

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**MINUTES**

**BOARD OF REGENTS MEETINGS**

**AND**

**COMMITTEE MEETINGS**

**December 13-14, 2013**

**Office of the Board of Regents**

**600 McNamara Alumni Center**

UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS

Minutes of the Board of Regents Meetings  
and Committee Meetings

December 12-13, 2013

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**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Ad Hoc Nominating Committee  
December 12, 2013**

A meeting of the Ad Hoc Nominating Committee of the Board of Regents was held on Thursday, December 12, 2013 at 7:45 a.m. in the Board Office, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Richard Beeson, and John Frobenius.

Staff present: President Eric Kaler; Vice President Aaron Friedman; Executive Director Brian Steeves; and Assistant Vice President Terry Bock.

**APPOINTMENTS TO FAIRVIEW HEALTH SERVICES BOARD OF TRUSTEES**

Under the terms of the 1996 agreements with Fairview Health Services (FHS), the University of Minnesota appoints four members on the FHS Board of Directors, its corporate governing board. Two positions expire effective December 31, 2013. President Kaler reviewed nominees for the Board of Directors as detailed in the associated materials distributed at the meeting and on file in the Board Office.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the following action:

- Appointments to the Fairview Health Services Board of Directors, as follows:
  - Levi Downs, three-year term expiring December 2016; and
  - Richard Ostlund, three-year term expiring December 2016.

**APPOINTMENTS TO INTEGRATED STRUCTURE BOARD OF DIRECTORS**

Under the terms of University of Minnesota, University of Minnesota Physicians (UMP), and Fairview Health Services (FHS) agreements creating the Integrated Structure (IS), the IS organization has a Board of Directors with 12 members as follows:

- Dean of the Medical School, ex officio voting member and chair;
- Fairview Chief Executive Officer, ex officio voting member;
- Four members appointed by UMP and the University
- Four members appointed by FHS; and
- Co-presidents of the IS, who serve as non-voting members.

According to the agreements, the Board of Regents approves the University/UMP members upon recommendation of UMP, Dean of the Medical School, and University President. President Kaler, Vice President Friedman, and Keith Dunder, Academic Health Center Counsel, presented four nominees for approval, emphasizing that this is a management board rather than a governing board.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the following action:

- Appointments to the Integrated Structure Board of Directors, as follows:
  - Denis Clohisy, one-year term expiring January 2015;
  - Diane Lilly, two-year term expiring January 2016;
  - Dee Thibodeau, three-year term expiring January 2017; and
  - Jennie Carlson, three-year term expiring January 2017.

The meeting adjourned at 8:02 a.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Special Committee on Academic Medicine  
December 12, 2013**

A meeting of the Special Committee on Academic Medicine of the Board of Regents was held on Thursday, December 12, 2013 at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Richard Beeson, Thomas Devine, John Frobenius, Dean Johnson, and David McMillan.

Staff present: President Eric Kaler; Vice President Aaron Friedman; Executive Director Brian Steeves; and Associate Vice Presidents Terry Bock and Barbara Brandt.

**EDUCATING & TRAINING MINNESOTA'S HEALTH WORKFORCE**

Vice President Friedman summarized Academic Health Center (AHC) programs, including program length and type of instruction required for various health professions, and noted current challenges facing the industry, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Friedman explained that educating health professionals is highly regulated through accreditation standards, licensure, and certification requirements for practice. He highlighted that the lengthy education and training process requires a significant and increasingly difficult-to-fulfill number of clinical hours for each student; a requirement that impedes any substantial increase in class sizes as a way to meet the growing demand for health professionals.

He added that reduced state and federal funding has increased average student debt for the various degree programs. Friedman emphasized that the high percentage of graduates with loans, as well as the increasing size of those loans, needs to be addressed.

Friedman invited John Andrews, Associate Dean of Graduate Medical Education, Medical School, to outline the requirements of Graduate Medical Education (GME) as well as its funding streams. Andrews explained that GME is the critical training and education of physicians after Medical School required to obtain licensure and practice independently. The University and Mayo Clinic both sponsor GME programs in Minnesota, with 910 residents and fellows in the University's programs. He noted that 61 percent of the University's GME residents stay in Minnesota to practice.

Andrews explained that the funding for GME is complex, with hospitals covering the bulk of the cost through Medicare. He added that the federal funding level was capped in 1997, which requires hospitals and the University to invest other funds above the cap to meet workforce demands.

In response to a question from Regent Frobenius, Andrews concurred that federal funding for GME is precarious. Several politicians have suggested that if required to do so, the private sector would develop an alternative funding solution because of declines in, or elimination of, federal funding.

In response to a question from Regent Devine, Friedman noted that future workforce needs cannot be met solely by increasing class sizes. Training health professionals to practice differently, through interprofessional education and removing scope of practice barriers, will be required.

In response to a question from Regent McMillan, Friedman indicated that the increasing demand on providers to be more efficient and productive during clinic hours makes it prohibitive to train residents in that setting.

Friedman introduced Barbara Brandt, Associate Vice President of Education, Academic Health Center, to present information on the National Center for Interprofessional Practice and Education (Center).

The goals of the Center are to:

- Improve quality of experience for people, families, communities and learners.
- Share responsibility for achieving health outcomes and improving education.
- Reduce cost and add value in health care delivery and education.

Brandt explained that the Center is being supported by over \$12 million in grant funding from various sources over the next five years, which will be used to redesign education and clinical practice into interprofessional teams that can collaborate effectively to deliver high-quality care.

Brandt cited a frequent complaint among health professionals that graduates are not ready to work collaboratively, and require significant time and resources to retrain. Brandt and Friedman emphasized that embracing an interprofessional education and practice model will require changes to the accreditation standards of the schools to incorporate benchmarks in interprofessional training, as well as changes to scope of practice laws for providers.

Friedman invited Connie Delaney, Dean, School of Nursing, to present information on growth in the School of Nursing (Nursing) and the expanded role nurses will play in future healthcare delivery. Delaney shared that Nursing holds many distinctions and is highly ranked among schools of nursing nationally. She also noted that the Doctor of Nursing Practice program is one of the largest in the country.

The University prepares more than 50 percent of all advanced practice nurses who teach and practice in Minnesota. Delaney described a 2010 Institute of Medicine report that recommends 80 percent of nurses should hold a Bachelor of Science in Nursing by 2020. She cautioned that in Minnesota, only 20 percent of nurses have earned a bachelor's degree, and noted that 75-80 percent of the University's nursing faculty members are eligible to retire within the next 10 years.

Delaney shared that Nursing has been growing significantly across its degree programs in the last several years and expects continued growth through a strategic partnership with the veterans health system and a \$10 million gift from the Bentson Foundation. She expressed concern that Minnesota has more restrictive regulations for Nurse Practitioners than neighboring states, despite evidence suggesting greater access to healthcare services in rural, underserved areas in states with less restrictive environments.

In response to a question from Regent Frobenius, Delaney shared that Nursing collaborates closely with schools in the Minnesota State Colleges and Universities system (MnSCU) to monitor program duplication and has taken the lead to develop an online, automated clinical site scheduling system that will be shared by the University, MnSCU and other local, private

colleges. She also shared that students already holding an associate's degree and interested in obtaining a bachelor's degree are referred to MnSCU schools for their education.

The meeting adjourned at 9:41 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**

**Audit Committee  
December 12, 2013**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, December 12, 2013 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

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

Student Representatives present: Meghan Mason and Nicole Vang.

**BOARD OF REGENTS POLICY: AUDIT COMMITTEE CHARTER**

Associate Vice President Klatt presented for review amendments to Board of Regents Policy: *Audit Committee Charter*, as detailed in the docket materials. She explained that the policy was being revised to align with changes to Board of Regents Policy: *Board Operations and Agenda Guidelines*. The proposed amendments also increase the threshold for the committee's review of audit contracts from \$25,000 to \$100,000.

In response to a question from Regent Allen, Associate Vice President Volna explained that an average of 12 audit contracts are reported to the Board each year.

The policy will return to the committee for action at a future meeting.

**EXTERNAL AUDITOR REPORT**

Associate Vice President Volna introduced Kristen Vosen and Judith Dockendorf from Deloitte and Touche LLP (Deloitte) to present the external auditor's opinion on the University's fiscal year 2013 financial statements and other required audit communications, as detailed in the docket.

Vosen reported that Deloitte had issued an unqualified opinion for 2013. She summarized the key financial information and major elements of the audit as well as procedures used to complete the review. The audit highlighted several of the University's accomplishments, including a strong net asset position, a diverse revenue base, and increased student demand. She noted that the erosion of public funding and rising costs would continue to challenge the University.

In response to a question from Regent Brod, Vosen explained that the University has many strengths, including a recognizable brand and a strong history of capital planning.

In response to a question from Regent Allen, Vosen explained that the audit community and investment managers have responded well to policy changes related to how non-traditional assets are valued.

### **INTERCOLLEGIATE ATHLETICS RISK PROFILE**

Associate Vice President Klatt introduced Athletics Director Norwood Teague to present information on the Intercollegiate Athletics Risk Profile, as detailed in the docket.

Teague provided an overview of the risks associated with operating a Division 1 intercollegiate athletics program. He explained that student athletes face higher incidence of injury and noted that his department is well staffed in the area of sports medicine. Teague reported that the McNamara Academic Center emphasizes academic achievement and plays a key role in guiding student athletes toward graduation. He expressed concern about the athletic department's ability to pay for increasing facilities costs as well as proposed changes in athletic scholarships that include the total cost of attendance. He described how Big Ten universities generate revenue from their football stadiums and noted that the University's mandatory season ticket contribution is lower than many of its peers.

In response to a question from Regent Brod, Teague suggested that professional sports franchises have minimal impact on college sports attendance.

In response to a question from Regent Lucas, Teague noted that the department has hired a consultant to analyze compliance with Title IX, and that the results of the study would be shared with the Board.

### **INSTITUTIONAL COMPLIANCE OFFICER SEMI-ANNUAL REPORT**

Lynn Zentner, Director, Office of Institutional Compliance (OIC), presented a summary of compliance activities since her last report to the committee in December 2012, as detailed in the docket.

Zentner provided an overview of OIC's activities and covered the following key points:

- Disability Services is partnering with the Office of Information Technology to find ways to enhance the accessibility of hardware and software for people with disabilities.
- The Office of Occupational Health and Safety has conducted compliance-related reviews at each of the ten Research Outreach Centers and has been able to reduce deficiencies by 29 percent.
- The University will be responsible for increased reporting requirements and enhanced data collection related to the newly enacted Campus Sexual Violence Elimination Act (SaVE Act).
- From the period of January 1, 2013 through November 19, 2013, approximately 11,000 Reports of External Professional Activities (REPAs) were filed by faculty and professional and administrative staff. Nearly 99 percent of staff required to file REPAs have done so.

In response to a question from Regent Brod, Zentner explained that each University campus publishes the SaVE Act report on its website.

In response to a question from Regent Allen, Zentner explained that the conflict of interest program has great cooperation and support across the University community.

## INFORMATION ITEMS

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

- Report of Engagements with Audit Firms
- Semi-Annual Controller's Report

The meeting adjourned at 9:29 a.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Academic & Student Affairs Committee  
December 12, 2013**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, December 12, 2013 at 10:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle and Fred Wood; Senior Vice President & Provost Karen Hanson; Vice President Brian Herman; Executive Director Brian Steeves; and Associate Vice Presidents Bernard Gulachek and Gail Klatt.

Student Representatives present: Meghan Mason and Joelle Stangler.

**BOARD OF REGENTS POLICY:  
COMMERCIALIZATION OF INTELLECTUAL PROPERTY RIGHTS**

Senior Vice President and Provost Hanson invited Vice President for Research Brian Herman and Jay Schrankler, Executive Director, Office for Technology Commercialization, to present for review changes proposed to Board of Regents Policy: *Commercialization of Intellectual Property Rights*, as detailed in the revised docket and associated materials distributed at the meeting and on file in the Board Office.

Herman explained that the proposed changes to the policy would allow graduate and undergraduate students to own the intellectual property (IP) they create during coursework taken for credit, as long as the resources used were routinely made available to all students in the course; the IP was not based upon preexisting University-owned IP; no co-inventors were University employees or outside individuals; and the class or project was not supported by a third party or corporation, government grant or contract.

Schrankler outlined that in many classes, such as engineering or entrepreneurship courses, companies contribute real-world problems and projects for students to address. When a company sponsors the project, it often wants the students to assign the IP to the company upon completion. He noted that the current process requires the University to file paperwork to assign the IP to the student so that in turn, the student can assign it to the company. He stressed that while this policy change would eliminate that requirement, the Office for Technology Commercialization would still be available to support students during the process through the Venture Center.

Schrankler indicated that courses with corporate-sponsored projects would also be required to provide an alternative project for students who do not want to turn over their IP rights.

In response to a question by Regent Devine, Schrankler confirmed that other land-grant universities have adopted similar policies allowing students to own their intellectual property.

In response to a question by Student Representative Mason, Schrankler reported that only one or two courses do not currently offer an alternative option for sponsored projects.

This policy will return to the committee in February 2014 for action.

### **UNDERGRADUATE EDUCATION UPDATES & FUTURE GOALS**

Provost Hanson invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, to report on the status of undergraduate education, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

McMaster noted that his update would focus on the Twin Cities campus. For the fall 2013 semester, 30,271 degree-seeking undergraduate students are enrolled. The incoming freshman class size held steady over last year, and the number of admitted transfer students grew slightly. He shared that the University received a record number of applicants for the freshman class, made more offers than ever before, and enrolled a class with the highest average ACT scores and high school ranking ever. He also highlighted the University Honors Program, noting the University is very competitive with the top national institutions for the caliber of students it attracts.

McMaster reported on Twin Cities graduation rates. The four-year graduation rate was 59.1 percent, falling just short of the 60 percent goal. He reported that the goal of a 75 percent five-year graduation rate was met in 2013.

McMaster described changes to the Presidents Emerging Scholars program to make it a four-year program that includes incentives for students to stay on track to graduate in four years. He also outlined additional efforts to improve the graduation rate such as comprehensive enrollment management planning, improved advising services and tools, and close monitoring of program requirements. McMaster added that the highest priority for the coming year is to determine the factors that influence the first-year retention rate.

In response to a question by Regent Cohen, McMaster clarified that President's Emerging Scholars are selected on the basis of potential, with a holistic review of the rigor of their high school curriculum and their leadership, volunteer and extracurricular activities. He noted that programs such as peer mentoring and performance monitoring are integral to ensuring success for President's Emerging Scholars.

In response to a question by Regent Omari, McMaster indicated that the University does not set specific enrollment goals around GPA and ACT scores. Each college has a loose set of metrics that are considered as part of a full review process.

In response to a question by Regent Simmons, McMaster offered that substantial merit-based scholarships are required to attract Honors Program students.

In response to a question by Student Representative Stangler, McMaster responded that only 3.5 percent of students graduate in less than four years. He added that students entering with large numbers of credits earned in high school often elect to stay a full four years and enrich their curriculum with electives.

## **UNDERGRADUATE TUITION & FINANCIAL AID PHILOSOPHY**

Provost Hanson and Vice Provost McMaster introduced a discussion on undergraduate tuition and financial aid philosophy, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Hanson emphasized that because of the complexities and individual circumstances affecting tuition decisions for each campus, the discussion would focus only on undergraduate tuition on the Twin Cities campus. She indicated that graduate tuition would be covered in another meeting and referred committee members to the docket for undergraduate tuition rates for other campuses.

McMaster described a three-legged stool of tuition, financial aid, and enrollment management. He emphasized the importance of considering the total impact in all three areas as opposed to each individually.

McMaster explained the current tuition structure and shared the principles currently used to guide financial aid for undergraduate students. He also outlined several other tuition models that are being used or have been proposed by other universities.

He presented data on the different types of financial support for students (gift aid, waivers, University or work-study employment, and student and parent loans) broken out by campus and historically over a five-year period. McMaster also provided an overview of typical aid packages at various income levels to illustrate the gift aid and loan packages available to students and families to meet the cost of attendance. He emphasized that the percentage of students taking out loans, as well as the average loan debt for those students, increased significantly for students who did not graduate within four years.

In response to a question by Regent Cohen, McMaster noted that possible incentives and disincentives include a surcharge on credits exceeding a certain cap or a refund for graduation in four years. He added that some consideration would need to be made to students arriving with credits earned in high school.

In response to a question by Regent Lucas, McMaster explained that the University Promise Grants are scaled to the expected family contribution and were expanded to provide additional assistance to middle-class families. He added that Promise Grants do not take into account whether a family has more than one child in college, but that Pell Grants do.

In response to a question by Regent Devine, McMaster indicated that the University focuses aid on first-year, full-time enrolled students, rather than on transfer students. He offered that the University may be falling short on the transfer experience, and that a deep focus on fiscal realities for those students is likely needed.

Chair Simmons summarized the discussion items that would be shared with the Board at the work session on the same topic:

- Interest in pursuing incentives for timely graduation.
- Greater attention to student and family debt levels.
- Remain open and attentive to innovative models from other universities.
- Determine where the University's investments take out costs for students.
- Consider the impact of student employment to help fund education.
- Recognize the important role of student advising on timely graduation.
- Closely examine the transfer student experience.

- In several years, examine impact of differential tuition implemented at the Carlson School.

### **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 Food, Agricultural and Natural Resource Sciences (Twin Cities campus)—Create undergraduate minor in Agricultural and Food Business Management
  - College of Liberal Arts (Twin Cities campus)—Create certificate in Spanish Language Advanced-Level Proficiency
  - Medical School (Twin Cities campus)—Create a Fellowship in Neuromuscular Medicine
  - Medical School (Twin Cities campus)—Create a Post-baccalaureate Certificate in Orthoptics
  - Crookston campus—Create a B.S. degree in Entrepreneurship and deliver the degree online
- **Request for Changes to Academic Programs**
  - Academic Health Center (Twin Cities campus)—Change the name of the B.S. degree in Clinical Laboratory Sciences to Medical Laboratory Sciences
  - College of Continuing Education (Twin Cities campus)—Create a sub-plan in Thematic Career and Technical Education within the B.S. Degree in Inter-College Program
  - College of Design (Twin Cities campus)—Discontinue the sub-plan in Thematic Career and Technical Education within the B.S. degree in Inter-College Program
  - College of Design (Twin Cities campus)—Discontinue the sub-plan in Housing Technology within the B.S. degree in Housing Studies
  - College of Education and Human Development (Twin Cities campus)—Change the name of the minor in Social and Philosophic Studies in Education to Sociocultural Studies in Education
  - College of Liberal Arts (Twin Cities Campus)—Create a Plan C option and discontinue the Plan B option within the M.A. degree in Speech-Language-Hearing Science
  - Medical School—Change the name of the Ph.D. and M.S. degree in Biophysical Sciences and Medical Physics to Medical Physics. Discontinue the Plan A option in the M.S. degree. Move the academic home of the degrees to the Medical School.
  - School of Public Health (Twin Cities campus)—Create a Plan C option and discontinue the Plan B option within the M.P.H. in Environmental Health.

- School of Fine Arts (Duluth campus)—Create sub-plans in Applied Conducting, Collaborative Piano, Music Education, and Performance within the M.M. degree in Music.
- Crookston campus—Create a sub-plan in Ecological Restoration within the B.S. degree in Natural Resources
- Crookston campus—Deliver the B.S. degree in Marketing online
- Crookston campus—Discontinue sub-plans in Elementary Education and Preprimary Education Specialty within the B.S. degree in Elementary Education
- **Request for Approval of Discontinued Academic Programs**
  - School of Fine Arts (Duluth campus)—Discontinue the M.F.A. degree in Art

**INFORMATION ITEMS**

Provost Hanson updated the committee on the Association of Public and Land-grant Universities' Trailblazer Award. The University's Twin Cities campus was one of two 2013 finalists for the award, which is annually awarded to a university that has made exceptional progress with increasing retention or completion of a bachelor's degree during the last three years.

The meeting adjourned at 11:53 a.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**



**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Finance Committee  
December 12, 2013**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, December 12, 2013 at 10:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Vice Presidents Aaron Friedman, Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Mike Volna.

Student Representatives present: Kevin Lang and John Reichl.

**RESOLUTION RELATED TO ISSUANCE OF DEBT**

Vice President Pfutzenreuter provided an overview of the resolution related to issuance of debt, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter described the combined heat and power plant project totaling \$83,000,000, noting that committee members had previously received background information related to the facility.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to Issuance of Debt.

**RESOLUTION RELATED TO REAL ESTATE PARTNERSHIP**

Vice President Pfutzenreuter, Susan Carlson Weinberg, Director of Real Estate, and Greg Brown, Associate General Counsel, provided an overview of the resolution related to a real estate partnership, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Pfutzenreuter explained that an opportunity had arisen over the past several months to engage in a public-private joint venture with United Properties, LLC, for the purchase of the Days Inn Hotel and Tea House Restaurant (2407-2425 University SE, Minneapolis). He reported that the University would be a minority partner with 49% interest. The University would invest \$1.96 million to purchase the properties and lend an additional \$8.75 million to the joint venture.

Weinberg explained that the joint venture would serve as the operator of the Days Inn and the landlord for the Tea House restaurant. She noted that the joint venture plans to redevelop the site in the future and stressed the strategic importance of the location of the property to the University's mission. The University has reserved the right to redevelop two surface parking lots adjacent to the Days Inn and Tea House restaurant.

In response to a question from Regent Frobenius, Brown explained that the University has negotiated certain assurances that allow the University to be given the right of first refusal to match any offer to purchase should the joint venture be unable to agree on terms of the redevelopment.

In response to questions from Regents McMillan and Brod, Pfutzenreuter explained that the University does not have a policy related to public-private partnerships. Regent Beeson commented that the absence of policy guidelines around public-private partnerships might allow the University to be more nimble in this area.

President Kaler expressed support for the joint venture.

A motion was made and seconded and the committee voted unanimously to recommend approval of the Resolution Related to Real Estate Partnership.

### **LEASE AGREEMENTS & GUARANTY FOR AMBULATORY CARE CENTER, TWIN CITIES CAMPUS**

Vice President Pfutzenreuter invited Vice President Aaron Friedman and Dr. Bobbi Daniels, CEO, University of Minnesota Physicians (UMP), to present information on the lease agreements and guaranty for the ambulatory care center, Twin Cities campus, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Friedman provided an overview of the lease agreement and guaranty. He explained that the University's medical facilities provide a wide range of outpatient care and are a key workforce provider for the state of Minnesota. He noted that current University facilities were not designed to handle high volumes of patient care or support clinical research.

Daniels reported that the University would execute two 30-year leases and a parking facility agreement with Fairview Health Services and Newco, a 501(c)3 entity created by UMP and Fairview. The facility is expected to open by January 1, 2016 and cost \$160 million to construct.

Regent Allen reported that the Debt Management Advisory Committee reviewed the proposal at its last meeting and noted that the construction costs fit within the University's recommended debt capacity.

In response to a question from Regent Frobenius, Pfutzenreuter explained that the University had thoroughly vetted the question of tax-exempt status.

In response to a question from Regent McMillan, Daniels explained that the debt service parameters for UMP are manageable when compared to the organization's annual revenues.

A motion was made and seconded and the committee voted unanimously to recommend approval of the lease agreements and guaranty for the ambulatory care center, Twin Cities campus.

### **CHALLENGES FACING HIGHER EDUCATION: MOODY'S REPORT**

Vice President Pfutzenreuter invited Diana Viacoba, Moody's Investor Services (Moody's), to present information on the challenges facing higher education, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Viacoba walked through the report on challenges facing higher education. She explained that the median rating of the 230 public higher education universities is A1, with the University rated above the median. She reported that the outlook for the entire higher education sector is negative, caused by constraints in public funding, weak net tuition growth, declining enrollment, and continued pressure from online education.

Viacoba explained that the University's diversified revenues and recent increase in state funding have created a positive outlook for the University. She noted that the University's demonstrated ability to invest in facilities and generate cash flow have caused debt ratings to remain stable.

In response to a question from Regent Beeson, Viacoba explained that public research Universities are already competing against elite private universities for research dollars and faculty.

In response to a question from Regent Brod, she explained that ratings on debt issuances are calculated by comparing metrics from a relevant group of peers against the financial performance of the University.

In response to a question from Regent Frobenius, Viacoba noted that increasing student demand and growing the research portfolio are two of the best ways for the University to increase its rating.

### **ANNUAL FINANCIAL REPORT**

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

Volna provided the following highlights of the annual financial report:

- Deloitte issued an unqualified opinion on the audited financial statements.
- Total revenues increased while operating expenses were up slightly.
- FY 2013 cash flow decreased by \$11 million from FY 2012, to (\$74.5) million.
- Net capital assets increased \$180 million due to increased spending on construction projects.

Volna explained that total University assets increased by \$292 million in FY 2013 and total liabilities increased by \$102 million. He explained that the value of the University's investments increased \$119 million in FY 2013 due to increases in the consolidated endowment fund market value and gains from investment income. He noted that long-term debt increased by \$74 million due to issuance of 2013A/2013B general obligation bonds.

### **CONSENT REPORT**

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

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

- To Health Partners Administrators, Inc. for the estimated amount of \$1,867,804 for administering self-funded medical insurance coverage and to provide stop loss

insurance for Twin Cities and UMD graduate assistants for the period of September 1, 2011, through August 31, 2015. The Graduate Assistant Health Plan is a benefit funded primarily through the fringe benefit recovery pool in addition to graduate students being charged a percentage of the plan cost. Vendor was selected through a competitive process.

- To Medica for the estimated amount of \$17,856,000 for administering UPlan medical plan options for the four-year period of January 1, 2014, through December 31, 2017, through the University of Minnesota Office of Human Resources Employee Benefits. The administrative service fees are funded on an annual basis through the fringe pool. Vendor was selected through a competitive process.
- To Staywell for the estimated amount of \$5,200,000 for administering UPlan medical plan options for the four-year period of January 1, 2014, through December 31, 2017, through the University of Minnesota Office of Human Resources Employee Benefits. The administrative service fees are funded on an annual basis through the fringe pool. Vendor was selected through a competitive process.
- To U.S. Bank for an estimated rebate of \$9,576,000 for purchases on the University Procurement Card for the period of January 1, 2014, through December 31, 2018, with contract extensions through December 31, 2020, for the University of Minnesota Controller's Office. Purchases made on the Procurement Card are paid with departmental operating funds. Vendor was selected through a competitive process.
- To Voyager Fleet Systems for \$4,000,000 in credit card purchases for fuel, emergency roadside assistance, and vehicle related services as needed for the period of February 1, 2014, to January 31, 2017, with contract extensions through January 31, 2020, for Parking and Transportation Services – Fleet Services. Fleet Services will pay for the purchase out of operating funds and user departments are rebilled on a monthly basis according to their usage. 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 Pfutzenreuter referred the committee to the Information Items contained in the docket materials:

- Quarterly Purchasing Report
- Quarterly Investment Advisory Committee Update
- Quarterly Asset Management Report
- Debt Management Advisory Committee Update

The meeting adjourned at 11:50 a.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Facilities & Operations Committee  
December 12, 2013**

A meeting of the Facilities & Operations Committee of the Board of Regents was held on Thursday, December 12, 2013 at 1:30 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler, Chancellors Stephen Lehmkuhle and Fred Wood; Vice Presidents Aaron Friedman, Richard Pfitzenreuter, and Pamela Wheelock, General Counsel William Donohue, Executive Director Brian Steeves, and Associate Vice President Terry Bock.

Student Representatives: Hannah Keil and Nicole Vang.

**CAPITAL BUDGET AMENDMENT**

**A. Nils Hasselmo Hall Core Robotics Lab – Twin Cities Campus**

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

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

- Nils Hasselmo Hall Core Robotics Lab – Twin Cities Campus
- Scope of Project: 4,300-square-foot renovation in Nils Hasselmo Hall.
- Master Plan: No impact to the Campus Master Plan
- Cost Estimate: \$900,000
- Capital Funding: MnDRIVE Funding

Vice President Wheelock introduced Suzanne Smith, Assistant Vice President for Capital Planning and Project Management, and Mos Kaveh, Associate Dean of the College of Science and Engineering. Kaveh reviewed the project, explaining that it consolidates portions of four outdated labs to provide the necessary infrastructure for advanced robotics research and create flexible spaces that adapt to new science and research trends. Smith noted the project cost is supported through the MnDRIVE initiative and the expected completion date is June 2014.

The committee voted unanimously to recommend approval of the Capital Budget Amendment for the Nils Hasselmo Hall Core Robotics Lab - Twin Cities Campus.

## **REAL ESTATE TRANSACTIONS**

### **A. Purchase of Three Parcels from City of Rochester**

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

On the recommendation of the President and the Vice President for University Services, the appropriate administrative officers are authorized to execute the appropriate documents providing for the following real estate transaction:

- The subject property is located at 601-609 1<sup>st</sup> Avenue SW and 114 6<sup>th</sup> Street SW, Rochester, within the area designated for future development of the Rochester Campus, and consists of vacant land except for a cell tower which will be removed by the seller prior to closing. The properties total .623 acre of land.
- Basis for Request: The subject properties will be purchased for future development of the Rochester Campus.
- Detail of Transaction: The owner of the properties is the City of Rochester. The purchase price will be \$1.32 million, which reflects the City of Rochester's costs to acquire and hold the properties until acquisition by the University and demolish improvements.

The committee voted unanimously to recommend approval of the real estate transaction for the Purchase of Three Parcels from the City of Rochester.

### **B. Lease Agreements, Guaranty, and Master Agreement for Ambulatory Care Center**

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

On the recommendation of the President and the Vice President for University Services, the appropriate administrative officers are authorized to execute the appropriate documents providing for the following real estate transaction:

- Two 30-year leases and a parking facility agreement with one six-year renewal option followed by two successive five-year renewal options, with Fairview Health Services (Fairview) and a new 501(c)(3) entity (Newco) that will be created by University of Minnesota Physicians (UMP) and Fairview, which collectively cover the entire Ambulatory Care Center (ACC) to be constructed by the University on Block 12, Baker's Addition; and up to 100 reserved parking spaces in Lot C73 to be constructed by the University on the block west of Block 12 and up to 400 reserved parking spaces in the Oak Street Parking Ramp.
- Basis for Request: The University will construct and own the ACC building. Construction of the ACC will replace outdated clinical spaces in existing University buildings currently in use by Fairview and UMP and provide for the expansion of clinical activities by these two lessees in state-of-the-art clinic facilities. The ACC will be used by UMP and Fairview to provide health, medical and outpatient hospital-based services, in addition to serving as an academic teaching facility in which medical, health care, clinical education and research services are provided, consistent with the strategic goals and direction of the Medical School. The ACC Letter of Intent provides that as a condition to the issuance by the University of debt to finance the construction of the ACC, each of Fairview and UMP will deliver a corporate guaranty of its proportionate share of the Debt.

- **Detail of Transaction:** The subject leases for the ACC building will commence upon completion of the construction of the Ambulatory Care Center project on approximately January 1, 2016 and continue for an initial term of 30 years. Both leases will contain a six-year renewal option followed by two successive five-year renewal options, continuing the leases potentially through December 31, 2061. The parking facilities agreements will have the same thirty-year term plus renewals as the two leases. The Master Agreement establishes the framework for the management and operations of the ACC. Fairview and UMP agree to promptly pay the amount stated on a schedule of debt payments provided by the University if the University has not received the corresponding lease payment.

In response to a question from Regent Omari, Bobbi Daniels, CEO of UMP and Vice Dean for Clinical Affairs, Medical School, indicated that moving clinics to the new facility should decrease traffic congestion around the Phillips Wangenstein building. Vice President Wheelock added that the flow of traffic and pedestrians around campus would be considered when analyzing the vacated clinic spaces for reuse.

Regents Allen, Cohen, Devine, and Lucas expressed their support for the project and acknowledged the significant commitment by the University to bring it to fruition.

The committee voted unanimously to recommend approval of the real estate transaction for the Lease Agreements, Guaranty, and Master Agreement for the Ambulatory Care Center.

## **SCHEMATIC PLANS**

### **A. Ambulatory Care Center, Twin Cities Campus**

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

The schematic plans for the Ambulatory Care Center, 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 Aaron Friedman, Vice President for Health Sciences and Dean of the Medical School and Suzanne Smith, Assistant Vice President for Capital Planning and Project Management, to answer questions.

In response to a question from Regent Lucas, Smith noted that the new building does not have dedicated office space, so office space will likely remain in the existing facilities. Friedman noted that options for repurposing the existing space are very limited.

In response to a question from Regent Allen, Smith noted that the new building has longer spans and lacks interior bearing walls so that the building will be easier to repurpose in the future. Friedman added that Levels 3 and 4 have been designed to be very standard to offer flexibility for clinics to move in and out, as needed.

The committee voted unanimously to recommend approval of the schematic plans for the Ambulatory Care Center, Twin Cities Campus.

## **ENSURING A SAFE UNIVERSITY**

Vice President Wheelock introduced Greg Hestness, Assistant Vice President for Public Safety and Chief of Police, and Leslie Krueger, University Services Chief of Staff, to present on University safety, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Wheelock recounted recent concerns regarding safety on and around campus and stressed that safety is the top priority of the University. She noted that 7,000 housing units have been added immediately surrounding campus in recent years, and 7,000 additional units are expected to open in the next 18-24 months. Wheelock added that the East Marcy Holmes neighborhood adjacent to campus has only 10 owner-occupied housing units, making it difficult to attract investment for neighborhood upgrades such as lighting.

Krueger explained that the new housing has changed traffic patterns and significantly increased bike traffic on campus. She indicated that the addition of light rail and bus traffic on Washington Avenue in the coming months poses additional challenges around transportation safety.

Hestness described the University of Minnesota Police Department (UMPD) and its student monitor program. He noted significant reductions in crime over the last two decades but a high number of robberies during the start of this academic year. He asserted that UMPD officers are working overtime hours and coordinating with the Minneapolis Police Department to continue robbery suppression.

Wheelock added that while 30 percent of the calls to UMPD occur off-campus, the University's officers are trained to respond and will continue to work closely with Minneapolis police to respond to off-campus crime. She suggested that models used to maintain campus security in the last decade might not be effective in the future.

In response to a question from Regent Allen, Wheelock clarified that improvements in a neighborhood are typically done through assessments to the property owners. Property owners in a mostly rental community may be less interested in supporting the improvements.

In response to a comment by Regent Omari, Wheelock stressed that the Kaler administration shares the priority of finding the right balance of information to keep people safe and informed while not creating inaccurate perceptions that could lead to profiling.

In response to a question by Student Representative Keil, Wheelock indicated that additional safety education will be implemented during welcome week and orientation to make sure students are aware of the risks inherent to a campus in a large metropolitan area, and are informed on how to keep themselves safe.

In response to a comment by Regent Devine, Wheelock directed the committee to page 26 of the docket materials to review long-term strategies currently being discussed by three workgroups on campus safety.

## **INFORMATION ITEMS**

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



- Capital Planning and Project Management Semi-Annual Report
- Final Project Review: Ambulatory Care Center – Twin Cities Campus

The meeting adjourned at 3:30 p.m.



**BRIAN R. STEEVES**  
**Executive Director**  
**and Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee  
December 12, 2013**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, December 12, 2013 at 1:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Lendley Black; Vice President Kathryn Brown; Executive Director Brian Steeves; and Associate Vice President Michael Volna.

Student Representatives present: Joseph Daniewicz and Kevin Lang.

**COLLECTIVE BARGAINING AGREEMENTS**

Vice President Brown invited Patti Dion, Director of Employee Relations, to present the following collective bargaining agreements as detailed in the docket:

- Collective Bargaining Agreement with AFSCME Locals 3937 and 3801 (Technical Unit 7).
- Collective Bargaining Agreement with AFSCME Local 3260 (Health Care, Unit 4).
- Collective Bargaining Agreement with AFSCME Locals 3800 and 3801 (Clerical, Unit 6).
- Collective Bargaining Agreement with IBEW Local 292 (Radio and Broadcast Technicians, Unit 2).
- Collective Bargaining Agreement with Graphic Communications Conference of the International Brotherhood of Teamsters Local 1-M, Unit 2.

Dion summarized the collective bargaining agreements and described the terms and conditions of employment for each agreement. She noted that each is a two-year contract ending in June 2015, with the exception of the contract between the University and the Graphic Communications Conference of the International Brotherhood of Teamsters Local 1-M, Unit 2, which ends in October 2015. She added that all of the negotiated wage increases were comparable to the 2.5 percent wage increase made available to University employees not represented by bargaining units.

In response to a question from Regent Brod, Dion explained that the radio and broadcast technician unit has been in existence for 30 years and the number of employees in that unit has decreased over time. She added that it would be difficult to fold this bargaining unit into another. Brown added that the University is under a well-defined legal obligation to negotiate with a bargaining unit regardless of the number of employees in the unit.

In response to a question from Regent McMillian, Dion explained that revisions to the step increase levels ensured that each step increase reflected a 2 percent increase in salary to the employee.

In response to a question from Regent Beeson, Brown explained that the job family classification project would not be applied to labor-represented positions.

For each of the five collective bargaining agreements, a motion was made and seconded, and the committee voted unanimously to recommend approval.

### **STRATEGIC HIRING THROUGH THE CONSOLIDATED JOB CENTER**

Vice President Brown invited Lori Lamb, Director of Operations, Office of Human Resources (OHR), to provide an overview of strategic hiring through the consolidated job center, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Lamb described the employer and applicant perspectives on the University's hiring process. She explained that the University has been successful in retaining employees but acknowledged that the market for hiring and retaining talent is becoming increasingly competitive. She noted that OHR is partnering with a new vendor to streamline the hiring process and create a quality experience for both the hiring manager and the applicant. This new application would be full integrated with human resources data already being collected in PeopleSoft.

Lamb described the work to reduce the number of steps between posting and filling a position. She noted that OHR has been able to reduce 16 separate hiring processes to one. She explained that OHR has initiated service level agreements with a small number of academic and administrative units. These agreements establish roles and responsibilities during the hiring process and have led to significant time savings during the hiring cycle. Brown explained that the shared service allows hiring processes to be optimized while still allowing the local unit to make hiring decisions based on their own needs.

In response to a question from Regent Simmons, Lamb explained that the scope of this effort includes all hires across the entire system. Brown additionally noted particular efficiencies around the recruitment of faculty.

In response to a question from Regent McMillian, Lamb stated that most feedback has been positive. She noted that the process must strike a balance between reducing total hiring time and making reasonable accommodations for the hiring timeline.

In response to a question from Regent Beeson, Brown explained that performance evaluations and onboarding are potential candidates for future standardization.

### **UPDATE ON HRMS UPGRADE**

Vice President Brown invited Lori Lamb, Director of Operations, OHR, to present an update on the Human Resource Management System (HRMS) upgrade, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Lamb explained that the design phase of the HRMS upgrade project was complete and noted that registration for training was set to begin in spring 2014. She described the timeline for implementation of the PeopleSoft Recruiting Solution Software, which will simplify the processing of fringe benefit costs and reduce the number of fringe rate pay calculations per employee. She added that the software upgrade will eliminate the need for paper time sheets

and move all vacation and sick leave reporting to online processes. Software modifications within PeopleSoft have also been reduced substantially in the wake of greater standardization.

In response to a question from Regent McMillan, Lamb explained that the HR component of the enterprise system upgrade program could be categorized as a reimplementation of the current system.

### **WORKFORCE ANALYTICS TO INFORM DECISION MAKING**

Vice President Brown invited Lori Lamb, Operations Director, Office of Human Resources, and Helen Friedman, Consultant, Towers Watson, to provide an overview on workforce analytics, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Friedman described the workforce analytics process in large, complex public and private organizations. She explained that the foundation for analytics in large organizations is a global data warehouse capable of collecting benchmarking information and monitoring the organization's performance. She added that external reference points generated by other organizations could provide helpful context around progress in a specific area. Friedman also described how dashboards could be used to monitor certain metrics, such as employee turnover within the University based on the length of time that employees have remained in their positions.

Lamb provided an overview of the University's dashboards, which include data on employee demographics, turnover rate and employee-related costs. She noted that dashboards could be used for succession planning as employees over the age of 55 begin to retire. She added that these techniques would be used to interpret data recorded by the employee engagement survey.

In response to questions from Regent Beeson, Lamb explained that units would be able to customize data for a specific department or unit. She added that OHR would be the owner of workforce metrics, and that standardizing data definitions and parameters across units and systems would aid in the use of metrics for decision-making.

In response to a question from Regent McMillan, Lamb explained that the workforce analytics project would enhance the job family reclassification. Brown noted that these metrics would be able to help tell a more accurate story about the University's workforce.

In response to a question from Student Representative Lang, Lamb explained that more foundational work is needed before predictive models can be constructed.

### **CONSENT REPORT**

Vice President Brown presented for action the Consent Report, which included conferral of tenure for eight new hires and the appointment of Dr. Jay Brooks Jackson as Dean of the Medical School and Vice President for Health Sciences.

President Kaler expressed his strong support for Jackson's appointment, noting that Jackson was particularly well suited to raise the stature of the Medical School.

In response to a question from Regent Simmons, Kaler explained that a broader variety of comparable positions were included in the salary comparison given that the Dean of the Medical School and Vice President for Health Sciences position includes substantial business responsibilities related to the Integrated Structure and Ambulatory Care Center.

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

#### **INFORMATION ITEMS**

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

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

The meeting adjourned at 3:30 p.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Work Session  
December 13, 2013**

A work session of the Board of Regents was held on Friday, December 13, 2013 at 8:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Richard Pfutzenreuter, Scott Studham, and Pamela Wheelock; General Counsel William Donohue; and Executive Director Brian Steeves.

Regent Beeson introduced President Kaler to provide an overview of the work session, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Kaler explained that tuition and financial aid philosophy varies greatly throughout the landscape of higher education. He noted that tuition and financial aid assumptions are key components of the University's budget model and planning framework.

Regent Beeson invited Provost Hanson and Vice Provost McMaster to provide an overview of current tuition and financial aid practices and trends at the University. Hanson walked through the current financial aid and tuition framework. She explained the resident and non-resident undergraduate tuition structure and noted the University's large student body and reciprocity agreements. She noted that over the last five years the University has worked to align its financial aid strategies with the recruitment of high-achieving students.

Vice Provost McMaster explained that the University packages financial aid up to the cost of attendance. The packages often include scholarships, PELL grants, state/local government aid, and other federal grant programs. He added that on the Twin Cities campus in 2012, 64 percent of students graduated with student loan debt and that the average debt among those students was \$27,000. McMaster noted that graduating in more than four years increases the amount of student loan debt, and emphasized that the most effective way to reduce student debt is to graduate students in a timely manner.

Regent Beeson invited Regent Simmons to summarize the Academic & Student Affairs Committee's discussion of tuition and financial aid philosophy. Simmons noted the following:

- Interest in pursuing incentives for timely graduation.
- Greater attention to student and family debt levels.
- Remain open and attentive to innovative models from other universities.
- Determine where the University's investments take out costs for students.
- Consider the impact of student employment to help fund education.
- Recognize the important role of student advising on timely graduation.
- Closely examine the transfer student experience.

- In several years, examine impact of differential tuition implemented at the Carlson School.

Chair Beeson opened the floor for Regents to discuss items related to the tuition and financial aid philosophy of the University. A lengthy discussion ensued and the following issues were addressed:

- Competitiveness of non-resident undergraduate tuition;
- Tuition models that guarantee a rate throughout four years of attendance;
- Affordable tuition for low-income students;
- Student loan debt levels for those who take more than four years to graduate;
- Financial incentives for undergraduates to graduate in four years;
- Fundraising for increased financial aid;
- Tuition reciprocity;
- PELL-eligible student success rate;
- Student advising;
- Merit scholarships and need-based aid;
- University of Minnesota Promise Scholarship funding;
- Increases in the total cost of attendance; and
- Student housing in the Twin Cities metropolitan area.

The work session adjourned at 10:00 a.m.



**BRIAN R. STEEVES**  
**Executive Director**  
**and Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Board of Regents  
December 13, 2013**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, December 13, 2013 at 10:12 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

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

**RECOGNITION**

Recognition was given to Aaron Friedman, outgoing Vice President for Health Sciences and Dean of the Medical School. Friedman briefly addressed the Board.

**APPROVAL OF MINUTES**

Regent McMillan requested that the October 10, 2013 Faculty & Staff Affairs Committee minutes reflect his attendance at the meeting. With that revision, a motion was made and seconded, and the Board of Regents voted unanimously to approve the minutes of the following meetings:

Special Committee on Academic Medicine - October 10, 2013  
Facilities & Operations Committee - October 10, 2013  
Faculty & Staff Affairs Committee - October 10, 2013  
Academic & Student Affairs Committee - October 10, 2013  
Finance Committee - October 10, 2013  
Board of Regents Work Session - October 11, 2013  
Board of Regents - October 11, 2013

**REPORT OF THE PRESIDENT**

President Kaler began his report with a discussion of campus safety, a pressing issue in light of recent criminal activity on and around the Twin Cities campus. He noted that these incidents threaten the safety of the University and the security of surrounding neighborhoods, and raise the question of how open the campus can be. He affirmed that the administration is taking extraordinary measures to ensure the safety of everyone who lives, learns, and works on campus. Kaler reported on meetings with elected officials and local law enforcement agencies, and on a number of measures that will be implemented to increase campus safety.



Kaler reported on several faculty and staff recognitions and awards and the pending appointment of a new Dean of the Medical School and Vice President for Health Sciences; noted events on system campuses and improvements in the academic standing of student athletes; and debuted a video, "6 Steps Forward," which highlights priority capital projects included in the University's bonding request to the state of Minnesota.

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

### **REPORT OF THE CHAIR**

Chair Beeson affirmed the Board's strong commitment to public safety and to providing a safe environment for students, faculty, staff, and visitors to the University. He stressed the University's strong partnerships with local law enforcement.

Beeson noted the Board's work session held earlier in the day, which focused on undergraduate tuition and financial aid philosophy. He reported that the discussion touched on tuition strategies that support the goals of the University as well as incentive student success, and addressed the complex relationship between tuition, financial aid, and enrollment management.

Beeson reported on a number of events recently attended by Regents, including hosting several Regents from the University of Nebraska for a luncheon in October; the groundbreaking on the Microbiology Research Building; and a small group visit to the Rochester campus. He also noted the October 21 death of Regent Emeritus Mary Page, who served on the Board from 1989 to 1995.

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

### **REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE**

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

- a) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the December 12, 2013 committee minutes.
- b) Approval of a Resolution Related to the Proposed Labor Agreement with AFSCME Locals 3937 & 3801 Technical Employees, as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, AFSCME Locals 3937 and 3801 have ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for December 12, 2013.

AFSCME LOCALS 3937 and 3801  
PELRA UNIT 7

This unit is composed of Technical Workers in classifications such as Library Assistants, Principal Lab Technicians, Information Technology Specialists and Research Plot Technicians. The total number of employees in this unit is approximately 1021.

ECONOMIC HIGHLIGHTS

During the 2013-2014 fiscal year, the following salary adjustments will be made:

Employees in all classifications shall receive a 1.00% salary range adjustment effective September 23, 2013.

A structural adjustment was made to the 26 steps in classifications to provide consistency across all classifications in this bargaining unit.

Employees will receive a salary progression step increase in accordance with the language of the agreement.

Eligible employees who are paid at the maximum of their pay range, shall receive a \$200 lump sum payment.

During the 2014-2015 fiscal year, the following salary adjustments will be made:

Effective June 30, 2014 employees in all classifications shall receive a 1.00% salary range adjustment.

Eligible employees will receive a salary progression step increase in accordance with the language of the agreement.

BASE ANNUAL PAYROLL	\$36,447,368
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RECURRING COSTS 2013-2015

Base salary adjustments	\$647,641
Progression steps	\$1,101,623
Step classification adjustment	\$75,837
TOTAL RECURRING COST	\$1,825,101

NON-RECURRING COSTS 2013-2015

Lump-sum payment	\$11,800
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NON ECONOMIC HIGHLIGHTS

Revisions to Insurance language consistent with the Summary Plan Description for all non-labor represented employees.

Classification Review Committee:

The University and the Union agree to meet and confer for the express purpose of considering analyzing and identifying remedies for overlapping bargaining unit job classifications and removal of job classifications and steps not in use.

- c) Approval of a Resolution Related to the Proposed Labor Agreement with AFSCME Local 3260 Health Care Employees, as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, AFSCME Locals 3260 have ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for December 12, 2013.

AFSCME LOCALS 3260  
PELRA UNIT 4

This unit is composed of health care workers located primarily at Boynton Health Services, the Dental School and CUHCC in such classifications as Dental Hygienist, Licensed Practical Nurses, and Nursing Assistants. The total number of employees in this unit is approximately 186.

ECONOMIC HIGHLIGHTS

During the 2013-2014 fiscal year, the following salary adjustments will be made:

Employees in job classifications in the School of Dentistry shall have one step added to the top of the pay range effective July 1, 2013 to ensure market competitiveness.

Employees who are at the top step in job classifications shall receive a .85% salary range adjustment effective October 7, 2013.

All other employees whose pay rate falls within the pay range will receive a 1.25% general wage increase effective October 7, 2013.

Eligible employees shall receive a salary progression step increase on their anniversary date.

During the 2014-2015 fiscal year, the following salary adjustments will be made:

Employees in job classifications in the School of Dentistry shall have one step added to the top of the pay range effective July 1, 2014 to ensure market competitiveness.

Employees who are at the top step in job classifications shall receive a .75% salary range adjustment effective June 30, 2014.

All other employees whose pay rate falls within the pay range will receive a 1.25% general wage increase effective June 30, 2014.

Eligible employees shall receive a salary progression step increase on their anniversary date.

BASE ANNUAL PAYROLL	\$7,174,515
RECURRING COSTS 2013-2015	
Base salary adjustments	\$180,483
Progression steps	\$180,483
TOTAL RECURRING COST	\$360,966

NON ECONOMIC HIGHLIGHTS

Revisions to Insurance language consistent with the Summary Plan Description for all non-labor represented employees.

Revision to grievance process to compress time line of notice of intent to arbitrate and arbitration.

- d) Approval of a Resolution Related to the Proposed Labor Agreement with AFSCME Locals 3800 & 3801 Clerical Employees, as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, AFSCME Locals 3800 and 3801 have ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for December 12, 2013.

AFSCME LOCALS 3800 and 3801  
PELRA UNIT 6

This unit is composed of eight (8) separate classifications of Clerical workers including Principal Office and Administrative Specialist, Executive Operations/Student Services Specialist, and Principal Accounts Specialists. The total number of employees in this unit is approximately 1,702.

ECONOMIC HIGHLIGHTS

During the 2013-2014 fiscal year, the following salary adjustment will be made:

Employees in all classifications shall receive a 1% salary range adjustment effective July 29, 2013.

Eligible employees will receive a salary progression step increase on their anniversary date.

Employees who are paid at the maximum of their pay range, shall receive a \$400.00 lump sum payment on the date of signing.

During the 2014-2015 fiscal year, the following salary adjustments will be made:

Employees in all classifications shall receive a 1% salary range adjustment effective July 1, 2014.

Eligible employees will receive a salary progression step increase on their anniversary date.

BASE ANNUAL PAYROLL	\$63,102,612
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RECURRING COSTS 2013-2105

Base salary adjustments	\$1,223,922
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Progression steps	\$1,907,276
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TOTAL RECURRING COST	\$3,131,198
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NON-RECURRING COSTS 2013-2015

Lump-sum payment	\$44,000
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NON ECONOMIC HIGHLIGHTS

Revisions to the Insurance language consistent with the Summary Plan Descriptions for all non-labor represented employees.

Revisions to the procedures for the Union to request arbitration from a two-step process to a one step process.

- e) Approval of a Resolution Related to the Proposed Labor Agreement with the International Brotherhood of Electrical Workers Local 292 PELRA Unit 2, as follows:

WHEREAS, the parties have met and negotiated and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, the IBEW Local Union 292 has ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for December 12, 2013.

IBEW LOCAL 292  
PELRA UNIT 2

This unit is composed of Radio and TV Broadcast Technicians and Senior Radio and TV Broadcast Technicians in Video Network Services. The total number of employees in this unit is 3.

ECONOMIC HIGHLIGHTS

During the 2013-2014 fiscal year, the following salary adjustments will be made:

Employees in all classifications shall receive a 2.5% salary range adjustment effective July 1, 2013.

During the 2014-2015 fiscal year, the following salary adjustments will be made:

Employees in all classifications shall receive a 2.5% salary range adjustment effective July 1, 2014.

BASE ANNUAL PAYROLL	\$165,111
RECURRING COSTS 2013-2015	
Base salary adjustments	\$8,359
TOTAL RECURRING COST	\$8,359

- f) Approval of a Resolution Related to the Proposed Labor Agreement with Graphic Communications Conference of the International Brotherhood of Teamsters (Printers Local 1-M, as follows:

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, the Graphic Communications Conference of the International Brotherhood of Teamsters Local 1-M has ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for December 12, 2013.

LOCAL 1-M  
PELRA UNIT 2

This unit is composed of printing services employees including prepress lithographers and offset lithographers. The total number of employees in this unit is 9.

ECONOMIC HIGHLIGHTS

During the 2013-2014 fiscal year, the following salary adjustments will be made:

Employees in all classifications shall receive a 2.5% salary range adjustment effective November 1, 2013

During the 2014-2015 fiscal year, the following salary adjustments will be made:

Employees in all classifications shall receive a 2.5% salary range adjustment effective November 1, 2014

BASE ANNUAL PAYROLL	\$ 425,407
RECURRING COSTS 2013-2015	
Base salary adjustments	\$21,536
Additional Holiday	\$1,636
TOTAL RECURRING COST	\$23,172

**OTHER ECONOMIC HIGHLIGHTS**

Effective fiscal year 2014, one floating holiday to be determined by the University will be added to the paid holidays to be consistent with the University’s holiday schedule.

Effective January, 2014, the cap on the employer contribution to the Health and Welfare fund shall be reduced from \$1219.00 per month for each employee to \$920.00 per month for each employee. Funding in excess of these amounts will be shared equally by the employee and the employer up to a maximum employer contribution of \$60.00 per month.

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

Frobenius reported that the committee also discussed strategic hiring through the consolidated Job Center; received an update on the Human Resources Management System upgrade; received a presentation on workforce analytics used to inform decision making; and reviewed a number of information items detailed in the docket.

**REPORT OF THE FINANCE COMMITTEE**

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

- a) Approval of the Consent Report for the Finance Committee as presented to the committee and described in the December 12, 2013 committee minutes.
- b) Approval of a Resolution Related to Issuance of Debt, as follows:

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale of indebtedness (such indebtedness, whether issued in the form of bonds, notes, commercial paper or such other form of indebtedness as may be designated by the University, the “Debt”), the proceeds of which are to be used to finance University capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of the Debt;

WHEREAS, the Debt will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee or pursuant to an Order of the University;

WHEREAS, the Indenture of Trust or Order pursuant to which Debt will be issued will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such Debt;

WHEREAS, the principal amount of the Debt authorized will be the amount of the Debt outstanding at any time, and not an aggregate principal amount;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of the University of Minnesota (Board) as follows:

1. To provide funds to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing, the Board hereby authorizes the sale and issuance of Debt in the principal amount of up to \$83,000,000. The Debt may be issued in one or more series and shall mature (or if commercial paper, shall have an amortization schedule terminating) not later than the date that is 25 years after the date of issuance of each series. The Treasurer is authorized to determine whether or not the Debt shall be issued as general obligations of the University and whether or not the Debt shall be tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The purchases of land and buildings, construction and remodeling projects, or acquisition of equipment to be financed by the proceeds of the Debt shall be those the source of funding of which is so designated by the Board of Regents or by the Treasurer as part of the University's capital planning process.

3. The Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of Debt and any interest rate swap agreement or other agreement for the purpose of hedging the University's interest rate risk with respect to any series of Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

4. In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as is approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such Indenture of Trust or Order or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

5. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of Debt in the form and containing such covenants, agreements, representations and warranties of the University as are approved by the Treasurer and General Counsel.

6. The Treasurer is authorized to approve the Preliminary Official Statement, final Official Statement, Offering Memorandum, Offering Circular, or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of Debt, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto. In the case



of the sale of any series of Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Debt.

8. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Debt certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Debt as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

9. The execution of any document by the appropriate University officers herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, final Official Statement, purchase agreement or any other document to be executed by the President or Treasurer in connection with the Debt may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

c) Approval of a Resolution Related to University Participation in and Financing of the Acquisition, Operation and Redevelopment of a Commercial Site in Minneapolis, Minnesota, as follows:

WHEREAS, a 130-room, 54,424-square foot Days Inn Hotel and a 5,352-square foot Tea House Restaurant are operating at 2407-2425 University Avenue SE, Minneapolis (along with a related 170 space surface parking lot, collectively the "Property"), immediately adjacent to the Twin Cities Campus; and

WHEREAS, the University and United Properties Investments LLC ("United Properties") propose to create a Minnesota-organized and -based limited liability company (the "Joint Venture Entity"), as a public-private partnership, to purchase and operate the existing Hotel and redevelop the Property (the "Project") in the future; and

WHEREAS, as part of the Project, the University will invest \$1.96 million in the Joint Venture Entity, acquiring in consideration approximately 49% of its total equity, and United Properties will invest \$2.04 million, acquiring a majority of the total equity; and

WHEREAS, also as part of the Project, the University will lend the Joint Venture Entity \$8.75 million under a Secured Promissory Note that will bear interest of 4.75% fixed and will be repaid in 180 monthly installments, with the first 60 installments paying only interest and the remaining installments paying principal and interest computed with a 20-year amortization with a modest balloon payment at the end of the Note term; and

WHEREAS, as security for the debt, the Joint Venture Entity will grant the University a mortgage on its interest in the Property and its assignment of certain agreements and financial rights; and

WHEREAS, the President and the Vice President and Chief Financial Officer have reviewed and recommend the Board approve the Project.

NOW, THEREFORE, BE IT RESOLVED that on the recommendations of the President and the Vice President and Chief Financial Officer, the Project is hereby approved.

BE IT FURTHER RESOLVED that the President and his designee are hereby authorized, empowered and directed to execute, deliver and enter into, on behalf of the University, all agreements, instruments and other documents necessary or desirable to carry out the Project.

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

Regent Simmons recused herself for the discussion of the following item due to a potential conflict of interest. She left the meeting.

Regent McMillan reported that the committee voted unanimously to recommend approval of a Resolution Related to Lease Agreements, Guaranties, and Master Agreement for the Ambulatory Care Center. Regent Allen, Chair of the Facilities & Operations Committee, reported that the committee voted unanimously to recommend approval of the resolution and seconded the motion. Regent Allen indicated that the Debt Management Advisory Committee (DMAC) reviewed all proposals related to this item and concurs with them. He added that the DMAC also revisited the long-standing practice of maintaining adequate debt capacity reserves and noted that adequate debt capacity would remain following approval of this resolution.

The Board of Regents voted unanimously to approve the recommendation of the Finance and Facilities & Operations Committees, as follows:

WHEREAS, the University of Minnesota (University) is party to an Academic Affiliation Agreement with Fairview Health Services, a Minnesota nonprofit corporation (Fairview), pursuant to which the academic mission of the University and its Academic Health Center (AHC) is supported through collaboration in the provision of healthcare services to citizens of the State of Minnesota and others;

WHEREAS, University of Minnesota Physicians, the designated practice organization of the faculty of the University of Minnesota Medical School Twin Cities (UMPhysicians) is party to an affiliation agreement and various other agreements with Fairview pursuant to which the practice of medicine is conducted at Fairview facilities in a manner supportive of the academic mission of the AHC;

WHEREAS, in order to enable greater access to health care within the State and better accommodate patients; ensure the continued financial viability of the State's sole public medical school; and further the core mission of the University's Academic Health Center (AHC) by enhancing research and educational opportunities for faculty, students, and residents, on May 11, 2012, the Board of Regents authorized a Letter of Intent (LOI) among Fairview, UMPhysicians, and the University related to the construction and operation of a new ambulatory care center (ACC) on the Twin Cities campus that would enable direct and convenient patient access by physically consolidating outdated outpatient clinics currently existing in multiple locations, and also provide improved space for the conduct of related research and teaching activities; and

WHEREAS, the LOI provided for the creation of a new legal entity (Newco) to be owned by Fairview and UMPhysicians to manage the operations of the clinics located in the ACC; and

WHEREAS, the LOI provided in part that the University would finance and build the ACC and lease it to Fairview and Newco contingent, in part, upon provision by each of UMPhysicians and Fairview of a corporate guaranty for its relative portion of the debt to be issued to finance the ACC (each, a Guaranty and collectively, the Guaranties); and

WHEREAS, the University, Fairview, UMPhysicians and Newco have negotiated a Master Ambulatory Care Center Agreement (Master Agreement) establishing the framework for the management and operation of the ACC, including commitments to developing and operating the ACC in a manner consistent with world-class medical center status; ensuring that the ACC is market competitive; supporting the research and education missions of the University; issuing debt by the University to finance the construction of the ACC upon Fairview and UMPhysicians delivering corporate guaranties to the University; dividing ownership of the clinics between Fairview and Newco; allowing UMP to manage the clinics through a joint management agreement with the Integrated Structure, LLC, UMPhysicians and Newco; and leasing of the ACC building by the University to Fairview and Newco;

WHEREAS, the University and Fairview have negotiated an Ambulatory Care Center Lease (Fairview Lease) and the University and Newco have negotiated a separate Ambulatory Care Center Lease (Newco Lease, and together with the Fairview Lease, Lease Agreements); the initial term of the Lease Agreements is 30 years and the Lease Agreements collectively cover all building space in the ACC and require Fairview and Newco to pay rent reflecting the cost of the debt service for debt issued by the University to cover the construction costs for the building, plus all operating and maintenance costs for the building; and

WHEREAS, the Guaranties have a term of 30 years, terminable only if the University elects to terminate the Lease in conjunction with a termination of the Academic Affiliation Agreement;

NOW, THEREFORE, BE IT RESOLVED that the President is hereby authorized to execute and deliver each of the Lease Agreements, each of the Guaranties, and the Master Agreement, and the President and all other appropriate University officers are authorized to take such further action as may be necessary or appropriate to carry out their intended purpose, subject to the obtaining of all additional approvals required under the Board Policy: Reservation and Delegation of Authority.

Regent Simmons returned to the meeting.

McMillan reported that the committee also discussed the Annual Financial Report and challenges facing higher education (Moody's Report), and reviewed a number of information items detailed in the docket materials.

#### **REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE**

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

- a) Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the December 12, 2013 committee minutes.

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

Simmons reported that the committee also reviewed proposed amendments to Board of Regents Policy: *Commercialization of Intellectual Property Rights*; received an update on undergraduate education and future goals; discussed undergraduate tuition and financial aid philosophy; and reviewed a number of information items.

### **REPORT OF THE AUDIT COMMITTEE**

Regent Brod, Chair of the committee, reported that the committee reviewed proposed amendments to Board of Regents Policy: *Audit Committee Charter*; received a report of the external auditor; discussed an intercollegiate athletics risk profile; received and discussed the institutional compliance officer semi-annual report; and reviewed a number of information items.

### **REPORT OF THE FACILITIES & OPERATIONS COMMITTEE**

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

- a) Approval of an amendment to the 2014 Capital Budget by:
  - 1) \$900,000 for the Nils Hasselmo Hall - Core Robotics Lab project, Twin Cities Campus.

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

Regent Simmons recused herself for the following two items due to a potential conflict of interest. She left the meeting.

Regent Allen reported that the committee also voted unanimously to recommend:

- b) Approval of the following real estate transaction as presented to the committee and described in the December 12, 2013 committee minutes:
  - 1) Purchase of three parcels from City of Rochester: .62 acre, 601-609 - 1<sup>st</sup> Avenue SW and 114 - 6<sup>th</sup> Street SW (Rochester Campus).
- c) Schematic Plans for the following project as presented to the committee and described in the December 12, 2013 committee minutes:
  - 1) Ambulatory Care Center, Twin Cities Campus.

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

Regent Simmons returned to the meeting.

Allen reported that the committee also received and discussed ensuring a safe university; and reviewed a number of information items included in the docket materials.

### **REPORT OF THE LITIGATION REVIEW COMMITTEE**

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

## **REPORT OF THE SPECIAL COMMITTEE ON ACADEMIC MEDICINE**

Regent Cohen, Chair of the committee, reported that the committee discussed educating and training Minnesota's health workforce.

## **REPORT OF THE AD HOC NOMINATING COMMITTEE**

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

- a) Approval of appointments to the Fairview Health Services Board of Trustees as follows:
- Levi Downs, three-year term expiring December 2016; and
  - Richard Ostlund, three-year term expiring December 2016.

Regent Simmons indicated she would recuse herself for the discussion of, and vote on, the Fairview Health Services appointments. Chair Beeson ruled that this did not present a conflict of interest for Regent Simmons and she remained in the meeting.

- b) Approval of appointments to the Integrated Structure Board of Directors, as follows:
- Denis Clohisy, one-year term expiring January 2015;
  - Diane Lilly, two-year term expiring January 2016;
  - Dee Thibodeau, three-year term expiring January 2017; and
  - Jennie Carlson, three-year term expiring January 2017.

The Board of Regents voted unanimously to approve the recommendations of the Ad Hoc Nominating Committee.

## **RECEIVE AND FILE REPORTS**

Chair Beeson noted the receipt and filing of the Quarterly Report of Grant and Contract Activity, the Annual Financial Report, and the Annual Eastcliff Report. Regent Simmons noted that proposed policy changes related to oversight and management of Eastcliff will come for review at a future Board of Regents meeting.

## **CONSENT REPORT**

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

- Summary of Gifts through October 31, 2013.

The Board of Regents voted unanimously to approve the Consent Report.

## **REPORT OF THE STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS**

Meghan Mason, Chair, student representatives to the Board of Regents, and Joelle Stangler, student representative, presented the group's semester report. The report reflects student perspectives on issues and concerns and included items from each student government group

detailing goals, accomplishments, and obstacles. Mason and Stangler addressed the report's three main areas: sustainability in higher education, campus safety, and gender-neutral housing.

Kaler expressed gratitude to the student representatives for their report, and commended the Minnesota Student Association and Graduate and Professional Student Assembly leadership for their attention to the safety issue system wide. Kaler also noted that tuition for professional students remains in the forefront.

Regents expressed appreciation to the student representatives for their contributions and commitment.

A copy of the Report of the Student Representatives to the Board of Regents is on file in the Board Office.

### **RECOGNITION OF REGENTS PROFESSORS**

Recognition was given to newly appointed Regents Professors Timothy Lodge, Department of Chemistry and Department of Chemical Engineering and Materials Science, College of Science and Engineering; and Stephen Polasky, Department of Applied Economics, College of Food, Agricultural and Natural Resource Sciences and Department of Ecology, Evolution, and Behavior, College of Biological Science.

A Regents Professorship is the highest honor that the University of Minnesota bestows on its faculty. The title is held as long as the individual retains a full-time, tenured appointment as a faculty member of the University.

### **STRATEGIC PLAN UPDATE**

Chair Beeson invited Senior Vice President and Provost Hanson to provide an update on the strategic planning process for the Twin Cities campus, as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Hanson reported that President Kaler launched a strategic planning process for the Twin Cities campus in September 2013. A strategic planning workgroup was formed and charged with developing the plan framework: mission, vision, values, goals and strategies. Hanson reminded the Board that the overall goal of the strategic plan and the planning process is to increase the University's impact and reputation. Additional goals include a plan that is bold, inspirational and aspirational; articulates a vision and specific action steps; is consultative and inclusive yet timely; and builds on successful past initiatives, but with a new vision, goals and priorities.

Hanson noted Kaler's commitment to engaging the entire University community and external constituencies during the planning process. Hanson discussed consultations with student and University Senate groups, faculty and staff. The next step in the consultation process focuses more on external stakeholders and will occur through a variety of mechanisms.

Hanson presented several emergent themes:

- The Twin Cities metropolitan area is a strategic asset;
- The University's land-grant and research missions are vital to the future of the institution;

- The University has a variety of important partnerships, but could do more to leverage existing ones while developing others;
- The University should help solve major societal and health problems;
- Affordability and student debt are key issues; and
- The breadth and depth of University offerings help position the institution well for the future.

Students were asked what they believe will attract students to the Twin Cities campus in future years:

- Location of the campus;
- Quality and impact of University research, teaching, advising, and academics;
- Keeping tuition affordable; and
- Winning athletic teams.

She reported that an additional theme emerged: an appetite for explicitly addressing grand challenges.

Hanson reported that the work group next considered draft vision and values statements. She presented a draft vision statement developed from the emergent themes:

*“The University of Minnesota-Twin Cities will be preeminent in solving the challenges of a diverse and changing world.*

*We will use our depth and breadth to generate new knowledge and insights; create an educated citizenry able to understand and solve demanding problems; leverage the power of the liberal arts, humanities, and sciences; and engage both our urban and our natural environment.”*

Hanson outlined foundational commitments – academic freedom, trustworthiness and honesty, respect, diversity and inclusion, public engagement, and excellence – and a number of guiding principles to implement those values by being bold, innovative, and creative, promoting access, and demonstrating responsible stewardship of public resources and the public trust.

Hanson described next steps for the consultation process and workgroup. She noted that ideas have come forward for setting the institution on a path to address broad issues such as global food security, environmental conservation, regional and global economic development, educational equality, global health, and human rights.

Regent Omari commended the workgroup for the level of consultation with the wide variety of groups. He indicated that the term “urban” is no longer recognized as a positive term in some settings, and that perhaps another term could be used in the vision statement.

In response to a comment from Chair Beeson, Hanson noted that “excellence” is one of the foundational commitments included in the draft values, and stressed the institution is committed to excellence in fulfillment of its mission.

Regent McMillan commented that the institution can be global in scope, aspirations, and solutions, but stressed that it must always be mindful of the problems facing the state of Minnesota.

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

This item was carried over to a future Board of Regents meeting.

**ANNUAL FINANCIAL REPORT**

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

Volna provided highlights of the report, which included:

- The University's finances continue to be strong and prudently managed;
- Net position increased by \$189.8 million;
- Total revenues increased while operating expenses were up slightly;
- The FY 2013 cash flow decreased by \$11 million from FY 2012, to (\$74.5) million;
- Investments increased \$119 million due to increases in Consolidated Endowment Fund market value and investment income; and
- The auditors issued an unqualified opinion on the audited financial statements.

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

The meeting adjourned at 12:16 p.m.



**BRIAN R. STEEVES**  
**Executive Director**  
**and Corporate Secretary**