee Work Plan -----	38
3. How Human Resources Provides Value -----	38
4. Update on Employee Engagement -----	38
5. Employee Wellbeing -----	38
6. Information Items -----	38
N. Report of the Finance Committee	
1. Approval of Consent Report -----	39
2. Review Financial Components of the President's Recommended FY 2016-17 Biennial Budget Request -----	39
3. Review Financial Components of the President's Recommended Six-Year Capital Plan & 2015 State Capital Budget Request & Update on Debt Capacity -----	39
4. 2014-15 Committee Work Plan -----	39
5. University Tax Compliance Activities & Programs -----	39
5. Annual Asset Management Report -----	39
7. Information Items -----	39

O.	Report of the Academic & Student Affairs Committee	
1.	Approval of Consent Report -----	39
2.	2014-15 Committee Work Plan -----	39
3.	Annual Report on Undergraduate, Graduate & Professional Academic Program Changes -----	39
4.	Sexual Assault on Campus: System-wide Strategies to Address a National Problem -	39
P.	Report of the Audit Committee	
1.	Approval of Consent Report -----	39
2.	Approval of Office of Internal Audit: <i>Department Charter</i> -----	39
3.	2014-15 Committee Work Plan -----	39
4.	Information Security Risk Primer-----	39
5.	Internal Audit Update -----	39
6.	Information Items -----	39
Q.	Report of the Litigation Review Committee	
1.	Annual Report on Legal Matters -----	40
2.	Resolution to Conduct Non-Public Meeting of the Litigation Review Committee to Discuss Attorney-Client Privileged Matters -----	40
R.	Report of the Special Committee on Academic Medicine	
1.	No meeting this month -----	40

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit Committee
September 11, 2014**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, September 11, 2014 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Clyde Allen, Peggy Lucas, and Abdul Omari.

Staff present: Senior Vice President and Provost Karen Hanson; Vice Presidents Richard Pfitzenreuter and Scott Studham; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Aashka Joshi and Jesse Mara.

2014-15 COMMITTEE WORK PLAN

Regent Brod and Associate Vice President Klatt reviewed the 2014-15 work plan for the Audit Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

INFORMATION SECURITY RISK PRIMER

Regent Brod introduced Vice President and Chief Information Officer Scott Studham and Chief Information Security Officer Brian Dahlin to present an information security risk primer, as detailed in the docket.

Studham explained that information security deals with the mitigation of risks from a range of adversaries. He defined the range of adversaries from amateur hackers motivated out of curiosity or a desire for personal fame, to hobbyists motivated by corporate or personal gain, to experts and specialists working on behalf of nation-states that act out of national interest. Studham noted that the vast majority of security incidents relate to errors or mistakes by legitimate users, and a comprehensive information security program involves dedicating resources to identifying and preventing those types of incidents as well. For FY 2013, the Office of Information Technology reported that 76 percent of breaches were from errors, 20 percent from amateurs, and 4 percent from hobbyist hackers.

Studham gave an overview of the types of incidents encountered at the University, a sample of higher profile incidents at peer institutions, and other well-publicized examples. Dahlin categorized those incidents along the spectrum of adversaries and motivations, putting incidents at the University in context.

In response to a question from Regent Lucas, Studham emphasized that responding to a specific breach was less effective than having a holistic approach to security. He noted that since the majority of issues come from user errors, a better approach is to have strong parameters to protect data and work to educate users to prevent errors.

In response to a question from Student Representative Mara, Dahlin agreed that mobile use has created significantly more user errors and made it far easier to take data outside of established parameters. Examples of recent breaches include unsecured and unencrypted laptops and back-up hard drives being stolen from the University. Dahlin emphasized that educating users on proper security procedures is the main way to combat that type of error.

In response to a question from Regent Omari, Studham explained that attacks can happen in as little as 30 minutes or over the course of many months. Attacks that are “fast and hard” are easier to detect, and operate under the assumption that the data can be removed before the organization being attacked can respond. A “low and slow” attack removes data one packet at a time to a random computer, requiring more coordination. This kind of attack is more difficult to detect since it often visible only within the standard noise of a network. Given the complexity of a low and slow attack and required skill and resources needed, they are fewer in number and carried out by experts.

Studham lead a discussion on how information security risk can be understood to be a function of both the skill of likely adversaries as well as the value of the information relative to other institutions of higher education, healthcare, and scientific research.

He indicated that future discussions in December and May will provide a comprehensive overview of the University’s information security framework and how it is positioned to mitigate the types of risks that are likely to be faced, as well as providing an overview and assessment of the maturity of the University’s policies and practices.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket.

Klatt reported that since the last update to the committee in June 2014, University departments implemented 23 percent of outstanding recommendations rated as “essential,” below the expected implementation rate of 40 percent. Three units fully implemented all their remaining “essential” recommendations. Six audit reports containing three recommendations rated as essential were issued in the last three months.

Klatt noted that the Office of Internal Audit would be undergoing an independent review and assessment of its operations and practices. She added that a team of four external reviewers has been selected and will conduct the review in February 2015.

OFFICE OF INTERNAL AUDIT: DEPARTMENT CHARTER

Associate Vice President Klatt presented the Office of Internal Audit: *Department Charter*, as detailed in the docket.

Klatt noted that according to Board of Regents Policy: *Audit Committee Charter*, the Audit Committee is responsible for providing oversight of the internal audit function, including reviewing and approving any changes to the function’s charter. She explained that the proposed changes are intended to maintain alignment with professional standards and guidance. She also highlighted the addition of a section stating that the Office of Internal Audit would be free from undue influence in the selection of activities to be examined. The committee last reviewed the internal audit charter in July 2008.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Office of Internal Audit: *Department Charter*.

CONSENT REPORT

Associate Vice President Klatt invited Associate Vice President Volna to present the Consent Report, as detailed in the docket. Volna reviewed the following non-audit engagements with external audit firms for the committee's consideration:

- The University's Health Information Privacy and Compliance Office proposes to engage Deloitte Consulting, LLP to provide advisory services to the University to demonstrate the University's compliance with HIPAA Security requirements and advise the University on areas that may require further analysis and investigation. The fees and expenses for this engagement are estimated to be \$293,000.
- The University's Office of the Vice President for University Services proposes engaging Deloitte Consulting, LLP to provide advisory services to the University's Enterprise Asset Management (EAM) project. The EAM project will develop new business processes and systems for maintaining the University's physical plant and infrastructure assets. This engagement is for Phase 1 of the project. Deloitte will provide advice, leading practices, tools, templates, and recommendations to the University for use in designing a leading practice process model, collecting high level functional and reporting requirements, and preparation for selecting and implementing an enterprise EAM solution. The fees and expenses for this engagement are \$1,744,000.

Volna reminded the committee that Deloitte is the external auditor for the University. He stated that his office had reviewed the scope, deliverables, and Deloitte's proposed role and concluded that this engagement would not impair the firm's independence with respect to its role as external auditor.

In response to a question from Regent Brod, Volna indicated that the appearance of independence is at the heart of the issue of retaining an external auditor for other auditing work. A main consideration is the economic tie between an audit firm and the client. While there is general guidance around how to examine non-audit engagements, there is no clear dollar amount or ratio of when that economic tie impacts a firm's independence. Volna agreed to report back with some general guidance for the committee at a later meeting.

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

INFORMATION ITEMS

Associate Vice President Klatt invited Associate Vice President Volna to present the information item, as detailed in the docket:

1. Emergency approval of non-audit engagement with external auditors.

The meeting adjourned at 9:29 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
September 11, 2014**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, September 11, 2014 at 8:00 a.m. in the W.R. Peterson Conference Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding, and David McMillan.

Staff present: President Eric Kaler; General Counsel William Donohue and Executive Director Brian Steeves.

Others present: Brent Benrud, Amy Phenix, Brian Slovut, and Tracy Smith.

The meeting convened in public session at 8:05 a.m.

ANNUAL REPORT ON LEGAL MATTERS

General Counsel Donohue presented highlights from the Annual Report on Legal Matters.

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

At 8:17 a.m. a motion was made and seconded that the following resolution be approved:

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, September 11, 2014 at 8:00 a.m. in the William R. Peterson Conference Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. Patent infringement claims
- II. *Minnesota Police and Peace Officers Association and Police Officers Federation of Minneapolis (MPPOA) v. National Football League, Minnesota Vikings Football, LLC, and Regents of the University of Minnesota*
- III. West Bank ground contamination claims
- IV. Prescription drug insurance claims

V. *Kathryn Brenny v. University of Minnesota*

VI. Potential threatened lawsuit

The committee voted unanimously to approve the resolution. The public portion of the meeting adjourned at 8:18 a.m.

The meeting adjourned at 9:30 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**

**Academic & Student Affairs Committee
September 11, 2014**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, September 11, 2014 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Thomas Devine, Peggy Lucas, and Abdul Omari.

Staff present: Chancellors Lendley Black, Stephen Lehmkuhle and Fred Wood; Senior Vice President and Provost Karen Hanson; General Counsel Bill Donohue; Executive Director Brian Steeves; and Associate Vice President Bernard Gulachek.

Student Representatives present: Callie Livengood and Jesse Mara.

2014-15 COMMITTEE WORK PLAN DISCUSSION

Regent Cohen and Senior Vice President and Provost Hanson reviewed the 2014-15 work plan for the Academic and Student Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

**ANNUAL REPORT ON UNDERGRADUATE, GRADUATE &
PROFESSIONAL ACADEMIC PROGRAM CHANGES**

Senior Vice President and Provost Hanson invited Joseph Shultz, Deputy Chief of Staff, to present the annual report on academic program changes. Hanson commended the committee for undertaking an annual review of program changes to ensure they align with University goals.

Shultz briefly outlined the review process academic program changes undergo prior to recommendation to the Board. He emphasized that the process is highly consultative and engages participants at all levels. He explained that the University uses a standard set of criteria to review proposals and all criteria must be addressed, including a thorough understanding of cost. Recently a public review was added to the process for an additional opportunity to engage faculty in the discussion.

Shultz reported that over the last year eight new baccalaureate degrees, five undergraduate-level minors, and six graduate-level degrees were added. Six undergraduate degrees, three master's degrees, one Ph.D. program and three minors were discontinued. He cautioned the committee not to compare the number of degrees added to the number of degrees discontinued as there may or may not be any cost implications associated with the changes.

He shared that in total the number of degree programs offered at each campus has remained relatively stable over the last four years. He noted one exception is the Duluth campus, which recently underwent a thorough review of all degree programs and eliminated or combined several programs.

Hanson identified joint degree programs as an emerging trend that allows students to combine programs and complete both degrees at the same time. She noted that the committee would likely see more cross-college and cross-disciplinary programs in the future, in alignment with the goals of the strategic plan. Hanson introduced a faculty member, a staff member and two students to report on joint degree programs.

Professor Hari Osofsky, Director of the Joint Degree Program in Law, Science & Technology, reviewed the joint and dual degree programs offered through the Law School. She explained that a dual degree saves a student a full year over gaining both degrees separately. Joint degrees offer the same opportunity of the condensed time-frame but go beyond the dual degree to offer a more integrated program. She asserted that students in the Law School's dual and joint-degree programs benefit from having the substantive knowledge in a specific area combined with knowledge of the legal and regulatory options for addressing problems in those areas.

Keli Holzapfel, J.D./Ph.D. student in Molecular, Cellular, Developmental Biology and Genetics, shared that she chose the joint degree program in Law, Science & Technology because the scientific community will need lawyers with strong scientific backgrounds to address new and complex issues testing the current legal system. She added that an unexpected benefit of participating in the program was that students who held dual expertise in law and another area enriched the classroom experience for all students.

Katherine Waters, Director of Executive and Dual Degree Programs in the School of Public Health, reviewed the joint and dual degree programs offered through the school. She told the committee that dual degree students gain the ability to work across disciplines and gain a broader knowledge base that allows them to integrate public health issues into their future careers. She also listed benefits to employers, such as a more flexible and broadly educated workforce.

Anjoli Punjabi, a Pharm.D./M.P.H. student, shared that she chose to pursue a Masters of Public Health degree in addition to her pharmacy degree to address public health disparities in education and access to care. She stated that her dual expertise has already allowed her to be successful implementing a fitness and nutrition intervention program as a means of diabetes prevention.

In response to a question from Regent Omari, Provost Hanson indicated that joint programs and grand challenges have a natural synergy in that they form around the University's strengths and areas of expertise.

In response to a question from Regent Devine, panelists offered that a joint degree gives students a competitive edge to compete in a saturated job market, offers the substantive knowledge necessary to work in many specialties, and offers students a broader array of career choices.

In response to a question from Regent Lucas, Osofsky and Waters addressed the debt loads incurred in pursuing a joint degree. Both explained that through efficiencies gained in the delivery model, the programs generally added only one additional year of study and tuition. Osofsky added that joint or dual degree students have the opportunity to seek scholarships in both schools to further offset the additional cost.

SEXUAL ASSAULT ON CAMPUS: A NATIONAL PROBLEM AND UNIVERSITY STRATEGIES

Senior Vice President and Provost Hanson invited representatives from the Twin Cities, Duluth, Crookston and Morris campuses to share information on the national conversation about sexual assault on college campuses and the University's efforts related to prevention, intervention and policy, as detailed in the docket.

Katie Eichele, Director of the Aurora Center for Advocacy & Education, shared that sexual assault on campus has gained national attention as reports show that one in five women will experience sexual assault on campus. She explained that Title IX requires schools to respond to sexual harassment and sexual violence, and outlines specific requirements for doing so in a document called the "Dear Colleague Letter" published by the Department of Education in 2011. She pointed out that the Aurora Center, which provides support and advocacy to victims as well as education programs on the University's Twin Cities campus, is an award-winning model for college campuses.

Kimberly D. Hewitt, Director of the Office of Equal Opportunity and Affirmative Action, outlined the guidance included in the "Dear Colleague Letter," explaining that the letter set a timeline for action, evidence standards, and recommended appeal options for the both the accused and accuser. It also expanded Clery reporting and additional requirements around education and prevention. Since then, the University's Office of Equal Opportunity and Affirmative Action has assumed investigative responsibilities and turns its findings over to the Office for Student Affairs. New online tools also are used to educate students and employees on the topic and their responsibilities.

Lisa Ann Erwin, Vice Chancellor for Student Life and Dean of Students at the Duluth campus, reported that each campus shares the same four strategies related to sexual assault on campus: prevention, response & support, adjudicating reports, and providing training for students, faculty and staff.

Sandra Olson-Loy, Vice Chancellor for Student Affairs at the Morris campus, shared that each campus then focuses and tailors those strategies to fit their climate:

- Crookston has a strong focus on prevention beginning at Orientation and throughout the year. They will also be adding a student climate survey, to be conducted in November.
- Duluth provides training for faculty, staff and those who will participate in the adjudication process, and has built strong community partnerships to offer a collaborative response for victims.
- Morris has added a grant-funded, full-time violence prevention coordinator and has strengthened response efforts.
- Rochester addresses awareness and prevention in its University Experience course that is required for all undergraduate students.
- The Aurora Center serves the Twin Cities campus and as a resource for the entire system.

Crookston Chancellor Fred Wood conveyed the enormous impact incidences of sexual assault have – not only on the students involved but bystanders and the entire community. He praised the national attention the issue has received, noting that the heightened profile adds additional complexity to an already complicated issue.

In response to a question from Regent Lucas, Eichele explained that many institutions partner with community organizations to provide support services, so the Twin Cities is unique in

having the Aurora Center. She added that as a campus organization, the Aurora Center is better equipped to meet the needs of student victims who have unique experiences and needs.

In response to comments from Regents, Eichele emphasized that any institution could have been included in the federal inquiry into the handling of sexual assault cases on campus. While the University of Minnesota was not on the list, it would only take one complaint from one person who was unhappy with the process. She offered that in the event of an inquiry, the University has the ability to show all the things that are being done to comply with the law and advance awareness and prevention efforts.

In response to questions and comments from Regents, a discussion arose around the use of Clery Act data to understand the scope of the problem on an individual campus. The panel offered that the Clery numbers are limited and only a small part of understanding scope since a low number of Clery reports does not mean that a campus is safe. It may mean that the campus has a poor climate for reporting. Likewise, a higher number of reports may only mean that more people are reporting assaults.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - Carlson School of Management (Twin Cities campus)—Create dual M.A./M.B.A. degree program in Human Resources Industrial Relations
 - Carlson School of Management (Twin Cities campus)—Create M.S. degree in Business Research
 - College of Food, Agricultural and Natural Resource Sciences (Twin Cities campus)—Create M.S. degree in Bioproducts and Biosystems Engineering and Management
 - Medical School (Twin Cities campus)—Create fellowship in Regional Anesthesiology and Acute Pain Medicine
 - Medical School (Twin Cities campus)—Create fellowship in Clinical Molecular Genetics
 - Medical School (Twin Cities campus)—Create fellowship in Pediatric Anesthesiology
 - School of Public Health (Twin Cities campus)—Create post-baccalaureate certificate in Global Health
 - College of Liberal Arts (Duluth campus)—Create a B.A. degree in Tribal Administration and Governance and deliver online
- **Request for Changes to Academic Programs**
 - College of Education and Human Development (Twin Cities campus)—Discontinue sub-plans in Mathematics Education and Science Education within the Ph.D. degree in Education, Curriculum, and Instruction

- College of Science and Engineering (Twin Cities campus)—Create sub-plans in Data Analysis Specialist, Professional Astronomer, and Secondary Education within the B.S. degree in Astrophysics
- Medical School (Twin Cities campus)—Change the name of the fellowship in Cardiovascular Anesthesiology to Adult Cardiothoracic Anesthesiology
- Crookston campus—Deliver the B.S. degree in Communication online
- **Request for Approval of Discontinued Academic Programs**
 - College of Education and Human Development (Twin Cities campus)—Discontinue the post-baccalaureate certificate in Applied Behavior Analysis
 - College of Education and Human Development (Twin Cities campus)—Discontinue the post-baccalaureate certificate in Educational Psychology Specialist: Education and Counseling
 - College of Liberal Arts (Twin Cities campus)—Discontinue the graduate minor in English as a Second Language
 - College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)—Discontinue the M.S.B.B.S.E.M. Bioproducts and Biosystems Engineering and Management Master of Science Degree
 - College of Education and Human Service Professions (Duluth campus)—Discontinue the B.A.Sc. degree in Athletic Training
 - College of Liberal Arts (Duluth campus)—Discontinue the M.Spec.Ed degree in Special Education
 - Labovitz School of Business and Economics (Duluth campus)—Discontinue the graduate minor in Business Administration

The meeting adjourned at 11:45 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
September 11, 2014**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, September 11, 2014 at 9:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Clyde Allen, Richard Beeson, Laura Brod, John Frobenius, and Dean Johnson.

Staff present: President Eric Kaler; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason, Julie Tonneson, and Michael Volna.

Student Representatives present: Tyler Ebert and Jordan Wentz.

2014-15 COMMITTEE WORK PLAN

Regent McMillan and Vice President Pfutzenreuter reviewed the 2014-15 work plan for the Finance Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

UNIVERSITY TAX COMPLIANCE ACTIVITIES & PROGRAMS

Regent McMillan introduced University Tax Management Director Kelly Farmer to present an update on University tax compliance activities and programs, as detailed in the docket.

Farmer explained the role of the University Tax Management Office (Tax Management) and outlined key staff and their portfolios. He defined specific tax subject areas, delineating those areas where Tax Management has specific tasks and those where they partner with other areas of the University.

Farmer lead a discussion on tax implications using examples that included the Minnesota 4-H Organization, the new Twin Cities steam plant, the Minnesota Vikings use of TCF Bank Stadium, and the use of tax exempt debt for buildings that are used by both non-profit and for-profit organizations.

ANNUAL ASSET MANAGEMENT REPORT

Regent McMillan invited Associate Vice President Mason to provide an overview of the Annual Asset Management Report, as detailed in the docket.

Mason reported that the invested assets of the University totaled approximately \$2.5 billion on June 30, 2014.

The Consolidated Endowment Fund (CEF) value as of June 30, 2014, was \$1,272.5 million, an increase of \$192.8 million over last year after distributions of \$45.5 million. The total investment return for CEF was 20.4 percent over the last 12 months compared to a benchmark return of 15.5 percent.

Mason explained that the investment return for CEF exceeded the benchmark through outperformance in all of the underlying asset classes except for Return Generating Fixed Income. The primary contributor to outperformance was the Private Capital portfolio, which was up 31.4 percent vs. its benchmark of 18.6 percent. This alone added 4.0 percent of outperformance vs. the CEF benchmark. Return Generating Fixed Income detracted from performance slightly, decreasing the outperformance by 0.2 percent.

The market value of the Temporary Investment Pool was \$1,054.6 million as of June 30, 2014. This was an increase of \$23.2 million over the year. The investment return on the portfolio over the last 12 months was 2.0 percent compared to a benchmark return of 0.6 percent, due largely to the effect of a longer duration in the portfolio. He indicated that the increase in value was largely due to timing of the receipt of tuition payments as part of the University's normal business cycle.

Mason also discussed the Group Income Pool and Regents of the University of Minnesota Insurance Company (RUMINCO) fund performance.

In response to a question from Regent Allen, Mason explained that the Office of Investments and Banking (OIB) works with units to manage and plan for disbursements. OIB works to ensure a balance across good years and lean years, allowing units to see little change in their disbursement from year to year.

Mason detailed investment manager changes over the past year and stated that OIB had evaluated five investment managers and funds that meet the social responsibility criteria in Board of Regents Policy: *Endowment Fund*.

A discussion commenced around combined asset allocation between the University and the University of Minnesota Foundation, and coordination between the two funds.

FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED FY 2016-17 BIENNIAL BUDGET REQUEST

Vice President Pfutzenreuter and Associate Vice President Tonneson presented for review the financial components of the President's recommended FY 2016-17 biennial budget request, as detailed in the docket.

Tonneson reviewed state appropriations to the University in FY 2014-15, including operations and maintenance funding, special appropriations, primary care education initiatives funding, and funding for the Academic Health Center. Using these numbers, Tonneson explained how the state would calculate the beginning base for funding in FY 2016-17. She also reviewed the timeline for the biennial budget request.

Tonneson outlined the goals of the biennial budget request as:

- Tuition freeze for all resident graduate and undergraduate students.
- Facility condition improvement strategy.
- Healthy Minnesota initiative.
- Vibrant economy through economic development opportunities through research.

The total request for all four programs for the biennium is \$127.2M, a change from the base of 10.6 percent. Tonneson stated that this is a healthy request and by FY 2017 the request matches funding given to the University in FY 2008. President Kaler emphasized that it is important for the State of Minnesota to return the University, without accounting for inflation, to the FY 2008 funding level.

Regent McMillan commended the administration and voiced support for the new facility condition improvement strategy as a needed change for how the University requests asset preservation dollars from the state.

In response to a question from Regent Johnson, Kaler confirmed that there had been informal conversations with Minnesota House and Senate leaders, along with the governor's office. All three expressed interest in freezing tuition and support for the other ideas. The addition of asset preservation dollars to the operations and maintenance budget and restructuring of the Higher Education Asset Preservation and Renovation (HEAPR) fund is of some interest. Kaler noted that if other ideas were presented to fund HEAPR or change how asset preservation dollars are allocated on the operating side or the bonding side, the University would be happy to engage in those conversations.

In response to a question from Regent Beeson, Pfutzenreuter noted that the Promise Scholarship, which is centrally funded, would not grow if the state provided a tuition freeze. Instead, the University would focus on increasing the scholarship pool through fundraising.

In response to a question from Regent Frobenius, Kaler responded that the University does not have enough merit-based aid to compete for the best students. It is a priority to increase that amount through private fundraising, while balancing it against need-based aid. Kaler agreed that the University has a strong story to tell and metrics that show the University is on an upward trend across multiple areas of performance.

In response to a question from Student Representative Wentz, Kaler noted that the "vibrant economy" goal of the request would have a fundamental research component at the University, but implementation would be through partnerships with private industry.

FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL PLAN AND 2015 STATE CAPITAL BUDGET REQUEST & UPDATE ON DEBT CAPACITY

Vice President Pfutzenreuter and Debt Management Director Carol Fleck presented for review the financial components of the President's Recommended Six-Year Capital Plan (Plan) and 2015 state capital budget request and update on debt capacity, as detailed in the docket.

Pfutzenreuter explained that the Plan includes major capital improvements planned for fiscal years 2015 through 2020. It includes projects to be funded with state capital support, as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships.

Year 1 of the Plan (2015) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2015 legislative session. The 2015 state capital request totals \$88,000,000 and contains three projects: Higher Education Asset Preservation and Replacement (HEAPR) funds, the replacement of the Veterinary Isolation Laboratory, and the replacement of a greenhouse on the St. Paul campus. All three projects were identified in the 2013 Six-Year Capital Plan. The greenhouse project was previously included in the University's 2014 legislative capital request in the Laboratory Improvement fund line item but was not funded.

Fleck reviewed the University's long-term debt as of June 30, 2014. The total amount of University supported debt was \$866,205,000. State supported debt was \$301,135,000. Fleck also noted new issued debt for the Ambulatory Care Center of \$145,760,000 and debt for the Gateway Corporation of \$51,217,000.

Fleck outlined the amortization structure, projected debt issuances over the Plan, reviewed the University's credit quality, and key financial metrics and credit ratios. She offered a projection of the theoretical debt captivity of the university based on Moody's Aa1 rating medians.

In response to Regent Brod, Pfutzenreuter observed that there are many projects that are being planned or fundraised for, but not all of them are included in the Plan. It is also true that all of the projects in the Plan will not be fully realized in the six-year time period. He noted that is why it is important for the University to maintain reserve capacity outside of the Plan to allow for changes in priorities or to capitalize on new opportunities. Regent Allen added that it is the goal to keep a third of the debt capacity as a cushion.

Regent Frobenius commented that the University has done a good job of keeping debt service to operating budget percentage low by finding partners to share the cost. Pfutzenreuter agreed that the University has plenty of debt capacity, but it is the ability to pay the debt service that is the issue. Finding partners to help pay the debt service allows the University to move forward with needed projects, while keeping the impact on the operating budget low.

CONSENT REPORT

Regent McMillan presented the Consent Report, as detailed in the docket:

General Contingency:

- To VP University Services, \$500,000 for construction of two loading docks for use by UMarket;
- To VP University Services, \$250,000 for remodeling of University Relations space on ground floor of Morrill Hall; and
- To the Office of Public Safety \$271,300 for installation of new PSECC radio system.

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

- To Deloitte Consulting LLP for \$1,744,000 for consultative services for the Enterprise Asset Management project for the period of September 16, 2014, through July 31, 2015, for University Services. The project will be purchased with University Enterprise Assessment funds. Vendor was selected through a competitive process.
- To Forsythe Solutions Group, Inc. for an estimated \$2,160,000 and Dell Marketing for an estimated \$500,000 for an application delivery solution for the period September 15, 2014, through September 14, 2019, for the Office of Information Technology (OIT). OIT will make this purchase with O&M funds. Vendor was selected through a competitive process.
- To Oracle Corporation for \$1,066,149 to renew Oracle PeopleSoft Campus Solutions computer software licenses, updates, and maintenance support for the one-year period September 26, 2014, through September 25, 2015, for OIT. OIT funds these product support and software updates to ensure continuous operation of Oracle PeopleSoft Campus Solutions. The expense will be covered from OIT's central O&M funds. The FY15 budget includes planning and funding for this expense.

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

INFORMATION ITEMS

Vice President Pfitzenreuter referred the committee to the Information Items contained in the docket:

- Debt Management Advisory Committee Update
- Ambulatory Care Center Financing
- Quarterly Purchasing Report

The meeting adjourned at 11:43 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities & Operations Committee
September 11, 2014**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, September 11, 2014 at 2:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Linda Cohen, Thomas Devine, Dean Johnson, Peggy Lucas, and Abdul Omari.

Staff present: President Eric Kaler; Chancellor Stephen Lehmkuhle; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

Student Representatives present: Callie Livengood and Tyler Ebert.

SCHEMATIC PLANS

A. Scholars Walk: “The Gallery” – Twin Cities Campus

A motion was made and seconded to recommend approval of the following actions:

The schematic plans for Scholars Walk: “The Gallery,” Twin Cities Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Larry Laukka, University Gateway Corporation Board Member, to present the schematic plans, as detailed in the docket.

Smith explained that the project would be coordinated with upgrades to the adjacent Mechanical Engineering building using the same contractor at risk for both projects.

In response to a question from Student Representative Ebert, Laukka explained that the current artwork on the Wall of Discovery would remain, and considerably more artwork based on discoveries made at the University would be added.

In response to a question from Regent Allen, Laukka shared that for the initial Wall of Discovery, a scholastic group was formed to generate ideas and select the featured discoveries. He suggested that a similar process would be used to determine new discoveries featured.

The committee voted unanimously to recommend approval of the schematic plans for Scholars Walk: “The Gallery” – Twin Cities Campus.

OPTIMIZING THE UNIVERSITY'S PHYSICAL ASSETS: FACILITIES CONDITION ASSESSMENT

Vice President Wheelock introduced Mike Berthelsen, Associate Vice President, and Andrew Chan, Program Manager, to provide the annual Facilities Condition Assessment (FCA), as detailed in the docket.

Chan noted that 35 percent of facilities are in good or excellent condition but that 50 percent are below average or worse. He reported that to bring all facilities to at least fair condition would require a \$1 billion investment; to bring all facilities to excellent condition would require a \$2 billion investment. An annual investment of \$85 million would be required to maintain the current condition.

Berthelsen stated that the current approach to asset management is unsustainable and shared that facility operations account for a larger share of the University's budget than 10 years ago. He explained that expenses have increased by 75 percent over the last 10 years, while other University revenues and expenses have grown by only 45 percent over the same period. He cited rising service costs and the addition of space as the reasons for the increase, despite a reduction in operations costs per square foot.

Wheelock presented the following policy questions to frame the discussion:

- What percent of University resources should be allocated to facilities?
- How does facility quality contribute to a place-based experience?
- Does the University have the right type and amount of space?
- What is an appropriate condition standard for each facility?
- What is the best approach to stop adding to the backlog?

In response to a question from Regent Allen, Wheelock suggested that one single strategy would not work to close the gap between current funding levels and the level necessary to maintain or improve the overall condition of the University's facilities. She offered that priorities should align with the strategic plan with more emphasis on academics. She also cited changes in the use of space, such as the Work+ program, as a way to reduce overall space needs. Wheelock stressed that improving the reliability of repair and replacement funds is a priority for the University.

In response to questions from Regent Johnson, Wheelock commented that parking is not built for peak demand because event-parking fees are not a reliable option to pay the debt service. She noted that while surface parking is cheap it requires a significant allocation of space. Wheelock also reported that classroom space is centrally managed to gain greater utilization of the spaces and centralize use on evenings and weekends to cut back on other expenses such as security and HVAC.

PROJECT COMPONENTS OF THE PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL PLAN AND THE 2015 STATE CAPITAL BUDGET REQUEST

Vice President Wheelock outlined the President's recommended Six-Year Capital Plan (Capital Plan) for fiscal years 2015-2020 and the 2015 State Capital Budget Request, as detailed in the docket. She began by presenting the objectives of the Capital Plan and noted its alignment with the strategic plan. Wheelock outlined several projects included in the Capital Plan and highlighted the programmatic outcomes for each project.

Wheelock shared several projects earmarked for renewal using HEAPR funds and described a new strategy to improve the consistency of funding for repair and renovation. She explained that as part of the biennial budget request, the University is proposing that the state provide an incremental \$5 million in recurring operations and maintenance appropriation to the University for each of the next four years, and in return the University would decrease the HEAPR request by \$5 million each year over the same period.

She also shared that up to 300,000 square feet of current space could be demolished if the project sequences outlined in the plan are completed. She also reviewed the three projects included in the President's recommended 2015 State Capital Request.

President Kaler commented that this is Plan A to address the repair and replacement funding levels in the short to medium-term, as discussed in the presentation of the Facilities Condition Assessment.

PLANNING AND VISION FOR THE ROCHESTER CAMPUS

Vice President Wheelock introduced Monique MacKenzie, Director of Planning and Space, and Stephen Lehmkuhle, Chancellor, to outline the University of Minnesota Rochester (UMR) campus master plan, as detailed in the docket. MacKenzie reviewed the four principles of campus master planning adopted by the Board of Regents in 1993 and outlined the consultant-led planning process for developing the plan.

Lehmkuhle emphasized the community connection and described UMR as a campus knit into the community. He described the University's role as the anchor of the education district in the City of Rochester's vision for downtown. He shared that the University already owns the land needed to complete the first phase of the plan, and the second phase will not be considered until it is justified by increased enrollment. Lehmkuhle suggested that full development of the plan would take at least 20 years.

He added that more than half of the space envisioned in the master plan would house strategic community partners. By owning the land, UMR is positioned to shape the education district to include community organizations that will enhance the student experience.

In response to a question from Regent Johnson, Lehmkuhle pointed out that the University has started discussions with all property owners affected by the plan. He noted that attention is currently focused on Area B.

In response to several questions from the committee, Lehmkuhle commented that the plan is flexible depending on enrollment and financial realities. He offered that UMR could lease the planned space from a developer. He emphasized that the education district offers a richer learning environment by co-locating with strategic partners and added that much of UMR's current space in downtown Rochester is envisioned as Destination Medical Center space in the future.

In response to a question from Regent Lucas, Lehmkuhle invited Jay Hesley, Assistant Vice Chancellor for Institutional Advancement, to respond. Hesley noted that the plan's synergy with City of Rochester and Destination Medical Center plans will become clearer when those plans are released at the end of the year. He added that the education district is one of six core zones targeted for investment in those plans.

In response to a question from Regent Devine, Lehmkuhle indicated that density and proximity to the river and Broadway Avenue were important considerations for the city. He explained that the buildings closer to downtown will have four to eight floors while those closer to the park will have no more than four floors. He added that a building is planned for the river/Broadway Avenue side of the parking ramp so the ramp will not be visible from the street.

2014-15 COMMITTEE WORK PLAN DISCUSSION

Regent Allen and Vice President Wheelock reviewed the 2014-15 work plan for the Facilities and Operations Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

INFORMATION ITEMS

Vice President Wheelock referred committee members to the following information items:

- Annual Report on Real Estate Transactions Over \$250,000 and/or Over 10 Acres
- Amendment to 99-Year Lease and 20-Year Lease at 801 16th Avenue NE (Austin)

The meeting adjourned at 3:58 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
September 11, 2014**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, September 11, 2014 at 2:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Richard Beeson, Laura Brod, and David McMillan.

Staff present: Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown and Scott Studham; General Counsel William Donohue; and Executive Director Brian Steeves.

Student Representatives present: Emily Caldis and Damien Carrière.

2014-15 COMMITTEE WORK PLAN

Regent Frobenius and Vice President Brown reviewed the 2014-15 work plan for the Faculty & Staff Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

HOW HUMAN RESOURCES PROVIDES VALUE

Vice President Brown presented how the human resources function (HR) provides value, as detailed in the docket.

Brown highlighted the important strategic role that HR must play to effectively support the University's strategic goal of recruiting and retaining the faculty and staff who will further its mission and priorities. She outlined how HR is being realigned with the University's strategic plan and goals.

Citing current workplace trends that are creating challenges for the University and HR, Brown explained that HR policies have not yet caught up with technology. She described how technology creates new flexibility that could allow more employees to work remotely. These advances and changes to how employees can engage their work are areas that will require further examination and policy review.

Brown explained how the Office of Human Resources (OHR) is building a human resource infrastructure to empower leaders and managers. She detailed how OHR can be an advisor, consultant, and catalyst for talent and leadership development and culture change. She stated that OHR would help the University deliver a return on its investment in people measured by increased productivity and innovation.

A discussion ensued around how to measure culture change, blending culture change into employee evaluations, the need for metrics to measure and ensure that progress is being made, and a clear definition of success.

UPDATE ON EMPLOYEE ENGAGEMENT

Vice President Brown invited Brandon Sullivan, Director of Leadership and Talent Development in the Office of Human Relations, to present an update on employee engagement, as detailed in the docket.

Sullivan updated the committee on the comprehensive employee engagement efforts launched in 2013 to measure and shape faculty and staff satisfaction with, and connection to, the University. Sullivan gave an overview of the science of engagement, and outlined accomplishments to date.

Sullivan introduced Dean Eric Schwartz of the Hubert H. Humphrey School of Public Affairs (Humphrey School). Schwartz offered examples related to employee engagement that the school has implemented. He described how the Humphrey School has focused on transparency and communication, while seeking to blend staff and faculty to create a more equal working environment.

In response to a question from Regent Beeson, Sullivan explained that employee satisfaction surveys and best practices are not standardized across the University. There is a struggle to require set practices since differences across units can require different specific methods. Regent Frobenius added that the better option would be to create desired outcomes and give units a selection of best practices. While not creating uniformity across the University, this method would ensure that the desired outcomes would be reached by using best practices tailored to each unit's unique needs.

EMPLOYEE WELLBEING

Vice President Brown invited Professor Mary Jo Kreitzer, director of the Center for Spirituality and Healing, to present on employee wellbeing, as detailed in the docket.

Kreitzer explained that employee wellbeing is an emerging topic in higher education and the corporate sector. Through extensive work and research around integrative health and healing, the University's Center for Spirituality and Healing has identified six dimensions that contribute to wellbeing:

1. Health
2. Purpose
3. Relationships
4. Community
5. Security
6. Environment

The six dimensions take into account an employee's interconnectedness and interdependence with their friends, families, and communities. The dimensions also address the importance of security and purpose in an employee's life. Kreitzer suggested that this model, with its research- and practice-based rigor, could be applied at both the individual and organizational level.

Kreitzer addressed the emerging interrelatedness between wellbeing and employee engagement. She explained that the most successful, innovative organizations are built on cultures of engagement and wellbeing. She noted that by creating a culture of wellbeing, you give employees ownership of the community, tools and resources for capacity building, and empower employees to be engaged within their workplace.

CONSENT REPORT

Vice President Brown presented for review and action the Consent Report, which included the following item:

- Conferral of tenure for outside hires.

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

INFORMATION ITEMS

Vice President Brown referred the committee to the information items contained in the docket materials, which included:

- Personnel highlights.
- University highlights.
- Faculty and staff activities and awards.

The meeting adjourned at 3:53 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
September 12, 2014**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, September 12, 2014 at 8:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Clyde Allen, Laura Brod, Linda Cohen, Thomas Devine, John Frobenius, Dean Johnson, Peggy Lucas, David McMillan, and Abdul Omari. Patricia Simmons participated by phone.

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown, Brian Herman, Brooks Jackson, Richard Pfitzenreuter, Scott Studham, and Pamela Wheelock; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock, Gail Klatt, and Michael Volna.

RECOGNITION

Regents Professor

Recognition was given to newly appointed Regents Professor Ann Masten, Irving B. Harris Professor of Child Psychology in the Institute of Child Development. Regents Professorships are the highest honor that the University of Minnesota bestows on its faculty. The individual holds the title as long as he or she retains a full-time, tenured appointment as a faculty member of the University.

INTRODUCTIONS

Dean, College of Liberal Arts

President Kaler introduced John Coleman, Dean of the College of Liberal Arts. Coleman began his appointment on July 31, 2014. Coleman briefly addressed the Board.

Incoming Chair, Faculty Consultative Committee

President Kaler introduced Rebecca Ropers-Huilman, Professor, Department of Organizational Leadership, Policy, and Development in the College of Education and Human Development. Ropers-Huilman will serve as Faculty Consultative Committee chair for 2014-15.

APPROVAL OF MINUTES

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

Board of Regents - July 10, 2014

REPORT OF THE PRESIDENT

President Kaler distributed his work plan for the coming year.

President Kaler spoke about the recent pledge by Land O'Lakes to invest \$25 million in University of Minnesota academics and Gopher Athletics. The commitment will advance the University's teaching, student support, athletic programs and research mission, and will further position the institution as a leader in addressing society's grand challenges.

President Kaler announced that the University of Minnesota Crookston was, for the second year running, selected by *U.S. News & World Report* as the best regional college in the Midwest. Kaler noted he would visit the Crookston campus later in the month to celebrate the groundbreaking of a new wellness center. He also reported on significant grants received, events, and student and staff activities and several outstanding achievements in colleges and departments system-wide.

President Kaler reported on his recent trip to Norway to meet leaders of four universities. While there he also meet with members of Norway's Parliament and with leaders of Norway's innovation and business communities. He also provided an update on campus safety efforts, particularly noting efforts related to the light rail trains on Washington Avenue.

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

REPORT OF THE CHAIR

Chair Beeson reported on the Board of Regents retreat held July 10-12, 2014 in St. Cloud, during which the following priorities were developed:

- Complete Twin Cities strategic plan and begin outcome-based implementation that reinforces a culture of excellence.
- Strengthen academic health sciences and University of Minnesota Health delivery partnerships.
- Support system-wide initiatives promoting excellence through resource prioritization, and continue progress toward meeting or exceeding a goal of \$90 million in administrative costs savings by FY 2019.
- Deepen understanding of how demographic trends will impact tuition/financial aid/cost models and enrollment profiles across the system.
- Create guiding principles for long-range Twin Cities campus planning and neighborhood engagement.

These priorities are intended to assist the president and senior leaders in advancing their work and guide the Board's agenda planning and development throughout the year.

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

RECEIVE AND FILE REPORTS

Chair Beeson noted the receipt and filing of the Annual Report on Legal Matters, the Annual Asset Management Report, and the Quarterly Report of Grant and Contract Activity.

CONSENT REPORT

Chair Beeson presented for action the Consent Report as described in the docket materials, including:

- Summary of Gifts through July 31, 2014; and
- Appointment of UMore Development LLC University Governor
 - Brian Buhr, Dean, College of Food, Agricultural, and Natural Resource Sciences, as a University Governor and member of the UMore Development LLC Board of Governors for an indefinite term.

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

STRATEGIC PLAN FOR THE TWIN CITIES CAMPUS

President Kaler stated that the proposed Strategic Plan for the Twin Cities campus (Strategic Plan) is a roadmap for reinvigorating the University of Minnesota. He indicated the yearlong process to develop the Strategic Plan has been inclusive, argumentative, collaborative, and provocative. The result, the new “grand challenges” agenda, is ambitious, focused, and intended to improve lives, solve programs, renew the curriculum, touch local communities in new ways, and re-envision the work of the American land-grant research university. He introduced Senior Vice President and Provost Hanson to lead the discussion.

Hanson reported that, in 2013, President Kaler charged a work group with developing an inclusive campus-wide planning effort that would result in an aspirational and inspirational plan to advance the University’s reputation and impact. Hanson explained that the Strategic Plan has at its foundation the University’s three-fold mission of research and discovery, teaching and learning, and outreach and public service.

Hanson presented the foundational commitments and guiding principles the work group followed throughout the process, which, she noted, has been a multifaceted collaborative effort led by the work group and issue teams. She indicated that the Strategic Plan is dynamic plan and meant to recognize exceptional opportunities and strategic strengths that differentiate the University of Minnesota from other higher education institutions.

Hanson presented the vision and goals of the Strategic Plan:

“The University of Minnesota Twin Cities will be preeminent in solving the grand challenges of a diverse and changing world”

- Build an exceptional University where grand societal challenges are addressed;
- Support excellence and, with intention, reject complacency;
- Build a culture of reciprocal engagement, capitalizing on our unique location; and
- Aggressively recruit, retain, and promote field-shaping researchers and teachers.

Hanson introduced the following individuals who served as co-leads on the issue teams to present the transformational vision and summarize strategic action steps for each strategic goal.

Jakub Tolar, Professor, Medical School – Supporting Excellence/Rejecting Complacency

Vision: We will build on our strengths to create an invigorated culture of ambition, challenge, exploration, and innovation

Action steps:

- Better align time and money with strategic priorities;
- Implement a broad campus climate initiative that simultaneously pursues diversity, accountability, and civility;
- Remove obstacles – decrease administrative burdens, streamline processes; and
- Improve communication.

Joe Konstan, Professor, College of Science and Engineering – Grand Challenges, Research

Vision: We will create a more coherent and coordinated cross-disciplinary approach to advance grand-challenges research

Action steps:

- Jump-start institutional transformation and elevate and broaden areas of interdisciplinary focus around grand challenges where the institution has robust work;
- Provide bottom-up support for emerging interdisciplinary problems;
- Review policies and recognize interdisciplinary efforts in promotion-and-tenure and regular evaluation; and
- Ensure resources are in place to meet the research challenge goals

Renee Cheng, Professor and Associate Dean, College of Design – Grand Challenges, Curriculum

Vision: We will evolve Liberal Education Requirements to integrate grand challenges

Action steps:

- Develop grand-challenges curriculum;
- Develop a grand challenges scholars program;
- Develop more university seminars focused on grand-challenge topics; and
- Develop undergraduate minors program focused on grand-challenges topics.

Liz Lightfoot, Professor, College of Education and Human Development – Reciprocal Engagement/Leveraging Our Location

Vision: We will build a University culture of engagement that strongly supports community-engaged scholarship and dynamic campus-community partnerships

Action steps:

- Develop criteria for evaluating engaged scholarship and other campus-community collaborations;
- Enhance training in reciprocal engagement for faculty, students, and staff;

- Strengthen reciprocal practices and strategic focus in current engagement with community partners;
- Convene community, governmental and corporate partners around grand-challenges priorities; and
- Make engagement opportunities more visible.

Timothy Kehoe, Professor, College of Liberal Arts – Field-Shaping Researchers and Teachers

Vision: We will create a “university of transformational opportunity” in which there is flexibility as well as responsibility and accountability

Action steps:

- Invigorate the process for recruiting the best researchers and teachers; and
- Improve the University environment and culture so there is support for transformational scholarship.

Meghan Mason, Ph.D. candidate, Epidemiology – Student Perspectives

Mason discussed student involvement throughout development of the Strategic Plan. She provided the student perspective on each of the grand challenges and discussed potential opportunities, challenges, and outcomes.

In response to a question from Regent Johnson, Hanson indicated that throughout the process the work group has been thinking about implementation steps. She added that there has been ongoing involvement with the university community, external stakeholders, and others during the process, which has helped to build enthusiasm for the Strategic Plan.

In response to comments from Regent Devine, Hanson reported that elements of the plan will create pathways designed to help students make linkages to local companies, and see the world beyond the confines of campus.

Regent Omari commended the work group for a Strategic Plan that embraces diversity in many forms, including diversity in thought, and that encourages critical thinking to solve the world’s problems.

Regent Cohen noted that transformation of the University depends on implementation, and expressed appreciation for the “quick wins” identified as a positive way to move implementation forward.

Regent Frobenius commented on the timeliness of the Strategic Plan, and its focus on evolving values and culture change to make the University more relevant while continuing to raise its level of excellence.

Regent Brod stated her belief that this plan focuses on a culture of progress rather than a place of progress, which will create sustainability to execute and implement the Strategic Plan. She added the Strategic Plan is timely, encourages engagement, and offers what is needed in higher education.

In response to comments from Regent McMillan, President Kaler noted that each system campus has a strategic plan in place or in a stage of development, and there will be future conversations on alignment and leveraging each plan to achieve optimal results for the University system as a whole.

Regents Lucas and Simmons expressed their enthusiasm and support for the Strategic Plan.

The Strategic Plan for the Twin Cities Campus will return for action at the October 2014 Board of Regents meeting.

PRESIDENT'S RECOMMENDED FY 2016-17 BIENNIAL BUDGET REQUEST

Chair Beeson invited President Kaler to present the President's Recommended FY 2016-17 Biennial Budget Request (Budget Request) as detailed in the docket materials.

The Budget Request is designed to continue the University's partnership with the state to:

1. Deliver on the University's threefold mission of research and discovery, teaching and learning, and outreach and public service;
2. Advance initiatives and programs that will leverage the University's expertise in areas that will benefit the state's economy and its citizens; and
3. Better support financial access and affordability to post-secondary education for students and families.

President Kaler detailed the \$1.3 billion request, which focuses on four specific goals:

- A tuition freeze;
- Improved facilities;
- Improved health; and
- Economic development.

President Kaler noted that, for the second consecutive biennium, a tuition freeze for Minnesota residents is a top priority in the Budget Request. The administration is proposing a guaranteed two-year tuition freeze for all resident students. President Kaler summarized the funding strategy, tuition impact on each campus, and how the funds would be invested in essential faculty, facilities, and operations.

President Kaler reported that facility utilization is changing and will continue to change, but the need for high-quality research and teaching spaces will not. He stressed the importance of a predictable source of funding for facility repair and renovation. While Higher Education Asset Preservation and Renovation (HEAPR) funds are the primary source of this funding, for many years the allocation to the institution has been less than the request and insufficient to meet facilities needs. The administration is proposing that the state provide an incremental \$5 million in recurring operations and maintenance appropriation to the University for each of the next four years, and in return the University would decrease the HEAPR request by \$5 million annually over the same period.

President Kaler described a proposal to revamp curriculum and clinical training programs to incorporate new models of health promotion and care, such as inter-professional education and training, team care, and prevention and wellness. He shared ways to promote economic development through two targeted initiatives – one focused on statewide industry, one on community vitality. He described the proposed investments in prevention and treatment of environmental problems associated with mineral extraction, and on reducing health, educational, and social disparities among Minnesota's diverse and changing communities. He summarized each initiative and the associated appropriation request for each for the next two years.

The President's Recommended FY 2016-17 Biennial Budget Request will return for action at the October 2014 Board of Regents meeting.

PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL PLAN

AND

PRESIDENT'S RECOMMENDED 2015 STATE CAPITAL BUDGET REQUEST

Chair Beeson invited Vice Presidents Richard Pfutzenreuter and Pamela Wheelock to join President Kaler in presenting the President's Recommended Six-Year Capital Plan (Capital Plan) and 2015 State Capital Budget Request as detailed in the docket materials. President Kaler introduced the items.

The Capital Plan establishes the next three University capital requests to be submitted to the state for consideration; sets priorities and direction for continued capital project and academic planning efforts; identifies the impact of additional University debt; assigns responsibility for capital fundraising; and forecasts additional building operational costs. The President's Recommended Six-Year Capital Plan includes major capital improvements planned for FY 2015-2020 and includes projects to be funded with state capital support as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships. Year 1 of the Capital Plan (2015) outlines the projects that the University will be submitting to the state for consideration during the 2015 legislative session.

Wheelock presented the Capital Plan objectives, which are to:

- Advance strategic plan priorities;
- Enhance the campus-based experience;
- Align projects with available revenue sources;
- Increase utilization and functionality of physical assets;
- Complete capital investment sequences; and
- Reduce total campus square footage.

In addition, the Capital Plan aligns with the 2014 Strategic Plan to:

- Build an exceptional University where grand societal challenges are addressed;
- Support excellence, and, with intention, reject complacency;
- Establish a culture of reciprocal engagement, capitalizing on the institution's unique location; and
- Aggressively recruit, retain, and promote field-shaping researchers and teachers.

Wheelock summarized several system-wide projects included in the Capital Plan and anticipated programmatic outcomes for each project. She discussed facility renewal, and the importance of the Higher Education Asset Preservation and Renovation (HEAPR) request as well as projects that are proposed for renewal using HEAPR funds. Wheelock also discussed potential decommissioning and demolition of space no longer useful or too expensive to repurpose or repair.

Pfutzenreuter presented financial planning parameters underlying the Capital Plan, which takes into consideration state bonding bills during even and odd numbered years. It assumes \$176 million in even numbered years and \$81 million in odd-numbered years, plus a

University contribution of 25 percent, to reach the total of just over \$1 billion for the total Capital Plan.

Wheelock reported that the President's Recommended 2015 State Capital Request contains three projects: HEAPR funds, the replacement of the Veterinary Isolation Laboratory, and the replacement of a greenhouse in the St. Paul area of the Twin Cities campus.

In response to questions from Regent Simmons, President Kaler indicated that the space impacts of the proposed Strategic Plan for the Twin Cities Campus will be around the research and curriculum-related grand challenges, but that it is premature to identify space needs at this time. He added that it is likely that a grand challenge will emerge around food and food safety, and current planned facility upgrades are consistent with that possibility.

The President's Recommended Six-Year Capital Plan and the President's Recommended 2015 State Capital Request will return for action at the October 2014 Board of Regents meeting.

REPORT OF THE FACILITIES & OPERATIONS COMMITTEE

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

- a) Approval of schematic plans for the following project as presented to the committee and described in the September 11, 2014 committee minutes:

1. Scholars Walk, Twin Cities Campus.

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

Allen reported that the committee also discussed the 2014-15 committee work plan; received a report on optimizing the University's physical assets: facilities condition assessment; reviewed project components of the President's recommended six-year capital plan and 2015 state capital budget request; discussed planning and vision for the Rochester campus; and discussed a number of information items included in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the September 11, 2014 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Faculty & Staff Affairs Committee.

Frobenius reported that the committee also discussed the 2014-15 committee work plan; received reports on how human resources provides value and on employee wellbeing; received an update on employee engagement; and reviewed a number of information items outlined in the docket materials.

REPORT OF THE FINANCE COMMITTEE

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

- a) Approval of the Consent Report for the Finance Committee as presented to the committee and described in the September 11, 2014 committee minutes.

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

McMillan reported that the committee also discussed the 2014-15 committee work plan; received an update on University tax compliance activities and programs; discussed the Annual Asset Management Report; reviewed financial components of the President's recommended FY 2016-17 biennial budget request and the President's recommended six-year capital plan and 2015 state capital request; received an update on debt capacity; and discussed a number of information items included in the docket materials.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

- a) Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the September 11, 2014 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Academic & Student Affairs Committee.

Cohen reported that the committee also discussed the 2014-15 committee work plan; received the annual report on undergraduate, graduate and professional academic program changes; and received a report on sexual assault.

REPORT OF THE AUDIT COMMITTEE

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

- a) Approval of the Consent Report for the Audit Committee as presented to the committee and described in the September 11, 2014 committee minutes.
- b) Adoption of proposed amendments to the Office of Internal Audit: *Department Charter* as presented to the committee and described in the September 11, 2014 committee minutes.

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

Brod reported that the committee also discussed the 2014-15 committee work plan; received and discussed an information security risk primer; received an internal audit update; and discussed several information items contained in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Chair Beeson reported that, pursuant to notice sent by the University, the Litigation Review Committee met on September 11, 2014. The committee met in public session to discuss the Annual Report on Legal Matters. A resolution was then considered and passed that authorized the closing of the meeting. In the closed meeting a discussion was held of matters subject to the attorney-client privilege.

REPORT OF THE SPECIAL COMMITTEE ON ACADEMIC MEDICINE

Regent Cohen, Chair of the committee, reported that the committee did not meet this month.

The meeting adjourned at 11:10 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary