

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Governance & Policy Committee
October 8, 2015**

A meeting of the Governance & Policy Committee of the Board of Regents was held on Thursday, October 8, 2015 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Stephen Lehmkuhle and Fred Wood; Vice President Katrice Albert; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Chase Taylor.

2015-16 COMMITTEE WORK PLAN

Regent Cohen and Executive Director Steeves reviewed the 2015-16 work plan for the Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

HABITS OF HIGHLY EFFECTIVE BOARDS

Regent Cohen invited Executive Director Steeves to present for discussion the habits of highly effective boards, as detailed in the docket.

Steeves explained that the committee would use “The 10 Habits of Highly Effective Boards,” an article written by Richard D. Legon of the Association of Governing Board of Universities and Colleges (AGB), to discuss current performance of the Board of Regents. Steeves summarized each of the 10 habits, noting that they are designed to help governing boards maximize their governance effectiveness.

Each member of the committee shared thoughts on the Board’s performance relative to the habits, highlighting areas where the Board excels and areas where the Board could continue to improve. The committee largely focused its discussion on two habits: “Create a culture of inclusion” and “Cultivate a healthy relationship with the president.”

BOARD POLICY REVIEW PROCESS

Regent Cohen invited Jason Langworthy, Board Associate, Policy & Committees, Office of the Board of Regents (OBR), to present an overview of the Board’s policy review process, as detailed in the docket.

Langworthy outlined the number of current Board policies and the annual policy work plan. He noted that the 92 Board policies are comprehensively reviewed every six years. To accomplish this, Langworthy explained that the policies are broken into six classes of 15 to 16 policies in

each class. The classes seek to balance the review workload across the administration and Board committees.

Langworthy defined the three main types of review and change that Board policies undergo, which include technical change, comprehensive review, and off-cycle change. He identified recent examples for each type of review.

In response to a question from Regent Anderson, Langworthy explained that 29 Board policies are not routed through one of the other standing Board committees and will now be reviewed and recommended to the full Board by the Governance & Policy Committee. He noted that those policies had previously gone directly to the full Board for review.

In response to a question from Regent Devine, Langworthy commented that Board policy includes multiple steps of consultation. The administration informally consults proposed changes with key stakeholders, and most Board policies also require formal consultation with some of the various committees and senates of the University Senate. Langworthy added that a Board Policy Group of representatives from OBR, the Office of the President, the Office of the General Counsel, and the Office of Internal Audit makes a final review of proposed language before the Board considers a policy. In addition, current practice requires Board policies to come for review at one meeting and action at a later meeting. This sequence gives the Board and administration time to respond to any questions or revise the proposed amendments based on input received from the first meeting.

BOARD OF REGENTS POLICY: AMERICAN INDIAN ADVISORY BOARDS

Regent Cohen invited Vice President Albert and Tadd Johnson, Director, Master of Tribal Administration and Governance Program, University of Minnesota Duluth, to present for review proposed amendments to Board of Regents Policy: *American Indian Advisory Boards*, as detailed in the docket.

Albert summarized for the committee the history of the policy, noting that the current policy requires advisory boards on each campus that consult with the chancellors. Albert outlined the proposed amendments:

- Creation of a single, system-wide advisory board.
- Inclusion of representatives from each of the 11 Minnesota tribal nations on the advisory board.
- Inclusion of a representative from each of the University's campuses appointed by the individual campus chancellors.
- Expansion of the scope of the advisory board to identify resources for American Indian undergraduate scholarships and graduate and professional school fellowships, and assisting in the development of strategies for recruitment, retention, and talent development of American Indian faculty and staff.

Albert indicated that the proposed amendments had been consulted with a wide variety of groups within and outside the University. She stated that a unified, system-wide advisory board with clearly defined responsibilities will enable it to make recommendations for the entire University regarding issues of importance to Minnesota's 11 tribal nations.

Johnson reviewed how the Tribal Sovereignty Institute at the Duluth campus was established, noting the shared goal of promoting understanding of tribal sovereignty. He stressed the importance of tribal sovereignty and the need to consult with the tribes when instituting programs that directly impact American Indians.

Johnson also shared concerns expressed by Chief Executive Melanie Benjamin, of the Mille Lacs Band of Ojibwe. He explained that while Benjamin expressed support for the proposed amendments, she views them as creating an interim policy and recommends that over the next year, additional consultation be performed with each of the 11 tribes.

In response to a question from Regent Devine, Albert indicated that part of the amended responsibilities of the advisory board would be to thoughtfully consider how to increase resources for American Indian students, taking into account the waiver program at the Morris campus.

In response to a question from Regent Anderson, Albert confirmed that proposed amendments include a requirement for representation from each of the 11 tribes, which is not included in current policy.

Board of Regent Policy: *American Indian Advisory Boards* will return for action at a future meeting of the committee.

BOARD OF REGENTS POLICY: NAMINGS

Regent Cohen invited Chief of Staff Amy Phenix to present for review proposed amendments to Board of Regents Policy: *Namings*, as detailed in the docket.

Phenix outlined the proposed amendments to the policy, which include:

- Inserting a new section to clarify that significant University assets may not be named in honor of current or former members of the Board of Regents except when those namings are associated with gifts. Gift namings related to current or former members of the Board may not include the title Regent or Regent Emeritus.
- Narrowing Section III. Subd. 1. to remove lectureships, fellowships, professorships, and chairs from the definition of significant University assets.
- Clarifying in Section V. Subd. 2.b. that the naming committee is not a standing committee with set membership, but is instead a group that is assembled to recommend namings to the president based on the specific asset to be named.
- Other technical changes.

In response to a question from Regent Rosha, Executive Director Steeves responded that under the proposed amendments, Regents or Regents Emeriti would not be eligible for honorary namings. He stated that the Board could grant an exception to the policy if it desired, but the administration would have to request that exemption before beginning the naming process.

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

The meeting adjourned at 9:30 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities, Planning & Operations Committee
October 8, 2015**

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, October 8, 2015 at 9:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Fred Wood, Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

Student Representatives present: Samantha Jensen and Chase Taylor.

SCHEMATIC PLANS

A. Chemistry and Advanced Materials Sciences – Duluth Campus

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

The schematic plans for Chemistry and Advanced Materials Sciences – Duluth Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management (CPPM), and Andrea Schokker, Executive Vice Chancellor for Academic Affairs, University of Minnesota Duluth, to present the schematic plans, as detailed in the docket.

Schokker shared that the existing building was not designed for chemistry instruction. The labs are poorly configured and the building cannot support necessary infrastructure upgrades such as fume hood replacement and associated electrical upgrades. She explained that space is also a constraint as basic chemistry is a requirement for many of the science majors that have seen significant enrollment increases.

Smith detailed the design of the new 58,000-square-foot building, which would include laboratory space for chemistry research, chemistry instruction and applied materials science research. She noted the building is three stories, connected by skyway to the rest of campus, and will tie into existing connections for chilled water, steam, and electrical infrastructure.

Regent McMillan asked about enrollment trends in the Swenson College of Science and Engineering. Schokker explained that enrollment has grown to 3,000 students. With the overall increase in STEM enrollment, 5,500 students go through basic chemistry in a given year. Chemistry majors specifically have doubled from 200 to 400 students in the last 10 years.

In response to a question from Student Representative Jensen, Schokker acknowledged that the project would displace parking on campus. She reported that Parking and Transportation Services was considering the impact of the loss and several options related to parking.

The committee voted unanimously to recommend approval of the schematic plans for Chemistry and Advanced Materials Sciences – Duluth Campus.

B. Athletes Village – Twin Cities Campus

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

The schematic plans for Athletes Village – Twin Cities Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Beth Goetz, Interim Athletic Director, to present the schematic plans, as detailed in the docket.

Goetz shared that the Athletes Village will provide amenities critical for recruitment and will create a hub for the entire Athletics Department. She added that the Center for Excellence will benefit all 725 student-athletes.

Smith shared that the project design consists of three separate facilities – the Center for Excellence combined with the basketball practice facility, an indoor football practice facility, and a football performance center. She added that the Center would include a full-service dining facility.

Regent Johnson asked what projects or buildings are not included in the current proposal. Smith stated that the linemen facility and skyway connections between the new buildings were not included in the project in order to stay within budget. Wheelock added that there are many funding priorities in Athletics, including a new roof for the Gibson-Nagurski Complex and renovation of the Bierman Field Athletic Building.

In response to a question from Regent Lucas, Goetz clarified that all outdoor sports currently utilize the facilities in Gibson-Nagurski but the addition of a dedicated football performance center will open up additional time for the facility to be used by other sports.

The committee voted unanimously to recommend approval of the schematic plans for Athletes Village – Twin Cities Campus.

CAPITAL BUDGET AMENDMENT

A. Athletes Village (Twin Cities Campus)

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

On recommendation of the President and the Vice President for University Services, the FY 2015 Capital Budget is amended to include the following project:

- Athletes Village – Twin Cities Campus

- Scope of Project: Construct a new 320,000 square foot Athletes Village adjacent to the Bierman and Gibson-Nagurski buildings, as well as a temporary replacement for throws, on the Minneapolis Campus. The Athletes Village is comprised of three new buildings: Center for Excellence/Basketball Practice Facility, Indoor Football Practice Facility, and a Football Performance Center.
- Master Plan: The project is in compliance with the 2009 Twin Cities Campus Master Plan.
- Cost Estimate: \$166,000,000
- Capital Funding: University debt and private giving

The committee voted unanimously to recommend approval of the capital budget amendment for the Athletes Village – Twin Cities Campus.

B. Seibert Field Hitting Facility (Twin Cities Campus)

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

On recommendation of the President and the Vice President for University Services, the FY 2015 Capital Budget is amended to include the following project:

- Siebert Field Hitting Facility – Twin Cities Campus
- Scope of Project: The project is located on the west side of the existing Siebert Field complex, on the Twin Cities East Bank campus. The new 4,700 square foot hitting facility includes 3 indoor batting tunnels, an equipment storage area and a unisex bathroom.
- Master Plan: The project is in compliance with the 2009 Twin Cities Campus Master Plan.
- Cost Estimate: \$1,250,000
- Capital Funding: Athletic Foundation Funds and an internal loan to be paid by Intercollegiate Athletics.

In response to a question from Regent Lucas, Goetz indicated that while two significant donations will help to complete the project it will not include a naming opportunity.

The committee voted unanimously to recommend approval of the capital budget amendment for the Siebert Field Hitting Facility – Twin Cities Campus.

C. Glensheen Restoration of Tennis Court Garden Walls (Duluth Campus)

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

On recommendation of the President and the Vice President for University Services, the FY 2015 Capital Budget is amended to include the following project:

- Glensheen Restoration of Tennis Court Garden Walls – Duluth Campus
- Scope of Project: The project will restore a damaged wall and associated elements at Glensheen as a result of a storm event on May 12-13, 2014. The length of the concrete retaining wall to be restored is approximately 166 feet and is located between the clay tennis court and the formal garden to the south. Additional elements for repair include the integral stairs and handrails at the concrete retaining wall and approximately 256 feet of metal fencing.
- Master Plan: The project is in compliance with the 2005 University of Minnesota Duluth Campus Master Plan.
- Cost Estimate: \$858,000

- Capital Funding: University Risk Management Insurance Property Loss Claim

The committee voted unanimously to recommend approval of the capital budget amendment for the Glensheen Restoration of Tennis Court Garden Walls – Duluth Campus.

PROJECT COMPONENTS OF THE PRESIDENT’S RECOMMENDED SIX-YEAR CAPITAL PLAN AND THE 2016 STATE CAPITAL BUDGET REQUEST

Vice President Wheelock presented for action the Project Components of the President’s Recommended Six-Year Capital Plan (Plan) and 2016 State Capital Budget Request (Capital Request) as detailed in the docket.

Wheelock reviewed components included in the Plan and reminded the committee that the Capital Request projects are listed in priority order. She noted that no changes were made since the committee reviewed the proposed projects in September.

In response to a question from Regent McMillan, Wheelock explained that the projects under consideration and with no cost estimate are projects with significant University interest but no defined proposal. She indicated that all of the projects would require Board approval in the future to move forward.

A motion was made and seconded and the committee voted unanimously to recommend approval of the resolutions related to the President’s Recommended Six-Year Capital Plan and the 2016 State Capital Budget Request.

ENSURING A SAFE UNIVERSITY: PUBLIC SAFETY UPDATE

Vice President Wheelock introduced Matt Clark, Chief of Police, University of Minnesota Police Department, to provide an update on planned initiatives and his vision for enhancing public safety across the University, as detailed in the docket.

Clark provided a brief overview of how the Department of Public Safety (department) is organized and the roles of the department’s 51 sworn officers, employees in the Public Safety Emergency Communication Center, and the Security Monitor Program. Clark shared his initial assessment of the department since assuming his role in July 2015, noting that officers are very engaged with the University community and student organizations. He discussed additional training opportunities around mental health crisis intervention and active threat situations.

Clark shared crime trends and statistics for Minneapolis and the University. He reported that within the city of Minneapolis, the University accounts for 2.1 percent of “Part 1” crimes, with a majority being larceny. (For reporting purposes, criminal offenses are divided into two major groups: Part I offenses and Part II offenses. Part I includes both violent and property crimes.) The neighborhoods around the University account for an additional 6.6 percent of Part 1 crimes, with 91.3 percent occurring throughout the rest of the city. Clark asserted that the University of Minneapolis Twin Cities campus is a relatively safe campus, especially given its urban location. He described the requirements of the Jeanne Clery Act, noting that 18 crime alerts had been sent through September 2015 in accordance with those requirements.

In response to a question from Regent Devine, Clark stated that the department works closely with Housing & Residential Life and the Office of Student Affairs to provide alcohol education to students living in residence halls, and to promote medical amnesty to encourage students to call for help in an emergency. Wheelock added that Housing & Residential Life staff in the dormitories watch for and intervene in emergency situations.

In response to a question from Regent Anderson, Clark stated that one officer is assigned to patrol the St. Paul campus and he hopes to add another in the future.

Regent Lucas asked what generation of cameras is used on campus. Clark shared that University Services has been working to upgrade cameras across campus, with many upgraded within the last year. He is now developing a cost estimate to update the remaining older cameras on campus. Clark noted the quality of the digital image is often critical for identification.

In response to a question from Student Representative Taylor, Clark reported that 10-20 percent of calls are related to mental health issues so he would like to provide additional training for officers on techniques to de-escalate an encounter.

INFORMATION ITEMS

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

- Final Project Review: Athletes Village (Twin Cities Campus)
- Final Project Review: Bee Discovery and Pollinator Center (Landscape Arboretum)
- Final Project Review: Bee Lab (Twin Cities Campus)
- Final Project Review: Mechanical Engineering Lab Renovations (Twin Cities Campus)

The meeting adjourned at 11:48 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
October 8, 2015**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, October 8, 2015 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; and Executive Director Brian Steeves.

Student Representatives present: Morrine Omolo and Cory Schroeder.

SHAPING ACADEMIC DEPARTMENT CULTURE

Regent Simmons invited Vice President Brown, Senior Vice President and Provost Hanson, Professor Daniel Frisbie, Head, Department of Chemical Engineering and Materials Science, College of Science and Engineering, and Professor Monica M. Luciana, Chair, Department of Psychology, College of Liberal Arts, to lead a discussion on how academic department culture is shaped, as detailed in the docket.

Hanson positioned the role of departments within the University, describing them as the core intellectual and organizational structures of the University and the working homes of the faculty, students, and staff. She noted that department heads and chairs are charged with managing department resources, overseeing faculty and staff, and creating culture that is conducive to innovation and employee job satisfaction, while ensuring the advancement of the University's mission.

Frisbie and Luciana each described how they advance the University's mission, work to shape the academic direction and excellence of their departments, and approach filling open faculty positions, as well as the elements necessary to shape a successful department.

Regent Cohen wondered how departments figure out which candidates would be the best fit. Frisbie explained that candidates for faculty positions give two talks to the department. The first talk focuses on their own research, while the second centers on what they want to do as a member of the department. Frisbie commented that the best hires electrify the department and demonstrate a convergence in their work with the other faculty members. Luciana added that search committee members represent elements of all areas of the department and look closely at the rate of productivity of the candidate, how they have leveraged resources, and their appeal to the rest of the faculty.

In response to related comments from Regents Beeson and Simmons, Hanson described how important it is for chairs and heads to listen closely and ensure all voices are heard during the hiring process. She explained that from her own experience, departments with split votes on who to hire often become weaker. She emphasized that hiring the candidate with the best fit with the department sometimes is preferable over the candidate with the strongest credentials.

Brown added that chairs and heads need to maintain intentionality in leading their departments toward common goals.

Regent Brod asked how departments can ensure that faculty members are held accountable. Frisbie indicated that salary is the main tool to ensure accountability. If a faculty member is underperforming, that individual is not given an increase in pay. In addition to salary, Frisbie offered that lab space and other resources could be allocated or reallocated to support performance. He noted that each faculty member undergoes an annual review in the spring that includes a portfolio of his or her work from that year. The allocation from the dean could be used to fund high performers and penalize those who are not performing. He expressed that these are tough choices, but they have to be made and are communicated directly to faculty.

In response to a question from Regent Hsu, Luciana explained that departments and colleges have start-up packages to help to attract faculty members. She noted that in some instances, departments find equipment the new faculty member requires elsewhere on campus. In those cases, the department can work out a shared equipment agreement to lessen start-up costs and avoid duplication. Luciana explained that once the faculty member is established, the department encourages them to apply for grants. Frisbie noted that retaining faculty members is sometimes difficult, and that the University is sometimes unable to match higher salary offers from other institutions. He added that a strong culture and institutional loyalty have both helped retain faculty members in the face of higher offers. He shared that he has worked hard to raise funds to endow chairs, which helps add funding to salaries. Hanson added that the University is also working to make retirement more attractive, which would help free up additional resources for departments.

Student Representative Schroeder expressed concern that all campuses did not have the same access to online journals and resources. Hanson agreed that the campuses have varying access, and explained that the publishers require separate agreements by campus. She noted that since there are separate agreements, it becomes a budgetary question for each campus.

STRATEGIC IMPERATIVE: ATTRACTING AND RETAINING FIELD SHAPERS

Regent Simmons invited Vice President Brown, Senior Vice President and Provost Hanson, Dean Steven Crouch, College of Science and Engineering, and Dean Marilyn Speedie, College of Pharmacy, to lead a discussion on attracting and retaining field shaping faculty members, as detailed in the docket.

Hanson conveyed the importance to the University's strategic objectives and distinctive mission to attract and retain faculty who shape and define scholarship within their fields. She explained the important relationship among the department chairs, heads, and deans. Hanson defined the characteristics of field shapers: outstanding researchers, innovative and dedicated teachers, publically engaged, able to build local, national, and global partnerships, and add to the diversity of the faculty. She reported that compensation and benefits are key, but that the University is often in a weaker position compared to other institutions. Hanson noted that along with an attractive salary, ensuring that faculty members are recognized for their work at both local, national, and international levels helps attract and retain field shapers.

Speedie described the process that her college uses in attracting field shapers. Assistant deans and chairs work together to identify priorities, allocating resources based on those priorities. Given the professional focus for the pharmacy field, Speedie noted that filling gaps in specific content is also considered. She indicated that she has charged chairs with identifying faculty they might want to attempt to recruit from other institutions, but added that this is often difficult since many potential field shapers are well established.

Speedie added that being the third-ranked college of pharmacy helps attract field shapers, drawing them to the strong culture of excellence. Pharmacy hires are often large, with 15-20 graduate students, post-doctoral fellows, and others coming with the faculty member. She noted that eight endowed chairs and support from the provost also contribute to attracting field shapers.

Crouch detailed how a department drives attracting field shapers. His college uses open-rank, multiple-level searches, which helps ensure flexibility and diversity during the hiring process. Crouch noted a preference for hiring less-experienced faculty members to allow the department to shape the individual into the culture. Crouch emphasized that new hires with start-up packages often cost \$1 million, which includes setting up a lab, salary and benefits, along with other resources needed to support those who come with the faculty member.

Crouch indicated that retention is often on a case-by-case basis. He noted that preventive action can help retain field shapers. These actions include examining what the market will support, making strategic adjustments to key faculty, and rewarding high performance. For some faculty members, the only viable option is to wish them well in their new position.

In response to a question from Regent Omari, Speedie stated that dual appointments could help attract field shapers. In looking at candidates, there is sometimes an opportunity to work with other areas of the University and see if a joint position can be created. If so, Speedie stressed that both areas have to be fully involved in the hiring process. Crouch added that salary structures between units could vary and this can be problematic. He indicated that joint appointments that are fully funded by one unit help avoid the issue.

Regent Beeson wondered how the University seeks to promote internal candidates. Brown noted that the Office of Human Resources (OHR) provides a structure for units to use that includes flexibility on a case-by-case basis to be responsive to retaining faculty members.

Regent Brod asked about the tools colleges have to drive excellence through the unit. Speedie noted that annual reviews and defining clear performance expectations help ensure that excellence is maintained.

In response to a question from Regent Hsu, Speedie agreed that diversity is an important part of the search process. She noted that OHR has been a partner in helping review applicant pools and seek diverse candidates, but that more must be done to recruit them.

Regent Cohen asked about expectations when a candidate's spouse is also a professor. Speedie noted that it is more difficult if the spouse is looking for a position outside of the same unit. Crouch added that it often becomes necessary for one department to provide resources to another to help cover the cost of a spousal hire. He stressed that the other department needs to fully interview and agree to the hire, otherwise the individual might not be successful, leading to the exit of both employees.

ENHANCING HUMAN RESOURCE WORK ACROSS THE ENTERPRISE

Regent Simmons invited Vice President Brown to discuss enhancing human resources work across the enterprise, as detailed in the docket.

Brown explained that the University has jobs across all levels and all areas, from entry level to senior officers, noting that the challenge is supporting all of those jobs. Brown outlined the scope of human resources, noting the responsibilities of the unit, the Office of Human Resources (OHR), and where OHR partners with the units. Brown walked through OHR's structure, highlighting the dotted-line reporting of unit human resource leads to the vice president for human resources.

Brown provided an overview of the challenges that face OHR, including generational differences that influence how employees expect to perform their work. She noted that transforming culture was a main area of work as OHR works to move from a transactional focus to a strategic focus.

INFORMATION ITEMS

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

The meeting adjourned at 11:47 a.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
October 8, 2015**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, October 8, 2015 at 1:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; and Executive Director Brian Steeves.

Student Representatives present: Callie Livengood and Cory Schroeder.

UNIVERSITY ENROLLMENT MANAGEMENT

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education; Lori Carrell, Vice Chancellor for Academic Affairs and Student Development, University of Minnesota Rochester; and Peter Phaiah, Associate Vice Chancellor for Student Affairs, University of Minnesota Crookston, to discuss key areas of recruitment and enrollment and describe select functions and practices, as detailed in the docket.

Phaiah explained that each system campus approaches enrollment management in a unique way because each campus is classified differently and has a slightly different mission. For example, the Twin Cities campus is a research university, Rochester has a health sciences focus, and Crookston is a baccalaureate college with diverse fields of study. He added that collaboration across the system has increased in recent years through a common website with information about all of the campuses and students are offered the option to have their application shared with multiple campuses.

Carrell shared the criteria considered during holistic review of applicants: ACT scores, GPA, transcripts, and the type of courses enrolled in during the senior year. Rochester also considers a STEM GPA. Carrell added that retaining Minnesota students and enrolling those students prepared to succeed in college are important considerations in the review process.

McMaster shared the home location of freshman enrolled on each campus. He noted that Minnesota students are a high percentage at each campus, particularly in Duluth with 87 percent, but cautioned that across the Midwest the number of high school graduates is projected to decline by 5 percent between 2013 and 2022 and other states are trying to recruit Minnesota's top students. He noted that to maintain enrollment, the University would need to retain Minnesota students and also recruit out-of-state students to Minnesota. To that end, the University employs regional recruiters in Illinois and California, and will soon add a recruiter in New York City and Washington, D.C. McMaster added that the University matriculates approximately 10 percent of Minnesota high school graduates.

McMaster also shared enrollment data and four-year graduation rates for students of color. While the four-year graduation rate for students of color has increased at about the same rate as for all students, a significant gap remains between students of color and white students.

In response to a series of questions from Regent Simmons, McMaster asserted that the current ratio of undergraduate to graduate students on the Twin Cities campus is balanced given the University's unique responsibilities to the state in graduate and professional education. He explained that while enrollment is constrained in certain colleges, overall undergraduate enrollment is 30,511 while the goal is closer to 31,000 or 32,000. Carrell and Phaiiah both indicated their campuses are working to increase enrollment.

Regent Anderson asked if the graduation rate for students of color was improving because students are coming to the University better prepared, or because the University is admitting more selectively. McMaster cited increased efforts by admissions staff to recruit high-performing students at high schools with a high population of underrepresented students as a contributing factor for the rate increase.

In response to a question from Regent Rosha, McMaster indicated that while the number of high school graduates in the Midwest is projected to decline between now and 2022, Minnesota is expected to fare better, with an increase from 55,000 to 65,000 graduates over the next decade.

UNIVERSITY TUITION & FINANCIAL AID MANAGEMENT

Provost Hanson introduced Robert McMaster, Vice Provost and Dean of Undergraduate Education; Andrea Schokker, Executive Vice Chancellor for Academic Affairs, University of Minnesota Duluth (UMD); and Bryan Herrmann, Vice Chancellor for Finance and Facilities, University of Minnesota Morris (UMM) to share the University's key strategies and principles regarding tuition and financial aid, as detailed in the docket.

Herrmann shared that the system shares seven common principles for awarding tuition and financial aid, but each campus implements its program differently according to its resources and priorities. Schokker outlined the financial literacy program called Live Like a Student Now, So You Don't Have to Later. She asserted that in contrast to previous generations, many students arrive on campus expecting to live in luxury housing, often have a car, and plan to travel to tropical destinations over spring break. She stressed the importance of helping students understand the implications of credit use and maximizing work-study opportunities.

McMaster explained the different types of financial aid, including gift aid, waivers, employment/work-study, and loans, and outlined the budgeted amounts by category at each campus. He noted that UMM is particularly high in waivers due to its full-tuition waiver for American Indian students. He added that on the Twin Cities campus, waivers are typically used to attract high-performing students.

In response to questions and comments from Regents, McMaster indicated that middle-income students generally have to take out the most student loans. Schokker noted that work-study positions are available at UMD for every qualified student. Herrmann added that UMM limits the number of work-study hours to provide balance for students, noting that staff works with students to connect them to opportunities that will enhance their education.

In response to a question from Regent Cohen, McMaster clarified that with gift aid such as scholarships, the college is still receiving the funds, while no funds are tied to a waiver.

Regent Lucas asked if waivers are given to National Merit Scholars (Scholars). McMaster indicated that Scholars receive gift aid, not waivers. While the University used to have a guaranteed four-year scholarship for Scholars, the program was scaled back during a year of atypically high enrollment. Regent Rosha asked how many Scholars typically enroll at the University and the financial impact of continuing guaranteed scholarships. McMaster stated that the University averages 130 Scholars each year but has enrolled as many as 161 in one

year. Continuing to guarantee a four-year scholarship at the previous rate requires a \$2 million increase in gift aid per year.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - College of Science and Engineering (Twin Cities campus)—Create graduate minor in Cyber Security
 - Medical School (Twin Cities campus)—Create residency in Interventional Radiology
 - Medical School (Twin Cities campus)—Create fellowship in Pediatric Hospital Medicine
- **Request for Changes to Academic Programs**
 - College of Food, Agricultural and Natural Resource Sciences (Twin Cities campus)—Change name of Ph.D., M.S. and minor in Conservation Biology to Conservation Sciences
 - College of Science and Engineering (Twin Cities campus)—Create subplan for dual M.S./B.Env.E. degrees in Civil Engineering and Geoengineering
 - School of Dentistry (Twin Cities campus)—Create a dual degree program in Dental Hygiene (B.S.) and Dental Therapy (M.S.)

The meeting adjourned at 3:01 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
October 8, 2015**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, October 8, 2015 at 1:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Fred Wood; Vice Presidents Kathryn Brown, Brian Herman, Richard Pfutzenreuter, and Pamela Wheelock; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

Student Representatives present: Max Hall and Nikki Ripp.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED
2015 SIX-YEAR CAPITAL PLAN, 2016 STATE CAPITAL REQUEST,
AND DEBT CAPACITY UPDATE**

Vice President Pfutzenreuter presented for action the financial components of the President's Recommended 2015 Six-Year Capital Plan (Plan) and 2016 state capital request, and an update on the debt capacity of the University, as detailed in the docket.

Pfutzenreuter reminded the committee that the Plan totals \$1.289 billion and includes major capital improvements planned for fiscal years 2016-2021. He noted that the 2016 state capital request totals \$304.3 million in project costs, with the State of Minnesota contributing \$236.2 million and the University responsible for \$68.1 million.

Pfutzenreuter reviewed the University's long-term debt and amortization structure. He outlined the debt assumptions in the Plan by year, noting the University-supported and state-supported portions. Pfutzenreuter reviewed the projected debt issuances over the Plan, including those projects approved in past capital plans. He presented the projected outstanding debt as of June 30, 2015, including current outstanding debt, approved projects, and other related debt issuances for the Ambulatory Care Center, Gateway Foundation, and the Athletes Village. Pfutzenreuter offered an analysis of key credit indicators and ratios, sharing the theoretical projected debt capacity based on Moody's Aa1 credit rating medians, both including and excluding University of Minnesota Foundation (UMF) funds.

Beeson commented that he worries about the projects that are not on the list. He offered that accurate long-range planning is key and will allow the Board to be better stewards of the University's limited resources.

Regent McMillan asked about the negative outlook made by Standard and Poor's. Pfutzenreuter stated that he was quite surprised by it since the University submitted the same information in August for the refinancing of the TCF Bank Stadium debt as when it issued debt last winter. He noted that while the University is unable to appeal a negative outlook, upcoming debt issuances will provide the opportunity to meet directly with Standard and Poor's and work to convince them that the University's outlook is good. Pfutzenreuter cautioned that the proposed

integrated structure with Fairview and University of Minnesota Physicians (UMP) could complicate the University's debt rating.

In response to a question from Regent Hsu, Pfutzenreuter noted that given current projections and the Plan before the committee, the total cumulative projected debt capacity is \$986 million by 2021. He added that the projected debt capacity remains within the median ratios needed to maintain the University's debt rating, and that the debt capacity for the rating agencies also includes capital leases.

Regent Devine shared his understanding that equipment for the new Ambulatory Care Center would be purchased using University debt. Pfutzenreuter stated that new equipment and technology costs are the sole responsibility of Fairview and UMP. In response to a separate question from Devine, Pfutzenreuter agreed that interest rates do influence when the University issues debt. He cautioned that issuing all the debt at one time could put a burden on the unit paying the debt service.

In response to a question from Regent Brod, Pfutzenreuter stated that most projects included in six-year capital plans will get built, but it is likely that a six-year plan takes 12 years to complete in order to secure funding from the state. Brod asked how UMF funds that are already obligated to other uses could be factored into the University's debt capacity. Pfutzenreuter explained that rating agencies view UMF funds as available to pay off University debt if the University were to go out of business, even though some of those funds are contractually restricted. Given that, the rating agencies base the debt capacity on those numbers.

In response to questions from Regent Hsu, President Kaler indicated that four projects shown in the Plan are at zero dollars. He noted that they are at the earliest stages of development, have no financial commitment, and that by including them in the plan, the administration will start to define a scope and gather information to help determine whether they should move forward. Kaler added that some projects come on and fall off the plan multiple times based on other priorities. He offered that the process should be used as an opportunity for Regents to bring up ideas and have the administration develop those within the established process.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the financial components of the president's recommended 2015 six-year capital plan and 2016 state capital request.

ADMINISTRATIVE COST BENCHMARKING/REALLOCATION PRIMER

Vice President Pfutzenreuter introduced Associate Vice President Tonneson and Lincoln Kallsen, Director, Institutional Analysis, to present an update on administrative cost benchmarking and a reallocation primer, as detailed in the docket.

Kallsen reminded the committee of the original 2012 goals for the cost definition and benchmarking analysis and summarized the three categories used in the analysis. He covered changes to the methodology, which included a restating of the FY 2014 and FY 2013 personnel expenses to reflect the job family study. He added that changes made by the job family study would still influence trends as new hires are made. Kallsen indicated that changes to the methodology mean that the results presented last October cannot be compared to this October.

Kallsen outlined the costs that occur throughout the organization and across all fund groups. He reported the three-year trends for each category as percent of total expenditures and summarized overall trends for personnel, noting that costs for all three categories remain stable at 61 percent of overall spend.

Tonneson summarized the results of the FY 2015 analysis. She reported that total spend remains at \$3.2 billion, up \$41.6 million or 1.3 percent from FY 2014. She indicated that personnel costs increased 1.9 percent overall, less than the general salary plan of 2.5 percent. Tonneson pointed out that non-personnel costs increased less than personnel costs. She stated that the University has reduced subcontract, professional services, and significant supplies spending in the mission category. She identified student aid as having the largest year over year growth of any category, at 2.7 percent. Tonneson offered that as a percent of total spending, all categories were relatively flat, with Student Aid and Mission Support/Facilities both up 0.1 percent, Leadership & Oversight flat, and Mission down 0.1 percent due to the decrease in non-personnel spending. Tonneson gave examples of notable changes in each category.

In response to questions from Regent Devine, Kallsen offered that units would continue to reallocate funds, moving them toward mission. He commented that academic units are reporting that is becoming harder to make those reallocations. Kallsen added that this is compounded by decreases in sponsored funding.

Regent Hsu asked if the total spend was the correct number since it differs from what is widely reported as the total budget for the University. Tonneson explained that the total spend shown in the analysis is \$3.2 billion, but excludes items like internal sales, the Enterprise System Upgrade Program expenses, and others. She added that those exclusions account for the difference and clarified that this analysis only looks at expenditures. Kallsen indicated that funding for Athletics is included in mission support. Hsu noted that having additional Athletics expenditures in mission support could skew the analysis.

In response to a question from Hsu, Kallsen stated that actual spend, not employee headcounts, was used. This allows employees with roles in multiple areas to be shown.

Regent Brod asked where the Regents are shown in this analysis. Kallsen indicated that the analysis does not show individual Regents since Regents are not employees. The cost of the Office of the Board of Regents (OBR) and other support services to the Board can be seen when looking at the job codes of the individual employees. Executive Director Steeves's salary is shown under leadership and oversight, while other Board staff members are under mission support. Tonneson added that other OBR expenses are categorized in the same way.

Brod asked if it was possible to see where funding was being dedicated to regulatory-heavy operations. Tonneson noted that regulatory-heavy areas of the University include the Office of the Vice President for Research, the Academic Health Center, and the Office of the Controller. She stated that little of the funding for regulatory oversight would be in direct mission, with most being in mission support or leadership and oversight. Beeson added that it would be interesting to understand the true cost of compliance.

Tonneson summarized the purpose of reallocation within the operating budget and described the three parts of reallocation. She outlined its methodology and process, offering examples to highlight how the process worked.

Hsu asked if it is possible to save funds that are cut. Tonneson indicated that expenses continue to increase year over year and reallocation has been used to fund those increased expenses. Pfitzenreuter gave an example that if a unit had a budget of \$100 and a salary cost of \$2, the unit would be directed to cut \$2 in expenses and reallocate that within the unit to cover the increased salary cost, keeping the budget at \$100. He asserted that the methodology was created to reallocate to cover increased costs – not to cut and save – but he emphasized that it is possible to cut and save funds.

Beeson wondered how often the University cuts from one unit and redistributes those funds to another unit. Tonneson said it does happen, but did not know how often. She offered that when the Twin Cities campus consolidated colleges, there was significant redistribution. She

agreed that the default under the current process is to keep the reallocation within the department or unit unless leadership determines there is a higher priority elsewhere.

In response to a question from Brod, President Kaler agreed that the goals of the strategic plan should drive reallocation. Kaler pointed to the College of Liberal Arts as an example of reallocation to areas that help support the strategic plan. He noted that there are some areas where it is necessary to move funds into administration.

Regent Omari expressed concern that there may be contradictions when cutting teaching assistant positions, when the goal is to support students. He noted that while the University should not pay students to do nothing, there must be a balance to ensure that graduate students are not being hurt by reallocation.

Hsu indicated that he was not opposed to reallocating funds to administration, but that it must be clearly shown within the analysis and not counted as administrative savings. Tonneson stated that Budget and Finance would provide the Board with a detailed list of FY 2015 savings. Kaler added that they do not track each individual dollar since it is not possible to get to that level of detail. Pfutzenreuter noted that broadly speaking, one could see how each unit reallocates funds across the defined areas.

LEGAL SETTLEMENTS SPENDING PLAN

Regent Beeson invited Vice President Pfutzenreuter, General Counsel Donohue, and Associate Vice President Volna to present for review and action a resolution related to legal settlements and central reserves fund, as detailed in the docket.

Donohue summarized how legal settlements are treated in Board policy. He outlined the current thresholds in place, and described the role of the Litigation Review Committee (LRC). He noted that LRC either directly approves or establishes parameters for settlements; if not directly approved, legal settlements are reported to the LRC when final.

Pfutzenreuter described the central reserves fund under Board policy and its sources of revenue, which includes legal settlements. Pfutzenreuter outlined recent legal settlements that were paid to the University and the spending plan for those settlements.

Volna explained the University's fringe benefit pool and how the health-related settlement interacts with the fringe benefit pool. He detailed the interaction of fringe benefits paid from federal funds and how the settlement funds would provide rebates back to the fringe pool, lowering the fringe rate used by the federal government. Volna indicated that this is an established practice used in situations where federal funds had been overcharged.

Volna outlined the recommended accounting treatment. Since the funds were not transferred to the central reserves fund initially, accounting entries will be processed to correct the original entries made when the settlements were received and deposited. He reported that if approved, the entries will be made in FY 2015 before the books are closed, ensuring that the affected accounts will have corrected balances in the general ledger. Volna noted that this would ensure a complete trail for the auditors and provide transparency.

A motion was made and seconded to recommend approval of the resolution related to legal settlements and central reserves fund.

Regent Hsu asked why the health-related funds need to be allocated to the fringe pool now since this topic was identified in June. Pfutzenreuter responded that the timing is driven by the fringe pool since those funds came into FY 2015 and need to be placed in the fringe pool during FY 2015. Volna added the books eventually have to be closed for auditing. If the allocation were

made after the books are closed, Volna stressed that the accounting would not be submitted to auditing, making him uncomfortable from an accuracy and transparency perspective.

Hsu asked if the entire health settlement has to be sent into the fringe pool or if those funds above what was needed could be allocated elsewhere. Volna responded that he could only speak to the specific funds in this situation, stating that this settlement is attributed to overcharges that were passed on to federal funds. It is a well-settled process to reduce the fringe pool cost and receive less funding from the federal government until the federal government has been made whole. Hsu asked if the fringe rates for next year would be impacted. Pfutzenreuter indicated that for FY 2017, the fringe rate will be lower and yield a lower budget cost for FY 2017. He added that the fringe rate will bounce back in FY 2018.

Regent Devine moved the previous question for the motion on the floor and it was seconded. The Finance Committee voted 5-1 in favor of ending discussion, with Regent Brod voting against.

The Finance Committee voted unanimously to recommend approval of the resolution related to legal settlements and central reserves fund.

GASB 68: GASB'S NEW STANDARDS ON ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

OPERATIONAL EXCELLENCE INITIATIVE: TRAVEL

Regent Beeson announced that due to time constraints, the presentations on GASB 68 and the operational excellence travel initiative would be delayed until a future committee meeting.

CONSENT REPORT

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

General Contingency:

- There are no items requiring approval this period.

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

- To Air Charter Services for an estimated \$7,500,000 for air charter services for Athletic team travel for the Department of Intercollegiate Athletics for the period of August 1, 2015, through July 31, 2016, with contract extensions through July 31, 2020. Air charter services will be purchased with funds from department operating budgets. Vendors were selected through a competitive process.
- To Huron Consulting Group for an estimated \$2,432,905 for Click Institutional Research Board (IRB) Solution and Huron's human research protection program (HRPP) Toolkit for the Office of the Vice President for Research for the period October 15, 2015, through October 14, 2020. Funding for this initiative has been allocated through the Office of the Vice President for Research. See attached documentation for basis of vendor selection.
- To Mega Farms for \$5,000,000 for snow removal for the University of Minnesota Minneapolis campus for the Facilities Management Landcare Department for the period of November 1, 2015, through October 31, 2016, with contract extensions through

October 31, 2020. The funds required for this contract will be paid for by the Facilities Management Landcare Department. Vendor was selected through a competitive process.

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

INFORMATION ITEMS

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

- Quarterly Investment Advisory Committee Update

The meeting adjourned at 3:36 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Work Session
October 8, 2015**

A work session of the Board of Regents of the University of Minnesota was held on Thursday, October 8, 2015 at 3:45 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathy Brown and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

Student Representatives present: Callie Livengood.

Chair Johnson introduced Senior Vice President and Provost Karen Hanson and Robert McMaster, Vice Provost and Dean of Undergraduate Education, to provide context for a discussion about enrollment management. Hanson cautioned that there is no one-size-fits-all model when it comes to enrollment strategy for all five campuses, and noted collaboration across the system. She explained the main factors by which the University measures a student's success, which include ACT scores, high school rank, first-year retention, and graduation rates. McMaster reported a shift in the University's range of ACT scores compared to its peers, with an overall upward trend over the past 10 years. He discussed the total size of the undergraduate class at University of Minnesota Twin Cities (UMTC), and stressed the need for careful consideration of the costs and benefits of growth before increasing the total class size.

McMaster described balancing non-resident and international students while maintaining a strong base of resident students. He commented that the student body has requested a more global learning environment, but that Minnesota can be a difficult recruiting location. Hanson reported that far more students leave the state than come in, which suggests that the University may not be doing as well as other reciprocal institutions. McMaster discussed the quality of the incoming freshman and transfer classes and noted that the University continues to admit for success, which can be measured by many factors. He explained that lower enrollment at Minnesota State Colleges and Universities institutions has led to a smaller transfer class at the University.

Hanson reported that many factors are involved when considering diversity of the student body, and noted the importance of engaging with communities during the recruitment process. McMaster emphasized that the goal is to not just recruit but also retain. He reported a rising number of students of color, but added that there is still a large gap between that population and others. He also noted that at 35 percent, the University has one of the highest undergraduate transfer rates in the Big Ten. Despite this high rate, transfer students face barriers such as limited availability of on-campus housing and lower financial aid.

Regent Cohen asked about the high percentage of transfer students, observing that such a high rate might not correspond to admitting for success. McMaster noted the long history

behind the high transfer rate. He suggested that because UMTC is a metropolitan university, and because freshman admittance is low, enrolling in a community college and then transferring is one way to gain access. He argued that this can provide access for students who might not be ready initially for a large campus, either for academic or financial reasons, but emphasized that low admittance numbers can leave many qualified students “on the cutting room floor.” Hanson added that for some, completing a year or two at a local community college while living at home and then transferring is a financial strategy. Cohen suggested that the University may need to reconsider its class size, with over 45,000 applicants per year. Kaler observed that infrastructure limitations have much to do with class-size restrictions.

Regent Beeson agreed that it may be time to reevaluate the transfer student number, given the current demographic climate. He proposed looking for agreement on several key strategies: admitting students for success; maintaining the percentage of resident students; substituting reciprocity students with non-resident/non-reciprocity students; and continuing to have international students. Beeson noted that he would like to see the honors program grow and focus more on underserved populations. He argued that the University is losing talented students to elite schools, and suggested that the University start recruiting earlier and more aggressively.

Regent Devine suggested a common, system-wide application and pool, with an option to place students not admitted to UMTC at other campuses for potential transfer later. He asked for data on such a program and a summary of the financial implications of its implementation. Devine also stressed the need to address on-campus housing, stating that it is unacceptable for students to live in rooms converted from lounges. He wondered whether the University needs more permanent housing to accommodate a growing student body. He also noted studies that find that students of color do better when they are in residence halls, and stressed that the University must consider additional factors if it serious about diversity and retention.

Regent Hsu commented that the University did not create enough housing when it shifted from a commuter to a residential campus. He stressed that the lack of residential facilities is one factor keeping the freshman class size low, since even if a student is admitted there might not be a room. He noted his shock that with more than 40,000 applications annually there is space left in some colleges. Hsu argued for a continued discussion on right-sizing and suggested that if the University is not going to fill its colleges, it needs to shrink and reduce costs. He proposed moving away from ACT scores being the primary measure of suitability, noting that there are other ways to measure a student’s likelihood of success and that focusing on those other measures could increase diversity.

Regent McMillan remarked that he was struck by McMaster’s comment about students on “the cutting room floor.” He agreed that a system-wide, integrated enrollment plan could be one way to solve the challenge of access versus excellence. He expressed hope that this might eliminate students being turned away, by instantly enrolling them at one of the system campuses, but added that this might not be realistic. He asked whether a model for this type of plan existed at a comparable institution.

Regent Brod asked what percentage of high school graduates is eligible for admission based on the University’s current ACT range. She acknowledged expanded recruitment strategies, but asked whether those strategies are aggressive enough in specific student pipelines. She observed an uneven partnership with reciprocal institutions and asked about an enrollment model that eliminates reciprocity. Brod suggested that this might address certain diversity issues while keeping the resident percentage where it is now, and requested data regarding that possibility. She questioned whether the University should make it more difficult to transfer in.

Regent Rosha remarked on the importance of access and excellence, and acknowledged the value added by non-residents and international students. He stressed that the University does not need to look outside the state for talent, adding that it is wrong to suggest that diversity

cannot be achieved by recruiting Minnesota students. Rosha offered that area businesses play a pivotal role in a student's decision to attend and agreed that the University should focus on earlier recruitment. He pointed out the value of study abroad programs for enhancing the diversity of a student's experience. He observed that Minnesota has some of the top ACT scores in the nation as well as high graduation rates, and argued that those two measures demonstrate there are many high-quality resident students. He suggested that the University consider increasing the resident student population to 70 percent.

Hanson remarked that she takes seriously concerns about reliance on ACT scores as a measure of success. She noted that while it is not necessarily a good predictor for all students, it is a good measure for some. She added that given the size of the admissions staff relative to the applicant pool, applications are not scrutinized as closely as they might be at a smaller institution.

McMaster agreed on the need for more undergraduate housing, noting that private housing does not provide the same student experience as a residence hall. He reported on the establishment of a housing endowment that will create scholarships to help low-income and underserved students live on campus, and expressed hope that additional scholarships will be available in the future. McMaster commented on the suggestion to increase recruiting efforts for specific colleges, referencing the College of Food, Agricultural and Natural Resource Sciences (CFANS) as one with room for additional students and noting that its enrollment increased this year. He added that the administration would like to recruit for more STEM programs but is limited by capacity.

McMaster agreed that there are other measures of success beyond ACT scores, but noted that it is one of the best indicators. He cautioned that because the ACT is the measure for national rankings, lowering scores could lead to a drop in the University's position. He commented that UMTC is slightly more diverse than the applicant pool, and that most of the diversity on campus comes from Minnesota students. He stated that the University's reciprocity agreements require that it view resident and reciprocity students the same way.

Hanson noted that CFANS is a good example of a "discovery" college – one with programs many students do not learn about until later in their college careers. She observed that the college could assist in transfer numbers from other institutions.

Regent Omari suggested reexamining the notion of excellence, emphasizing that expanded diversity does not mean lower standards. He commented that the University admits students based on predetermined standards, and suggested shifting the focus to providing the necessary support to ensure each student's success. Omari noted that the closing of the General College may have led to the increase in transfer students. He asked for more data regarding which students stay in Minnesota after graduation and how "return on investment" is measured regarding those students who stay. He also suggested adding 1,000 students and evaluating what would happen to the student body.

Regent Lucas agreed that it might be time to reevaluate the University's reciprocity agreements. She asked how many of the students "on the cutting room floor" applied for the honors program and how the University determines the size of that program. McMaster responded that students do not apply specifically to the honors program; admissions staff identify the students they think would be best for the program and ask them if they are interested. He noted that 10 percent of the incoming freshman class is typically moved into the honors program, though currently that number is closer to 11-12 percent. He noted that the University could certainly reevaluate honors criteria, but cautioned that the honors program should not be so large that it ceases to be special.

Regent Simmons cautioned against using the number of applications as the only indicator of market demand. She observed that the current conversation considers the geographic origin of students as a goal to achieve, versus a tactic to fill a class. She urged the Board to consider

what it means to be a national university, emphasizing the need for goals beyond mere reputation, and stressed the need to understand how changes in reciprocity could affect the institution. Simmons added that she looks forward to establishing a common set of goals and principles with the administration around enrollment management and strategy.

Student Representative Livengood observed that the achievement gap is a problem in higher education, not just K-12. She remarked that initiatives such as the President's Emerging Scholars (PES) program are important but are shrinking, and expressed hope that the University would consider similar creative programs. She offered that the College of Education and Human Development is an interesting example of diversity and alternative standards, since it has a large proportion of students of color, a broader range of ACT scores, and high graduation rates.

Regent Anderson suggested the Board not lose sight of what the University is doing right. He agreed with the need for more residence halls on campus. He would like to see more Greater Minnesota students recruited and admitted, and suggested creating programs to increase system-wide connections, such as guaranteed graduate school admission at UMTC for qualified undergraduates from other system campuses.

Hanson agreed that she would like to identify ways to connect programs across the campuses. She offered that beginning at one of the smaller campuses can help a student prove their suitability for UMTC.

McMaster responded to a number of topics raised by the Board. He mentioned the University of California as a good example of transfers from a community college system to a larger university system, but could not offer a model for transfers within a single system. McMaster reported that when looking at the incoming class, the "best" students as measured by ACT scores and high school rank are those who come from across the nation, followed by reciprocity students, then Minnesota students. He urged balance between quality and access when thinking about eliminating a reciprocity agreement. McMaster pointed out that PES students, who made up 10 percent of the incoming class this year, are admitted with a different set of metrics. Their ACT scores are lower than those of other students but their success is measured in other ways. He also noted a 98 percent retention rate last year. Finally, McMaster remarked that while there is not major progress on recruitment of students from Greater Minnesota, this year's freshman class is up 15 percent on that measure.

President Kaler added his desire to have more structure around campus connections and admission. He also observed that sometimes, regardless of effort, students simply have a desire to leave the state for college.

The meeting adjourned at 4:58 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
October 9, 2015**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, October 9, 2015 at 8:30 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathryn Brown, Brian Herman, Brooks Jackson, Richard Pfitzenreuter, and Pamela Wheelock; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

APPROVAL OF MINUTES

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

Audit & Compliance Committee – September 10, 2015
Litigation Review Committee – September 10, 2015
Academic & Student Affairs Committee – September 10, 2015
Finance Committee – September 10, 2015
Faculty & Staff Affairs Committee – September 10, 2015
Facilities, Planning & Operations Committee – September 10, 2015
Board of Regents Work Session – September 10, 2015
Board of Regents – September 11, 2015

REPORT OF THE PRESIDENT

President Kaler reported that the University was recently honored with several national awards. The Twin Cities campus received an award celebrating colleges and universities that prioritize health and student well-being, one of only five institutions to receive the award this year. Kaler added that the campus also received an award recognizing its diversity and inclusion initiatives, emphasizing that this is the fourth consecutive year the University has received this honor. He noted that the Morris campus was also honored for its commitment to energy efficiency and sustainability.

Kaler discussed progress on several key initiatives, including work to improve the University's human research protection program; legislative engagement; and an advertising campaign designed to raise awareness of the University's statewide community impact. He reported on the issue of sexual assault and misconduct, citing a national trend of increased incidents of sexual misconduct on campuses. He emphasized the need to improve the University's culture

and climate around issues of sexual violence and misconduct. Kaler reported on upcoming outreach plans, noting travel to destinations around the state and around the world.

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

REPORT OF THE CHAIR

Chair Johnson reported that Regents have been engaged in several activities across the system, such as the groundbreaking for the Tate Laboratory renovation project; the University of Minnesota Alumni Association annual awards; the UMD fall fling; and homecoming activities on the Twin Cities campus. He noted that several Regents will be visiting northern Minnesota to tour the Itasca Biological Station and the Crookston campus.

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

CONSENT REPORT

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

- Summary of Gifts through August 31, 2015.
- Appointments to the University of Minnesota Foundation Board of Trustees. The following are appointed for three-year terms, expiring in 2018:
 - The Honorable Linda Cohen
 - Ruth Bachman
 - Mary Brainerd
 - Erik Torgerson

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

UNIVERSITY PROGRESS CARD

Chair Johnson invited President Kaler to present the University progress card for approval. Kaler reminded the Board of the progress card's two categories. Gold measures have been identified as high priorities for the University. They come from well-understood and agreed-upon data sources, enable the setting of quantifiable goals, and can be influenced directly by the University. Maroon measures illustrate trends, rather than set firm goals. They are directional, may change with time, may only need monitoring, and are factors that cannot necessarily be influenced by the University.

Kaler outlined several changes to the progress card since the Board reviewed it in September. The first change was the addition of two maroon measures. One measure would track the success of the institution's inclusivity, specifically whether students of color feel a sense of belonging. A second measure would address serving Minnesota students. He suggested two possible approaches to this measure: tracking the percentage of Minnesota high school graduates enrolling at the University as freshmen, or the percentage of Minnesota high school graduates electing to attend college in Minnesota who enroll at the University as freshmen.

Kaler added that one measure had been moved from the maroon to the gold category, explaining that "Twin Cities freshman average ACT" better matches the gold criteria. A final change establishes a more robust goal for the gold measure "Percent participation employee engagement survey," targeting 72 percent by 2021 instead of 68 percent.

Regent Johnson recognized Regent Beeson for his work on the progress card. Beeson remarked that he would prefer the first measure for tracking Minnesota students, noting that the second option implies that the institution does not have the ability to increase the number of students who come to the University.

Regent Devine commented that he would like to see a measure related to transfer students, observing that the number of transfer students is down slightly from last year. He remarked that by measuring those students the University could better serve the in-state population, since many students are in that category.

Regent Rosha commented that though either approach to measuring Minnesota students could be helpful, he prefers to see the percentage of University students who are Minnesota high school graduates. He observed that the two proposed measures capture the changing demographic of students, but offered that capturing how many students are coming to the University would send a stronger message to the legislature. He cautioned that the University could receive less state funding if it does not accurately capture this metric.

In response to a question from Regent Hsu about the first proposed option for measuring Minnesota students, Kaler explained that the commissioner of education calculates the number of Minnesota high school graduates. He noted that data for the second option would be obtained with assistance from the Minnesota State Colleges and Universities. Hsu remarked that he would prefer the option suggested by Regent Rosha.

Regent Omari thanked the administration for adding a measure on inclusive success and suggested that the measure would be more appropriately placed in the gold category. He commented that the second measure for Minnesota students would be the better since it would provide a better way to track success as compared to other national institutions.

Regent Lucas remarked that she is interested in the second option, but that it seems difficult to measure. She commented that there is no way to identify a Minnesota high school student who rule out all state institutions.

Kaler proposed that he work with the Academic & Student Affairs Committee to develop a measure for tracking Minnesota high school students who attend the University, agreeing that this is an important metric to track.

A motion was made and seconded to approve the progress card, with the understanding that the administration would work with the Academic & Student Affairs Committee to better define the measure of Minnesota students.

Regent Simmons voiced her concern that the medical school ranking measure is only tracked on the metric of research dollars. She stated that other objective ranking methods exist and that she hopes to see continued efforts to better measure the school's success.

In response to a question from Regent Hsu, Regent Simmons explained that the medical school is singled out because it is the primary source for research dollars. She added that this gives the University incredible leverage in the state.

The Board of Regents voted unanimously to approve the progress card.

PRESIDENT'S RECOMMENDED 2015 SIX-YEAR CAPITAL PLAN

Chair Johnson invited Vice President Pfutzenreuter and Assistant Vice President Smith to present the President's Recommended 2015 Six-Year Capital Plan (Plan). Pfutzenreuter

explained that the Plan balances decisions about facility conditions, budget considerations, and academic priorities, and noted the importance of aligning with the strategic plan. Smith outlined the Plan's objectives and highlighted its major projects, explaining that projects may be added. Pfutzenreuter discussed the total budget for the Plan and emphasized that funding is heavily dependent on the legislative request.

Chair Johnson called upon Regent McMillan, Chair of the Facilities, Planning & Operations Committee, to present the recommendation of the committee. McMillan reported that the committee reviewed project components of the Plan and voted unanimously to recommend approval of the resolution. He moved its approval.

Chair Johnson called upon Regent Beeson, Chair of the Finance Committee, to provide the recommendation of the committee. Beeson reported that the committee reviewed the financial components of the Plan and recommends approval of the resolution. He seconded the motion.

Regent Devine commented that the Plan reflects progress on the health sciences and advancements to student spaces and technology.

The Board voted unanimously to approve the Resolution Related to the University's Six-Year Capital Plan as follows:

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 150 years is a commitment the Board has made to the State; and

WHEREAS, advancing key academic priorities is critical for the University to achieve and maintain excellence; and

WHEREAS, continuing investment in research infrastructure is essential for the future competitiveness of the University and the State of Minnesota; and

WHEREAS, enhancing the student experience for both undergraduate education and graduate and professional education is required as the core of its mission in order to generate and disseminate knowledge; and

WHEREAS, improving outreach and engagement is necessary in order to transform State communities, fuel the State economy, address State social issues, and improve the State's health; 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 responsible.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the University's Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives.

PRESIDENT'S RECOMMENDED 2016 STATE CAPITAL REQUEST

Chair Johnson invited Vice President Pfutzenreuter and Assistant Vice President Smith to remain at the table for a review of the President's Recommended 2016 State Capital Request. Vice President Wheelock joined the group. Pfutzenreuter reviewed the timeline and financial summary of the request. Smith explained that in addition to Higher Education Asset Preservation and Renovation (HEAPR) funds, the request includes three renovation and design projects on the Twin Cities campus, construction of a new building on the Duluth campus, and system-wide investments in the academic and student experience.

Regent Devine thanked the administration for the balance of projects presented in the plan. He applauded outreach efforts by the president and his administration to bring legislators to campus.

In response to a question from Regent Anderson, Wheelock explained that the projects included in the request are in various states of readiness. She noted that, should funding from the legislature be approved, some could be ready to break ground within 12-18 months. She added that if there was significant interest from the legislature and the community, institutional funds could be used to accelerate project start dates.

Regent Rosha remarked that he would like to view the plan in the context of updated system campus plans and system-wide strategic plans. He noted that this would provide better context and hopes it will be a priority moving forward.

Chair Johnson called upon Regent McMillan, Chair of the Facilities, Planning & Operations Committee, to present the recommendation of the committee. McMillan reported that the committee reviewed project components of the Plan and voted unanimously to recommend approval of the resolution. He moved its approval and the motion was seconded.

Regent Brod expressed a desire to investigate alternative sources of funding for projects. Kaler explained that a common way to fund buildings is to carry the depreciation in the budget and use repair and repair-and-replacement funds for building projects, noting that this has been done in the past. He commented that he unsuccessfully proposed an option to the legislature to increase project allocations in the University's annual budget and the University in turn would lower its HEAPR request.

Pfutzenreuter remarked on an upcoming partnership with a private company for one of the University's properties. He observed that these kinds of public-private partnerships are another way to fund projects.

The Board voted unanimously to approve the Resolution Related to the 2016 State Capital 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 2016 State Capital Request to the State of Minnesota in the amount of \$304,350,000 consisting of \$236,234,000 from the State of Minnesota and \$68,116,000 from the University of Minnesota.

UPDATE ON UMTC STRATEGIC PLAN IMPLEMENTATION

Chair Johnson invited Provost Hanson to provide an update on the Twin Cities strategic plan.

Hanson reviewed the vision and goals of the plan, noting that it is a 10-year strategic framework for advancing the quality, impact, and reputation of the University. The aim of the plan is to sustain and advance an institution that fulfills its distinctive responsibilities and addresses critical societal challenges. Hanson highlighted the four main goals of the plan: to support excellence and reject complacency; take on society's grand challenges; recruit, retain, and promote field-shaping faculty and researchers; and build a culture of reciprocal engagement. She emphasized the importance of the budget planning process in aligning investments with unit priorities, institutional mission and goals, and the plan goals.

Hanson explained that the first year of implementation has resulted in several specific accomplishments and has helped to shape the plan for sustained progress. She noted quick wins in the main goal areas, identifying collaborations across colleges and departments, and between faculty, students, and staff. Hanson remarked that in year two of implementation, she expects stronger efforts toward campus engagements and greater accountability. She noted that there will be greater alignment with other strategic and operational plans, and increased partnerships with the University of Minnesota Foundation and Alumni Association. Hanson invited Professors Jason Hill and Raymond Duval to discuss the grand challenges course offerings and research strategies.

Hill reported that he and his colleagues in the grand challenges courses present a global problem to their students and ask them to participate in the process of solving the issue. He remarked that it is not enough to simply understand an issue academically. Hill explained that the students in his class come from all over the University, which helps lend diversity to the course and to the solutions. He commented that the students form a strong camaraderie by working together on global issues.

Hill introduced Natalie Vandenburg, a student from his class "Can we feed the world without destroying it?" Vandenburg explained that she transferred into the College of Food, Agricultural and Natural Resource Sciences (CFANS) when she realized that the subjects about which she was passionate could help solve some of the world's problems. She commented that the grand challenges course is unique, and there is much about the state that lends itself to understanding the topic of food sustainability. She expressed a high level of confidence in her professors and those who teach the grand challenges courses.

Duval reported that there has been broad campus engagement around grand challenges research efforts. A team of faculty members who have been working to establish a set of research priorities for the University is leading these efforts. He explained that the team has gathered input and suggestions from the University community and is working to group the priorities into broad categories. Several upcoming forums this fall will help to further clarify the research priorities and foster connections among researchers in different fields.

In response to a question from Chair Johnson, Hill remarked that there has been a direct transfer of knowledge from University research to Minnesota farming communities. He noted that his and other grand challenges courses seek not only to have a global impact, but also affect change closer to home.

Regent Cohen commented that she is blown away by the progress that has been made on the strategic plan. She admitted that the initial grand challenges proposal seemed broad and complex, but is impressed with the implementation efforts and plans for future progress.

Regent Rosha emphasized the importance of the land-grant mission of the University. He remarked that while there should be a balance between global challenges and those of the

state, it seems appropriate to place a greater emphasis on the major issues of the state. He suggested that this focus would help further the University's cause with the legislature.

In response to a question from Regent Hsu, Hanson stated that there was not a specific allocation in the budget for the strategic plan. She explained that money was reallocated from several units during the compact process and that those funds are being aligned with the plan. Hanson remarked that more money would allow them to provide more services and programs around the grand challenges initiatives.

Regent Lucas commented that it was very beneficial and enriching to see a student present to the Board. She expressed a desire to hear from more students in the future.

Regent Anderson commented that collaboration and engagement across the administration, faculty, and students is good for the University and good for the state.

Regent McMillan suggested that the path to more resources could come from connecting grand challenges to state challenges and emphasizing those connections to the legislature.

Regent Beeson offered that the grand challenges initiatives might help to dismiss the myth of the ivory tower.

Regent Brod stated that the plan has many external implications. In response to a question from Regent Brod, Hanson stated that there are many ways to engage the business community and develop partnerships outside the University. She emphasized a new approach to public engagement, and the need for events that draw attention to the connections to the community.

Regent Simmons agreed that the focus on state issues is consistent with the land-grant mission of the institution. She suggested that the upcoming action on M Health is a perfect example of the University connecting its work to the needs of the state. Duval explained that the grand challenge process includes an explicit criterion regarding impact on the state and on the nation.

PRIMER ON MINNESOTA OPEN MEETING LAW

Chair Johnson invited General Counsel Donohue and Deputy General Counsel Tracy Smith to provide the Board with an overview of the Minnesota open meeting law (OML). Donohue explained that OML directs that all meetings of a public governing body be open to the public. He noted that there are a few exceptions to OML. He remarked that while the law does not officially define the term, a "meeting" is considered to be a quorum of the public body or one of its committees. He clarified that chance or social gatherings do not qualify as a meeting.

Donohue discussed the requirement that notice be given of any meetings of the public body, explaining the specific parameters for regular, special, emergency, and closed meetings. He described the situations when a meeting may be closed – such as for labor negotiations, performance evaluations, or attorney-client privileged discussions – adding that some meetings must be closed by law. Donohue explained that failure to adhere to OML could result in disciplinary charges being brought against the offending individual.

In response to a question from Regent Devine, Donohue noted that there is no provision in the law to protect the confidentiality of business or research dealings. He clarified that the data practices act has some specific language about protecting trade secrets.

In response to a question from Regent Hsu, Donohue clarified that any fines or penalties for breaking the law would be issued by a district court and the offending Regent would pay that

fine. He commented that he did not know the statute of limitations for the law but would find out the information.

M HEALTH LETTER OF INTENT

Chair Johnson invited Vice Presidents Jackson and Pfutzenreuter, and University of Minnesota Physicians (UMP) CEO Bobbi Daniels to provide an overview of the M Health letter of intent, and asked Regent Simmons to begin the discussion

Regent Simmons commented that Minnesota needs a strong and effective academic medical program, explaining that the letter of intent will promote the three parts of the University's mission. She stressed that the partnership between the University, UMP, and Fairview Health Services will improve the quality of the health care system, control costs, and better serve the people of the state. She clarified that this is not a new collaboration, but it is a critical step in the partnership. Simmons made a motion to approve the letter of intent. Regent Omari seconded the motion.

Jackson stated that to have a world-class medical school, the University must be part of a world-class health system. He explained that while the current relationship combines the three entities, there is confusion in transactions, which leads to less than optimal patient care. He noted that the University is lagging behind the market and is not as competitive as it could be.

Jackson outlined the vision of the new partnership: to heal, to discover, and to educate for longer, healthier lives. He explained that achieving this vision requires a joint venture, but emphasized that the partnership is not a takeover of any one entity by another. He reported that the new board would be composed half of members from Fairview and half of members appointed by the Board of Regents. Jackson clarified that the letter of intent is non-binding but sets forth key principles to develop a set of definitive agreements. He highlighted the key principles, including those regarding governance and organizational structure, clinical practice and physician leadership, management and operations, and finances. He outlined the next steps in the process to complete the agreements.

Daniels stated that the faculty and UMP physicians are excited to build upon the M Health relationship previously approved by the Board.

Regent Simmons withdrew her initial motion. She made a new motion to approve the resolution related to the letter of intent, not approve the letter itself. Regent Omari withdrew his initial second and seconded Simmons' second motion.

Regent Beeson commended President Kaler for addressing the issue of the partnership and noted its complexity. He remarked that while the partnership is not without risk, it is the best opportunity to create a sustainable model that will help the community, the medical school, and the University. He asked for attention to the long-term goals of the agreement.

Regent McMillan commented that there are many forces impacting the current health care industry. He offered that this partnership will help secure a stronger and more promising future for academic medicine in the state and will improve the quality of economics of health care. He thanked Simmons for her work on the process.

Regent Devine acknowledged the work of Regent Emeritus John Frobenius. He added that the new structure will be transformative for the people of Minnesota, affecting both patient care and research. In response to his question about the impact beyond the Twin Cities campus, Daniels stated that Fairview has a site in Hibbing and so there is an immediate ability to extend the reach of services to the Duluth campus. She also noted the presence of several health systems in Greater Minnesota that deal with specific types of care and services.

Regent Rosha stated support for the resolution, but raised concerns that the current market has forced the University into a competitive role with the rest of the state's providers. He added that the partnership is a strong step in the right direction, despite the challenges created by competition with other providers.

Regent Brod remarked that though there is risk in the partnership, there is greater risk in not doing anything. In response to her question regarding fiduciary responsibility, Pfitzenreuter shared that the administration would undertake financial due diligence. He noted that additional information will be brought to the Finance Committee in February, and that more decisions will need to be made about reporting structures.

In response to a question from Regent Hsu, Jackson stated that there is a search process in place for the system CEO, who will be jointly appointed by the University and Fairview. He noted that the recommendation will go to the new M Health board. He anticipated that the CEO would have a background with demonstrated success in a similar health system. Jackson stated that there will be interim co-chairs of the new board, one appointed by the Board of Regents and one by Fairview. Regent Simmons commented that hiring the right CEO is key to the success of the partnership.

Regent Cohen expressed strong support for the resolution and thanked those who had worked on it. She stated that she does not believe the University can stay with the status quo, and commented that she is comforted that the UMP physicians have voted for the transition.

Kaler commented that the partnership will be an historic event. He expressed his belief that it will change and improve the medical school and the allied health programs, and will move the University forward.

The Board voted unanimously to approve the Resolution Related to University of Minnesota Health Letter of Intent as follows:

WHEREAS, the University of Minnesota ("University"), the University of Minnesota Physicians ("UMP"), and Fairview Health Services ("Fairview") have a mutual goal to form an integrated academic health system, dedicated to high quality patient care, leading edge research, and training of tomorrow's workforce;

WHEREAS, in 2013 the University and Fairview formed an integrated structure to streamline care, reduce confusion in the market, and generate additional revenues for the Medical school;

WHEREAS, the parties goal now is to integrate wholly, ensuring consistent, affordable, high-quality patient care across the system, market leading quality and service, efficiency and growth, creation of new knowledge and translation of that knowledge, a strengthened commitment to training the next generation of health care providers and elevation of the stature of the University's Academic Health Center and the Integrated Academic Health System;

WHEREAS, this integrated system is an important step toward ensuring success of the tripartite mission and becoming a world class Medical School and a world-class health system;

WHEREAS, the integrated academic health system would include Fairview and all its affiliates and subsidiaries and the entirety of UMP;

WHEREAS, the University, UMP, and Fairview have negotiated a set of principles on which to develop a new integrated academic health system and a non-binding letter of intent to begin formal development of definitive agreements by March 31, 2016;

WHEREAS, this letter of intent was approved by the University of Minnesota Physicians board on September 30, 2015 and by the Fairview Health Services board on October 2, 2015;

NOW, THEREFORE, BE IT RESOLVED, that the president and the vice president for health sciences are hereby authorized to sign a non-binding letter of intent and to enter into development of definitive agreements reflecting the Parties' obligations and commitments related to the development and operation of an integrated academic health system;

BE IT FURTHER RESOLVED, that those definitive agreements are subject to approval of the Board of Regents as well as the University of Minnesota Physicians board and the Fairview Health Services board.

COST DRIVERS AT THE UNIVERSITY

Chair Johnson invited Vice President Pfitzenreuter and Associate Vice President Tonneson to present on cost drivers. Pfitzenreuter reported that the major cost drivers at the University are personnel costs, facilities, student aid, and technology infrastructure. He discussed the all-funds budget structure, including sponsored and non-sponsored funds, and explained the reporting and accounting structure. He remarked that though the total budget amount has increased, the percentage devoted to personnel costs has remained relatively steady.

Pfitzenreuter discussed cost pool allocations and noted charges by major pool. He observed that while the Twin Cities campus has been growing in actual square footage, the investment in repair and replacement has not kept pace. He noted that this demonstrates an underinvestment in facilities on campus. Pfitzenreuter discussed the University's annual debt service and how it drives the annual budget. He explained that technology infrastructure is a key driver, with assessment fees that cover one-time expenses as well as ongoing maintenance.

Regent McMillan commented that earlier Board discussions in the annual budget cycle are crucial. He expressed hope that although technology infrastructure costs are a constant, programs such as ESUP and the Job Family Study will eventually provide cost savings.

Regent Beeson noted that it is important to keep in mind the issue of student aid and tuition revenue, especially in the context of enrollment strategy.

Regent Brod remarked that one way to control costs is to identify areas where the University is not excellent and make some tough decisions about those areas. She emphasized the need for more action in addition to discussion. In response to her question about consuming assets, Pfitzenreuter stated the importance of taking down buildings that are no longer serving their purpose. He noted that it is critical to invest more in repair and replacement dollars and not rely so heavily on Higher Education Asset Preservation and Renovation (HEAPR) funds.

In response to a question from Regent Omari about the distribution of resources, Tonneson stated that an individual department may cover its costs from a variety of different sources. She acknowledged many different perspectives from which to approach costs.

Kaler commented that output of the institution is another key element. He noted that although total headcount has increased, many other areas have increased efficiency and productivity. He observed that the University is leveraging its staff more effectively to meet the mission.

REPORT OF THE FINANCE COMMITTEE

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

1. Approval of the Consent Report for the Finance Committee as presented to the committee and described in the October 8, 2015 committee minutes.
2. Approval of a Resolution Related to Legal Settlements & Central Reserves Fund as follows:

WHEREAS, the Board of Regents has established a board-designated fund called Central Reserves Fund; and

WHEREAS, the majority of resources in Central Reserves Fund are not allocated to any specific unit of the University and the fund includes resources from a variety of sources, including legal settlements; and

WHEREAS, the University of Minnesota periodically receives payments related to legal claims made by the University; and

WHEREAS, during fiscal year 2015 the University received two significant legal settlements (\$9,100,000 related to the West Bank Contamination Settlement and \$12,500,000 from a Health Related Settlement) both of which reflect totals prior to payment of legal costs and were deposited into an unrestricted account in the general ledger of the university but were itemized as part of the central reserves fund during fiscal year 2015 as required by board policy; and

WHEREAS, the allocation of these legal settlement resources was not specifically called out as part of the President’s Recommended FY 2016 Operating Budget (Operating Budget) in Attachment 10: Fund Forecast – Centrally Distributed and Attributed Funds.

NOW, THEREFORE, BE IT RESOLVED that the administration is directed to undertake the necessary accounting entries to correct the original entries made when the settlements were received and deposited.

BE IT FURTHER RESOLVED that the following specific allocations relating to legal settlements, not previously called out in the Operating Budget, are approved as follows:

A. Health Care Settlement	12,500,000.00
Allocated to:	
Settlement Legal Costs	585,904.32
Reimbursement to Medical Fringe Pool Account	11,914,095.68
	<hr/>
	12,500,000.00
B. West Bank Contamination	9,100,000.00
OGC Professional Development	100,000.00
Settlement Legal Costs	916,504.00
LAW – FY15 Year End Deficit	3,250,000.00

Future Well Replacement	1,500,000.00
CBS – New Dean Commitment (over 4 years)	960,000.00
PUBHL – Hlth Equity Position Start Up (partial)	473,496.00
UMD – Strategic Enrollment Mgmt Plan	1,900,000.00
	9,100,000.00

BE IT FURTHER RESOLVED that the attached revise Attachment 10: Fund Forecast - Centrally Allocated and Attributed Funds is approved.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Finance Committee.

Beeson added that the committee also reviewed a report on administrative cost benchmarking and received a primer on reallocation; and received several information items as outlined in the docket materials.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

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

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

1. Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the October 8, 2015 minutes.

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

Cohen reported that the committee also received a presentation on University enrollment management, and discussed tuition and financial aid management.

REPORT OF THE FACILITIES, OPERATIONS & PLANNING COMMITTEE

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

1. Approval of Schematic Plans for the following projects as presented to the committee and described in the October 8, 2015 minutes:
 - A. Chemical and Advanced Materials Sciences (Duluth Campus)
 - B. Athletes Village (Twin Cities Campus)
2. Approval of Capital Budget Amendments for the following projects as presented to the committee and described in the October 8, 2015 minutes:
 - A. Athletes Village (Twin Cities Campus)
 - B. Glensheen – Restoration of Tennis Court Garden Walls (Duluth Campus)

C. Siebert Field – Hitting Facility (Twin Cities Campus)

Regent Devine commented on the affirming role of student-athletes and thanked the donors to the Athletes Village project.

Regent Beeson remarked on the great energy around fundraising efforts for this project. He thanked the late Regent David Larson and his widow, Jani Larson, for their support, and acknowledged the work of the athletic department.

Regent Rosha commented on concerns he has heard from the public. Regarding concerns that the facility may separate student-athletes from the general student body, he noted that the University needs a high-caliber facility to advance the athletic program. Regarding concerns about the amount of money spent on the facility, he observed that the investment in athletics will help support the University's mission.

Regent Lucas expressed her support for the commitment to gender equity, but observed that there is still room for advancement. She suggested more support for some of the other Olympic sports.

Regent Johnson thanked Interim Athletics Director Beth Goetz and her staff. Johnson commented that student-athletes support and promote the University, and that this facility gives them the opportunity to be more competitive within the Big Ten and on a national level.

A motion was made and seconded and the Board voted unanimously to approve the recommendations of the Facilities, Planning & Operations Committee.

McMillan reported that the committee also reviewed an update on campus safety and received several information items as outlined in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

Regent Simmons, Chair of the committee, reported that the committee discussed shaping academic department culture; received a presentation on recruiting and attracting field-shaping faculty; discussed enhancing human resources work across the enterprise; and received several information items as outlined in the docket materials.

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

Regent Cohen, Chair of the committee, reported that the committee reviewed its annual work plan; discussed habits of highly effective boards; received a presentation on the Board Policy review process; and reviewed proposed amendments to two Board of Regents Policies: *American Indian Advisory Boards* and *Namings*.

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

NEW BUSINESS

Regent Omari noted that three major initiatives were advanced in the meeting, some of which have been in progress for years. He observed that while the Athletes Village is likely to get the most public attention, the strategic plan initiatives and the M Health letter of intent have just as great an impact on Minnesota and the University community. He commented that the Board should celebrate all of the people who are involved in those projects and wished that all were headline-worthy.

The meeting adjourned at 11:52 a.m.

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

BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Litigation Review Committee
October 30, 2015**

A meeting of the Litigation Review Committee of the Board of Regents was held on Friday, October 30, 2015 at 3:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler, Senior Vice President and Provost Karen Hanson, Vice President Brian Herman, General Counsel William Donohue, and Executive Director Brian Steeves.

Others present: Arnie Frischman, Amy Phenix, Brian Slovut, and Tracy Smith.

The meeting convened in public session at 3:05 p.m.

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

At 3:07 p.m. a motion was made and seconded that the following resolution be approved:

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

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Friday, October 30, 2015 at 3:00 p.m. in the East Committee Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Discussion of Litigation (closed meeting)*
 - A. *Claims against MD Anderson Cancer Clinic for licensed use of University intellectual property*
 - B. *Potential appeal of student conduct code decision*
 - C. *Threatened litigation for defamation*

The committee voted unanimously to approve the resolution and the meeting was closed.

After concluding discussion of the item related to the MD Anderson Cancer Clinic, Regent Devine recused himself and left the meeting. Regent Anderson presided for the remainder of the meeting.

The meeting adjourned at 5:43 p.m.

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

BRIAN R. STEEVES
Executive Director and
Corporate Secretary