

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Litigation Review Committee
December 8, 2016

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, December 8, 2016 at 7:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; General Counsel Douglas Peterson; and Executive Director Brian Steeves.

Others present: Dan Herber, Amy Phenix, Timothy Pramas, Brian Slovut, and Shelly Carthen Watson.

The meeting convened in public session at 7:30 a.m.

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

A motion was made and seconded that the following resolution be adopted:

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

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non

The committee voted unanimously to adopt the resolution. The public portion of the meeting ended at 7:32 a.m.

The meeting adjourned at 8:32 a.m.

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BRIAN R. STEEVES
Executive Director and
Corporate Secretary

Year 2016-17

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Facilities, Planning & Operations Committee
December 8, 2016

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, December 8, 2016 at 8:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Chair To Occ 0.00.006 0.325 OP

estate purchase. Harris added that previous relationships can influence which organization a seller approaches.

Regent Rosha commented that he appreciates the new role played by UMF in the acquisition of land near campus, but stressed the primary importance of ensuring that the University meets its space needs. He wondered if public-private partnerships are standard across the country. Weinberg responded that public-private partnerships like the University has with United Properties are common across the United States and Canada, especially in areas where state approval is needed to purchase land. Harris offered that such partnerships are often used to ensure private-sector connections to campuses.

In response to a question from McMillan, Weinberg outlined some of the University's public-private partnerships, identifying the land lease for the Commons Hotel as one type and the joint venture with United Properties as another. She reminded the committee that United Properties was the winning bidder for the Days Hotel site and given the critical role that land plays in redeveloping that section of campus, the University entered into a partnership to ensure that its needs were considered within the project.

Regent Anderson asked about the performance of the Greek loan program. Harris responded that the program has approved five loans totaling \$1.2 million, and that it has been successful so far.

Regent Devine expressed his support for the partnership between the University and UMF. He stated his belief that a good working relationship with the neighborhoods near campus is critical to future development, offering the example of development around the University of Maryland, College Park campus. He asked about future challenges and opportunities. Harris responded that the University has the ability to signal long-term needs and the private sector will respond, such as with student housing. She observed that the University should work more with the private sector to maximize current development, and emphasized the need for REO and UMFREA to plan collaboratively and support each other. Harris suggested reviewing how current space is used and creating a new model that increases density.

In response to a question from Student Representative Klemenhagen, Weinberg explained that the University entered into two master leases that would start housing students in the fall of 2017. She noted that this would provide additional housing stock over five years. Harris pointed out that UMFREA does not lease to the University but does operate 975 student beds.

EAST GATEWAY: ISSUES AND INTERESTS

Regent McMillan invited Monique MacKenzie, director of planning, and Sarah Harris, managing director of University of Minnesota Foundation Real Estate Advisors, to discuss issues and interests related to the East Gateway section of the Twin Cities campus, as detailed in the docket.

MacKenzie put the East Gateway area in geographic context and offered the history behind the acquisition of property from the railroads. She reviewed the University District Alliance and reminded the committee of what the Twin Cities campus master plan from 2009 and campus development framework from 2016 envisioned for that section of campus. She summarized the East Gateway district plan and Stadium Village plan and how they interact with the academic focus. She outlined the University's 2013 joint venture with United Properties and expl.6(h)90.7(C72(n)-487(e)-

INFORMATION ITEMS

Interim Vice President Berthelsen referred the committee to the information items in the docket:

- Capital Planning and Project Management Semi-Annual Project Report
- Pioneer Hall / Superblock Interconnection

The meeting adjourned at 10:47 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Faculty & Staff Affairs Committee
December 8, 2016

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, December 8, 2016 at 8:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Executive Director Brian Steeves; and Associate Vice President Stuart Mason.

Student Representatives present: Lauren Anderson and Lauren Mitchell.

BOARD OF REGENTS POLICY:
(APPOINTMENT AUTHORITY)

Regent Simmons invited Vice President Brown to review Board of Regents Policy: *Reservation and Delegation of Authority*. Simmons provided background information on the recent policy amendment process. After a discussion about the policy by the full Board, the for review, not action.

Simmons invited President Kaler to provide his input on the policy amendments that the current revisions reduce the flexibility of the president to make hiring of that positions at the University that receive higher compensation than the president. Athletics and are highly visible and the public have great interest in their pay and He explained that hires in Athletics, especially coaches, happen very quickly and

that peer institutions have in recent weeks hired head coaches that or subject to approval by a governing board. He noted that the Board ability for the University and that mechanisms for emergency approval be used to approve coach contracts.

remains, particularly around the inclusion of contract buy-outs, which may require consultation with the general counsel.

Regent Cohen noted that she feels torn – the Board has the authority to hire the president and athletic director, who have the authority to make certain hiring decisions without Board approval, but the current climate demands that the Board publicly display its oversight responsibility for highly paid, highly visible staff members. She added that she would be able to support either of the options outlined by the President.

Regent Beeson expressed his opposition to the amended policy language, noting that the University is unique in that the position at the top of the organizational chart is not the highest paid. He emphasized the authority of the president and athletic director rather than a salary threshold and questioned whether Regents can or have added value to the coach hiring process. Beeson concluded that amendments to the policy should address the issue of highly

Simmons thanked Hsu for his comments and observations. She reemphasized the Board's need to be accountable, as well as

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Board of Regents Work Session:
System-wide Strategic Plan Themes

December 8, 2016

A work session of the Board of Regents of the University of Minnesota was held on Thursday, December 8, 2016 at Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice President Kathy Brown; Interim Vice Presidents Michael Berthelsen and Bernard Gulachek; Executive Director Brian Steeves; and Chief Auditor Gail Klatt.

Student Representatives present: Lauren Mitchell.

Chair Johnson invited Chancellor Stephen Lehmkuhle; Rebecca Ropers-Huilman, Vice Provost for Faculty Affairs; and Meredith Fox, CEO of Portage Partners Consulting to lead the Board in a discussion of system-wide strategic plan themes, as detailed in the docket.f

Beeson called for better recruitment efforts across the system. He suggested targeting recruitment in underserved populations, such as those in rural or urban areas.

Devine suggested the need for better prioritization regarding tuition modeling. He appreciated that the most recent tuition increases varied from campus to campus, but noted the difficulty in determining market value across the system. He emphasized the need for better advising and retention efforts at all campuses.

Rosha noted that it is difficult to evaluate the budget or the admissions process without clear institutional goals. He emphasized the importance of establishing system-wide goals to guide priorities. He suggested that the current decision-making process lacks cohesion.

Hsu suggested that the 21st century land-grant mission be included in the strategic plan.

Omari agreed with the need for clearer priorities. He noted that units without agency funding, such as from the NSF or NIH, are typically the first to be cut. He used the College of Liberal Arts as an example.

Regent Anderson disagreed that there have not been priorities, noting accomplishments such as better 4-year graduation rates and lower student debt. He suggested that perhaps priorities have not been clearly defined and that there could be more specificity around goal setting, but that does not mean priorities have not existed

Hsu remarked that the budget process previously has not provided enough understanding of where money goes within the organization. He added his opinion that without clear goals, it is difficult to understand where resources are allocated.

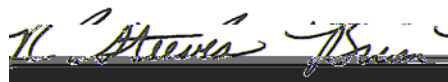
Ropers Huilman reported feedback from the system campuses, noting general themes from various stakeholder groups, such as faculty, staff, and students.

Johnson thanked the group for their efforts.

In response to a comment from Devine, Lehmkuhle responded that the feedback presented was merely a summary of themes heard from various stakeholders. He clarified that more detailed responses would be released from each campus.

Rosha asked about a process for evaluating the needs of the state and suggested that other state leaders, such as from the Minnesota State system, be involved in the planning process.

The meeting adjourned at 11:57 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Academic & Student Affairs Committee
December 8 , 2016

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, December 8, 2016 at 1:15 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle and Fred Wood; Executive Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Associate Vice President Meredith McQuaid; and Executive Director Brian Steeves.

Student Representatives present: Phillip Guebert and Mina Kian.

SYSTEM CAMPUS HIGHLIGHTS FROM THE 2016 UNIVERSITY PLAN,
PERFORMANCE, AND ACCOUNTABILITY REPORT

Regent Cohen invited Provost Karen Hanson to introduce system campus highlights of the 2016 University Plan, Performance, and Accountability Report, as detailed in the docket.

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UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee
December 8 , 2016

A meeting of the Finance Committee of the Board of Regents was held on Thursday, December 8, 2016 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

, Meredith McQuaid, Julie Tonneson , and Michael , to lead a discussion on international student tuition rates, as detailed in the docket.

McQuaid provided background about international students , noting the significant growth in numbers since 2005. She outlined the ir economic impact on both to the University and the state, and explained that increasing competition for international students means being creative courses, accreditation by Twin Cities college.

spending and the largest category of non-personnel expenses. Tonneson summarized other major trends observed over the three years of the analysis. She offered that it is difficult to see many of the administrative cuts that have been made since those cuts are often reallocated, creating a shift within a category instead of between categories. She summarized the potential direction of future analysis, noting that it is of primary value at the unit level, and offered options for sharing results with the committee in the future.

Regent Hsu responded that he would like to continue to have an annual presentation of the results as well as a written report, if the written report contains more detail. He asked what additional costs are not included in the analysis. Tonneson replied that the cost of the Enterprise System Upgrade, debt, construction costs, and other items listed in the presentation were not included.

Regent McMillan expressed his support for continuing and deepening the analysis, and asked if the analysis was more meaningful as a management tool. Kaler responded that understanding cost drivers is a key component of oversight. He noted that this presentation is helpful when talking with community members and provides a way to show where and how the University is allocating its resources.

Regent Devine proposed including debt costs with both the interest rate and principal in the analysis. Beeson agreed, suggesting excluding one-time costs but including debt and capital th, w0.001 T
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Regent Hsu expressed his belief that there is still more to cut and wondered if the Board should examine what has been cut and why. Beeson asked the administration to provide information about what it plans to cut in next year's operating budget, paying particular attention to anything that directly affects students.

Tonneson clarified that units are only directed to avoid cuts to student aid. She explained that units must prioritize and propose cuts based on their managerial judgment. She reminded the committee that only cuts in mission support and facilities, and leadership and oversight qualify toward the administrative cost reduction.

In response to a question from Hsu, Tonneson stated that each unit receives a target amount, and that the actual amount achieved is on average equal to or more than the target.

McMillan commented that the operating budget process is the time to look at potential cuts to student services, and shows the benefit of having more time to consider the operating budget.

The committee voted five to one to recommend approval of the report and submit it to the State of Minnesota. Omari voted no.

ANNUAL FINANCIAL REPORT

Regent Beeson welcomed Senior Vice President Burnett to the committee. He invited Burnett and Associate Vice President Volna to present the University's annual financial report, as detailed in the docket.

Burnett stated that the University has a strong balance sheet with strong cash flows. Volna explained that the net position of the University increased by \$107.1 million in FY 2016. Total net operating losses

CONSENT REPORT

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

General Contingency:

- x There were no items requiring approval this period.

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

- x To Dell, Inc., for \$1,305,528 for Dell servers to support Splunk licenses and support and maintenance for the Office of Information Technology (OIT) for the period January 1, 2017, through December 31, 2021. The first year purchase of equipment and support and maintenance is funded through the financing plan for the Next Generation Network project that was reviewed and approved by the Board of Regents in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget. Vendor was selected through a competitive process.
- x To Forsythe Solutions Group, Inc., for \$6,714,609 for Splunk log management tool licenses and support and maintenance for the Office of Information Technology (OIT) for the period January 1, 2017, through December 31, 2021. The first year purchase of equipment and support and maintenance is funded through the financing plan for the Next Generation Network project that was reviewed and approved by the Board of Regents in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget. Vendor was selected through a competitive process.
- x To Gatan, Inc., for an estimated \$1,000,000 for a direct electron detector with energy filter to accompany the Cyro Electron Microscope system purchased through FEI in 2015 for The Hormel Institute. The system will be purchased using funds specifically donated by The Hormel Foundation to equip an electron microscope share instrument core. This item was not budgeted for as part of the current fiscal year budget. See attached documentation regarding basis for vendor selection.
- x To Matrix Integration for \$5,667,563 for HP/Aruba Corporation Wi-Fi devices and support and maintenance for all campuses for the Office of Information Technology (OIT) for the period January 1, 2017, through December 31, 2021. The first year purchase of equipment and support and maintenance is funded through the financing plan for the Next Generation Network project that was reviewed and approved by the

University of Minnesota Off -Cycle Tuition Rates:

- x Tuition rates for summer 2017, fall 2017, and s

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

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Regent Brod shared her satisfaction with the elevation of the compliance function to deepen the culture of compliance at the University. She added that a proactive program will drive a culture of compliance.

UPDATE ON COMPLIANCE WITH STATE STATUTE REGARDING PROCUREMENT FROM SMALL BUSINESS

Regent Lucas invited Tim Bray, Director, Purchasing Services, and Darryl Peal, Executive Director, Business & Community Economic Development, to provide an update on compliance with MN Statute 137.31, as detailed in the docket.

Bray outlined the statute, enacted in 1979 and last updated in 1993, which requires that the University award 20 percent of purchasing contracts to small business. He explained that compliance is complicated by the University's multiple funding sources and by the fact that federal funds prohibit the use of geographical preference in selecting vendors.

Peal reported that in FY 2016, the University awarded 12 percent of purchasing contracts to small business under the definition, short of the 20 percent to achieve compliance. The University spent \$98 million in FY 2016 with targeted woman- and minority-owned business, an 11.5 percent increase over the previous year. Bray noted that emphasis was not historically placed on compliance with the state statute, but on awarding contracts to woman- and minority-owned businesses.

Regent Beeson observed that the state statute oversteps the University's institutional autonomy and encouraged the group to consider engaging the legislature for revision. He added that the University could simultaneously share what they are doing to support small, local businesses.

Regent Simmons supported Beeson's comments. She added that it is important to do what is practical and supports the people of Minnesota, without jeopardizing any federal funding.

Regent Omari encouraged the committee to consider a plan for the University to achieve compliance with the statute, rather than lobby the legislature to amend the statute. He noted that the presenters provided actionable items for moving toward compliance.

In response to Regent Hsu, Peal explained that no mechanisms are in place to achieve complete compliance.

Klatt summarized the next steps for identifying a path to compliance or determining whether there is a need to speak with the legislature.

INFORMATION ITEMS

Chief Auditor Klatt referred the committee to information items contained in the docket materials, which included:

- x Report of engagements less than \$ 100,000 requiring after-the-fact reporting.
- x Semi-Annual Controller's Report.
- x Semi-Annual Chief Compliance Officer's Report.

The meeting adjourned at 4:54 p.m.



BRIAN R. STEELES
Executive Director and
Corporate Secretary

REPORT OF THE LITIGATION REVIEW COMMITTEE

On 2006. At the meeting of the Litigation Review Committee held on 14th April 2006.

REPORT OF THE FACILITIES, PLANNING & OPERATIONS COMMITTEE

On 14th April 2006. At the meeting of the Facilities, Planning & Operations Committee held on 14th April 2006.

At the meeting of the Facilities, Planning & Operations Committee held on 14th April 2006.

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REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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BRIAN R. STEEVES
Executive Director
and Corporate Secretary

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8, 2016

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Board of Regents
December 9
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The Board voted unanimously to adopt the re

Chief Compliance Officer

In response to a question from Regent Simmons, Campbell explained that the FCC recently considered the qualifications of the two new faculty legislative liaisons. The committee determined that the liaisons indicated that they are appropriately prepared to serve in their respective roles.

Regent King urged the Board to recognize the frustration and disengagement of the students and staff who protested earlier. He noted that though he does not agree with all of their claims or their methods, it is important to consider the issues they are raising. In response to a question from King, Campbell responded that the main topics outlined in the report are ongoing, long-term issues. He added that the additional items are more immediate, some brought to the committee's attention by student groups. Campbell noted the FCC's efforts to engage with students and student groups on key issues, but agreed that some feel their issues are not heard.

Several Regents thanked Campbell for his leadership and engagement with the Board.

2016 UNIVERSITY PLAN, PERFORMANCE, AND ACCOUNTABILITY REPORT

Chairman Johnson invited President Ker and Executive Vice President and Provost Hason to present the 2016 University Plan, Performance & Accountability Report (r

to the University Anderson observed that the partnership is likely less expensive than the more infrastructure.

Regent Beeson suggested exploring conversations with other state health care partners, given the status in negotiations with Fairview.

ANNUAL FINANCIAL REPORT

Chair Anderson invited Senior Vice President Bunnett and Associate Vice President Volna to present the University's Annual Financial Report, as detailed in the packet.

Volna reported that the net position of the University increased by \$595.1 million in FY 2016. The total net operating loss remained flat compared to FY 2015 and non-operating revenues were down by \$3.1 million. Volna noted that FY 2016 cash flow increased by \$104.3 million from FY 2015, to positive cash flow of \$126.1 million. Total University assets increased \$2 million or 2.2 percent and liabilities increased \$90 million or 3.8 percent. Revenues for FY 2016 totaled \$5 billion and operating expenses totaled \$3 billion.

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

Bunnett provided a review of the University's financial statements.

The meeting adjourned at 11:51 am.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary