UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

MINUTES

BOARD OF REGENTS MEETINGS
AND
COMMITTEE MEETINGS

December 13-14, 2012

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

December 13-14, 2012

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   1. No meeting this month

S. New Business
   1. Approval of Resolution Related to a Proposed Merger of the University of Minnesota Foundation and the Minnesota Medical Foundation
A meeting of the Audit Committee of the Board of Regents was held on
Thursday, December 13, 2012 at 8:00 a.m. in the East Committee Room, 600
McNamara Alumni Center.

Regents present: Richard Beeson, presiding; John Frobenius, David Larson, and
Maureen Ramirez.

Staff present: Senior Vice President & Provost Karen Hanson; Vice President R.
Timothy Mulcahy; General Counsel Mark Rotenberg; Executive Director Brian Steeves;
and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Kyle Kroll and Kevin Lang.

EXTERNAL AUDITOR REPORT

Associate Vice President Volna introduced Kirsten Vosen and Judith Dockendorf
from Deloitte & Touche LLP (Deloitte) to present the external auditor’s opinion on the
University’s fiscal year 2012 financial statements and other required audit
communications, as detailed in the docket and on file in the Board Office.

Vosen reported that Deloitte had issued an unqualified opinion for 2012. She
explained the major elements of the audit as well as the procedures used to complete
the review. The audit highlighted several of the University’s accomplishments,
including a strong presence in non-traditional investments, growth in federal grants
and contracts, and a diverse revenue base.

COMPLIANCE OFFICER REPORT

Lynn Zentner, Director, Office of Institutional Compliance, presented a summary
of compliance activities since her last report to the committee in September 2012, as
detailed in the docket on file in the Board Office.

Zentner described efforts by members of her staff to evaluate the risk profile of
the University, at the request of President Kaler’s Operational Excellence initiative. The
most recent risk assessment was performed during 2002-2005; since then, new
regulations have been passed to address risk related to new allocations of resources.
She explained that new initiatives requiring more advanced laboratory equipment and
human subjects research have increased the portfolio of the general compliance
program.
Zentner reported that the Office of Internal Audit had recently completed a review of Board of Regents Policy: Code of Conduct, which is administered by the Office of Institutional Compliance. The review determined that the Code of Conduct is a model policy among peer institutions. Zentner noted that her office is working with senior leaders to make the policy more visible to faculty and staff.

**INTRODUCTION TO THE DEVELOPMENT OF AN INSTITUTIONAL RISK PROFILE**

Associate Vice President Klatt provided an overview of the development of the institutional risk profile as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. Klatt explained that the current institutional risk profile was developed in 2005 and updated in 2009. She noted that University leadership had changed substantially since the last update and emphasized that this effort would focus on unique risks found within the landscape of higher education and the institution. Klatt stated that she would update the committee over the next year.

**THE RISK PROFILE OF THE RESEARCH ENTERPRISE**

Vice President Mulcahy presented his report on the risk profile of the research enterprise, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Mulcahy provided an overview of the strategic management approach to risk at the University. He explained that the research enterprise risk profile is developed collaboratively with many offices on the Twin Cities campus. He noted that risk management efforts in the University's research enterprise are designed to mitigate inherent risk, as it is not always possible to eliminate all risks. Mulcahy indicated that the University strives to achieve compliance with all risk-mitigating initiatives, but can seldom guarantee full compliance. These risk-mitigating initiatives include personnel, facilities and financial risk.

**CONSENT REPORT**

Associate Vice President Klatt presented the consent report as detailed in the docket materials.

- The University’s Office of Student Affairs (Student Affairs) seeks to engage the audit firm of Deloitte & Touche, LLP (Deloitte) to perform agreed-upon procedures for certain student groups receiving allocations of student fees from the University.

The committee voted unanimously to recommend approval of the consent report.
INFORMATION ITEMS

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

- Report of Engagement with Auditing Firms; and
- Semi-Annual Controller’s Report.

The meeting adjourned at 9:15 a.m.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary
A meeting of the Facilities Committee of the Board of Regents was held on Thursday, December 13, 2012 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Clyde Allen, John Frobenius, and Venora Hung.

Staff present: Chancellor Jacqueline Johnson, Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Michael Berthelsen, Stuart Mason, and Michael Volna.

Student Representatives present: Meghan Mason and Molly Tomfohrde.

CAPITAL BUDGET AMENDMENT

A. Reuse Center – Engine Research Laboratory Remodeling.  
B. Twin Cities Campus

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

On the recommendation of the President and the Vice President for University Services, the FY 2013 Capital Budget is amended to include the following project:

Reuse Center – Engine Research Laboratory Remodeling, Twin Cities Campus

Scope of Project: This project relocates the Engine Testing Laboratory to the south end of the Reuse Center, which is currently open warehouse shell space. The remodel for the lab will encompass 6,500 gross square feet. The new location will provide two engine test cells, control room, engine build room, flow bench room, private office, four workstations, break room and a unisex toilet room. A 1,900 square foot mechanical equipment platform will be located above the engine test cells to support the mechanical supply and exhaust requirements. The south exterior of Reuse Center will be further improved to include fuel storage tanks, cooling tower, electrical transformer, exterior vehicle test cell and minimal parking.

Master Plan: No impact to the Campus Master Plan

Cost Estimate: $5,000,000
Capital Funding: 2010 State Appropriation – Lab Pool Fund and College of Science and Engineering Dean’s Office Administration.

Vice President Wheelock introduced College of Science and Engineering Dean Steven Crouch and Suzanne Smith, Director, Capital Planning and Project Management. Smith reviewed the project and explained that the Engine Testing Laboratory will be relocated to the Como neighborhood of Minneapolis on the Twin Cities Campus due to lack of capacity in the lab’s current facility. Crouch explained that relocating to a larger remodeled facility would dramatically increase capacity for undergraduate and graduate engine research. Smith noted that the project is anticipated to be complete by September 2013.

The capital budget amendment will return for action at a future meeting of the committee.

SCHEMATIC PLANS

A. Amundson Hall, Gore Annex Addition & Infrastructure Upgrades, Twin Cities Campus

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

The schematic plans for the Amundson Hall, Gore Annex Addition & Infrastructure Upgrades, 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.

The committee voted unanimously to recommend approval of the schematic plans for the Amundson Hall, Gore Annex Addition & Infrastructure Upgrades, Twin Cities Campus.

BOARD OF REGENTS POLICY: ALCOHOLIC BEVERAGES ON CAMPUS

Vice President Wheelock presented for review amendments to Board of Regents Policy: Alcoholic Beverages on Campus, as detailed in the docket materials. She explained that the policy was being revised to provide the President with authority to allow advertising, promotion, and marketing of alcoholic beverages within University facilities for non-University sponsored events. She noted that this would allow the University to maximize the use of its facilities.

In response to a question from Regent Hung, Associate Athletics Director Scott Ellison, Department of Intercollegiate Athletics, explained that the proposed amendments are consistent with current practice among Big Ten member institutions.

In a response to a question from Regent Johnson, Wheelock noted that the policy amendments would accommodate the use of TCF Bank Stadium by the Minnesota Vikings.

This policy will return to the committee for action at a future meeting.
REPORT ON SUSTAINABILITY AND ENERGY EFFICIENCY POLICY AND UNIVERSITY SUSTAINABILITY GOALS

Vice President Wheelock and Chancellor Johnson provided an overview of the annual report on sustainability and energy policy and university sustainability goals, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Johnson explained that sustainability is an ongoing endeavor that involves University faculty, staff, students, community members, and business partners. She reported that sustainability efforts save on energy costs, drive collaboration, and create public-private partnerships. Examples of public-private partnerships include the Bike Commuter Program.

Wheelock explained how the University has integrated sustainable practices into operations system wide. She noted that the University utilizes the campus green revolving fund to support programs designed to reduce the University's carbon footprint.

In response to a question from Regent Johnson, Wheelock indicated that the University would continue to publicize the cost effectiveness of sustainability.

In a response to question from Regent Frobenius, Johnson suggested that the University consider further investments in clean energy infrastructure.

The meeting adjourned at 11:05 a.m.

[Signature]

BRIAN R. STEEVES
Executive Director
and Corporate Secretary
A meeting of the Faculty, Staff & Student Affairs Committee of the Board of Regents was held on Thursday, December 13, 2012 at 9:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Richard Beeson, Linda Cohen, Thomas Devine, David McMillan, and Maureen Ramirez.

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathryn Brown, R. Timothy Mulcahy and R. Scott Studham; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Melissa Erlandson and Julia Schliesing.

**BOARD OF REGENTS POLICY: EMPLOYEE DEVELOPMENT, EDUCATION AND TRAINING**

Vice President Mulcahy presented for consideration proposed amendments to Board of Regents Policy: *Employee Development, Education and Training*, as detailed in the docket.

Mulcahy explained that the proposed amendments to this policy came to the committee on October 11, 2012 for review and that no changes have been made since then.

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

**BOARD OF REGENTS POLICY: AWARDS, HONORS, AND RECOGNITION**

Senior Vice President and Provost Hanson and Arlene Carney, Vice Provost for Faculty and Academic Affairs, reviewed proposed amendments to Board of Regents Policy: *Awards, Honors, and Recognition*, as detailed in the docket.

Carney provided an overview of the proposed amendments to the policy:

- Elimination of language related to minimum terms and presidential renewal for McKnight Presidential Endowed Chairs;
- Addition of McKnight Presidential Professorships;
• Inclusion of instructional academic professionals as eligible candidates for the Horace T. Morse University of Minnesota Alumni Association Award and the Outstanding Contributions to Graduate and Professional Education Award;
• Addition of President’s Community-Engaged Scholar Award;
• Elimination of McKnight Presidential Leadership Chairs; and
• Technical amendments to reflect the correct approval processes and office responsible for award management.

In response to a question from Regent Simmons, Carney confirmed that the recommendation to expand eligibility for the Horace T. Morse University of Minnesota Alumni Association Award and the Outstanding Contributions to Graduate and Professional Education Award came from University faculty.

In response to a question from Regent Ramirez, Carney stated that University faculty are the recipients of the President’s Community-Engaged Scholar Award.

**UNIVERSITY COMPENSATION PHILOSOPHY AND PLANNING**

Regent Simmons welcomed Vice President Brown to update the committee on the philosophy and planning behind University compensation, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Brown walked through the following:

• An update on the Office of Human Resources (OHR) strategic dashboard;
• Workforce trends affecting compensation;
• Steps in creating a comprehensive compensation strategy; and
• Principles guiding the University’s compensation philosophy.

Brown emphasized the importance of creating a diverse workplace where employees are engaged, connected, thriving and achieving. She reviewed workforce trends indicating that younger age groups will dominate the national workforce by 2017, and a potential shift toward hiring teams vs. individuals. She also noted that organizations like the University may need to revisit and possibly rebalance their benefits-salary mix.

Brown described the three steps in the OHR compensation planning process, which is to:

1. Create a more robust full-service compensation team;
2. Apply the strategy to all employee groups; and
3. Create robust data and metrics.

Regent Simmons noted that the principles used in setting the University’s compensation philosophy resulted from previous work by the Board, and requested that Board of Regents Policy: *Employee Compensation and Recognition* be included in the committee’s February 2013 meeting docket materials.
In response to comments and questions from the committee, Brown indicated that younger members of the workforce are likely to have multiple employers at one time and this may change compensation needs. She added that optimizing compensation would be an effective method to retain employees, and that the University is working to develop a comprehensive engagement strategy.

In response to a question from Student Representative Erlandson, Brown agreed that the employment desires and expectations of younger employees might impact future OHR policies and processes.

President Kaler commended Vice President Brown for her work on this initiative and stressed that an engaged and productive workforce is key to the success of the University.

ANNUAL REPORT ON FACULTY AND STAFF SALARIES

Vice President Brown and Lori Lamb, Director, OHR Operations, presented the annual report on faculty and staff salaries, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Brown stated that the report will be presented to the committee at a time the committee finds most useful and that the current discussion would focus on what the report should contain in order to best serve the Board’s oversight responsibilities. Lamb provided an overview of the:

- Timing of the annual report;
- General salary trends and analysis;
- Trends in faculty salaries (FY 2011);
- Challenges of comparisons, such as identifying meaningful comparison groups and determining how or whether to include private sector data;
- Challenges of reporting P & A, Civil Service, and Labor Represented trends and analysis, including the role of Job Family Studies in addressing those challenges; and
- Future reporting needs.

A lengthy discussion ensued. In response to comments from committee members, September was set as the timing for the annual report. Brown agreed that it is important to maintain a distinction between salary and compensation or the combination of both, which is total compensation. Brown also agreed that trend comparisons are more valuable than salary comparisons, as factors determining salary vary between regions of the country.

President Kaler commended Brown and Lamb for their efforts to create tangible measures for the evaluation of faculty and staff compensation. He expressed that the guidance of the committee is key to determining the goals of the University in this endeavor.
UPDATE ON THE IMPLEMENTATION OF THE UNIVERSITY’S EQUITY AND DIVERSITY VISION FRAMEWORK

Regent Simmons welcomed Vice President Brown, Louis Mendoza, Associate Vice Provost and Chair, Chicano and Latino Studies, and Anne Phibbs, Director of Education, Office of Equity and Diversity, to present an update on the University’s equity and diversity vision framework, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Mendoza provided an overview of the University’s equity and diversity vision framework implementation and equity and diversity work tied to faculty members through the Institute for Diversity, Equity and Advocacy (IDEA). He discussed new initiatives to support faculty and diversity in the classroom, including the:

- Pre-doctoral Teaching Fellowship Program;
- Curriculum Transformation Workshop; and
- Fellowship and Grant Applications Workshop.

These initiatives provide opportunities to students and faculty of color to advance their education and teaching efforts by creating mentor opportunities, system campus teaching experiences, and providing the “why and what” of diversity along with the tools to integrate change.

Phibbs reported on the creation and delivery of an Equity and Diversity Certificate Program. She noted that the program’s foundation is “Diversity is everybody’s everyday work.” Created in the spring of 2012, the program is open to all students, staff, and faculty. To date, over 630 people have attended at least one workshop; certificate workshops have been delivered to units on each campus and over 40 customized workshops have been delivered on the Twin Cities campus.

In response to comments from committee members, Phibbs added that the customized workshop option is a way to reach as many people as possible, due to the time constraints that may make the standard workshops difficult to attend.

In response to questions from Regent Ramirez, Mendoza and Phibbs identified several factors that may be used to measure the transformative success of the equity and diversity efforts including surveys, fewer bias incidents, and recruitment and retention of members of non-majority groups.

CONSENT REPORT

Vice President Brown presented for action the Consent Report, which included the following items:

- Appointment of Vice President for Research;
- Appointment of Vice President for Equity and Diversity; and
- Conferral of tenure for faculty members who have been hired at the University of Minnesota.

Brown invited President Kaler to provide a brief summary of Dr. Brian Herman’s appointment as Vice President for Research. Kaler described the position, Herman’s background and qualifications, comparable market data, and Herman’s
employment agreement, and indicated that his appointment is effective January 1, 2013.

Brown invited President Kaler to provide a brief summary of Dr. Katrice Albert's appointment as Vice President for Equity and Diversity. Kaler described the position, Albert's background and qualifications, comparable market data, and Albert's employment agreement, and indicated that her appointment is effective June 28, 2013.

Brown reported the conferral of tenure to Fred E. Wood, professor at the University of Minnesota Crookston Department of Math, Science, and Technology and Chancellor of the University of Minnesota Crookston.

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; and
- Student activities and awards.

The meeting adjourned at 11:30 a.m.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary
A meeting of the Educational Planning & Policy Committee of the Board of Regents was held on Thursday, December 13, 2012 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Maureen Ramirez, presiding; Patricia Simmons, Linda Cohen, Dean Johnson, David Larson and David McMillan.

Staff present: President Eric Kaler; Chancellors Jacqueline Johnson, Stephen Lehmkuhle and Fred Wood; Senior Vice President & Provost Karen Hanson; Vice Presidents R. Timothy Mulcahy and R. Scott Studham; Executive Director Brian Steeves; and Associate Vice President Terry Bock.

Student Representatives present: Kyle Kroll and Molly Tomfohrde.

**BOARD OF REGENTS POLICY: ACTIVITIES INVOLVING RECOMBINANT DNA OR OTHER POTENTIALLY HAZARDOUS BIOLOGICAL AGENTS**

Vice President Mulcahy reviewed proposed amendments to Board of Regents Policy: Activities Involving Recombinant DNA or Other Potentially Hazardous Biological Agents, as detailed in the docket.

Mulcahy noted that most of the amendments were necessary to align with recent language changes in the National Institutes of Health guidelines related to recombinant and synthetic nucleic acid molecules, and that the changes did not affect how the policy was implemented.

**BOARD OF REGENTS POLICY: ANIMAL CARE AND USE**

Vice President Mulcahy reviewed proposed amendments to Board of Regents Policy: Animal Care and Use, as detailed in the docket.

Mulcahy explained that the amendments primarily defined roles and responsibilities of key positions within the animal care and use program consistent with obligations and authorities outlined in relevant federal law and regulations. He characterized as important the proposed expansion of the definition of "Institutional Officer" to include the independent legal ability to commit the funds needed to maintain a high-functioning animal care and use program.
ANNUAL UNDERGRADUATE EDUCATION UPDATE

Senior Vice President & Provost Hanson and Vice Provost and Dean of Undergraduate Education Robert. B. McMaster presented information on the University’s strategic undergraduate education initiatives, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

McMaster walked through a number of graphs related to undergraduate enrollment. He pointed out a steady rise over the past decade in both the number of applications and acceptances. He cautioned that a 3.9% drop in applications from 2011 to 2012 was a concern. He also emphasized a 10-year rise in transfer students of color, from 12% to nearly 17%.

Since 2003, the average ACT composite score for enrolled freshman at the University has risen from 24.8 to 27.7. McMaster expressed delight that the University is now nearly on par with the University of Wisconsin and the University of Illinois, and is closing in on the University of Michigan. He further noted that students in the University Honors Program, which enrolled its first class in 2008, have an average ACT score of 32. This equals such top-ranked universities as Stanford, Northwestern, Duke and Cornell.

McMaster reviewed a variety of statistics regarding retention and graduation rates across the University system. The University's Twin Cities campus retains 91% of first-year students and graduates 58% within four years. That graduation rate puts the University in the middle of its comparison schools; its four-year graduation goal is 60%.

McMaster invited Ryan Carlson, a junior majoring in aerospace engineering, to address the committee regarding his participation in the Undergraduate Research Opportunities Program (UROP). UROP connects undergraduate students with faculty mentors to complete a research project or creative activity, providing students with a $1,400 stipend and publishing project results.

McMaster summarized the following continuing efforts to improve retention and graduation:

- Admitting students who are prepared to graduate in four years;
- Supporting admitted students through improved advising;
- Monitoring course offerings and program requirements;
- Increasing attention on service learning and undergraduate research opportunities;
- Focusing on transfer student success;
- Providing better information on financial literacy; and
- Emphasizing the importance of four-year graduation.

In response to questions from Regent Larson, McMaster expressed mixed feelings about setting higher graduation goals. He also cited research that suggests that students working 5-15 hours per week tend to be more successful than those working zero hours, but that students working more than 15 hours per week (especially more than 30 hours) tend to be less successful.

In response to a question from Regent Cohen, McMaster described the proxy measures used in place of traditional high school rankings now that some high schools
have moved away from ranking students. Hanson added that universities nationwide face this issue.

UNDERGRADUATE EDUCATION ENROLLMENT TRENDS AND TUITION PHILOSOPHY

Senior Vice President & Provost Hanson and Vice Provost McMaster shared information on enrollment trends on the Twin Cities campus; progress on implementation of the recommendations in the 2011 enrollment management report; and how that report has informed tuition strategy, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

McMaster walked through a series of slides that focused on the three sides of a student success triangle: tuition, financial aid, and enrollment management. He reminded the committee that the principles guiding strategy in each area are the responsibility of the Board of Regents.

He presented resident and non-resident tuition figures from across the Big Ten, and highlighted the relatively small gap between the two categories at the University. The University has the lowest tuition for non-residents in the Big Ten.

McMaster additionally shared undergraduate tuition strategies currently in place at the University, including banded tuition, percent annual increases, and a surcharge for the Carlson School of Management. He noted that options in use by other universities include a guaranteed tuition plan with no increases over a four-year period for a cohort; differential tuition by major or college; and a surcharge for students with more than a certain number of credits. He cautioned that any tuition structure should be as straightforward as possible from the payer’s perspective, and should not create a financial barrier to choosing a particular major or degree program.

McMaster next reviewed the principles currently guiding undergraduate financial aid strategies including supporting access for qualified students, focusing aid on Minnesota residents, and supporting timely graduation. He shared a number of financial aid statistics, stressing the clear connection between graduating in more than four years and increased student debt.

Enrollment management is the third side of the student success triangle. McMaster explained the breadth of principles guiding enrollment management, such as admit for success; maintain opportunities for transfer students; incorporate diversity; and consider workforce needs. He reported on the status of 14 undergraduate enrollment recommendations, noting such growth areas as more students in STEM fields; a greater proportion of non-Minnesota freshman from non-reciprocity states; more graduates who are students of color; and a new transfer student assistance center.

In response to questions from Regent Larson, McMaster noted that the University articulates in its recruiting efforts its status as an RU/VH (formerly R1) land grant research university located in a thriving metropolitan area that includes the state capitol.

In response to a number of questions identified by Hanson and McMaster for consideration by the committee, Regents generally agreed that the committee should revisit and possibly adjust upward non-resident tuition rates.
CONSENT REPORT

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

• **New Academic Programs**
  • College of Liberal Arts (Twin Cities campus)—Create B.A. degree in German, Scandinavian and Dutch
  • Medical School (Twin Cities campus)—Create Genitourinary Trauma and Reconstruction fellowship

• **Changes to Academic Programs**
  • College of Continuing Education (Twin Cities campus)—Create Plan B (project) option within the Master of Biological Science degree
  • College of Education and Human Development (Twin Cities campus)—Create sub-plans in 1) Academic and Behavioral Strategist and 2) Autism Spectrum Disorders within the Additional Licensure program
  • College of Liberal Arts (Twin Cities campus)—Create sub-plans in 1) Mathematical Biology: Genomics and 2) Mathematical Biology: Physiology within the B.A. degree in Mathematics
  • College of Science and Engineering (Twin Cities campus)—Create sub-plans in 1) Mathematical Biology: Genomics and 2) Mathematical Biology: Physiology within the B.S. degree in Mathematics

• **Discontinued Academic Programs**
  • College of Liberal Arts (Twin Cities campus)—Discontinue the B.A. degree in German Studies
  • College of Liberal Arts (Twin Cities campus)—Discontinue the B.A. degree in Scandinavian Languages and Finnish
  • Medical School (Duluth campus)—Discontinue the Ph.D. and M.S. degrees in Toxicology
• Swenson College of Science and Engineering (Duluth campus)—Discontinue the Master of Science in Electrical and Computer Engineering degree

The meeting adjourned at 3:15 p.m.

[Signature]
BRIAN R. STEEVES
Executive Director and
Corporate Secretary
A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, December 13, 2012 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Richard Beeson, Laura Brod, Thomas Devine, and Venora Hung.

Staff present: President Eric Kaler; Chancellor Fred Wood; Vice Presidents R. Timothy Mulcahy and Richard Pfutzenreuter; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, Beth Nunnally and Michael Volna.

Student Representatives present: Meghan Mason and Julia Schliesing.

BOARD OF REGENTS POLICY: DEBT TRANSACTIONS

Vice President Pfutzenreuter presented for consideration proposed amendments to Board of Regents Policy: Debt Transactions, as detailed in the docket.

Pfutzenreuter indicated that the proposed amendments were reviewed by the committee on October 11, 2012 for review and no changes have been made since then.

A motion was made and seconded and the committee voted unanimously to recommend adoption of proposed amendments to Board of Regent Policy: Debt Transactions.

ISSUES RELATED TO UNIVERSITY OF MINNESOTA START-UP GENERATION AND JOB CREATION STRATEGY

Regent Frobenius welcomed Vice President Mulcahy; Doug Johnson, Director, Office of Technology and Commercialization; and Russ Straate, Associate Director, Office of Technology and Commercialization, to discuss the proposal to fund the MN Ventures program for the FY 2014-15 biennium, as detailed in the docket and materials distributed at the meeting and on file in the Board Office.
Johnson explained that MN Ventures aims to allocate money from the “accountability fund” of the University's FY 2014-15 biennial budget request to the State of Minnesota, to a seed fund, in the annual amount of $2 million for 10 years. This money would be invested in University of Minnesota start-up companies that would utilize University technologies. The intent and expectation is to increase economic development and statewide employment. A cornerstone investment of $5M (or more) would also be made to a venture fund to create momentum and garner private investment.

Johnson described the proposed program as being based on a best practices review of similar programs at benchmark institutions, such as University of Illinois and Ohio State. These programs have shown success in job creation and sustainability of the start-up companies financed. The MN Ventures program is tailored to work with University of Minnesota technology commercialization.

In response to questions and comments from committee members, Mulcahy clarified that the proposal includes a $2 million annual investment for 10 years and a one-time investment of $5 million (or more).

**ISSUES RELATED TO ANNUAL FINANCIAL REPORT**

Vice President Pfutzenreuter and Associate Vice President Volna presented the University's annual financial report, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Volna provided the following highlights of the FY 2012 annual financial report:

- The University’s balance sheet continues to be strong and prudently managed;
- Net assets increased by $124.7 million;
- Total revenues decreased while operating expenses were up slightly;
- The University had negative cash flow in FY 2012; and
- Deloitte issued an unqualified opinion on the audited financial statements.

Volna explained that total University assets increased by $228 million (4.5 percent) in FY 2012 and total liabilities increased by $104 million (6 percent). He elaborated that the value of University's investments increased $211 million in FY 2012 and attributed this to higher TIP investments and CEF market value gains. He added that the University’s $92 million increase in capital assets represents capital projects including the Biomedical Discovery District (BDD), Northrop renovation, and the University Recreation Center.

Volna provided an overview of FY 2012 cash flows and noted the ending balance of $355.5 million.

In response to a question from Regent Allen, Volna explained that Other Post Employment Benefits (OPEB) liability is an accrued liability that represents the value of post-retirement employee participation in a benefit plan post-retirement.
ANNUAL DEBT CAPACITY FORECAST

Vice President Pfutzenreuter and Carole Fleck, Director, Debt Management, discussed the annual debt capacity forecast, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Fleck presented information on long-term debt analysis; its current amortization structure; projected debt issuance and outstanding debt; credit ratings and debt capacity determinants; debt forecast model assumptions; analyses of key financial metrics; and theoretical projected debt capacity. She explained the factors that affect debt capacity, which include the six-year capital plan, the Ambulatory Care Center (ACC) project, and the combined heat and power plant project.

In response to questions from committee members, Pfutzenreuter clarified that the University is funding the building construction costs of the ACC project and the building occupants will be responsible for purchasing the equipment.

President Kaler commended Pfutzenreuter and the Office of Budget and Finance for financially positioning the University to have the capacity for growth and success.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket and on file in the Board Office, which included:

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

- Brasseler USA for an estimated $2,000,000 for the purchase of dental handpieces and their component parts as needed for the period December 21, 2012, through December 31, 2017, for the School of Dentistry.

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

INFORMATION ITEMS

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

- Quarterly Purchasing Report;
- Quarterly Investment Advisory Committee Update;
- Quarterly Asset Management Report;
- Debt Management Advisory Committee Update;
• Emergency Approval; and
• University of Minnesota Rochester Housing.

The meeting adjourned at 2:59 p.m.

[Signature]

BRIAN R. STEEVES
Executive Director
and Corporate Secretary
A meeting of the Board of Regents of the University of Minnesota was held on Friday, December 14, 2012 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Clyde Allen, Richard Beeson, Thomas Devine, John Frobenius, Venora Hung, Dean Johnson, David Larson, David McMillan, Maureen Ramirez, and Patricia Simmons. Laura Brod participated by phone.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Senior Vice President Robert Jones; Vice Presidents Kathryn Brown, R. Timothy Mulcahy, Richard Pfutzenreuter, and Pamela WheeLock; General Counsel Mark Rotenberg; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock, Gail Klatt, and Michael Volna.

RECOGNITIONS

Recognition was given to Robert Jones, Senior Vice President for Academic Administration. Jones will assume the presidency of the University at Albany, a campus of the State University of New York system, in January 2013. Jones briefly addressed the Board.

Recognition was given to R. Timothy Mulcahy, Vice President for Research, upon his retirement effective December 31, 2012. Mulcahy briefly addressed the Board.

Recognition was given to L. Steven Goldstein, President and Chief Executive Officer, University of Minnesota Foundation, upon his retirement effective January 31, 2012. Goldstein briefly addressed the Board.

APPROVAL OF MINUTES

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

Educational Planning & Policy Committee - October 11, 2012
Finance & Operations Committee - October 11, 2012
Faculty, Staff & Student Affairs Committee - October 11, 2012
Facilities Committee - October 11, 2012
Board of Regents Work Session - October 11, 2012
Board of Regents - October 12, 2012
REPORT OF THE PRESIDENT

President Kaler reported that Dr. Brian Herman would serve as the new vice president for research and Dr. Katrice Albert as the new vice president for equity and diversity, pending Board of Regents approval. He acknowledged the upcoming departures of Senior Vice President Jones, Vice President Mulcahy, and University of Minnesota Foundation (UMF) CEO Steve Goldstein, noting that transitions, though challenging, bring opportunities for fresh ideas and keep an organization dynamic.

Kaler reported on recommendations of a task force charged with studying the future of the Office for Academic Administration (OAA), which had been led by Jones. Based on the recommendations of the task force, Kaler announced that he was eliminating the OAA and realigning its functions and reporting lines with the administrative unit or college that most closely shares their mission and work. Kaler also provided an update on a proposed merger of the UMF and the Minnesota Medical Foundation (MMF).

Kaler described the launch of Generation Next, a broad partnership of organizations and leaders from across the Twin Cities that will work to reduce the achievement gap. Kaler will co-chair the group with Kim Nelson of General Mills.

Kaler also reported on expansion of the Big Ten Conference, significant awards and research received by faculty and staff, and the upcoming legislative session.

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

REPORT OF THE CHAIR

Chair Cohen reported on a number of significant events in which Regents participated during the previous two months: presentation of an Outstanding Achievement Award; participation in a groundbreaking ceremony; attendance at a regional meeting in Chicago sponsored by the Association of Governing Boards of Universities and Colleges; participation in annual veterans appreciation events; and attendance at the 50th anniversary celebration of the University of Minnesota Foundation.

The next meeting of the Board of Regents is scheduled for February 7-8, 2013 on the Twin Cities Campus.

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

RECEIVE AND FILE REPORTS


CONSENT REPORT

Chair Cohen presented the Consent Report as described in the docket materials, including:
• Appointment of University of Minnesota Foundation Trustees:
  ➢ Mary K. Brainerd (three-year term expiring 2015);
  ➢ Reappointment of Linda A. Cohen (three-year term expiring 2015);
  ➢ Reappointment of James I. Swenson (three-year term expiring 2015); and
  ➢ Reappointment of George H. Winn (three-year term expiring 2015).

• Appointment of UMore Development LLC Board of Governors:
  ➢ Pamela Wheelock (indefinite term);
  ➢ Reappointment of Peggy Lucas (three-year term January 2013 through December 2015); and
  ➢ Reappointment of Roger Sit (three-year term January 2013 through December 2015).

• Summary of Gifts through October 31, 2012.

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

REPORT OF THE STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS

Meghan Mason, Vice Chair of the Student Representatives to the Board of Regents, presented the group’s semi-annual report. The report reflected the student perspective on issues and concerns facing University students and included items from each student assembly detailing goals, accomplishments, and obstacles. Mason addressed the report’s three main areas: undergraduate finances and student middle-class representation, graduate student unionization, and student mental health.

President Kaler commended the student representatives for a thoughtful report. He stressed that controlling tuition costs is central to making students’ financial burden more manageable; noted the importance of focusing on quality and affordability; and discussed how shifting Minnesota demographics affects admissions. He added that the institution is improving the financial structure and that the administration is committed to making student success a high priority at the University of Minnesota.

BOARD OF REGENTS POLICY: BOARD OPERATIONS AND AGENDA GUIDELINES

Chair Cohen presented for action proposed amendments to Board of Regents Policy: Board Operations and Agenda Guidelines as detailed in the docket materials. Cohen indicated that the amendments update portfolios of responsibility for the Board’s committees, seek to clarify how work plans and agendas are developed, and update the duties and responsibilities of the executive director.

A motion was made and seconded, and the Board of Regents voted unanimously to adopt amendments to Board of Regents Policy: Board Operations and Agenda Guidelines, as follows:
Board Operations and Agenda Guidelines

SECTION I. PRINCIPLES OF BOARD OPERATIONS.

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

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

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

SECTION II. BOARD OPERATIONS.

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

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

(a) Fundamental planning documents, including:

- University Plan, Performance, and Accountability Report — The University Plan, Performance, and Accountability Report (Plan) articulates the mission and vision of the University; identifies critical issues and challenges confronting the University; and sets forth major goals, objectives, and timelines for the ongoing pursuit of the teaching, research, and outreach functions of the University. The Plan publicly demonstrates the University’s accountability for progress in reaching its stated goals and objectives; links planning, performance evaluation, and resource allocation at the system and campus/college level; illustrates and analyzes longitudinal trends in key areas; provides a means for comparisons with peer institutions; and identifies areas for continued work. The Plan sets the framework for the University budget.

- University Budget: Operating and Capital — The University budget sets forth the operating and capital requirements and
authorizations for financing the activities of the University. The budget includes all funds (revenues and expenditures), all campuses, and all programs of the University. It incorporates historical background and projections.

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

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

(b) Legislative funding requests, including the biennial budget request and the capital request.

(c) Reports on federal and legislative relations and issues.

(d) Annual report of asset management.

(e) Annual report of capital financing and debt management.

(f) Annual financial report.

(g) Summary of expenditures for the Office of the President, Eastcliff, and the Board of Regents Office.

(h) Gifts.

(i) Other reports, including, but not limited to, reports of the Faculty Consultative Committee, the University of Minnesota Foundation and Minnesota Medical Foundation, the University of Minnesota Alumni Association, and the Student Representatives to the Board.

(j) Additional items as decided by the chair of the Board in consultation with the president and vice chair.

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

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

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

(a) Responsibilities of Committee Chairs. Committee chairs preside over the meetings of their respective committees, ensuring the orderly, open, and timely conduct of committee business. Committee chairs should annually review the committee responsibilities outlined in this policy as the committee work plans outlined in Subd 7 are finalized. The president or delegate consults with committee chairs prior to committee meetings regarding background issues for committee agendas.

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

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

Specifically, this committee:

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

This committee also reviews:

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

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

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

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

This committee provides governance oversight to:
- academic program reviews and strategic plans of academic units;
- enrollment and demographic trends;
- student affairs;
- academic medicine;
- issues related to the University’s academic profile such as accreditation, reputation, and academic ranking;
- e-Learning;
- public engagement;
- international partnerships and education; and
- intercollegiate athletics.

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

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

This committee provides governance oversight to:
- long range physical asset planning strategies;
- public safety and emergency preparedness;
- technology infrastructure and long range planning; and
• operational services such as housing, parking, transportation, and dining.

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

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

Specifically, this committee recommends:
• the granting of faculty promotion and tenure and continuous appointments;
• appointments to specific boards and advisory committees;
• appointments of senior leaders;
• approval of negotiated labor agreements, retirement plans, and other employment matters, consistent with Board policy; and changes in the University Senate Constitution and civil service rules.

This committee also provides governance oversight to:
• senior leader compensation, benchmarking, and terms of employment;
• faculty and staff compensation and benefits policy as well as other policies related to employment; and
• employee engagement.

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

Specifically, this committee recommends:
• the University operating budget;
• financial components of the University capital budget;
• approval of purchases of goods and services over $1,000,000;
• the issuance of debt;
• changes to the approved central reserves budget; and
• asset allocation guidelines and other policies related to the University's asset management function.
This committee also provides governance oversight to:
- long range financial planning strategies;
- total indebtedness of the University;
- the investment portfolio; and
- the financial relationship between the University and its partners, including affiliated foundations, clinical operations, and external entities.

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

(6) Litigation Review Committee. The Litigation Review Committee reviews litigation matters and obtains legal advice regarding specific University actions and their legal consequences. This committee typically meets in non-public session and consults with the general counsel on cases and claims, consistent with Board policy. The committee determines which matters shall be referred to the Board for review or approval.

(7) Nominating Committee. The Nominating Committee is charged with nominating candidates to serve as Board chair, vice chair, secretary, and treasurer.

(8) Presidential Performance Review Committee. The Presidential Performance Review Committee evaluates the president’s performance. This committee meets in non-public session, reporting its findings to the Board.

(9) Special Committees. The chair of the Board identifies the responsibilities, appoints the members, and designates the chair of special committees.

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

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

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

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

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

Items are presented in one of the following ways:

- **Review** — All significant items typically are reviewed one month with action in a subsequent month.
- **Action** — Previously reviewed items requiring Board approval.
- **Review/Action** — Items for review and action in the same meeting, as allowed by Board policy or under special circumstances with permission of the Board chair. The Consent Report includes routine action items that normally do not require discussion. Any Board member may request discussion or separate action on any Consent Report item.

- **Discussion** — Items for discussion that require no action when presented.

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

Subd. 7. Work Plans. Each year the Board outlines its priorities and its committees develop work plans with the advice of the president or delegate. Committee work plans outline major agenda items and discussion topics for the year.
Subd. 8. Staff Responsibilities.

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

- Audit — Director of Internal Audit
- Academic and Student Affairs — Senior Vice President for Academic Affairs & Provost
- Facilities and Operations — Vice President for University Services
- Faculty and Staff Affairs — Vice President for Human Resources
- Finance — Vice President and Chief Financial Officer
- Litigation Review — General Counsel

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

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

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

- reviewing docket cover sheets, resolutions, and revisions to Board policies;
- scheduling and attending docket previews;
- facilitating communication on agenda items;
- assisting in work plan and agenda development; and
- supporting the committee chair as needed.

Subd. 9. Docket. The docket is the set of recommendations, reports, and all supporting documents prepared for each item on an agenda of the Board and its committees. A docket cover for each agenda item includes a statement related to the policy and financial impact of the item. Materials are submitted to the Board by the president or delegate with the assistance of Board staff. The Board Office distributes the docket to Regents one week prior to meeting dates, after which it is publicly available.
Subd. 10. Emergency Approvals. Upon the recommendation of the president, the Board chair, vice chair, and the respective committee chair may act on behalf of the Board when delay for Board approval poses a significant health, safety, or financial risk to the University. Any such emergency approvals will be brought to the next meeting of the Board, consistent with Board policy.

SECTION III. BOARD MEETING AGENDAS.

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

Approximately two months prior to each Board meeting, the executive director develops a draft agenda for discussion at Agenda I, a meeting with the president and senior leaders. Agenda items are identified from Board priorities, committee work plans, and other reports and items as specified in Board policy. Following this meeting, the draft agenda is shared with the Board chair and committee chairs for review and comment.

The Board chair approves the agenda at a subsequent meeting (Agenda II), also attended by the vice chair and participants in the Agenda I meeting. Subsequent changes to an approved Board or committee agenda require the approval of the Board chair and, in the case of a committee agenda, shall be done in consultation with the appropriate committee chair directly or through staff.

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

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

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

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

The following principles shall guide the performance review process:
(a) All Board members shall be involved.
(b) Comments on the president’s performance shall be requested from multiple sources.
(c) Collegiality shall be a hallmark of all discussions.
(d) Confidentiality of personnel matters shall be maintained.

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

The following principles shall guide compensation setting:

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

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

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


2013 STATE CAPITAL BUDGET REQUEST

Chair Cohen invited Vice Presidents Pfutzenreuter and Wheelock to present details on the 2013 State Capital Budget Request (Request) as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office. President Kaler indicated that the Request was built around the University’s previously expressed priorities and includes Higher Education Asset Preservation and Renewal (HEAPR) funds for building repairs and maintenance.

Wheelock indicated that the Request reflects the following capital planning principles:

- Ensuring student success;
- Ensuring faculty research productivity/scholarly impact;
- Fulfilling the institution’s statewide mission;
• Protecting public assets and investment; and
• Responsibly managing the University’s finances.

Wheelock stated that the Request emphasizes the use of HEAPR funds, the need for updated laboratory space, and the need for interactive classrooms to promote active, engaged learning. It also reflects the desire for units to share facilities, and stresses space consolidation for cost savings. Wheelock presented a prioritized list of projects and described how HEAPR funds would be used system-wide to extend the life of existing facilities.

Pfutzenreuter reported that the $196.5 million Request was built upon the assumption of funds appropriated by the State ($172.7 million) and the University of Minnesota ($23.8 million). Pfutzenreuter noted the item is before the Board for review and action to advance the Request to the legislature at the beginning of session.

A motion was made and seconded to approve the Resolution Related to the 2013 State Capital Budget Request.

Regent McMillan expressed support for the Request and the need to update learning space to promote research and discovery. Regent Devine noted that the projects directly impact student engagement and improve the student experience, which in turn improves student retention and graduation. He added that the Eddy Hall rehabilitation project is critical, as this location would serve undergraduate, international and transfer student admissions programs and would be an important “front door” for the University.

The Board of Regents voted unanimously to approve the Resolution Related to the 2013 State Capital Budget Request, as follows:

WHEREAS, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University’s strategic priorities; and

WHEREAS, the Board of Regents 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 of Regents approves the University’s 2013 State Capital Budget Request to the Minnesota Legislature in the amount of $196,500,000 consisting of $172,700,000 from the State of Minnesota and $23,800,000 from the University of Minnesota.

ANNUAL REPORT ON THE STATUS OF UNIVERSITY RESEARCH

Chair Cohen invited Vice President Mulcahy to present the Annual Report on the Status of University Research as included in the docket and associated materials
Mulcahy highlighted progress made during his eight-year tenure as vice president for research. He presented data illustrating progress toward a strategic goal set in 2005 that called for the institution to become one of the top three research universities in the world. He reminded the Board that although research expenditure data are the most recognized measure of productivity, this single measure and rankings based upon it do not necessarily reflect the overall quality or prominence of any university or its programs, especially regarding core activities not directly related to research.

Mulcahy reported that University of Minnesota faculty and staff competed successfully for $749.1 million in sponsored research awards in FY 2012, down $20 million (2.6 percent) from FY 2011. He pointed out that if American Recovery and Reinvestment Act (ARRA) funds were excluded from the award totals, awards were actually 7.4 percent higher in FY 2012 than the previous year, a significant achievement in an increasingly competitive environment. Based on year-over-year expenditure growth, the University ranked second among the top 20 research universities in FY 2012.

Mulcahy provided an overview of technology commercialization and University partnerships with private industry. He described a number of operational innovations and recommendations that could increase collaboration between the University and local industries and improve corporate relationships. Mulcahy also discussed a number of changes and strategic opportunities for the future of the Office of the Vice President for Research.

UMD & UMR BRAND CAMPAIGNS

Chair Cohen invited Senior Vice President Jones, Chancellor Black, Chancellor Lehmkuhle, and Diana Harvey, Chief Communications Officer, University Relations, to discuss new marketing campaigns for the University of Minnesota Duluth (UMD) and University of Minnesota Rochester (UMR) campuses, as presented in the docket and associated materials distributed at the meeting and on file in the Board Office.

Jones reported that the new marketing campaigns developed with UMD and UMR were designed to convey and leverage the system brand “Driven to Discover”; highlight the distinctiveness of each campus; demonstrate operational excellence; and reinforce that the University of Minnesota is a multi-campus system. Jones indicated that University Relations made a variety of resources available to all campuses to help them develop their own marketing campaigns.

Harvey listed elements that must be reflected and communicated in each campus brand identity: a campus must offer a special sense of place, a strong sense of community, and a distinct academic experience. She described how the new brands will position UMD and UMR going forward and how the creative concepts will be brought to life in the community while leveraging the equity built by the “Driven to Discover” brand. She noted the new brands are important for student recruitment, alumni engagement, reputation enhancement, and philanthropic development.

Black described the UMD brand development process, stressing that the UMD identity needed to differentiate UMD from the other system campuses and its mid-size
competitors and fit with the “Driven to Discover” brand. Black described “Those Who Can, Duluth” as a new identity that builds on the identified strengths of the UMD strategic plan and the “Driven to Discover” brand.

Lehmkuhle discussed the UMR brand development process. He reviewed the guidelines for creative concepts that captured the essence of the campus: bold, active, cutting edge, unique, and designed to connect with prospective students with a focus on reinventing learning to be a personalized, high-tech experience. “Recoding the DNA of Learning” resulted from those concepts and will use a graphic of DNA structure/double helix to illustrate that learning is more than an individual experience. He added that “Recoding the DNA of Learning” differentiates UMR from other institutions, connects with prospective students, and focuses on preparing undergraduates for careers in health sciences.

In response to questions from Regent Beeson, Harvey indicated flexibility in the policy on use of the block M logo, adding that the logo does appear on the UMD website. Regent Larson noted that consistent messaging and core fundamentals of branding are critically important and encouraged consistent use of the block M logo by UMD.

ANNUAL FINANCIAL REPORT

Chair Cohen invited Associate Vice President Volna to present the University’s Annual Financial Report, as provided in the materials distributed at the meeting and on file in the Board Office.

Volna provided the highlights of the report, which included:

• The University’s finances continue to be strong and prudently managed;
• Net assets increased by $124.7 million in FY 2012;
• Total revenues decreased while operating expenses were up slightly;
• The FY 2012 cash flow of ($63.5) million was $192 million less than FY 2011; and
• The auditors issued an unqualified opinion on the audited financial statements.

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

REPORT OF THE FACULTY, STAFF & STUDENT AFFAIRS COMMITTEE

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

a) Approval of the revised Consent Report for the Faculty, Staff & Student Affairs Committee as presented to the committee and described in the December 13, 2012 committee minutes.

b) Adoption of amendments to Board of Regents Policy: Employee Development, Education, and Training, as follows:
Employee Development, Education, and Training

SECTION I. SCOPE.

This policy governs the professional development, education, and training of eligible employees of the University of Minnesota (University).

SECTION II. DEFINITIONS.

Subd. 1. Eligible Employees. Eligible employees shall mean:

(a) Faculty Development Leaves - Faculty members holding a regular (tenured or tenure-track) or a contract faculty appointment;
(b) Professional Development Leaves for Academic Professional and Administrative (P&A) Employees - P&A employees whose primary employment at the University is classified within the 93xx, 96xx, or 97xx series;
(c) University-Provided and Other Education, Training, and Development Opportunities - Individuals in the faculty, P&A, civil service, and union-represented staff employee groups.


Subd. 3. Salary. Salary shall mean the regular University salary of a faculty or P&A employee at the time a leave is initiated.

SECTION III. GUIDING PRINCIPLES.

The following principles shall guide the University’s employee development, education, and training programs:

(a) In support of a culture of excellence, the University is committed to providing its employees opportunities to participate in professional development, education, and training activities, consistent with managing the responsibilities and needs of the unit.

(b) The University and its employees share responsibility for continued learning and development appropriate to work duties and for the pursuit of individual, unit, and institutional success.

(c) The University is committed to providing a regular program of relevant, accessible, and affordable opportunities for employees to develop knowledge, skills, and abilities to support position competencies, management responsibilities, and leadership roles.

(d) The University seeks to maintain development leave programs comparable to peer institutions.

SECTION IV. PROFESSIONAL DEVELOPMENT LEAVES.

Subd. 1. Faculty Development Leaves. Faculty development leaves are offered that share in common the objective of providing eligible faculty the opportunity to spend time away from the University in order to
focus more intently on significant work already in progress, pursue new studies, investigation, research, scholarly writing and artistic projects, or to launch a new venture or enterprise.

(a) Three distinct categories of faculty leave are offered under this policy:

1. Single Semester Leave - A one-semester leave at full salary and full benefits.
2. Sabbatical Leave - A leave of up to one year at one-half salary and full benefits.
3. Entrepreneurial Leave – A leave of up to one year at no salary and, as determined by the percent of leave, full benefits or lump sum payment that may be used to offset benefit costs.

Subd. 2. Professional Development Leaves for P&A Employees.

Professional development leaves for P&A employees provide time away from the workplace to develop or enhance the knowledge, skills, and performance of eligible employees.

(a) The following professional development leaves are offered under this policy:

1. Mini-Leave - A development leave of up to six weeks at full salary and full benefits.
2. Short-Term Leave - A development leave of seven to 20 consecutive weeks at one-half salary to full salary and full benefits, with salary to be determined by the unit.
3. Extended Leave - A development leave of 21 to 48 consecutive weeks at one-half salary and full benefits.

SECTION V. UNIVERSITY-OFFERED EDUCATION, TRAINING, AND DEVELOPMENT OPPORTUNITIES.

Subd. 1. Training and Development. The University shall provide eligible employees with an ongoing program of training and development opportunities to address existing and projected competency needs, improve job performance, and enhance management and leadership talents.

Subd. 2. Tuition Benefits. The University shall offer eligible employees access to University credit-bearing educational opportunities at a reduced tuition cost through the Regents Scholarship Program.

SECTION VI. OTHER EDUCATION, TRAINING, AND DEVELOPMENT OPPORTUNITIES.

Time away from the workplace with pay may be granted to eligible employees to attend professional meetings or education, training, or professional development offerings outside the University.
SECTION VII. IMPLEMENTATION.

Employee eligibility for and participation in education, training, and professional development opportunities is administered according to applicable administrative policies, rules, and contracts.


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

Simmons reported that the committee also reviewed proposed amendments to Board of Regents Policy: Awards, Honors, and Recognition; discussed University compensation philosophy and planning; received the annual report on faculty and staff compensation; received an update on the implementation of the University’s equity and diversity vision framework; and reviewed the information items contained in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

a) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the December 13, 2012 committee minutes.

b) Adoption of amendments to Board of Regents Policy: Debt Transactions, as follows:

Debt Transactions

SECTION I. SCOPE.

This policy governs the administration’s authority to engage in debt transactions and to engage underwriters and debt advisers. Its provisions apply to all external debt transactions of the University of Minnesota (University), regardless of size or term.

SECTION II. DEFINITIONS.

Subd. 1. Debt Transactions. Debt Transactions shall mean all transactions in which the University borrows money or incurs obligations that include or are directly related to the borrowing of money. Debt transactions include the following:

(a) issuing bonds or commercial paper, whether in underwritten offerings, competitive sales, or direct (private) placements;
(b) refunding debt;
(c) entering into capital leases;
(d) entering into liquidity facilities or lines of credit; and
(e) engaging in hedging transactions related to University debt.

Subd. 2. Capital Lease. *Capital lease* shall mean a lease that at
inception, under generally accepted accounting principles, is required to
be characterized as long-term debt.

Subd. 3. Hedging Transactions. *Hedging transactions* shall mean
the use of instruments (such as interest rate caps or swaps) to manage
interest rate risk in connection with debt transactions.

Subd. 4. Underwriter. *Underwriter* shall mean an entity that
administers the public issuance and distribution of securities by
purchasing them from the issuer and selling them to investors through
its distribution network, thereby assuming responsibility of distributing
the securities of the public.

Subd. 5. Debt Advisor. *Debt advisor* shall mean a person or entity
engaged to advise the University with respect to the planning and
structuring of debt transactions.

Subd. 6. Core Debt. *Core debt* shall mean any general obligation
bond or other debt backed by the full faith and credit of the University.

Subd. 7. Special Purpose Debt. *Special purpose debt* shall mean
University debt supported exclusively by specified revenues,
appropriations, or other funds and not supported by the full faith and
credit of the University.

**SECTION III. RESERVATION AND DELEGATION OF AUTHORITY.**

Subd. 1. Reservation of Authority to Issue Debt. The Board of
Regents (Board) shall have the exclusive authority and power to approve
the following debt transactions:

(a) the issuance of debt;
(b) the refunding of debt; and
(c) capital leases that are not otherwise subject to Board approval
   under Board of Regents Policy: *Reservation and Delegation of
   Authority* or other Board policy.

Subd. 2. Reservation of Authority to Engage Underwriters and
Debt Advisors. The Board shall have the exclusive authority and power to
engage underwriters and debt advisers.

(a) If the Board approves the issuance of debt in a competitive
   sale, the president or delegate shall report the identity of the selected
   underwriter(s) at the regularly scheduled Board meeting immediately
   following the sale.

(b) In exigent situations, as determined by the president or
delegate, the president or delegate shall have the authority to engage
immediately an underwriter or debt advisor, but shall seek Board
approval of the engagement at the next regularly scheduled Board meeting.

Subd. 3. Delegation of Authority. The president or delegate shall have the authority and power to take all actions other than those described in Subd 1. and Subd 2. to manage and conduct the debt transactions of the University consistent with Board policies. Such actions include:

(a) entering into or terminating liquidity facilities, lines of credit, and other credit-enhancement strategies;
(b) entering into or terminating hedging transactions; and
(c) terminating the engagement of an underwriter or debt adviser.

SECTION IV. ESTABLISHMENT OF RATING TARGET LEVELS.

Subd. 1. Core Debt. The Board establishes a goal of maintaining a long-term core debt rating of Aa/AA category and short-term core debt rating of A-1/P-1 by Moody’s and Standard & Poor’s, respectively.

Subd. 2. Special Purpose Debt. Special purpose debt may be issued only if it will receive an investment grade credit rating, if rated.

SECTION V. GUIDING PRINCIPLES.

The following shall be used to govern the University’s issuance of debt:

Subd. 1. General. In general, the following goals shall be pursued, taking into account all relevant factors from time to time:

(a) maintaining key financial metrics so as to assure continued access to capital markets;
(b) minimizing University borrowing costs at acceptable levels of risk over the life of the debt; and
(c) maintaining a portfolio of variable and fixed-rate debt that is in the long-term best interest of the University.

Subd. 2. Taxable Debt. Taxable debt may be used for those projects with an intended use or other characteristic that precludes the use of tax-exempt debt or when other financial considerations indicate the use of taxable debt is in the best interest of the University.

Subd. 3. Tax-Exempt Debt Maturity. The average maturity of tax-exempt debt should be as short as is economically feasible for the project, generally, not to exceed the useful life of the financed assets, and shall not exceed the federally legislated limit of the useful life of the financed asset.

Subd. 4. Prohibition. Debt transactions shall not be used to fund University operating costs.
SECTION VI. REPORTING

The president or delegate shall annually provide to the Board a Capital Finance and Debt Management Report. The report shall include a review of the current and projected interest rate environment, current and anticipated debt plans, appropriate financial benchmarks and ratios, and other factors as may be appropriate or requested by the Board in order that it may exercise its oversight function.

SECTION VII. CERTIFICATION OF AUTHORITY

As needed or may be requested, the secretary of the Board shall certify the authority and power of the president or delegate to enter into debt transactions as provided in this policy.


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

Hung reported that the committee also discussed issues related to University of Minnesota start-up generation and job creation strategy; issues related to the Annual Financial Report; received an annual debt capacity forecast; and discussed the information items included in the docket materials.

REPORT OF THE AUDIT COMMITTEE

Regent Beeson, 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 December 13, 2012 committee minutes.

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

Beeson reported that the committee also received an external auditor report; received an introduction to the development of an institutional risk profile; received a presentation on the risk profile of the research enterprise; received a report of the compliance officer; and reviewed the information items contained in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Ramirez, Chair of the committee, reported that the committee voted unanimously to recommend:
a) Approval of the Consent Report of the Educational Planning & Policy Committee as presented to the committee and described in the December 13, 2012 committee minutes.

The Board of Regents voted unanimously to approve the recommendation of the Educational Planning & Policy Committee.

Ramirez reported that the committee also reviewed amendments to Board of Regents Policy: Activities Involving Recombinant DNA or Other Potentially Hazardous Biological Agents and Board of Regents Policy: Animal Care and Use; received an update on undergraduate education and discussed goals for the future; and discussed undergraduate education enrollment trends and tuition philosophy.

REPORT OF THE FACILITIES COMMITTEE

Regent Johnson, 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 December 13, 2012 committee minutes:

1) Amundson Hall, Gore Annex addition and infrastructure upgrades, Twin Cities Campus.

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

Johnson reported that the committee also reviewed an amendment to the 2013 Capital Budget for the Reuse Center - Engine Research Laboratory Remodeling, Twin Cities Campus; reviewed proposed amendments to Board of Regents Policy: Alcoholic Beverages on Campus; received a report on sustainability and energy efficiency policy and University sustainability goals; and discussed a number of information items presented in the docket materials.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

NEW BUSINESS

Chair Cohen presented a proposed resolution related to the merger of the University of Minnesota Foundation (UMF) and Minnesota Medical Foundation (MMF). A motion for approval was made and seconded.

Regent Simmons expressed support for the resolution, indicating her belief that it is appropriate and important that the Board acknowledge the opportunity identified with the intent to merge UMF and MMF. She also noted that it would be useful for the Board to seek external consultation for assistance in making decisions related to a new unified foundation.
The Board of Regents voted unanimously to approve the Resolution Related to a Proposed Merger of the University of Minnesota Foundation and the Minnesota Medical Foundation, as follows:

WHEREAS the University of Minnesota Foundation ("UMF") and the Minnesota Medical Foundation ("MMF") are private foundations organized solely to serve the University, but are governed separately; and

WHEREAS, under Board of Regents Policy: Foundations at the University ("Board Foundations Policy") the University accorded both UMF and MMF the status of "Recognized Foundations" with attendant benefits and responsibilities; and

WHEREAS, both Foundations recognize the importance of maintaining close, collaborative working relationships with the University; and

WHEREAS, UMF and MMF have announced a due diligence process to explore a merger; and

WHEREAS, a merger of UMF and MMF will promote the University's interests by improving the operational efficiency of the University's development activities and make the process of giving to the University easier for donors; and

WHEREAS, a merger of UMF and MMF, or any similar combination of assets or governance, materially affects the University's property interests and development activities;

NOW, THEREFORE, BE IT RESOLVED THAT the Board fully endorses and approves of UMF's and MMF's pursuit of a proposed merger, and directs the president and his designees to work closely with UMF and MMF regarding the terms of the proposed merger to ensure that it promotes the University's interests and protects the University's property consistent with Board policies and the Memoranda of Understanding (MOUs) between the University and the foundations, and further directs the President, as appropriate in his judgment, to recommend to the Board such actions as may be needed to approve the proposed merger.

The meeting adjourned at 11:54 a.m.

BRIAN R. STEEVES
Executive Director
and Corporate Secretary